



**LUKHANJI LOCAL MUNICIPALITY**

**DRAFT ANNUAL REPORT  
2012/13**

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# CHAPTER 1

## MAYOR'S FOREWORD

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## EXECUTIVE SUMMARY



## CHAPTER 1: MAYORS FOREWORD AND EXECUTIVE SUMMARY

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### COMPONENT A: MAYORS FOREWORD

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This report is in accordance with powers and functions of local municipalities as described in the:

- Local Government: Municipal Systems Act (32 Of 2000).
- Local Government: Municipal Structures Act (117 of 1998).

Assessments and conclusions over the state of Lukhanji Municipality in 2012/2013 are based on stipulations of these Acts. This report provides a realistic overview of the state of the municipality, council and administration in the report year.

The report deals with the municipality in a holistic context but touches on the roles and functions of various operational structures and directorates. The report deals with matters of functional service delivery, financial sustainability; and the threats, challenges and opportunities that faced the local authority in 2012/2013.

#### VISION & MISSION

As a successfully developed and functional local authority Lukhanji Municipality succeeds with service delivery as embodied in mandates as set out in the:

- Constitution of South Africa;
- Local Government: Municipal Systems Act (32 Of 2000);
- Local Government: Municipal Structures Act (117 of 1998);
- Municipal Financial Management Act; and
- Pieces of municipal related legislation.

*Lukhanji Municipal vision is a municipality of choice that seeks to work closely with its people to promote good governance, economic growth and sustainable delivery of services while the mission of the municipality is to strive for financial and administrative stability while constantly*

*providing effective, affordable, sustainable quality services and also promoting sustainable integrated development in order to achieve socio economic upliftment, stability and growth.*

Primary values needed to succeed with the vision:

- Good governance
- Accountability
- Public participation
- People Development
- Teamwork
- Integrity
- Tolerance
- Honesty
- Responsibility
- Trust

## **THREATS**

A number of threats to the attainment of Council's Vision and Mission emerged during the reporting period.

Key to these threats stands the spreading of politically motivated disinformation to the public by political opportunists who aims to destabilise the municipality for political gains and to establish general institutional and public disobedience. The effect of these actions on the functioning of the municipality and especially service delivery was substantial and threatened to make the municipality ungovernable and to deprive people of basic services. This ultimately led to the removal of Councillor Nontsele as Executive Mayor and his redeployment to the Chris Hani District Municipality in January 2013. Councillor Gwantshu was elected to the position of Executive Mayor for the remainder of the financial year.

The reporting year commenced with an Acting Municipal Manager in charge of the Administration following the untimely death of former Municipal Manager, Professor Bacela, in May 2012. This potential threat was that institutional instability would increase with the position



of Municipal Manager being vacant. This however proved to be quite the opposite as greater stability started to emerge both on a Administrative and Political level. Management and the Leadership should be commended for keeping the ship afloat under very trying circumstances.

Council and Management moved swiftly with process of filling the vacancy of Municipal Manager and by 1 September 2012, the new Municipal Manager, Mr G S Brown assumed duties.

A narrow tax and tariff basis and limited resources of income proved to be another threat. The municipal services need in Lukhanji continue to increase but the increase in the pool of taxation and tariffs that remains marginal in order to accommodate the ever-increasing number of indigents and unemployed members of our community.

Slow rate of expenditure on capital projects during the year posed another threat. Measures needs to be put in place to avoid under-expenditure on capital items in order to bring much needed services to our people without any unnecessary delays.

## **KEY POLICY MATTERS**

The Integrated Development Plan for Lukhanji Municipality was drafted in accordance with the requirements and prescriptions of the Municipal Systems Act (32 of 2000). With the process of development and implementation the municipality adhered to key tasks: the Municipal council adopted a process set out in writing to guide the planning, drafting, adoption and review of the IDP; the Municipality, through appropriate mechanisms, processes and procedures, consulted the local community before adopting the process; and Municipalities involved the community in drafting and finalising the IDP.

The municipality drafted the annual budget with full community participation and the IDP. The budget was however not fully integrated in the IDP for 2012/2013. The budget came about through private/public/community-processes and can be regarded as a people's budget.

The municipality adhered, in the delivery of all its core functions, to Acts and legislation prescribing public participation through various processes.

The municipality complied with the prescriptions and demands of the Public Access to Information Act and compliance occurred through regular responses to local newspapers, press releases and negotiations where information was transferred.

## **KEY ACHIEVEMENTS**

The municipality interacted with the public and through this and research for the IDP the authority developed its understanding of the profile of communities and people in the municipal area: socio-economic, welfare, demographics, employment, poverty, education and training. By understanding the municipality has knowledge about the real needs of people and communities and what municipal actions are needed to create general and economic growth and development.

Despite political driven public marches the municipality improved service delivery and upgrading and development key infrastructure. The municipality registered more poor families in the indigent household support program and spread basic service delivery to more people.

The municipality planned for short and medium term financial sustainability and implemented organisational strategies and approaches to ensure that outstanding debts are recovered, that the client pay for all services, that the public funds are utilised to its optimum and that operational savings add to the pool of funds for service delivery.

The municipality improved communication through mechanisms mentioned elsewhere; but also fully functional and people driven Ward Committees. The IDP and Budget were drafted in an environment suitable for accelerated communication.

The municipality were involved with several local economic initiatives that led to job creating economic projects such as the construction of Hawker Stalls, support to Agricultural projects, creation of EPWP funded jobs, the Nonesi shopping, etc. In the process partnerships developed between private business, development initiatives, training facilitators and Cooperatives. An IPED Directorate was established and Director appointed.

## **CONCLUSION**

It was a tough year and the challenges to maintain development and service delivery in a politically heated environment was met; but with time and effort that should have gone into service delivery and municipal financial sustainability initiatives.

The budget for 2012/2013 was to a large degree successfully implemented and this report will indicate that services were spread to people who need it most: indigent households.

Challenges of the day were dealt with successfully and a platform was laid for long-term financial sustainability. The municipality remained on course to becoming a model municipality for all municipalities within the Chris Hani District. Despite limited resources effective and sustainable services were rendered through skilled, experienced and committed personnel and good infrastructures. The baseline assessment is that the municipality moved forward in 2012/2013 and that it progressed in terms of its responsibilities, tasks and service delivery.

## **ACKNOWLEDGEMENTS**

I thank Acting Municipal Manager, Mr Gideon Judeel, newly appointed Municipal Manager, Mr Gregory Brown for the incredible work done by both of them, the management team and all other staff.

I thank the Mayoral Committee members of the two respective Mayoral Committees, the Speaker and Chief Whip, for their support and dedication to this fine municipality - it was a privilege to lead people of your caliber albeit for a mere seven months.

I thank all parties on Council for their support. Thanks to Directors, Managers and all personnel. Thank you to the public who worked with us and actively participated in processes that lead to good municipal governance and services. Thank you for supporting us and for allowing us to serve you.

**M Z GWANTSHU**

**EXECUTIVE MAYOR**

*(31 JANUARY 2013 – 7 AUGUST 2013)*

## COMPONENT B: EXECUTIVE SUMMARY

### 1.1 MUNICIPAL MANAGERS OVERVIEW

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*The Municipal Manager was not available at the time of printing for the inclusion his overview of the 2012/13 Financial Year.*

## 1.2 MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

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### 1.2.1 INTRODUCTION TO BACKGROUND DATA

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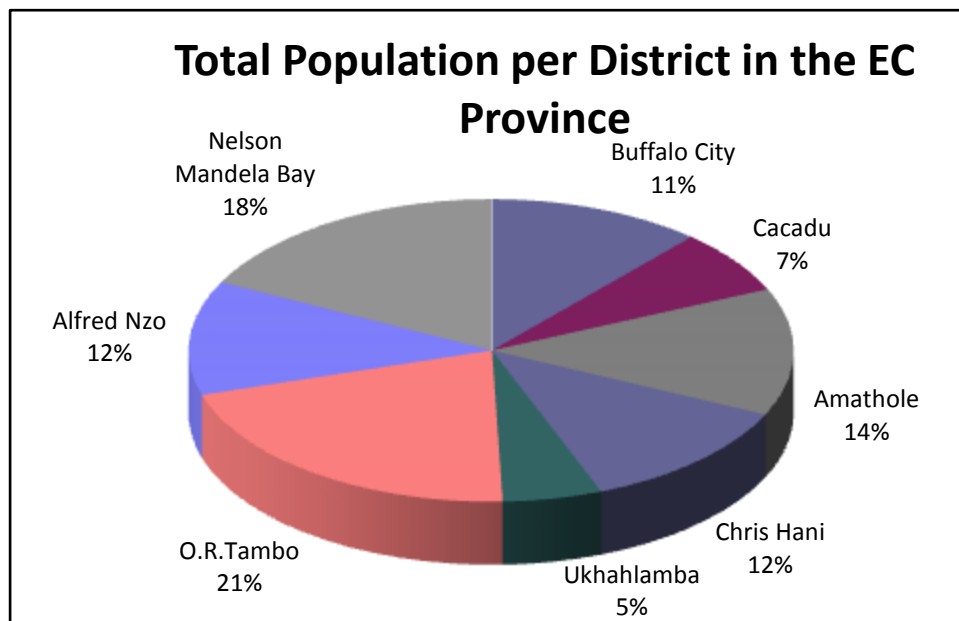
The 2012/13 Annual Report reflects on the performance of the municipality for the period 1 July 2012 to 30 June 2013. The Annual Report is prepared in terms of Section 121(1) of the Municipal Finance Management Act (MFMA), in terms of which the Municipality must prepare an Annual Report for each financial year.

*The report aims to provide the reader with an insight into the activities of the municipality during the past year.*

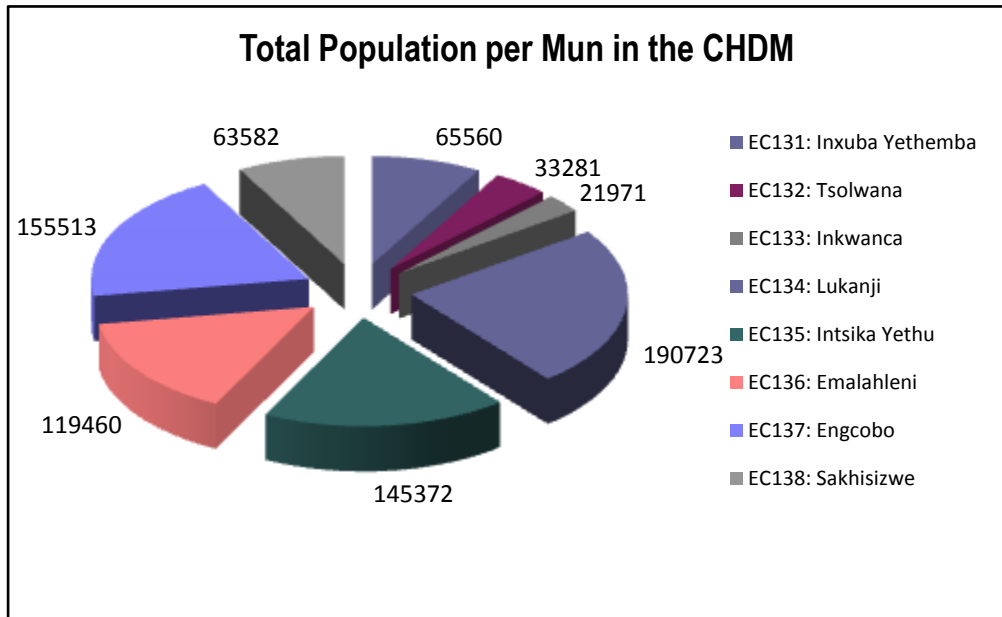
### 1.2.2 POPULATION

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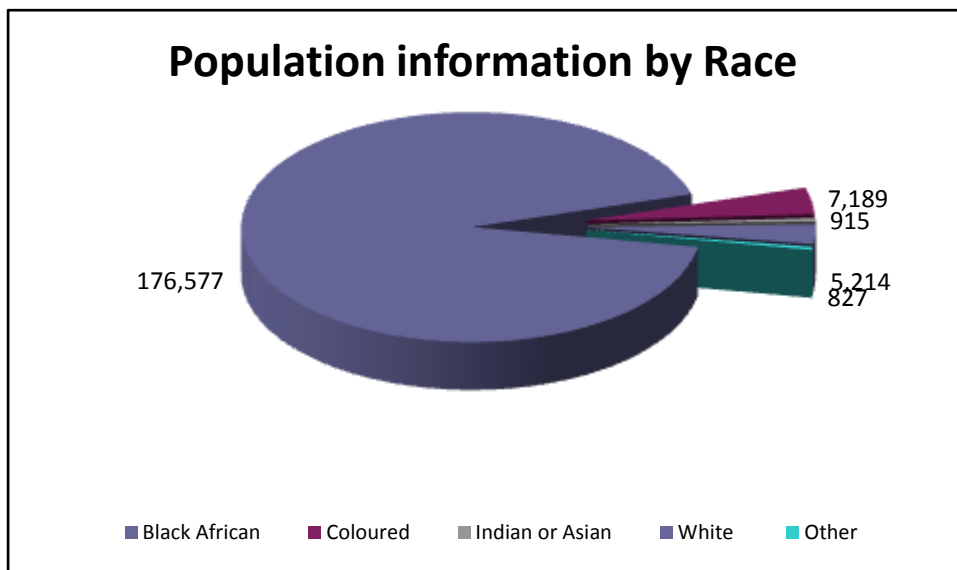
Demographic analysis/profile of the municipality as per Statistics SA 2011



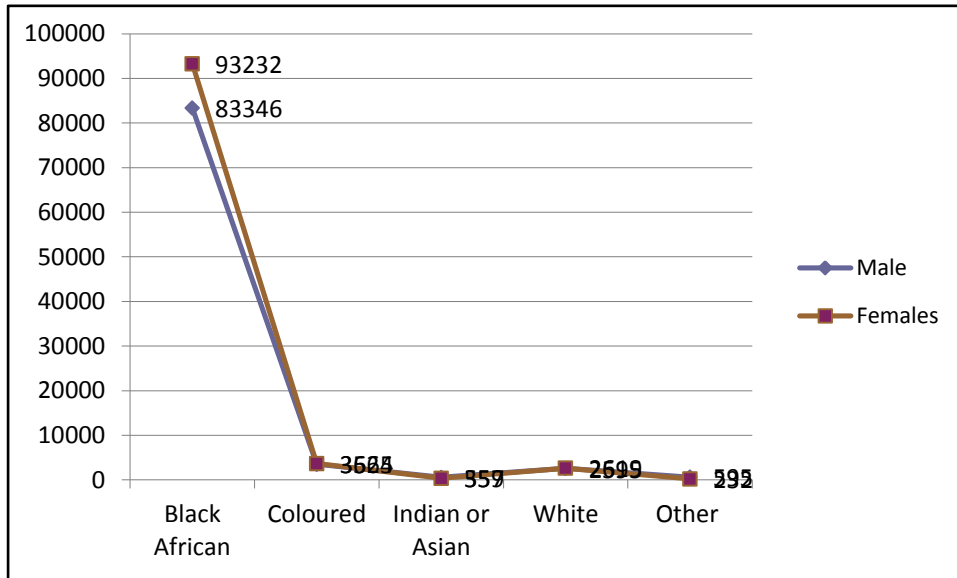
The above pie chart indicates that the Chris Hani District Municipality, which Lukhanji is part of, is the 4<sup>th</sup> biggest district in the province (in terms of population)



Accordingly, Lukhanji Local Municipality has the highest population in the district, with a total of 190 723, followed by Engcobo and Sakhisizwe



The above pie charts analyses the total population of Lukhanji Local Municipality by race, with 93% of its population being Black African followed by Coloured



Population Group	Male	Females
Black African	83346	93232
Coloured	3525	3664
Indian or Asian	559	357
White	2595	2619
Other	595	232

The number of households in the Lukhanji municipality increased from 44 975 in 2001, to 49 675 in 2007 and 51 172 in 2011. This represents an annual growth of 1.7%.

In general, the population of the Lukhanji area is fairly young, considering the almost 45% of the population of Lukhanji is under the age of 20. The people over the age of 60 contribute towards 9.3% of the population.

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### 1.2.3 HOUSEHOLDS

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The number of households in the Lukhanji municipality increased from 44 975 in 2001, to 49 675 in 2007 and 51 172 in 2011. This represents an annual growth of 1.7%.

The demand for housing in the Municipality is estimated to be approximately 40 000 units. Approximately 99% of the applicants fall within the income range of R0 – R2500. This only relates to beneficiaries who qualify for the give-away housing subsidy schemes.

<b>INCOME GROUP</b>	<b>% OF TOTAL</b>	<b>ESTIMATED NO OF UNITS</b>
R0-R1500.00	97	38 880 units
R1501-R2500	2%	800 units
R2501-R3500	1%	320 units
Total	100	40 000 units

The municipality has a housing waiting list and provides an analysis of the potential beneficiaries based on current accommodation as follows:

<b>DEMAND BY CURRENT ACCOMMODATION</b>	<b>% OF TOTAL</b>	<b>ESTIMATED NO. OF UNITS</b>
Backyard Shacks	5%	200
Renting	13%	5200
Stay in Family House	34%	13600
Informal Settlement	46%	18400
Desire to Own Property	2%	800

The housing waiting list indicates a total of 100 903 applicants will require housing in future. This includes the disabled, new applicants, those requiring formalization / upgrading, those to be relocated from backyard shacks, etc.

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#### **1.2.4 SOCIAL AND ECONOMIC PROFILE**

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Approximately 8% of the adult population in Lukhanji has not received any formal education. Approximately 25.6% of the adult population attended primary school, 13% completed secondary school and 9.1% obtained a tertiary education.



The 2007 Community Survey indicated that more than half of all households (54.8% or 27 238 households) earn a monthly income of below R1600 per month. A further 22.5% (11 182 households) earn between R1600 and R3200 per month. Considering the average household income, these communities can be considered to be fairly poor. This is furthermore reflected by the social grant uptake of 34.3%.

Considering the employment status, a total of 46% (55 583 households) the working age population in Lukhanji are not economically active. Only 24.4% are employed, and 29.7% are unemployed. There is a high dependency ratio coupled with low affordability and therefore housing initiatives like rental housing may become a challenge for the municipality.

According to the available information (derived from 2006 Basic Services study), approximately 74% of the population currently resides in urban areas, whilst the remaining 26% live in so-called rural areas. The percentage of households that reside in a formal housing on an individual stand equates to 79.6% (39 542 households). Merely 10% of the population live in a traditional dwelling (5166 households) and informal dwellings are occupied by approximately 3 000 households.

There is increasing migration from rural to urban areas and this phenomenon impacts housing demand in the municipality and needs to be factored into development plans of the municipality.

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## **1.3 SERVICE DELIVERY OVERVIEW**

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### **1.3.1 ELECTRICITY**

The following are the functions of the municipality with regards to provision of electricity in the area:

- Repairs and maintenance of all existing electrical networks within the Ezibeleni, Mlungisi and Queenstown;
- Provision of new networks required in the same areas;
- Daily provision of electrical connections to new customers

- Provision of a support service to the BTO in terms of disconnections and reconnections of defaulted customers.

ESKOM supplies electricity and carries out maintenance services in the Lukhanji Municipal area except Queenstown where the Lukhanji Municipality buys electricity from ESKOM and in turn sells to the consumers. The backlog for electricity household connections is estimated by RSS survey of 2006 to be at 11.3% while the rest of 88.7% are said to have a combination of metered and pre-paid connections.

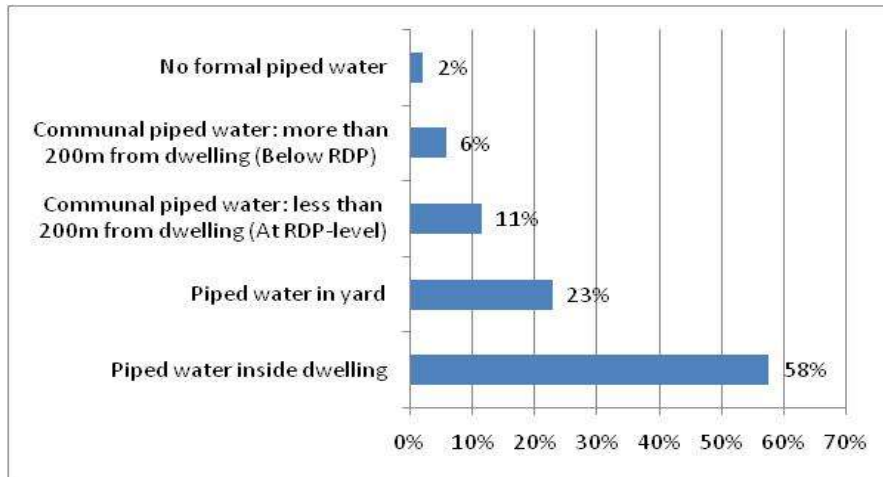
97% of households in the Municipal Area are electrified.

### **1.3.2 WATER**

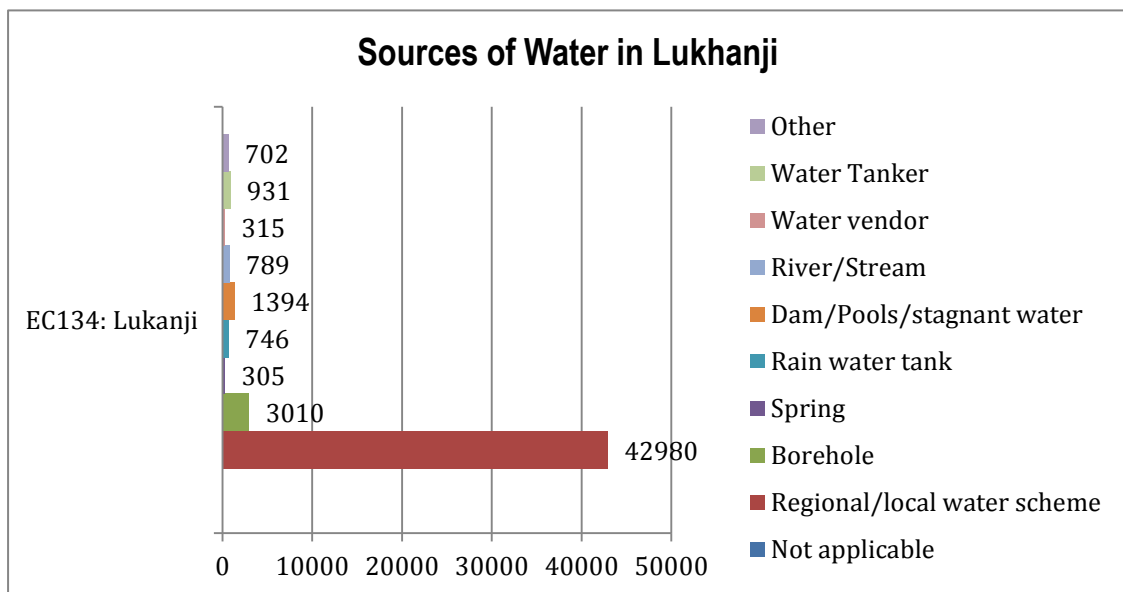
In terms of the powers and functions, the municipality is a water service provider acting as an agent of the water service authority, which is Chris Hani District Municipality. Both institutions entered into a service level agreement on how the operations and the costs thereof will be managed, the agreement is renewable every two years. It also includes acting as a revenue collector of the district municipality which the municipality pays over to the district at the end of each financial year. The district is responsible for all costs relating to water and sanitation services which the municipality provides to the community. Lukhanji LM entered into 25 year contract with Water and Sanitation Services of South Africa.

Bulk potable water is supplied from Waterdown and Bongolo dams. While irrigation water is supplied from the Waterdown, Oukraal and Bushmanskraans dams (0.52mm<sup>3</sup>). As potable water demand has reached available supply a new water scheme to bring water from the Xonxa dam to Queenstown will be designed and implemented over the next few years.. Water Demand management is also being implemented by both the District and Lukhanji to bring down water losses.

The figure below uses Global Insight statistics to understand extent of water supply connections in the Lukhanji areas.



According to Global Insight 2008 at least 92% of households have access to water supply at RDP level. About 23% have yard connections while another 11% are served through communal level connections (either borehole or linked to a rural water scheme). Current water connection backlog is estimated at only 8% by 2008. At this rate of service delivery it is highly likely that Lukhanji will be able to meet its IDP & Millennium development objective of wiping basic service backlog by 2014.



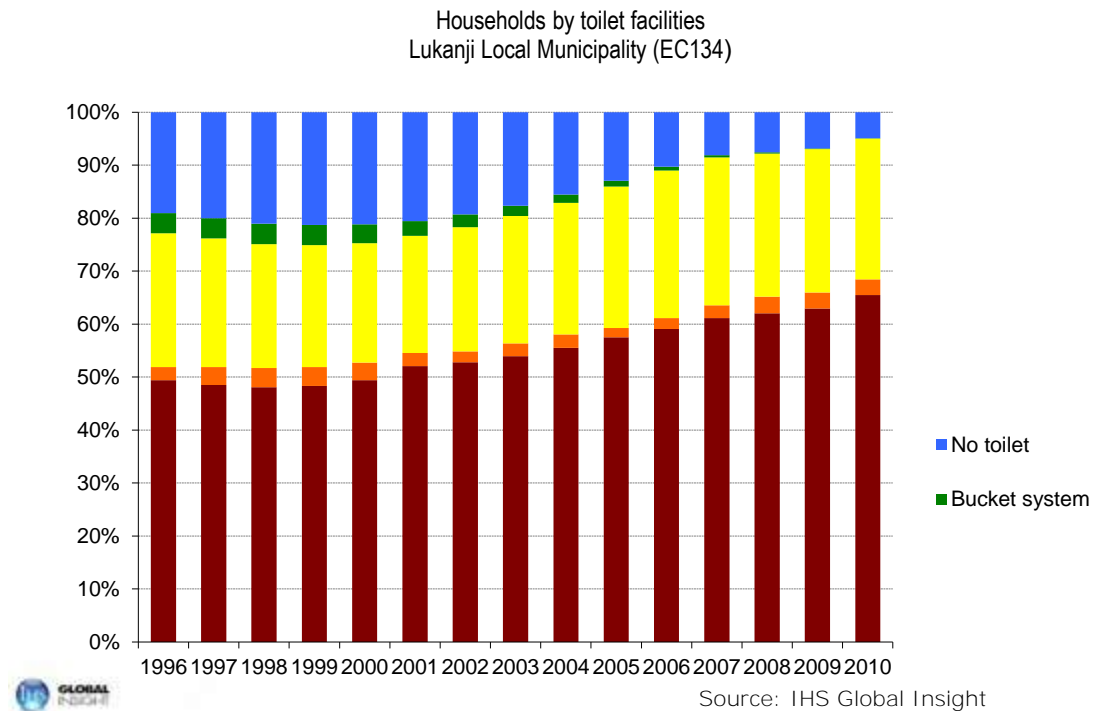
STATS SA: APRIL 2013

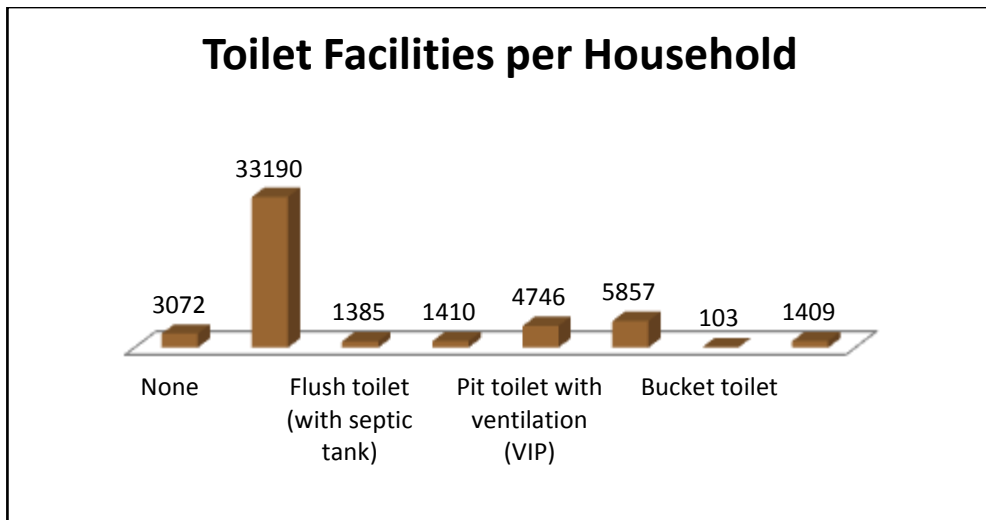
The above table seeks to illustrate that, out of 51 172 households in Lukhanji as per Stats SA 2011, 84% has access to regional or local water scheme, with 6% using borehole with the very least (0.6%) using spring water

### 1.3.3 SANITATION

Sanitation is not the competence of the municipality; it is the function of the Chirs Hani District Municipality. Sanitation backlogs remain higher than that of water in especially the rural areas. The falling behind of basic sanitation is attributable to slow processes of VIP implementation in the last five years compared to water. The figure below compares a distribution of households by levels of access to sanitation services.

Chris Hani District Municipality (CHDM) is the Water Services Authority (WSA) whilst Lukhanji LM is a Water Services Provider (WSP). The primary responsibility of ensuring that, local people have access to water and sanitation rests with CHDM. Lukhanji Municipality is responsible for operation and maintenance of the water and sanitation network. The operation and maintenance of the water and sanitation network is fully funded by the water and sanitation subsidy.





**STATS SA : APRIL 2013**

The above diagram illustrates the number of households with access to the toilet facilities in the municipal area, with 65% having access to flush toilets (with septic tank) with 0.2% still using bucket toilets.

### **1.3.4 CLEANSING AND WASTE MANAGEMENT**

Solid waste management, with the exception of hazardous waste is a competency of local government. In order to deliver this service local municipalities are required to have a council adopted Waste Management Plan which will guide a municipal wide waste management service.

#### **1.3.4.1 Domestic and some commercial waste**

According to the Census 2001 data there are few areas in Lukhanji where the Municipality provides waste collection services. It is mainly the urban centres of Queenstown and Whittlesea that waste collection services are provided. The vast majority of the households in Lukhanji LM (60%) receive waste collection service. The remaining 36% of households either dump themselves (31%) or receive no service (5%).

The following table provides Community Survey 2007 data for waste collection services in Lukhanji LM.

**Table 8: Lukhanji LM-Refuse disposal (Community Survey 2007)**

Waste disposal	Household	
	s	%
Removed by local authority/private company at least once a week	29,740	59.87
Removed by local authority/private company less often	225	0.45
Communal refuse dump	908	1.83
Own refuse dump	15,372	30.95
No rubbish disposal	2,704	5.44
Other	726	1.46
Total	49,675	100.00

#### 1.3.4.2 Waste recycled or minimization

While there is some limited recycling of cardboard, glass, plastics, etc. in Queenstown and Whittle sea, these activities are limited. In addition, there is no evidence of recycling of any measurable quantities of commercial, industrial, medical and hazardous waste generation in Lukhanji LM.

#### 1.3.4.3 Current waste categories and characteristics in Lukhanji Municipality

Waste generated in Lukhanji LM can generally be categorised as follows:

- **General domestic waste:** This consists of paper, plastic, metal, glass, putrescible / food waste, garden refuse and building rubble.
- **Commercial waste:** This waste is produced in insignificant quantities in the area and can also be categorized as general waste. Commercial wastes identified in the area include used cooking oil from restaurants and takeaways
- ✓ **Industrial waste:** This waste is derived from industrial activities.
- ✓ **Medical waste:** This includes hazardous medical waste such as sharps, infectious waste.
- ✓ **Hazardous waste:** Includes waste such as sewage sludge, oil from workshops and putrescible organic matter.

- ✓ **Agricultural waste:** Includes combination of the above, but could also include waste such as pesticide, herbicide and fertilizer residues and containers.

#### **1.3.4.4 Municipal Land Fill sites**

The Lukhanji Municipality has one operating solid waste landfill site in Queenstown and there is a permit to that effect and one tip site in Whittlesea.

The Municipal landfill site in Queenstown is licensed and the transfer stations in other areas do not require permits because of the size. The Municipality is removing refuse once or twice a week in households.

#### **1.3.5 CEMETERIES**

Through the Community Services Directorate, the municipality is responsible for the provision of grave sites; furthermore the municipality is responsible for the digging and maintenance of the cemeteries.

The municipality has the following formal cemeteries:

- ✓ Lukhanji,
- ✓ Ezibeleni,
- ✓ Whittlesea,
- ✓ Mlungisi,
- ✓ Ekupumleni and
- ✓ Sada.

The following cemeteries are informal:

- ✓ Ilinge and Lesseyton cemetery are not formal and are not under municipal control
- ✓ Ilinge and Lesseyton: cemeteries are full,

An EIA study was done in Whittlesea, but there is a land claim on the identified site. Budget has been made available in the 2013/2014 financial year for the construction of a new cemetery in Ilinge and Lesseyton. After the construction, the municipality will be required to

employ caretakers and general workers for the maintenance of the cemeteries and the day to day operations of the cemeteries

During the period under review, construction of a stone/brick wall around the Mlungisi Cemetery commenced. This was done with the assistance of the Department of Public Works. This is a poverty alleviation project (EPWP Project). Funding for this project was received from Chris Hani District Municipality.

### 1.3.6 COMMUNITY FACILITIES (HALLS)

Number of halls in the Lukhanji area:

Name of the Hall	Ward	Area
Town Hall	6 and 26	Queenstown
Skweyiya	22	Mlungisi
Lesseyton	27	Lesseyton
Ekuphumleni Community Hall	16	Whittlesea
Unathi Mkefa	7	Ezibeleni
Ezibeleni Community Hall	15	Ezibeleni
Ilinge Community Hall	2	Ilinge
Machibini Community Hall	3	Mtebele
Machibini Community Hall	3	
Thambo Community Hall	18	Thambo
Hackney Community Hall	12	Hackney
Ashley Wyngaart Community Hall	19	Parkville
Sada Community Hall	10	Sada
Lizo Ngcana Support Centre	20, 21	Mlungisi

There are also several sports and cultural facilities which were vandalized. The Municipality is currently in the process to upgrade these facilities. However in the areas outside Queenstown and the surrounding townships there is a lack of arts, culture and recreation facilities which hamper the development of a prominent youth sports culture.



### 1.3.7 SPORTS AND RECREATION

Sports arts and cultural heritage services are a primary competence of the Department of Sports, Arts and Culture. Lukhanji municipality plays a facilitation role in the identification of needs and cooperates with the Department of sports arts and culture in the implementation of such services. Most of the existing community sports facilities need repair and the majority of wards do not have well planned sporting facilities.

#### 1.3.7.1 Sport Stadiums

The municipality has the following sports and recreational facilities:

- ✓ Tobi Khula Sport Centre – Maintenance of the grounds, fields and the halls and ablution facility.
- ✓ Mlungisi Sport Stadium – Maintenance of the grounds, fields and the ablution facility. The tennis court at Mlungisi needs upgrading – nets to be constructed around the courts and to be resurfaced. The palisade fence surrounding the stadium need to be extended to cover the whole area.
- ✓ Dumpy Adams Stadium – Maintenance of the grounds, fields and the ablution facilities. An artificial soccer field was built by SAFA at Dumpy Adams. We are also in the process of upgrading the Cricket pitch and complete the athletic track and the tennis courts. The netball court also needs upgrading and we need stands to be constructed around the new soccer field.
- ✓ Ezibeleni Sport Stadium – Maintenance of the grounds, fields and the ablution facility. The ablution facility will be upgraded during the new financial year – 2013/2014
- ✓ Sada Sport Stadium – Maintenance of the grounds, fields and the ablution facility. The ablution facility will be upgraded during the new financial year. – 2013/2014
- ✓ Queenstown Public Swimming Pool – Maintenance of the grounds, pool floor and water, cleaning the ablutions and selling tickets. Lifeguard to be on duty. The buildings at the pool still need to be repaired and painted. The roof is leaking very badly.

### **1.3.8 LIBRARIES**

The primary purpose of the public libraries is to provide resources in a variety of media to meet the needs of individuals and groups for education, information and personal development including recreation and leisure.

There are five libraries viz:

- Mlungisi library;
- Ashley Wyngaard Library in Parkvale;
- Queenstown Library;
- Barrington Mndi Library in Ezibeleni and;
- Whittlesea Library within Lukhanji Municipality.

The Department of Sports, Recreation, Arts and Culture has indicated that the Ashley Wyngaard Library will be extended in the 2013 / 2014 financial year.

Some of the buildings have already been renovated by DSRAC and others have been earmarked for upgrading

Funded projects are:

- Extension of the Whittlesea Library
- New library at Ilinge
- New library at Lesseyton
- Mobile library services
- New library in Mlungisi

### **1.3.9 LUKHANJI PARKS**

There is one main park and a number of community parks. The community parks are located in the following area:

- Whittlesea
- In Sada
- Ilinge :Ward 2

- Lesseyton ward three mini parks in 27
- Ezibeleni :
- Mlungisi; (back of the Beer Hall)

The Department of Environmental Affairs appointed a service provider for the Komani River clean up and rehabilitation project. The project entails the following:

- The establishment and beautification of community parks in 5 different areas in and around Queenstown: Lesseyton, Ilinge, Whittle Sea, Mlungisi and Ezibeleni
- The Komani River clean up and rehabilitation
- Lukhanji entrance beautification
- Environmental awareness campaign to several communities of the Lukhanji municipality

### **1.3.10 ENVIRONMENTAL MANAGEMENT**

The focus is on land care, pasture management, eradication of alien plants, indigenous afore station, and waste management. The municipality sourced funds from the Department of Environmental Affairs for the environmental management programme. An amount of R20 million was allocated by the Department for the Komani River clean up and beautification project which ended at the end of the reporting period.

The project focused on the following:

- The establishment and beautification of community safety parks in 5 different areas in the municipality
- The Komani river clean up and rehabilitation
- The Lukhanji entrance and beautification
- Environmental awareness campaigns will also be conducted as part of the project
- The purchasing of refuse containers to service informal settlements.
- The cleaning and beautification of illegal dumped open areas.

The areas that were identified for the projects are the ones where illegal dumping was more prevalent. The project will run for a period of two years after which the municipality will have to develop a maintenance plan

Important work has been done at the Lawrence De Lange Game Reserve on education regarding the animals, birds and the environment in the Game Reserve. Schools were taken out on guided tours through the Game Reserve. Hunting and selling of animals is an important income for the game reserve and for the management of the game on the reserve. The Birding Club and the Environmental Club of one of the schools do important work on the Game Reserve. We also have Honorary Game Rangers that help to patrol the Game Reserve and other tasks that are necessary. We have 6 Rhino and 11 Giraffe and other buck species on the reserve. It would be nice if we could have chalets build in the Game Reserve, as we get a lot of tourists visiting the Game Reserve.

### 1.3.11 TOWN PLANNING

The following rezoning and consent use applications were considered during the course of the period under review:

ERF NO	ADDRESS	ZONED FROM	TO	DATE OF APPROVAL
135	Aloe Street, Westbourne	Residential Zone 1	Group Houses Residential Zone 11	12/10/2012
1396	64 Prince Alfred Street	Residential Zone 1	Business Zone 11	27/06/2012
3107 & 3349	42 Hillside Drive & 22 Jan Smuts Av	Residential Zone 1	Bed & Breakfast	12/12/2012
1927	3 Buxton Street	Residential Zone 1	Bookwork Business	12/12/2012
1394 & 1397	66 Prince Alfred Street	Residential Zone 1	Business Zone 11	12/12/2012
1599 & 10920	7 & 9 Wainwright Street	Residential Zone 1	Guest House & Restaurant	06/12/2012
10315	64 Grey Street	Residential Zone 1	Guest House	13/02/2013
1670	85 Prince Alfred Street	Residential Zone 1	Business Zone 1	18/10/2012

## **CHAPTER 2**

## **GOVERNANCE**

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## CHAPTER 2: GOVERNANCE

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

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### COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

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#### 2.1 POLITICAL GOVERNANCE

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The council performs both legislative and executive functions, with focus on legislative, oversight and participatory roles, and **has** delegated its executive function to the Executive Mayor and the Mayoral Committee. Council's primary role is to debate issues publicly and also to facilitate political debate and discussion. Apart from their functions as decision makers, councilors are also actively involved in community work as well as various social programmes in the municipal area.

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##### 2.1.1 POLITICAL STRUCTURE


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In the financial year under review the political structure had convulsion and challenges and in that the restructuring of the political structure occurred, wherein the Executive Mayor Cllr. Mncedisi Nontsele was removed with a vote of no confidence passed by Council towards his leadership at a Council meeting held on 31 January 2013. The Council vehemently agreed on his removal as the Executive Mayor that resulted to the dissolution of his Executive Committee.


The new political structure was then elected in the same Council meeting, where Cllr Zakhele Mzukisi Gwantshu was elected as the Executive Mayor who subsequently nominated his Executive Committee. The restructuring is reflected in the table below:






**POLITICAL STRUCTURE**



<p>Cllr M Nontsele Executive Mayor (31/05/2011– 31/01/2013)</p> 	<p>Cllr M Gwantshu Executive Mayor (31/01/2013- 08/08/2013)</p> 	<p>Function</p> <ul style="list-style-type: none"> <li>• To identify the needs of the municipality.</li> <li>• To review and evaluate those needs in order of priority.</li> <li>• To recommend strategies, programmes and services to address priority needs through the IDP and the estimate of revenue and expenditure taking into account national and provincial plans.</li> <li>• To recommend or determine the best way to deliver strategies, programmes and services to the maximum benefit of the community.</li> <li>• To identify and develop criteria to evaluate strategies programmes and services mentioned in 3 above and to develop key performance indicators.</li> <li>• To evaluate progress against the key performance indicators.</li> <li>• Review the performance of the municipality in order to improve:             <ul style="list-style-type: none"> <li>-the economic, efficiency and effectiveness of the municipality,</li> <li>-efficiency of credit control and revenue and debt collection services, and</li> <li>-implementation of the municipality by-laws.</li> </ul> </li> <li>• To monitor the management of the municipality's administration.</li> <li>• To oversee the provision of services to the community in a sustainable manner.</li> <li>• To ensure community involvement in municipal matters by reporting on the following:             <ul style="list-style-type: none"> <li>-Annually reports on the involvement of community and community organizations in</li> </ul> </li> </ul>
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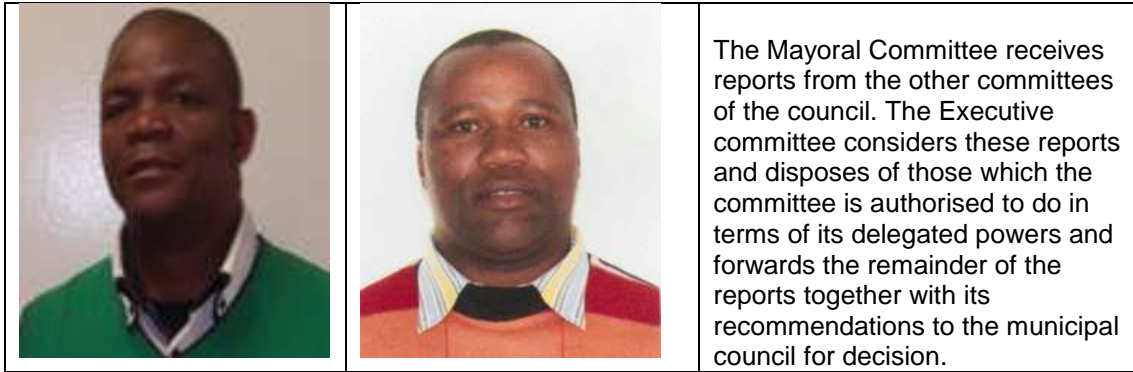
		<p>municipal affairs,</p> <p>-Ensure that regard is given to public views and report on the effect of consultation</p> <ul style="list-style-type: none"> <li>• Section 60 of the Structures Act provides that the Executive Mayor must appoint a mayoral committee amongst the Councillors if Council consists of more than nine members.</li> <li>• In respect of the Mayoral Committee, the Executive Mayor has the following responsibilities: <ol style="list-style-type: none"> <li>1. Chair the meeting of the Mayoral Committee.</li> <li>2. Oversee the preparation of the Mayoral Committee Agenda.</li> <li>3. May delegate specific responsibilities or powers to members of the Mayoral Committee.</li> <li>4. May dismiss a member of the Mayoral Committee.</li> <li>5. Ensure compliance with the Law including the rules of order, during Mayoral Committee meetings.</li> <li>6. Ensure that members of the Public are allowed in Mayoral Committees meetings.</li> </ol> </li> </ul>
<p>Cllr M Snyders Speaker</p>		<p>Function</p> <ul style="list-style-type: none"> <li>• Preside at the meetings of the Council;</li> <li>• Maintain order during Council meetings;</li> <li>• Ensure that Council meetings are conducted in accordance with Rules of Order of the Council;</li> <li>• Ensures that Councillors get adequate notices of meetings;</li> <li>• Ensure implementation of procedure with regard to quorums and compliance with section 30 of the Municipal Structures Act;</li> <li>• Allocate speaking time to members in accordance with the Council's policy;</li> <li>• Implement voting procedure in accordance with the Rules of</li> </ul>



	<p>Order and subject to the Municipal Structures Act;</p> <ul style="list-style-type: none"> <li>• Ensure that Councillors freedom of speech is protected;</li> <li>• Ensure that Councillors freedom of speech is exercised subject to council's Rules of Order;</li> <li>• Ensure and facilitate the admission of the public to council meetings;</li> <li>• Grant leave of absence to Councillors in accordance with council's Rules of Orders;</li> <li>• Guard against the abuse of councilor's privileges and interest and;</li> <li>• Maintain an attendance register.</li> </ul>
<p>Cllr TM Jocki Chief Whip (24/02/2012- to date)</p> 	<p>Function</p> <ul style="list-style-type: none"> <li>• Political management of council meetings and committee meetings</li> <li>• Inform Councillors of meetings called by the Speaker and the Mayor and ensuring that such meetings quorate</li> <li>• Advises the Speaker and Mayor on the Council agenda</li> <li>• Informs Councillors on important matters on the relevant agenda</li> <li>• Advise the Speaker on the amount of time to be allocated to speakers and the order of such speakers addressing the Council</li> <li>• Ensures that Councillors' motions are prepared and timeously tabled in terms of the procedural rules of Council</li> <li>• Assisting the Speaker in the counting of votes</li> <li>• Advising the Speaker and the Mayor of urgent motions</li> <li>• Advising the Speaker and Mayor on how to deal with important items not</li> </ul>

		disposed of at a Council meeting
<p>Cllr TM Jocki Portfolio Head (<i>Special Programmes Unit</i>) (31/05/2011-24/02/2012)</p> 	<p>Cllr N Pambo Portfolio Head (<i>Special Programmes Unit</i>) (24/02/2012-31/01/2013)</p> 	<p>The Mayoral Committee Members assist the Executive Mayor, serve him/ her with advice and take decisions with the Executive Mayor in respect of designated powers.</p> <p>The Mayoral Committee receives reports from the other committees of the council. The Executive committee considers these reports and disposes of those which the committee is authorised to do in terms of its delegated powers and forwards the remainder of the reports together with its recommendations to the municipal council for decision.</p>
<p>Cllr N Pambo Portfolio Head (<i>Technical Services</i>) (31/05/2011– 24/02/2012)</p> 	<p>Cllr ZM Gwantshu Portfolio Head (<i>Technical Services</i>) (24/02/2012- 31/01/2013)</p> 	<p>Function:</p> <p>The Mayoral Committee Members assist the Executive Mayor, serve him/ her with advice and take decisions with the Executive Mayor in respect of designated powers.</p> <p>The Mayoral Committee receives reports from the other committees of the council. The Executive committee considers these reports and disposes of those which the committee is authorised to do in terms of its delegated powers and forwards the remainder of the reports together with its recommendations to the municipal council for decision.</p>
<p>Cllr B Van Heerden Portfolio Head (Administration &amp; HR)</p> 		<p>The Mayoral Committee Members assist the Executive Mayor, serve him/ her with advice and take decisions with the Executive Mayor in respect of designated powers</p> <p>The Mayoral Committee receives reports from the other committees of the council. The Executive committee considers these reports and disposes of those which the committee is authorised to do in terms of its delegated powers and forwards the remainder of the reports together with its recommendations to the municipal council for decision.</p>

<p>Cllr M Peter Portfolio Head Budget &amp; Treasury (31/05/2011- 31/01/2013)</p> 	<p>Cllr MM Matiwane Portfolio Head Budget &amp; Treasury (31/01/2013- 08/08/2013)</p> 	<p>The Mayoral Committee Members assist the Executive Mayor, serve him/ her with advice and take decisions with the Executive Mayor in respect of designated powers</p> <p>The Mayoral Committee receives reports from the other committees of the council. The Executive committee considers these reports and disposes of those which the committee is authorised to do in terms of its delegated powers and forwards the remainder of the reports together with its recommendations to the municipal council for decision.</p>
<p>Cllr AE Hulushe Portfolio Head Human Settlements (31/05/2011-31/01/2013)</p> 	<p>Cllr TV Mpolo Portfolio Head Human Settlements (31/01/2013-08/08/2013)</p> 	<p>The Mayoral Committee Members assist the Executive Mayor, serve him/ her with advice and take decisions with the Executive Mayor in respect of designated powers</p> <p>The Mayoral Committee receives reports from the other committees of the council. The Executive committee considers these reports and disposes of those which the committee is authorised to do in terms of its delegated powers and forwards the remainder of the reports together with its recommendations to the municipal council for decision.</p>
<p>Cllr B Mngese Portfolio Head Community Services</p> 		<p>The Mayoral Committee Members assist the Executive Mayor, serve him/ her with advice and take decisions with the Executive Mayor in respect of designated powers</p> <p>The Mayoral Committee receives reports from the other committees of the council. The Executive committee considers these reports and disposes of those which the committee is authorised to do in terms of its delegated powers and forwards the remainder of the reports together with its recommendations to the municipal council for decision.</p>
<p>Cllr D Mjo Portfolio Head IPED (31/05/2011-31/01/2013)</p>	<p>Cllr MV Blekiwe Portfolio Head IPED (31/01/2013-08/08/2013)</p>	<p>The Mayoral Committee Members assist the Executive Mayor, serve him/ her with advice and take decisions with the Executive Mayor in respect of designated powers</p>



In the year under review the Council lost two Councillors: December Mjo and Xolani Sibefu due to passing on of the two mentioned Councillors. It has been the most painful year for the family of Lukhanji Municipality as a result of these deaths. Life is a mystery to be lived, not a problem to be solved. They will always be loved, cherished and honoured forever. May their souls, and the souls of all our fallen officials, rest in peace.

