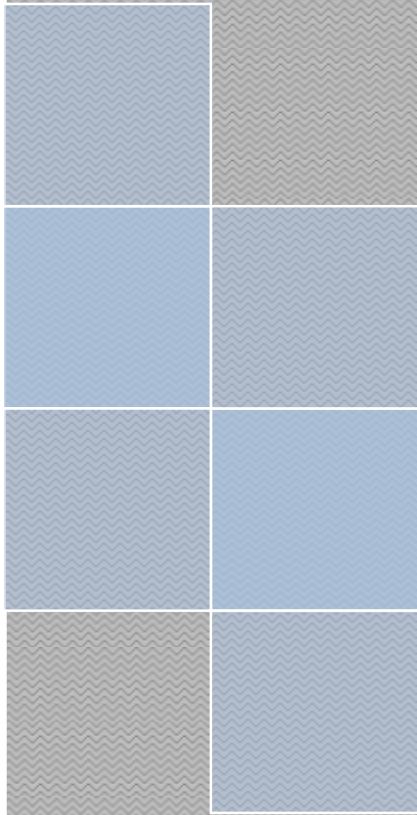




Tswelopele Local Municipality

Draft Annual Report

2012 / 2013





TSWELOPELE LOCAL MUNICIPALITY

"A municipality in progress"

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CHAPTER 1

COMPONENT A: MAYOR'S FOREWORD

The Annual Report is compiled in line with Section 45 of the Municipal Systems Act, 2000 [Act 32 of 2000] and Section 21 of the Municipal Finance Management Act, 2003 [Act 56 of 2003]. The performance of Tswelopele Local Municipality is described in the Annual Report and annual financial statements. We therefore believe that this report will serve to enhance public accountability and transparency in the affairs of the municipality.

The mission of the municipality is to be accountable, transparent and to be non-racial municipality that promotes economic development and provides sustainable services and improves the quality of life in the community, and we are currently striving to achieve this with limited resources at our disposal.

In order to significantly contribute to the economy through our activities in line with the Provincial Growth and Development Strategy, we would need to step up our performance on what we have achieved and put corrective measures where we have not lived up to expectations. To this, we shall re-channel resources both human and financial where they are needed most. The Auditor General's report instructs our administration to put more effort in order to properly manage state resource. We are hopeful that we will move towards improvement in this regard.

We committed ourselves as public servants to provide our community with quality services so as to eradicate unemployment, inequality and poverty at all levels.

When the municipality considers and deliberates on any issue, it holds open sessions to which members of the public and stakeholders are invited to submit their views and comments so as to identify the needs of the community including prioritization of those needs. The views of the community on strategies, programmes and services are addressed through the Integrated Development Plan for the purpose of helping the Council. The public and other stakeholders are invited by means of the distribution of flyers, pamphlets, loud-hailing and or announcements at public meetings.

I take this opportunity to thank the hard working staff led by the Municipal Manager, my colleagues and fellow Councillors, my church and family as well as the community of Tswelopele who have supported us and made these milestones achievable. Together we can work faster and smarter and must do more to make Tswelopele a better place for all who live in it.

Signed by:

MAYOR: CLR. M.E. MATHIBE

1.1 MUNICIPAL MANAGER'S OVERVIEW

During the preparation of this annual report, various legislative requirements were adhered to. I have also considered the importance of reliability, usefulness and relevance of the annual financial statements and performance information as contained herein. Section 121(3) of the Municipal Finance Management Act 2003, read together with section 46 of the Municipal Systems Act 2000, prescribes the minimum contents of an annual report of a municipality.

This Annual Report therefore provides an authoritative record of the activities of Tswelopele Local Municipality that we embarked on during the 2012/13 financial year. The report presents us with an opportunity to reflect on our achievements since the last reporting period, and also to provide a detailed account of our performance as the municipality against our strategic plans and resources that were at our disposal for the period of 2012/13.

The Integrated Development Plan (IDP), Budgets, Service Delivery and Budget Implementation Plans (SDBIP's), Performance Plans and Agreements of section 57 managers, still remains the key service delivery planning tools that we have to utilize in an effort to deliver sustainable services to our communities.

In order to achieve the vision of the municipality we endeavour to align our planning with policy priorities adopted by the National and Provincial Governments, as well as ensuring that there is alignment of programs between ourselves, the District, Provincial and National Government. The alignment with 5 National Key Performance Areas was adopted and incorporated into our plans during the planning period.

I undertook the initiative to review the municipal organizational structure in order to achieve the efficiency and effectiveness towards delivering the services to our communities. Various critical positions will be filled in the financial year 2013/14. The municipality has received a financially unqualified audit opinion with other matters and an action plan has been put in place to address the deficiencies identified. Positive strides have been towards ensuring that the municipality receives a clean audit outcome going forward.

The functionality of the audit committee has been instrumental in the achievement of unqualified audit opinion. The committee adhered to their meeting schedule and frequently advised the municipality on matters of financial and non-financial. Various corporate related policies were developed, reviewed and approved for implementation to enhance the internal controls.

The Budget and Treasury office worked tirelessly to ensure that it curbs any form of financial mismanagement. Compliance with all the reporting requirements have been adhered to including the reporting on grants received. The municipality acknowledges that, a lot of work still needs to be done in improving revenue collection.

In the previous reporting period, we identified a number of initiatives that should be targeted for the implementation in this reporting period. Key to these initiatives were the programmes relating to economic sustainability and the creation of a conducive environment for economic activities to uplift the economy of the municipal jurisdiction.

As the Municipal Manager of this institution, I hereby wish to extend my appreciation to the Mayor for her visionary leadership, the Speaker, all Councillors, the hardworking management team and all dedicated officials for their unwavering support.

Signed by:

MUNICIPAL MANAGER: MR. TL MKHWANE

1.2 MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

BACKGROUND DATA

Tswelopele Local Municipality performs some of the functions outlined in Schedules 4 and 5 of the Constitution of the Republic of South Africa Act. 91,9% of our population that have access to basic level of electricity (10 Amps connection); 76,72% access to basic level of waste removal and 76,82% access to basic level of sanitation. The majority of our roads are gravel roads that we maintain regularly depending on the availability of equipment and resources. The maintenance referred to above includes storm-water drainage, public lighting and patching of pot-holes. Other services such as library and environmental health are rendered by the District Municipality.