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### 2.1.2 COUNCILLOR PROFILE

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Below is a table that categorised the Councillors within their specific political parties and wards:

Councillor	Full Time (FT)/ Part Time (PT)	Committee Allocated		Ward/PR	% Council Attendance	% Apologies for non-attendance
		01/07/12	01/01/13			
Cllr M Nontsele	FT	Executive Mayor	New Incumbent	ANC	17%	83%
Cllr M Snyders	FT	Speaker	Speaker	ANC	100%	
Cllr B Mngese	FT	P/Head (C/ Services)	P.Head (C/ Services)	ANC	100%	
Cllr AE Hulushe	FT	P/Head (HSLD)	New Incumbent	ANC	50%	50%
Cllr NC Pambo	FT	P/Head (T/Services)	New Incumbent	ANC	67%	33%
Cllr M Peter	FT	P/Head (Finance)	New Incumbent	ANC	67%	33%
Cllr BG Van Heerden	FT	P/Head (Admin & HR)	P/Head (Admin & HR)	ANC	33%	67%
Cllr D Mjo	FT	P/Head (IPED)	New Incumbent	ANC		
Cllr TM Jocki	FT	P/Head (SPU)	New Incumbent	ANC	100%	
Cllr FS Lungisa	FT	P/Head (C/Safety)		ANC	100%	
Cllr ME Ndinise	FT	MPAC Chairperson		ANC	100%	
Cllr MV Blekiwe	PT			ANC	100%	

Cllr AV Bokuva	PT			ANC	50%	50%
Cllr FM Dayimani	PT			ANC	100%	
Cllr JC De Wet	PT			DA	100%	
Cllr FN Duda	PT			ANC	100%	
Cllr ML Dyan	PT			ANC	67%	33%
Cllr SR Dyantyi	PT			ANC	67%	33%
Cllr ZA Dywili	PT			ANC	100%	
Cllr SL Gaju	PT			ANC	83%	17%
Cllr MZ Gwantshu	FT	Portfolio Head (Technical Services) (24/02/2012-31/01/2013) and Executive Mayor (31/01/2013-08/08/2013)		ANC	100%	
Cllr TM Gxaba	PT			ANC	67%	33%
Cllr MS Hokolo	PT			UDM	83%	17%
Cllr M Jaska	PT			ANC	67%	33%
Cllr MZ Kalipa	PT			COPE	83%	17%
Cllr NE Kondlo	PT			ANC	83%	17%
Cllr NA Kopolo	PT			COPE	83%	17%
Cllr FS Lungisa	FT			ANC	100%	
Cllr PPZ Mandile	PT			DA	83%	17%
Cllr K Manzana-Sovendle	PT			ANC	83%	17%
Cllr NL Maqungo	PT			ANC	83%	17%
Cllr MM Matiwane	FT	P/Head (Budget & Treasury) 31/01/2013		ANC	100%	
Cllr XP Mbasana	PT			ANC	50%	50%
Cllr N Mfundisi	PT			ANC	83%	17%
Cllr BM Mgoqi	PT			ANC	100%	
Cllr PMX Sibefu (Deceased 19/09/2012)	PT			ANC	0%	
Cllr M Mnyaka	PT			ANC	100%	
Cllr TV Mpolo	PT			ANC	100%	
Cllr SE Mvana	PT			ANC	100%	
Cllr B Ndabambi	PT			ANC	83%	17%
Cllr MR Ndaliso	PT			ANC	83%	17%
Cllr SN Ndlebe	PT			ANC	100%	
Cllr M Ngesi	PT			ANC	100%	

Cllr DD Njozela	PT			ANC	83%	17%
Cllr NP Nquma	PT			ANC	83%	17%
Cllr NJ Qomoyi	PT			ANC	100%	
Cllr BG Rani	PT			ANC	83%	17%
Cllr LC Rasimosi	PT			ANC	100%	
Cllr JM Shaw	PT			DA	100%	
Cllr N Simama	PT			ANC	83%	17%
Cllr MN Siyo	PT			PAC	83%	17%
Cllr MJ Thole	PT			ANC	83%	17%
Cllr EN Tsotetsi	PT			ANC	83%	17%
Cllr ML Tyholo	PT			ANC	100%	
Cllr M Xhelisilo	PT			DA	100%	
Cllr NT Xulubana	PT			ANC	100%	

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## 2.2 ADMINISTRATIVE GOVERNANCE

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The Municipal Manager is the Chief Accounting Officer of the Municipality. He is the head of the administration, and primarily has to serve as chief custodian of service delivery and implementation of political priorities. He is assisted by his direct reports, which constitutes the Management Team. A key priority of the Management Team has been to establish a solid leadership core within the organisation which permeates through to middle and supervisory management levels. The Management Team Structure is outlined in the table below:

Name of Official	Department	Performance agreement signed
		(Yes/No)
Gregory Brown	Municipal Manager	Yes
Lindiwe Ngeno	Chief Financial Officer	Yes
Donovan van Wyk	Strategic Executive Officer	Yes
Gideon Judeel	Director Community Services	Yes
Lungile Nomeva	Director Human Settlements	Yes
Pieter Bezuidenhout	Director Technical Services	Yes
Ncumisa Fololo	Director Administration & HR	Yes

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## 2.3 INTERGOVERNMENTAL RELATIONS AND COMMUNICATION

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Lukhanji co-ordinates the inter-governmental relations forum with all the stakeholders in the area for planning, co-ordination, and reporting on service delivery programmes. This is where



all sectors of the society and/or stakeholders come together for effective integrated planning and co-ordination of service delivery and where challenges are resolved in an amicable manner.

### **Provincial Intergovernmental Structure**

The Executive Mayor participates in the Muni-Mec forum and that is where best practices are shared for all Municipalities and also there are pronouncements that are being made. The Communications Manager participates in the Provincial Communicators Forum and that is where lessons are learnt from each Municipality to ensure improvements in the local government communication system.

### **Relationships with Municipal Entities**

Lukhanji Municipality doesn't have an entity.

### **District Intergovernmental Structures**

The Executive Mayor participates in the DIMAFO meetings that are called on a quarterly basis and the Communications Manager participates in the District Communicators Forum meetings

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## **2.4 PUBLIC ACCOUNTABILITY AND PARTICIPATION**

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The Municipal Systems Act, S15 (b): requires a municipality to establish and organise its administration to facilitate and a culture of accountability amongst its staff. S16 (i): states that a municipality must develop a system of municipal governance that complements formal representative governance with a system of participatory governance. S18 (i) (d): requires a municipality to supply its community with information concerning municipal governance, management and development.

Lukhanji Municipality makes use of the Ward Committee structure with respect to public accountability and participation. The purpose of the Ward Committee structures is to assist Ward Councilors with organizing, consulting, spreading of information to encourage participation from the residents within the Wards. The Ward Committee:

- Is an advisory Body.
- Is a representative structure.
- Is independent; and
- Must be impartial and perform its functions without fear, favour or prejudice.

There are 27 Wards within the Lukhanji Municipal area.

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## 2.5 PUBLIC MEETINGS

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Lukhanji Municipality engages in different methodologies to ensure adequate public participation, which includes:

- Traditional public meetings
- Meeting with wards committees,
- Ward meetings
- IDP and Budget Outreach meetings

Such participation is required in terms of:

- The preparation, implementation and review of the IDP and budget;
- Establishment, implementation and review of the performance management system;
- Monitoring and reviewing of the performance which include the outcome and impact of such performance; and
- Setting of service level standards
- Information sharing which relates to capital projects implementation.

Lukhanji Municipality utilises its ward committees as the primary consultative structure and access point to ensure public participation and accountability.



During public meetings communities highlighted the following:

### **Ward 1**

1. High Mast Lights
2. Gravel each roads / main
3. Roads / Fence
4. Xonxa water project
5. Primary health Care
6. Houses and Electricity
7. Land for agricultural purposes
8. Sanitation
9. Safety / Police Station
10. School
11. New site for cemetery
12. Rebuilding of old Transkei houses
13. New water pipes
14. Storm water drainage
15. Upgrading of External and Internal road
16. Shearing shed and dipping tank
17. Fencing of sewerage
18. Refuse tank

### **Ward 2**

1. Housing
2. Water and Sanitation
3. High mast lights
4. Cemetery
5. Internal Roads
6. Stadium / Sports field
7. Library
8. Mini hospital

9. Phase 3 of Storm water
10. Taxi rank
11. Surfacing of road
12. New Septic tanks Nomzamo
13. Toilet in the hall
14. Upgrading of Nometyu Bridge
15. Fencing of ploughing field in Fransbury

### **Ward 3**

1. Roads and Bridge
2. Fencing of the hall
3. Shearing shed
4. Sports field
5. Completion of the hall
6. Water
7. Irrigation scheme
8. Sign board/direction board
9. Access roads
10. Toilets in the houses and in the Hall
11. RDP Houses
12. Bridge
13. Clinic
14. Revitalisation of the dam in Qunubeni

### **Ward 4**

1. Multi-purpose Recreation Grounds
2. Tar roads
3. High Mast lights
4. RDP Houses
5. Storm water drainage
6. Youth hub
7. Clinic
8. Surfacing of gravel roads to the Municipal Offices
9. Upgrading/increasing of dams for water as the people have increased
10. Refuse tank
11. Request that the street cleaners be supervised
12. Request to inform the community when the water will be disconnected.
13. Issue of the control of taxi rank
14. Issue of the control of taverns

15. Request for a town hall
16. Issue of municipal employees selling RDP houses
17. Request the town be developed so that they can pay municipal services
18. Cutting of grass at ext. 2 because of criminal activities that are taking place
19. Request primary school at ext.4
20. Fencing of tip site.
21. Fencing of dam
22. Grazing camp
23. upgrading of gravel roads and storm water drainage
24. New transformers with high capacity be bought
25. Refuse collection be done
26. Policy be reviewed for the collection of rates/rate be paid in 12 months
27. Why does the community in Ezibeleni pay rates whereas they are not properly serviced?
28. Rangers be employed to collect the cows on the streets.

#### **Ward 5**

1. Basic water
2. Sheering shed
3. Fencing of camps and fields
4. RDP Houses
5. Speed humps – main road and access road
6. Scheme
7. Renovation of irrigation dam
8. High mast lights
9. Fencing of cemeteries and toilets
10. Electrification – clinics / schools

#### **Ward 6**

The scheduled meeting could not materialise due non-attendance by the portion of the ward constituency.

## **Ward 8**

1. Roads / Tarred
2. High Mast Lights
3. Recreational ground
4. Toilets / Taps
5. Storm water
6. Youth hub
7. Speed humps
8. Street lights
9. Information centre
10. Sport field
11. Upgrading of gravel roads and storm water drainage
12. Installation of new electricity transformers with high capacity.
13. Refuse collection be collected regularly.
14. Policy be reviewed for the collection of rates/rates be paid in 12 months
15. Why does the community of Ezibeleni pay rates whereas they are not properly serviced?
16. Rangers be employed to collect cows on the streets.

## **Ward 9**

1. Job creation
2. Chronic Site (Clinic)
3. Road signs
4. Sport fields

## **Ward 10**

1. Roads
2. High Mast
3. Houses
4. Storm water
5. Rectification of wooden / zink houses

6. Street lights
7. Stadium
8. Youth centre

#### **Ward 11**

1. RDP Houses
2. Access roads
3. Sport grounds
4. High mast lights
5. Fencing of camps
6. Clinic
7. Rectification
8. Water
9. Remove rubbish dumps
10. Public toilets in grave yard

#### **Ward 12**

1. Access roads
2. Clinic infrastructure
3. Culverts / Box Culvert
4. Water electric engines
5. Tarred road
6. Fencing/new water pipes – ploughing fields
7. Tractors – ploughing fields
8. Revive wind mills
9. RDP Houses
10. Chairs and electricity in the hall
11. Toilets
12. Drinking water and irrigation scheme
13. Deeping tank for cows
14. High mast lights

15. Network pole
16. Jojo tanks
17. Additional classes – school

### **Ward 13**

1. Water
2. Roads
3. Sanitation
4. School (foundation phase)
5. Hall
6. Electricity
7. RDP Houses
8. Clinics
9. Fencing , agricultural project, dam, grazing land
10. Dipping tank
11. High mast lights
12. Revitalisation of storm water drains
13. Library
14. Furrow

### **Ward 14**

1. Water
2. Roads
3. Houses
4. Agriculture Programme
5. Clinics
6. Schools
7. High Masts
8. Storm water
9. Bridges
10. Community Hall

## **Ward 15**

1. High Mast lights
2. Tarred roads
3. Proper drainage
4. Youth hub
5. Fencing – grazing land
6. Sport fields
7. Children play grounds
8. Ekuphumleni Housing
9. Information Centre
10. Shopping Mall
11. New transformers with high capacity be bought
12. Refuse collection be done
13. Policy be reviewed for the collection of rates/rate be paid in 12 months
14. Why does the community in Ezibeleni pay rates whereas they are not properly serviced?
15. Rangers be employed to collect the cows on the streets.

## **Ward 16**

1. Roads and Speed Humps
2. Houses
3. Remove rubbish dumps
4. Sports ground
5. Learnership Skills training
6. Fix street light
7. Raise and Strengthen graveyard fence
8. Small business needed by people in Ward 16
9. High Mast lights
10. Public toilets for shack area

## **Ward 18**

1. Roads



2. Houses
3. Water
4. Building of dams
5. Clinic
6. School
7. Fencing of camps
9. Pre-schools
10. Sports fields
11. Community hall
12. Monitoring of employment
13. Storm water drainage
14. Cemetery
15. High mast lights
16. Unfinished toilets
17. Bridge

### **Ward 19**

1. Rectification – rebuilding of RDP Houses
2. Upgrading and Construction of new roads
3. Changing of electricity – preferable underground cables
4. Storm water – install drainage system
5. Shortage of RDP houses
6. Police station or satellite because of high crime rate
7. Park or Playing fields
8. Creche
9. Community members from ward 19 were not employed in the project of upgrading the cemetery but the stones were taken from their ward
10. Increase in the municipal account

### **Ward 20**

1. RDP Houses and toilets
2. Upgrade of Streets

3. Crèche
4. Community Hall
5. Playing grounds and Parks
6. Storm water drainage
7. Valley and Dust bin
8. Electric theft rate
9. Crime rate
10. Refuse collection on holidays

### **Ward 21**

1. Tar roads
2. Sewerage and storm water drains
3. Housing
4. Fencing – Mlungisi cemetery
5. Addressing unemployment through LED
6. Address crime rate
7. New electricity meter boxes
8. Maintenance of high mast lights
9. Monitoring of employment criteria
10. Leaking of RDP Houses
11. Municipal account that is transferred to the wife after the husband passed away

### **Ward 22**

1. Rehabilitation of sanitation
2. House for back yard
3. Roads gravel seal
4. Bridge
5. Sport facility
6. Rehabilitation of houses
7. Humps
8. Toilets

9. Rehabilitation of Old Houses
10. Repair of High Mast lights

### **Ward 23**

1. Building of ~~old~~ houses in old location
2. Building of RDP Houses
3. Tar roads
4. Fencing of cemetery
5. Storm water drains
6. Potholes
7. High mast lights
8. 24 hours – Philani clinic
9. Municipal police officers
10. Municipal accounts have increased
11. Employment for the youth
12. Creation of job opportunities for the disabled people

### **Ward 24**

1. Housing
2. High mast lights
3. Street lights
4. Humps
5. Old Age clinic
6. Storm water drainage
7. Improvement of Boxing centre
8. Tarred road and road maintenance
9. Lights
10. Municipal police officers
11. Municipal accounts have increased
12. Employment for the youth
13. Creation of job opportunities for the disabled people

## **Ward 25**

1. Tarred road streets
2. Storm water
3. Fencing of Mlungisi Cemetery
4. Reconstruction of Nkululekweni Houses
5. Pre-School
6. Servicing of high mast lights
7. Pot holes
8. Humps
9. Stone pitch in the farrow behind Mlungisi cemetery
10. Housing
11. Monitoring of job employment
14. **Municipal police officers**
15. Municipal accounts have increased
16. Employment for the youth
17. Creation of job opportunities for the disabled people

## **Ward 26**

The scheduled meeting could not materialise due non-attendance by the ward constituency.

## **Ward 27**

1. Water
2. Surfacing of Roads
3. RDP Houses
4. High Mast lights
5. Crèche, Pre-School
6. Poultry Project
7. Sport field stadium
8. Small business Centre
9. Fencing

10. Cemeteries
11. Toilets and Sanitation
12. Job creation
13. Transfer station that is not working

## 2.5.1 WARD COMMITTEES

The ward committee is in the main a service delivery management mechanism. This body guides the Municipal Manager in terms of local service delivery needs, priorities, standards and also acts as the representative monitoring body through which the local community can monitor service delivery implementation, progress and general performance. The successful functioning of the Lukhanji Council and Management is to a large extent reliant on the successful functioning of the Ward Committee system. The following tabulation is based on the period of 01 July 2012 – 30 June 2013. All committees were established and there was only one report submitted by Cllr De Wet of Ward 26.

FUNCTIONALITY OF WARD COUNCILLORS			
Ward Number	Name of Ward Councillor	Number is monthly committee meetings held during the year	Number of quarterly public ward meetings held during year
1	THOLE, MZWANDILE JOSEPH	/	/
2	MPOLO, TERI VIVIAN	3	2
3	GXABA, THEOPHYLUS MLANDELI	/	/
4	MATIWANE, MXOLISI MICKLY	2	1
5	QOMOYI, NOMATHAMSANQA JOYCE	15	4
6	NJOZELA, DUMISANI DAVID	2	1
7	NGESI, MZIKABAWO	8	8
8	XULUBANA, NOMHLE THEODORAH	7	3
9	RASIMOSI, LULAMA CYNTHIA	4	3
10	BOKUVA, ARCHIBALD VUKILE	1	2
11	MANZANA-SOVENDLE, KHANGELWA	8	4
12	KONDLO, EUNICE NONCEDO	2	4
13	DUDA, NOMVUYO FLORENCE	5	4
14	MVANA, SIBUSISO ERIC	7	3
15	DYWILI, ZAMUXOLO AUGUSTINE	2	1
16	NQUMA, PATRICIA NOMBUYISELO	/	2
17	BLEKIWE, MXOLISI VICTOR	/	/
18	DAYIMANI, FUZILE MATTHEW	1	1
19	JASKA, MICHEAL	/	2
20	SIMAMA, NOMVULA	12	3
21	TSOTETSI, NOMATHAMSANQA	7	3
22	MGOQI, BULELANI MAKAVELI	10	3
23	NDALISO, MABUTI RONALD	1	1
24	MBASANA, XOLISWA PIA	4	2
25	RANI, BULELWA GLORIA	/	/
26	DE WET, JOHANNES CHRISTOFFEL	Report on the state of the ward submitted on the 16 August 2013	

27	NDLEBE, SELKA NOMBUYISELO	4	2
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\*\* / - indicates unavailability of information.

The Local Government: Municipal Structures Act, 1998 provides for the establishment of ward committees. The primary function of a ward committee is:

- To assist the ward councilor in understanding the needs and the views of the community;
- To be a formal communication channel between the community and the municipal council;
- To raise issues of concern about the local ward to the ward councilor and;
- To make sure ward residents have a say in decisions, planning and projects that the council or municipality undertakes which have an impact on the ward.

A ward committee should consist of up to ten members who serve as volunteers and may represent a certain sector. Examples of such sectors are:

- Women's groups or;
- Ratepayers associations;
- Geographic area
- Community within the ward.

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## 2.6 CORPORATE GOVERNANCE

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Corporate governance is the set of processes, practices, policies, laws and stakeholders affecting the way an institution is directed, administered or controlled. Corporate governance also includes the relationships among the many stakeholders involved and the goals for which the institution is governed.

### 2.6.1 AUDIT COMMITTEE

Section 166(2) of the MFMA states that an audit committee is an independent advisory body which must advise the municipal council, the political office-bearers, the accounting officer and the management staff of the municipality, on matters relating to –

- internal financial control;
- risk management;
- performance management; and
- Effective governance.

The Audit Committee **has** the following main functions as prescribed in section 166 (2) (a-e) of the Municipal Finance Management Act, 2003, Local Government Municipal and Performance Management Regulation, 2001 and the office of the Auditor-General:

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

## **2.6.2 MUNICIPAL AUDIT COMMITTEE RECOMMENDATIONS**

The following reports were submitted to the Audit committee for notification held on the 14 May 2013:

- Audit Committee Charter: Lukhanji Municipality 2013

- Internal Audit Report On Municipal Properties and Lessees
- Internal Audit Report on lack of suitable and reliable equipment, unavailability of spares (vehicle and plant maintenance)
- Internal Audit Report on Community Services

Copies of the reports are annexed to this report.

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## 2.7 BY-LAWS

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Section 11 of the MSA gives municipal Councils the executive and legislative authority to pass and implement by-laws and policies. No bylaws were approved during the period under review.

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## 2.8 POLICIES

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The following policies were adopted during the period under review:

Name of policy	Resolution Number	Date adopted
Rates Policy	11/2013	06/06/2013
Write Off Policy	11/2013	06/06/2013
Credit Control & Debt Collection Policy	11/2013	06/06/2013
Arrangements Policy	11/2013	06/06/2013
Indigent Policy	11/2013	06/06/2013

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## **CHAPTER 3**

### **SERVICE DELIVERY PERFORMANCE**

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## CHAPTER 3: SERVICE DELIVERY PERFORMANCE

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### 3.1 INTRODUCTION

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This chapter will provide information on the functional performance of the municipality and will indicate how well the municipality is meeting its objectives and which policies and processes are working.

All government institutions must report on performance to ensure that service delivery is efficient, effective and economical.

The functional performance of the municipality provides comprehensive information on the implementation of the SDBIP and relevant Functional Area reporting schedules.

The functional breakdown per Directorate is as follows:

DIRECTORATE	FUNCTIONS
<b>ADMIN &amp; HR</b>	<p><b>Administration</b></p> <ul style="list-style-type: none"> <li>● Give administrative support to the Council and its political structures</li> <li>● Corporate support for other Directorates.</li> <li>● Provision of secretariat services to all directorates</li> <li>● The management of the municipality's incoming and outgoing mail including the distribution and dispatch of correspondence to and from the public</li> <li>● The management of access to records</li> <li>● Annual Reporting</li> </ul> <p><b>Human Resources</b></p> <p>The Human resource department also provides a support function to all directorates, staff and political executive leadership within the municipality</p> <p>The overall objective of this unit is to transform the organisation into an effective developmental organization by:</p> <ul style="list-style-type: none"> <li>● Ensuring a skilled workforce through training and selection</li> <li>● Ensuring sound HR administration</li> <li>● Ensuring an informed labour force by practicing sound labour relations</li> <li>● Ensuring a sound organisational structure</li> </ul>
<b>FINANCE</b>	<p><b>Expenditure and Supply Chain Management</b></p> <ul style="list-style-type: none"> <li>● <b>Salaries:</b> Implementation of approved payroll, paying of salaries, allowances and accounting for payroll implementation</li> <li>● <b>Creditors:</b> Payment and recording of creditors' payments and reconciliations</li> <li>● <b>Supply Chain Management:</b> Responsible for the Administration and Management of Procurement of goods</li> </ul>

	<p>and services (i.e. Acquisition Management in particular)</p> <ul style="list-style-type: none"> <li>• Asset Management</li> <li>• Bank Reconciliation</li> <li>• Administration and Management of Investments</li> <li>• Administration and Management of Loans</li> </ul>
	<p><b>Revenue</b></p> <ul style="list-style-type: none"> <li>• Facilitation and application for Municipal Services</li> <li>• Debtors Billing Administration and Management</li> <li>• Meter Reading</li> <li>• Administration of Clearance Certificates</li> <li>• Rendering of Monthly Consumer / Rates Debtors Accounts</li> <li>• Debtors Customer Care and Query Administration</li> <li>• Receipting and bank revenue management</li> <li>• Credit Control, Debt Collection and Indigents Management</li> </ul>
	<p><b>Budget</b></p> <ul style="list-style-type: none"> <li>• Budgeting</li> <li>• In-year Reporting</li> <li>• Annual Financial Statements,</li> <li>• Budgetary Management and Control</li> <li>• Insurance Management</li> <li>• Financial Viability</li> <li>• Co-ordinate Financial Policy Formulation</li> </ul>
<b>IPED</b>	<p><b>Integrated Development Planning</b> This department provides a unique support service to all departments, community and council. It is responsible for the coordination and management of the IDP process, Organisational Performance Management, Service Delivery and Budget Implementation Plan.</p>
	<p><b>Local Economic Development (LED) and Tourism.</b></p> <ul style="list-style-type: none"> <li>• Create an enabling environment for economic development</li> <li>• Increase economic opportunities for people</li> <li>• Promote intergovernmental collaboration</li> <li>• Build local Capacity</li> <li>• Encourage PPP in Local economic Development</li> <li>• Monitor and evaluate LED strategy.</li> <li>• Capacitate SMME's</li> </ul>
<b>HUMAN SETTLEMENTS</b>	<p><b>Housing and Integrated Human Settlement</b> The function of this department is to facilitate, manage and maintain low cost housing development within the Lukhanji municipality.</p>
	<p><b>Property Management</b> The Property Management section has to ensure that Municipal owned immovable assets are managed efficiently, effectively and economically and are dealt with in a manner which will ensure the maximum benefit to the municipality and the community</p>
<b>TECHNICAL SERVICES</b>	<p><b>Water Distribution and Treatment</b> Supply potable water to the residents within Lukhanji in terms of Schedule 4B of the Constitution: "Water and Sanitation Services</p>

	limited to potable water supply systems”
	<p><b>Roads</b></p> <p>The Lukhanji Municipality is responsible for the roads and storm water reticulation within the towns of the EC134 established municipal area.</p>
	<p><b>Electricity Distribution</b></p> <p>The electricity purchase and distribution functions of the municipality are administered as follows and include:</p> <ul style="list-style-type: none"> <li>● The effective and efficient distribution and reticulation of energy in the following areas: <ul style="list-style-type: none"> <li>○ Queenstown</li> <li>○ Ezibeleni</li> <li>○ Mlungisi</li> <li>○ Victoria Park</li> <li>○ Sabata Dalinyebo</li> <li>○ Newvale</li> <li>○ Nomzamo</li> <li>○ All other areas reside within Eskom jurisdiction.</li> </ul> </li> <li>● Distribute electricity subject to the license conditions set by NERSA</li> </ul> <p><b>Electricity/Street Lighting</b></p> <ul style="list-style-type: none"> <li>● Provide adequate street lighting for urban areas</li> <li>● Maintain/Repair of faulty street lights</li> <li>● Upgrade of existing services as well as new developments.</li> </ul>
	<p><b>Sanitation</b></p> <p>Chris Hani District Municipality (CHDM) is the Water Services Authority (WSA) whilst Lukhanji LM is a Water Services Provider (WSP). The primary responsibility of ensuring that, local people have access to water and sanitation rests with CHDM. Lukhanji Municipality is responsible for operation and maintenance of the water and sanitation network. The operation and maintenance of the water and sanitation network is fully funded by the water and sanitation subsidy.</p>
	<p><b>Fleet Management</b></p> <ul style="list-style-type: none"> <li>● To manage and maintain all fleet of the municipality</li> <li>● To provide sufficient municipal services to all residence within the municipal boundary</li> </ul>
<b>COMMUNITY SERVICES</b>	<p><b>Solid Waste Management</b></p> <p>Lukhanji municipality is responsible for the day to day operations in every town and for the removal and collection of the waste, cleaning of road reserves and most public open places.</p> <p><u>Categories</u></p> <ul style="list-style-type: none"> <li>● General domestic waste</li> <li>● Commercial waste</li> <li>● Industrial waste</li> <li>● Medical waste</li> <li>● Hazardous waste</li> </ul>

	<ul style="list-style-type: none"> <li>• Agricultural waste:</li> </ul>
	<p>The Directorate is further responsible for:</p> <ul style="list-style-type: none"> <li>• Disaster Management</li> <li>• Traffic &amp; Municipal Security</li> <li>• Firefighting</li> <li>• Parks &amp; Recreation</li> <li>• Nature Reserves</li> </ul>

Comprehensive performance details on all the above functional areas are to be found in Chapter 1 of this report. This is not to be repeated in this Chapter apart from the financial and other performance data to supplement the Chapter 1 narratives.

## 1. ELECTRICITY

### 1.1 Electricity Service Delivery Levels

Description	Households			
	Year -3	Year -2	Year -1	Year 0
	Actual No.	Actual No.	Actual No.	Actual No.
<b><u>Energy: (above minimum level)</u></b>				
Electricity (at least min.service level)	1,848	1,752	1,697	1,655
Electricity - prepaid (min.service level)	48,571	48,641	48,713	48,842
<i>Minimum Service Level and Above sub-total</i>	50,055	50,393	50,410	50,497
<i>Minimum Service Level and Above Percentage</i>	98,1%	98,5%	98,5%	98,5%
<b><u>Energy: (below minimum level)</u></b>				
Electricity (< min.service level)	–	–	–	–
Electricity - prepaid (< min. service level)	1	1	1	1
Other energy sources	–	–	–	–
<i>Below Minimum Service Level sub-total</i>	1	1	1	1
<i>Below Minimum Service Level Percentage</i>	1,8%	1,3%	1,5%	1,5%
<b>Total number of households</b>	51,024	51,039	51,173	51,263

## 1.2 Households - Electricity Service Delivery Levels below the minimum

Households						
Description	Year -3	Year -2	Year -1	Year 0		
	Actual No.	Actual No.	Actual No.	Original Budget No.	Adjusted Budget No.	Actual No.
<b>Formal Settlements</b>						
Total households	51,024	51,039	51,173	51,173	51,200	51,263
Households below minimum service level	-	-	-	-	-	-
Proportion of households below minimum service level	0%	0%	0%	0%	0%	0%
<b>Informal Settlements</b>						
Total households	1	1	1	1	1	1
Households below minimum service level	1	1	1	1	1	1
Proportion of households below minimum service level	100%	100%	100%	100%	100%	100%

## 2. ROADS INFRASTRUCTURE

### 2.1 Gravel Roads Infrastructure

Kilometers				
	Total gravel roads	New gravel roads constructed	Gravel roads upgraded to tar	Gravel roads graded/maintained
Year -2	160	20	12	120
Year -1	166	25	14	140
Year 0	162	9	1	30

### 2.2 Tar Road Infrastructure

Kilometers					
	Total tarred roads	New tar roads	Existing tar roads re-tarred	Existing tar roads re-sheeted	Tar roads maintained
Year -2	98	14	25	15	120
Year -1	114	20	30	25	140
Year 0	124	0	9	9	81

## 2.3 Financial Performance Year 0: Road Services

R'000					
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	21032860	8556196	8556196	6020975	-42%
Expenditure:					
Employees	6188865	9340144	9853332	9110319	-3%
Repairs and Maintenance	2289060	3841518	4079011	3772560	-2%
Other	9826032	9613928	7749281	8667118	-11%
<b>Total Operational Expenditure</b>	18303957	22795590	21681624	21549997	-6%
<b>Net Operational Expenditure</b>	-2728903	14239394	13125428	15529022	8%

## 2.4 Households - Water Service Delivery Levels below the minimum

Description	Year -3	Year -2	Year -1	Year 0		
	Actual	Actual	Actual	Original Budget	Adjusted Budget	Actual
	No.	No.	No.	No.	No.	No.
<b>Formal Settlements</b>						
Total households	42714	43028	46463			46493
Households below minimum service level	0	0	0			0
Proportion of households below minimum service level	0	0	0			0
<b>Informal Settlements</b>						
Total households	7828	7692	4710			4680
Households ts below minimum service level	7828	7692	4710			4680
Proportion of households ts below minimum service level	15.50%	15.20%	9.20%			9.15%

## 2.5 Water Service Delivery Levels

Description	Ref	Year -3 Actual No.	Year -2 Actual No.	Year -1 Actual No.	Year 0 Actual No.
Water: (above min level)					
Piped water inside dwelling		22400	22663	25510	25540
Piped water inside yard (but not in dwelling)		11854	11854	11854	12006
Using public tap (within 200m from dwelling )	2	8460	8511	9099	8947
Other water supply (within 200m)	4				
Minimum Service Level and Above sub-total		42714	43028	46463	46493
Minimum Service Level and Above Percentage		84.50%	84.80%	90.80%	90.85%
Water: (below min level)					
Using public tap (more than 200m from dwelling)	3				
Other water supply (more than 200m from dwelling)	4	7828	7692	4710	4680
No water supply					

Below Minimum Service Level sub-total		7828	7692	4710	4680
Below Minimum Service Level Percentage		15.50%	15.20%	9.20%	9.15%
Total number of households*	5	50542	50720	51173	51173

### 3. SOLID WASTE

#### 3.1 Households - Solid Waste Service Delivery Levels below the minimum

Description	Households					
	Year -3	Year -2	Year -1	Year 0		
	Actual No.	Actual No.	Actual No.	Original Budget No.	Adjusted Budget No.	Actual No.
<b>Formal Settlements</b>						
Total households	40	46	46	47	47	47
Households below minimum service level	-	-	-	-	-	-
Proportion of households below minimum service level	0%	0%	0%	0%	0%	0%
<b>Informal Settlements</b>						
Total households	2	3	3	3	3	3
Households ts below minimum service level	1	1	1	1	-	1
Proportion of households ts below minimum service level	44%	42%	49%	50%	0%	50%

## 3.2 OVERVIEW OF PERFORMANCE (SDBIP)

The table in the next section provides details on the actual performance of different units for the period under review.

The purpose of strategic performance reporting is to report specifically on the implementation and achievement of IDP outcomes. This section provides an overview on the strategic achievement of the municipality in terms of the strategic intent and deliverables achieved as stated in the IDP.

The top layer (strategic) SDBIP is the municipality's strategic plan and shows the strategic alignment between the different documents, (IDP, Budget and Performance Agreements). In the table below illustrates the performance achieved per directorate.



**SERVICE DELIVERY AND BUDGET IMPLEMENTATION SCORECARD**

2012 / 2013

**Annual Performance Reporting**

Priority Areas	Municipal Objective	Strategy	Weight	Key Performance Indicators	Measurement Source	Baseline	Budget	Funding Source	Annual target	Achieved / Not Achieved	Reasons for Non-Achievement	Custodian
	To provide water and sanitation services to the rural communities within the municipal area in line with RDP standards.	Development and implementation of water and sanitation operational and maintenance plan		Maintenance and operational plan	Customer satisfaction surveys	Draft maintenance and operational plan		Operational Budget	Develop, approve, implement, monitor, and report thereof	achieved	WSSA our agent has developed it and are applying it	Director Technical Services
				Reduce sanitation backlog in rural area	Number of h/holds with sanitation facilities in rural areas	85%		Operational budget	3% of backlog	Achieved		Director Technical Services
				Reduce water backlog in rural areas	Number of h/holds within 200 meters from water stand pipe.	90%		Operational budget	3%	Achieved		Director Technical Services
	To facilitate the electrification of all electrification backlogs by 2017	Develop a comprehensive database of electrification backlog within rural areas for Eskom's information		Database of un electrified h/holds	Eskom's database	draft database	n/a	Operational budget	1%	Not achieved	In process of marking up drawings in order to develop a data base	Director Technical Services
	To upgrade and refurbish the existing electrical network of the Lukhanji Municipality	Apply for funding with DOE for the upgrade and refurbishment of the Lukhanji Municipality's electrical network		Fully developed Business Plan	Business Plan	n/a	R250,000	Operational Budget	Fully developed business Plan	achieved		Director Technical Services

	To make all suburbs and rural villages more safe at night.	Provide community lighting to Municipal area by 2017		Number of highmast lights installed	Monthly reports	Installed highmast lights	R2,8mil	MIG	15 Highmast lights installed and commissioned	Not achieved	Installed 16 but could only commissioned 13. Due to Eskom 's backlog of making electrical supplies available.	Dir Technical Services
		Develop a mechanical workshop capacitation plan		Full functionality of maintenance plan	Monthly Fleet Management Report	Monthly Vehicle breakdown report		Operational report	To fully capacitate the workshop	Not achieved	Budget was not approved in either June or during adjustment in January 2012	Dir Technical Services
To provide basic level of infrastructure through the Municipal Infrastructure Grant (MIG) funding		Upgrading of Gravel Roads and Storm-water		Kilometres of gravel roads upgraded	Kilometres of gravel roads upgraded		R 30,000,000	MIG	96km	Not achieved	Only partially achieved due to non-availability of drivers and operators of trucks and plant.	Dir. Technical Services
		Dumpy Adams Sports Complex Refurbishment & Upgrade		Cricket pitch, athletic tract kerbing, tennis courts, 2 netball courts, training	completed construction/refurbishment/traines		R 2,597,088	MIG	completed construction/refurbishment/traines	Not achieved	Late procurement of service providers to do designs. The work is still in progress.	Dir. Technical Services
		Rehabilitation of the Ezibeleni Stadium Ablution Block		Rehabilitated ablution block	Rehabilitated ablution block		R 2,000,000	MIG	Rehabilitated ablution block	Not achieved	Late procurement of service providers to do designs. The work is still in progress.	Dir. Technical Services
		Construction of Ward 1 Community Hall		New Community Hall	New Community Hall		R 3,200,000	MIG	New Community Hall	Achieved	Budget was reduced for R 350,000.00 to appoint consultant to do designs	Dir. Technical Services

	Construction of Ward 4 Community Hall		New Community Hall	New Community Hall		R 3,200,000	MIG	New Community Hall	Not achieved	Budget was reduced for R 350,000.00 to appoint consultant to do designs	Dir. Technical Services
	Construction of Ward 5 Community Hall		New Community Hall	New Community Hall		R 3,200,000	MIG	New Community Hall	Not achieved	Budget was reduced for R 350,000.00 to appoint consultant to do designs	Dir. Technical Services
	Construction of Ward 7 Community Hall		New Community Hall	New Community Hall		R 3,200,000	MIG	New Community Hall	Not achieved	Budget was reduced for R 350,000.00 to appoint consultant to do designs	Dir. Technical Services
	Upgrading of the Machibini Telecentre (Extensions)		Extended Upper Machibini Community Hall	Extended Upper Machibini Community Hall		R 25,702	MIG	Extended Upper Machibini Community Hall	Not achieved	Budget was reduced to R 0.00 and no appointment of consultant to do designs taken place.	Dir. Technical Services
	Lukhanji LM: Community Facilities (Halls, Public Toilets)(Yonda & Machibini Halls)		Extended Lower Machibini Community Hall	Extended Lower Machibini Community Hall		R 291,784	MIG	Extended Lower Machibini Community Hall	Not achieved	Budget was reduced to R 0.00 and no appointment of consultant to do designs taken place.	Dir. Technical Services
	Rehabilitation and Extension of the Sada Stadium Ablution Block		Rehabilitated & Extended Ablution Block	Rehabilitated & Extended Ablution Block		R 3,543,521	MIG	Extended Lower Machibini Community Hall	Not achieved	Budget was reduced to R 0.00 and no appointment of consultant to do designs taken place.	Dir. Technical Services

Upgrading & Rehabilitation of Storm-water in Sada		Upgraded & Rehabilitated Storm-water	Upgraded & Rehabilitated Storm-water		R 1,400,860	MIG	Upgraded & Rehabilitated Storm-water	Not achieved	Budget was reduced to R 0.00 and no appointment of consultant to do designs taken place.	Dir. Technical Services
Construction of Whittlesea Public Toilets		New Public Toilets	New Public Toilets		R 456,200	MIG	New Public Toilets	Achieved		Dir. Technical Services
Whittlesea Cemetery		Progress towards a new cemetery	Progress towards a new cemetery		R 1,111,363	MIG	Contractor on Site	Not achieved	Budget was reduced to R 0.00 and no appointment of consultant to do designs taken place.	Dir. Technical Services
Fencing of Grazing Camps in Various Areas		Kilometres of fencing	Kilometres of fencing		R 1,100,000	MIG		Achieved		Dir. Technical Services
Surfacing of Gravel Roads in Ekuphumleni & ilinge		1.23km of surfaced roads	1.23km of surfaced roads		R 3,241,873	MIG	1.23km of surfaced roads	Not achieved	Budget was reduced to R 0.00 and no appointment of consultant to do designs taken place.	Dir. Technical Services
Revitalisation of Zingquthu Shearing Shed		Revitalised Shearing Shed	Revitalised Shearing Shed		R 200,000	MIG	Revitalised Shearing Shed	Achieved		Dir. Technical Services
Feasibility Study for the Construction of an Agricultural Market in Shiloh		Completed feasibility study	Completed feasibility study		R 306,100	MIG	Completed feasibility study	Not achieved	The work is still in progress.	Dir. Technical Services
Construction of a Shearing Shed in Gwatyu Farms		New Shearing Shed	New Shearing Shed		R 461,333	MIG	New Shearing Shed	Achieved		Dir Technical Services

		Completion of the Inter-modal Transport Facility		Completed Inter-modal Transport Facility	Completed Inter-modal Transport Facility		R 31,349,493	MIG		50% completion	Not achieved	Budget was reduced to R 0.00 and no appointment of consultant to do designs taken place.	Dir Technical Services
		Construction of Ilinge Sports-field		New sports-field	New sports-field		R 7,087,041	MIG		50% completion	Not achieved	Budget was reduced to R 0.00 and no appointment of consultant to do designs taken place.	Dir Technical Services
		Construction of Ilinge Cemetery		New Ilinge Cemetery	New Ilinge Cemetery		R 3,000,000	MIG		Public Construction started	Not achieved	Budget was reduced to R 0.00 and no appointment of consultant to do designs taken place.	Dir Technical Services
		Construction of Lesseyton Cemetery		New Cemetery	New Cemetery		R 3,000,000	MIG		Public Construction started	Not achieved	Budget was reduced to R 0.00 and no appointment of consultant to do designs taken place.	Dir Technical Services
Environmental waste management	To ensure that waste management processes are compliant with the relevant and applicable legislations by June 2017	Development of Integrated Waste Management Plan		Approved Waste Management Plan	Reports	Licenced landfill site; 3 transfer stations;		Operational Budget	Development of an IWMP	Achieved			Director Community Services
	To ensure proper management of public amenities by June 2017	Development of a public amenities management plan		Approved public amenities management plan	Reports	Maintenance schedule		Operational Budget	Implementation of the public amenities management plan	Achieved			Director Community Services
Community Safety	To provide a safe environment to communities in line with the	Strengthening of community safety unit		Increased revenue collection	Reports	Traffic Unit		Operational Budget	Fully functional community safety unit	Not Achieved			Director Community Services

	applicable legislation by June 2017											
Human Resources Management / Skills Development	To develop skills of the municipal workforce in order to improve productivity in the workplace and competitiveness in the workplace	The development of the WSP			Participation of stakeholders in the development of the WSP  Approval of the WSP		10% of the workforce trained in their related field  Training Committee; SDF; 2012 / 2013 WSP	R 250,000	Approval, implement and review of the WSP  Identification and engagement of role players in the compilation process of the WSP	Achieved		Director Human Resources and Administration
	To use the workplace as an active learning environment and to provide opportunities for new entrance to the labour market to gain work experience	Leamership; Internship; In-service training programmes			Number of participants in the programmes	Reports	Internship programmes		Implementation of 2 learnship 3 internship programmes	Partly Achieved	The LGSeta has been slow in finalisation of its processes (LG Seta has since been placed under administration )	Director Human Resources and Administration
	To improve employment prospects of persons previously disadvantaged by unfair discrimination and to redress those disadvantages through training and development	Leamership; Internship; In-service training programmes			Level of intake		11 Interns		20 participants recruited for the programmes	Achieved		Director Human Resources and Administration
Human Resources Management / Recruitment and Selection		Review of the organogram			Approval of the reviewed organogram	Reports	2002 Organogram	N/A	Review, Approval and population of the Organogram	Not Achieved	A feedback meeting with AO has not been finalised.	Director Human Resources and Administration
Human Resources / Leave Management	To ensure that leave management policy is fully implemented by all members				Compliance with the leave management policy	Reconciliation reports	Reviewed leave management policy	N/A	Workshopping, implementation and monitoring of the leave management policy	Achieved		Director Human Resources and Administration

	in the municipality by June 2017	Development and implementation of the Audit action Plan to respond to the identified audit findings			Reduced audit findings on leave management issues	Reports	Audit Action Plan	N/A	Implementation of the audit action plan	Achieved		Director Human Resources and Administration
	To ensure that HR Policies and Procedures are in compliance with applicable legislation by June 2017								Identify, Develop, review, approve and implement HR Policies and Procedures	Achieved		Director Human Resources and Administration
Human Resources / Occupational Health and Safety	To ensure that the municipality provides a healthy and safety working environment for all municipal employees by June 2017	Directorates nominates health and safety representative in each directorate			Reduction in injury on duty cases		H&S Reps, Committee	Operational Budget	Develop and implement Risk Assessment & Hazard Identification mitigation plan	Achieved		Director Human Resources and Administration
Municipal Administration	To ensure a fully functional municipal administration in line with applicable legislation by June 2017	Development and compliance with the Diary of Engagement			Approved Diary of Engagement	Reports	Council Committees ; Diary of engagement		Approval and implementation of the diary of engagement	Achieved		Director Human Resources and Administration
		Development of an automated record management system							Functional automated record management system	Not achieved		Director Human Resources and Administration
Legal Services	To provide the municipality with reliable legal service on continuous basis	Establish the legal services unit			Proposal on the establishment of the legal services unit approved by Council	Reports	Nil	N/A	Establishment of the legal services unit	Not Achieved	Pending finalisation of organogram	Director Human Resources and Administration
Special Programmes	To create an enabling environment to empower	Development of the SPU Strategy		Approval of the SPU Strategy	Reports	Draft SPU Strategy;	Nil	Operational Budget	Implementation of the SPU Strategy	Achieved		Strategic Executive Officer

	designated groups to be able to realise their full potential and understand their roles and responsibilities, making a meaningful contribution to the development of a non-racial, prosperous society by June 2017	Establishment of structures for the designated groups		Functional Structures in place	Reports	Older Persons Forum; Disability Council; Junior Council; Child Care Forum	Nil	Operational Budget; CHDM	Identification and establishment of special programmes structures	Achieved		Strategic Executive Officer
		Reviewal of the HIV and AIDS Strategy		Approval of the HIV and AIDS Strategy	Reports	2007 HIV and AIDS Strategy	Nil	Operational Budget	Implementation of the HIV and Aids Strategy	Achieved		Strategic Executive Officer
Public Participation	To improve participation of (all sectors of society) target groups in the activities of the Municipality	To develop public participation strategy		Approved Public Participation	Reports	Nil	Nil	Operational Budget	Development, work shopping and approval of the public participation strategy	Not Achieved [ The draft will be attached]		Strategic Executive Officer
Internal Audit	To ensure that the municipality adheres and complies with all municipal laws and regulation	Develop, monitor and implement internal controls		Adherence to municipal laws and regulations	Reports	Nil	Nil	Operational Budget	Compliance into municipal laws and regulations	Not Achieved		Strategic Executive Officer
		Develop compliance checklist		Compliance reports developed and submitted to various departments	Reports	Nil	Nil	Operational Budget	Implementation of the compliance checklist	Not Achieved		Strategic Executive Officer
Communications, Marketing and Branding	To maximize participation of citizens in municipal affairs by 2017	Intensify municipal branding, public relations through innovative communication & marketing initiative		Approved Reviewed Communication Strategy; Protocol and Etiquette Strategy	Reports	Approved Communication Strategy	R 250,000	Operational Budget	Implement, review, monitor and report on the Communication, Marketing and Branding Strategy	Achieved		Strategic Executive Officer



		Website maintenance		Functional website	Reports	Lukhanji Website	Nil	Operational Budget	Updating the website	Achieved		Strategic Executive Officer
		Development of the Annual Program for the Executive Mayor		Approved program	Reports	Draft program	Nil	Operational Budget	Implementation of the program	Achieved		Strategic Executive Officer
		Effective Inter Governmental Relations		Functional IGR Forum	Reports	IGR Forum	Nil	Operational Budget	Functional IGR Forum	Achieved		Strategic Executive Officer
		Development of the Protocol and Etiquette Policy		Approved Protocol and Etiquette Policy	Reports	Nil	Nil	Operational Budget	Implementation of the Protocol and Etiquette Policy	Not Achieved		Strategic Executive Officer
Supply Chain Management	Ensure Compliance with SCM Regulations	Implement and review existing SCM policies and procedures		Improved audit outcome; Compliance with the SCM policies and procedures	Audit reports; Reports	SCM policies		Operational Budget	Implement, monitor, review and report on the SCM policies and procedures	Achieved		Director Budget and Treasury Office
		Centralization of procurement processes		Reduction on the irregular expenditure	Irregular expenditure register and report	R37 million	n/a	Capital & operational budget	R10 million	Not Achieved	Inadequate Control	Director Budget and Treasury Office
		Review of SCM policies and development of procedure manuals		Reduction in unauthorised expenditure	SCM report		n/a	Capital & operational budget	R0	Not Achieved	Inadequate Control	Director Budget and Treasury Office
				Approved SCM Policies and Procedure manuals	Demand and Acquisition management procedure manual	Demand and Acquisition management policy	n/a	n/a	Approved Demand and Acquisition management procedure manual	Achieved		Director Budget and Treasury Office
				Complete database	Updated Supplier Database Register. New applicants register	Supplier Database Register	n/a	n/a	Updated Supplier Database Register	Achieved		Director Budget and Treasury Office
		Awareness campaigns on SCM processes internally and externally		Full implementation of SCM Policies and Procedures	Workshop attendance register and hand-outs	2 workshops	n/a	n/a	4 workshops	Not Achieved	External disruption	Director Budget and Treasury Office

		Development of contracts and service level agreements (SLA)		Adherence to the Terms and Conditions (TOR) of the Contracts and SLAs	Contracts and SLAs	0	n/a	n/a	12 Contracts/SLA	Not Achieved	Capacity challenge Awaiting legal counsel to assist	Director Budget and Treasury Office
	To ensure safeguarding of municipal assets through the implementation of Asset Management Policies by June 2017	Develop Asset Management Strategy		Development of Asset management policy and procedure manual	Attendance register, approved Asset management policy, procedure manual and reports	Draft Asset management policy	n/a	n/a	Implementation of Asset management policy and procedure manual	Not Achieved	Postponement of workshop that to approval delay	Director Budget and Treasury Office
				Reconcile fixed asset register(FAR) to general ledger(GL)	Reconciliation report	nil	n/a	n/a	Reconciled FAR with GL	Not Achieved	System settings with nonexistence of asset votes	Director Budget and Treasury Office
				GRAP Compliant Asset Register	Reports / Asset Register	Asset Register		Operational Budget	Update and maintain Asset Register	Achieved		Director Budget and Treasury Office
				Established Inventory Stores	Reports	nil	n/a	Operational Budget	Inventory	Not Achieved		Director Budget and Treasury Office
				Established Asset disposal committee	Reports and terms of reference	Approved Asset Disposal Policy	n/a	Operational Budget	Functional asset disposal committee			Director Budget and Treasury Office
Expenditure Management	To ensure compliance with the provisions of the MFMA by June 2017	Develop and implement expenditure procedure manual		Reduction in irregular, unauthorised, fruitless & wasteful expenditure	Reports	Approved Budget 2012-2013	n/a	Operational Budget	Implement, monitor, review and report thereof			Director Budget and Treasury Office
Revenue and Debt Management	To be a self - sustainable (Financially Viable) municipality by June 2017	Develop a revenue enhancement strategy		Increase in revenue and decrease in debtors	Reports	Write Off, Credit Control, Debt Control, Arrangements Policies	nil	Operational Budget	Develop, approve, implement, monitor, and report thereof			Director Budget and Treasury Office
	To ensure that there is 10% debt in the municipal debt book by June 2017	Review and Implementation of the Credit Control Policy		Reduction in the debtors balance	Reports	Approved Debt & Credit Control Policy	n/a	n/a	Reviewed Debt & Credit control policy			Director Budget and Treasury Office
		Review and Implementation of the Write-Off Policy		Approved Write-Off Policy	Reports	Approved Write-Off Policy	n/a	n/a	Reviewed Write-Off Policy			Director Budget and Treasury Office

	Review and Implementation of the Indigent Policy		Approved Indigent Policy	Reports	Approved Indigent Policy	n/a	n/a	Reviewed Indigent Policy			Director Budget and Treasury Office
To ensure that the municipality has an accurate, reliable information on the system in June 2017	Data Cleansing		Reduction in queries, accurate billing, reduced un-delivered statements	Reports	Billing System	n/a	n/a	Reliable and accuracy of data			Director Budget and Treasury Office

## **CHAPTER 4**

# **ORGANISATIONAL DEVELOPMENT PERFORMANCE**

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**CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE**

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**COMPONENT A: INTRODUCTION TO MUNICIPAL PERSONNEL**

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The municipality at any given day has an average of 690 employees (both permanent, contractual and casual) in its employ who individually and collectively contribute to the achievement of the Municipality's objectives. The primary objective of Human Resource Management is to render an innovative HR service that addresses both skills development and an administrative function.