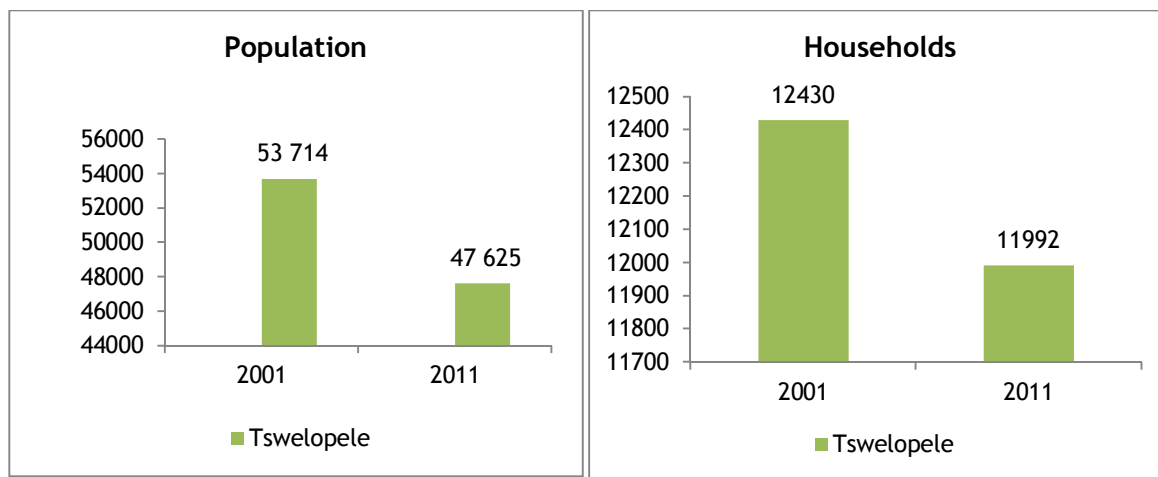
1.2.1 DEMOGRAPHIC PROFILE

Tswelopele Municipality is 6 506, 68 square kilometres in extent. The demographic profile of the municipality according to the most recent information available is shown in the table below:

	1996 - Stats SA	2001- Stats SA	2011-Stats SA
No. of households	12 623	12 624	11 992
Average people	4,40	4,2	4
Total population	58 858	55 591	47 625

The key statistics mentioned above as reflected in Census 2001 are shown to place the municipality's performance in the proper context. The net population decreased in the municipality between 1996 and 2001 was 2 318 people (1 110 households).

According to the graph below, the population number in the municipality appears to decline, recording a marginal decline of 1.2% over 2001 to 2011. The number of households has declined from 12 624 in 2001 to 11 992 in 2011. The cause of the decline has to be investigated as it is dangerous to assign reasons that have not been properly tested and interrogated.



Source: Statistics SA, Census 2011

1.2.2 ECONOMIC PROFILE

There is a contention that “negative growth in the agricultural sector can be attributed to a number of factors including drought, precarious weather conditions, and market conditions. There are other factors causing a large percentage of commercial farmers to experience financial problems. Most farmers are also mechanizing their operations, which is causing job losses and migration to urban areas. As the economies of the smaller towns are based on businesses supporting agriculture, the business climate of the smaller towns is showing negative trends” (source: web.ndmc.gov.za/profiles/fs).

The above observation equally applies to Tswelopele Community, the struggling farming situation does not only create job losses and migration to Bultfontein and Hoopstad, but also puts a lot of pressure on services such as water usage and waste water disposal facilities.

1.2.3 TOURISM

It is reported that tourism in this area is suppressed because the area lacks natural attractions and also because the tourism infrastructure of the area is highly underdeveloped and will need substantial upgrading before any serious attempts towards tourism promotion is done. Despite the above there is potential to develop tourism in specific areas like eco-tourism, game farming and cultural tourism (source: web.ndmc.gov.za/profiles/fs).

1.3 SERVICE DELIVERY OVERVIEW

We continue to ensure that the highest standards of services are provided to our community despite of a number of challenges that we face including financial constraints. We are mindful of the fact that it is almost impossible to deal with back-logs in all aspects of service delivery. This is mainly so because as the municipality addresses the current back-logs, the existing infrastructure needs to be maintained and upgraded and both of these exercise (covering the back-logs and maintaining the existing infrastructure) need financial attention.

1.4 FINANCIAL HEALTH OVERVIEW

The population of the Municipality is dominated by indigent, unemployed and poor households. As a result the municipality's revenue is based on the limited contribution from part of the community that can pay for the services that they receive and mainly on the Equitable Share received from National Treasury. The bigger portion of our operating and capital expenditure derives from Grants, Equitable Share and allocations by the District Council.

Total Capital Expenditure: 2011/2012 to 2012/13			
Detail	2010/11	2011/12	2012/13
Original Budget	18 790 000	20 799 000	35 571 000
Adjustment Budget	-	-	35 571 000
Actual	18 790 000	14 323 109	35 571 000

CAPITAL EXPENDITURE:

Comparison of the capital budget over three financial years (2011/12 - 2012/13) shows a steady increase, albeit on a smaller scale.

1.5 ORGANISATIONAL DEVELOPMENT OVERVIEW

ORGANISATIONAL DEVELOPMENT PERFORMANCE

Tswelopele Municipality continues to maintain a steady workforce. This happens despite the size of our municipality and the ability of our municipality to attract competent individuals who are knowledgeable and possess the necessary working experience.

1.6 AUDITOR GENERAL REPORT

The municipality obtained a financially unqualified audit opinion from the Auditor General for the 2012/13 financial year. This was made possible by the hardworking personnel and the introduction of control systems. Determination and dedication on addressing matters contained in the action plan also assisted in realizing this outcome. However the municipality is striving towards a clean audit.

1.7 STATUTORY ANNUAL REPORT PROCESS

Below is an exposition of the processes that must be followed in order to comply with the compilation of the Budget; review of the IDP; submitting monthly and quarterly reports; preparation of the performance Report, Annual Financial Statements and annual Report:

No	Activity	Timeframe
1	Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period.	July
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	
3	Finalise 4 th quarter Report for previous financial year	
4	Submit draft 2012/13 Annual Report to Internal Audit and Auditor-General	
5	Audit/Performance committee considers draft Annual Report of the municipality	August
6	Mayor tables the unaudited Annual Report	
7	Municipality submits draft Annual Report including annual financial statements and performance report to Auditor General.	
8	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	
9	Auditor General assesses draft Annual Report including Annual Financial Statements and Performance data	September - October
10	Municipalities receive and start to address the Auditor General's comments	November
11	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	
12	Audited Annual Report is made public and representation is invited	
13	Oversight Committee assesses Annual Report	
14	Council adopts Oversight report	December
15	Oversight report is made public	
16	Oversight report is submitted to relevant provincial councils	
17	Commencement of draft Budget/ IDP finalization for next financial year. Annual Report and Oversight Reports to be used as input.	January

THE ANNUAL REPORT PROCESSES

Compliance with the above process is important in that it creates predictability, uniformity and stability. If this is not strictly adhered to, synergy between the various steps and processes will not be created. This also serves as a good management tool in that it mandates what processes should be implemented at what stage. For Tswelopele Municipality to meet the timelines mentioned above, most of the items have been included in the Performance Plans of Senior Managers as deliverables.

CHAPTER 2

GOVERNANCE

Matters of governance are taken very seriously by all structures within the Municipality. The relationship between Politicians and the Administration is very good. Although each structure understands and appreciates its own roles and those of others, a culture of co-operation and consultation is the order of the day. Key role-players in the Municipality believe in the principle of Co-operative governance as stipulated in section 41 of the Constitution. The relationship between Tswelopele Municipality and Provincial Government, Department of Co-operative Governance and Traditional Affairs (COGTA) and the District Municipality is very good. Their inputs and assistance to our municipality is invaluable. The different spheres of government meet regularly through the Inter-Governmental Relations Meetings convened to discuss matters of mutual interest. Tswelopele Municipality receives the necessary support in an effort to strengthen our capacity as prescribed by Section 154(1) of the Constitution.

POLITICAL AND ADMINISTRATIVE GOVERNANCE

The Tswelopele Local Municipality is a Collective Executive System combined with a Ward Participatory System (according to section 9 (b) of the Municipal Structures Act, 1998 (Act 117 of 1998) with the Council as the highest decision making body. Both the legislative and executive authority of the Municipality is vested in Council. The Municipality is a Category B Municipality as outlined by Section 155 of the Constitution. The Municipal Manager is the head of the administration and also the accounting officer and reports to both the Mayor and the Council.

2.1 POLITICAL GOVERNANCE

INTRODUCTION TO POLITICAL GOVERNANCE

The Mayor is the key figure in the Municipality in terms of section 52 of the Municipal Finance Management Act (MFMA), Act 56 of 2003. She is the Chairperson of the Executive Committee (EXCO) that is responsible for receiving reports from various Section 80 Committees of Council and makes recommendations to Council as determined by Section 49 of the Municipal Structures Act, 1998 (Act 117 of 1998). The Speaker is the Chairperson of Council and performs function as stipulated in Section 37 of the Municipal Structures Act, 117 of 1998.

THE POLITICAL STRUCTURE

The Political Structure of the Council for Tswelopele Municipality is composed as follows:

A. MAYOR

Cllr ME Mathibe - The Mayor presides at the meetings of the Executive Committee. She performs duties and functions including any ceremonial functions, and exercise powers delegated to the Mayor by Council or the Executive Committee.

B. SPEAKER

Cllr TA Matlakala - Presides at Council meetings and performs duties and exercises powers delegated to the Speaker in terms of section 59 of Local Government: Municipal Systems Act, Act 32 of 2000. Furthermore the Speaker has the following functions:

- to ensure that the Council meets at least quarterly;
- to maintain order during Council meeting;
- to ensure compliance in the Council and Council Committees with code of conduct;
- to ensure that Council meetings are conducted in accordance with rules and orders of the Council.

C. EXECUTIVE COMMITTEE MEMBERS

Members of the Executive Committee are as follows:

- Cllr. M.E. Mathibe (Chairperson by virtue of being the Mayor);
- Cllr. P.P. Moalosi; and
- Cllr. C. Horn.

The powers and functions of the Executive Committee are as stipulated in section 44 of the Structures Act.

D. COUNCILLORS

Tswelopele Local Council is constituted of 15 Councillors (i.e.8 ward councilors and 7 Proportional Representative Councilors). The names of Councillors and constituencies are summarized below:

WARD	WARD COUNCILLORS	PR. COUNCILLORS
Ward 1	Cllr. B.P. Esau	Cllr. M.E. Mathibe
Ward 2	Cllr. P.P. Moalosi	Cllr. M.S. Bonokoane
Ward 3	Cllr. T.A. Matlakala	Cllr. K.R. Phukuntsi
Ward 4	Cllr. D.A. Njodina	Cllr. M.J. Taljaard
Ward 5	Cllr. M.W. Raseu	Cllr. C. Horn
Ward 6	Cllr. MJ Ngexe	Cllr. E.C. Joubert
Ward 7	Cllr. T.T. Taedi	Cllr. M.M. Snyder
Ward 8	Cllr. M.S. Baleni	

POLITICAL DECISION-TAKING

The Council of Tswelopele Local Municipality is a Collective Executive System and it consists of the Council, which is the highest decision making body and it meets quarterly, and the Executive Committee which meets once every month.

The Percentage Number of Resolutions Implemented vis-à-vis the Percentage of Number Decision Taken is about 100%.

2.2 ADMINISTRATIVE GOVERNANCE

The Municipal Manager is the accounting officer of the municipality in terms Section 60 of the MFMA and must provide guidance on compliance with this Act to political structures; political office bearers, and officials of the municipality and any entity under the sole or shared control of the municipality. Although the Municipal Manager is at the apex of the administration, the administration of Tswelopele Municipality functions as a collective unit and meets regularly to address various service delivery issues.

TOP MANAGEMENT

The Top Management of the Municipality is constituted as follows:

1. The Municipal Manager: Mr. TL Mkhwane

As mentioned above, the Municipal Manager is the accounting officer of the municipality in terms Section 60 of the MFMA and must provide guidance on compliance with this Act to political structures; political office bearers, and officials of the municipality and any entity under the sole or shared control of the municipality.

2. Director Corporate Services: Mr. S Rabanye

This department is a catalyst of all Municipal Departments. It provides support and auxiliary services to both Political Structures and the Administration. It is responsible for legal, human resources, personnel records, secretariat, archives, performance management and training.

3. Director Community Services: Ms. Z Tindleni

The Department ensures proper planning takes place and ensures that social and emergency services are provided. The Department is also responsible for the implementation of community services.

4. Chief Financial Services: Mr. L Moletsane

The Department provides corporate financial management and accounting services as prescribed by Section 81 of the MFMA. The incumbent of this position performs and accounts to the Municipal Manager.

5. Director Infrastructure Services: Mr. B Dikoko

The major responsibilities of this department include the management of all technical services such as water provision, sanitation services, electricity provision and maintenance of roads infrastructure.

COMPONENT B: INTERGOVERNMENTAL RELATIONS

CO-OPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

It is required that municipalities exercise their executive and legislative authority within the constitutional system of co-operative governance envisaged Section 41 of the Constitution. The relationship between Tswelopele Municipality, National and Provincial Governments, Department of Co-operative Governance and Traditional Affairs (COGTA) Lejweleputswa District Municipality is very good. Their inputs and assistance to our municipality is invaluable.