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**4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES**

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**4.1.1 VACANCY RATE**

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The approved organogram for the municipality had 109 additional posts budgeted for in the 2012/13 financial year. The actual positions filled are indicated in the tables below by post level and by functional level.

<b>Vacancy Rate: Year 0</b>			
<b>Designations</b>	<b>*Total Approved Posts</b>	<b>*Vacancies (Total time that vacancies exist using fulltime equivalents)</b>	<b>*Vacancies (as a proportion of total posts in each category)</b>
	<b>No.</b>	<b>No.</b>	<b>%</b>
Municipal Manager	1	0	0.00
CFO	1	1	100.00
Other S57 Managers (excluding Finance Posts)	5	1	20.00
Other S57 Managers (Finance posts)	3	1	33.33
Police officers	12	3	25.00
Fire fighters	20	3	15.00
Senior management: Levels 13-15 (excluding Finance Posts)	18	5	27.78
Senior management: Levels 13-15 (Finance posts)	6	2	33.33
Highly skilled supervision: levels 9-12 (excluding Finance posts)	35	8	22.86
Highly skilled supervision: levels 9-12 (Finance posts)	8	1	12.50
<b>Total</b>	<b>109</b>	<b>25</b>	<b>22.94</b>

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## COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

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Note: The Municipal systems Act, 2000 Section 67 requires municipalities to develop and adopt appropriate systems and procedures to ensure fair; efficient; effective; and transparent personnel administration in accordance with the Employment Equity Act 1998.

The Human Resource division comprises of HR Administrative Services. This section is responsible for the administration of leave, fringe benefits, medical aid contributions and housing schemes. The Occupational Health and Safety section, as well as the Skills Development and Training section resides in this department.

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### 4.2 POLICIES

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#### 4.2.1 HR POLICIES AND PLANS

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

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

HR Policies and Plans				
	Name of Policy	Completed	Reviewed	Date adopted by council or comment on failure to adopt
		%	%	
1	Affirmative Action			
2	Attraction and Retention	80	0	
3	Code of Conduct for employees	100	100	
4	Delegations, Authorisation & Responsibility	100	100	
5	Disciplinary Code and Procedures	100	100	
6	Essential Services	30		not yet adopted
7	Employee Assistance / Wellness	30		not yet adopted
8	Employment Equity	100		to be reviewed 2014
9	Exit Management	100	100	
10	Grievance Procedures	100	100	
11	HIV/Aids	100	100	
12	Human Resource and Development	100	100	
13	Information Technology	20		
14	Job Evaluation	100	100	
15	Leave	100	100	
16	Occupational Health and Safety	100	100	

17	Official Housing	100	100
18	Official Journeys	100	100
19	Official transport to attend Funerals	100	100
20	Official Working Hours and Overtime	100	100
21	Organisational Rights	100	100
22	Payroll Deductions	0	0
23	Performance Management and Development	?	?
24	Recruitment, Selection and Appointments	100	100
25	Remuneration Scales and Allowances	100	100
26	Resettlement	100	100
27	Sexual Harassment	0	0
28	Skills Development	100	100
29	Smoking	100	100
30	Special Skills	20	
31	Work Organisation	0	0
32	Uniforms and Protective Clothing	100	100
33	Other:		

### 4.3 INJURIES, SICKNESSES AND SUSPENSIONS

#### 4.3.1 NUMBER AND COST OF INJURIES ON DUTY

An occupational injury is a personal injury, disease or death resulting from an occupational accident.

Compensation claims for such occupational injuries are calculated according to the seriousness of the injury/disease and can be costly to a municipality. Occupational injury will influence the loss of man hours and therefore financial and productivity performance.

Number and Cost of Injuries on Duty					
Type of injury	Injury Leave Taken	Employees using injury leave	Proportion employees using sick leave	Average Injury Leave per employee	Total Estimated Cost
	Days	No.	%	Days	R'000
Required basic medical attention only	45	8	18%	9	45
Temporary total disablement					
Permanent disablement					
Fatal					
<b>Total</b>	<b>45</b>	<b>8</b>	<b>18%</b>	<b>9</b>	<b>45</b>

### 4.3.2 NUMBER OF DAYS AND COST OF SICK LEAVE

The number of day's sick leave taken by employees has service delivery and cost implications. The monitoring of sick leave identifies certain patterns or trends. Once these patterns are identified, corrective action can be taken.

Number of days and Cost of Sick Leave (excluding injuries on duty)						
Salary band	Total sick leave	Proportion of sick leave without medical certification	Employees using sick leave	Total employees in post*	*Average sick leave per Employees	Estimated cost
	Days	%	No.	No.	Days	R' 000
Lower skilled (Levels 1-2)	19	90%	10	30	0.12	30
Skilled (Levels 3-5)	30			22	0.19	
Highly skilled production (levels 6-8)	100			58	0.65	
Highly skilled supervision (levels 9-12)	8	95%	2	26	0.05	31
Senior management (Levels 13-15)	199			11	1.28	
MM and S57	40			8	0.26	
<b>Total</b>	<b>396</b>	<b>93%</b>	<b>12</b>	<b>155</b>	<b>2.55</b>	<b>61</b>

### 4.3.3 NUMBER AND PERIOD OF SUSPENSIONS

Number and Period of Suspensions				
Position	Nature of Alleged Misconduct	Date of Suspension	Details of Disciplinary Action taken or Status of Case and Reasons why not Finalised	Date Finalised
Budget Manager	Financial		None	N/A
Accountant	Financial		None	N/A
Payroll Clerk	Conflict of Interests		Financial Written Warning	

### COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

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



## 4.4 SKILLS DEVELOPMENT AND TRAINING

### 4.4.1 SKILLS MATRIX

Skills Matrix														
Management level	Gender	Employees in post as at 30 June Year 0	Number of skilled employees required and actual as at 30 June Year 0											
			Learnerships			Skills programmes & other short courses			Other forms of training			Total		
			No.	Actual: End of Year -1	Actual: End of Year 0	Year 0 Target	Actual: End of Year -1	Actual: End of Year 0	Year 0 Target	Actual: End of Year -1	Actual: End of Year 0	Year 0 Target	Actual: End of Year -1	Actual: End of Year 0
MM and s57	Female		4							1	1		1	1
	Male		3							1	2		1	2
Councillors, senior officials and managers	Female		10							11	3		11	3
	Male		7							9	4		9	4
Technicians and associate professionals*	Female		4							2	2		2	2
	Male		8							9	9		9	9
Professionals	Female		6							6	6		6	6
	Male		3							9	2		2	2
Sub total	Female		19							11	12		20	12
	Male		22							22	17		21	17
<b>Total</b>		<b>0</b>	<b>86</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>81</b>	<b>58</b>	<b>0</b>	<b>82</b>	<b>58</b>

Financial Competency Development: Progress Report*						
Description	A. Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	B. Total number of officials employed by municipal entities (Regulation 14(4)(a) and (c))	Consolidated: Total of A and B	Consolidated: Competency assessments completed for A and B (Regulation 14(4)(b) and (d))	Consolidated: Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Consolidated: Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
<b>Financial Officials</b>						
<i>Accounting officer</i>	1	0	1	0	0	0
<i>Chief financial officer</i>	1	0	1	0	0	0
<i>Senior managers</i>	2	0	2	0	0	0
<i>Any other financial officials</i>	8	0	8	0	0	0
<b>Supply Chain Management Officials</b>						
<i>Heads of supply chain management units</i>	0	0	0	0	0	0
<i>Supply chain management senior managers</i>	0	0	0	1	1	1
<b>TOTAL</b>	<b>12</b>	<b>0</b>	<b>12</b>	<b>1</b>	<b>1</b>	<b>1</b>

#### 4.4.2 SKILLS DEVELOPMENT EXPENDITURE

The table below indicates the number of people trained and the total amount spent in the 2012/13 financial year:

Skills Development Expenditure										
										R'000
Management level	Gender	Employees as at the beginning of the financial year No.	Original Budget and Actual Expenditure on skills development Year 1							
			Learnerships		Skills programmes & other short courses		Other forms of training		Total	
			Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual
MM and S57	Female	2					20	20	20	20
	Male	2					20	25	20	25
Legislators, senior officials and managers	Female	18					30	35	30	35
	Male	12					25	15	25	15
Professionals	Female	7					20	15	20	15
	Male	6					15	10	15	10
Technicians and associate professionals	Female	0								
	Male	0								
Clerks	Female	12					20	15	20	15
	Male	9					30	25	30	25
Service and sales workers	Female	0								
	Male	0								
Plant and machine operators and assemblers	Female	0								
	Male	20					30	25	30	25
Elementary occupations	Female	0								
	Male	0								
Sub total	Female	39					90	85	90	85
	Male	29					90	75	90	75
<b>Total</b>		<b>68</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>180</b>	<b>160</b>	<b>180</b>	<b>160</b>

## **CHAPTER 5**

# **FINANCIAL PERFORMANCE**

## CHAPTER 5: FINANCIAL PERFORMANCE

This chapter contains information regarding financial performance and highlights specific accomplishments. This chapter comprises of three components:

- Component A: Statement of Financial Performance
- Component B: Spending Against Capital Budget
- Component C: Other Financial Matters

### COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

This component provides an overview of the financial performance of the municipality and focuses on the financial health of the municipality.

#### 5.1 STATEMENTS OF FINANCIAL PERFORMANCE

Description	*2009/10	*2010/11	*2011/12	Current Year 2012/13			
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Actual
<b>Financial Performance</b>							
Property rates	28 799	33 440	39 334	40 444	40 444	40 444	40 444
Service charges	122 677	143 012	170 897	207 798	198 466	198 466	198 466
Investment revenue	4 720	6 721	5 202	2 111	2 111	2 111	2 111
Transfers recognised - operational	100 567	124 997	125 368	102 259	108 339	108 339	108 339
Other own revenue	62 656	77 976	78 621	87 083	85 864	85 864	85 864
<b>Total</b>	319 419	386 145	419 423	439 694	435 224	435 224	435 224
Employee costs	87 062	88 261	98 336	109 470	106 849	106 849	106 849
Remuneration of councillors	11 858	13 901	15 242	18 810	17 698	17 698	17 698
Depreciation & asset impairment	-	9 285	15 309	-	-	-	-
Finance charges	2 011	1 522	876	6 965	5 673	5 673	5 673
Materials and bulk purchases	55 785	81 414	103 727	141 497	147 592	147 592	147 592
Transfers and grants	-	-	-	-	-	-	-
Other expenditure	139 532	155 913	147 933	162 953	157 412	157 412	157 412
<b>Transfers recognised - capital</b>	296 248	350 295	381 423	439 694	435 224	435 224	435 224
Surplus/(Deficit) after capital transfers & contributions	23 171	35 850	37 999	0	-	-	-
Contributions recognised - capital & contributed assets	-	-	-	41 452	36 980	36 980	36 980
	23 171	35 850	37 999	41 452	36 980	36 980	36 980
	-	-	-	-	-	-	-
	23 171	35 850	37 999	41 452	36 980	36 980	36 980

Description	*2009/10	*2010/11	*2011/12	Current Year 2012/13			
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Actual
<b>Capital expenditure &amp; funds sources</b>							
<b>Capital expenditure</b>	<b>207 296</b>	789 694	802 003	41 452	46 480	46 480	36 980
Transfers recognised - capital	<b>207 296</b>	779 716	793 820	41 452	36 980	36 980	36 980
Public contributions & donations	-	-	-	-	-	-	-
Borrowings	-	9 978	8 183	-	9 500	9 500	9 500
Internally generated funds	-	-	-	-	-	-	-
<b>Total sources of capital funds</b>	<b>207 296</b>	789 694	802 003	41 452	46 480	46 480	46 480
<b>Cash flows</b>							
Net cash from (used) operating	<b>29 218</b>	70 427	30 510	68 184	105 990	105 990	105 990
Net cash from (used) investing	<b>1 683</b>	(29 868)	(12 518)	(41 452)	(36 980)	(36 980)	(36 980)
Net cash from (used) financing	<b>(4 696)</b>	(5 903)	(1 022)	(5 401)	9 500	9 500	9 500
<b>Cash &amp; cash equivalents at year end</b>	<b>73 374</b>	108 029	125 000	146 331	203 518	203 518	203 518

## 5.2 FINANCIAL PERFORMANCE OF OPERATIONAL SERVICES

Financial Performance of Operational Services						
R '000						
Description	Year -1	Year 0			Year 0 Variance	
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
<b>Operating Cost</b>						
Water	48 884	51 109	54 999	47 641	-7.28%	-15.45%
Waste Water	14 653	20 175	25 174	18 012	-12.01%	-39.76%
Electricity	151 242	204 599	223 359	197 139	-3.78%	-13.30%
Waste Management	32 938	41 082	54 830	39 217	-4.75%	-39.81%
Housing	-	-	-	-	0.00%	0.00%
<b>Component A: Sub-total</b>	<b>247 717</b>	<b>316 964</b>	<b>358 363</b>	<b>302 009</b>	<b>-4.95%</b>	<b>-18.66%</b>
Waste Water (Stormwater Drainage)						
Roads	18 304	22 796	21 682	21 550	-5.78%	-0.61%
Transport	-	-	-	-	0.00%	0.00%
<b>Component B: Sub-total</b>	<b>18 304</b>	<b>22 796</b>	<b>21 682</b>	<b>21 550</b>	<b>-5.78%</b>	<b>-0.61%</b>
Planning	-	-	-	-	0.00%	0.00%
Local Economic Development	-	2 967	4 024	2 112	-40.50%	-90.52%
<b>Component B: Sub-total</b>	<b>-</b>	<b>2 967</b>	<b>4 024</b>	<b>2 112</b>	<b>-40.50%</b>	<b>-90.52%</b>
Planning (Strategic & Regulatory)	10 361	10 930	11 984	9 219	-18.56%	-29.99%
Local Economic Development	-	-	-	-	0.00%	0.00%
<b>Component c: Sub-total</b>	<b>10 361</b>	<b>10 930</b>	<b>11 984</b>	<b>9 219</b>	<b>-18.56%</b>	<b>-29.99%</b>
Community & Social Services	10 719	11 517	12 261	12 667	9.08%	3.20%
Environmental Protection	-	-	-	-	0.00%	0.00%
Health	2 822	-	-	-	0.00%	0.00%
Security and safety	19 789	18 039	22 900	23 729	23.98%	3.49%
Sports and Recreation	8 793	10 069	10 757	8 853	-13.74%	-21.51%
Corporate Policy Offices and Other						
<b>Component D: Sub-total</b>	<b>42 124</b>	<b>39 625</b>	<b>45 918</b>	<b>45 248</b>	<b>12.43%</b>	<b>-1.48%</b>
<b>Total Expenditure</b>	<b>318 507</b>	<b>393 282</b>	<b>441 969</b>	<b>380 138</b>	<b>-3.46%</b>	<b>-16.27%</b>

## 5.3 GRANTS

### Grant Performance

Description	Year 1	Year 0			Year 0 variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget (%)	Adjusted Budget (%)
<b>R thousands</b>						
<b>RECEIPTS:</b>						
-						
<b><u>Operating Transfers and Grants</u></b>						
<b>National Government:</b>	<b>101,152</b>	<b>116,354</b>	<b>116,354</b>		<b>0</b>	<b>0</b>
Local Government Equitable Share	96,062	109,210	109,210	109,210	0.00%	0.00%
Finance Management	1,500	1,500	1,500	1,434	4.43%	4.43%
Municipal Systems Improvement	790	800	800	626	21.79%	21.79%
EPWP Incentive	2,800	2,844	2,844	2,658	6.54%	6.54%
Integrated National Electrification Programme	-	-	-	-	0.00%	0.00%
Infrastructure Skills Development	-	2,000	2,000	849	57.57%	57.57%
<b>Provincial Government:</b>		<b>4,150</b>	<b>4,150</b>		<b>0</b>	<b>0</b>
Library Subsidy	2,204	4,150	4,150	3,079	25.82%	25.82%
Other transfers and grants [insert description]						
<b>District Municipality:</b>		<b>42,574</b>	<b>42,574</b>		<b>(0)</b>	<b>(0)</b>
<i>Water and Sanitation Provider</i>	97,180	42,574	42,574	72,752	-70.88%	-70.88%
<i>Fencing &amp; Beautification</i>	-	-	-	-	-	-
<b>Other grant providers:</b>		-	-		-	-
<i>Thina Sinako</i>	-	-	-	-	0.00%	
<b>Total Operating Transfers and Grants</b>		<b>163,078</b>	<b>163,078</b>		<b>0</b>	<b>0</b>
<b><u>Capital Transfers and Grants</u></b>						
<b>National Government:</b>		<b>32,122</b>	<b>32,122</b>		<b>0</b>	<b>0</b>
Municipal Infrastructure Grant (MIG)		32,122	32,122	26,020	19.00%	19.00%
Rural Households Infrastructure		-	-	-		
Neighbourhood Development Partnership		-	-	-	0.00%	0.00%
Other capital transfers [insert description]		-	-	-		

Provincial Government:		-	-		-	-
[insert description]			-			
District Municipality:		-	7,801		-	-
Water and Sanitation Provider			5,301			
Fencing & Beautification			2,500			
Other grant providers:		-	285		-	-
Thina Sinako			285			
Total Capital Transfers and Grants		32,122	40,208		0	0
TOTAL RECEIPTS OF TRANSFERS & GRANTS		195,200	203,286		0	0

#### 5.4 ASSET MANAGEMENT

TREATMENT OF THE LARGEST THREE ASSETS ACQUIRED IN 2012/13			
Asset 1			
Name	Grader		
Description	Yellow Fleet		
Asset Type	Plant and Machinery		
Key Staff Involved	Asset unit & Fleet manager		
Staff Responsibility	Verification, safeguarding, monitoring & maintenance		
	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>
Asset Value	1 832 884	1 841 449	1 850 014
Capital Implications	PPE		
Future purpose of asset	Road maintenance		
Describe key issues	Service delivery provision		
Policies in place to manage asset	Draft policy in place		
Asset 2			
Name	Roller		
Description	Yellow Fleet		
Asset Type	Plant and Machinery		
Key Staff Involved	Asset unit & Fleet manager		
Staff Responsibility	Verification, safeguarding, monitoring & maintenance		
	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>
Asset Value	1 027 039	1 031 354	1 035 670
Capital Implications	PPE		
Future purpose of asset	Road maintenance		
Describe key issues	Service delivery provision		
Policies in place to manage asset	Draft policy in place		
Asset 3			
Name	Excavator		
Description	Yellow Fleet		
Asset Type	Plant and Machinery		
Key Staff Involved	Asset unit & Fleet manager		
Staff Responsibility	Verification, safeguarding, monitoring & maintenance		



	2010/11	2011/12	2012/13
Asset Value	944 310	950 950	957 610
Capital Implications	PPE		
Future purpose of asset	Road maintenance		
Describe key issues	Service delivery provision		
Policies in place to manage asset	Draft policy in place		

#### Repair and Maintenance Expenditure: Year 2012/13

	Original Budget	Adjustment Budget	Actual	'000 Budget Variance
Repairs and Maintenance Expenditure	25 078 000	37 438 000	12 931 015	12 146 985

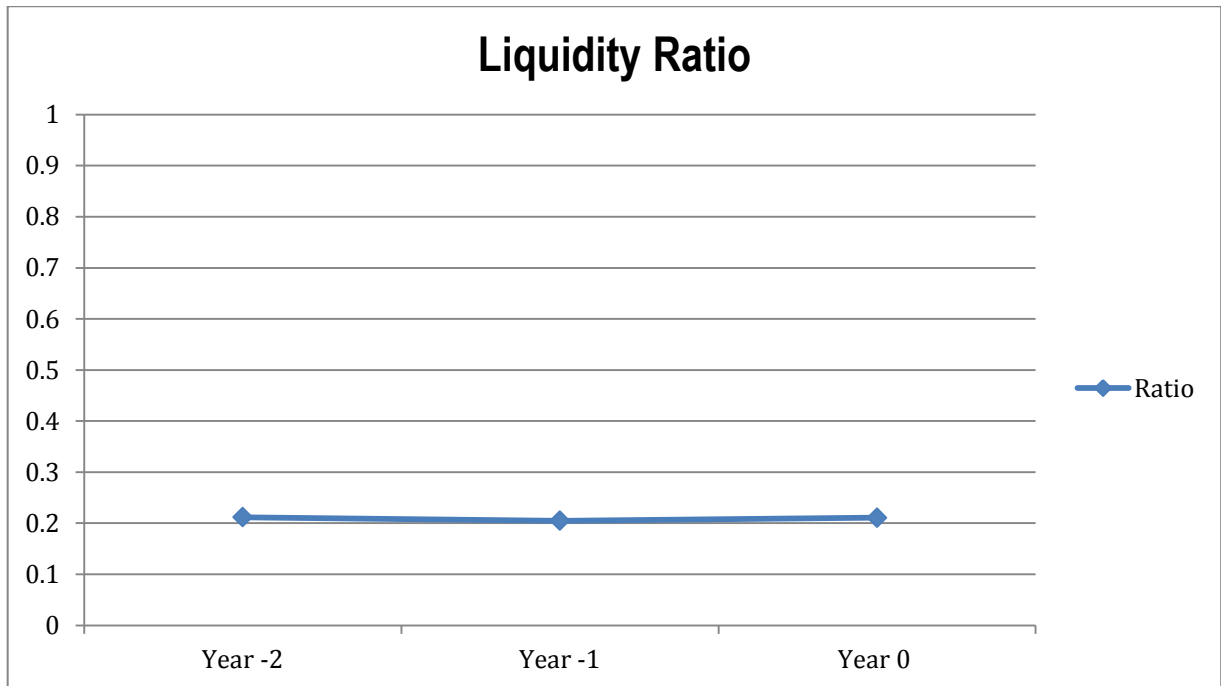
The repairs and maintenance represent only 3% of the total actual expenditure which is a risk to the assets life span of the institution.

The budget amount and the adjustment budget seem to be promised but the fact of the matter is due to our system that is not GRAP compliant whereby assets are purchased using this vote and the correcting journal is passed at the end of the financial year.

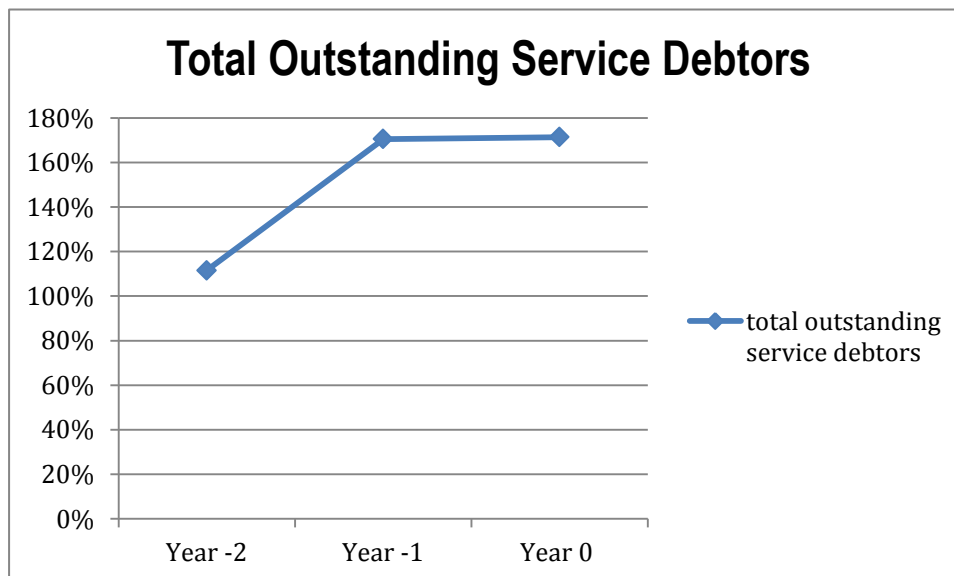
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## 5.5 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

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Current assets exceed the current liabilities whereas current liabilities had slightly increased from year 1. This shows municipality is liquid.



Debtors' collection against revenue has not improved still a challenge as it has not changes from the prior year

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## 5.6 SOURCES OF FINANCE

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Capital Expenditure – Funding Sources: Year 2011/12 - 2012/13						
						R'000
Details	2011/12	2012/13				
	Actual	Original Budget (OB)	Adjustment Budget	Actual	Adjustment to OB Variance (%)	Actual OB Variance (%)
<b>Source of finance</b>						
Grants and Subsidies		105 151	84 865	64 365	0.8%	0.6%
Other						
<b>TOTAL</b>		<b>105 151</b>	<b>84 865</b>	<b>64 365</b>	<b>0.8%</b>	<b>0.6%</b>
<i>Percentage of finance</i>						
Grants and subsidies		<b>0.18%</b>	<b>0.14%</b>	<b>0.11%</b>		0.01
<b>Capital expenditure</b>						
Water and sanitation						
Electricity						
Housing						
Roads and storm water		83 151	62 865	42 365	0.76	0.51
Other		22 000	22 000	22 000	0%	0%
<b>TOTAL</b>		<b>105 151</b>	<b>84 865</b>	<b>64 365</b>		

Capital expenditure only presents 7% of the total expenditure budget; this is due to inability of the institution to fund capital projects from its own income. Furthermore represents 14% of the total actual expenditure.

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**5.7 CASH FLOW**

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<b>Cash Flow Outcomes</b>				
<b>Description</b>	<b>2011/12</b>	<b>2012/13</b>		
	<b>Audited Outcomes</b>	<b>Original budget</b>	<b>Adjusted Budget</b>	<b>Actual</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Ratepayers and other	221 413 022			22 2967 072
Government	163 384 749			145 868 127
Interest	27 348 276			27 762 638
<b>Payments</b>				
Suppliers	(217 511 010)			(226 434 547)
Employees	(115 092 159)			(122 964 824)
Finance charges	(1 221 526)			(1 043 712)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>78 321 351</b>			<b>46 154 753</b>
<b>NET CASHFLOW FROM INVESTING ACTIVITIES</b>				
<b>Receipts</b>				
Proceeds on disposal of PPE	1 809 257			520 175
Decr/Incr in non-current debtors	(24 627 241)			(49 694 267)
Decr/Incr in other non-current assets	(1 469)			
Decr/Incr in other non-current investments				(72 000)
<b>Payments</b>				
Capital assets	0	0	0	0
<b>NET CASHFLOW/(USED) FROM INVESTING ACTIVITIES</b>	<b>(22 819 452)</b>			<b>(49 246 092)</b>
<b>CASHFLOW/(USED) FROM FINANCING ACTIVITIES</b>				
Short term loan	516 932			227 206
Borrowings long term				23 300
<b>Payments</b>				
Repayment of borrowings	(3 276 397)			(4 395 801)
<b>NET CASHFLOW/(USED) FROM FINANCING ACTIVITIES</b>	<b>( 2759 466)</b>			<b>(4 145 296)</b>
<b>NET INCREASE/DECREASE IN CASH HELD</b>	<b>(52 742 433)</b>			<b>7 236 635</b>
Cash & cash equivalents @ beginning of year	124 999 536			177 741 969
Cash & cash equivalents @ end of year	177 741 969			170 505 334

Cash flow statement indicates a net decrease in cash at the end of the financial period. The operating activities have a positive result as receipts are more than payments.

## 5.8 BORROWING AND INVESTMENTS

<b>Actual Borrowings: 2010/11 – 2012/13</b>			
R' 000			
<b>Instrument</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>
<b>Municipality</b>			
Long-Term Loans (annuity/reducing balance)	2 269 974	762 989	517 787
Long-Term Loans (non-annuity)			
Local registered stock			
Instalment Credit			
Financial Leases			
PPP liabilities			
Finance Granted By Cap Equipment Supplier			
Marketable Bonds			
Non-Marketable Bonds			
Bankers Acceptances			
Financial derivatives			
Other Securities			
<b>Municipality Total</b>	<b>2 268 874</b>	<b>762 989</b>	
<b>Municipal Entities</b>			
Long-Term Loans (annuity/reducing balance)			
Long-Term Loans (non-annuity)			
Local registered stock			
Instalment Credit			
Financial Leases			
PPP liabilities			
Finance Granted By Cap Equipment Supplier			
Marketable Bonds			
Non-Marketable Bonds			
Bankers Acceptances			
Financial derivatives			
Other Securities			
<b>Entities Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>MUNICIPAL INVESTMENT</b>			
<b>INVESTMENT TYPE</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>
Public Investment Commission	18 500	18 500	19 434
Deposits - Bank	97 722 309	103 035 295	108 111 056
Other – Housing guarantees	206 408	206 408	277 454
<b>TOTAL</b>	<b>97 947 217</b>	<b>103 260 203</b>	<b>108 407 944</b>

Municipalities borrowing are approaching the maturity period as the redemption amount is reducing. Investments are accumulating due to reinvestment.

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## 5.9 SUPPLY CHAIN MANAGEMENT

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- SCM policy in place and implemented, however there is a challenge of non-adherence to it.
- SCM unit is in existence and operational.
- Only two officials operating in the unit.
- Per AG report challenges have been identified from the unit, the remedial action is to increase the capacity of the unit.

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## 5.10 GRAP COMPLIANCE

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GRAP is the acronym for **G**enerally **R**ecognized **A**ccounting **P**ractice and it provides the rules by which municipalities are required to maintain their financial accounts. Successful GRAP compliance will ensure that municipal accounts are comparable and more informative for the municipality. It will also ensure that the municipality is more accountable to its citizens and other stakeholders. Information on GRAP compliance is needed to enable National Treasury to assess the pace of progress and consider the implications.

The Fixed Asset Register issue raised by AG that it's not GRAP compliant and the Budget format used by the institution.

**CHAPTER 6**  
**AUDITOR GENERAL'S AUDIT FINDINGS**  
**&**  
**AUDIT ACTION PLAN**

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

**REPORT ON THE FINANCIAL STATEMENTS**

**Introduction**

1. I was engaged to audit the financial statements of Lukhanji Local Municipality set out on pages XX to XX, which comprise the statement of financial position as at 30 June 2013, the statement of financial performance, statement of changes in net assets, statement of comparison of budget and actual amounts and cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

**Accounting officer's responsibility for the financial statements**

2. The accounting officer is responsible for the preparation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2012 (Act No. 5 of 2012) (DoRA), for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor-General's responsibility**

3. My responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the General Notice issued in terms thereof and International Standards on Auditing. Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

**Basis for disclaimer of opinion**

**Revenue from non-exchange transactions**

4. Revenue from non-exchange transactions of R240,8 million (2012: R220,5 million) is disclosed in notes 22, 23, and 25 to the financial statements. The underlying accounting records for property rates, government grants and subsidies as recorded in the accounting system could not be reconciled to the general ledger and financial statements and management could not provide audit evidence to substantiate these differences. The municipality also did not account for all its revenue and as a result revenue from non-exchange transactions and receivables are understated by R45,5 million. I was unable to confirm the revenue by alternative means. Consequently, I was unable to determine whether any further adjustments relating to revenue from non-exchange transactions in the financial statements were necessary.



### **Accumulated surplus**

5. Accumulated surplus of R1 billion disclosed in the statement of net assets. Sufficient appropriate audit evidence was not obtained to confirm adjustments made to the opening balance in the statement of changes in net assets for all errors identified in revenue, expenditure, employee costs, assets and liabilities in the previous and other financial years. I was unable to confirm the balance by alternative means. Consequently, I was unable to determine whether any further adjustments to the accumulated surplus in the financial statements were necessary.

### **Investment property**

6. Investment property of R91,3 million (2012: R91,3 million) is disclosed in note 12 to the financial statements. The municipality did not assess the fair value of all its land and buildings at each reporting date in accordance with GRAP 16: *Investment Property*. I have not determined the correct fair value of these assets as it was impracticable to do so. Sufficient appropriate evidence was not available for the amounts disclosed as investment property. I was unable to confirm the investment property balance by alternative means. Consequently, I was unable to determine whether any further adjustments relating to investment property in the financial statements were necessary.

### **Property, plant and equipment**

7. Property, plant and equipment of R751,5 million (2012: R724,3 million) is disclosed in note 11,1 to the financial statements. The municipality did not review the useful lives, residual values and deemed costs of property, plant and equipment in accordance with GRAP 17: *Property, plant and equipment and Directive 7: The application of deemed costs on the adoption of standards of GRAP*. In addition assets could not be located due to numerous limitations found within the municipality's asset register. I have not determined the correct net carrying amount of these assets as it was impracticable. Consequently, sufficient appropriate evidence was not available for the amounts disclosed as property, plant and equipment in note 11.1 and depreciation and amortisation as disclosed in note 33 to the financial statements. In addition buildings and accumulated surplus disclosed in note 11.1 is understated of R232 million. I was unable to confirm the assets and expenditure by alternative means. Consequently, I was unable to determine whether any further adjustments to property, plant and equipment in the financial statements were necessary.

### **Cash and cash equivalents**

8. Cash and cash equivalents of R170,5 million (2012: R177,7 million) is disclosed in note 20 to the financial statements. Sufficient appropriate audit evidence was not available to clear reconciling items and errors found in the prior financial year. In addition not all bank accounts have been reconciled by the municipality. I was unable to confirm the balance by alternative means. Consequently, I was unable to determine whether any adjustments to cash and cash equivalents in the financial statements were necessary.

### **Revenue from exchange transactions**

9. Revenue from exchange transactions of R270,9 million is disclosed in notes 24, 26, 27, 28 and 29 to the financial statements. The underlying accounting records

for revenue transactions as recorded in the accounting system could not be reconciled to the general ledger and financial statements and management could not provide audit evidence to substantiate these differences. The municipality also did not account for all its revenue and as a result revenue from exchange transactions and receivables is understated by R23,8 million. I was unable to confirm the revenue by alternative means. Consequently, I was unable to determine whether any further adjustments relating to revenue from exchange transactions in the financial statements were necessary.

### **Debt impairment**

10. Debt impairment of R74,1 million is disclosed in note 32 to the financial statements. Sufficient appropriate audit evidence was not available for debt impairment as management processed system journals which could not be supported. In addition management could not provide a basis for the calculation of debt impairment journals. I was unable to confirm the debt impairment by alternative means. Consequently, I was unable to determine whether any adjustments relating to debt impairment in the financial statements were necessary.

### **Receivables from exchange transactions**

11. Receivables from exchange transactions of R97,6 million (2012: R126,8 million) is disclosed in note 17 to the financial statements. The impairment allowance was not supported by adequate audit evidence. Management could also not provide evidence to substantiate the unbundling of the Chris Hani District Municipality receivable included in receivables from exchange transactions. In addition receivables from exchange transactions and revenue is understated by R7,2 million. I was thus unable to confirm the balance by other means. Consequently, I was unable to determine whether any further adjustments relating to receivables from exchange transactions in the financial statements were necessary.

### **Irregular expenditure**

12. The municipality did not have adequate systems in place to identify and disclose all irregular expenditure incurred during the year as required by section 125(2)(d)(i) of the MFMA. The irregular expenditure disclosed in note 47.3 to the financial statements is understated in respect of amounts incurred during the year that were identified during the audit process of R77,4 million (2012: R15,9 million), while the opening balance for 2010/11 is understated by R22,6 million in this regard. Due to the lack of systems, and non-availability of sufficient appropriate audit evidence for all awards, it was impracticable to determine the full extent of the understatement of irregular expenditure disclosed at R40,6 million (2012: R 40,1 million). I was unable to confirm the disclosure by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the irregular expenditure disclosure note.

### **Unauthorised Expenditure**

13. The municipality overspent on its budget by R60,2 million as disclosed in note 47.1. Sufficient appropriate audit evidence was not submitted to calculate the extent of unauthorised expenditure per vote as required by section 1 and 125(2)(d) of the MFMA. I was unable to confirm the disclosure by alternative means. Consequently, I was unable to determine whether any further

adjustments were necessary to the unauthorised expenditure disclosed in note 47.1 to the financial statements.

### **General expenditure**

14. General expenditure of R75,5 million is disclosed in note 40 to the financial statements. Sufficient appropriate audit evidence to support the disclosed amounts for general expenditure such as orders, requisitions, agreements and explanations could not be provided. In addition delegated management reflected as part of general expenditure in note 40 is overstated by R29,8 million and bulk services in the statement of financial performance is understated. I was unable to confirm this expenditure by an alternative means. Consequently, I was unable to determine whether any further adjustments to general expenditure were necessary.

### **Commitments**

15. Commitments of R8 million (2012: R16 million) are disclosed in note 49. The municipality did not have an adequate and complete contract management system in place for the identification and recognition of contracted commitments and did not include all the municipality's commitments in the amounts in disclosure note 49 to the financial statements. In addition, sufficient appropriate audit evidence was not available for commitments disclosed and I could not confirm the disclosure by alternative means. Consequently, I was unable to determine whether any further adjustments to commitments were necessary.

### **Value-added taxation (VAT)**

16. VAT of R34,1 million is disclosed in note 10 to the financial statements. Sufficient appropriate evidence was not available to clear reconciling differences between South African Revenue Service (SARS) records and municipal records. In addition VAT and accumulated surplus is overstated by R7,2 million as the result of an incorrect payable that was recorded in the prior period. I was unable to confirm the balance by alternative means. Consequently, I was unable to determine whether any further adjustments to VAT in the financial statements were necessary.

### **Employee related costs**

17. Employee related costs amounting to R104,9 million (2012: R99,3 million) disclosed in note 30 to the financial statements could not be supported with sufficient appropriate audit evidence due to the inadequacy of the municipality's employee record management system. I was unable to confirm employee related costs by alternative means. Consequently, I was unable to determine whether any further adjustments to employee related costs in the financial statements were necessary.

### **Unspent conditional grants and receipts**

18. Unpaid conditional grants and receipts of R19,2 million (2012: R16,4 million) are disclosed in note 9 to the financial statements. Sufficient appropriate audit evidence was not available to clear reconciling items and errors found in the prior financial year. I was unable to confirm the balance by alternative means. Consequently, I was unable to determine whether any further adjustments to unspent conditional grants and receipts in the financial statements were

necessary.

### **Payables from exchange transactions**

19. Payables from non-exchange transactions of R32,8 million (2012: R26,3 million) are disclosed in note 8 to the financial statements. The municipality did not maintain adequate records of outstanding payments for goods and services received but not yet paid at year-end, as well as leave records and did not include all outstanding amounts meeting the definition of a liability as per GRAP 1: *Presentation of Financial Statements*, in the financial statements, resulting in an overstatement of trade and other payables as disclosed in note 8 to the financial statements by at least R12,4 million (2012: R1,6 million), while receivables from exchange transactions was understated by R18,7 million and accumulated surplus understated by R6,3 million. In addition the municipality did not process a prior period adjustment for payables due to inadequate records. Due to the lack of systems in place, it was impracticable for me to determine the full extent of the understatement in payables from exchange transactions.

### **Cash flow statement**

20. GRAP 2: *Cash flow statements*, requires the presentation of a cash flow statement summarising the entity's operating, investing and financing activities. The cash flow statement for the current and prior year could not be confirmed due to limitations imposed and due to a lack of sufficient appropriate audit evidence for receipts from government, payments to suppliers, loans repaid and new loans raised. I could not confirm the disclosure by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the cash flow statement.

### **Receivables from non-exchange transactions**

21. Receivables from non-exchange transactions of R26,7 million is disclosed in note 18 to the financial statements. The impairment allowance raised against receivables from non-exchange transactions was not supported by sufficient appropriate audit evidence as management could not provide a listing of impaired receivables. I was unable to confirm the balance by other means. In addition receivables from non-exchange transactions and revenue is understated by R46,6 million. Consequently, I was unable to determine whether any adjustments relating to receivables from non-exchange transactions in the financial statements were necessary.

### **Provisions**

22. Provisions of R12,6 million is disclosed in notes 4 and 7 to the financial statements. The provision for landfill sites and expenditure is understated by R16 million (2012: R385 000) as a result of the municipality not accounting for a valuation that was performed at year end by a management expert.

### **Material losses**

23. The municipality disclosed material losses in note 47.4 to the financial statements for water and electricity as required by section 125(2)(d)(i) of the MFMA. Material losses for the current and prior year could not be confirmed due to limitations imposed by the lack of sufficient appropriate audit evidence included in this report. I was unable to confirm this disclosure by alternative means.

Consequently, I was unable to determine whether any further adjustments relating to material losses in the financial statements were necessary.

#### **Statement of comparison of budgets to actual amounts**

24. GRAP 24: *Presentation of budget information in financial statements*, requires explanations of material variances as well as explanations of amendments made to the originally approved budget. Explanations for variances and amendments to the originally approved budget could not be obtained. I was unable to confirm the statement by alternative means. Consequently, I was unable to determine whether any adjustments to the statement of comparison of budgets to actual amounts were necessary.

#### **Aggregation of immaterial uncorrected misstatements**

25. The financial statements as a whole are materially misstated due to the cumulative effect of numerous individually immaterial uncorrected misstatements in the following elements making up the statement of financial performance to the financial statements:

26. I was unable to obtain sufficient appropriate audit evidence and was therefore unable to confirm the following elements by alternative means:

- Repairs and maintenance of R12,8 million included in the disclosed amount of R14,1 million disclosed in note 35 to the financial statements.
- Contracted services expenditure of R1,6 million included in the disclosed amount of R3,1 million disclosed in note 38 to the financial statements.
- Bulk purchases of R10,6 million included in the disclosed amount of R145 million disclosed in note 37 to the financial statements.

As a result, I was unable to determine whether any further adjustments to these elements were necessary.

#### **Aggregation of immaterial uncorrected misstatements in corresponding figures**

27. The financial statements as a whole are materially misstated due to the cumulative effect of numerous individually immaterial uncorrected misstatements in the following elements making up the statement of financial performance and position to the financial statements:

- Receivables from exchange transactions amounting to R126,8 million as disclosed in note 17 is understated by R16,9 million.
- Provision for bad debts amounting to R424,7 million as disclosed in notes 17 and 18 is understated by R13 million.

28. In addition, I was unable to obtain sufficient appropriate audit evidence and was therefore unable to confirm the following elements by alternative means:

- Accumulated surplus of R10,8 million included in the statement of net assets in the amount of R989 million in the financial statements.
- VAT of R7,2 million included in the disclosed amount of R4,8 million in note 10 to the financial statements.
- Property, plant and equipment (moveable) of R6,3 million included in the disclosed amount of R724,3 million in note 11.1.
- Revenue from exchange transactions of R11,2 million included in the disclosed amount of R270,9 million in notes 24, 26, 27, 28 and 29 to the financial statements.

- Operating grant expenditure of R7,3 million included in the disclosed amount of R6,3 million in note 39 to the financial statements.
- Other receivables from non-exchange transactions of R3,7 million included in the disclosed amount of R5,7 million in note 17 to the financial statements.

As a result, I was unable to determine whether any further adjustments to these elements were necessary.

### **Disclaimer of opinion**

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

### **Emphasis of matter**

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

### **Restatement of corresponding figures**

30. As disclosed in note 41 to the financial statements, the corresponding figures have been restated as a result of errors only corrected during the year ended 30 June 2013 that existed in the financial statements at, and for the year ended, 30 June 2012.

### **Material impairments**

31. As disclosed in notes 17 and 18 to the financial statements, an amount of R424,8 million (2012: R337,2 million) has been impaired as a result of a non-payment of consumer debtor accounts.

### **Additional matters**

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

### **Unaudited supplementary schedules**

33. The supplementary annexures set out on pages XX to XX do not form part of the financial statements and are 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**

34. 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**

35. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages XX to XX of



the annual report.

36. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury *Framework for managing programme performance information (FMPPI)*.
37. The reliability of the information in respect of the selected programme is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).
38. The material findings are as follows:

#### **Usefulness of information**

##### **Presentation**

##### **Measures taken to improve performance were not disclosed.**

39. Section 46 of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA) requires disclosure in the annual performance report of measures taken to improve performance where planned targets were not achieved.
40. Measures to improve performance were not provided for 79% of indicators disclosed in the annual performance report. This was due to limitations placed on the scope of my work.
41. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to whether there are reliable measures taken to improve performance.

#### **Measurability**

##### **Performance targets not specific**

42. The FMPPI requires that performance targets be specific in clearly identifying the nature and required level of performance. A total of 33% of the targets relevant to all the key priorities of the municipality were not specific in clearly identifying the nature and the required level of performance. This was due to the lack of appropriate management supervision to ensure that the municipality complies with relevant laws and regulations around performance management, i.e. suitable monitoring, recording and reporting on predetermined objectives.

##### **Performance targets not measurable**

43. The *FMPPI* requires that performance targets be measurable. The required performance could not be measured for 100% of the targets. This was due to management not providing all information relating to the audit of performance information.

### **Performance targets not time bound**

44. The FMPPI requires that the time period or deadline for delivery be specified. A total of 100% of the targets relevant to all the key priorities of the municipality were not time bound in specifying a time period or deadline for delivery. This was due to the lack of appropriate management supervision to ensure that the municipality complies with relevant laws and regulations around performance management, i.e. suitable monitoring, recording and reporting on predetermined objectives.

### **Performance indicators not well defined**

45. The FMPPI requires that indicators should have clear unambiguous data definitions so that data is collected consistently and is easy to understand and use. A total of 100% of the indicators relevant to all the objectives of the municipality were not well defined in that clear, unambiguous data definitions were not available to allow for data to be collected consistently. This was due to the lack of appropriate management supervision to ensure that the municipality complies with relevant laws and regulations around performance management, i.e. suitable monitoring, recording and reporting on predetermined objectives.

### **Indicators not verifiable**

46. The FMPPI requires that it must be possible to validate the processes and systems that produce the indicator. A total of 100% of the indicators relevant to all the key priorities of the municipality were not verifiable in that valid processes and systems that produce the information on actual performance did not exist. This was due to the absence of a performance management system and a lack of understanding of the requirements of the National Treasury FMPPI.

### **Relevance**

47. The FMPPI requires that the indicator should relate logically and directly to an aspect of the institution's mandate, the realisation of strategic goals and objectives. 100% of indicators did not relate logically and directly to an aspect of the institution's mandate and realisation of strategic goals and objectives as per the integrated development plan.

48. This was due to the lack of development and implementation of proper performance planning and management practices to provide for the development of performance indicators and targets included in the annual performance plan.

### **Reliability of selected objectives in the annual performance report**

#### **Objective 10: Economic Development**

49. The *FMPPI* requires that institutions should have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets.

50. I was unable to obtain the information and explanations I considered necessary to satisfy myself as to the reliability of information presented with respect to the objective of Economic Development.



51. This was due to limitations placed on the scope of my work due to the fact that the institution could not provide sufficient appropriate evidence in support of the information presented with respect to the objective.

**Objectives 14 and 15: To provide basic level of infrastructure through the Municipal Infrastructure Grant (MIG) funding**

52. The FMPPI requires that institutions should have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets.

53. I was unable to obtain the information and explanations I considered necessary to satisfy myself as to the reliability of information presented with respect to the objective to provide basic level of infrastructure through the Municipal Infrastructure Grant (MIG) funding.

54. This was due to limitations placed on the scope of my work due to the fact that the institution could not provide sufficient appropriate evidence in support of the information presented with respect to the objective.

**Compliance with laws and regulations**

55. I performed procedures to obtain evidence that the entity complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the general notice issued in terms of the PAA are as follows:

**Strategic planning and performance management:**

56. The municipal council did not consult with the local community in the drafting and implementation of the municipality's integrated development plan (IDP), by means of a municipal wide structure for community participation/through a forum that enhances community participation, as required by section 28 of the MSA and section 15(1)(a)(i) of the Municipal Planning and Performance Management Regulation Published under *Government Notice R796 in Government Gazette 22605* dated 24 August 2001 (MPPMR).

57. The IDP adopted by the municipality does not reflect and identify a financial plan and the key performance indicators and targets, as required by sections 26 and 41 of the MSA. The municipality did not afford the local community at least 21 days to comment on the final draft of its integrated development plan before the plan was submitted to council for adoption, as required by regulation 15(3) of the MPPMR.

58. The municipality did not conduct its affairs in a manner which was consistent with its IDP, as required by section 36 of the MSA, section 21(2)(a) of the MFMA and regulation 6 of the MPPMR.

59. The municipality did not establish a performance management system, as required by section 38(a) of the MSA.

60. The municipality did not set key performance indicators, including input indicators, output indicators and outcome indicators, in respect of each of the development priorities and objectives set out in the IDP, as required by section 41(1)(a) of the MSA and regulation 1 and 9(1)(a) of the MPPMR.
61. The municipality did not set measurable performance targets for the financial year with regard to each of the development priorities and objectives and key performance indicators set out in the IDP, as required by section 41(1)(b) of the MSA and regulation 12(1) and 12(2)(e) of the MPPMR.
62. The mayor of the municipality did not verify whether the municipality's approved budget is implemented in accordance with the service delivery and budget implementation plan, issue any appropriate instructions to the accounting officer to ensure that the budget is implemented in accordance with the service delivery and budget implementation plan and ensured that spending of funds and revenue collection proceed in accordance with the budget; identify any financial problems facing the municipality, including any emerging or impending financial problems as required by Section 54(1) of the MFMA.
63. The accounting officer of the municipality did not by 25 January assess the performance of the municipality during the first half of the financial year, as required by section 72(1)(a)(ii) of the MFMA .
64. The annual performance report for the year under review does not include a comparison of the performance with set targets, a comparison with the previous financial year and measures taken to improve performance, as required by section 46 (1)(a), (b) and (c) of the MSA.
65. The municipality did not have and maintain effective, efficient and transparent systems of financial and risk management and internal controls as required by section 62(1)(c)(i) of the MFMA.

#### **Annual financial statements, performance and annual reports**

66. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Supporting records could not be provided subsequently, which resulted in the financial statements receiving a disclaimer audit opinion.
67. Oversight report, containing comments on the annual report, was not adopted by council within two months from the date on which the 2011-12 annual report was tabled, as required by section 129(1) of the MFMA.
68. The council's oversight report on the 2011-12 annual report was not made public within seven days of its adoption, as required by section 129(3) of the MFMA.

#### **Budget**

69. Quarterly reports were not submitted to the council on the implementation of the budget and/or financial state of affairs of the municipality within 30 days after the end of each quarter, as required by section 52(d) of the MFMA.
70. The total unforeseen and unavoidable expenditure incurred exceeded 4% of own revenue and R15 million, in contravention of Municipal Budget and Reporting Regulation 72.

71. Sufficient appropriate audit evidence could not be obtained that monthly budget statements were submitted to the mayor or relevant provincial treasury or accounting officer, as required by section 71(1) of the MFMA.

### **Audit Committee**

72. The audit committee did not advise the council or accounting officer on matters relating to internal financial control and internal audits, accounting policies, effective governance, performance management, performance evaluation as required by section 166(2)(a) of the MFMA.

73. The audit committee did not advise the council or accounting officer on matters relating to the adequacy, reliability and accuracy of financial reporting and information, as required by section 166(2)(a)(iv) of the MFMA.

74. The audit committee did not advise the council or accounting officer on matters relating to compliance with legislation, as required by section 166(2)(a)(vii) of the MFMA.

75. The audit committee did not review the annual financial statements to provide the council with an authoritative and credible view of the financial position of the entity, its efficiency and effectiveness and its overall level of compliance with legislation, as required by section 166(2)(b) of the MFMA.

76. The audit committee did not respond to the council on the issues raised in the audit reports of the Auditor-General, as required by section 166(2)(c) of the MFMA.

77. The audit committee did not meet at least four times a year, as required by section 166(4)(b) of the MFMA.

78. The audit committee did not review the municipality's performance management system and/or make recommendations to the council, as required by regulation 14(4)(a)(iii) of the MPPMR.

79. The audit committee did not submit, at least twice during the financial year, an audit report on the review of the performance management system to the council, as required by regulation 14(4)(a)(iii) of the MPPMR.

### **Internal Audit**

80. Internal audit did not function as required by section 165(2) of the MFMA, in that:

- it did not prepare a risk-based audit plan and an internal audit programme for the financial year under review.
- it did not report to the audit committee on the implementation of the internal audit plan.
- it did not advise the accounting officer and/or report to the audit committee on matters relating to internal audit, internal controls, accounting procedures and practices, risk and risk management and loss control.

81. The internal audit unit did not advise the accounting officer and/or report to the audit committee on matters relating to compliance with the MFMA, the DoRA and other applicable legislation, as required by section 165(2)(b)(vii) of the MFMA.

82. The internal audit did not audit the results of performance measurements, as required by section 45(1)(a) of the MSA and regulation 14(1)(a) of the MPPMR.
83. The internal audit unit did not assess the functionality of the performance management system, as required by regulation 14(1)(b)(i) of the MPPMR.
84. The internal audit unit did not assess the extent to which the performance measurements were reliable in measuring the performance of the municipality on key and general performance indicators, as required by regulation 14(1)(b)(ii) of the MPPMR.
85. The internal audit unit did not audit the performance measurements on a continuous basis and/or submitted quarterly reports on their audits to the municipal manager and the performance audit committee, as required by regulation 14(1)(c) of the MPPMR.

### **Expenditure management**

86. Money owing by the municipality was not always paid within 30 days or an agreed period, as required by section 65(2)(e) of the MFMA.
87. Payments were made without the approval of the accounting officer or a properly authorised official as required by section 11(1) of the MFMA.
88. An effective system of expenditure control, including procedures for the approval, authorisation withdrawal, payment of funds, was not in place, as required by section 65(2)(a) of the MFMA.
89. An adequate management, accounting and information system was not in place which recognised expenditure when it was incurred, accounted for creditors, accounted for payments made, as required by section 65(2)(b) of the MFMA.
90. Reasonable steps were not taken to prevent unauthorised expenditure, irregular expenditure, fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.

### **Asset management**

91. An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.
92. An effective system of internal control for assets (including an asset register) was not in place, as required by section 63(2)(c) of the MFMA.

### **Liability management**

93. An adequate management, accounting and information system which accounts for liabilities was not in place, as required by section 63(2)(a) of the MFMA.
94. An effective system of internal control for liabilities (including a liability register) was not in place, as required by section 63(2)(c) of the MFMA.
95. Long-term debt was incurred without a resolution of the municipal council approving the debt agreement, in contravention of section 46(2) of the MFMA.

## **Revenue management**

96. An adequate management, accounting and information system which accounts for revenue, debtors, receipts of revenue was not in place, as required by section 64(2)(e) of the MFMA.
97. An effective system of internal control for debtors, revenue was not in place, as required by section 64(2)(f) of the MFMA.
98. A credit control and debt collection policy was not implemented, as required by section 96(b) of the MSA and section 62(1)(f)(iii) of the MFMA.
99. Revenue due to the municipality was not calculated on a monthly basis, as required by section 64(2) of the MFMA.
100. Sufficient audit evidence could not be obtained that interest had been charged on all accounts in arrears, as required by section 64(2)(g) of the MFMA.

## **Procurement and contract management**

101. Sufficient appropriate audit evidence could not be obtained that goods and services with a transaction value of below R200 000 were procured by means of obtaining the required price quotations, as required by regulation 17(a) and (c) of the Municipal SCM Regulations issued in Government Gazette 27636 of 30 May 2005 (SCM Regulation).
102. Quotations were accepted from prospective providers who are not registered on the list of accredited prospective providers and do not meet the listing requirements prescribed by the SCM policy in contravention of regulations 16(b) and 17(b) of the SCM Regulation.
103. Sufficient appropriate audit evidence could not be obtained that goods and services of a transaction value above R200 000 were procured by means of inviting competitive bids and that deviations approved by the accounting officer were only if it was impractical to invite competitive bids, as required by regulations 19(a) and 36(1) of the SCM Regulations.
104. Sufficient appropriate audit evidence could not be obtained that bid specifications for procurement of goods and services through competitive bids were drafted in an unbiased manner that allowed all potential suppliers to offer their goods or services, as per regulation 27(2)(a) of the SCM Regulation.
105. Sufficient appropriate audit evidence could not be obtained that bid specifications were drafted by bid specification committees which were composed of one or more officials of the municipality as required by regulation 27(3) of the SCM Regulation.
106. Sufficient appropriate audit evidence could not be obtained that invitations for competitive bidding were advertised for a required minimum period of days, as required by regulations 22(1) and 22(2) of the SCM Regulations.
107. Sufficient appropriate audit evidence could not be obtained that bids were evaluated by bid evaluation committees which were composed of officials from the departments requiring the goods or services and at least one SCM

practitioner of the municipality as required by regulation 28(2) of the SCM Regulations.

108. Sufficient appropriate audit evidence could not be obtained that contracts and quotations were awarded to bidders based on points given for criteria that were stipulated in the original invitation for bidding and quotations, as required by Regulations 21(b) and 28(1)(a) of the SCM Regulation and Preferential Procurement Regulations.
109. Sufficient appropriate audit evidence could not be obtained that bid adjudication was always done by committees which were composed in accordance with regulation 29(2) of the SCM Regulation.
110. Awards were made to bidders other than those recommended by the bid evaluation committee without ratification by the accounting officer, as required by Regulation 29(5)(b) of the SCM Regulation.
111. Sufficient appropriate audit evidence could not be obtained that contracts and quotations were awarded to bidders that scored the highest points in the evaluation process, as required by section 2(1)(f) of Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) (PPPF).
112. The performance of contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.
113. The contract performance and monitoring measures and methods were insufficient to ensure effective contract management, as required by section 116(2)(c) of the MFMA.
114. Construction projects were not always registered with the Construction Industry Development Board (CIDB), as required by section 22 of the CIDB Act, 2000 (Act No. 38 of 2000) and CIDB Regulation 18.
115. Sufficient appropriate audit evidence could not be obtained that contracts and quotations were awarded only to bidders who submitted a declaration on whether they are employed by the state or connected to any person employed by the state, as required by regulation 13(c) of the SCM Regulation.
116. Sufficient appropriate audit evidence could not be obtained that the preference point system was applied in all procurement of goods and services above R30 000 as required by section 2(a) of the PPPF and regulation 28(1)(a) of the SCM regulation .
117. Construction contracts were awarded to contractors that were not registered with the CIDB and/or did not qualify for the contract, in accordance with section 18(1) of the CIDB Act and CIDB Regulations 17 and 25(7A).
118. Sufficient appropriate audit evidence could not be obtained that contract and quotations were only awarded to providers whose tax matters have been declared by the South African Revenue Service (SARS) to be in order as required by Regulation 43 of the SCM Regulation.
119. The prospective providers list for procuring goods and services through quotations was not updated at least quarterly to include new suppliers that qualify



for listing, and prospective providers were not invited to apply for such listing at least once a year as per the requirements of regulations 14(1)(a)(ii) and 14(2) of the SCM Regulations.

120. Sufficient appropriate audit evidence could not be obtained that all contracts and quotations were awarded in accordance with the legislative requirements and a procurement process which is fair, equitable, transparent and competitive, as management did not provide the requested information.
121. The municipality did not implement an SCM policy as required by section 111 of the MFMA.

### **Human resource management and compensation**

122. Appointments were made in posts which were not provided for in the approved staff establishment of the municipality, in contravention of section 66(3) of the MSA.
123. Sufficient appropriate audit evidence could not be obtained that job descriptions were established for all posts in which appointments were made in the current year, as required by section 66(1)(b) of the MSA.
124. The competencies of financial and supply chain management officials were not assessed in a timely manner in order to identify and address gaps in competency levels as required by regulation 13 of the Municipal Regulations on Minimum Competency Levels (MRMCL) published in *Government Gazette 29967* dated 15 June 2007 .
125. The municipality did not submit a report on compliance with prescribed competency levels to the National Treasury and relevant provincial treasury as required by regulation 14(2)(a) of the MRMCL.
126. The 2011-12 annual report of the municipality did not reflect information on compliance with prescribed minimum competencies as required by regulation 14(2)(b) of the MRMCL.
127. The head of supply chain management did not meet any of the prescribed competency areas as required by section 119 of the MFMA and regulation 10 and 11 of the MRMCL.
128. All senior managers did not meet any of the prescribed competency areas as required by regulation 6 and 7 of the MRMCL.
129. Finance officials at middle management did not meet any of the prescribed competency areas as required by regulation 8 and 9 of the MRMCL.
130. Sufficient appropriate audit evidence could not be obtained that the municipality developed and adopted appropriate systems (policies) and procedures to monitor, measure and evaluate performance of staff as required by section 67(d) of the MSA .
131. The senior managers directly accountable to the municipal manager did not sign performance agreements, as required by section 57(2)(a) of the MSA.

132. The municipal manager, all senior managers, head of supply chain management and a finance middle management official were appointed without having met the prescribed minimum competency levels as required by section 54A(2) and 56(1)(b) of the MSA.
133. Sufficient appropriate audit evidence could not be obtained that the senior managers dismissed for financial misconduct in a previous position were re-appointed before the expiry of 10 years in contravention of section 57A of the MFMA.
134. The accounting officer did not meet any of the prescribed competency areas as required by sec 83 of the Municipal Finance Management Act and Regulation 2 and 3 of the MRMCL.
135. The chief financial officer did not meet any of the prescribed competency areas as required by sec 83 of the Municipal Finance Management Act and Regulation 4 and 5 of the MRMCL.

### **Conditional grants**

136. The municipality did not submit quarterly performance reports to the transferring national officer, the relevant provincial treasury and the National Treasury, within 30 days after the end of each quarter, as required by section 12(2)(c) of the DoRA.
137. The municipality did not evaluate its performance in respect of programmes funded by the MSIG and submit the evaluation to the transferring national officer within two months after the end of the financial year, as required by section 12(5) of the DoRA.
138. The municipality did not submitted, within 10 days after the end of each month, its monthly expenditure reports to the national department (CoGTA), as required by the Division of Revenue Grant Framework, Gazette No.35399.
139. The municipality did not submit project implementation plans to the national department (CoGTA), as required by the DoRA Grant Framework, Gazette No.35399.

### **Consequence management**

Sufficient, appropriate audit evidence could not be obtained to confirm the following:

140. Unauthorised expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, in accordance with the requirements of section 32(2) of the MFMA.
141. Authorisation of unauthorised expenditure was not done through an adjustment budget, as required by section 32(2) of the MFMA.
142. Fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, in accordance with the requirements of section 32(2) of the MFMA.



143. The condoning of irregular expenditure was not approved by the appropriate relevant authority, in accordance with the requirements of sections 1 and 170 of the MFMA.
144. Unauthorised, irregular, fruitless and wasteful expenditure was not always recovered from the liable person, as required by section 32(2) of the MFMA.
145. Unauthorised, irregular, fruitless and wasteful expenditure was written-off as irrecoverable without being certified by council as irrecoverable, as required by section 32(2) of the MFMA.
146. Authorisation of unauthorised expenditure was not done through an adjustment budget, as required by section 32(2) of the MFMA.
147. The accounting officer or the council did not always report to the South African Police Service cases of alleged irregular expenditure that constituted a criminal offence, as required by sections 32(6) and 32(7) of the MFMA.
148. Allegations of fraud, corruption, improper conduct and failure to comply with the supply chain management system laid against officials were not investigated by the accounting officer, as required by regulation 38(1)(b) of the SCM Regulation.
149. Appropriate action was not taken against officials in the supply chain management system where investigations proved failure to comply with the supply chain management system, as required by regulation 38(1)(b) of the SCM Regulation.
150. The accounting officer did not always report cases of irregular conduct that constituted a crime to the South African Police Service, as required by regulation 28(1)(b) of the SCM Regulation .
151. Allegations of financial misconduct against senior managers were not always tabled before council, as required by section 5(2) of the Local Government: Disciplinary Regulations for Senior Managers.
152. The council did not appoint an independent investigator to investigate all allegations where there were reasonable cause to believe an act of misconduct has been committed, as required by regulation 5(3)(a) of the Local Government: Disciplinary Regulation for Senior Managers 5(3)(a).
153. Disciplinary proceedings were not instituted by the council where the report of independent investigators confirmed the financial misconduct by a senior manager, as required by regulation 5(6) of the Local Government: Disciplinary Regulation for Senior Managers.
154. Cases of financial misconduct which constitute a crime committed by senior managers were not always reported to the South African Police Service, as required by section 62(1)(e) of the MFMA.
155. Investigations were not instituted into all allegations of financial misconduct against officials of the municipality, as required by section 171(4)(a) of the MFMA. Disciplinary proceedings were not instituted against officials of the municipality, when investigations warranted such a step, as required by section 171(4)(b) of the MFMA.

156. Cases of financial misconduct which constitute a crime were not always reported to the South African Police Service, as required by section 62(1)(e) of the MFMA.

### **Internal control**

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

### **Leadership**

157. Leadership did not fulfil its oversight responsibilities with regards to the implementation and monitoring of internal controls and compliance with laws and regulations and did not insist on daily disciplines to ensure sound financial and performance management and compliance with laws and regulations. This resulted in inaccurate, incomplete and inadequate financial and performance reporting. In addition, leadership has not resolved most of the recurring audit findings that have been raised for the past four financial years.

158. The policies and procedures relating to human resource management, as well as an unsuitable organogram render HR management ineffective. Adequate and sufficiently skilled resources were not in place and the performance of municipal officials was not monitored by those charged with governance and leadership.

159. Leadership has not ensured that the revised action plan was approved by Council and ensured that it was overseen by governance structures such as MPAC, audit committee or the finance portfolio committee.

160. The established and communicated policies and procedures of the municipality were outdated and did not adequately support the municipality in complying with laws, regulations and reporting requirements of GRAP.

161. Although an IT governance framework is in place it has not been devolved to incorporate the unique circumstances and challenges of the municipality.

### **Financial and performance management**

162. Inadequate record management practices, poor financial discipline and inadequate monitoring controls resulted in significant deficiencies in the general control environment. Where information was available it was either often incomplete or did not support the underlying accounting records reported in the financial statements and the performance report. The municipality did not institute regular processes of collecting, collating and reporting on credible information which assisted with decision making and direction of the municipality's financial and performance objectives. As a result, sufficient appropriate audit evidence was not obtained for a number of significant components reported in the financial statements and performance report.

163. Appropriate daily and monthly processes, procedures and controls were not introduced to ensure that all transactions were accurately recorded, classified, reconciled, approved and reported on, in accordance with GRAP and the FMPP. Material misstatements across all cycles and components signified a lack of

review of transactions and balances at all managerial levels within the municipality, including the inadequacy of detection systems to alert management of control failures. Officials did not always fulfil their assigned duties and responsibilities and the performance of staff was further compromised by outdated policies and procedures, lack of training of newly appointed staff and not holding staff responsible and accountable for their actions.

164. The lack of financial discipline and monitoring throughout the financial year resulted in a large number of reconciliations, journals and corrections being performed after year-end, mainly by consultants. In addition a number of prior period corrections were made which in most instances could not be substantiated or supported by sufficient, appropriate audit evidence.

165. Leadership did not adequately monitor the actions and outputs of officials throughout the year under review to ensure compliance with key legislation such as the MFMA, DoRA and Systems and Structures Acts, as a result the majority of municipal laws and regulations were not complied with. In addition SCM compliance awareness amongst officials across all functional areas was not at the desired level, as evidenced by the abnormal amount of irregular expenditure identified during the audit.

166. The municipality did not design and implement formal controls over IT systems to ensure the reliability of the systems and the availability, accuracy and protection of information. This was further evidenced by the lack of reconciliations between IT system generated reports and amounts disclosed in the financial statements.

## **Governance**

167. The municipality's risk management strategy remained in draft form and was not implemented nor monitored by management. Although a risk assessment was performed it was inadequate as no responsibilities or actions were assigned in terms of identified risks and as a result were not used as a mitigating tool by management.

168. Internal audit only tabled three audit reports to the audit committee. In addition the audit committee only met twice during the year. The lack of co-ordination in the district together with the capacity problems experienced by internal audit severely hampered any efforts by the committee to play a constructive oversight role. As a result the committee did not fulfil its assigned responsibilities in terms of the MFMA, specifically the review of financial and performance reporting and compliance with laws and regulations and as a result did not provide the municipality with the required assurance.

East London  
30 November 2013



AUDITOR - GENERAL  
SOUTH AFRICA

## 6.2 AUDIT ACTION PLAN

No	Ex. No.	Findings	Impact on	Component	Reported in previous years	Target Date	Responsibility	Directorate	Director	Prog %	Remarks
1	225	Lack of supporting document	Qualification	Journals	Y	30-Jun-14	Finance Managers	BTO	CFO		
2	274	Non submission	Qualification	Journals	Y	30-Jun-14	Finance Managers	BTO	CFO		
3	227	Unauthorised signatory	Qualification	Journals	Y	30-Jun-14	Finance Managers	BTO	CFO		
4	106	Non disclosure		Contingent Liabilities		30-Jun-14	Mr Malekeni & Ms Mbele	BTO/HR & Admin	CFO & Dir HR & Admin		
5	104	Incorrect disclosure		Contingent Liabilities		30-Jun-14	Mr Malekeni & Ms Mbele	BTO/HR & Admin	CFO & Dir HR & Admin		
6	188	Cash flow disagreements		Cash & Cash equivalent	Y	30-Jun-14	CFO	BTO	CFO		
7	145	Calculation error		Long term liabilities		30-Jun-14	CFO	BTO	CFO		
8	173	Variance between register and GL		Long term liabilities		Quartely	CFO	BTO	CFO		
9	144	Interest disagreement		Long term liabilities		30-Jun-14	CFO	BTO	CFO		
10	146	Incorrect loan redemption disclosed		Long term liabilities		30-Jun-14	CFO	BTO	CFO		
11	174	Incomplete loan register		Long term liabilities		Quartely	CFO	BTO	CFO		
12	123	Overstatement of current portion		Long term liabilities		30-Jun-14	CFO	BTO	CFO		
13	8	Long term loans and finance lease: internal controls									
14	47	Non submission	Qualification	Revenue & Receivables		30-Jun-14	V Van Wyk	BTO	CFO		
15	115	Debt impairment: Disagreement errors identified	Qualification	Revenue & Receivables		30-Jun-14	V Van Wyk	BTO	CFO		
16	103	Debt impairment: Scope limitation	Qualification	Revenue & Receivables		30-Jun-14	V Van Wyk	BTO	CFO		
17	74	Material understatement errors	Qualification	Revenue & Receivables		30-Jun-14	V Van Wyk	BTO	CFO		
18	87	Limitation of scope in corresponding figure	Qualification	Revenue & Receivables		30-Jun-14	V Van Wyk	BTO	CFO		
19	50	Material limitation of scope	Qualification	Revenue & Receivables		30-Jun-14	V Van Wyk	BTO	CFO		
20	117	Disclosure Inconsistencies identified	Qualification	Revenue & Receivables		30-Jun-14	V Van Wyk	BTO	CFO		
21	89	Scope limitation on valuation	Qualification	Revenue & Receivables		30-Jun-14	V Van Wyk	BTO	CFO		

No	Ex. No.	Findings	Impact on	Component	Reported in previous years	Target Date	Responsibility	Directorate	Director	Prog %	Remarks
22	78	Revenue: Disagreements	Qualification	Revenue & Receivables		30-Jun-14	V Van Wyk	BTO	CFO		
23	40	Revenue: Limitation of scope	Qualification	Revenue & Receivables		30-Jun-14	V Van Wyk	BTO	CFO		
24	9	Consumer deposits internal control deficiencies		Revenue & Receivables		30-Jun-14	V Van Wyk	BTO	CFO		
25	191	Payments received in advance balance does not agree to billing schedule		Revenue & Receivables		30-Jun-14	V Van Wyk	BTO	CFO		
26	12	Revenue internal contro deficiencies		Revenue & Receivables		30-Jun-14	V Van Wyk	BTO	CFO		
27	101	Discrepancies identified		Revenue & Receivables		30-Jun-14	V Van Wyk	BTO	CFO		
28	75	Non compliance		Revenue & Receivables		30-Jun-14	V Van Wyk	BTO	CFO		
29	15	Revenue control deficiencies		Revenue & Receivables		30-Jun-14	V Van Wyk	BTO	CFO		
30	267	Incorrect treatment of indigent debtors expenditure		Revenue & Receivables		30-Jun-14	V Van Wyk	BTO	CFO		
31	80	Journals are not authorised		Revenue & Receivables		30-Jun-14	V Van Wyk	BTO	CFO		
32	81			Revenue & Receivables		30-Jun-14	V Van Wyk	BTO	CFO		
33	118	Revenue: Reconciliation of prepaid electricity not signed		Revenue & Receivables		30-Jun-14	V Van Wyk	BTO	CFO		
34	116	Scope limitation on compliance testing		Revenue & Receivables		30-Jun-14	V Van Wyk	BTO	CFO		
35	113	VAT output not accounted for in rentals for hall hire		Revenue & Receivables		30-Jun-14	V Van Wyk	BTO	CFO		
36	148	Output VAT not declared on recovered debts		Revenue & Receivables		30-Jun-14	V Van Wyk	BTO	CFO		
37	79	Limitation of scope on revenue		Revenue & Receivables		30-Jun-14	V Van Wyk	BTO	CFO		
38	54	Property rates register and tariff policy		Revenue & Receivables		30-Jun-14	V Van Wyk	BTO	CFO		
39	254	Scope Limitation: NER deviation approval not submitted		Revenue & Receivables		30-Jun-14	V Van Wyk	BTO	CFO		
40	37	Non submission		Expenditure & Acc Payables		31-Jan-14	E Mbele	BTO	CFO		
41	37	Non submission		Expenditure & Acc Payables		30-Jun-14	E Mbele	BTO	CFO		
42	215	Non submission		Expenditure & Acc Payables		Daily	E Mbele	BTO	CFO		
43	34	Prior year material uncorrected misstatements		Expenditure & Acc Payables		Monthly	E Mbele	BTO	CFO		

No	Ex. No.	Findings	Impact on	Component	Reported in previous years	Target Date	Responsibility	Directorate	Director	Prog %	Remarks
44	76	Expenditure: Compliance		Expenditure & Acc Payables		Jan-14	E Mbele	BTO	CFO		
45	77	Disagreement Misstatement		Expenditure & Acc Payables		Jan-14	E Mbele	BTO	CFO		
46	11	Expenditure and creditors control deficiencies		Expenditure & Acc Payables		Jan-14	E Mbele	BTO	CFO		
47	153	Limitation of scope for prepaid electricity balance		Expenditure & Acc Payables		Jun-14	E Mbele	BTO	CFO		
48	136	No creditor's reconciliations and creditors policy		Expenditure & Acc Payables		Jun-14	E Mbele	BTO	CFO		
49	129	Property, plant and equipment: Additions errors		Fixed Assets		30-Jun-14	A Nuku & Busi	BTO	CFO		
50	28	VAT: Disagreement misstatement		VAT		30-Jun-14	Expenditure Manager	BTO	CFO		
51	147	VAT: Late submission of VAT returns		VAT		30-Jun-14	Expenditure Manager	BTO	CFO		
52	150	VAT: Non-submission of information		VAT		30-Jun-14	Expenditure Manager	BTO	CFO		
53	177	VAT: Output VAT not declared on unutilised consumer deposits		VAT		30-Jun-14	Revenue Manager	BTO	CFO		
54	149	VAT: Reconciliations between VAT 201 and GL not performed		VAT		30-Jun-14	Expenditure Manager	BTO	CFO		
55	162	Journal 443 in the GL could not be traced to individual accounts on the system		Accumulated Surplus		30-Jun-14	CFO	BTO	CFO		
56	163	Prior period error not disclosed properly		Accumulated Surplus		30-Jun-14	CFO	BTO	CFO		
57	27	no policy for accumulated surplus		Accumulated Surplus		30-Jun-14	CFO	BTO	CFO		
58	278	MSIG Grants: Non Compliance		Grants		30-Jun-14		BTO	CFO		
59	34	Prior year material uncorrected misstatements		Grants		30-Jun-14		BTO	CFO		
60	276	Unspent Conditional Grants: Non Compliance		Grants		30-Jun-14		BTO	CFO		
61	277	Unspent Conditional Grants: Non Compliance		Grants		30-Jun-14		BTO	CFO		
62	207	Unspent conditional grant: incorrect recognition of revenue and expense		Grants		30-Jun-14		BTO	CFO		
63	152	Unspent conditional grants balances do not agree to bank confirmation		Grants		30-Jun-14		BTO	CFO		

No	Ex. No.	Findings	Impact on	Component	Reported in previous years	Target Date	Responsibility	Directorate	Director	Prog %	Remarks
64	109	Limitation of scope on receipts		Grants		30-Jun-14		BTO	CFO		
65	266	2011-12 grant income recognised as 2012-2013 income		Grants		30-Jun-14		BTO	CFO		
66	95	Compensation of employees: provision for leave		Annual Financial Statements		30-Jun-14	LM Ngeno	BTO	CFO		
67	228	Explanatory Note Original Budget vs Adjusted budget not in AFS		Annual Financial Statements		30-Jun-14	LM Ngeno	BTO	CFO		
68	34	Prior year material uncorrected misstatements		Annual Financial Statements		30-Jun-14	LM Ngeno	BTO	CFO		
69	29	Annual financial statements: High level review		Annual Financial Statements		30-Jun-14	LM Ngeno	BTO	CFO		
70	102	Annual financial statements: High level review 2		Annual Financial Statements		30-Jun-14	LM Ngeno	BTO	CFO		
71	218	Budget vs. Actual: Disclosure note not provided on the AFS		Annual Financial Statements		30-Jun-14	LM Ngeno	BTO	CFO		
72	271	Unauthorised Expenditure: Limitation of scope		Annual Financial Statements		30-Jun-14	LM Ngeno	BTO	CFO		
73	88	Expenditure: Limitation Misstatement		Annual Financial Statements		30-Jun-14	LM Ngeno	BTO	CFO		
74	121	Provisions: Disagreement		Annual Financial Statements		30-Jun-14	LM Ngeno	BTO	CFO		
75	18	Disclosure internal control deficiency		Annual Financial Statements		30-Jun-14	LM Ngeno	BTO	CFO		
76	84	Defined Contribution Plan		Annual Financial Statements		30-Jun-14	LM Ngeno	BTO	CFO		
77	55	Retirement Benefit Obligation		Annual Financial Statements		30-Jun-14	LM Ngeno	BTO	CFO		
78	31	Retirement Benefit Obligation: Internal control deficiencies		Annual Financial Statements		30-Jun-14	LM Ngeno	BTO	CFO		
79	203	Creditors: Payable with a debit balance		Annual Financial Statements		30-Jun-14	LM Ngeno	BTO	CFO		
80	108	Grants: CHDM contribution received does agree to AFS		Annual Financial Statements		30-Jun-14	LM Ngeno	BTO	CFO		
81	235	PPE: Buildings and recreational facilities		Fixed Assets		30-Jun-14		BTO	CFO		

No	Ex. No.	Findings	Impact on	Component	Reported in previous years	Target Date	Responsibility	Directorate	Director	Prog %	Remarks
82	161	PPE: Depreciation and accumulated depreciation		Fixed Assets		30-Jun-14		BTO	CFO		
83	132	PPE: Depreciation incorrectly calculated		Fixed Assets		30-Jun-14		BTO	CFO		
84	48	PPE: Fixed asset register		Fixed Assets		30-Jun-14		BTO	CFO		
85	99	PPE: GRAP fixed asset register		Fixed Assets		30-Jun-14		BTO	CFO		
86	234	PPE: Infrastructure assets		Fixed Assets		30-Jun-14		BTO	CFO		
87	123	PPE: Land - Limitation of scope		Fixed Assets		30-Jun-14		BTO	CFO		
88	190	PPE: Work in progress		Fixed Assets		30-Jun-14		BTO	CFO		
89	86	Investment Property: Limitation of scope		Fixed Assets		30-Jun-14		BTO	CFO		
90	236	PPE: Movable assets		Fixed Assets		30-Jun-14		BTO	CFO		
91	216	Depreciation: Residual values and useful lives		Fixed Assets		30-Jun-14		BTO	CFO		
92	217	PPE: Incorrect votes used		Fixed Assets		30-Jun-14		BTO	CFO		
93	232	PPE: Insurance management		Fixed Assets		30-Jun-14		BTO	CFO		
94	21	PPE: Internal control deficiency		Fixed Assets		30-Jun-14		BTO	CFO		
95	189	Inventory limitations		Fixed Assets		30-Jun-14		BTO	CFO		
96	85	Investment Property: Accounting policy		Fixed Assets		30-Jun-14		BTO	CFO		
97	20	PPE: Disagreement misstatement		Fixed Assets		30-Jun-14		BTO	CFO		
98	164	PPE: Game assets		Fixed Assets		30-Jun-14		BTO	CFO		
99	125	PPE: Disposals not disclosed in AFS		Fixed Assets		30-Jun-14		BTO	CFO		
100	167	Commitments: Limitation		SCM		30-Jun-14	A NUKU	BTO	CFO		
101	124	Non submission of information		SCM		30-Jun-14	A NUKU	BTO	CFO		
102	258	SCM disagreements- Quotations		SCM		DAILY	A NUKU	BTO	CFO		
103	14&141	SCM policy not updated and is not linked to the business process		SCM		31-May-14	A NUKU	BTO	CFO		
104	270	Compliance - Prospective Suppliers		SCM		Quartely	A NUKU	BTO	CFO		



No	Ex. No.	Findings	Impact on	Component	Reported in previous years	Target Date	Responsibility	Directorate	Director	Prog %	Remarks
105	260&259	Incomplete information submitted		SCM		30-Jun-14	A NUKU	BTO	CFO		
106	269	Disagreements - Contract Management		SCM		31-Jan-14	A NUKU	BTO	CFO		
107	17	SCM internal control deficiency		SCM		31-Jan-14	A NUKU	BTO	CFO		
108	265	SCM: Internal Control deficiencies		SCM		31-Jan-14	A NUKU	BTO	CFO		
109	19	Related Parties internal control deficiency		SCM		31-Jan-14	A NUKU	BTO	CFO		

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## ANNEXURES

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- 1 ANNEXURE A 2012/13 Annual Financial Statements
- 2 ANNEXURE B Reports of the Audit Committee
3. ANNEXURE C Recommendations of the Audit Committee
4. ANNEXURE D General Financial Performance Reports.

# **ANNEXURE: 1**

## **ANNUAL FINANCIAL STATEMENTS**

# **Lukhanji**

**LOCAL MUNICIPALITY**



## **FINANCIAL STATEMENTS**

**30 JUNE 2013**

# LUKHANJI LOCAL MUNICIPALITY

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# LUKHANJI LOCAL MUNICIPALITY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### GENERAL INFORMATION

#### NATURE OF BUSINESS

Lukhanji Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 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)

#### GRADING OF LOCAL AUTHORITY

Category 4

#### JURISDICTION

The Lukhanji Local Municipality includes the following areas:

*Queenstown*

*Whittlesea*

*Sada*

*Lesseyton*

*Ilinge*

*Other surrounding rural areas*

#### MUNICIPAL MANAGER

*Mr. G. Brown*

#### CHIEF FINANCIAL OFFICER

*Mrs. L. Ngeno*

#### REGISTERED OFFICE

*70 Cathcart Road*

*Queenstown*

*5320*

#### AUDITORS

*Auditor General South Africa*

#### PRINCIPLE BANKERS

*ABSA Bank, Queenstown*

#### RELEVANT LEGISLATION

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)

Housing Act (Act no 107 of 1997)

Municipal Property Rates Act (Act no 6 of 2004)

Electricity Act (Act no 41 of 1987)

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

SALBC Leave Regulations

#### ATTORNEYS

*Douglas and Botha*

*Horn & Kumm*

*Smith Tabata and Bobotyana & Company*

# LUKHANJI LOCAL MUNICIPALITY

## APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2013, which are set out on pages 1 to 87 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 is 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.

  
\_\_\_\_\_  
Mr. G. Brown  
Municipal Manager

19/11/2013  
\_\_\_\_\_  
Date

**LUKHANJI LOCAL MUNICIPALITY**

**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013**

	Notes	2013 (Actual) R	2012 (Restated) R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net Assets</b>		<b>1 031 308 085</b>	<b>988 917 835</b>
Accumulated Surplus		1 031 308 085	988 917 835
<b>Non-Current Liabilities</b>		<b>71 776 999</b>	<b>73 949 048</b>
Long-term Liabilities	2	3 282 950	3 930 142
Employee benefits	3	55 877 714	59 855 747
Non-Current Provisions	4	12 616 335	10 163 159
<b>Current Liabilities</b>		<b>69 411 282</b>	<b>63 653 954</b>
Consumer Deposits	5	8 681 635	8 454 429
Current Employee benefits	6	2 326 260	2 369 746
Provisions	7	3 978 915	892 893
Payables from exchange transactions	8	32 790 292	26 294 909
Unspent Conditional Government Grants and Receipts	9	19 168 350	16 420 435
Taxes	10	-	4 830 402
Current Portion of Long-term Liabilities	2	2 465 829	4 391 139
<b>Total Net Assets and Liabilities</b>		<b>1 172 496 366</b>	<b>1 126 520 837</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>		<b>843 128 195</b>	<b>815 834 094</b>
Property Plant and equipment		751 547 695	724 325 234
Property Plant and equipment	11,1	751 547 695	724 325 234
Capitalised Restoration Costs	11,2	-	-
Investment Property	12	91 283 592	91 283 592
Intangible Assets	13	-	360
Non-Current Investments	14	296 908	224 908
<b>Current Assets</b>		<b>329 368 171</b>	<b>310 686 743</b>
Inventory	16	75 603	72 550
Receivables from exchange transactions	17	97 623 270	126 847 418
Receivables from non-exchange transactions	18	26 720 216	5 718 936
Unpaid Conditional Government Grants and Receipts	9	340 472	305 870
Operating Lease Asset	19	-	-
Taxes	10	34 103 276	-
Cash and Cash Equivalents	20	170 505 334	177 741 969
<b>Total Assets</b>		<b>1 172 496 366</b>	<b>1 126 520 837</b>



**LUKHANJI LOCAL MUNICIPALITY**

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013**

	Notes	2013 (Actual) R	2012 (Restated) R
<b>REVENUE</b>			
<b>Revenue from Non-exchange Transactions</b>		<b>240 800 541</b>	<b>220 482 585</b>
<b>Taxation Revenue</b>		<b>62 700 060</b>	<b>47 814 551</b>
Property Rates	22	62 700 060	47 814 551
<b>Transfer Revenue</b>		<b>167 925 692</b>	<b>163 384 749</b>
Government Grants and Subsidies - Capital	23	25 999 927	25 294 007
Government Grants and Subsidies - Operating	23	119 868 200	110 975 669
Public Contributions and Donations	25	22 057 565	27 115 072
<b>Other Revenue</b>		<b>10 174 790</b>	<b>9 283 285</b>
Actuarial Gains	3	9 792 969	8 903 000
Fines		381 821	380 285
<b>Revenue from Exchange Transactions</b>		<b>270 931 887</b>	<b>250 832 234</b>
Service Charges	24	222 475 845	199 103 458
Rental of Facilities and Equipment	26	2 491 288	2 478 194
Interest Earned - external investments	27	8 326 297	8 015 762
Interest Earned - outstanding debtors	28	19 436 341	19 332 514
Licences and Permits		3 775	6 462
Agency Services		8 060 108	7 656 497
Other Income	29	9 618 058	12 525 799
Gain on disposal of Property, Plant & Equipment		520 175	1 713 547
<b>Total Revenue</b>		<b>511 732 429</b>	<b>471 314 819</b>
<b>EXPENDITURE</b>			
Employee related costs	30	104 899 680	99 294 534
Remuneration of Councillors	31	18 065 144	15 797 626
Debt Impairment	32	74 110 638	49 357 585
Depreciation and Amortisation	33	24 272 166	15 764 278
Impairments	34	1 993 188	1 725 952
Repairs and Maintenance	35	14 161 263	10 573 274
Actuarial losses	3	109 067	710 883
Finance Charges	36	6 396 548	5 929 265
Bulk Purchases	37	145 060 399	117 979 065
Contracted services	38	3 112 895	2 282 171
Operating Grant Expenditure	39	1 660 134	6 633 491
General Expenses	40	75 501 055	88 000 020
<b>Total Expenditure</b>		<b>469 342 178</b>	<b>414 048 143</b>
<b>NET SURPLUS FOR THE YEAR</b>		<b>42 390 250,76</b>	<b>57 266 675</b>

**LUKHANJI LOCAL MUNICIPALITY**

**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2013**

	<b>Accumulated Surplus</b>	<b>Total</b>
	<b>R</b>	<b>R</b>
<b>Balance at 1 JULY 2011 - Previously stated</b>	<b>926 103 867</b>	<b>926 103 867</b>
Prior Period Adjustments - See Note 41,15	33 812	33 812
<b>Restated Balance at 1 JULY 2011</b>	<b>926 137 679</b>	<b>926 137 679</b>
Prior Period Adjustments - See Note 41,15	5 513 480	5 513 480
Net Surplus for the year	57 266 675	57 266 675
<b>Balance at 1 July 2012</b>	<b>988 917 835</b>	<b>988 917 835</b>
Net Surplus for the year	42 390 251	42 390 251
<b>Balance at 30 JUNE 2013</b>	<b>1 031 308 085</b>	<b>1 031 308 085</b>

**LUKHANJI LOCAL MUNICIPALITY**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013**

	Notes	30 JUNE 2013 (Actual) R	30 JUNE 2012 (Restated) R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Ratepayers and other		222 967 071,76	221 413 022,18
Government		145 868 126,75	163 384 748,63
Interest		27 762 638,03	27 348 276,45
<b>Payments</b>			
Suppliers		-226 434 547,18	-217 511 010,89
Employees		-122 964 823,95	-115 092 159,44
Finance charges	36	-1 043 712,31	-1 221 525,76
<b>Cash generated by operations</b>	<b>43</b>	<b>46 154 753,10</b>	<b>78 321 351,17</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	11,1	-49 694 267,18	-24 627 241,02
Proceeds on Disposal of Fixed Assets		520 175,00	1 809 257,91
Increase in Intangible Assets		-	-1 469,30
Increase in Non-current Investments	14	-72 000,25	-
<b>Net Cash from Investing Activities</b>		<b>-49 246 092,43</b>	<b>-22 819 452,41</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Loans repaid		-4 395 801,55	-3 276 397,81
New loans raised		23 300,08	
Unspent Government Grants and Subsidies.		227 205,68	516 932,02
<b>Net Cash from Financing Activities</b>		<b>-4 145 295,79</b>	<b>-2 759 465,79</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>-7 236 635,12</b>	<b>52 742 432,97</b>
Cash and Cash Equivalents at the beginning of the year		177 741 969,02	124 999 535,92
Cash and Cash Equivalents at the end of the year	44	170 505 334,06	177 741 969,02
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>-7 236 634,96</b>	<b>52 742 433,10</b>

Refer to note 44 for further detail regarding the restatement of comparative figures

LUKHANJI LOCAL MUNICIPALITY

STATEMENT COMPARISON OF BUDGETS TO ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2013

	Original approved budget R	Adjustments R	Adjusted budget R	Actual amounts R	Variance to original budget %	Variance to final budget %
<b>REVENUE</b>						
<b>Revenue from Non-exchange Transactions</b>						
<b>Taxation Revenue</b>	<b>43 406 469</b>	<b>18 967 507</b>	<b>62 373 976</b>	<b>62 700 060</b>		
Property taxes	43 406 469	18 967 507	62 373 976	62 700 060	44%	1%
<b>Transfer Revenue</b>	<b>160 900 775</b>	<b>46 725 901</b>	<b>207 626 676</b>	<b>167 925 692</b>		
Government Grants and Subsidies - Capital	37 740 527	5 841 473	43 582 000	25 999 927	-31%	-40%
Government Grants and Subsidies - Operating	123 160 248	-217 956	122 942 292	119 868 200	-3%	-3%
Public Contributions and Donations	-	41 102 384	41 102 384	22 057 565	100%	-46%
<b>Other Revenue</b>	<b>801 100</b>	<b>-75 500</b>	<b>725 600</b>	<b>10 174 790</b>		
Actuarial Gains	-	-	-	9 792 969	100%	100%
Fines	801 100	-75 500	725 600	381 821	-52%	-47%
<b>Revenue from Exchange Transactions</b>	<b>319 259 088</b>	<b>2 268 743</b>	<b>321 527 831</b>	<b>270 931 887</b>		
Service Charges	218 944 460	6 210 864	225 155 324	222 475 845	2%	-1%
Water services authority contribution	-	-	-	-	100%	100%
Rental of Facilities and Equipment	2 518 907	-	2 518 907	2 491 288	-1%	-1%
Interest Earned - external investments	5 200 000	-	5 200 000	8 326 297	60%	60%
Interest Earned - outstanding debtors	20 111 983	-3 690 309	16 421 674	19 436 341	-3%	18%
Licences and Permits	4 207 500	-	4 207 500	3 775	-100%	-100%
Agency Services	55 437 452	-295 743	55 141 709	8 060 108	-85%	-85%
Other Income	12 838 787	43 930	12 882 717	9 618 058	-25%	-25%
Gain on disposal of Property, Plant & Equipment	-	-	-	520 175	100%	100%
<b>Total Revenue</b>	<b>524 367 432</b>	<b>67 886 651</b>	<b>592 254 083</b>	<b>511 732 429</b>	<b>-2%</b>	<b>-14%</b>

**STATEMENT COMPARISON OF BUDGETS TO ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2013**

**EXPENDITURE**

Employee related costs	120 225 457	7 676 388	127 901 845	104 899 680	-13%	-18%
Remuneration of Councillors	17 918 000	-	17 918 000	18 065 144	1%	1%
Debt Impairment	79 188 178	-11 055 398	68 132 780	74 110 638	-6%	9%
Depreciation and Amortisation	-	15 763 169	15 763 169	24 272 166	100%	54%
Impairments	-	-	-	1 993 188		
Repairs and Maintenance	-	-	-	14 161 263	100%	100%
Actuarial losses	-	-	-	109 067	100%	100%
Finance Charges	4 791 260	0	4 791 260	6 396 548	34%	34%
Bulk Purchases	141 330 705	11 829 000	153 159 705	145 060 399	3%	-5%
Contracted services	40 063 966	-3 500 000	36 563 966	3 112 895	-92%	-91%
Operating Grant Expenditure	-	-	-	1 660 134	100%	100%
General Expenses	81 409 732	1 916 690	83 326 422	75 501 055	-7%	-9%
<b>Total Expenditure</b>	<b>484 927 298</b>	<b>22 629 849</b>	<b>507 557 147</b>	<b>469 342 178</b>	<b>-3%</b>	<b>-8%</b>
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>39 440 134</b>	<b>45 256 802</b>	<b>84 696 936</b>	<b>42 390 251</b>	<b>7%</b>	<b>-50%</b>

**CAPITAL**

<b>Expenditure</b>	<b>105 151 382</b>	<b>-20 466 220</b>	<b>84 685 162</b>	<b>53 487 455</b>	<b>-49%</b>	<b>-37%</b>
<b>Total funding sources</b>	<b>103 170 057</b>	<b>-18 485 388</b>	<b>84 684 669</b>	<b>53 487 455</b>		
Expenditure financed from:						
Transferred funds	37 099 123	6 483 162	43 582 285	25 999 927	-30%	-40%
External financing sources	26 570 934	-26 570 934	-	-	100%	100%
Internal funding	39 500 000	1 602 384	41 102 384	27 487 528	-30%	-33%

**CASHFLOW**

Cash flow from operating activities	1 743 000	28 595 967	30 338 967	46 154 753	2548%	52%
Cash flow from investing activities	-65 651 382	20 501 258	-45 150 124	-49 246 092	-25%	9%
Cash flow from financing activities	22 368 934	-18 166 438	4 202 496	-4 145 296	-119%	-199%
Net increase/ (decrease) in cash and cash equivalents.	<b>-41 539 448</b>	<b>30 930 787</b>	<b>-10 608 661</b>	<b>-7 236 635</b>		
Cash and Cash Equivalents at the beginning of the year	161 978 752	30 930 787	114 390 875	177 741 969	10%	55%
Cash and Cash Equivalents at the end of the year	-41 539 448	30 930 787	-10 608 661	170 505 334	-510%	-1707%
Net increase/ (decrease) in cash and cash equivalents.	<b>-203 518 200</b>	<b>-</b>	<b>-124 999 536</b>	<b>-7 236 635</b>	<b>-96%</b>	<b>-94%</b>

**Financial position**

Total current assets	321 457 928	9 653 195	331 111 123	329 368 171	2%	-1%
Total non current assets	1 044 926 382	-227 332 030	817 594 352	843 128 195	-19%	3%
Total current liabilities	157 450 234	-91 542 939	65 907 295	69 411 282	-56%	5%
Total non current liabilities	89 156 934	-10 699 852	78 457 082	71 776 999	-19%	-9%
Community wealth/Equity	<b>1 119 777 142</b>	<b>-115 436 142</b>	<b>1 004 341 000</b>	<b>1 031 308 085</b>	<b>-8%</b>	<b>3%</b>

2

**LONG-TERM LIABILITIES**

	2013 R	2012 R
Annuity Loans - At amortised cost	1 815 006	3 545 788
Balance previously reported	3 545 788	3 335 223
Received	-	1 664 000
Redeemed	(1 730 782)	(1 904 059)
Adjustments	-	450 603
Prior Period Adjustment - Refer to note 41,07	-	21
Hire Purchase	3 189 774	4 775 494
Balance previously reported	4 775 493	7 411 906
Received	1 800 000	-
Redeemed	(3 385 719)	(2 638 937)
Adjustments	-	2 525
Finance Lease Liability - At amortised cost	744 000	-
	<b>5 748 779</b>	<b>8 321 282</b>
<b>Less:</b> Current Portion transferred to Current Liabilities	<b>2 465 829</b>	<b>4 391 139</b>
Annuity Loans - At amortised cost (Current Portion)	558 946	1 754 082
Balance previously reported	1 754 082	1 792 521
Prior Period Adjustment - Refer to note 41,08	-	(38 439)
Hire Purchase (Current Portion)	1 162 884	2 637 057
Balance previously reported	2 637 057	2 639 761
Prior Period Adjustment - Refer to note 41,08	-	(2 704)
Finance Lease Liability - At amortised cost	744 000	-
	<b>3 282 950</b>	<b>3 930 142</b>

There is one annuity loan outstanding. The loans carries interest at 5% per annum and will be fully redeemed on 30 September 2029. The loan is secured by an investment and call investment deposit disclosed in notes 14 and 20

The obligations under annuity loans are scheduled below:

	Minimum annuity payments	
Amounts payable under annuity loans:		
Payable within one year	689 051	2 073 805
Payable within two to five years	1 396 669	2 085 720
Payable after five years	-	-
	2 085 720	4 159 525
<b>Less:</b> Future finance obligations	(356 533)	(295 863)
<b>Present value of annuity obligations</b>	<b>1 729 187</b>	<b>3 863 662</b>

The obligations under finance leases are scheduled below:

	Minimum lease payments	
Amounts payable under finance leases:		
Payable within one year	1 734 691	3 003 917
Payable within two to five years	2 860 778	2 425 469
	4 595 469	5 429 386
<b>Less:</b> Future finance obligations	(710 267)	(702 186)
<b>Present value of lease obligations</b>	<b>3 885 202</b>	<b>4 727 200</b>

The outstanding finance lease liability is made up of the following agreements (Copiers)

Institution	Interest Rate	Redemption date	Carrying value of related asset		Outstanding Balance	
			2013 R	2012 R	2013 R	2012 R
ITEC Rental	21,20%	01/11/2012	131 827	527 307	-	-
NRG Rental	16,67%	30/06/2016	1 790 365	-	-	-
			<b>1 922 192</b>	<b>527 307</b>	<b>-</b>	<b>-</b>

The obligations under hire purchase agreements are scheduled below:

	Minimum hire purchase payments	
Amounts payable under hire purchase agreements:		
Payable within one year	1 734 691	3 043 988
Payable within two to five years	2 860 778	2 438 826
Payable after five years	-	-
	4 595 469	5 482 815
<b>Less:</b> Future finance obligations	(710 267)	(707 322)
<b>Present value of hire purchase obligations</b>	<b>3 885 202</b>	<b>4 775 493</b>

The outstanding finance lease liability is made up of the following agreements (Copiers)

Institution	Interest Rate	Redemption date	Carrying value of related asset		Outstanding Balance	
			2013 R	2012 R	2013 R	2012 R
ABSA (Telephone system)	10,00%	15/05/2011	336 723	-	-	31 756
ABSA (Mercedes Refuse Truck)	9,03%	15/01/2012	727 152	930 276	-	31 756
ABSA (TATA Truck)	10,00%	05/08/2016	160 271	178 234	-	31 756
ABSA (Isuzu KB200L LWB)	10,00%	15/02/2016	108 201	122 554	-	61 348
ABSA (2011 Rear Tipping Trailer)	10,00%	15/02/2016	59 883	64 982	-	24 695
ABSA (2010 Vibrating Roller)	10,00%	15/02/2016	105 369	120 228	-	31 756
ABSA (Isuzu KB200L Fleetside)	10,00%	15/02/2016	134 680	154 067	-	31 756
ABSA (Sonalinka Tractor)	10,00%	15/02/2016	172 374	180 653	-	24 695
ABSA (Mazda CX 7)	10,00%	01/05/2016	289 219	309 743	-	31 756
			<b>2 093 872</b>	<b>2 060 738</b>	<b>-</b>	<b>301 274</b>

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.