2.3 INTERGOVERNMENTAL RELATIONS

INTERGOVERNMENTAL STRUCTURES

Tswelopele Municipality participates in a number of structures aimed at enhancing Intergovernmental relations as prescribed by Chapter 3 of the Constitution and Section 3 of the Systems Act. These include outreach programmes of National Ministers; Provincial Cabinet Lekgotla; SALGA; National and Provincial Treasuries; District Municipality's Intergovernmental

Relations Meetings and mainly through interactions when compiling the IDP through a structure called IDP Forums and IDP Steering Committees.

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

Section 15(b) of the Systems Act requires a municipality to establish and organize its administration to facilitate and inculcate a culture of accountability amongst its staff. Section 16(i): states that a municipality must develop a system of municipal governance that compliments formal representative governance with a system of participatory governance. Section 18(i) (d) requires a municipality to supply its community with information concerning municipal governance, management and development.

The above objectives are achieved by holding public meetings; ward meetings; communication with and through Non-Governmental Organizations and through the use of Community Development Workers. Political leaders of parties represented in Council also give feedback to the community through meetings of those structures.

2.4 PUBLIC MEETINGS

COMMUNICATION, PARTICIPATION AND FORUMS

The following mechanisms are used as tools to ensure public participation and communication with the citizens within Tswelopele local municipal area. These include Loud -hailers, the Rock local radio, Lesedi FM and local News -papers. Ward Councillors, Community Development Workers and Ward Committees hold sectional meetings in their respective wards to enhance public participation by consulting their constituencies.

The IDP and budget consultative meetings are held as stipulated by law through different forums and they are inclusive of Steering committee, Representative/ stakeholders Forums, Sectional, Ward and Mass meetings. All these meetings are held on scheduled dates and communicated to the public through local newspapers as prescribed by the law. The challenge is non-attendance by other sectors during these consultative meeting.

During the year under review a different approach was used to consult with, educators; nurses; people with disabilities and farmers to get a clear understanding what they are expecting from the municipality and also the need to meet their obligations.

The efficiency and effectiveness of these forums is improved through taking members to workshops that provide them with relevant skills and feedback to the larger community.

WARD COMMITTEES

Ward Committees are said to be the eyes, ears and strong link between the Municipality, Ward Councillors and the community. They are the people with more knowledge regarding service delivery issues within the municipal area as they work and interact with those communities regularly. The fact that Ward Committee members must be resident within the area where they serve ensures that these are people who are not only close to those communities, but are also affected daily by what the Municipality does in those areas. During consultations, e.g. Imbizo's with the communities by the municipality and sector departments, Ward Committee members are more positioned to help with rendering service offered by the said departments.

PUBLIC MEETINGS					
Nature and Purpose of meeting	Date of event	Number of Participating Municipal Councillors	Number of Participating Municipal Administrators	Number of Community members attending	Manner of feedback given to community
Lejweleputswa Oversight Committee-Public hearing	11 March 2013	All Councillors	Municipal Personnel	Public	Consultative
Budget and IDP meetings	Dec 2012 to May-June 2013	All Councillors	Municipal Personnel	Public	Consultative

THE EFFECTIVENESS OF THE PUBLIC MEETINGS HELD

The meetings were effective in that members of the public, Councillors and municipal officials were able to get first-hand information from key decision makers, to ask questions directly and to raise their problems regarding service delivery by all spheres of government and obtain responses immediately.

2.5 IDP PARTICIPATION AND ALIGNMENT

IDP Participation and Alignment Criteria*	Yes/No
Does the municipality have impact, outcome, and input indicators?	Yes
Does the IDP have priorities, objectives, KPI's, development strategies?	Yes
Does the IDP have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	No
Does the budget align directly to the KPI's in the strategic plan?	Yes
Do the IDP KPI's align to the Section 57 Managers?	Yes
Do the IDP KPI's lead to a functional area KPI's as per the SDBIP?	Yes
Were the indicators communicated to the public?	Yes
Were the four quarter aligned reports submitted within the stipulated time frames?	No

COMPONENT D: CORPORATE GOVERNANCE

Tswelopele Municipality is always determined to adhere to principles of good governance at all times. These include aspects of managing risk; Measures aimed at addressing Fraud and Anti-Corruption and to protect whistle-blowers; Open, credible and transparent Supply Chain Management processes; Adherence to the rule of law; Providing Information to the public and other stakeholders and providing good quality and reliable services.

2.6 RISK MANAGEMENT

Section 62(1) (c) of the MFMA requires a municipality to have and maintain an effective, efficient and transparent system of risk management. As a result, the municipality has developed and approved the Anti-Fraud and Corruption Policy; has appointed an Audit Committee that meets once a quarter and emphasizes on maintaining proper records for every transaction done. The municipality has also adopted a Risk Management Policy. The short-coming of the Municipality in this regard is the development of the risk register on the water, sewerage and the electricity network. The municipality is intending to appoint the official responsible for risk matters in 2013/14 financial year.

The top 5 risks within our Municipality that need urgent attention are the following:

- a. the extent of the Unaccounted For Water and Electricity;
- b. reliance on Grants and Equitable Share;
- c. lack of expertise on specific areas of our operations;
- d. Development of By-Laws to enforce implementation of certain resolutions; and
- e. Implementation of all laws applicable to Municipalities.

2.7 ANTI-CORRUPTION AND FRAUD

FRAUD AND ANTI-CORRUPTION STRATEGY

Section 83 (c) of the Systems Act, 2000 requires service providers to be chosen through a process which minimizes the possibility of fraud and corruption. Over and above these measures, the municipality has adopted the Supply Chain Management Policy, the Procurement Policy and the Internal Audit Charter.

2.8 SUPPLY CHAIN MANAGEMENT

OVERVIEW SUPPLY CHAIN MANAGEMENT

Section 110-119 of the MFMA; the Supply Chain Management (SCM) Regulations 2005; and relevant MFMA circulars issued by National Treasury require processes and guidance manuals to help ensure that SCM arrangements provide appropriate goods and services, offer best value for money and minimize the opportunities for fraud and corruption. To comply with legislation and circulars mentioned above, Tswelopele Council has adopted the Procurement Policy and the Supply Chain Management Policy. Improvements are required on the placement of tenders and quotations on the Municipality's website. The municipality with a view of improving the Supply Chain Management processes, has centralized the procurement of goods and services.