Leases and hire purchases are secured by property, plant and equipment - Note 11,1

3

**EMPLOYEE BENEFITS**

	2013 R	2012 R
Post Retirement Medical Benefits - Refer to Note 3.1	51 095 813	55 706 038
Balance previously reported	57 309 461	55 918 461
Prior Period Adjustment - Refer to note 41,12	-	(212 423)
Long Service Awards - Refer to Note 3.2	4 781 901	4 149 709
Balance previously reported	4 916 032	-
Prior Period Adjustment - Refer to note 41,15	-	4 916 032
<b>Total Non-current Employee Benefit Liabilities</b>	<b>55 877 714</b>	<b>59 855 747</b>
<b><u>Post Retirement Medical Benefits</u></b>		
Balance 1 July	57 309 461	61 274 461
Current service cost	2 251 000	2 630 000
Interest cost	4 539 000	3 699 000
Contribution for the year	(1 603 423)	(1 391 000)
Actuarial Gain	(9 792 969)	(8 903 000)
<b>Total post retirement benefits 30 June</b>	<b>52 703 069</b>	<b>57 309 461</b>
<b>Less:</b> Transfer of Current Portion - Note 6	<b>(1 607 256)</b>	<b>(1 603 423)</b>
<b>Balance 30 June</b>	<b>51 095 813</b>	<b>55 706 038</b>
<b><u>Long Service Awards</u></b>		
Balance 1 July	4 916 032	4 216 049
Current service cost	616 582	564 449
Interest cost	313 436	319 455
Contribution for the year	(454 212)	(894 804)
Actuarial Loss	109 067	710 883
<b>Total long service 30 June</b>	<b>5 500 905</b>	<b>4 916 032</b>
<b>Less:</b> Transfer of Current Portion - Note 6	<b>(719 004)</b>	<b>(766 323)</b>
<b>Balance 30 June</b>	<b>4 781 901</b>	<b>4 149 709</b>
<b><u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u></b>		
Balance 1 July	62 225 493	65 490 510
Current service cost	2 867 582	3 194 449
Interest cost	4 852 436	4 018 455
Contribution for the year	(2 057 635)	(2 285 804)
Actuarial Gain	(9 683 903)	(8 192 117)
<b>Total employee benefits 30 June</b>	<b>58 203 974</b>	<b>62 225 493</b>
<b>Less:</b> Transfer of Current Portion - Note 6	<b>(2 326 260)</b>	<b>(2 369 746)</b>
<b>Balance 30 June</b>	<b>55 877 714</b>	<b>59 855 747</b>

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

3,1 Post Retirement Benefits

2013 2012

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

Current Employees	566	297
Continuation members (e.g. Retirees, widows, orphans)	59	61
<b>Total Members</b>	<b>625</b>	<b>358</b>

2013 2012  
R R

The liability in respect of past service has been estimated to be as follows:

Current Employees	32 229 122	34 667 000
Continuation members	20 473 947	22 643 000
<b>Total Liability</b>	<b>52 703 069</b>	<b>57 310 000</b>

2011 2010 2009  
R R R

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

Total Liability	61 275 000	60 311 461	49 983 189
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Experience adjustments were calculated as follows:

2013 2012  
Rm Rm

Liabilities: (Gain) / loss	3,813	2,109
Assets: Gain / (loss)	-	-

The municipality performed their first actuarial valuation on 30 June 2010. Thus there are no experience adjustment figures available on or before 30 June 2010 to fully comply with GRAP 25

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

- Bonitas:
- LA Health
- Key Health
- Hosmed
- Samwu med

2014  
R

The following are estimates for the 2013/2014 financial year:

Future Service Cost	2 442 838
Interest Cost	4 506 400

2013 2012  
% %

Key actuarial assumptions used:

i) Rate of interest

Discount rate	8,68%	7,92%
Health Care Cost Inflation Rate	7,62%	7,24%
Net Effective Discount Rate	0,98%	0,63%

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

The normal retirement age for eligible employees is 65 for employees who were employed after 1 April 2000, and 60 for those employed prior to this date. It has been assumed these employees will retire on average at age 63 and 58 respectively, which then implicitly allows for expected rates of early retirement.



	2013 R	2012 R
<b>The amounts recognised in the Statement of Financial Position are as follows:</b>		
Present value of fund obligations	52 588 492	57 309 461
<b>Net liability</b>	<b>52 588 492</b>	<b>57 309 461</b>

The liability is not supported by any plan assets.

**Reconciliation of present value of fund obligation:**

Present value of fund obligation at the beginning of the year	57 309 461	61 274 461
Total expenses	5 072 000	4 938 000
Current service cost	2 251 000	2 630 000
Interest Cost	4 539 000	3 699 000
Contribution for the year	(1 718 000)	(1 391 000)
Actuarial gain	(9 792 969)	(8 903 000)
Present value of fund obligation at the end of the year	52 588 492	57 309 461
<b>Less:</b> Transfer of Current Portion - Note 6	(1 607 256)	(1 603 423)
<b>Balance 30 June</b>	<b>50 981 236</b>	<b>55 706 038</b>

**Sensitivity Analysis on the Accrued Liability**

Central Assumptions

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions		32,229	20,474	52,703	
Health care inflation	1%	R 36,31900	22,587	58,906	12%
Health care inflation	-1%	R 28,76400	R 18,64100	47,405	-10%
Post-retirement mortality	-1 year	R 33,34700	21,328	54,675	4%
Average retirement age	-1 year	R 35,67200	R 20,47400	56,146	7%
Withdrawal Rate	-50%	R 33,10000	R 20,47400	53,574	2%

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
<b>Central Assumption</b>		2 442 800	4 506 400	6 949 200	
Health care inflation	1%	2 755 000	5 044 900	7 799 900	12%
Health care inflation	-1%	2 177 800	4 046 600	6 224 400	-10%
Post-retirement mortality	-1 year	2 527 600	4 677 600	7 205 200	4%
Average retirement age	-1 year	2 781 500	4 805 200	7 586 700	9%
Withdrawal Rate	-50%	2 557 400	4 582 000	7 139 400	3%

**3.2 Long Service Bonuses**

The Long Service Bonus plans are defined benefit plans.

The number of officials eligible for Long Service Bonuses

564	564
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The following are estimates for the 2012/2013 financial year:

	2014 R
Future Service Cost	849 592
Interest Cost	369 004

Key actuarial assumptions used:

	2013 %	2012 %
<b>i) Rate of interest</b>		
Discount rate	7,17%	6,91%
General Salary Inflation (long-term)	6,77%	5,81%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0,37%	1,04%

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
<b>The amounts recognised in the Statement of Financial Position are as follows:</b>		
Present value of fund obligations	5 500 905	4 916 032
<b>Net liability</b>	<b>5 500 905</b>	<b>4 916 032</b>

The liability is not supported by any plan assets.

	2011 R	2010 R	2009 R
The liability in respect of periods commencing prior to the comparative year has been estimated as follows:			
Total Liability	-	-	-

	2013 R	2012 R
Experience adjustments were calculated as follows:		
Liabilities: (Gain) / loss	-	-
Assets: Gain / (loss)	-	-

The municipality performed their first actuarial valuation on 30 June 2012. Thus there are no experience adjustment figures available on or before 30 June 2010 to fully comply with GRAP 25

**Reconciliation of present value of fund obligation:**

Present value of fund obligation at the beginning of the year	4 916 032	4 216 049
Total expenses	475 806	295 097
Current service cost	616 582	564 449
Interest Cost	313 436	319 455
Contribution for the year	(454 212)	(588 807)
Actuarial loss	109 067	404 886
Present value of fund obligation at the end of the year	5 500 905	4 916 032
<b>Less:</b> Transfer of Current Portion - Note 6	(719 004)	(766 323)
<b>Balance 30 June</b>	<b>4 781 901</b>	<b>4 149 709</b>

**Sensitivity Analysis on the Unfunded Accrued Liability**

Assumption	Change	Liability (Rm)	% change
Central assumptions		5,501	
General salary inflation	1%	5,857	6%
General salary inflation	-1%	5,180	-6%
Average retirement age	-2 yrs	4,918	-11%
Average retirement age	2 yrs	6,051	10%
Withdrawal rates	-50%	6,077	10%

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
<b>Central Assumption</b>		629 900	311 600	941 500	
General Salary Inflation	1%	681 100	332 200	1 013 300	8%
General Salary Inflation	-1%	584 500	292 900	877 400	-7%
Average retirement age	-2 years	583 700	275 000	858 700	-9%
Average retirement age	+2 years	669 900	343 600	1 013 500	8%
Withdrawal Rate	-50%	728 000	345 000	1 073 000	14%

**3,3 Retirement funds**

**DEFINED CONTRIBUTION FUNDS**

Council contribute to the Government Employees Pension Fund, Municipal Council 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	3 157 455	3 252 422
Cape Joint Retirement Fund	5 379 256	4 793 599
Cape Joint Pension Fund	310 939	353 698
Government Employees Pension Fund	14 813	21 285
Municipal Councilors Pension Fund	2 116 344	1 733 296
Municipal Employees Pension Fund	4 169 262	4 188 790
SAMWU National Provident Fund	594 272	426 732
	<b>15 742 341</b>	<b>14 769 822</b>

4

	2013 R	2012 R
<b>NON-CURRENT PROVISIONS</b>		
Provision for Rehabilitation of Landfill-sites	12 616 335	10 163 159
<b>Total Non-current Provisions</b>	<b>12 616 335</b>	<b>10 163 159</b>
The municipality has 3 Landfill sites.		
<b>Landfill Sites</b>		
Balance 1 July	11 056 053	8 885 810
Balance previously reported	8 885 810	17 076 816
Prior Period Adjustment - Refer to note 41,04	-	(8 191 005)
Additions	1 993 188	1 725 952
Balance previously reported	1 725 952	1 536 913
Prior Period Adjustment - Refer to note 42	-	189 038
Unwinding of discounted interest	500 400	444 291
Balance previously reported	444 291	-
Prior Period Adjustment - Refer to note 42	-	444 291
<b>Total provision 30 June</b>	<b>13 549 641</b>	<b>11 056 053</b>
<b>Less:</b> Transfer of Current Portion to Current Provisions	<b>(3 978 915)</b>	<b>(892 893)</b>
<b>Balance 30 June</b>	<b>9 570 726</b>	<b>10 163 159</b>

It is estimated that no site will be decommissioned within 1 year from reporting date and thus there are no short term portion associated with this provision. The timing of the outflow of resources relating this provision is uncertain, but management expects the timing to be in line with the closure dates of the various sites.

The municipality did not measure the rehabilitation costs of the landfill-sites in the past in terms of Directive 4, issued by the Accounting Standards Board. Since the previous reporting period the municipality recognised the following non-current provisions:

9 570 726	10 163 159
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The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. These costs are based on 100% utilisation of the site. The assumptions used are as follows:

The discount rate used to calculate the present value of the rehabilitation costs at each reporting period is based on a calculated risk free rate as determined by the municipality. This rate is in line with a competitive investment rate the municipality can obtain from an A grade financial institution. The following rate was used - 5% (2011 - 5.29%)

The municipality has an obligation to rehabilitate landfill-sites at the end of the expected useful life of the asset. Based on a technical opinion obtained from the Auditor General, the provision at year end was recognised based on the % of the sites utilised. Total estimated costs to rehabilitate the existing sites are as follows:

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
<b>5 CONSUMER DEPOSITS</b>		
Electricity	8 681 635	8 454 429
Total Consumer Deposits	<u>8 681 635</u>	<u>8 454 429</u>
Guarantees held in lieu of Electricity and Water Deposits	<u>-</u>	<u>-</u>
<p>The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.</p>		
<b>6 CURRENT EMPLOYEE BENEFITS</b>		
Current Portion of Post Retirement Benefits - Note 3	1 607 256	1 603 423
Balance previously reported	2 369 746	1 391 000
Prior Period Adjustment - Refer to note 41,13	-	212 423
Current Portion of Long-Service Provisions - Note 3	<u>719 004</u>	<u>766 323</u>
<b>Total Current Employee Benefits</b>	<u>2 326 260</u>	<u>2 369 746</u>
<b>7 PROVISIONS</b>		
Provision for Rehabilitation of Landfill-sites	933 306	892 893
Balance previously reported	892 893	1 536 913
Prior Period Adjustment - Refer to note 41,14	-	(644 020)
SALGA Provision	3 045 609	-
Total current Provisions	<u>3 978 915</u>	<u>892 893</u>

	2013 R	2012 R
<b>8 PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
Trade Payables	3 933 694	8 513 649
Balance previously reported	8 513 649	8 513 649
Prior Period Adjustment - Refer to note 41,05	-	-
Interest Accrued	76 835	38 417
Balance previously reported	38 417	-
Prior Period Adjustment - Refer to note 41,05	-	38 417
Pre-paid electricity	1 459 653	1 459 653
Payments received in advance	4 942 052	(2 606 216)
Balance previously reported	(2 606 216)	8 930 202
Prior Period Adjustment - Refer to note 41,05	-	(11 536 418)
Other Payables	535 484	386 073
Balance previously reported	386 073	386 073
Prior Period Adjustment - Refer to note 41,05	-	-
Pension Fund Shortages	1 726 219	1 735 003
Balance previously reported	1 735 003	1 735 003
Prior Period Adjustment - Refer to note 41,05	-	-
Staff Leave	20 116 355	16 768 329
Balance previously reported	16 768 329	11 921 852
Prior Period Adjustment - Refer to note 41,05	-	4 846 477
<b>Total Trade Payables</b>	<b>32 790 291</b>	<b>26 294 908</b>

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 trade and other payables on initial recognition is not deemed necessary.

The carrying value of trade and other payables approximates its fair value.

Sundry deposits include hall, housing and unidentified deposits.

**9 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

<b>Unspent Grants</b>	19 168 350	16 420 435
National Government Grants	9 503 688	6 547 558
Provincial Government Grants	5 431 029	6 051 312
District Municipality	823 374	823 374
Other Grant Providers	3 410 258	2 998 190
<b>Less:</b> Unpaid Grants	340 472	305 870
National Government Grants	34 603	-
Provincial Government Grants	139 263	139 263
District Municipality	39 178	39 178
Other Grant Providers	127 429	127 429
<b>Total Conditional Grants and Receipts</b>	<b>18 827 878</b>	<b>16 114 565</b>

Refer to appendix B and note 23 for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

Not all unspent grants are cash-backed at year end - Refer to note 47,1

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

**10 TAXES**

**10,1 VAT Payable**

VAT Payable	-	4 830 402
	-	<b>4 830 402</b>

**10,2 VAT Receivable**

VAT Receivable (In suspense)	-	-
VAT Receivable	34 103 276	-
	<b>34 103 276</b>	-
<b>Net VAT Payable/(Receivable)</b>	<b>(34 103 276)</b>	<b>4 830 402</b>









**PROPERTY PLANT AND EQUIPMENT**

	2013 R	2012 R
<b>11.2</b>		
<b>PROPERTY PLANT AND EQUIPMENT - CAPITALISED RESTORATION COSTS</b>		
<b>Net Carrying amount at 1 July</b>	-	-
Balance previously reported	-	7 538 455
Prior Period Adjustment - Refer to note 41,05	-	(7 538 455)
Prior Period Adjustment - Refer to note	-	8 885 810
Prior Period Adjustment - Refer to note	-	(8 885 810)
<b>Acquisitions</b>	1 993 188	1 725 952
Balance previously reported	-	100 202
Prior Period Adjustment - Refer to note 41,05	-	(100 202)
Prior Period Adjustment - Refer to note	-	1 725 952
<b>Impairments</b>	(1 993 188)	(1 725 952)
Balance previously reported	(1 725 952)	-
Prior Period Adjustment - Refer to note 41,05	-	(1 725 952)
<b>Net Carrying amount at 30 June</b>	-	-
Cost	12 604 950	10 611 762
Accumulated Impairments	(12 604 950)	(10 611 762)

The municipality did not measure the rehabilitation costs of the landfill-sites in the past in terms of Directive 4, issued by the Accounting Standards Board.

Since the previous reporting period the municipality recognised all rehabilitation cost in line with GRAP 17. Also refer to note 4 for the related provision raised for rehabilitation of landfill-sites in the municipal area.

Landfill-sites financed by way of a provision recognised previously not recognised - Refer to note 4

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**12 INVESTMENT PROPERTY**

<b>Net Carrying amount at 1 July</b>	<b>91 283 592</b>	<b>91 283 592</b>
Fair value	91 283 592	91 283 592
<b>Net Carrying amount at 30 June</b>	<b>91 283 592</b>	<b>91 283 592</b>
Cost	91 283 592	91 283 592
Accumulated Depreciation	-	-

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.

	2013 R	2012 R
<b>13 INTANGIBLE ASSETS</b>		
<b>Net Carrying amount at 1 July</b>	<b>360</b>	<b>8 365</b>
Cost	51 659	50 190
Accumulated Amortisation	(51 299)	(41 825)
Acquisitions	-	1 469
Amortisation	(360)	(9 474)
<b>Net Carrying amount at 30 June</b>	<b>-</b>	<b>360</b>
Cost	51 659	51 659
Accumulated Amortisation	(51 659)	(51 299)
<b>14 NON-CURRENT INVESTMENTS</b>		
Fixed Deposits	277 454	206 408
Government Bonds	19 455	18 500
<b>Total Non-Current Investments</b>	<b>296 908</b>	<b>224 908</b>

Fixed Deposits are investments with a maturity period of more than 12 months and earn interest rates varying from 3.55 % to 5.35 % per annum. (2012 - 5.39% to 6.02%)

			2013 R	2012 R
<b>15 BIOLOGICAL ASSETS</b>				
Game			-	-
	<b>Quantity (Units)</b>	<b>Fair Value R</b>		
Springbuck	63	350	22 050	22 050
Blesbuck	140	600	84 000	84 000
Black Wildebeest	93	9 750	906 750	906 750
Gemsbuck	40	2 000	80 000	80 000
Red Hartebeest	69	22 800	1 573 200	1 573 200
Kudu	35	2 000	70 000	70 000
Impala	86	600	51 600	51 600
Nyala	28	5 000	140 000	140 000
Lechwe	28	5 000	140 000	140 000
Eland	32	3 000	96 000	96 000
Zebra	62	57 000	3 534 000	3 534 000
Rhino	6	200 000	1 200 000	1 200 000
Giraffe	10	20 000	200 000	200 000
Fallow Deer	50	500	25 000	25 000
Mountain Reed Buck	40	350	14 000	14 000
Duiker	18	200	3 600	3 600
Ostrich	13	500	6 500	6 500
Steenbuck	6	200	1 200	1 200
			<b>8 147 900</b>	<b>8 147 900</b>

Fair value of biological assets is based on selling prices less costs to sell in an open active market.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
Reconciliation of fair value:		
Opening Fair Value	8 147 900	8 147 900
Decrease in fair value due to disposals	-	-
Fair value adjustments - Physical changes and death	-	-
Fair value adjustments - Price adjustments	-	-
Biological Assets taken to PPE - Refer to note 11.1	(8 147 900)	(8 147 900)
Closing Fair Value	<u>-</u>	<u>-</u>

No title or other restrictions are placed on biological assets.

No biological assets were pledged as security for liabilities.

There are no commitments for the development or acquisition of biological assets.

All biological assets are classified as consumable and are held for sale.

All biological assets are located in the nature reserve and spa. The primary activities revolving around biological assets are as follows:

- Ensure that the game life of the municipal area are conserved for future generations.
- Ensure that game numbers are managed adequately. When the need arises to reduce the game number, prospective hunters are invited to submit tenders for the purchase game, resulting in an inflow of resources to the municipality.

Due to the unwillingness of insurance companies to carry the risk and potential losses relating to biological assets, the financial risk is managed as follows:

- Regular inspection and maintenance of boundary fences to manage movement of biological assets.
- Regular monitoring of game quantities by municipal staff.

16

**INVENTORY**

	75 603	72 550
Water		
Balance previously reported	-	-
Prior Period Adjustment - Refer to note 41,09	-	72 550
	<u>75 603</u>	<u>72 550</u>

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	2013 R	2012 R
<b>RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>		
<b>Service Receivables</b>		
Water	70 614 685	63 540 923
Balance previously reported	63 540 923	3 272 248
Prior Period Adjustment - Refer to note 41,11	-	60 268 675
Electricity	17 130 144	21 964 177
Balance previously reported	21 964 177	1 736 445
Prior Period Adjustment - Refer to note 41,11	-	20 227 732
Refuse	69 836 160	56 724 419
Sewerage	61 284 648	46 691 938
Interest on Arrears	97 641 063	86 801 656
Sundry Receivables	64 770 909	63 852 021
<b>Total Service Receivables</b>	<b>381 277 611</b>	<b>339 575 134</b>
Other Receivables	11 814 603	8 087 774
Provision for bad debts	(387 883 224)	(308 734 133)
<b>Net Service Receivables</b>	<b>5 208 990</b>	<b>38 928 775</b>
<b>Other Receivables</b>		
Chris Hani District Municipality (Water and Sanitation)	92 931 895	87 644 181
Other Debtors	(578 783)	213 293
Other Deposits	61 168	61 168
<b>Net Other Receivables</b>	<b>92 414 279</b>	<b>87 918 642</b>
<b>Total Receivables from exchange transactions</b>	<b>97 623 270</b>	<b>126 847 418</b>
<b>Ageing of Receivables from Exchange Transactions</b>		
<b>(Water): Ageing</b>		
Current (0 - 30 days)	2 817 254	2 038 430
31 - 60 Days	1 645 022	1 670 437
61 - 90 Days	1 935 832	1 209 129
+ 90 Days	74 657 275	56 492 917
<b>Total</b>	<b>81 055 382</b>	<b>61 410 914</b>
<b>(Electricity): Ageing</b>		
Current (0 - 30 days)	6 864 927	5 671 948
31 - 60 Days	2 104 416	2 233 180
61 - 90 Days	911 651	930 839
+ 90 Days	10 230 985	8 188 862
<b>Total</b>	<b>20 111 979</b>	<b>17 024 829</b>
<b>(Refuse): Ageing</b>		
Current (0 - 30 days)	2 675 088	1 506 485
31 - 60 Days	2 106 845	1 151 394
61 - 90 Days	1 936 832	970 436
+ 90 Days	72 589 950	51 332 304
<b>Total</b>	<b>79 308 716</b>	<b>54 960 620</b>
<b>(Sewerage): Ageing</b>		
Current (0 - 30 days)	1 520 847	969 263
31 - 60 Days	1 361 957	769 123
61 - 90 Days	1 245 830	692 375
+ 90 Days	59 946 717	44 399 939
<b>Total</b>	<b>64 075 350</b>	<b>46 830 699</b>

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
<b><u>(Interest on Arrears): Ageing</u></b>		
Current (0 - 30 days)	2 158 028	1 798 116
31 - 60 Days	1 437 653	1 765 482
61 - 90 Days	1 402 917	1 661 608
+ 90 Days	98 068 693	81 320 373
<b>Total</b>	<b>103 067 291</b>	<b>86 545 579</b>
<b><u>(Sundry Receivables): Ageing</u></b>		
Current (0 - 30 days)	3 754 395	7 634 978
31 - 60 Days	1 491 300	2 401 081
61 - 90 Days	526 084	1 134 769
+ 90 Days	40 605 368	66 999 738
<b>Total</b>	<b>46 377 147</b>	<b>78 170 566</b>
<b><u>(Total): Ageing</u></b>		
Current (0 - 30 days)	19 790 538	19 619 220
31 - 60 Days	10 147 193	9 990 698
61 - 90 Days	7 959 147	6 599 155
+ 90 Days	356 098 988	308 734 133
<b>Total</b>	<b>393 995 866</b>	<b>344 943 206</b>
<b>Reconciliation of Provision for Bad Debts</b>		
Balance at beginning of year	308 734 134	153 473 928
Debtors transferred from Chris Hani District Municipality	-	116 323 057
Contribution to provision	195 472 147	42 878 953
Bad Debts Written Off	-	(3 941 805)
<b>Balance at end of year</b>	<b>504 206 281</b>	<b>308 734 134</b>
The Provision for Impairment could be allocated between the different classes of receivables as follows:		
Electricity	1 517 393	551 401
Water	1 547 463	1 661 193
Refuse	1 294 176	1 097 015
Sewerage	1 850 855	1 511 800
Other	553 772	722 603
	<b>6 763 658</b>	<b>5 544 012</b>

Refer to note 51 c) for disclosures regarding the credit risks associated with receivables.

Debts are required to be settled after 30 days, interest is charged after this date at prime +1%. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.

The fair value of trade and other receivables approximates their carrying amounts.

18

**RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

**Service Receivables**

Rates	63 423 928	33 965 551
Balance previously reported	33 965 551	37 722 910
<b>Other Receivables</b>	196 014	267 064
Accrued Interest	-	-
Outstanding Deposits	196 014	267 064
<b>Total Service Receivables</b>	<b>63 619 941</b>	<b>34 232 615</b>
Provision for bad debts	(36 899 725)	(28 513 679)
<b>Total Net Receivables from Non-Exchange Transactions</b>	<b>26 720 216</b>	<b>5 718 936</b>

	2013 R	2012 R
<b>Ageing of Receivables from Non-Exchange Transactions</b>		
<u>(Rates): Ageing</u>		
Current (0 - 30 days)	3 866 485	7 261 793
31 - 60 Days	2 949 676	1 198 913
61 - 90 Days	2 065 596	924 086
+ 90 Days	68 070 720	28 338 119
<b>Total</b>	<b>76 952 477</b>	<b>37 722 910</b>
<b>Reconciliation of Provision for Bad Debts</b>		
Balance at beginning of year	28 513 679	22 227 674
Contribution to provision	8 386 046	6 478 631
Bad Debts Written Off	-	(192 627)
<b>Balance at end of year</b>	<b>36 899 725</b>	<b>28 513 679</b>
The Provision for Impairment could be allocated between the different classes of receivables as follows:		
Rates	36 672 531	28 338 119
Other	227 194	175 561
	<b>36 899 725</b>	<b>28 513 679</b>

Refer to note 51 c) for disclosures regarding the credit risks associated with receivables.

Debts are required to be settled after 30 days, interest is charged after this date at prime +1%.

The fair value of trade and other receivables approximates their carrying amounts.

**19 OPERATING LEASE ARRANGEMENTS**

**The Municipality as Lessor**

<b>Balance on 1 July</b>	-	-
Movement during the year	-	-
<b>Balance on 30 June</b>	<b>-</b>	<b>-</b>

**20 CASH AND CASH EQUIVALENTS**

Assets

Call Investments Deposits	108 111 057	103 035 295
Current Accounts	62 365 286	74 679 682
Cash Floats	28 992	26 992
<b>Total Cash and Cash Equivalents - Assets</b>	<b>170 505 334</b>	<b>177 741 969</b>

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

No overdraft facility exist.

The municipality has the following bank accounts:

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

<u>Current Accounts</u>	2013 R	2012 R
<i>ABSA Bank - Queenstown Branch - Account Number 405 281 9154(Primary Account)</i>		
Cash book balance at beginning of year	52 639 962	17 616 438
Cash book balance at end of year	<u>27 752 335</u>	<u>52 639 962</u>
Bank statement balance at beginning of year	2 176 571	1 339 319
Bank statement balance at end of year	<u>1 289 690</u>	<u>2 176 571</u>
<i>ABSA Bank - Queenstown Branch - Account Number 2160 149 854 (Primary Account)</i>		
Cash book balance at beginning of year	22 039 720	9 802 279
Cash book balance at end of year	<u>34 612 951</u>	<u>22 039 720</u>
Bank statement balance at beginning of year	12 887	13 618
Bank statement balance at end of year	<u>12 110</u>	<u>12 887</u>
<b><u>Call Investment Deposits</u></b>		
Call investment deposits consist out of the following accounts:		
<u>Institution</u>	<u>Account Nr</u>	<u>Type</u>
ABSA	909-044-9293	32 Days Notice
ABSA	206-068-1602	Call Account
		-
		103 035 295
		<u>108 111 057</u>
		<u>-</u>
		<u>103 035 295</u>

21

**DISCONTINUED OPERATIONS**

There were no discontinuing operations for 2013 and 2012

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22

**PROPERTY RATES**

**Actual**

**Rateable Land and Buildings**

Residential, Commercial Property, State

**Less: Rebates**

**Total Assessment Rates**

**2013**  
**R**

**2012**  
**R**

62 700 060

47 814 551

62 700 060

47 814 551

-

-

**62 700 060**

**47 814 551**

**Valuations**

**Rateable Land and Buildings**

Residential

6 059 389 808

5 204 684 094

Commercial

2 204 275 792

1 630 289 723

State

269 385 426

242 032 426

Education

712 348 896

374 467 167

Agricultural

670 168 931

518 935 450

Municipal

359 872 952

320 055 926

**Total Assessment Rates**

**10 275 441 805**

**8 290 464 786**

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2012. Rebates were granted on land with buildings used solely for dwellings purposes as follows:  
Residential - The first R15 000 on the valuation is exempted.

**Basic Rate:**

Residential

R 0,00624

Businesses, Commercial, Industrial

R 0,00780

Educational

R 0,00624

Public Service Infrastructure

R 0,00157

Vacant Land

R 0,02741

Rates are levied annually and monthly. Monthly rates are payable in equal instalments over the 12 month period. Annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on overdue rates on a 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.

23

**GOVERNMENT GRANTS AND SUBSIDIES**

**Unconditional Grants**

**109 210 000**

**96 062 000**

Equitable Share

109 210 000

96 062 000

**Conditional Grants**

**36 658 127**

**40 207 676**

Grants and Donations

36 658 127

40 207 676

Subsidies

-

-

**Total Government Grants and Subsidies**

**145 868 127**

**136 269 676**

Government Grants and Subsidies - Capital

25 999 927

25 294 007

Government Grants and Subsidies - Operating

119 868 200

110 975 669

**145 868 127**

**136 269 676**



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
Revenue recognised per vote as required by Section 123 (c) of the MFMA		
Equitable share	109 210 000	96 062 000
Executive & Council	477 696	1 708 534
Planning and Development	-	-
Budget and Treasury	1 804 974	2 088 070
Public Safety	138 600	(27 809)
Road Transport	19 823 722	15 976 833
Waste Management	1 044 000	1 719 670
Sport and Recreation	5 009 450	1 554 395
Community and Social Services	4 770 283	5 509 284
Health	-	2 779 509
Electricity	3 589 402	8 899 191
	<u>145 868 127</u>	<u>136 269 677</u>

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

**23,01 Equitable share**

Opening balance	-	-
Grants received	109 210 000	96 062 000
Conditions met - Operating	(109 210 000)	(96 062 000)
Conditions met - Capital	-	-
Conditions still to be met	<u>-</u>	<u>-</u>

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.

**23,02 Health Subsidy**

Opening balance	2 609 324	164 646
Grants received	-	5 224 186
Conditions met - Operating	(620 283)	(2 779 509)
Conditions met - Capital	-	-
Conditions still to be met	<u>1 989 041</u>	<u>2 609 324</u>

Health subsidies was used fund primary health care services in the municipal area.

**23,03 Finance Management Grant (FMG)**

Opening balance	-	1 057 726
Grants received	1 500 000	1 500 000
Transfers	-	-
Conditions met - Operating	(1 433 603)	(1 978 206)
Conditions met - Capital	-	(44 520)
Deducted by National Treasury	(101 000)	(535 000)
Grant expenditure to be recovered	<u>(34 603)</u>	<u>-</u>

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

**23,04 Municipal Systems Improvement Grant (MSIG)**

Opening balance	-	971 252
Grants received	800 000	790 000
Transfers	-	-
Conditions met - Operating	(477 696)	(1 002 003)
Conditions met - Capital	-	(24 249)
Deducted by National Treasury	(148 000)	(735 000)
Grant expenditure to be recovered	<u>174 304</u>	<u>-</u>

The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

	2013 R	2012 R
<b>23,05 Municipal Infrastructure Grant (MIG)</b>		
Opening balance	6 547 558	4 579 242
Grants received	32 122 000	26 480 000
Conditions met - Operating	-	(1 155 845)
Conditions met - Capital	(25 999 927)	(23 355 839)
Deducted by National Treasury	(4 579 000)	-
Grant expenditure to be recovered	<u>8 090 631</u>	<u>6 547 558</u>
The grant was used to construct roads and storm water infrastructure, with the main focus on the historically disadvantaged areas.		
<b>23,06 Housing Grants</b>		
Opening balance	1 010 453	2 869 014
Grants received	-	95 104
Conditions met - Operating	-	(1 953 665)
Conditions met - Capital	-	-
Conditions still to be met	<u>1 010 453</u>	<u>1 010 453</u>
Housing grants was utilised for the development of erven and the erection of top structures.		
<b>23,07 Library Subsidy</b>		
Opening balance	174 700	189 325
Grants received	4 150 000	2 203 714
Conditions met - Operating	(4 150 000)	(2 203 714)
Conditions met - Capital	-	(14 625)
Conditions still to be met/(Grant expenditure to be recovered)	<u>174 700</u>	<u>174 700</u>
<b>23,08 Expanded Public Works Program (EPWP)</b>		
Opening balance	-	-
Grants received	2 844 000	1 862 000
Conditions met - Operating	(2 756 550)	(1 862 000)
Conditions met - Capital	-	-
Conditions still to be met	<u>87 450</u>	<u>-</u>
This program is aimed at providing poverty en income relief through the creation of temporary work opportunities.		
<b>23,09 Skills Development Grant</b>		
Opening balance	-	-
Grants received	2 000 000	-
Conditions met - Operating	(848 697)	-
Conditions met - Capital	-	-
Conditions still to be met	<u>1 151 303</u>	<u>-</u>
<b>23,10 Queenstown Rhino Funds</b>		
Opening balance	203 038	193 895
Grants received	-	10 543
Conditions met - Operating	-	(1 400)
Conditions met - Capital	-	-
Conditions still to be met	<u>203 038</u>	<u>203 038</u>

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
<b>23,11 Aids Grant</b>		
Opening balance	6 862	8 238
Grants received	-	-
Conditions met - Operating	-	(1 376)
Conditions met - Capital	-	-
Deducted by National Treasury	-	-
Grant expenditure to be recovered	<u>6 862</u>	<u>6 862</u>
<b>23,12 ESKOM (Sabata Dalindyebo)</b>		
Opening balance	139 263	139 263
Grants received	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	<u>139 263</u>	<u>139 263</u>
<b>23,13 Independent Electoral Commission Grant</b>		
Opening balance	288 031	303 546
Grants received	-	-
Conditions met - Operating	-	(815)
Conditions met - Capital	-	(14 700)
Conditions still to be met/(Grant expenditure to be recovered)	<u>288 031</u>	<u>288 031</u>
<b>23,14 LED Strategies &amp; Spatial</b>		
Opening balance	821 689	821 689
Grants received	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	<u>821 689</u>	<u>821 689</u>
<b>23,15 LGW SETA - Training</b>		
Opening balance	199 036	2 430
Grants received	371 371	471 816
Conditions met - Operating	(371 371)	(275 211)
Conditions met - Capital	-	-
Conditions still to be met	<u>199 036</u>	<u>199 036</u>
<b>23,16 Rural Water Scheme</b>		
Opening balance	12 390	12 390
Grants received	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	<u>12 390</u>	<u>12 390</u>

	2013 R	2012 R
<b>23,17 Mendi Memorial Creche</b>		
Opening balance	15 507	14 043
Grants received	-	1 464
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Grant expenditure to be recovered	<u>15 507</u>	<u>15 507</u>
<b>23,18 Mlungisi Sportfields</b>		
Opening balance	4 085	4 085
Grants received	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	<u>4 085</u>	<u>4 085</u>
<b>23,19 Mendi Educare Centre</b>		
Opening balance	13 610	12 908
Grants received	-	702
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met/(Grant expenditure to be recovered)	<u>13 610</u>	<u>13 610</u>
<b>23,20 MSP Funds</b>		
Opening balance	181 955	208 741
Grants received	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	(26 785)
Conditions still to be met	<u>181 955</u>	<u>181 955</u>
<b>23,21 Rathwick Electrification</b>		
Opening balance	132 002	132 002
Grants received	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	<u>132 002</u>	<u>132 002</u>
<b>23,22 Other Grants</b>		
Opening balance	3 654 957	3 070 659
Grants received	412 069	1 994 064
Conditions met - Operating	-	(1 409 767)
Conditions met - Capital	-	-
Conditions still to be met	<u>4 067 026</u>	<u>3 654 957</u>
<b>23,23 Rowell Old Age Home</b>		
Opening balance	2 434	2 197
Grants received	-	237
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	<u>2 434</u>	<u>2 434</u>

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
<b>23,24 Storm Relief Fund</b>		
Opening balance	25 329	24 493
Grants received	-	836
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Grant expenditure to be recovered	<u>25 329</u>	<u>25 329</u>
<b>23,25 Tylden Irrigation Scheme</b>		
Opening balance	6 167	6 167
Grants received	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	<u>6 167</u>	<u>6 167</u>
<b>23,26 Small Micro Strategy &amp; Hawke</b>		
Opening balance	66 175	66 175
Grants received	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met/(Grant expenditure to be recovered)	<u>66 175</u>	<u>66 175</u>
<b>23,27 Electricity Grant</b>		
Opening balance		783 294
Grants received	-	1 029 995
Conditions met - Operating	-	-
Conditions met - Capital	-	(1 813 289)
Conditions still to be met	<u>-</u>	<u>-</u>

	2013 R	2012 R
<b>23,28 Total Grants</b>		
Opening balance	16 114 565	15 637 420
Grants received	153 409 440	137 726 661
Conditions met - Operating	(119 868 200)	(110 685 510)
Conditions met - Capital	(25 999 927)	(25 294 007)
Deducted by National Treasury	(4 828 000)	(1 270 000)
Conditions still to be met	<b>18 827 878</b>	<b>16 114 565</b>
<u>Disclosed as follows:</u>		
Unspent Conditional Government Grants and Receipts	19 168 350	16 420 435
Unpaid Conditional Government Grants and Receipts	(340 472)	(305 870)
	<b>18 827 878</b>	<b>16 114 565</b>
<b>24 SERVICE CHARGES</b>		
Electricity	148 505 115	136 410 818
Refuse Removal	26 399 378	20 959 571
Sewerage (Septic Tanks)	40 487	62 712
Sewerage	18 710 278	14 693 390
Water	28 820 587	26 976 967
<b>Total Service Charges</b>	<b>222 475 845</b>	<b>199 103 458</b>
<b>25 WATER SERVICES AUTHORITY CONTRIBUTION</b>		
Chris Hani District Municipality - Water contributions	22 057 565	27 115 072
	<b>22 057 565</b>	<b>27 115 072</b>
<b>26 RENTAL OF FACILITIES AND EQUIPMENT</b>		
Rental of Halls	440 768	522 528
Rental of Grounds	150 330	99 454
Rental of Equipment	55 862	38 067
Rental of Premises	1 844 327	1 818 145
	<b>2 491 288</b>	<b>2 478 194</b>
<b>27 INTEREST EARNED - EXTERNAL INVESTMENTS</b>		
Bank Accounts	3 174 095	2 908 298
Call Deposits	5 152 202	5 107 464
	<b>8 326 297</b>	<b>8 015 762</b>
<b>28 INTEREST EARNED - OUTSTANDING DEBTORS</b>		
Interest on Services	15 895 907	17 100 899
Interest on Rates	3 540 434	2 231 616
	<b>19 436 341</b>	<b>19 332 514</b>

**OTHER INCOME**

Access to Info Fee	68	54
Administration Charges	2 250	7 950
Advert Costs	750	13 005
Availability Charges	536 759	569 641
Building Clause	25	-
Building Plan Fees	311 846	394 780
Burial Fees	542 116	466 121
Clean-up Projects	-	4 360
Commission on RD Cheques	1 401	1 620
Commission on Stop Orders	76 307	72 869
Community Levy	177 204	180 602
Connection Fees	335 528	1 509 901
Cutting of Grass	1 003	-
Digging of Graves	262 538	384 256
Encroachment Fees	2 963	4 013
Fire Brigade Fees	650	1 075
Gate Monies	78 279	77 742
Grazing Fees	6 300	6 000
Hunting Packages	-	112 165
Internet	365	1 063
Lost Books and Records	321	546
Parking Meter Fees	36 534	50 535
Patient Retain Cards	-	160
Photocopies	58 730	57 959
Plan Fees	23	2 527
Plot Fees	106 026	152 029
Pound Fees	648 928	510 107
Pound Sales	379 090	434 419
Project Fees	53 450	1 073 459
Rates Charges	-	(1 638)
Reconnection Fees	195 420	222 654
Rentals: Carports	5 176	5 869
Rentals: Street Signs	58 678	39 278
Rezoning Fees	9 617	6 750
Roadworthy Certificates	285 827	376 375
Sale of Newspapers and Magazines	641	32
Sale of Plants	3 426	3 343
Sale of Refuse Bags	42 691	57 951
Search Fees	2 598	5 226
Special Permits	218 761	221 676
Staff Deductions	27 982	-
Sundry Revenue	4 668 333	5 066 974
Surplus Cash	2 195	4 734
Swimming Pool Fees	2 160	8 527
Tampering Fees: Electricity	220 015	165 124
Testing: Electricity Meters	5 158	6 005
Tip Fees	50 584	64 193
User Fees	210	180
Valuation Certificates	10 717	12 725
WSSA Contribution	188 419	170 867
<b>Total Other Income</b>	<b>9 618 058</b>	<b>12 525 799</b>

	2013 R	2012 R
<b>EMPLOYEE RELATED COSTS</b>		
Salaries and Wages	64 253 373	54 664 906
Overtime Payments	6 296 068	5 006 851
Long Service Bonus	-	-
Telephone Allowance	666	6 777
Transport Allowance	3 076 164	3 098 222
Uniform Allowance	48 401	445 139
UIF Contributions	621 526	552 530
Group Life Insurance	533 522	498 497
Medical Aid Contributions	5 600 099	5 206 014
Pension Fund Contributions	9 362 282	10 215 900
Contract Workers	6 202 805	13 540 739
Other Allowances	30 222	123 522
Night Shift Services	1 036 013	824 935
Leave bonus	4 568 571	4 846 477
Housing Subsidies	224 361	264 026
SALGA payments	3 045 609	-
<b>Total Employee Related Costs</b>	<b>104 899 680</b>	<b>99 294 534</b>

Contribution to leave gratuity was incorrectly allocated as general expenses in 2012 and has been reallocated to employee benefits -Refer to note 40

#### KEY MANAGEMENT PERSONNEL

Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.