2.9 BY-LAWS

By-laws Introduced during 2012/13						
Name of By-Law	Newly Developed	Revised	Public Participation Conducted Prior to the Adoption of By-Laws (Yes/No)	Dates of Public Participation	By-Laws Gazetted (Yes/No)	Date of Publication
Property Rates By-Law	No	Yes	yes	19-20 February 2013	Not Yet done	Not Yet done

The Property Rates By-Laws were compiled and public hearings were held in all the towns falling under the jurisdiction of our Municipality. The inputs of the community are still being incorporated into the draft document. After the completion of this process, the By-Laws will be promulgated in the Provincial Gazette to have an effect of the law. The promulgated By-Laws will have an impact on the Property Rates and will inform the budget of the Municipality on an Annual basis.

The municipality is currently having a challenge of rationalizing all applicable by-laws. In the new financial year the municipality will robustly embark on rationalizing all applicable by-laws.

2.10 WEBSITE

Documents published on the Municipality's Website	(Yes/No)
Current annual and adjustments budgets and all budget-related document	No
All current budget-related policies	No
The previous annual report (2010/11)	No
The annual report (2011/12) published	No
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (2011/12) and resulting scorecards	No
All service delivery agreements (2012/13)	No
All long-term borrowing contracts (2012/13)	No
All supply chain management contracts above a prescribed value (give value) for 2012/13	No
An information statement containing a list of assets over a prescribed value that have been disposed in terms of section 14 (2) or (4) during 2012/13	No
Contracts agreed in 2012/13 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	No
Public-private partnership agreements referred to in section 120 made in 2012/13	No
All quarterly reports tabled in the council in terms of section 52(d) during 2012/13	No

WEBSITE CONTENT AND ACCESS TO INFORMATION

Section 75 of the MFMA prescribes information that must be placed on the municipality's website. This was not completely complied with by the Municipality. The solution will be to appoint/designate a person whose responsibility will be to comply with the provisions of the law. Due to the Municipality's financial constraints this has not been achieved. The Municipality is considering entering into an agreement with the host of our website to assist with this exercise.

2.11 PUBLIC SATISFACTION ON MUNICIPAL SERVICES

PUBLIC SATISFACTION SURVEY LEVELS

Tswelopele Municipality did not conduct any formal or structured customer satisfaction surveys during the year under review. This was due to the limitations of financial resources. However, public and ward meetings were used to get views of the community on the services provided by Tswelopele Municipality. Views gathered at public and ward meetings are immediately brought to the attention of the responsible officials for ratification.

In the new financial year the municipality will install suggestion boxes at all municipal premises, and comments made thereof will be attended to.

SERVICE PROVIDERS PERFORMANCE

SERVICE PROVIDER	PROJECT NAME	BUDGET VALUE	CONTRACT DURATION	PROJECT STATUS	END USER REMARKS
Kamati Incorporated	Development of the health and safety policy	R95 000,00	Less than a year	Completed	The services provided were satisfactorily and in accordance with the contract.
Friday Management Solutions	Preparation of the annual performance report and annual report	R195 000,00	Less than 6 months	Completed	The services provided were satisfactorily and in accordance with the contract.
Friday Management Solutions	Development and preparation of performance agreements for 2012/13 Financial Year	R194 370,00	Less than 6 months	Completed	The services provided were satisfactorily and in accordance with the contract.
Fire Equipment Sales and Services	Fire extinguishers for Bultfontein and Hoopstad	R9 301,26	Once off	Completed	The services provided were satisfactorily and in accordance with the contract.
UTD HR Consulting	Development of a WSP for 2013/14 and ATR for 2012/13 Financial year	R39 900,00	Once off	Completed	The services provided were satisfactorily and in accordance with the contract
The Wox	Workshop for Ward Committee Members	R80 000,00	Once off	Completed	The services provided were satisfactorily and in accordance with the contract.
Ultimate Dynamic NEP Consulting Engineers	Bultfontein: Construction of new sewer treatment works	R63 500 000,00	21 Months	Completed	Few delays occurred but the objective was finally achieved. Project is under retention
JV_ Down Touch Inv /Golden Mile Holding NEP Consulting Engineers	Phahameng: Construction and upgrading of 2.5km roads	R10 300 955. 31	9 Months	Completed	The objective was achieved without serious challenges
Tshenolo Resources/ Ishmael Construction JV NEP Consulting Engineers	Tikwana: Construction and upgrading of 2.5km roads	R6 500 000,00	4 Months	Completed	The Project was successfully implemented and completed
Skhokho Civils No consultant	Hoopstad/ Tikwana: Fencing of Cemetery (Kameeldoring)	R686 240.06	4 Months	Completed	The Project was successfully implemented and completed
No Contractor Aurecon Consulting	Hoopstad/Tikwana: UpgradingWaste Water Treatment Works	R46 166 665,00	21 Months	-	Project delayed and Budget maintenance is not approved
Distinctive Choice MVD Kalahari Consulting	Bult/ Phahameng: Upgrading of Sports Facilities (Phase 1)	R4 561 313,00	4 Months	-	The Project was delayed by Material Supplier and cash-flow challenges

CHAPTER 3

SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART I)

INTRODUCTION

Constitution of the Republic of South Africa guides Tswelopele Municipality in providing services as outlined in Schedules 4 (Part B) and 5 (Part B) of the Republic of South Africa Act, (Act 108 of 1996). These services include water provision, waste water (sanitation), electricity distribution, waste management (including refuse removal and solid waste disposal) and the facilitation of housing and provision of sites. In accordance with National Treasury Guidelines and Directives, the Municipality also provides Free Basic Services to indigent households within our communities. This is meant to provide relief to those households that are not able to pay their consumer accounts.

COMPONENT A: BASIC SERVICES

The extent to which Tswelopele Municipality provides services such as water; waste water (sanitation); electricity; waste management and housing services will be provided and achievements realised will be discussed and a summary of free basic services will be reported.

3.1 WATER PROVISION

The Water Services Act of 1997 and the General Enabling Act of 2005 dictate how Water Authorities and Water Service Providers should provide the water services as well as the quality of water that needs to be supplied. 100% of households within the municipal area have access to the basic level of clean water.

We are glad to announce that during the Blue Drop Awards Ceremony held by the Department of Water Affairs on the 8th May 2012, Tswelopele Local Municipality received an overall Blue Drop Score of 92, 42%. This score is less than 3% from a Blue Drop Status. However, Tswelopele has taken the lead in the Free State Province in the Green Drop Status.

The indicators are described in detail below.