#### REMUNERATION OF KEY MANAGEMENT PERSONNEL

##### *Remuneration of the Municipal Manager*

Annual Remuneration	928 693	697 394
Performance bonus	-	90 235
Other Allowance	71 307	216 438
<b>Total</b>	<b>1 000 000</b>	<b>1 004 067</b>

##### *Remuneration of the Manager - Financial Services*

Annual Remuneration	803 022	763 349
Performance bonus	62 884	68 508
Other Allowance	8 641	56 762
<b>Total</b>	<b>874 547</b>	<b>888 619</b>

##### *Remuneration of the Manager - Technical Services*

Annual Remuneration	692 397	648 236
Acting Allowance	-	-
Performance bonus	62 993	72 113
Other Allowance	61 665	67 687
<b>Total</b>	<b>817 055</b>	<b>788 036</b>

##### *Remuneration of the Manager - Community and Social Services*

Annual Remuneration	602 899	586 760
Performance bonus	62 993	61 899
Other Allowance	151 600	160 976
<b>Total</b>	<b>817 491</b>	<b>809 635</b>

##### *Remuneration of the Manager - Corporate and Support Services*

Annual Remuneration	493 321	512 500
Performance bonus	48 560	45 370
Other Allowance	85 124	83 501
<b>Total</b>	<b>627 006</b>	<b>641 371</b>



	2013 R	2012 R
<b>31 REMUNERATION OF COUNCILLORS</b>		
Executive Mayor	669 021	636 435
Deputy Executive Mayor	-	-
Speaker	539 911	512 890
Executive Committee Members	4 587 504	3 967 584
Councillors	12 268 708	10 680 717
<b>Total Councillors' Remuneration</b>	<b>18 065 144</b>	<b>15 797 626</b>
<i>Certification by the Municipal Manager</i>		
<p>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.</p>		
<i>Signed: Municipal Manager</i>		
<b>32 DEBT IMPAIRMENT</b>		
Trade Receivables from exchange transactions - Note 17	195 472 147	42 878 953
Other Receivables from non-exchange transactions - Note 18	8 386 046	6 478 631
Debt Impairment - Total	(129 747 555)	-
<b>Total Contribution to Impairment Provision</b>	<b>74 110 638</b>	<b>49 357 585</b>
VAT included in contribution for the year	-	-
<b>Debt impairment recognised in statement of financial performance</b>	<b>74 110 638</b>	<b>49 357 585</b>
<b>33 DEPRECIATION AND AMORTISATION</b>		
Property Plant and Equipment	24 271 806	15 764 278
Investment Property	-	-
Intangible Assets	360	-
	<b>24 272 166</b>	<b>15 764 278</b>
<b>34 IMPAIRMENTS</b>		
Landfill Sites	1 993 188	1 725 952
	<b>1 993 188</b>	<b>1 725 952</b>
<b>35 REPAIRS AND MAINTENANCE</b>		
Repairs and maintenance	14 161 263	10 573 274
	<b>14 161 263</b>	<b>10 573 274</b>

	2013 R	2012 R
<b>36</b>		
<b>FINANCE CHARGES</b>		
Annuity Loans	429 301	448 408
Normal	429 301	408 033
Arrears	-	40 375
Hire Purchases	-	-
Finance leases	614 411	773 065
Overdraft Facilities	-	53
Post Retirement Medical	4 539 000	3 699 000
Long Service Awards	313 436	564 449
Interest on Creditors	-	-
Landfill Sites	500 400	444 291
<b>Total finance charges</b>	<b>6 396 548</b>	<b>5 929 265</b>
<b>37</b>		
<b>BULK PURCHASES</b>		
Electricity	145 060 399	117 979 065
<b>Total Bulk Purchases</b>	<b>145 060 399</b>	<b>117 979 065</b>
<b>38</b>		
<b>CONTRACTED SERVICES</b>		
Security services	2 724 106	2 125 461
Maintenance	388 789	156 709
<b>Total Bulk Purchases</b>	<b>3 112 895</b>	<b>2 282 171</b>
<b>39</b>		
<b>OPERATING GRANT EXPENDITURE</b>		
Other	1 102 069	6 633 491
Poor relief	558 065	-
<b>Total Grants and Subsidies</b>	<b>1 660 134</b>	<b>6 633 491</b>

## GENERAL EXPENSES

Advertising	274 199	216 337
Agency Fees	1 137 424	1 070 123
Aids Council	22 181	-
Ammunition	1 706	368
Audit fees	2 904 265	3 394 214
Bank charges	1 045 681	971 399
Blue Drop	23 400	-
Chemicals & Laboratory Services	759 603	1 693 754
Clean-up Projects	1 111 631	-
Compost & Fertilizer	8 219	13 020
Conferences and delegations	179 491	1 476 356
Connections water	29 389	152 166
Consulting fees	1 143 541	319 431
Credit Control	69 449	-
Delegated Management	29 957 158	40 760 126
Departmental consumption - Electricity	857 551	1 233 203
Departmental consumption - Rates	34 514	80 268
Departmental consumption - Refuse	4 638	3 494
Departmental consumption - Sewerage	108 362	94 405
Departmental consumption - Water	279 062	383 617
Digging of Graves	12 249	16 644
Drivers: Licences	2 090 949	665 835
Entertainment	514 384	778 184
Feeding	584 256	408 180
Firebreaks	4 647	6 295
Fuel and oil	7 479 166	7 203 158
Furniture & Equipment	-	149 380
Herdng Fees	98 844	54 498
Horticulture	4 946	4 099
Insurance	1 153 107	809 141
Internet	27 918	-
Laundry	152	305
Lease Rentals	1 567 027	1 719 421
Leave Gratuity Fund	-	3 623 084
Legal expenses	736 914	1 188 237
Levies paid	2 077 947	1 684 693
Licences - Radios	13 700	740
Licence fees - Vehicles	358 001	338 179
Long service - Service Cost	616 582	319 455
Machinery & Equipment	11 051	-
Medical Examination	20 499	3 131
Medical Requirements	830	-
Misc Fees: Roadworthy Certificates	7 516	9 701
Motor Vehicle Expenses	165 916	145 350
Musical Rights	875	12 986
Pauper Burials	20 976	41 274
Post retirement medical aid - Service Charge	2 251 000	2 630 000
Postage	1 137 009	1 080 477
Pound Fees	24 935	17 860
Printing and stationery	762 262	835 645
Projects	4 728 379	5 256 872
Promotions	124 804	236 277
Protective Clothing	246 935	5 949
Public entertainment	8 280	-
Removal Expenses Reserve	208 679	20 845
Rentals:Other	5 128	-
Road Signs	100 282	116 511
Safety: Nosa	5 503	3 677
Sewerage Charges	11 262	10 597
Software	105 684	34 603
SPCA Contribution	137 500	137 500
Stocks and material	687 340	542 468
Streets	620 089	353 413
Subscription & publication	143 746	68 031
Tampering Fees: Electricity	-	1 600
Telephone cost	2 750 766	2 911 729
Tools & Equipment	196 704	60 580
Tourism	46 850	-
Town Planning	21 778	16 360
Training	866 852	766 055
Transfer Fees	30 006	42 393
Travel and subsistence	1 368 700	847 347
Valuation costs	1 051 009	612 037
Water charges	8 897	4 180
Women / Youth / Disabled	291 153	332 135
World Aids Day	39 608	10 629
Other	-	-
Total General Expenses	<b>75 501 055</b>	<b>88 000 020</b>

41	PRIOR PERIOD ERRORS AND CHANGES IN ACCOUNTING POLICIES IN TERMS OF GRAP 3	2012 R	2011 R
41,01	Property Plant and Equipment (Excluding Capitalised Restoration Costs)		
	Balance previously reported	716 177 334	
	Biological assets were incorrectly reported on and transferred to PPE	8 147 900	
		724 325 234	

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2012 R	2011 R
<b>41,02 Biological Assets</b>		
<b>Balance previously reported</b>	<b>2 493 300</b>	-
Biological assets were understated.	5 654 600	2 493 300
The biological assets were incorrectly disclosed and are transferred to PPE. Refer note 42,01	(8 147 900)	-
	<u>-</u>	<u>2 493 300</u>
<b>41,03 Taxes</b>		
<b>Balance previously reported</b>	<b>2 401 979</b>	1 449 670
Adjustments made to Journals incorrectly processed in 2012 and 2011	2 428 423	-3 326 512
	<u>4 830 402</u>	<u>(1 876 842)</u>
<b>41,04 Non-Current Provisions</b>		
<b>Balance previously reported</b>	<b>17 076 816</b>	
Correction of Provisin on landfill site. Refer to note 4	(6 913 657)	
The municipality incorrectly disclosed the provision on landfil sites. Amendments were brought to light when the landfill site report were received from an outside expert.		
	<u>10 163 159</u>	
<b>41,05 Payables from exchange transactions</b>		
<b>Balance Previously reported</b>	<b>32 946 433</b>	
Correction of accrued interest on DBSA annuity loans	38 417	
Effect on 30 June 2011 - Refer to note 41,15	71 751	
Effect during 2011/2012 - Refer to note 42	(33 333)	
During the review of the DBSA loan account, it was identified that the municipality did not accrue for interest on each respective reporting period.		
Reallocation of arrear portion of long term liabilities (DBSA Loan) - Refer to 41,08	40 294	
During the review of the DBSA loan account, it was identified that the arrear portion of the DBSA loan account was incorrectly allocated to the annuity loan balance. This amount is payable immediately and does not represent an amount payable within 1 year of the reporting date.		
Correction of balances between debtor votes	(11 536 418)	
Correction of contribution to leave gratification for allocations not allocated in 2012	4 846 477	
Correction of contribution to leave gratification	-	
Effect on leave gratification	(4 846 477)	
Effect on the salary suspence account	4 846 477	
Contributions to leave allocation were credited to the Salary swuspence accounts with the salry runs but was not adjusted to the leave gratuity creditors account		
	<u>26 294 909</u>	
<b>41,06 Unspent conditional grants and receipts</b>		
<b>Balance Previously reported</b>	<b>16 281 172</b>	
Reversal of unsupported journal to transfer grant expenditure to general expenses - Refer to 42	(166 607)	
Effect on the Finance Management Grant	-	
Effect on the Municipal Systems Improvement Grant	-	
Effect on the IDP Grant	(127 429)	
Effect on the Disaster Fund	(39 178)	
During the review of unspent grants, the municipality identified a journal entry that incorrectly transferred grant balances to general expenses where over and under expenditure of specific grants occurred.		
	<u>16 114 565</u>	
<b>41,07 Long-Term Liabilities</b>		
<b>Balance previously reported</b>	<b>8 357 174</b>	
Reversal of incorrect entry to recognise accrued interest - Refer to 42	(38 417)	
Correction of incorrect allocation between finance charges and long term liabilities - Refer to note 42	2 525	
During the review of hire purchases, an immaterial difference was identified between finance charges and the hire purchases capital balance outstanding. This difference was subsequently corrected.		
	<u>8 321 281</u>	

**41,08 Current Portion of Long-Term Liabilities**

<b>Balance previously reported</b>	<b>4 432 282</b>
Correction of allocation between long and short term portion of annuity loans on 30 June 2012	(38 439)

During the review of the DBSA and other annuity loan accounts, a difference was noted between the long and short term portion of the loans. The required reallocation was made on 30 June 2012.

Correction of allocation between long and short term portion of hire purchases on 30 June 2012	(2 704)
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During the review of hire purchases accounts, a difference was noted between the long and short term portion of the loans. The required reallocation was made on 30 June 2012.

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**4 391 139**

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**41,09 Inventory**

<b>Balance previously reported</b>	-
Correction of error: Water Inventory not recognised - Refer note 16	72 550

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**72 550**

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	2012	
	R	
<b>41,10 Cash and Cash Equivalents</b>		
<b>Balance previously reported</b>	<b>176 729 059</b>	
Correction of error due to internal cheques not processed. Refer to note 44	1 012 910	
	<u><u>177 741 969</u></u>	
<b>41,11 Receivables from exchange transactions</b>		
<b>Balance previously reported</b>	<b>144 698 297</b>	
Correction of error due to internal cheques not processed. Refer to note 17	(17 850 879)	
	<u><u>126 847 418</u></u>	
<b>41,12 Employee Benefits</b>		
<b>Balance previously reported</b>	<b>55 918 461</b>	
Correction of current portion of Post Retirement Benefit Obligations - Refer to note 41,13	(212 423)	
The municipality incorrectly did not disclose the current portion of the post retirement benefit obligation in line with the figures obtained from the external actuaries utilised to calculate their obligation on 30 June 2012.		
	<u><u>55 706 038</u></u>	
<b>41,13 Current Employee Benefits</b>		
<b>Balance previously reported</b>	<b>1 391 000</b>	
Correction of current portion of Post Retirement Benefit Obligations - Refer to note 41,12	212 423	
The municipality incorrectly did not disclose the current portion of the post retirement benefit obligation in line with the figures obtained from the external actuaries utilised to calculate their obligation on 30 June 2012.		
	<u><u>1 603 423</u></u>	
<b>41,14 Provisions</b>		
<b>Balance previously reported</b>	<b>1 536 913</b>	
Correction of Provisin on landfill site.	(644 020)	
The municipality incorrectly disclosed the provision on landfil sites. Amendments were brought to light when the landfill site report were received from an outside expert.		
	<u><u>892 893</u></u>	
<b>41,15 Accumulated Surplus</b>		
Correction of accrued interest on DBSA annuity loans - Refer to note 41,05	-	71 751
During the review of the DBSA loan account, it was identified that the municipality did not accrue for interest on each respective reporting period.		
Annuity Loan for DBSA not recognised - Refer to note 41,05	-	-101 841
Municipal Infrastructure Grant expenditure not recognised	-	-2 669 145
Unknwon payments recognised	-	-4 453 480
Consumer rates recognised	-	2 242 205
Bank payments recognised	-	-168 481
Payables from exchange transactions recognised	-	306 328
Receivables from exchange transactions recognised	-	295 677
PPE: Disposals recognised	-	95 711
Stale cheques recognised	-	-24 268
Value Added Tax recognised. Refer to note 41,03	-	3 326 512
Reversal of R & D cheques recognised	-	-2 947
Sundry Debtors recognised	-	-22 032
Correction of the fair value of Biological assets - Refer to note 41,02	5 654 600	-2 493 300
The fair value of Biological assets should be R8,147,900 and was understated.		
Correction of Restoration Cost and Rehabilitation Provision. Refer to note 41,04	(100 202)	-652 550
Correction of the salary suspense accounts iro salaries and allowances incorrectly paid or not claimed.	(40 918)	
First time recognition of long service awards provision on 30 June 2011. Refer to note 42	-	4 216 049
	<u><u>5 513 480</u></u>	<u><u>(33 812)</u></u>

	2012 R
<b>RECONCILIATION PRIOR YEAR SURPLUS FOR THE YEAR</b>	
<b>Balance previously reported</b>	<b>72 946 800</b>
Incorrect allocation of interest received	(176 517)
Interest on Bank account - Interest for Desember 2011	162 583
Interest on Bank account - Interest for September 2011 to February 2012	(339 099)
During the review of income and expenditure it was identified that interest levied on outstanding rates receivables were not allocated alongside other interest levied on consumer debtors. To ensure consistent allocation of similar income and expenditure items, the interest line items was reclassified to interest received on outstanding debtors.	
Correction of accrued interest on DBSA annuity loans (net effect of accrued interest not raised on 30 June 2011)	71 751
Effect due to reversal of incorrect entry raised - Refer to 41,07	38 417
Effect due to movement of accrued interest during 2011/2012 - Refer to note 41,05	33 333
Allocation error between finance charges and employee related costs	-
Effect on Finance Charges	78 468
Effect on Employee Related Costs (Other Allowances)	(78 468)
During the review of the GRAP classification of the prior year financial statements, it was identified that other allowances paid to officials were incorrectly allocated to finance charges.	
Operating grant expenditure incorrectly disclosed as grants and subsidies paid	-
Effect on Grants and Subsidies Paid	7 279 845
Effect on Operating Grant Expenditure	(7 279 845)
During the review of the prior year financial statements it was identified that expenditure relating to grants were incorrectly classified as "grants and subsidies paid".	
Reversal of unsupported journal to transfer grant expenditure to general expenses - Refer to 41,06	166 607
During the review of unspent grants, the municipality identified a journal entry that incorrectly transferred grant balances to general expenses where over and under expenditure of specific grants occurred. The correction was made on general expenses (projects).	
Correction of incorrect allocation between finance charges and long term liabilities - Refer to note 41,07	(2 525)
During the review of hire purchases, an immaterial difference was identified between finance charges and the hire purchases capital balance outstanding. This difference was subsequently corrected.	
Correction of grant revenue and expenditure	-
Effect on Government Grants and subsidies	(646 354)
Effect on Operating Grant Expenditure	646 354
During the review of grant revenue and expenditure, it was identified that the municipality incorrectly recognised revenue and expenditure relating to grants. In cases where revenue was recognised that was not supported by valid expenditure items (which is a measure of conditions met), the revenue and expenditure items previously recognised, was reversed.	
Correction of the treatment of unused electricity at each reporting period - Refer to note 41,15	1 621 370
Management identified in the current year that the unused balance for pre-paid electricity on 30 June 2011 was incorrectly reversed to accumulated surplus. The reversal of the prior year balance should have been allocated to the electricity sales account in 2011/2012 to ensure that the movement on the unused electricity balance is recognised as revenue and ensure accurate cut-off of revenue.	
Correction of depreciation allocation of depreciation on intangible assets - Refer to note 41,02	
Interest on bank account	(1 109)
Depreciation on intangible assets allocated as interest on bank account	
Correction of finance charges relating to Rehabilitation Provision restatement - Refer to note 4	(633 329)
Correction of employee related costs	
Reversal of acting allowances for employees and councillors 2011/12 incorrectly paid	(2 071 707)
Correction of Long service awards not recognised in the 2011/2012 financial year.	
Current service cost	(564 449)
Interest cost	(319 455)
Actuarial Gain	183 921
Correction of the CHDM operating income and expenditure for 2011/12	(13 954 683)
Effect on Interest earned outstanding debtors	8 869 410
Effect on consumption charges sewerage	14 693 390
Effect on Septic tanks	8 148
Effect on Sale of water	26 976 967
Effect on Water services authority contribution	27 115 072
Effect on Repairs and maintenance	(4 284 777)
Effect on General Expenses	(46 596 825)
Effect on Debt Impairment	(20 550 964)
Effect on Administration Costs	(12 907 520)
Effect on Employee Related Costs	(7 817 045)
Effect on Bulk Purchases	(86 201)
Effect on Other Revenue	625 664
Operational transactions on the water and sanitation services were allocated as Chris Hani transactions and was allocated in the Chris Hani suspense account. It was subsequently indicated that these service income and expenditure is for the account of Lukhanji.	
	<b>57 266 675</b>



	2013 R	2012 R
<b>43 RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS</b>		
Surplus/(Deficit) for the year from continued operations	42 390 251	57 266 675
<b>Adjustments for:</b>		
Depreciation and Amortisation	24 272 166	15 764 278
Gain on disposal of property, plant and equipment	(520 175)	(1 713 547)
Actuarial losses	109 067	710 883
Actuarial gains	(9 792 969)	(8 903 000)
Contribution to employee benefits - non-current	7 720 018	7 212 904
Expenditure incurred - Employee Benefits	(2 057 635)	(2 285 804)
Movements in Provisions	5 539 197	2 170 242
Bad debts	74 110 638	49 357 585
Bad Debt written off	-	(4 134 431)
<b>Changes in Working Capital</b>	<b>(95 615 805)</b>	<b>(37 124 434)</b>
Increase / (Decrease) in Payables from exchange transactions	6 495 383	7 155 281
Increase / (Decrease) in Taxes	(38 933 678)	2 953 560
Increase / (Decrease) in Inventory	(3 053)	(72 550)
Increase / (Decrease) in Unspent Government Grants and Subsidies.	2 747 916	210 628
Increase / (Decrease) in Unpaid Government Grants and Subsidies.	(34 603)	-
Increase / (Decrease) in Receivables from exchange and non-exchange transactions	(65 887 770)	(47 371 353)
<b>Cash generated by operations</b>	<b>46 154 753</b>	<b>78 321 351</b>

		2013	2012
		R	R
<b>44</b>	<b>CASH AND CASH EQUIVALENTS</b>		
	Cash and cash equivalents included in the cash flow statement comprise the following:		
	Call Investments Deposits - Note 20	108 111 057	103 035 295
	Cash Floats - Note 20	28 992	26 992
	Bank - Note 20	62 365 286	74 679 682
	Bank overdraft - Note 20	-	-
	<b>Total cash and cash equivalents</b>	<b><u>170 505 334</u></b>	<b><u>177 741 969</u></b>
<b>45</b>	<b>RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES</b>		
	Cash and Cash Equivalents - Note 44	170 505 334	177 741 969
	Investments - Note 14	296 908	224 908
		<u>170 802 242</u>	<u>177 966 877</u>
	Less:	19 168 350	21 250 837
	Unspent Committed Conditional Grants - Note 9	19 168 350	16 420 435
	VAT - Note 10	-	4 830 402
	Secured Investments and cash	-	-
	<b>Resources available for working capital requirements</b>	<b><u>151 633 892</u></b>	<b><u>156 716 041</u></b>
<b>46</b>	<b>UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>		
	Long-term Liabilities - Note 2	5 748 779	8 321 282
	Used to finance property, plant and equipment - at cost	<u>(5 748 779)</u>	<u>(8 321 282)</u>
		-	-
	Cash set aside for the repayment of long-term liabilities	-	-
	<b>Cash invested for repayment of long-term liabilities</b>	<b><u>-</u></b>	<b><u>-</u></b>

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. The Annuity Loans carry interest of 5% and will be fully redeemed on 30 September 2027.

47	<b>UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED</b>	<b>2013</b> <b>R</b>	<b>2012</b> <b>R</b>				
47,1	<b><u>Unauthorised expenditure</u></b>						
	Reconciliation of unauthorised expenditure:						
	Opening balance	15 763 169	-				
	Loan taken up not budgeted for	-	1 664 000				
	Depreciation not budgeted for	-	15 763 169				
	Unauthorised expenditure current year - operating	60 190 390	-				
	Approved by Council or condoned	-	(1 664 000)				
	Unauthorised expenditure awaiting authorisation	<b>75 953 559</b>	<b>15 763 169</b>				
		<b>75 953 559</b>	<b>15 763 169</b>				
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"><b>Incident</b></td> <td style="width: 50%;"><b>Disciplinary steps/criminal proceedings</b></td> </tr> <tr> <td><i>Over expenditure on votes</i></td> <td><i>None</i></td> </tr> </table>	<b>Incident</b>	<b>Disciplinary steps/criminal proceedings</b>	<i>Over expenditure on votes</i>	<i>None</i>		
<b>Incident</b>	<b>Disciplinary steps/criminal proceedings</b>						
<i>Over expenditure on votes</i>	<i>None</i>						
47,2	<b><u>Fruitless and wasteful expenditure</u></b>						
	Reconciliation of fruitless and wasteful expenditure:						
	Opening balance	788 042	8 940				
	Fruitless and wasteful expenditure current year	121 264	788 042				
	Condoned or written off by Council	-	(8 940)				
	Fruitless and wasteful expenditure awaiting condonement	<b>909 306</b>	<b>788 042</b>				
		<b>909 306</b>	<b>788 042</b>				
47,3	<b><u>Irregular expenditure</u></b>						
	Reconciliation of irregular expenditure:						
	Opening balance	40 059 637	36 538 226				
	Irregular expenditure current year	520 611	3 521 411				
	Condoned or written off by Council	-	-				
	Irregular expenditure awaiting condonement	<b>40 580 248</b>	<b>40 059 637</b>				
		<b>40 580 248</b>	<b>40 059 637</b>				

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	R	R
<b>47,4</b>		
<b><u>Material Losses</u></b>		
<b>Electricity distribution losses</b>		
Units purchased (Kwh)	66 175 773	63 445 572
Units sold (Kwh)	53 931 427	54 070 426
Units lost during distribution (Kwh)	12 244 346	9 375 146
Percentage lost during distribution	18,50%	14,78%
Loss in Rand Value	3 515 352	2 615 665
<b>Water distribution losses</b>		
Kilo Litres Purified	3 829 081	3 584 336
Kilo Litres Sold	3 278 772	2 169 216
Kilo Litres Lost in distribution	550 309	1 415 120
Percentage lost during distribution	14,37%	39,48%
Loss in Rand Value	427 590	467 197
	<b>2013</b>	<b>2012</b>
	<b>R</b>	<b>R</b>
<b>48</b>		
<b>ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b>48,1</b>		
<b><u>Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS</u></b>		
Council subscriptions	226 462	627 590
Amount paid - current year	(226 462)	(627 590)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>
	<b>48,2</b>	
<b><u>Audit fees - [MFMA 125 (1)(c)]</u></b>		
Opening balance	-	-
Current year audit fee	2 904 265	3 394 214
Amount paid - current year	(2 904 265)	(3 394 214)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
<b>48,3 VAT - [MFMA 125 (1)(c)]</b>		
Opening balance	776 686	116 416
Amounts received - current year	(2 313 081)	(3 285 056)
Amounts received - previous years	(776 686)	(244 241)
Amounts claimed - current year	2 372 828	4 061 743
Amounts paid - previous years	-	127 826
Amounts payable - current year	(54 084)	(391 993)
Amounts paid - current year	54 084	391 993
<b>Closing balance</b>	<b>59 747</b>	<b>776 686</b>
Vat in suspense due to cash basis of accounting	-	(4 830 402)

VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.

All VAT returns have been submitted by the due date throughout the year.

Refer to note 10 for further disclosure regarding the balances receivable from and payable to SARS

<b>48,4 PAYE, SDL and UIF - [MFMA 125 (1)(c)]</b>		
Current year payroll deductions and Council Contributions	13 447 057	12 909 738
Amount paid - current year	(13 447 057)	(12 909 738)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

<b>48,5 Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]</b>		
Current year payroll deductions and Council Contributions	28 784 185	26 651 852
Amount paid - current year	(28 784 185)	(26 651 852)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

**48,6 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]**

The following Councillors had arrear accounts for more than 90 days as at 30 JUNE 2013:

	Total R	Outstanding less than 90 days R	Outstanding more than 90 days R
Councillor Van Heerden BD/I	584	584	-
Councillor Ndaliso MR	(391)	(391)	-
Councillor Jocki TM/S	-	(2 924)	2 924
Councillor Njozela DD	187	187	-
Councillor Mandile JT/NE	935	935	-
Councillor Snyders MB	359	359	-
Councillor Shaw JM	1 438	1 438	-
Councillor Simama N	267	267	-
Councillor Hokolo MS	5 429	547	4 881
Councillor Tsotetsi EN	354	354	-
Councillor Rani BG	1 898	1 003	895
Councillor Gaju SL	1 036	1 002	34
Councillor Mbasana XP	1 455	1 323	131
Councillor Ndabambi B	1 923	286	1 637
Councillor Dyan M	2 448	(86)	2 534
Councillor Xulubana NT	1 669	979	690
Councillor Pambo NC	2 127	999	1 129
Councillor Dyantyi SR	2 400	849	1 550
Councillor Gwantshu MZ	333	333	-
Councillor Matiwane MM	355	355	-
Councillor Ngesi M	20 777	(25)	20 802
Councillor Xhelisilo M	1 840	623	1 217
Councillor Nquma NP	7 570	581	6 989
Councillor Mngese BE	2 230	422	1 807
Councillor Siyo MN	33 702	963	32 740
Councillor Ndinise ME	5 248	482	4 767
Councillor Blekiwe M	31 630	754	30 876
Councillor Mnyaka M	13 087	661	12 426
Councillor Bokuya AV	5 856	329	5 527
	<b>146 746</b>	<b>13 191</b>	<b>133 556</b>

The following Councillors had arrear accounts for more than 90 days as at 30 JUNE 2012:

Councillor Van Heerden BD/I	94	94	-
Councillor Jocki TM/S	3 220	770	2 450
Councillor Njozela DD	8	8	-
Councillor Mandile JT/NE	565	565	-
Councillor Snyders MB	134	134	-
Councillor Hokolo MS	2 749	144	2 605
Councillor Rani BG	216	216	-
Councillor Ndabambi B	1 183	104	1 079
Councillor Dyan M	198	198	-
Councillor Xulubana NT	230	230	-
Councillor Pambo NC	4 220	1 686	2 535
Councillor Matiwane MM	253	253	-
Councillor Xhelisilo M	14 923	214	14 709
Councillor Sokupe LC	3 872	106	3 767
Councillor Nquma NP	10 422	253	10 169
Councillor Mngese BE	536	401	135
Councillor Siyo MN	29 287	1 057	28 231
Councillor Ndinise ME	3 256	136	3 120
Councillor Blekiwe M	28 104	908	27 195
Councillor Mnyaka M	10 679	245	10 434
Councillor Bokuya AV	4 435	355	4 080
	<b>118 585</b>	<b>8 077</b>	<b>110 507</b>



49	<b>CAPITAL COMMITMENTS</b>	<b>2013</b> <b>R</b>	<b>2012</b> <b>R</b>
	Represents commitments on MIG funded projects	8 090 631	16 047 558

**50 TRANSITIONAL PROVISION TAKEN ACCORDING TO THOSE IN DIRECTIVE 4 -  
TRANSITIONAL PROVISIONS FOR MEDIUM AND LOW CAPACITY MUNICIPALITIES**

**GRAP 103 - Heritage Assets**

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in May 2010. The municipality did not measure all Heritage Assets in line with the requirements of GRAP 103.

All Heritage assets have been identified on 30 June 2013. However, the municipality is currently in a process of measuring all Heritage Assets which must be measured in terms of GRAP 103 and it is expected that this process will be completed for inclusion in the 2016 financial statements.

**51 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 entity'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 entity 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 entity's surplus/deficit for the year due to changes in interest rates were as follow:

0,5% (2011 - 0.5%) Increase in interest rates  
 0,5% (2011 - 0.5%) Decrease in interest rates

**(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, 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 receivables are 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 services are payable within 30 days from invoice date. Refer to note 17 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

Balances past due not impaired are as follows:

Rates	36 413 460	2 122 999
Electricity	11 729 659	10 801 480
Water	76 690 666	57 711 291
Refuse	75 339 452	52 357 120
Sewerage	60 703 649	44 349 636
Other	100 355 492	84 024 860
	<b>361 232 378</b>	<b>251 367 386</b>

No receivables are pledged as security for financial liabilities.

Due to the short term nature of receivables, the carrying value disclosed in note 17 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The entity only deposits cash with major banks with high quality credit standing. The banks utilised by the municipality are all listed on the JSE. 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.

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 is considered to be low, the maximum exposure are disclosed below.



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
Financial assets exposed to credit risk at year end are as follows:		
Receivables (Exchange and Non-Exchange)	97 819 283	127 114 482
Cash and Cash Equivalents	170 505 334	177 741 969
Non-Current Investments	296 908	224 908
Unpaid conditional grants and subsidies	340 472	305 870
	<u>268 961 998</u>	<u>305 387 229</u>

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

The table below analyses the entity'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	Between 5 and 10 years	Over 10 Years
<b>2013</b>				
Long Term liabilities - Annuity Loans	689 051	1 396 669	-	-
Capital repayments	535 646	1 256 060	-	-
Interest	153 405	140 609	-	-
Long Term liabilities - Finance Leases	744 000	1 426 000	-	-
Capital repayments	521 869	1 237 954	-	-
Interest	222 131	188 046	-	-
Long Term liabilities - Hire Purchases	1 163 604	1 434 778	-	-
Capital repayments	982 457	1 315 835	-	-
Interest	181 147	118 943	-	-
Trade and Other Payables	24 662 367	-	-	-
Cash and Cash Equivalents	-	-	-	-
	<u>27 259 022</u>	<u>4 257 447</u>	<u>-</u>	<u>-</u>
<b>2012</b>				
Long Term liabilities - Annuity Loans	2 073 805	2 085 720	-	-
Capital repayments	1 754 082	1 791 706	-	-
Interest	319 723	294 014	-	-
Long Term liabilities - Finance Leases	670 200	223 400	-	-
Capital repayments	558 663	213 873	-	-
Interest	111 537	9 527	-	-
Long Term liabilities - Hire Purchases	3 003 917	2 425 469	-	-
Capital repayments	2 601 820	2 125 380	-	-
Interest	402 097	300 090	-	-
Trade and Other Payables	25 706 469	-	-	-
Cash and Cash Equivalents	-	-	-	-
	<u>31 454 391</u>	<u>4 734 589</u>	<u>-</u>	<u>-</u>

52	FINANCIAL INSTRUMENTS		2013 R	2012 R
	In accordance with the principles of GRAP 104 the financial instruments of the municipality are classified as follows:			
52,1	<b>Financial Assets</b>	<b>Classification</b>		
	<b>Investments</b>			
	Fixed Deposits	At Amortised cost	296 908	224 908
	<b>Consumer Debtors</b>			
	Receivables from exchange transactions	At Amortised cost	97 623 270	126 847 418
	Receivables from non-exchange transactions	At Amortised cost	196 014	267 064
	<b>Unpaid Conditional Grants and Receipts</b>			
	Other Spheres of Government	At Amortised cost	340 472	305 870
	<b>Short-term Investment Deposits</b>			
	Call Deposits	At Amortised cost	108 111 057	103 035 295
	<b>Bank Balances and Cash</b>			
	Bank Balances	At Amortised cost	62 365 286	74 679 682
	Cash Floats and Advances	At Amortised cost	28 992	26 992
			<b>268 961 998</b>	<b>305 387 229</b>
	<b>SUMMARY OF FINANCIAL ASSETS</b>			
	At Amortised cost		<b>268 961 998</b>	<b>305 387 229</b>
52,2	<b>Financial Liability</b>	<b>Classification</b>		
	<b>Long-term Liabilities and provisions</b>			
	Annuity Loans	At amortised cost	1 815 006	3 545 788
	Hire Purchase	At amortised cost	3 189 774	4 775 494
	Capitalised Lease Liability	At amortised cost	744 000	-
	Non-Current Provisions - Landfill Sites	At amortised cost	12 616 335	10 163 159
	<b>Payables from Exchange transactions</b>			
	Trade creditors	At amortised cost	3 933 694	8 513 649
	Accrued Interest	At amortised cost	76 835	38 417
	Other Creditors	At amortised cost	535 484	386 073
	Deposits: Other	At amortised cost	20 116 355	16 768 329
	<b>Unspent Conditional Grants and Receipts</b>			
	Other Spheres of Government	At amortised cost	19 168 350	16 420 435
	<b>Cash and Cash Equivalents</b>			
	Bank Overdraft	At amortised cost		
	<b>Current Portion of Long-term Liabilities</b>			
	Annuity Loans	At amortised cost	558 946	2 073 805
	Hire Purchase	At amortised cost	1 162 884	3 003 917
	Finance Leases	At amortised cost	744 000	-
			<b>64 661 661</b>	<b>65 689 067</b>
	<b>SUMMARY OF FINANCIAL LIABILITY</b>			
	At amortised cost		<b>64 661 661</b>	<b>65 689 067</b>

53 **EVENTS AFTER THE REPORTING DATE**

None

2013  
R

2012  
R

54 **IN-KIND DONATIONS AND ASSISTANCE**

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

55 **PRIVATE PUBLIC PARTNERSHIPS**

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

56 **CONTINGENT LIABILITY**

Total contingent liabilities

<b>1. Matter: Lukhanji Municipality vs. Achuma Construction:</b> This claim against the Municipality for construction work, which should be successfully defended. The Municipality has paid this amount claimed to a Cessionary in full and final (including costs and disbursements) : R134 817.62 (Status of case: Current)	134 818	120 000
<b>2. Matter: Lukhanji Municipality vs. Hlulani, S P:</b> This matter is part-heard and should be finalised in the next year. Client's prospects of successfully defending this action are good. Legal Counsel's estimate of the financial exposure (including costs and disbursements) : R55 000.00 (Status of case: Pending)	-	55 000
<b>3. Matter: Lukhanji Municipality vs. Mpande, Z:</b> In this particular matter the Municipality is litigating against the entity in terms of certain building regulation contraventions. Legal Counsel's estimate of the financial exposure (including cost and disbursements): R15 000.00 (Status of case: Pending)	-	15 000
<b>4. Matter: Lukhanji Municipality vs. Nofemele, B S &amp; Others:</b> An Application by Nofemele & others regarding certain immovable property, which matter has become settled. Legal Counsel's estimate of the financial exposure (including costs and disbursements) : R25 000.00 (Status of case: Pending)	-	25 000
<b>5. Matter: Lukhanji Municipality vs. Magqabi, A V :</b> This is an Application for the transfer of immovable property, which is being opposed by client. Legal Counsel's estimate of the financial exposure (including costs and disbursements) : R250 000.00 (Status of case: Pending)	250 000	250 000
<b>6. Matter: Lukhanji Municipality vs. Mekile &amp; 7 Others:</b> This is a Summons which was issued against the Municipality for a damages claim relating to the impounding of stock. Legal Counsel's estimate of the financial exposure (including costs and disbursements) : R30 000.00 (Status of case: Pending)	30 000	45 000
<b>7. Matter: Lukhanji Municipality vs. Motile A :</b> This is an action which the Municipality is defending and which the Plaintiff has failed to set down for trial. The Plaintiff appears to have lost interest in the claim and the matter is currently being monitored only. Legal Counsel's estimate of the financial exposure (including cost and disbursements) : R125 000.00 (Status of case: Pending)	125 000	150 000
<b>8. Matter: Lukhanji Municipality vs. SAMWU obo Cata and 45 Others :</b> In this matter Cata and 45 others are claiming salaries backdated to a decision by the Whittlesea Transitional Local Council to upgrade the Municipality and accordingly upgrade their own salaries. This matter has been opposed in the Labour Court, Port Elizabeth and we are reasonably satisfied that the Municipality have good	75 000	75 000
<b>9. Matter: Lukhanji Municipality vs. SAMWU obo Mjobo, V W :</b> In this matter in the entity Mjobo was dismissed and on Arbitration was re-instated. We were instructed to launch an Application to have the decision of the Arbitrator reviewed and set aside and this matter is currently awaiting a date for hearing in the Labour Court, Port Elizabeth. We are lead by Counsel and are reasonably satisfied of our prospects of	75 000	75 000
<b>10. Matter: Lukhanji Municipality vs. Siyahlutha Developers :</b> This is a High Court Summons issued against the Municipality and the Department of Public Works for payment of monies due to an alleged bridge of contract. This matter is pending and a trial date is awaited. We are satisfied that there are reasonable prospects of successfully defending this action. Legal Counsel's estimate of the financial	1 724 288	2 500 000
<b>11. Matter: Lukhanji Municipality vs. Skweyiya, B :</b> In this matter the Plaintiff has sued a Councillor of the Municipality for damages. This matter is being defended and we are currently awaiting a trial date. Legal Counsel's estimate of the financial exposure (including cost and disbursements) : R100 000.00 (Status of case: Pending)	100 000	150 000
<b>12. Matter: Lukhanji Municipality vs. Tyalithi Family Trust :</b> This is an Application in terms of the Building Regulations and will be heard in the High Court in due course. We are reasonably satisfied of our prospects of success. Legal Counsel's estimate of the financial exposure (including cost and disbursements) : R50 000.00 (Status of case: Pending)	50 000	50 000
<b>13. Matter: Lukhanji Municipality / SALGBC vs. Nosindwa &amp; another :</b> This is an claim against the Municipality for dismissal of an employee for cable theft. Amount: R250 000 (Status of case: Pending)	250 000	-
<b>14. Matter: Lukhanji Municipality / SALGBC vs. Mxoliso Oliphant &amp; another :</b> This is an claim against the Municipality for a secondment without adequate qualifications. Amount: R200 000 (Status of case: Pending)	200 000	-
<b>15. Matter: Lukhanji Municipality vs. SAMWU obo Mayekiso, S:</b> In this matter Mayekiso was dismissed and on Arbitration was re-instated. We were instructed to have the decision of the Arbitrator taken on review and this matter is awaiting the set down of a trial date. Counsel is reasonably satisfied of our prospects of success and we are currently instructed regarding possible settlement negotiations. Legal Counsel's estimate of the financial exposure (including costs and disbursements) : R75 000.00 (Status of case: Pending)	-	75 000
<b>16. Bank Guarantee for R10 000 in favour of Dept of Mineral and Energy Affairs</b>	10 000	10 000

57 Possible exposure due to litigation claims instituted against the municipality

3 024 106

3 595 000

57,1 **Compensation of key management personnel**

The compensation of key management personnel is set out in note 30 to the Annual Financial Statements.



11,1 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2013

Reconciliation of Carrying Value

	Cost				Accumulated Depreciation					Carrying Value	
	Opening Balance R	Additions R	Transfers R	Disposals R	Closing Balance R	Depr and Impairment				Closing Balance R	R
						Opening Balance R	for the year. R	Adjustments R	Disposals R		
<b>Land and Buildings</b>	<b>502 816 120</b>	<b>8 312 700</b>	-	-	<b>511 128 820</b>	<b>26 027 288</b>	<b>7 131 697</b>	-	-	<b>33 158 985</b>	<b>477 969 834</b>
Land	331 573 305	-	-	-	331 573 305	-	-	-	-	-	331 573 305
Landfill Sites	10 611 762	1 993 188	-	-	12 604 950	10 611 762	1 993 188	-	-	12 604 950	-
Buildings	160 631 053	6 319 512	-	-	166 950 565	15 415 526	5 138 509	-	-	20 554 035	146 396 530
<b>Infrastructure</b>	<b>247 068 874</b>	<b>14 443 807</b>	-	-	<b>261 512 681</b>	<b>24 666 685</b>	<b>15 628 650</b>	-	-	<b>40 295 336</b>	<b>221 217 345</b>
Roads and Stormwater	144 487 389	13 276 036	-	-	157 763 424	15 852 242	7 163 349	-	-	23 015 591	134 747 833
Electricity	102 491 881	206 851	-	-	102 698 733	8 745 201	8 464 338	-	-	17 209 540	85 489 193
Security	89 604	960 920	-	-	1 050 524	69 242	963	-	-	70 205	980 319
<b>Community Assets</b>	<b>1 462 663</b>	<b>4 455 841</b>	-	-	<b>5 918 504</b>	<b>73 864</b>	<b>123 920</b>	-	-	<b>197 784</b>	<b>5 720 720</b>
Recreation Grounds and Facilities	1 462 663	4 455 841	-	-	5 918 504	73 864	123 920	-	-	197 784	5 720 720
Cemetery	-	-	-	-	-	-	-	-	-	-	-
<b>Lease Assets</b>	<b>14 823 618</b>	<b>1 800 000</b>	-	-	<b>16 623 618</b>	<b>4 845 210</b>	-	-	-	<b>4 845 210</b>	<b>11 778 409</b>
Office Equipment	-	1 800 000	-	-	1 800 000	-	-	-	-	-	1 800 000
Motor Vehicles	14 823 618	-	-	-	14 823 618	4 845 210	-	-	-	4 845 210	9 978 409
<b>Other Assets</b>	<b>23 396 293</b>	<b>24 475 108</b>	-	-	<b>47 871 401</b>	<b>9 629 287</b>	<b>3 380 727</b>	-	-	<b>13 010 014</b>	<b>34 861 387</b>
Office Equipment	2 156 358	-	-	-	2 156 358	1 401 942	145 200	-	-	1 547 141	609 216
Furniture & Fittings	2 574 621	1 126 352	-	-	3 700 974	1 472 766	464 238	-	-	1 937 004	1 763 970
Bins and Containers	911 548	-	-	-	911 548	91 155	-	-	-	91 155	820 393
Other Equipment	29 932	51 588	-	-	81 520	15 981	1 820	-	-	17 801	63 719
Motor vehicles	211 691	8 156 021	-	-	8 367 712	100 750	1 723 085	-	-	1 823 835	6 543 877
Computer Equipment	9 364 244	15 141 146	-	-	24 505 390	6 546 694	1 046 384	-	-	7 593 078	16 912 313
Game	8 147 900	-	-	-	8 147 900	-	-	-	-	-	8 147 900
	<b>789 567 569</b>	<b>53 487 455</b>	-	-	<b>843 055 024</b>	<b>65 242 335</b>	<b>26 264 994</b>	-	-	<b>91 507 329</b>	<b>751 547 695</b>

30 JUNE 2012

Reconciliation of Carrying Value

	Cost					Accumulated Depreciation				Carrying Value	
	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Opening Balance	Depr and Impairment for the year.	Adjustments	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R
<b>Land and Buildings</b>	<b>499 752 887</b>	<b>3 063 232</b>	-	-	<b>502 816 120</b>	<b>19 162 828</b>	<b>6 864 460</b>	-	-	<b>26 027 288</b>	<b>476 788 831</b>
Land	331 573 305	-	-	-	331 573 305	-	-	-	-	-	331 573 305
Landfill Sites	8 885 810	1 725 952	-	-	10 611 762	8 885 810	1 725 952	-	-	10 611 762	-
Buildings	159 293 772	1 337 281	-	-	160 631 053	10 277 018	5 138 509	-	-	15 415 526	145 215 526
<b>Infrastructure</b>	<b>221 177 163</b>	<b>25 891 711</b>	-	-	<b>247 068 874</b>	<b>17 848 628</b>	<b>6 818 057</b>	-	-	<b>24 666 685</b>	<b>222 402 189</b>
Roads and Stormwater	130 420 602	14 066 787	-	-	144 487 389	11 324 504	4 527 738	-	-	15 852 242	128 635 146
Electricity	90 666 957	11 824 924	-	-	102 491 881	6 454 882	2 290 319	-	-	8 745 201	93 746 680
Security	89 604	-	-	-	89 604	69 242	-	-	-	69 242	20 362
<b>Community Assets</b>	<b>738 641</b>	<b>724 022</b>	-	-	<b>1 462 663</b>	<b>73 864</b>	-	-	-	<b>73 864</b>	<b>1 388 799</b>
Recreation Grounds	738 641	724 022	-	-	1 462 663	73 864	-	-	-	73 864	1 388 799
<b>Lease Assets and Hire Purchases</b>	<b>14 823 618</b>	-	-	-	<b>14 823 618</b>	<b>4 845 210</b>	-	-	-	<b>4 845 210</b>	<b>9 978 409</b>
Office Equipment	-	-	-	-	-	-	-	-	-	-	-
Motor Vehicles	14 823 618	-	-	-	14 823 618	4 845 210	-	-	-	4 845 210	9 978 409
<b>Other Assets</b>	<b>14 441 825</b>	<b>3 395 579</b>	<b>5 654 600</b>	<b>(95 711)</b>	<b>23 396 293</b>	<b>5 831 049</b>	<b>3 798 238</b>	-	-	<b>9 629 287</b>	<b>13 767 006</b>
Office Equipment	1 986 240	170 118	-	-	2 156 358	1 401 942	-	-	-	1 401 942	754 416
Furniture & Fittings	2 498 841	75 780	-	-	2 574 621	1 472 766	-	-	-	1 472 766	1 101 855
Bins and Containers	911 548	-	-	-	911 548	91 155	-	-	-	91 155	820 393
Other Equipment	29 932	-	-	-	29 932	15 981	-	-	-	15 981	13 950
Motor vehicles	211 691	-	-	-	211 691	100 750	-	-	-	100 750	110 941
Computer Equipment	8 803 573	656 381	-	(95 711)	9 364 244	2 748 456	3 798 238	-	-	6 546 694	2 817 550
Game	-	2 493 300	5 654 600	-	8 147 900	-	-	-	-	-	8 147 900
	<b>750 934 134</b>	<b>33 074 545</b>	<b>5 654 600</b>	<b>(95 711)</b>	<b>789 567 569</b>	<b>47 761 579</b>	<b>17 480 756</b>	-	-	<b>65 242 335</b>	<b>724 325 234</b>
Balance previously reported	749 586 779	31 448 795	-	(95 711)	780 939 863	38 875 768	15 753 695	-	-	54 629 464	726 310 400
Prior Period Adjustment - Refer to note 41,0	-	-	5 654 600	-	5 654 600	-	1 109	-	-	1 109	5 653 491
	<b>749 586 779</b>	<b>31 448 795</b>	<b>5 654 600</b>	<b>(95 711)</b>	<b>786 594 463</b>	<b>38 875 768</b>	<b>15 754 804</b>	-	-	<b>54 630 573</b>	<b>731 963 891</b>

**11,1 PROPERTY, PLANT AND EQUIPMENT**

**GRAP 17 - Property, Plant and Equipment**

Included in PPE balances at each reporting period are the following Work in Progress balances. No depreciation is charged on these balances before the project is completed.

Infrastructure - Roads and Stormwater  
 Infrastructure - Electricity  
 Infrastructure - Other  
 Buildings  
 Recreation Grounds and Facilities

	2013 R	2012 R
	-	-
	-	-
	-	-
	-	-
	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

No property, plant and equipment is used as security for long term liabilities, except assets acquired in terms of a finance lease- or hire purchase agreement as disclosed in Appendix A to the financial statements

**APPENDIX A - Unaudited  
LUKHANJI LOCAL MUNICIPALITY  
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013**

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2012	Correction	Balance at 30 JUNE 2012 Restated	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2013
<b>ANNUITY LOANS</b>									
DBSA	12,00%		01/03/2013	1 307 292		1 307 292	23 300	(1 307 292)	23 300
TERM LOAN	9,89%	ABSA	01/01/2016	763 240				(191 934)	571 305
ELECTRICITY SPARES	9,89%	ABSA	01/01/2016	1 513 674				(293 274)	1 220 400
<b>Total Annuity Loans</b>				<b>3 584 206</b>	<b>-</b>	<b>1 307 292</b>	<b>23 300</b>	<b>(1 792 500)</b>	<b>1 815 005</b>
<b>FINANCE LEASES - VEHICLES</b>									
ISUZU KB200	12,84%	48519940001	01/04/2013	31 756	-	31 756		(31 756)	-
ISUZU KB200	12,84%	48519940002	01/04/2013	31 756	-	-	-	(31 756)	-
ISUZU KB200	12,84%	48519940003	05/08/2016	31 756	-	-	-	(31 756)	-
LPT 709 TON TATA DROPSIDE	12,84%	48519940004	01/04/2013	61 348	-	-	-	(61 348)	-
CHEVEROLET AVEO 1,5 HATCH BACK	12,84%	48519940005	01/04/2013	24 695	-	-	-	(24 695)	-
ISUZU KB200	12,84%	48519940006	01/04/2013	31 756	-	-	-	(31 756)	-
ISUZU KB200	12,84%	48519940007	01/04/2013	31 756	-	-	-	(31 756)	-
CHEVEROLET AVEO 1,5 HATCH BACK	12,84%	48519940008	01/04/2013	24 695	-	-	-	(24 695)	-
ISUZU KB200	12,84%	48519940009	01/04/2013	31 756	-	-	-	(31 756)	-
MASSEY FURGUSON 275	12,84%	48519940010	01/04/2013	47 222	-	-	-	(47 222)	-
ISUZU KB200	12,84%	48519940011	01/04/2013	33 453	-	-	-	(33 453)	-
ISUZU KB200	12,84%	48519940012	01/04/2013	35 115	-	-	-	(35 115)	-
ISUZU KB200	12,84%	48519940013	01/04/2013	35 115	-	-	-	(35 115)	-



**APPENDIX A - Unaudited  
LUKHANJI LOCAL MUNICIPALITY  
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013**

NISSAN CABSTAR UD 40	12,84%	48519940014	01/04/2013	108 302				(108 302)	-
ISUZU FVZ 1400 TIPPER	12,84%	48519940015	01/06/2013	211 222				(211 222)	-
JCB JS200 EXCAVATOR	12,84%	48519940016	01/06/2013	334 022				(334 022)	-
TATA TIPPER	12,84%	48519940017	01/07/2013	119 213				(109 444)	9 769
TATA TIPPER	12,84%	48519940018	01/07/2013	119 213				(109 444)	9 769
LANDFILL COMPACTOR	14,90%	48519940019	01/07/2013	554 283				(508 405)	45 878
TOYOTA HILUX 3.0	12,84%	48519940021	01/08/2013	70 727				(59 965)	10 762
15 TON FOUR WHEEL TRACTOR	12,84%	48519940022	01/09/2013	59 038				(46 464)	12 574
20-25 TON FOUR AXLE LOW BED	12,84%	48519940023	01/09/2013	61 393				(48 318)	13 075
10 ISUZU FVZ 1600 COMPACROR C/C	10,50%	4052819154	01/06/2016	1 474 775				(357 573)	1 117 202
10 ISUZU FSR 750 CREW CAB F/C C/C	10,50%	4052819154	01/06/2016	897 014				(217 682)	679 332
11 TOYOTA FORTUNER 3.0 D-D4 R/B C/C	10,50%	4052819154	01/06/2016	309 369				(73 956)	235 413
KYOCERA COPIERS	14,55%		01/06/2016				1 800 000	-	1 800 000
<b>Total Hire Purchases</b>				<b>4 770 750</b>	<b>-</b>	<b>31 756</b>	<b>1 800 000</b>	<b>(2 636 979)</b>	<b>3 933 774</b>
<b>TOTAL EXTERNAL LOANS</b>				<b>8 354 956</b>	<b>-</b>	<b>1 339 048</b>	<b>1 823 300</b>	<b>(4 429 478)</b>	<b>5 748 779</b>

**APPENDIX B - Unaudited**  
**LUKHANJI LOCAL MUNICIPALITY**  
**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance 1 JULY 2012	Correction of error	Restated balance 1 JULY 2012	Grants Received	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Deductions from National Treasury	Balance 30 JUNE 2013
	R	R	R	R	R	R	R	R
<b>UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS</b>								
<b><u>National Government Grants</u></b>								
Skills Development Grant	-	-	-	2 000 000	848 697	-	-	1 151 303
Finance Management Act.	-	-	-	1 500 000	1 433 603	-	101 000	(34 603)
MSIG Funds	-	-	-	800 000	477 696	-	148 000	174 304
MIG Funds	6 547 558	-	6 547 558	32 122 000	-	25 999 927	4 579 000	8 090 631
Expanded Public Works Program	-	-	-	2 844 000	2 756 550	-	-	87 450
	6 547 558	-	6 547 558	39 266 000	5 516 546	25 999 927	4 828 000	9 469 085
<b><u>Provincial Government Grants</u></b>								
Library Subsidy	174 700	-	174 700	4 150 000	4 150 000	-	-	174 700
LGW SETA - Training	199 036	-	199 036	371 371	371 371	-	-	199 036
IEC	288 031	-	288 031	-	-	-	-	288 031
STORM RELIEF FUND	25 329	-	25 329	-	-	-	-	25 329
SHILOH GREENFIELDS - SURVEY	89 635	-	89 635	-	-	-	-	89 635
FORMULATION EZIBELENI SITES	38 659	-	38 659	-	-	-	-	38 659
AIDS GRANT	6 862	-	6 862	-	-	-	-	6 862
DEPT OF NATIONAL HEALTH - (Attic)	2 609 324	-	2 609 324	-	620 283	-	-	1 989 041
MENDI EDUCARE CENTRE	13 610	-	13 610	-	-	-	-	13 610
RATHWICK ELECTRIFICATION	188 743	-	188 743	-	-	-	-	188 743
LED STRATEGIES & SPATIAL	821 689	-	821 689	-	-	-	-	821 689
COMPLETION OF ZONING SCHEME	6 264	-	6 264	-	-	-	-	6 264
SMALL MICRO STRATEGY & HAWKE	66 175	-	66 175	-	-	-	-	66 175
LAURIE DASHWOOD PARK SETTLEM	22 552	-	22 552	-	-	-	-	22 552
PREPARATION OF STRUCTURE PLA	90 900	-	90 900	-	-	-	-	90 900

**APPENDIX B - Unaudited**  
**LUKHANJI LOCAL MUNICIPALITY**  
**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

MSP FUNDS	181 955	-	181 955	-	-	-	-	181 955
SERVICE: INFORMAL SETTLEMENT	82 487	-	82 487	-	-	-	-	82 487
SURVEY & PLANNING: EXT 2 WHI	44 148	-	44 148	-	-	-	-	44 148
SURVEY OF LAURIE DASHWOOD PA	2 394	-	2 394	-	-	-	-	2 394
TOWNSHIP REGISTER 1	41 601	-	41 601	-	-	-	-	41 601
TYLDEN IRRIGATION SCHEME	6 167	-	6 167	-	-	-	-	6 167
TOWNSHIP REGISTER 2	46 471	-	46 471	-	-	-	-	46 471
MENDI MEMORIAL CRECHE	15 507	-	15 507	-	-	-	-	15 507
ROWELL OLD AGE HOME	2 434	-	2 434	-	-	-	-	2 434
ESTATE LATE: MACRAE	1 351	-	1 351	-	-	-	-	1 351
QUEENSTOWN RHINO FUNDS	203 038	-	203 038	-	-	-	-	203 038
PLANNING OF SHILOH GREENFIEL	2 684	-	2 684	-	-	-	-	2 684
CMIP: SABATA DALINDYEBO SERV	17 156	-	17 156	-	-	-	-	17 156
BCIG PROJECTS: EZIBELENI SEW	52 016	-	52 016	-	-	-	-	52 016
CMIP PROJECT: EZIBELENI BULK	14 745	-	14 745	-	-	-	-	14 745
CMIP PROJECT: ENKULULEKWENI	36 270	-	36 270	-	-	-	-	36 270
CMIP PROJECT: SHILOH BEDE FR	51 110	-	51 110	-	-	-	-	51 110
RURAL WATER SCHEME	12 390	-	12 390	-	-	-	-	12 390
MLUNGISI SPORTFIELDS	4 085	-	4 085	-	-	-	-	4 085
NER: EZIBELENI INFRA UPGRADE	(82 521)	-	-82 521	-	-	-	-	(82 521)
RATHWICK ELECTRIFICATION	(56 741)	-	-56 741	-	-	-	-	(56 741)
ESKOM (SABATA DALINDYEBO)	139 263	-	139 263	-	-	-	-	139 263
BRAKLOOF SETTLEMENT PLANNIN	1 318	-	1 318	-	-	-	-	1 318
BCIG PROJECTS: MLUNGISI BULK	67 805	-	67 805	-	-	-	-	67 805
WHILTTLESEA EXT 4 ROADS & ST	383 408	-	383 408	-	-	-	-	383 408
	5 912 049	-	5 912 049	4 521 371	5 141 654	-	-	5 291 767

**APPENDIX B - Unaudited**  
**LUKHANJI LOCAL MUNICIPALITY**  
**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

<b>District Municipality Grants</b>								
HYDRAULIC ANALYSIS SEWERAGE	4 348	-	4 348	-	-	-	-	4 348
FIRE SERVICES	313 281	-	313 281	-	-	-	-	313 281
VARIOUS PROJECTS - CHDM WATE	410 062	-	410 062	-	-	-	-	410 062
FREE BASIC SERVICES	63 512	-	63 512	-	-	-	-	63 512
RAGS TO RICHES	32 171	-	32 171	-	-	-	-	32 171
DISASTER FUND	-	(39 178)	(39 178)	-	-	-	-	(39 178)
	823 374	(39 178)	784 196	-	-	-	-	784 196
<b>Other Grant Providers</b>								
Integrated Development Plan	-	(127 429)	(127 429)	-	-	-	-	(127 429)
MIG COUNTERFUNDING	612 309	-	612 309	-	-	-	-	612 309
UNKNOWN ALLOCATION	226 535	-	226 535	-	-	-	-	226 535
INFRASTRUCTURE UPGRADE LEVY	1 194 879	-	1 194 879	412 069	-	-	-	1 606 947
LED PROJECT - RESOURCE GROUP	813 370	-	813 370	-	-	-	-	813 370
CEMETARY MAINTENANCE PERPUIT	18 161	-	18 161	-	-	-	-	18 161
VEHICLE FLEET STUDY	15 000	-	15 000	-	-	-	-	15 000
VALUATION FUND	27 475	-	27 475	-	-	-	-	27 475
GEORGE HARTLEY BEQUEST	67 271	-	67 271	-	-	-	-	67 271
OLIVER BARNES BEQUEST	4 450	-	4 450	-	-	-	-	4 450
P B ARNOLD BEQUEST	12 960	-	12 960	-	-	-	-	12 960
W TREGARTEN BEQUEST	5 780	-	5 780	-	-	-	-	5 780
	2 998 190	-127 429	2 870 761	412 069	-	-	-	3 282 829
<b>Total</b>	<b>16 281 172</b>	<b>(166 607)</b>	<b>16 114 565</b>	<b>44 199 440</b>	<b>10 658 200</b>	<b>25 999 927</b>	<b>4 828 000</b>	<b>18 827 877</b>

# **ANNEXURE: 2**

## **AUDIT REPORTS**



# LUKHANJI MUNICIPALITY



## INTERNAL AUDIT REPORT ON MUNICIPAL PROPERTIES AND LESSEES

AUGUST 2012

To: Municipal Manager  
 From: Internal Auditor  
 Date: 13 August 2012

Ref no: 5/15/1/2/1/1

Internal Audit Report on Municipal Properties and Lesse

Incomplete information on the lessor \ lessee contracts and contracts not renewed on time

Impact: H  
 Threat: H  
 Effort: M

**Criteria:**

The municipalities 'lease agreements should be duly filled. Information should contain the date and place where the contract was signed. Lessor and lessee must sign the contract as well as the witnesses. Each page must have initials of the lessor, lessee, and the witnesses.

The contracts should be renewed as stipulated in the contract details.

**Finding:**

Based on the audit work performed, lessor and lessee contracts forms were not duly completed. The following lease agreements were find to have incomplete information and that contracts are not renewed on time.

Account Number	Lessor/ Lessee	Incomplete Information
100078691	M.J. Tyokolo	Premises name not written in the lease agreement form. Lessor's witness did not sign in the contract.
84203500114	Quality Coffins	One witness signed for the lessor on the contract. The lessor did not sign the contract.
100051115	X.M. Nyokana	The lessor did not sign the contract. Lessor's witness did not sign in the contract. The date and place where the contract was signed is not filled in by both parties. No initials on each page by both parties.
20000042350	Masipakame Special School	The date and place where the contract was signed is not filled in by both parties. Lessor's witness did not sign in the contract.
100045966	Ceni General Trading	The date and place where the contract was signed is not filled in by both parties. Only one witness of the lessee has signed the contract. Lessor's witness did not sign in the contract.

Contracts not renewed on time.

Lessee	Contract Date	Renewal Date
Xolani Mazibuko Nyokana	16 April 2008	15 March 2009
Quality Coffins CC	1 June 2005	31 May 2010
Department of Public Works	1 August 2008	31 July 2011
Queenstown Riding Club	1 January 2006	31 December 2011
Save the Children	Contract could not be obtained	

**Risk:**

Lease agreements that are not duly completed may not be enforced in the event of default.



Recommendations:

All lease agreements should be reviewed by a Senior Official to ensure completeness and accuracy. The Municipality should develop a lease register listing all lease agreements, lessee's property leased start date and end date of the lease agreement. The monthly rental should also be indicated.

Management Response

Officials in charge to follow the right procedures to ensure completeness and accuracy.

Root Cause

No proper control activities have been developed.

Action to be implemented

Convey procedures to all officials.

Due Date

30 September 2012

Responsible Person

Accounting Manager: Mr. M. Oliphant

2.No action has been taken after notice to vacate or letter of demand has been issued

Impact: H  
Threat: H  
Effort: M

Criteria:  
When the lessee is in arrears with the rent, the lessor sends a letter of demand or notice to vacate as stipulated in the lessee agreement.

Finding:  
Based on the audit work performed we noted that letter of demand and notice to vacate have been issued however no actions has taken place as the balance has increased from the date that the letter was issued.

Lessor/ Lessee	Date issued	Letter issued and the Balance	Balance as at 17/05/2012	Balance as at 06/08/2012
N. Thomas	12/01/2012	Letter of Demand, 104.32	R6,933.17	R 7,026.83
J.E. Waters	24/11/2011	Arrangement letter written by Mrs. Waters, R5,508.80	R 8,345.44	R8,377.51

Risk:  
Rental arrears may not be recovered.  
Opportunity to replace current tenants with rent paying tenants may be lost.

#### Recommendations:

Should it be identified that the debtor has defaulted on the terms of the arrangement, action should be taken to hand the debtor over to the Municipality's attorneys in an attempt to recover any outstanding amounts. Action should be taken to deduct rental arrears from municipal employees, through the payroll system. Management of the municipality should endeavor to create a policy whereby deposits are charged on the initiation of housing rentals. This will serve to deter non-payment of the housing rental and prevent incurring recovery fees. The memorandum of agreement of the Lukhanji Municipality to be reviewed to implement deposits for all NEW tenants.

#### Managements Response

We wrote a memorandum on the 23/04/2012 to the Department of Human Settlement and Land Development to take action (See attached memorandum).

#### Root Cause

No proper control activities have been developed for each of the entity's activities.

#### Action to be implemented:

To make a follow up with the Department of Human Settlement and Land Development.

#### Due Date:

30 September 2012

#### Responsible Person

Senior Credit Control Clerk: X. Maqula

No notice to vacate or arrangement made as the balance increases

Impact: H  
 Threat: H  
 Effort: M

Criteria:

When the lessee is in arrears with the rent, the lessor sends a letter of demand or notice to vacate as stipulated in the lessee agreement.

Finding:

Based on the audit work performed we noted that no notice to vacate or arrangement made as the arrears balance increases.

Lessee	Rent per Month	Balance as at 31/03/2012	Balance as at 17/05/2012	Balance as at 06/08/2012
M. Mazibu	R2,385.00	R39,552.83	R 45,145.51	R 50,847.36
Save the Children	R50.00	R42,076.00	R 45,864.23	R 46,535.07
Quality Coffins	R 9,783.45	R 64,226.72	R 98,290.43	R 123,037.72
1 Nyokana	R 1,648.21	R 63,248.45	R 69,868.81	R 72,364.98
Masipakame Special School	R 300.00	R 8,194.89	R 10,125.22	R 9,643.77

Risk:

Outstanding debts will negatively affect the cash flow of the municipality and consequently the service delivery capacity.

Recommendations:

The Municipality should ensure that all overdue debtors be contacted for an "Arrangement to pay" to be drafted and agreed upon.

Regular monitoring of these arrangements should be done by the revenue accountant.

Should it be identified that the debtor has defaulted on the terms of the arrangement, action should be taken to hand the debtor over to the Municipality's attorneys in an attempt to recover any outstanding amounts.

Management Response

In the case of Save the Children is with Mr. G. Judeel and the Ms L. Ngeno, Quality Coffins has paid and requested for further payment extension and Mr. Mazibu see attached memo.

Root Cause

Proper control activities have been developed for each of the entity's activities.

Action to be implemented:

To follow up with Mr. G. Judeel and Ms L.Ngeno as well as with the Department of Human Settlement and Land Development

Date:

September 2012

Responsible Person

Senior Credit Control Clerk: X. Maqula

# LUKHANJI MUNICIPALITY



## INTERNAL AUDIT REPORT ON LACK OF SUITABLE AND RELIABLE EQUIPMENT, UNAVAILABILITY OF SPARES (VEHICLE AND PLANT MAINTENANCE)

OCTOBER 2012

To: Municipal Manager  
From: Internal Auditor  
Date: 25 October 2012

Ref no: 5/15/1/2/1/1

Internal Audit Report on Lack of Suitable and Reliable Equipment, Unavailability of Spares (Vehicle and Plant Maintenance)

1. Maintenance documentation not retained

Criteria:

Documentation supporting the expenditure incurred on vehicles with regard to maintenance should be maintained in an orderly format that will enable easy future referencing and to support reported expenditure.

Finding:

All requisitions and job costing forms are forwarded to the finance department for capturing onto the E-Venus system. There is no proper filing system for this documentation at the finance department. Upon requesting job costing sheets for January 2012, this could not be obtained. The only months available were February, March, April and May 2012. The job costing sheets for the other months (June, July, August and September 2012) could not be obtained.

Root Cause:

Management has not implemented adequate and effective document management systems that will ensure that information is filed in a sequential order and in the relevant files.

Risk:

Municipality may not be able to determine the total cost of maintaining vehicles, in order to determine whether the plant or vehicles have exceeded their economic life. Lack of supporting documentation may lead to a disclaimer during the audit of the financial statements.

Recommendations:

Labour cost to be captured on the system. Finance should develop a filing system to ensure that the documentation received from technical services is duly filed and easily retrievable for future reference. The documentation should be kept for at least 5 years or any period determined by council or regulation.

Management Response:

Problem with the E-Venus system will be sorted out immediately.

Responsible Person:

Chief Financial Officer

Due Date:

With immediate effect

2. Non scrapping of aged plant and vehicles

Criteria:

Plant and vehicle that has exceeded its economical usage (cost of maintaining vehicles exceed the economic value of the vehicle) should be scrapped and the revenue raised from the sale of the scrapped plant and vehicles utilized to acquire new and more efficient plant and vehicle. This will enable better service delivery and saving on excessive maintenance costs.

Finding:

The Technical Services Committee and Mayoral meeting discussions make the final decision on the scrapping of aged plant and vehicles. Through discussion with Director Technical Services and the Fleet manager, it was noted that no aged plant and vehicles have been sold in the past 8 years. The last auction was done in 2004.

Old vehicles are reported on the Vehicle and Plant Report. This report is reviewed by the Director: Technical Services. He confirmed that the municipality has old and worn out plant and vehicles. Each financial year an amount is budgeted for the purchasing of new plant and vehicles. However, due to budget cuts the plant and vehicles identified for scrapping cannot all be replaced. The old plant and vehicles are then kept to assist with prompt service delivery.

Registration Number	Model	Department	Description	Condition	Comments
CYB 036 EC	1988	Health	Truck Mercedes	Scrap	No parts available
3VB 258 EC	1989	Health	Truck Mercedes	Bad	No parts available
		Workshop	Jack-20 Ton Bottle Type		Was budgeted for from 2001/2002 up to date nothing purchased due to lack of funds
			Socket Sets		
			Tressels		

Root Cause:

The control is in place but not operating effectively.  
Lack of funding to replace dilapidated plant and vehicles.

Risk:

Old vehicles may lead to road accidents  
Old Plant and Vehicles not scrapped or replaced may be hazardous to the employees that use them. This issue could escalate to catastrophic proportions and could be detrimental to the Municipality's ability to provide effective and efficient service delivery.

Maintenance of old vehicles may be more expensive than buying new plant or vehicles thus leading to unnecessary expenditure.

**Recommendations:**

Each year a list should be compiled by the Fleet Manager of dilapidated plant and vehicles to be scrapped. This list should be reviewed by the Director: Technical Services and sent for approval to the Technical Services Committee and the Mayor.

The motivation should be sent to the Mayor for the replacement of aged Plant and Vehicles. A budget increase proposal should also be prepared and this should include a comparison of the cost to maintain aged plant and vehicles and the cost to purchase new ones.

**Management Response:**

A monthly list of vehicles and plant to be scrapped are submitted to the Director for consideration. The supply Chain process will then be followed to effect the scrapping of the plant and vehicles approved for scrapping.

**Responsible Person:**

Fleet Manager

**Due Date:**

On a monthly basis

3. Analysis of cost to maintain aged vehicles and plant

Criteria:

Lukhanji Municipality should analyse the cost of maintaining the aged plant and vehicles in order to determine when the costs of maintaining the aged plant and vehicles exceeds the economic value of the vehicle. The analysis should include the effect to service delivery of the aged plant and vehicles during downtimes as parts replacement and repairs are being undertaken.

Finding:

The Fleet Manager confirmed that the cost to maintain aging plant and vehicles is not monitored. The information contained in the Transaction Detail Report obtained from the E-Venus system is inaccurate and the report is not user friendly. The information captured by Finance onto the E-Venus System is not complete for the fleet manager to make an analysis.

Root Cause:

The control is in place but not operating effectively.  
Lack of communication between Finance and Technical Services on what information should be contained in the monthly transaction reports used to analyse maintenance costs.

Risk:

Failing to analyse the cost to maintain aging vehicles and plant may lead to financial loss for the municipality.

Recommendations:

Finance and technical services should discuss the information that goes into the Transaction Detail Report. The two departments should agree on the format of that report so that it readable to the user. The report should send to the Fleet Manager for analysis each month.

Management Response:

Finance department will be requested to provide a more accurate report that will assist in the analysis.

Responsible Person:

Chief Financial Officer and Fleet Manager

Due Date:

End of November 2012 and monthly thereafter



. No procedure for the identification of aged plant and vehicles

inding

rough discussion with Fleet Manager it was noted that the age of vehicle and plant is identified  
sing by inspecting the vehicle and plant for wear and tear and one can see when plant and vehicles  
re worn out and no longer serviceable. This is when a suggestion to scrap is made.

ere is no procedure manual that give a step by step process on how to identify aged plant and  
ehicles.

ot Cause:

ie control is in place but not operating effectively.

sk:

he case of staff succession, new staff has no reference on how to perform the work.

ck of defined procedure and criteria of identifying aged plant and vehicles may lead incorrect  
assification of vehicle condition.

commendations:

he fleet manager should ensure that there are set procedures for the identification of aged plant  
d vehicle. These procedures must include what criteria to look for and the levels of classification  
ed.

he procedures should be communicated to existing staff and all new staff should be notified of  
ase.

anagement Response:

need for a procedure

## 5. Monitoring of downtimes

### Finding:

Through discussion with fleet manager it was noted that the downtimes are recorded on the Vehicle and Plant report, these are recorded by the fleet manager using the Job Costing sheets. The report is prepared and sent to the Director Technical Services and get discussed by all the Directors. No minutes of the meeting where this was discussed could be obtained.

### Root Cause:

The control is in place but not operating effectively.

Unavailability of spares.

### Risk:

Excessive downtimes of plant and vehicles may lead to disrupted service delivery

Lack of monitoring of downtimes may lead to the overlooking of plant and vehicle that have excessive downtimes and are no longer serviceable.

### Recommendations:

These reports should be reviewed by the Director Technical Services and discussed by the Technical Services Committee. Recommendations on how the downtimes may be improved should be noted. In addition these meetings should be minuted and minutes kept in a file as evidence of discussion.

### Management Response:

On a monthly basis Community Services submit a report on truck breakdown to the Directors meeting for discussion, and has been implemented.

C

# LUKHANJI MUNICIPALITY



INTERNAL AUDIT REPORT ON COMMUNITY SERVICES

DECEMBER 2012

To: Municipal Manager  
 From: Internal Auditor  
 Date: 06 December 2012

Ref no: 5/15/1/2/1/1

Internal Audit Report on Community Services

1. The Municipality does not have an adequate commonage for the livestock

Impact: H  
 Threat: H  
 Effort: M

Criteria

The municipality has to provide adequate commonage for community livestock to prevent exceeding of capacity at the commonages. As per the 2011/12 SDBIP this is a key priority area.

Finding

While performing the walkthrough it was noted that the municipality does not have adequate fencing on all the ten commonages in the municipality. We also noted that there are two commonages in whittle sea that are not in use as they do not have fencing.

Risk

Where the municipality does not provide adequate commonage for the grazing of animals, this will result in the community grazing the animals on the road side and animals straying onto the road causing accidents. Stray animals are also an easy target for cattle thieves.

Recommendations

Management should ensure that the land allocated for commonage is adequately fenced and the community educated on the use of the commonage and the maximum number of animals the commonage can hold.

Management Response

Root Cause

Fencing that was erected by the municipality has being stolen. The farmers renting the commonage are required to maintain the fencing, however they are not financially capable though they have the obligations.

Action to be taken

Funding has being allocated in the 2012/13 budget for fencing. The farmers renting the commonage will also be required to maintain the fencing.

Responsible Person

Manager: Parks and Recreation.

Due Date

28 February 2013

## 1. Unreliable and old equipment to enable Service delivery

Impact: H  
 Threat: H  
 Effort: M

## Criteria

The municipality must ensure that it has suitable and reliable equipment to enable service delivery to the community with regard to refuse collection.

## Finding

While performing the walkthrough it was noted that the municipality equipment used for refuse collections are relatively old and they breakdown and require repairs now and again.

The following old and new vehicles are available to perform refuse removal service within Lukhanji:

NO	TYPE OF TRUCK	MODEL	YEARS	AREA SERVICED
1.	FNP 619 EC – Isuzu Double Diff Compactor Truck.	2009	3 years.	Utility Vehicle.
2.	DPZ 412 EC – Isuzu Compactor Truck.	2005	6 years	CBD Business Containers.
3.	CBN 965 EC – Mercedes Compactor Truck.	1985	26 years	CBD Businesses & Streets.
4.	BYN 266 EC – Mercedes Compactor Truck.	1985	26 years	CBD Businesses & Streets.
5.	BYN 265 EC – Mercedes Compactor Truck.	1984	27 years	Containers Queendustria & Industries.
6.	DSW 991 EC – Isuzu Compactor Truck.	2005	6 years	Queenstown Households.
7.	BYN 275 EC – Nissan Compactor Truck.	1995	16 years	Queenstown Households.
8.	CBP 621 EC – Side Tipper Truck.	1995	16 years	Ezibeleni Households.
9.	CBN 974 EC – Side Tipper Truck.	1991	20 years	Mlungisi Households.
10.	BZV 092 EC – Roll on/off truck.			Big blue containers in businesses.
11.	BVB 258 EC – Mercedes Compactor Truck.	1989	22 years	Whittlesea Town.
12.	CFZ 061 EC – Mercedes Compactor Truck.	1995	16 years	Whittlesea Households.

## Risk

Service delivery might be compromised as the majority of the trucks are unreliable.

Municipality may not be able to obtain new parts for the old vehicles and this may result in extended downtime where vehicles breakdown, causing disruption to service delivery.

## Recommendations

Management should evaluate the cost of repairing old vehicles and continuous service delivery interruptions against the cost of new vehicles and machinery.

Results of this evaluation should be presented as a business case to Council to motivate for the purchase of new vehicles and machinery to ensure continued service delivery.

Management Response

Root Cause

Budget has not being allocated for the purchase of new vehicles. This is also concern that has being raised by management as there have been instances where there was no truck available to collect garbage in the municipal area.

Action to be implemented

Funds have been allocated for the 2012/13 financial year to replace some of the old vehicles, to ensure better service delivery.

Responsible Person

Community Services Director.

Due Date

28 February 2013



No Controls in place to prevent illegal dumping

Impact: H  
 Threat: H  
 Effort: M

Criteria

The municipality must ensure that it has suitable and reliable equipment to enable service delivery to the community with regard to preventing illegal dumping.

Finding

While performing the audit it was noted that the municipality has no structure process to prevent illegal dumping. Through discussions with the Manager of Community Services it was established that they do not have documented and approved controls in place to detect and prevent illegal dumping in the Lukhanji municipal area.

The detection of the illegal dumping is through reports from communities and/or Councilors. They then charge the offenders based on the charge sheet (By Laws) which have been approved by the Senior Magistrate and Head of Office.

Risk

Non-Compliance with the Environmental laws.

Communities are at risk of contracting water and airborne diseases where the various waste is dumped close to houses and within.

Recommendations

Management should ensure that adequate controls are in place to in communities around the municipality to effectively detect and prevent illegal dumping.

By-laws should be reviewed to ensure that the fines for illegal dumping are adequate to discourage illegal dumping.

Management Response

Cause

Lack of staff to police the notorious areas where illegal dumping has been taking place.

Community members in some instances not cooperating to dump garbage in the allocated dumping sites.

Actions to be implemented

Councilors and community leaders will be involved in educating the community on the hazards of illegal dumping and possible fines and penalties.

Responsible Person

Community Services Director.

Date

Issue ongoing.

## 4. Warrant of Arrest not issued for Section 341 tickets not paid within the required time

Impact: H  
 Threat: H  
 Effort: M

## Criteria

The municipality has an effective system for the issuing and collection of traffic fines. Warrant of arrests are issued where Section 341 tickets are not paid within 90 days.

## Finding

While performing the audit it was noted that the Section 341 tickets are given a period of 90 days to pay the fine at the municipality, the following offenders did not pay the sum charged within the 90 day.

Ticket no.	Date issued	Registration no.	Amount
11/01009/532/002561	07/10/2011	FCB717EC	R 500.00
11/01631/532/003805	07/10/2011	DYZ834EC	R 300.00
11/00958/532/002459	19/2/2011	FND874EC	R 500.00
11/01586/532/003715	13/12/2011	CYZ064EC	R 500.00

## Risk

The Municipality may not collect the traffic fines and perpetrators may not be arrested or action taken against them.

Loss of revenue for Lukhanji Municipality.

## Recommendations

Management should ensure that a warrant of arrest is issued on tickets that are not paid within 90 days of issue.

Perpetrators should be given an incentive discount where they pay for the tickets within 30 or 60 days of the ticket being issued.

## Management Response

## Root Cause

For this type of tickets, mainly parking tickets, a warrant of arrest can only be issued once there is a proof that the ticket was served on the offender. This then delays the process of issuing warrants of arrests.

## Action to be implemented

GCS has being contracted to ensure that all tickets are issued to offenders and consequently warrants of arrests are issued. The company is busy with this process and is also doing tracing.

## Responsible Person

Chief Traffic Officer.

## Due Date

The process is currently underway



## Insufficient staff in the Traffic Department

Impact: H  
 Threat: H  
 Effort: M

### Criteria

Management of the Municipality must ensure that it has adequate staff and resources to effectively monitor and ensure compliance with road traffic regulations within the municipal area.

### Finding

While performing the walkthrough it was noted that the department is short staffed and that there are currently 15 staff members instead of 46 Officials (shortage of 31).

In terms of resources they currently have 4 municipal vehicles where 6 vehicles are recommended and 6 essential Services where 21 essential services vehicles are recommended (Shortage 15).

### Risk

Due to the insufficient staff it may result in failure to ensuring compliance of the road traffic regulations.

A few employees may have to continuously work overtime resulting in the municipality paying more in salaries than would have been paid had the required staff compliment being maintained.

### Recommendations

Management should as part of the budgeting process, Budget for the positions and employ additional competent employees to enable effective following of road traffic regulations within the municipal area.

### Management Response

#### Root Cause

Waiting for vacant positions and the required vehicles and equipment has not being made available.

#### Action to be implemented

Management is currently drawing up a new organogram for the Municipality which will be submitted to Council for approval.

#### Responsible Person

Community Services Director.

#### Issue Date

February 2013.



# **ANNEXURE: 3**

## **AUDIT COMMITTEE RECOMMENDATIONS**





# LUKHANJI

MUNICIPALITY - UMASIPALA - MUNISIPALITEIT  
ADMINISTRATION AND HUMAN RESOURCES

Private Bag X7111, Queenstown, 5320

Tel: 045 - 807 2608

Fax: 045 - 807 2643

E-mail: nfololo@lukhanji.co.za

NOTICE IS HEREBY GIVEN THAT A MEETING OF THE NORTHERN CLUSTER AUDIT COMMITTEE OF LUKHANJI MUNICIPALITY WILL BE HELD ON WEDNESDAY, 04 DECEMBER 2013 AT 10:30 IN THE BOARDROOM, COMMUNITY SERVICES DIRECTORATE, OWEN STREET, QUEENSTOWN

**G S BROWN**  
MUNICIPAL MANAGER

\*\*\*\*\*

### Distribution List

Mrs T. Putzier: Chairperson: Audit Committee	Councillor M. E. Ndinise: Chairperson: MPAC
Mr F. Bothma: Member : Audit Committee	Councillor M. Peter: Portfolio Holder: Budget & Treasury
Mr L. Galada: Member : Audit Committee	Ms. L. Hawu: Financial Intern
Mr G. S Brown: Municipal Manager	Mr P. Bezuidenhout: Director: Technical Services
Miss L. Ngeno: Chief Financial Officer	Mr G. Judeel: Director: Community Services
Mr O. Nomeva: Director: Human Settlements	Mrs N. K. Fololo: Director: Administration & H.R.
Councillor N. Makanda: Executive Mayor	Mr I. Sondlo: Director: IPED
Mr A. Makhabeni: Department of Local Government & Traditional Affairs: Operation Clean Audit	Mr D. A. Van Wyk: Strategic Executive Officer
Miss W. Ntloko Internal Auditor	Office of the Auditor General
Ms. N. Ndzakam Provincial Treasury	

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1. OPENING AND WELCOME
2. APOLOGIES
3. DECLARATION OF INTEREST

Members of the Audit Committee need to declare their interests in writing.

A declaration form will be distributed in the meeting.

**FOR INFORMATION**

**4. MINUTES OF THE MEETING OF THE AUDIT COMMITTEE OF LUKHANJI MUNICIPALITY HELD ON TUESDAY, 29 OCTOBER 2013 AT 10:00 IN THE BOARDROOM, COMMUNITY SERVICES DIRECTORATE, OWEN STREET, QUEENSTOWN**

Annexed as **AUDIT 1 – 4** are the minutes of the meeting of the Audit Committee of Lukhanji Municipality held on Tuesday, 29 October 2013.

It is

**RECOMMENDED**

That the minutes of the meeting of the Audit Committee of Lukhanji Municipality held on Tuesday, 29 October 2013 be confirmed.

**5. MATTERS ARISING FROM PREVIOUS MINUTES**

**6. 2012/2013 AUDIT OUTCOME**

The office of the Auditor General will present the 2012/2013 Audit Outcome.

**FOR INFORMATION**

**7. WAY FORWARD TO ADDRESS THE AUDIT OPINION**

The Municipal Manager or Chief Financial Officer will address the meeting.

**FOR DISCUSSION**

**8. INTERNAL AUDIT REPORT ON MUNICIPAL PROPERTIES AND LESSEES**

**ANNEXURE 1 – 5** is an Internal Audit Report on Municipal Properties and Lessees dated August 2012.

**FOR DISCUSSION**

**9. INTERNAL AUDIT REPORT ON LACK OF SUITABLE AND RELIABLE EQUIPMENT, UNAVAILABILITY OF SPARES (VEHICLE AND PLANT MAINTENANCE)**

**ANNEXURE 6 – 12** is an Internal Audit Report on the Lack of Suitable and Reliable Equipment, Unavailability of Spares (Vehicle and Plant Maintenance) dated October 2012.

**FOR DISCUSSION**

**10. INTERNAL AUDIT REPORT ON COMMUNITY SERVICES**

**ANNEXURE 13 – 19** is an Internal Audit Report on Community Services dated December 2012.

**FOR DISCUSSION**

**11. DATE OF NEXT MEETING**

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# AUDIT 1

MINUTES OF A MEETING OF THE AUDIT COMMITTEE OF LUKHANJI MUNICIPALITY HELD ON TUESDAY, 29 OCTOBER 2013 AT 09:00 IN THE BOARDROOM, COMMUNITY SERVICES DIRECTORATE

## PRESENT

T PUTZIER  
CHAIRPERSON

F BOTHMA  
AUDIT COMMITTEE MEMBER

L GALADA  
AUDIT COMMITTEE MEMBER

P. DU PREEZ  
OFFICE OF THE AUDITOR GENERAL

I SONDLLO  
DIRECTOR: IPED

L HAWU  
INTERN: INTERNAL AUDIT

V DUSUBANA  
CHRIS HANI DISTRICT MUNICIPALITY

CLLR. N. MAKANDA  
EXECUTIVE MAYOR

G JUDEEL  
DIRECTOR: COMMUNITY SERVICES

L NGENO  
CHIEF FINANCIAL OFFICER

CLLR. PETER  
PORTFOLIO HOLDER: BUDGET AND TREASURY

W. NTLOKO  
INTERNAL AUDITOR

A MAKHABENI  
DLGTA

## APOLOGIES

G S BROWN  
MUNICIPAL MANAGER

N FOLOLO  
DIRECTOR: ADMINISTRATION & H.R.

CLLR NDINISE  
MPAC CHAIRPERSON

D. ERUSMAS  
OFFICE OF THE AUDITOR GENERAL

## 1. OPENING AND WELCOME

The acting Chairperson, Mr F. Bothma, opened the meeting and welcomed all present.

## 2. DECLARATION OF INTEREST

### RESOLVED

That it be noted, the members of the Audit Committee declared their interests in writing.

## 3. MINUTES OF THE MEETING OF THE AUDIT COMMITTEE OF LUKHANJI MUNICIPALITY HELD ON TUESDAY, 14 MAY 2013 AT 08:00 IN THE BOARDROOM, COMMUNITY SERVICES DIRECTORATE, OWEN STREET, QUEENSTOWN

*Prior to discussion of the minutes of the Audit Committee of Lukhanji Municipality held on 14 May 2013, the Executive Mayor enquired about the non-sitting of the Audit Committee for the 2012/13 financial year. Mr F. Bothma stressed that although the other the two Municipalities in the cluster were sitting during the 2012/13 financial year, Lukhanji Local Municipality was not co-operating as items were not submitted for the Agenda. The Audit Committee also stressed that it is in contravention of the MFMA Section 166.*

## AUDIT 2

### RESOLVED

- (a) That the minutes of the meeting of the Audit Committee of Lukhanji Municipality held on Tuesday, 14 May 2013 be confirmed.
- (b) That the Internal Audit Units of the Audit Cluster diarise dates in advance for all future meetings of the Audit Committees.

#### 4. STATUS ON 2012/2013 AUDIT: AUDITOR GENERAL

*Mr P. Du Preez from the office of the Auditor General presented a report on the status of the 2012/2013 Audit. He highlighted that there is a backlog and that the status does not look good. The Municipality does not seem to be improving and there is fundamental Limitation of Scope. The Auditor General has issued a number of Communications of Findings.*

### RESOLVED

- (a) That the Municipality begins to expedite the submission of information to the Auditor General in order to avoid the Limitation of Scope.
- (b) That the action plan to address the prior AG findings be credible so that a Clean Audit can be achieved.

#### 5. STRUCTURE OF THE INTERNAL AUDIT

*Mrs Dusubana presented the structure of the Internal Audit Unit. The Chairperson of the Audit Committee emphasised the need to capacitate the Internal Audit Unit.*

*The Chief Financial Officer stated that there is no budget for the 2013/2014 financial year. Mrs Dusubana indicated that the Chris Hani District Municipality will assist Lukhanji Local Municipality with one Internal Auditor and one Intern and R100 000.00 for IT Audit Training.*

### RESOLVED

- (a) That the structure of the Internal Audit Unit as presented by Mrs Dusubana of the Chris Hani District Municipality, be noted.
- (b) That the structure of the Internal Audit Unit be referred to the management of Lukhanji Municipality to consider ways of funding the Unit and the matter be prioritised.
- (c) That the management of Lukhanji Municipality establish a plan to improve the capacity of the Internal Audit Unit even if it requires the appointment of a service provider in the interim.

#### 6. REPORT ON THE REVIEW OF SDBIP

*Mrs Dusubana presented a report on the review of Service Delivery and Budget Implementation Plans.*

### RESOLVED

That the Management of Lukhanji Municipality arrange a session for the review of the Service Delivery and Budget Implementation Plan (SDBIP) of Lukhanji Municipality.



## AUDIT 3

**7. INTERNAL AUDIT PLAN: 2013/2014 AND STRATEGIC OPERATIONAL PLAN: 2013 TO 2015: LUKHANJI MUNICIPALITY**

**RESOLVED**

- (a) That the Internal Audit Plan and Strategic Operational Plan: 2013 to 2015 be approved and executed.
- (b) That the Internal Audit Unit submit a report in January 2014 on any progress on the execution of the plan.

**8. INTERNAL AUDIT POLICY: LUKHANJI MUNICIPALITY**

**RESOLVED**

That the Internal Audit Policy be approved.

**9. INTERNAL AUDIT CHARTER: 2013/2014: LUKHANJI MUNICIPALITY**

**RESOLVED**

That the Internal Audit Charter be approved.

**10. RISK REGISTER: 2013/2014: LUKHANJI MUNICIPALITY**

**RESOLVED**

- (a) That the matter be referred to the Directors of Lukhanji Municipality to appoint the Risk Champions.
- (b) That the Directors of Lukhanji Municipality report on who is managing the Risk Register at the meeting of the Audit Committee to be held in January 2014.

**11. INTERNAL AUDIT REPORT ON MUNICIPAL PROPERTIES AND LESSEES**

**RESOLVED**

That the Internal Audit Report on Municipal Properties and Lessees dated August 2012 be discussed at the next meeting of the Audit Committee.

**12. INTERNAL AUDIT REPORT ON LACK OF SUITABLE AND RELIABLE EQUIPMENT, UNAVAILABILITY OF SPARES (VEHICLE AND PLANT MAINTENANCE)**

**RESOLVED**

That the Internal Audit Report on the Lack of Suitable and Reliable Equipment, Unavailability of Spares (Vehicle and Plant Maintenance) dated October 2012 be discussed at the next meeting of the Audit Committee.

**13. INTERNAL AUDIT REPORT ON COMMUNITY SERVICES**

**RESOLVED**

That the Internal Audit Report on Community Services dated December 2012 be discussed at the next meeting of the Audit Committee.

## AUDIT 4

**14. PAYMENT OF AUDIT COMMITTEE MEMBERS**

**RESOLVED**

That it be noted, the matter has been resolved.

**15. DATE OF NEXT MEETING**

**RESOLVED**

That the next meeting of the Audit Committee be held on 04 December 2013.

**16. CLOSURE**

The meeting adjourned at 12:00.

\*\*\*\*\*

**CONFIRMED:**

**CHAIRPERSON:** \_\_\_\_\_

**DATE:** \_\_\_\_\_

# **ANNEXURE: 4**

## GENERAL FINANCIAL PERFORMANCE REPORTS



Table A1 Financial Summary

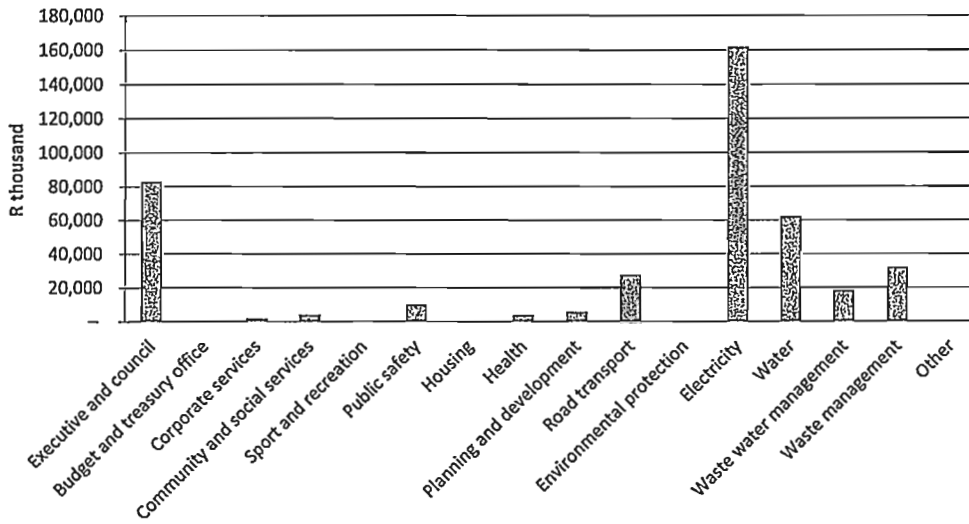
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Description	2009/2010	2010/11	2011/12	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year 2013/14	Budget Year 2014/15
	Audited Outcome	Audited Outcome	Audited Outcome							
<b>Financial Performance</b>										
Property rates	28,799	33,440	39,334	40,444	40,444	40,444	40,444	43,406	46,879	50,629
Service charges	122,677	143,012	170,897	207,798	198,466	198,466	198,466	218,944	240,334	263,078
Investment revenue	4,720	6,721	5,202	2,111	2,111	2,111	2,111	5,200	5,200	5,200
Transfers recognised - operational	100,567	124,997	125,368	102,259	108,339	108,339	108,339	123,160	126,832	137,341
Other own revenue	62,656	77,976	78,621	87,083	85,864	85,864	85,864	95,960	97,709	100,232
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>319,419</b>	<b>386,145</b>	<b>419,423</b>	<b>439,694</b>	<b>435,224</b>	<b>435,224</b>	<b>435,224</b>	<b>486,671</b>	<b>516,955</b>	<b>556,480</b>
Employee costs	87,062	88,261	98,336	109,470	106,849	106,849	106,849	120,225	125,917	131,888
Remuneration of councillors	11,858	13,901	15,242	18,810	17,698	17,698	17,698	17,918	18,649	19,416
Depreciation & asset impairment	-	9,285	15,309	-	-	-	-	-	-	-
Finance charges	2,011	1,522	876	6,965	5,673	5,673	5,673	4,791	1,265	1,162
Materials and bulk purchases	55,785	81,414	103,727	141,497	147,592	147,592	147,592	166,409	166,648	207,468
Transfers and grants	-	-	-	-	-	-	-	-	-	-
Other expenditure	139,532	155,913	147,933	162,953	157,412	157,412	157,412	175,584	183,214	193,497
<b>Total Expenditure</b>	<b>296,248</b>	<b>350,295</b>	<b>381,423</b>	<b>439,694</b>	<b>435,224</b>	<b>435,224</b>	<b>435,224</b>	<b>484,928</b>	<b>514,693</b>	<b>553,431</b>
<b>Surplus/(Deficit)</b>	<b>23,171</b>	<b>35,850</b>	<b>37,999</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,743</b>	<b>2,262</b>	<b>3,049</b>
Transfers recognised - capital	-	-	-	41,452	36,980	36,980	36,980	37,741	36,885	42,906
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>23,171</b>	<b>35,850</b>	<b>37,999</b>	<b>41,452</b>	<b>36,980</b>	<b>36,980</b>	<b>36,980</b>	<b>39,484</b>	<b>39,147</b>	<b>45,955</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>23,171</b>	<b>35,850</b>	<b>37,999</b>	<b>41,452</b>	<b>36,980</b>	<b>36,980</b>	<b>36,980</b>	<b>39,484</b>	<b>39,147</b>	<b>45,955</b>
<b>Capital expenditure &amp; funds sources</b>										
Capital expenditure	207,296	789,694	802,003	41,452	46,480	46,480	46,480	105,151	51,885	57,906
Transfers recognised - capital	207,296	779,716	793,820	41,452	36,980	36,980	36,980	37,741	36,885	42,906
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	9,978	8,183	-	9,500	9,500	9,500	26,571	-	-
Internally generated funds	-	-	-	-	-	-	-	40,840	15,000	15,000
<b>Total sources of capital funds</b>	<b>207,296</b>	<b>789,694</b>	<b>802,003</b>	<b>41,452</b>	<b>46,480</b>	<b>46,480</b>	<b>46,480</b>	<b>105,151</b>	<b>51,885</b>	<b>57,906</b>
<b>Financial position</b>										
<b>Total current assets</b>	<b>229,348</b>	<b>334,888</b>	<b>355,395</b>	<b>309,468</b>	<b>345,894</b>	<b>345,894</b>	<b>345,894</b>	<b>321,458</b>	<b>309,375</b>	<b>297,735</b>

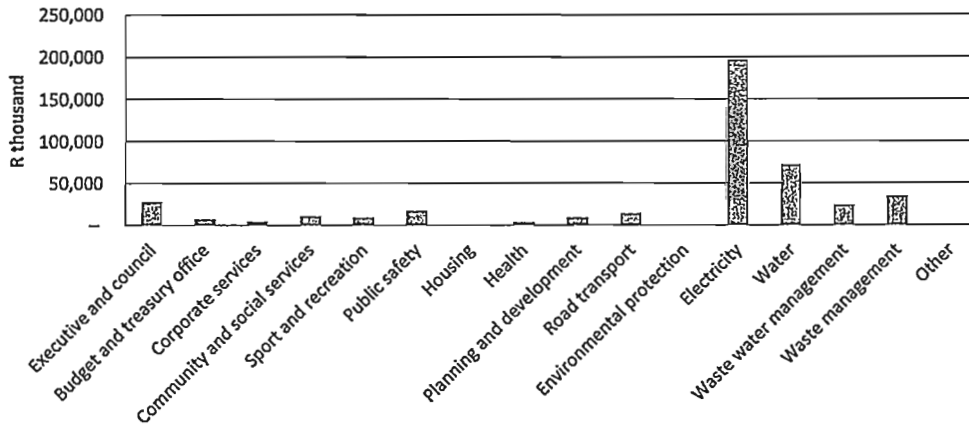
Total non current assets	207,296	789,694	802,003	248,748	848,483	848,483	848,483	848,483	1,044,926	1,044,926	1,096,811	1,154,717
Total current liabilities	122,208	176,814	146,249	135,780	164,717	164,717	164,717	164,717	157,450	157,450	152,450	147,450
Total non current liabilities	63,386	82,639	85,257	53,106	76,288	76,288	76,288	76,288	89,157	89,157	85,555	81,952
Community wealth/Equity	251,051	865,130	925,892	369,330	953,372	953,372	953,372	953,372	1,119,777	1,119,777	1,168,181	1,223,050
<b>Cash flows</b>												
Net cash from (used) operating	29,218	70,427	30,510	68,184	105,990	105,990	105,990	105,990	1,743	2,262	3,049	
Net cash from (used) investing	1,683	(29,869)	(12,518)	(41,452)	(36,980)	(36,980)	(36,980)	(36,980)	(65,551)	(36,885)	(42,906)	
Net cash from (used) financing	(4,696)	(5,903)	(1,022)	(5,401)	9,500	9,500	9,500	9,500	22,369	(1,038)	(1,038)	
Cash/cash equivalents at the year end	73,374	108,029	125,000	146,331	203,518	203,518	203,518	203,518	161,979	126,318	85,423	
<b>Cash backlog/surplus reconciliation</b>												
Cash and investments available	74,080	108,762	125,224	84,095	115,724	115,724	115,724	115,724	71,288	54,205	37,555	
Application of cash and investments	(78,096)	4,944	(96,370)	(160,478)	(195,995)	(195,995)	(195,995)	(195,995)	(143,766)	(148,149)	(154,399)	
Balance - surplus (shortfall)	152,177	103,818	221,595	244,574	311,719	311,719	311,719	311,719	215,054	202,354	191,904	
<b>Asset management</b>												
Asset register summary (MDV)	207,296	789,694	802,003	248,748	848,483	848,483	848,483	848,483	1,044,926	1,044,926	1,096,811	1,154,717
Depreciation & asset impairment	-	9,285	15,309	-	-	-	-	-	-	-	-	-
Renewal of Existing Assets	-	-	-	-	-	-	-	-	40,935	20,620	29,380	
Repairs and Maintenance	4,567	9,052	8,650	10,011	15,181	15,181	15,181	25,078	25,078	25,258	25,448	
<b>Free services</b>												
Cost of Free Basic Services provided	-	-	31,834	33,828	33,828	33,828	33,828	36,586	36,586	39,584	42,847	
Revenue cost of free services provided	-	-	-	-	-	-	-	-	-	-	-	-
<u>Households below minimum service level</u>												
Water:	-	-	10	9	9	9	9	9	9	9	9	
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	8	8	8	-	-



### Revenue by Standard Classification



### Expenditure by Standard Classification





that we have pleaded.