Water Services Delivery Levels				
Description	Households			
	2009/10	2010/11	2011/12	2012/13
	Actual No.	Actual No.	Actual No.	Actual No.
Water- (above minimum level)				
Piped water inside dwelling	1294	3512	3820	3820
<i>Piped water inside yard (but not in dwelling)</i>	9012	8279	7971	7971
<i>Using public tap (within 200m from dwelling)</i>	9012	0	0	0
<i>Other water supply (within 200)</i>	0	0	0	0
<i>Minimum Service Level and sub-total</i>	10306	11791	11791	11791
<i>Minimum Service Level and Above Percentage</i>	100%	100%	100%	100%
Water- (below minimum level)				
<i>Using public tap (more than 200m from dwelling)</i>	0	0	0	0
<i>Other water supply (more than 200m from dwelling)</i>	0	0	0	0
<i>No water supply</i>	0	0	0	0
<i>Below Minimum Service Level sub-total</i>	0	0	0	0
<i>Below Minimum Service Level Percentage</i>	0	0	0	0
Total number of households including informal settlements	10306	11791	11791	11791

Households -Water Service Delivery Levels below the Minimum						
						Households
Description	2009/10	2010/11	2011/12	2012/13		
	Actual No.	Actual No.	Actual No.	Original Budget No.	Adjusted Budget No.	Actual No.
FORMAL SETTLEMENTS						
Total households	10306	11791	11791	11791	11791	11791
<i>Households below minimum service level</i>	0	0	0	0	0	0
<i>Proportion of households below minimum service level (%)</i>	0	0	0	0	0	0
INFORMAL SETTLEMENTS	0	0	0	0	0	0
Total households	0	0	0	0	0	0
<i>Households below minimum service level</i>	0	0	0	0	0	0
<i>Proportion of households below minimum service level</i>	0	0	0	0	0	0

EMPLOYEES: WATER SERVICES					
Job level	2011/12	2012/13			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts)
0 -3	2	3	3	0	0%
4 -6	4	4	4	0	0%
7 -9	2	2	2	0	0%
10 -12	0	0	0	0	0%
13 -15	0	0	0	0	0%
16 -18	0	0	0	0	0%
19 -20	0	0	0	0	0%
Total	8	9	9	0	0%

Water Service Objectives								
Service Objectives <i>Service Indicators</i> (i)	Outline Service Targets (ii)	2010/2011		2011/2012			2012/2013	
		Target	Actual	Target		Actual	Target	
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)
Service Objective								
BASIC SERVICES <i>Households without minimum water supply</i>	Number of households (HHs) without supply at year end)	1 336	1 336	1 336	1 336	1 336	1 336	1 336
BASIC SERVICES <i>Improve water conservation</i>	Reduce unaccountable water levels compared to the baseline of Year -1 (xxx kilolitres (KLs) unaccounted for during the yr)	10% KLs)	10% KLs)	10% KLs)	10% KLs)	40% KLs)	0	10% KLs)

3.2 WASTE WATER (SANITATION) PROVISION

INTRODUCTION TO SANITATION PROVISION

We are still committed to provide the highest level of sanitation services to residents. In our area of jurisdiction the highest level of sanitation services provided by the municipality is a flush toilet connected to the sewerage system and the basic level of service includes flush toilet with septic tank and a PIT latrine with ventilation.

The indicators for sanitation services are depicted below:

Sanitation Services Delivery Levels			
Description	Households		
	2010/11	2011/12	2012/13
	Actual No.	Actual No.	Actual No.
Sanitation/sewerage- (above minimum level)			
<i>Flush toilet (connected to sewerage)</i>	10 438	10 438	10 438
<i>Flush toilet (with septic tank)</i>	17	17	17
<i>Chemical toilet</i>	0	0	0
<i>Pit toilet (Ventilated)</i>	0	0	0
<i>Other toilet provisions (above minimum level)</i>			
<i>Minimum Service Level and Above sub-total</i>	10 455	10 455	10 455
<i>Minimum Service Level and Above Percentage</i>	100%	100%	100%
Sanitation/sewerage- (below minimum level)			
<i>Bucket toilet</i>	0	0	0
<i>Other toilet provisions (below minimum service level)</i>	1 336	1 336	1 336
<i>No toilet provision</i>	0	0	0
<i>Below Minimum Service Level sub-total</i>	1 336	1 336	1 336
<i>Below Minimum Service Level Percentage</i>	13%	13%	13%
Total number of households including informal settlements	11 791	11 791	11 791

Households -Sanitation Service Delivery Levels below the Minimum Standard						
Description	2009/10	2010/11	2011/12	2012/13		
	Actual No.	Actual No.	Actual No.	Original Budget No.	Adjusted Budget No.	Actual No.
FOMAL SETTLEMENTS	10 306	11 791	11 791	10 306	11 791	11 791
Total households	10 306	11 791	11 791	11 791	0	11 791
<i>Households below minimum service level</i>	0	0	0	1 336	1 336	1 336

<i>Proportion of households below minimum service level (%)</i>	0	0	0	13%	13%	13%
<i>Households below minimum service level</i>	0	0	0	1 336	1 336	1 336
<i>Proportion of households below minimum service level</i>	0	0	0	1 336	1 336	1 336

EMPLOYEES: SANITATION SERVICES					
Job level	2011/12	2012/13			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 -3	16	19	17	2	7,69%
4 -6	7	7	7	0	0
7 -9	0	0	0	0	0
10 -12	0	0	0	0	0
13 -15	0	0	0	0	0
16 -18	0	0	0	0	0
19 -20	0	0	0	0	0
Total	23	26	24	2	7,69%

OVERALL SANITATION SERVICES PERFORMANCE

The Upgrading of Tikwana Waste Water Treatment Plant designs are complete and the construction will start in the 2013/2014 financial year. The municipality is still faced with construction of sewer reticulation of 837 erven in Phahameng and 499 in Tikwana, the approval of the application for funding is still awaited.

Waste Water (Sanitation) Service									
Service Objectives	Outline Service Targets	2009/10		2010/11			2011/12	2012/3	
		Target	Actual	Target		Actual	Target		
		*Previous Year		*Previous Year	*Current Year		*Current Year	*Current Year	*Following Year
Service Indicators (i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
BASIC SERVICES <i>(Provision of toilets within standard)</i>	Households (HHs) provided with minimum sanitation	100%	100%	100%	100%	100%	100%	100%	100%

3.3 ELECTRICITY

For the purpose of electricity provision, basic level of access to electricity is defined as including connection of the household to the grid and basic level of service includes 10 Amp connection. Electricity Generation and Transmission is the sole responsibility of ESKOM. Tswelopele Municipality is licensed by the National Energy Regulator of South Africa (NERSA) only to distribute electricity within its area of jurisdiction. The Tswelopele Municipality has noted over time that electricity is no longer a cheap commodity and that it is no longer in abundance as it used to be. As a result, the municipality continues to appeal to users to use it sparingly and to take measures intended to reduce pressure on the national grid.