85.2 In terms of the second defence, it is argued that there exists no basis for the rectification of the agreement of 21 April 2010 in that a duly adopted resolution of a corporate entity (especially a resolution adopting a collective agreement by a Bargaining Council established under its constitution) cannot be rectified on the grounds of operative error.

85.3 In terms of the third defence, it is submitted that by the end of the Bargaining Committee's deliberations on 20 April 2010 consensus had been attained but two outstanding issues still had to be dealt with. The first was the extent to which the increases consequent on the new wage scales would be made retrospective and secondly pay progression. It was therefore argued that the written draft of 20 April 2010 was therefore not an agreement. It is also argued that the draft of 20 April was in any event not adopted by virtue of the fact that it was not signed as was customary to do.

The defences raised on behalf of SALGA were disputed by the applicants.

[86] Detailed heads of arguments were filed on behalf of SALGA attacking the validity of the 20 April 2010 collective bargaining agreement on the basis that it did not comply with the Constitution of the SALBC. It was argued that the delegates had casually entrusted the finalisation of the agreement to their mandated representatives which they could not do. It was further argued that the agreement upon which the applicants rely emerged from the Drafting Committee that had no power to finalise issues of substance. The Drafting Committee could not change the position regarding the implementation date without the input of the Bargaining Committee. Without the input of the Bargaining Committee

the default position therefore remained in place. (See in this regard clause 17 of the Constitution).<sup>16</sup>

- [87] Forbes testified that, once parties have agreed on the contents of a collective agreement, the practice was that the agreement would not go back to the Bargaining Committee or the General Council for adoption. The parties will regard the agreement as final. Koen also gave detailed evidence in respect of the process that was followed in reaching an agreement over collective agreements. He testified that it often happened that the Bargaining Committee would complete their deliberations and that the collective agreement would then be referred to a Drafting Committee. Should issues arise during the deliberations of the Drafting Committee the issues will be discussed with the parties' respective principals and the issues would be resolved. Where a mandate was required to settle an issue during the deliberations of the Drafting Committee, the parties would seek a mandate from their respective principals. Once that is completed, the parties would have an agreement irrespective of whether the collective agreement had been referred back to the Bargaining Committee. Koen confirmed this practice with reference to the wage negotiations that took place the previous year. A Drafting Committee was also appointed to refine the collective agreement. The principals accepted that agreement. Minutes before signing this agreement SALGA had approached IMATU and informed them that the agreement was too expensive and that the parties had to affect changes to the agreement. At that time the Bargaining Committee had likewise long completed their deliberations. A mandate was solicited from the principals and once the parties had reached an agreement, the (wage) collective agreement was thereafter signed. Koen therefore confirmed the practice that exists namely that not all the negotiations take place on a formal basis in a plenary

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<sup>16</sup> *Supra.*

session of the Bargaining Committee. This, he pointed out, was also what had happened during the deliberations of the Drafting Committee in respect of the Wage Curve Agreement. An issue arose about the period over which the nine month back pay would be paid. The respective parties obtained a mandate from their principals to settle the issue. Forbes deliberated with Malope (the president of SAMWU) and the secretary general of SAMWU. SALGA was consulted by Yawa. Once the parties have reached an agreement, the matter was settled. It is common cause that this issue was never referred back to the Bargaining Committee.

[88] I am, on the evidence, persuaded that the parties are able (and were able) to reach agreements within the context of the Drafting Committee provided that the principals of the respective parties agree to any changes in respect of the collective agreements on the table or agree to the settlement of any disputes that arise during the deliberations of the Drafting Committee. I am therefore satisfied that by the end of 20 April 2010, the parties had reached an agreement in respect of *both* collective agreements and in particular the contents of the Wage Curve Collective Agreement which reflected the implementation date as 1 July 2010.

#### Conclusion on the facts

[89] It was common cause that Yawa changed the implementation date from 1 July 2010 to 1 July 2011. The question that must be considered is whether that change was concealed from his bargaining colleagues. The version of SALGA was that Yawa made the change because it was a mistake - a typing error. It was put to Molope that Yawa did not draw anyone's attention to this typing error because he took it for granted that that was not a matter to be drawn to the attention of anybody particularly. Molope

40

refused to accept that any mistake was made. According to Molope, Yawa intentionally made the changes and then tried to hide it from them.

[90] I am of the view that the evidence supports a conclusion that after Yawa had amended the agreement, he deliberately concealed that not only from his own principals but also from his bargaining counterparts. Yawa's e-mails confirm this conclusion. I am further of the view that it is inconceivable that Yawa could not have known that the date of the implementation of the wage curve is a crucial issue. I also cannot accept that Yawa could have accepted that his counterparts would have read the attachments to his e-mail particularly if regard is had to his e-mails in which he failed to draw the other parties' attention to the amendments. Yawa's deception deepened when he deliberately did not inform Koen that he had sent him an e-mail which referred to certain changes to the agreement. When Koen deliberated on clause 7.2.3 during the discussions prior to the signing ceremony, Yawa must have realised that Koen did not receive the e-mail. At the very least, Yawa should have asked Koen whether he had seen the e-mail and whether he was aware of the changes. Yawa's final deception was when he was specifically asked whether he had changed anything else in the agreement and replied 'no'. I do not accept that he could have assumed that the others had the amended collective agreements. At the very least, Yawa should have raised the issue with his bargaining parties prior to the signing of the agreements. After all, the relationship between bargaining parties should be based on good faith. I also do not accept Yawa's evidence that Molope had read through the entire Wage Curve Agreement before signing it. I can find no reason to doubt Molope and Koen's evidence about what had happened prior to the signing of the agreement. In my view, Yawa had interrupted Molope from reading the entire Wage Curve Agreement because he did not want Molope to realise that he (Yawa) had amended clause 8.3 fundamentally.



The reasons why Mr Yawa's evidence must be rejected

[91] Mr Van der Riet<sup>17</sup> also persuasively argued that the evidence of Yawa must be rejected on the basis that it is an established principle that a witness whose evidence has been shown to be deliberately false on one point is liable to be regarded with suspicion and distrust overall.<sup>18</sup> The Court was referred to at least six instances during the trial where Yawa deliberately gave false, namely:

91.1 Firstly, Yawa's claim that, at the signing ceremony, he told Molope and Koen of Forbes' counter-proposal in relation to the re-formulation of clause 7.2.3 of the Wage Curve Agreement. This is patently false if regard it had to the pleadings: Both IMATU and SAMWU pleaded that Yawa did not disclose to the parties at the signing ceremony Forbes's proposal in relation to the re-formulation of clause 7.2.3 of the wage curve collective agreement. SAMWU also pleaded that Yawa did not disclose that Forbes had responded to his e-mail. In both its pleas, SALGA admitted that Yawa did not inform Koen or Molope that he had sent the above email to Forbes. Moreover, the allegation that Yawa told Molope and Koen of Forbes' counter-proposal was never put to Molope or Koen for them to answer to.

91.2 The second deliberate falsehood is Yawa's claim that Forbes' response to his e-mail of 12h48 (on 21 April 2010) to the effect that 'we have to retain the old 8.1 to indicate what the starting minimum is' was a reference not to the agreement that was the subject of the e-mail, but to an old version of clause 8.1 in a previous Bargaining Committee draft of the Wage Curve Collective Agreement. Mr Van der Riet submitted that this was a patently dishonest attempt by Yawa to justify his unilateral deletion of clause 8.2 of the Wage

<sup>17</sup> I have relied liberally on the heads of argument submitted on behalf of the applicants in setting out the evidence on which the unions relied in support of their argument that this Court should reject the evidence of Yawa.

<sup>18</sup> *S v Oosthuizen* 1982 (3) SA 571 (T) at 577A-B.

Curve Collective Agreement despite Forbes's objection. This allegation was also never put to Forbes for his comment.

91.3 The third deliberate falsehood is Yawa's claim that he did not receive hard copies of the collective agreements on the evening of 20 April 2010 after they had been finalised by the Drafting Committee. Mr van der Riet submitted that this falsehood is revealed by the discrepancies in Yawa's version on this aspect. It was put to Forbes that Yawa could not remember whether or not he had received hard copies of the agreement. However, when Yawa gave evidence he was adamant that he had not received hard copies. This falsehood was further confirmed by Adam's detailed evidence on this aspect which was left entirely unchallenged.

91.4 The fourth deliberate falsehood is Yawa's claim that he thought the agreements that Molope had with him at the signing ceremony were the agreements that he had e-mailed to Theledi at 12H49. That claim flies in the face of Yawa's admission in an agreement concluded between the parties and read into the record that he was unaware of whether Theledi had received his e-mail of 12H49.

91.5 The fifth deliberate falsehood is Yawa's claim that he sent what he asserted to be the final collective agreements for signature to Theledi and Koen *after* he received Forbes's response to his e-mail of 12h48. The recorded times at which these e-mails were sent revealed this claim to be incorrect yet Yawa refused to admit that he had made a mistake and maintained his claim in the face of evidence which plainly revealed it to be false.

91.6 The sixth deliberate falsehood is Yawa's evidence regarding the seating arrangements in the drafting team. His evidence in this regard was farfetched and was not put to Koen despite the fact that it differed dramatically from Koen's version as to how the members

of the drafting team were seated. Moreover, SALGA'S own witness (Van Zyl) corroborated Koen's version in respect of the seating arrangements, thereby confirming the falsity of Yawa's evidence on this score.

[92] I have considered these submissions and I am in agreement that little weight can be attached to the evidence of Yawa. Apart from the fact that Yawa gave deliberate false evidence, his evidence on other aspects also casts serious doubt on his version. Yawa testified that he did not look at the screen during the deliberations of the drafting team but that he was looking at the hard copy of the agreement reached in the Bargaining Committee. It was, however, the uncontested evidence of Koen that nobody in the Drafting Committee had seen a hard copy of the deliberations of the Drafting Committee. I have also referred to the evidence of Yawa that he had phoned George during the deliberations of the Drafting Committee and informed him that the parties were not going to sign that night. George did not confirm this evidence when he gave evidence. In fact, if the evidence of Yawa is properly considered, it confirms the Unions' evidence that all the parties were in fact prepared to sign the collective agreement that was finalised that night and that it was only when it was realised that not all the parties were there that it was decided to defer the signing ceremony to the next day. Put differently, Yawa could not have known at that stage that the agreement's would not be signed that evening.

[93] I am further also persuaded that Yawa clearly attempted to mislead Theledi with his email of 12h49 on 21 April 2010. In fact, if regard is had to the e-mail it is clear that he sent the e-mail to Theledi's secretary. When asked during the proceedings on 19 November 2010 whether there were any other documents that he wished to place before the court Yawa could not have forgotten about the e-mail since it is apparent that he had e-mailed it to Mr Lebelo's secretary. I am in agreement that the only

plausible inference to be drawn from these facts is that Yawa sought to hide the e-mail at that stage.

- [94] I am further in agreement that Yawa's version of what had happened in the drafting team as far as the agreed date for the adjustment of the wage curve scales concerned, should be rejected. It was Yawa's evidence that the Unions took the position that the wage curve scales ought to be adjusted on 1 July 2010 and that they formulated clauses 8.2 and 8.3 only when they had established that they could not physically adjust the scales because the percentage for the impending salary increase had not yet been determined by SALGBC. I am in agreement that it is improbable that SALGA would have convinced the Unions to alter their position and agree to an adjustment of the wage curve scales a year later in circumstances where the Unions' view was that if the scales were not adjusted when the salaries were increased on 1 July 2010, they would no longer reflect the market position the parties chose to base their salary scales on. Moreover, I cannot ignore the fact that George went on national television and declared to the nation that ALL parties have reached an agreement and was ready to sign the agreement. Yawa's evidence was that if they had agreed to an adjustment of the date to 1 July 2010 that would have amounted to the impermissible amendment of the Bargaining Committee agreement. If this was his view, one would have expected that Yawa would have communicated this to the other bargaining partners in his e-mails. I am further in agreement that Yawa's version is implausible particularly in light of Yawa's actions after he had discovered the inclusion of the date of 1 July 2010 as opposed to 1 July 2011. It is also, in my view, clear from the extensive evidence led during this fairly lengthy trial that the date of the adjustment of the wage curve scales was a crucial aspect of the agreement. It was so crucial that the evidence on behalf of the Unions was that they would not have signed the agreement had they known that the adjustment date was a year later (1 July 2011). There is no proper explanation for the fact that Yawa did not expressly deal with this issue in



his e-mails that followed the deliberations on 20 of April. This was a crucial aspect, why was it not dealt with in Yawa's e-mails. Moreover, there is not a proper explanation before this Court as to why both Yawa and Lebelo did not notice what Forbes were typing into paragraph 8.3 when the Drafting Committee deliberated. The only conclusion that this Court can come to is that the parties have agreed that the implementation date was 1 July 2010.

- [95] What makes matters worse for Yawa is the fact that he conceded in his own evidence that he did not tell the Unions that he had changed the date in clause 8.3 of the Wage Curve Agreement from 1 July 2010 to 1 July 2011. Furthermore, he conceded that he did not even tell his own principals, George, Mashilo and Somyo that there was, according to him a drafting error.
- [96] Mr. Brassey submitted that, on the probabilities, Yawa could not have anticipated that three union representatives namely Koen, Forbes and Theledi would be so sloppy to overlook the change to clause 8 particularly as clause 8 was under review and could have been picked up by means of a file comparison. I am not persuaded by this submission. Firstly, Koen's evidence was that he already was on his way to the venue when the e-mail was sent. He therefore did not see the e-mail until after the signing ceremony. Secondly, Koen pertinently asked Yawa whether he (Yawa) had affected any amendments (other than that to the non-contentious clause) to the Wage Curve Agreement. Yawa said 'no'. Both Molope and Koen testified that they did not doubt Yawa's word and that is why they did not read the agreement. As already pointed out, Koen stated that this was the biggest mistake he has ever made since he has started to work for IMATU. Thirdly, Forbes was in Cape Town and his evidence was that he merely looked at the e-mail and responded to the e-mail. Fourthly, Molope's evidence was that Yawa interrupted him when he went through the Wage Curve Agreement and that he therefore did not continue to read

through the agreement. He also testified that he had no reason to doubt Yawa assurances.

[97] The timing of Yawa's e-mail containing the new amended version of the Wage Curve Agreement to Koen and Forbes confirms, in my view, the impression that Yawa wanted to conceal the fact that he had changed the implementation date. I am further in agreement that this was a poorly disguised attempt by Yawa to put himself in a position where he could claim that the Unions must have seen his final draft before they signed the agreement. I have already referred to the fact that this e-mail was sent a little more than an hour before the signing ceremony in circumstances where Yawa and Van Zyl conceded that they must have realised hours before that the implementation date reflected in the agreement was 1 July 2010. At that stage, Koen had already left for the signing ceremony. I am further in agreement that Yawa's failure at the signing ceremony to inform Koen and Molope of the e-mails finally demonstrates his lack of good faith in his dealings with the Unions on this issue. At the very least, it was expected of Yawa to have expressly raised the issue of the adjustment date, if not in the e-mails, but during the final discussions before the signing ceremony. What makes matters worse for Yawa is the fact that he was representing SALGA as the chief negotiator in the negotiations with the Unions. Parties engaged in a bargaining relationship are entitled to accept that their adversaries will bargain and behave in good faith. I am not persuaded that Yawa bargained in good faith. The facts in my view confirm the opposite.

[98] Van Zyl and Lebello also did not support the evidence of Yawa. Van Zyl, for example, contradicted Yawa's evidence on the seating arrangements. Lebello confirmed that the Unions wanted to adjust the wage curve scales on 1 July 2010. He could, however, not explain how they persuaded the Unions to abandon this view. He also could not explain why he did not notice that Forbes typed in clause 8.3. Lebelo also confirmed that when he

left the deliberations on the 20 April 2010 he was of the view that the parties would sign the agreements as prepared by the Drafting Committee. George's evidence also did not support Yawa. He did not confirm in his evidence that he had received a call from Yawa to inform him that he need not rush back to sign the agreements. In fact, George went on national television to confirm that *all* the parties have reached an agreement and that they would sign it later that evening (on 20 April 2010). Mashilo also confirmed a crucial aspect of the Unions' case and that is that he (Mashilo) had told Forbes that SALGA was prepared to sign the agreement on the evening of 20 April 2010.

[99] I am therefore in agreement that little reliance can be placed on the evidence of Yawa. Apart from serious defects in his evidence, Yawa was an evasive and argumentative witness and persistently refused to make simple concession to simple propositions put to him in circumstances where he ought to have made concessions.

[100] On the evidence, I am therefore persuaded of the following:

100.1 When the parties left the hotel in Kempton Park on the evening of 20 April 2010, they were in agreement that they have reached a final agreement and that that agreement included clause 8.3 which reflected the implementation date of the wage curves as 1 July 2010. I do not accept that the parties left the hotel under the assumption that Yawa will still do a 'quality assurance exercise'. George certainly did not hesitate to tell the country on national television that *all* parties have reached an agreement. It is common cause that when the parties dispersed on the evening of 20 April 2010 no further meetings were contemplated between the parties. The only meeting contemplated between the parties was the signing ceremony at 14H00 the next day. Moreover, if it was so that Yawa would still do a 'quality assurance exercise' at the very least it

was expected that he would have drawn the parties' attention to the fact that he had fundamentally altered a crucial clause to the Wage Curve Agreement.

100.2 Yawa attempted to conceal the fact that he had made amendments to a crucial clause of the agreement not only to the trade union parties but to his own principals. I am persuaded that none of the SALGA decision makers (George, Sonyo or Mashilo) were aware of the fact that Yawa had effected changes to clause 8.3 of the agreement. George was prepared to sign the agreement as it was on the evening of 20 April 2010.

100.3 When Yawa e-mailed the amended agreement to Forbes, he (Forbes) did not read the whole document and merely dealt with the issues specifically drawn to his attention by Yawa.

100.4 Molope did not review the whole agreement when it was handed to him immediately prior to the signing of the Wage Curve Agreement. Molope did not read the whole agreement because he was assured by Yawa that he (Yawa) did not affect any other changes to the agreement. The fact that Yawa did not mention to Molope that he had fundamentally altered clause 8.3 of the agreement must have been a deliberate attempt to induce the parties to sign the amended agreement.

100.5 The Unions and SALGA signed the agreement on the basis that the only change to the said agreement was the formulation of clause 7.2.3.

[102] I am therefore persuaded on the evidence is that the Trade Union parties and SALGA signed the document referred to as the 21 April agreement<sup>19</sup> on the basis that this was the agreement reached on 20 April 2010 subject

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<sup>19</sup> Pages 61 – 89 of Bundle B.



to the amendment to clause 7.2.3 agreed to minutes before the signing of the Wage Curve Agreement (and the Disciplinary Agreement).

The relief sought

[103] The primary relief sought by the applicants is for an order that the agreement concluded on 20 April 2010 constitutes a binding collective agreement between IMATU, SAMWU and SALGA. If this order is granted the applicants further seeks an order declaring that the Wage Curve Agreement signed on 21 April 2010 does not constitute a valid agreement. In the alternative, an order is sought that the signed Wage Curve Agreement of 21 April 2010 be rectified by substituting (the current) clause 8.2 with clauses 8.2 and 8.3 (of the 20 April Agreement).

[104] I am of the view that rectification is the appropriate order in the present circumstances. The parties' intention is embodied in the 20 April 2010 agreement subject to the one clause that was amended immediately prior to the signing of the 21 April Agreement.

Submissions on behalf of SALGA in respect of rectification

[105] It was submitted on behalf of SALGA that there is no basis on which a resolution of a corporate organ can be rectified especially in the case of a statutory Bargaining Council governed by a Constitution. It was further submitted that the proper way to correct a mistake is to re-open the issue and resolve the issue afresh. I do not agree. As already pointed out, I am persuaded that the Unions have made out a case that, on the evening of 20 April 2010, all the negotiating parties were willing to sign the agreement that was refined by the Drafting Committee. I am further persuaded that the agreement that was accepted by all the principals that were present at the proceedings was the one that Adams distributed. I am therefore not persuaded on the

evidence that the principals did not know what was contained in the agreements – especially in clause 8.3 thereof. I am further persuaded that the evidence overwhelmingly point to the fact that the Unions did not know that Yawa had amended the Wage Curve Agreement to provide for a completely different date of implementation. The Unions were adamant: They would not have signed the agreement had they known about the change. I am furthermore satisfied that the evidence supports the conclusion that Yawa was not honest in his dealings with his bargaining counterparts.

- [106] I am further persuaded that the parties intended to affix their signatures to the collective agreements. This much is clear from the evidence. However, what is clear from the evidence is that the parties intended to affix their signatures to the 20 April Agreement subject to the agreement reached in respect of the amendment to clause 7.2.3 just prior to signing the agreement.
- [107] I accept that the practice of the parties was that collective bargaining agreements could be concluded even after the Bargaining Committee had concluded its deliberations. I accept Koen's evidence that this practice has been followed previously when a wage agreement was concluded and amended immediately before the signing session after the bargaining parties have obtained a mandate from their respective principals.
- [108] SALGA contends that there is no basis on which a resolution of corporate organ (errors *in verbis* aside) can be rectified especially in light of the fact that the Bargaining Council is governed by a Constitution. SALGA further submitted that the agreement signed on 21 April 2010 amounted to a resolution 'which the members of the Bargaining Committee duly voted in favour of or otherwise expressed their endorsement of and 'in law, a duly adopted resolution of a corporate entity... cannot be treated as void on the grounds of operative error'. SALGA further contends that such a resolution

can also not be rectified on the grounds of operative error and that the proper way to correct a mistake is to re-open the issue and resolve the issue afresh.

- [109] I am in agreement with Mr. Van der Riet that SALGA misconceives the nature of the agreement that was signed on 21 April 2010. The agreement that was signed on 21 April 2010 was not a resolution of the Bargaining Council. It is clear from the evidence that what was signed was a collective agreement concluded by the parties under the auspices of the Bargaining Council. Although the Constitution requires a formal vote by the parties to the Bargaining Committee, the evidence supports the conclusion that this practice was not followed. The fact that the parties have reached an agreement in respect of the back-pay issue during the deliberations of the Drafting Committee after a mandate was obtained from the principals confirms this conclusion. If it was required that this issue had to be subjected to a voting process by the Bargaining Committee surely the parties would have required that the Bargaining Committee meet before the signing ceremony. It is common cause that that did not happen. The Bargaining Committee is used as a mechanism to facilitate negotiations to achieve collective agreements. Those who participate in the activities of the Bargaining Committee are merely agents of the parties they represent. Collective agreements concluded in these circumstances constitute an agreement between the organisations themselves acting through their principal decision makers and not through the individual members of the Bargaining Committee and it is the principal decision makers that must be satisfied that the agreement is acceptable. Once the agreement is concluded by signing the agreement, the signatories sign on behalf of their respective organisations and not on behalf of the members of the caucuses of the Bargaining Committee. Similarly, where the parties conclude an agreement outside of the activities of the Bargaining Committee, the parties to the agreement will likewise bind the respective parties. Nothing in the Constitution of the Bargaining Council prohibits the

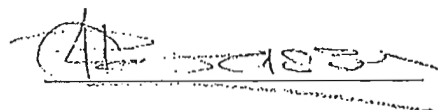
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conclusion of agreements under the auspices of Bargaining Council in these circumstances albeit outside of the activities of the Bargaining Committee.

[110] In the event, the signed agreement is rectified to reflect the intention and agreement of the parties on the evening of 20 April 2010 subject to the amendment to clause 7.2.3. As far as costs are concerned, I am of the view that costs should follow the result and should include the costs of two Council.

Order

1. The Categorisation and Job Evaluation Wage Curves Collective Agreement signed on 21 April 2010 by the First Applicant and the First and Second Respondents is rectified by deleting clause 8.2 thereof and inserting clauses 8.2 and 8.3 of the Categorisation and Job Evaluation Wage Curves Collective Agreement on pages 42 – 53 of Bundle C, subject to the amendment to clause 7.2.3 agreed to just before the signing ceremony.
2. The First Respondent is ordered to pay the costs of the Applicants and the Second Respondent including the costs of two Council.



AC BASSON, J

Judge of the Labour Court



Appearances:

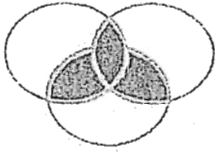
For the Applicants: Advocate H Van der Riet SC with Advocate Barnes

Instructed by: Cheadle Thompson & Haysom Inc Attorneys

For the Respondents: Advocate MSM Brassey SC with Advocate A Cook

Instructed by: Tshiqi Zebedelia Attorneys

LABOUR COURT



**SALGA**  
South African Local Government Association

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**CIRCULAR 30 / 2012**

**FROM :** CHIEF EXECUTIVE OFFICER  
**TO :** ALL EXECUTIVE MAYORS / MAYORS  
ALL MUNICIPAL MANAGERS  
**DATE :** 04 SEPTEMBER 2012

**WAGE CURVE JUDGEMENT: LEAVE TO APPEAL**

Our Circular 17/2012 dated the 29 June 2012 circular dated the refers .

Municipalities were informed as per our previous circular that the unions were successful in their application to the court in respect to the Wage Curve Collective Agreement. The judge ruled in favour of the unions and ordered that the Wage Curves as implemented from the 01 July 2010 be adjusted by 8.48%.

This judgement will have a financial implication for some municipalities who implemented job evaluation as from the 1 July 2010 based on the wage curves submitted to municipalities at the time. The impact on municipalities will be different for each municipality but will also result in some instances that employees will have to pay back some monies received in terms of the wage curve agreement implemented as from the 1 July 2010 as the adjustment of the wage curves by 8.48% as ruled by the Judge result in different notches.

SALGA therefore solicited Senior Counsel opinion on its prospects of success with an appeal against the judgement and were accordingly advised to apply for leave to appeal against the judgement. SALGA is further aware that in some municipalities are put under pressure by the trade unions to implement the judgement even in some municipalities where job evaluation results has not yet been published. If job evaluation is not implemented in your municipality then the wage curve judgement will not impact on your municipality.

If your municipality has implemented the wage curve judgement as from the 1 July 2010, then you are requested to calculate the financial implications of the judgement. This will clearly indicate how many employees will benefit and how many will have to reimburse the municipality. Please ensure that the judgement is not implemented until such time as your are advised differently by SALGA. SALGA is in receipt of the Labour Court ruling which "grants" the application for "Leave to Appeal" on the matter. Thus, all the parties shall be guided by the outcome of the Labour Appeal Court in this matter and it remains "sub-judice".

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Limpopo  
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Polokwane 0999  
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Tel: 013 752 1200  
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North West  
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Cnr O R Tambo &  
Margaretha Prinsloo St  
Klerksdorp 2570  
Tel: 018 462 5290  
Fax: 018 462 4662


Northern Cape  
Crescent House  
1 & 2 D Arcoy St  
Kimberley 8300  
Tel: 053 833 2505  
Fax: 053 833 3826

Western Cape  
7<sup>th</sup> Floor  
Eloven Adderley  
11 Adderley St  
Cape Town 8000  
Tel: 021 459 9800  
Fax: 021 461 1936

Should your municipality have been the subject of strike action in regard to the implementation of the judgement then we request that you apply the principle of no work no pay and no remuneration while you reserve your right to take disciplinary action. All parties are aware that court processes do not end with the judgment from lower courts as higher courts have been set up for alternative remedies.

I trust that you'll find the above in order.

Yours faithfully,



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LANCE JOEL  
ACTING CHIEF EXECUTIVE OFFICER

**FACILITATORS PROPOSAL**

**SOUTH AFRICAN LOCAL GOVERNMENT  
BARGAINING COUNCIL**  
(Hereinafter referred to as "the "SALGBC")

**SETTLEMENT OF WAGE CURVE DISPUTE**

as between:-

**SOUTH AFRICAN LOCAL GOVERNMENT ASSOCIATION**  
(Hereinafter referred to as "SALGA")

and

**INDEPENDENT MUNICIPAL AND ALLIED TRADE UNION**  
(Hereinafter referred to as "IMATU")

and

**SOUTH AFRICAN MUNICIPAL WORKERS' UNION**  
(Hereinafter referred to as "SAMWU")

(IMATU and SAMWU will together be referred to as the "Trade Unions")

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## 1. PREAMBLE

- 1.1. The parties concluded an agreement titled Categorisation and Job Evaluation Wage Curves Collective Agreement. The purpose of the agreement was to provide for categorisation of municipalities and wage curves for the different categories of municipalities.
- 1.2. The agreement gave rise to a number of disputes the most important of which was the dispute declared by the Trade Unions concerning the interpretation and application of the agreement.
- 1.3. That dispute was the subject of adjudication by the Labour Court and the Order made is presently the subject of an appeal to the Labour Appeal Court.
- 1.4. The continuing litigation frustrates the implementation of a uniform wage curve for the sector and even if the dispute was to be heard in the Labour Appeal Court, the problems of disparity in pay and salary grade will persist.
- 1.5. For these reasons, the parties need recognise the need to negotiate a new collective agreement to cover wage curves so as to promote equity in pay and grading within the sector.

## 2. PROPOSAL

2.1 Accordingly, the following proposal is made to the parties to settle the dispute:-

- 2.1.1 The Wage Curve Collective Agreement dated the 21 April 2010 lapsed on 30 June 2012.
- 2.1.2 The present salary position of each employee will be maintained as the status quo pending agreement on a new wage curve; however this will not affect the entitlement of employees to annual notch increases and annual cost of living adjustments in terms of the 2012/2015 wage and salary agreement dated 27 July 2012.
- 2.1.3 Parties will enter into negotiations in the Bargaining Council to conclude a new wage curve agreement on or before 31 July 2013.

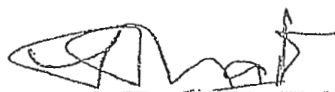


2.1.4 As a quid pro quo, employees under the SALGBC will receive an ex gratia payment in a sum equivalent to one month's basic salary.

2.2 SALGA is to consult their principals to obtain a mandate to withdraw the appeal and settle the order of costs.

2.3 The parties are invited to consider and consult their principals on this proposal and obtain a mandate to conclude an agreement on the terms as set out herein..

2.4 The parties are to inform the Facilitator of their position on or before 19 April 2013.



YUNIS SCHAIK  
FACILITATOR



Donovan van Wyk <da.vanwyk@gmail.com>

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## WAGE CURVE SETTLEMENT NEGOTIATIONS 2013 – FEEDBACK REPORT NUMBER 4-2013 | IMATU

1 message

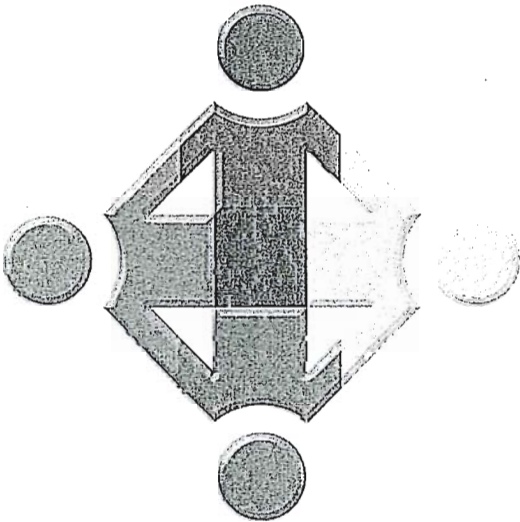
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Donovan van Wyk <da.vanwyk@gmail.com>  
To: Donovan van Wyk <da.vanwyk@gmail.com>

Thu, Jul 18, 2013 at 8:00 PM

<http://www.imatu.co.za/news/wage-curve-settlement-negotiations-2013-feedback-report-number-4-2013/>

# HOME > NEWS > WAGE CURVE SETTLEMENT NEGOTIATIONS 2013 – FEEDBACK REPORT NUMBER 4-2013



Hereinafter follows a comprehensive feedback report on the negotiations to settle the wage curve dispute.

The first round of settlement talks took place in Pretoria on 26 and 27 March 2013 with the assistance of the Facilitator, Mr Y Shaik. These negotiations yielded a Facilitator's Proposal, essentially in the following terms:

- That the present salary position of all employees be maintained pending negotiations on a new wage curve collective agreement.
- That the parties forthwith commence negotiations on a new wage curve collective agreement to be concluded by 31 July 2013.
- In return, all employees falling under the bargaining scope of the SALGBC (excluding Section 57 Senior Managers) receive a once off ex gratia payment equal to one month's basic salary (essentially a 14th cheque).



The Facilitator's Proposal was not binding on any party and each party was free to accept or reject the proposal. All parties were required to indicate their acceptance or non-acceptance of the Facilitator's Proposal by 16 May 2013.

IMATU's NEC resolved on 09 May 2013 to accept the proposal. IMATU indicated its acceptance of the proposal to the SALGBC on 16 May 2013. SALGA also responded on 16 May but indicated that it was not in a position to accept the proposal at that stage as its member Municipalities raised a number of issues and concerns that required further deliberation. The SALGBC was therefore requested to schedule another round of talks.

Thus the second round of negotiations to settle the wage curve dispute took place in Pretoria on 23 and 24 May 2013. The parties were locked in two days of intense discussions which proved extremely difficult, involving intensive debate and much frustration.

SALGA stated that the Facilitator's Proposal did not find favour with Municipalities due to the significant cost implications thereof. In essence, according to SALGA, the Facilitator's Proposal is far too expensive for Municipalities to implement and SALGA was mandated to seek ways of reducing the cost thereof by making a number of new proposals.

At first SALGA demanded some extreme concessions which essentially amounted to replacing the proposal of a 14<sup>th</sup> cheque with a fixed amount not exceeding R5 000.00 and the exclusion of a number of categories of Municipalities from the settlement process. These proposals were immediately rejected by IMATU. The issue remained in contention throughout the day as IMATU made it clear that an ex gratia amount equal to one month's salary (14<sup>th</sup> cheque), payable to all, was the minimum that our members would accept in exchange for settling the wage curve dispute.

No further progress could be made and the Facilitator requested the parties to consider the matter overnight and to resume the talks the next day.

On the second day, SALGA revised its position and framed the concessions it sought in the following manner:

- That a 14<sup>th</sup> cheque be paid only up to a maximum of R10 000.00.
- Municipalities who already implemented an 8,48% increase on the wage curve in 2010 be excluded.
- Municipalities who are prepared to implement the wage curve judgment be excluded.
- Employees who were employed after 01 July 2010 be excluded.

IMATU immediately pointed out that SALGA's concessions cannot be agreed to for a number of reasons:

Firstly, there could therefore be no talk of "watering down" the Facilitator's Proposal and excluding thousands of our members from the proposal. IMATU repeated the position that an ex gratia payment equal to one month's salary (14<sup>th</sup> cheque) payable to all, was the minimum that our members would accept in return for settling the wage curve dispute.

Secondly, the wage curve judgement clearly indicated that the 2010 salary scales should be adjusted by 8.48% and this means that the base for the increase of the scales in 2011 and 2012 was in fact incorrect. Therefore persons employed after 01 July 2010, were also employed on incorrect salary



scales and there is therefore no justifiable basis for excluding these employees from the settlement proposal.

Thirdly, it is quite clear that neither SALGA nor their member Municipalities actually appreciate the full implications of a failure to settle the dispute. SALGA appears to be under the impression that it is only the Labour Court judgement that has to be implemented and this could not be further from the truth. It is, in fact, the whole of the wage curve collective agreement that has to be implemented and not just the judgement.

The wage curve collective agreement not only regulates the salary scales for Municipalities, it also sets out criteria for the grading of Municipalities. The grading process is still an outstanding issue that requires full implementation.

IMATU stated that SALGA has failed to consider the following issues:

- The grading of all Municipalities has to be reviewed as the demarcation board failed to apply the criteria in the wage curve collective agreement correctly when it did the original categorisation. The demarcation board admitted as much during a meeting of the Executive Committee of the SALGBC in 2010.
- A large number of Municipalities appealed their grading and the majority of these appeals were successful. The results of these appeals, which have been held over pending the resolution of the wage curve dispute, must still be implemented with effect from 2010.

Against this background, IMATU contended that SALGA is making a false calculation when it claims that it cannot implement the Facilitator's Proposal on the grounds of affordability. The correct calculation here is to consider the cost of implementing the Facilitator's Proposal versus implementing the Labour Court judgement as well as the cost of submitting all Municipalities to a re-grading process and implementing the grading appeal results with effect from 2010. That being the case, IMATU stated that it is confident that implementing the Facilitator's Proposal would be a far more cost effective option for Municipalities.

It is IMATU's considered view that SALGA has failed to properly advise the Municipalities of the full financial impact of implementing the wage curve agreement versus settling the matter in terms of the Facilitator's Proposal.

IMATU also stated that SALGA's arguments in support of its proposals have come far too late and it should have been made at the previous round of negotiations prior to the Facilitator's Proposal being issued.

At this point it became clear that there was little prospect of getting IMATU to agree to SALGA's proposals and it was decided to bring negotiations to a close. SALGA indicated that it would revert to its members with the points raised by IMATU in this round of negotiations and it would see whether there is any scope for further discussions.

IMATU further informed the Facilitator and the parties that we have written to the clerk of the Labour Appeal Court requesting that the matter be treated as urgent and that a court date be assigned to the case as soon as possible. All court papers have already been filed and the matter is ready for argument.

The Facilitator stated that he would not withdraw the Facilitator's Proposal at this stage and that he would leave it open to SALGA to reconsider its position while IMATU pursues the matter in the Labour Appeal Court.

In conclusion therefore, it should be noted that the door to possible settlement has not been fully closed. IMATU's focus at this stage, however, is to expedite the Labour Appeal Court case and bring the matter to finality as soon as possible. SALGA is now well aware what the minimum settlement is that IMATU would accept and it remains open to SALGA to initiate talks at any time prior to the Labour Appeal Court date, once it is ready to meet the demands for settlement as put forward by IMATU.

<i>Capital Transfers and Grants</i>																				
<i>National Government:</i>																				
<i>Municipal Infrastructure Grant (MIG)</i>		21,009	27,896	6,980	29,980	29,980	29,980	29,980	29,980	29,980	29,980	29,980	29,980	32,122	36,885	42,906				
<i>Rural Households Infrastructure</i>		21,009	27,896	5,980	26,480	26,480	26,480	26,480	26,480	26,480	26,480	26,480	26,480	32,122	33,885	35,844				
<i>Neighbourhood Development Partnership</i>				1,000	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500		3,000	7,062				
<i>Neighbourhood Development Partnership</i>																				
<i>Total Capital Transfers and Grants</i>		5	21,009	27,896	6,980	29,980	29,980	29,980	29,980	29,980	29,980	29,980	29,980	32,122	36,885	42,906				
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>			104,210	144,997	135,616	177,558	171,633	171,633	171,633	171,633	171,633	171,633	171,633	195,200	207,278	224,818				



Public Works	324	514	476	-	-	667	-	-	-
Sport and Recreation	3,240	4,038	2,168	-	-	2,350	-	-	-
Provincial Government:	-	-	-	-	-	-	-	-	-
District Municipality:	-	-	-	-	-	-	-	-	-
Water and Sanitation Provider	-	-	-	-	-	-	-	-	-
0	-	-	-	-	-	-	-	-	-
Other grant providers:	-	-	-	-	-	-	-	-	-
[insert description]	-	-	-	-	-	-	-	-	-
Total operating expenditure of Transfers and Grants:	324	514	476	-	-	667	-	-	-
<b>Capital expenditure of Transfers and Grants</b>	-	-	-	-	-	-	-	-	-
1. Each transfer/grant is listed by name as gazetted together	-	-	-	-	-	-	-	-	-
2. Amounts actually RECEIVED; not revenue recognised (Objective is to confirm grants transferred)	-	-	-	-	-	-	-	-	-
3. Replacement of RSC levies	-	-	-	-	-	-	-	-	-
4. Housing subsidies for housing where ownership transferred to organisations or persons outside the control of the municipality	-	-	-	-	-	-	-	-	-
5. Total transfers and grants must reconcile to Budgeted Cash Flows	0	-	-	-	-	-	-	-	-
6. Motor vehicle licensing refunds to be included under 'agency' services (Not Grant Receipts)	0	-	-	-	-	-	-	-	-
0	-	-	-	-	-	-	-	-	-
0	-	-	-	-	-	-	-	-	-
0	-	-	-	-	-	-	-	-	-
Total capital expenditure of Transfers and Grants	-	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURE OF TRANSFERS AND GRANTS</b>	<b>324</b>	<b>514</b>	<b>476</b>	<b>-</b>	<b>-</b>	<b>667</b>	<b>-</b>	<b>-</b>	<b>-</b>

Choose name from list - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration R thousand	Ref	*2011/12						2012/13 Medium Term Revenue & Expenditure Framework		
		2009/2010 Audited Outcome	*2010/11 Audited Outcome	*2011/12 Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Councillors (Political Office Bearers plus Other)</b>	###	A	B	C	D	E	F	G	H	I
Salary		10,335	11,225	12,255	12,369	13,109	13,109	10,389	10,908	11,454
Pension Contributions										
Medical Aid Contributions										
Motor vehicle allowance								3,463	3,636	3,818
Cell phone allowance								760	798	838
Housing allowance										
Other benefits or allowances										
In-kind benefits										
<b>Sub Total - Councillors</b>	###	10,335	11,225 8.6%	12,255 9.2%	12,369 0.9%	13,109 6.0%	13,109 -	14,612 11.5%	15,343 5.0%	16,110 5.0%
<b>% increase</b>										
<b>Senior Managers of the Municipality</b>	###									
Salary			2,521	2,730	3,995	3,995	3,995	4,325	4,542	4,769
Pension Contributions		316	460	422	443	443	443	465	488	512
Medical Aid Contributions		96	183	137	160	160	160	168	177	186
Motor vehicle allowance										
Cell phone allowance										
Housing allowance										
Performance Bonus										
Other benefits or allowances										
In-kind benefits										
<b>Sub Total - Senior Managers of Municipality</b>	###	1,303	3,976 205.1%	4,029 1.3%	5,345 32.6%	5,345 -	5,345 -	5,753 7.6%	6,023 4.7%	6,307 4.7%
<b>% increase</b>										
<b>Other Municipal Staff</b>										
Basic Salaries and Wages		51,020	55,732	63,642	67,865	66,057	66,057	83,786	87,834	92,079
Pension Contributions		7,063	7,823	10,714	11,621	10,627	10,627	12,018	12,619	13,250



Summary of Employee and Councillor remuneration R thousand	Ref	*2011/12						2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome 2009/2010	Audited Outcome *2010/11	Audited Outcome *2011/12	Original Budget D	Adjusted Budget E	Full Year Forecast F	Budget Year 2012/13 G	Budget Year +1 2013/14 H	Budget Year +2 2014/15 I
Pension Contributions	###	A	B	C	D	E	F	G	H	I
Medical Aid Contributions										
Motor vehicle allowance										
Cell phone allowances										
Housing allowance										
Performance Bonus										
Other benefits or allowances										
In-kind benefits										
Sub Total - Senior Managers of Entities % increase	###	-	-	-	-	-	-	-	-	-
Other Staff of Entities										
Basic Salaries and Wages										
Pension Contributions										
Medical Aid Contributions										
Motor vehicle allowance										
Cell phone allowances										
Housing allowance										
Overtime										
Performance Bonus										
Other benefits or allowances										
In-kind benefits										
Sub Total - Other Staff of Entities % increase	###	-	-	-	-	-	-	-	-	-
Total Municipal Entities		-	-	-	-	-	-	-	-	-
TOTAL SALARY, ALLOWANCES & BENEFITS		92,384	99,900	113,578	127,517	123,783	123,783	143,896	150,589	157,262



Summary of Employee and Councillor remuneration	Ref	2009/2010	*2010/11	*2011/12	*2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand	###	A	B	C	D	E	F	G	H	I
% increase	###		8.1%	13.7%	12.3%	(2.9%)	--	16.2%	4.7%	4.4%
TOTAL MANAGERS AND STAFF	###	82,050	88,675	101,323	115,148	110,675	110,675	129,284	135,246	141,152

References

1. Include 'Loans and advances' where applicable if any reportable amounts until phased compliance with s164 of MFMA achieved
2. s57 of the Systems Act
3. If benefits in kind are provided (e.g. provision of living quarters) the full market value must be shown as the cost to the municipality
4. B/A, C/B, D/C, E/C, F/C, G/D, H/D, I/D
5. Must agree to the sub-total appearing on Table A1 (Employee costs)

Column Definitions:

- A, B and C. Audited actual as per the audited financial statements. If audited amounts are unavailable, unaudited amounts must be provided with a note stating these are unaudited
- D. The original budget approved by council for the budget year.
- E. The budget for the budget year as adjusted by council resolution in terms of section 28 of the MFMA.
- F. An estimate of final actual amounts (pre audit) for the current year at the point in time of preparing the budget for the budget year. This may differ from E.
- G. The amount to be appropriated for the budget year.
- H and I. The indicative projection



Description	Ref	Budget Year 2012/13												Medium Term Revenue and Expenditure Framework			
		July	August	Sept	October	November	December	January	February	March	April	May	June	Budget Year 2012/13	Budget Year 2013/14	Budget Year 2014/15	
<b>Economic and environmental services</b>		2,110	2,148	2,148	2,148	2,148	2,434	2,434	2,434	2,434	2,434	2,434	2,434	2,434	2,434	2,434	29,438
Planning and development		710	749	749	749	749	1,034	1,034	1,034	1,034	1,034	1,034	1,034	1,034	1,034	1,034	12,281
Road transport		1,399	1,399	1,399	1,399	1,399	1,399	1,399	1,399	1,399	1,399	1,399	1,399	1,399	1,399	1,399	17,157
Environmental protection																	-
Trading services		27,771	28,524	24,953	19,768	20,092	19,608	19,236	19,748	19,194	19,804	20,288	128,411	367,368	395,719	428,881	428,881
Electricity		19,434	20,187	16,431	11,246	11,570	11,086	10,714	11,226	10,672	11,282	11,736	60,564	206,148	229,427	255,861	255,861
Water		4,951	4,951	5,026	5,026	5,026	5,026	5,026	5,026	5,026	5,026	5,026	31,662	86,803	89,888	93,355	93,355
Waste water management		1,545	1,545	1,620	1,620	1,620	1,620	1,620	1,620	1,620	1,620	1,620	15,661	33,336	34,403	35,614	35,614
Waste management		1,840	1,840	1,875	1,875	1,875	1,875	1,875	1,875	1,875	1,875	1,875	20,525	41,082	42,001	44,051	44,051
Other		9	9	9	9	9	9	9	9	9	9	9	18	116	121	125	125
<b>Total Expenditure - Standard</b>		38,716	39,899	35,460	31,277	32,140	31,403	31,031	31,543	30,989	31,599	32,053	117,877	484,928	514,693	553,431	553,431
Surplus/(Deficit) before assoc.		28,494	(15,850)	(8,551)	(3,340)	31,878	(9,015)	(5,837)	(9,329)	20,753	(7,594)	(7,669)	#REF!	#REF!	#REF!	#REF!	#REF!
Share of surplus/(deficit) of associate																	
Surplus/(Deficit)	1	28,494	(15,850)	(8,551)	(3,340)	31,878	(9,015)	(5,837)	(9,329)	20,753	(7,594)	(7,669)	#REF!	#REF!	#REF!	#REF!	#REF!

1. Surplus (Deficit) must reconcile with Budgeted Financial Performance check

#REF! #REF! #REF!