The indicators for electricity services are depicted below (the figures below apply only to the municipality's licenced area and exclude the Eskom licence area):

Electricity Services Delivery Levels				
Description	Households			
	2009/10	2010/11	2011/21	2012/13
	Actual No.	Actual No.	Actual No.	Actual No.
Energy- (above minimum level)				
Electricity (at least minimum service level)	1408	1408	1408	1408
Electricity – prepaid (minimum service level)	106	106	106	106
Minimum Service Level and Above sub-total	1514	1514	1514	1514
Minimum Service Level and Above Percentage	100%	100%	100%	100%
Energy- (below minimum level)				
Electricity (< minimum service level)	0	0	0	0
Electricity – prepaid (< minimum service level)	0	0	0	0
Other energy sources	0	0	0	0
Below Minimum Service Level sub-total	0	0	0	0
Below Minimum Service Level Percentage	1514	1514	1514	1514
Total number of households including informal settlements				

Households -Electricity Service Delivery Levels below the Minimum						
Description	Households					
	2009/10	2010/11	2011/12	2012/13		
	Actual No.	Actual No.	Actual No.	Original Budget No.	Adjusted Budget No.	Actual No.
FORMAL SETTLEMENTS	0	0	0	0	0	0
Total households						
Households below minimum service level	0	0	0	0	0	0
Proportion of households below minimum service level (%)	0	0	0	0	0	0
INFORMAL SETTLEMENTS	0	0	0	0	0	0
Total households						
Households below minimum Service level	0	0	0	0	0	0
Proportion of households below minimum service level	0	0	0	0	0	0

The National government has provided targets to be met by all spheres of government by 2014. However, it is clear from the information provided above that Tswelopele is far ahead of the targets as 100% of its customers have access to the Minimum Level of Service on electricity. The challenge may be in rural areas (farms) falling in our area where the back-logs are still to be established by us and brought to the attention of Eskom.

EMPLOYEES IN ELECTRICITY SERVICES					
Job level	2011/12	2012/13			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 -3	1	1	1	0	0
4 -6	1	1	1	0	0
7 -9	0	0	0	0	0
10 -12	2	2	2	0	0
13 -15	0	0	0	0	0
16 -18	0	0	0	0	0
19 -20	0	0	0	0	0
Total	4	4	4	0	0

OVERALL PERFORMANCE OF ELECTRICITY SERVICES

Tswelopele Municipality plans to provide the following; upgrading on the electricity service in the 2013/14 Financial Year, Upgrading of 65 industrial Erven in Hoopstad Phase 1 and Erven 799-806 industrial Erven at Hoopstad (Bloemhof Entrance).

Electricity Service Objectives									
Service Objectives	Outline Service Targets	2009/10		2010/11		2011/12	2012/13		
		Target	Actual	Target	Actual		Target		
		*Previous Year		*Previous Year	*Current Year		*Current Year	*Current Year	*Following Year
Service Indicators (i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
Service Objective xxx									
BASIC SERVICES <i>(Provision of minimum supply of electricity)</i>	Additional households (HHs) provided with minimum supply during the year	1 514	1 514	1 514	1 514	15 14	1 514	1 514	1 514

(Number of HHs below minimum supply level)	0	0	0	0	0	0	0	0
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3.4 WASTE MANAGEMENT

Tswelopele Municipality spares no effort to ensure that refuse removal is done at least once a week at every house-hold, to ensure the efficient management of the solid waste disposal sites, to prevent littering and to ensure that the street and pavements are regularly cleaned. Although there are still isolated areas of inconsistency, remedial action is taken where such are detected.

The indicators for waste management services are depicted below:

Solid Waste Services Delivery Levels				
Households				
Description	2009/10	2010/11	2011/12	2012/13
	Actual No.	Actual No.	Actual No.	Actual No.
Solid waste- (minimum level)				
<i>Removed at least once a week</i>	10 306	10 455	10 455	10 455
<i>Minimum Service Level and Above sub-total</i>	10 306	10 455	10 455	10 455
<i>Minimum Service Level and Above Percentage</i>	100%	100%	100%	100%
Solid Waste Removal- (below minimum level)				
<i>Removed less frequently than once a week</i>	0	0	0	0
<i>Using communal refuse dump</i>	0	0	0	0
<i>Using own refuse dump</i>	0	0	0	0
<i>Other rubbish disposal</i>	0	0	0	0
<i>No rubbish disposal</i>	0	0	0	0
<i>Below Minimum Service Level sub-total</i>	0	0	0	0
<i>Below Minimum Service Level Percentage</i>	0	0	0	0
Total number of households including informal settlements	10 306	11 791	11 791	11 791

EMPLOYEES IN SOLID WASTE MANAGEMENT SERVICES					
Job level	2011/12	2012/13			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 -3	44	55	52	3	5,45%
4 -6	10	10	10	0	0
7 -9	0	0	0	0	0
10 -12	0	0	0	0	0
13 -15	0	0	0	0	0
16 -18	0	0	0	0	0
19 -20	0	0	0	0	0
Total	54	55	52	3	5,45 %

Waste Management Service Objectives									
Service Objectives <i>Service Indicators</i> (i)	Outline Service Targets (ii)	2009/10		2010/11			2011/12	2012/13	
		Target	Actual	Target		Actual	Target		
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
Service Objective									
BASIC SERVICES <i>(Provision of weekly collection service per household (HH))</i>	Refuse Removal is done at least once a week at every household	10 306	10 306	10 306	10 306	10 306	10 306	10 306	11 791
BASIC SERVICES <i>(Proportion of landfill sites in compliance with the Enviromental Conservation Act 1989)</i>	One registered land fill site in Hoopstad and one unlicensed landfill site in Bultfontein is due to financial constraints	1	1	1	1	1	1	1	1

3.5 HOUSING

INTRODUCTION TO HOUSING

Housing in the Free State Province is a provincial competency unless in instances where a municipality has been accredited by the provincial government to build government funded houses. This is not the case in Tswelopele Municipality. The responsibility of Tswelopele Municipality with regards to housing is to allocate (sites), provide infrastructure and to maintain a waiting list of residents who qualify for RDP houses. The amount of houses built within the municipal area in any given year depends solely on the number of housing units allocated by the provincial government. The responsibility of the municipality in this regard is to identify beneficiaries and to assist applicants to complete application forms

PERCENTAGE OF HOUSEHOLDS WITH ACCESS TO BASIC HOUSING			
Year End	Total households (including formal and informal settlements)	Households in formal settlements	Percentage of HH's in formal settlements
2009/10	10 306	185	1.79
2010/11	11 791	1 696	14,3
2011/12	11 791	1 696	14,3
2012/13	11 791	1 696	14,3

EMPLOYEES: HOUSING SERVICES					
Job level	2011/12	2012/13			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 -3	0	0	0	0	0
4 -6	0	0	0	0	0
7 -9	0	0	0	0	0
10 -12	4	4	4	0	0
13 -15	0	0	0	0	0
16 -18	0	0	0	0	0
19 -20	0	0	0	0	0
Total	4	4	4	0	0

THE OVERALL PERFORMANCE OF THE HOUSING SERVICES

The provision of housing services, especially people who qualify per different categories is the sole competency of the Free State Department of Human Settlement. As a result it is not possible for Tswelopele to budget for this expenditure. During the year under review, no housing allocations were made for our Municipality.

3.6 FREE BASIC SERVICES AND INDIGENT SUPPORT

INTRODUCTION TO FREE BASIC SERVICES AND INDIGENT SUPPORT

Tswelopele Municipality regulates the access of consumers to Free Basic Services (FBS) and maintain a ledger of such indigents. The total value of FBS services is determined in a way that can be recovered from the available portion of the equitable share. We have however, established that the electricity tariff as currently implemented may not reflect the actual cost of the service. This anomaly is currently receiving attention. The electricity figures below cover only the municipality's supply area and excludes the Eskom area of supply.

It is also worth noting that FBS on electricity is provided to Indigent residents with each household receiving the first 50 kW/h free of charge monthly.

FREE BASIC SERVICES TO LOW INCOME HOUSEHOLDS									
Number of households									
	Households earning less than R2 800-00 per month								
	Total	Free Basic Water		Free Basic Sanitation		Free Basic Electricity		Free Basic Refuse	
		Access	%	Access	%	Access	%	Access	%
2010/11	3 087	3 087	100	3 087	100	1 408	100	3 087	100
2011/12	3 087	3 087	100	3 087	100	1 408	100	3 087	100
2012/13	3 965	3 965	100	3 965	100	3 965	100	3 965	100

FREE BASIC SERVICES AND INDIGENT SUPPORT

Indigent Support is restricted to residents of the municipality within municipal supply area, it specifically targets those who are unable to pay for their municipal accounts. An indigent register is kept for registered indigents and updated regularly.

Free Basic Service Policy Objectives							
Service Objectives	Outline Service Targets	2010/11			2011/12	2012/13	
		Target		Actual	Target		
		*Previous Year	*Current Year		*Current Year	*Current Year	*Following Year
Service Indicators (i)	(ii)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
Service Objective							
<i>Free Basic Services</i>	Free basic services and Indigent support	100% 3 087	100% 3 087	100% 3 087	100% 3 087	100% 3 965	

COMPONENT B: ROAD TRANSPORT

This component includes: roads; transport; and waste water (storm water drainage).

3.7 ROADS

INTRODUCTION TO ROADS

The majority of our roads are dominated by dirt and gravel roads (especially in the former black townships) and few tarred roads. Our strategies include, budget allowing, the tarring or paving of current dirt roads; filling of pot-holes as well as the rehabilitation of the current tarred roads. Because of the financial constraints and our inability to generate enough (own) revenue, this municipality largely depends on grants and allocations from both the Provincial and National spheres of government. During the 2012/13 Financial Year, the Municipality embarked on a process of constructing roads both in Tikwana and Phahameng whereby 2,5km of roads was constructed in each area. The municipality will continue to persuade both Provincial and National spheres of government to fund the upgrading of the roads. A total of 155 unemployed enjoyed the benefits of this projects and the Municipality strives to continue doing even more.

GRAVEL ROAD INFRASTRUCTURE				
				Kilometres
Year	Total Gravel Roads	New gravel roads completed	Gravel Roads upgraded to tar	Gravel Roads Graded/maintained
2009/10	98,8	+ - 1km	0	98,8
2010/11	98,8	0	0	98,8
2011/12	98,8	500m	0	180,5
2012/13	93,8	1 km	5 Km	180,5

TARRED ROAD INFRASTRUCTURE					
Year	Total tarred roads	New tar roads	Existing tar Roads re-tarred	Existing tar roads re-sheeted	Tar roads Maintained
2009/10	54 Km	0	0	0	1,5 Km
2010/11	54 Km	0	0	0	1,5Km
2011/12	54 Km	0	0	0	5km
2012/13	61 Km	5 Km	0	0	61 Km

Public Works includes Roads, Storm Water and Waste Water. All personnel do work in all sections.

EMPLOYEES: ROADS					
Job level	2011/12	2012/13			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 -3	17	17	16	1	2,70
4 -6	14	14	14	0	0
7 -9	2	3	3	0	0
10 -12	2	3	2	1	2,70
13 -15	0	0	0	0	0
16 -18	0	0	0	0	0
19 -20	0	0	0	0	0
Total	35	37	35	2	5,40 %

Road Service Objectives								
Service Objectives	Outline Service Targets	2009/10		2010/11		2011/12	2012/13	
		Target	Actual	Target		Actual	Target	
		Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)
<i>Service Indicators (i)</i>	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)
Service Objective								
<i>BASIC SERVICES AND INFRASTRUCTURE</i>	Kilometers of gravel roads	98,8 kms gravel roads	98,8 kms gravel roads	98,8 kms gravel roads			98,8 kms gravel roads	180,5 kms gravel roads paved
<i>BASIC SERVICES AND INFRASTRUCTURE</i>	kms of municipal roads developed	54 kms	54 kms	54 kms	54 kms		54 kms	61 kms

3.8 TRANSPORT

THE OVERALL PERFORMANCE OF TRANSPORT

Tswelopele Local Municipality does not provide any train, bus or taxi services to its community. As a result there are no Employees, Financial nor Capital Costs reported associated with the provision of this service.

COMPONENT C: PLANNING AND DEVELOPMENT

This component includes: planning; and local economic development.

INTRODUCTION TO PLANNING AND DEVELOPMENT

Tswelopele's geographic position as well as its limited scope of growth coupled with the large population unemployed provides very little opportunities for planning and development. The biggest activities currently include building plans; rezoning applications; applications for consolidation and consent use.

3.9 PLANNING

INTRODUCTION TO PLANNING

In the former Black Townships the biggest challenge is that the practice of erecting new houses and extension of existing housing units occurs without residents submitting building plans to the municipality for approval. A further challenge is that residents run businesses at their houses without applying for such properties to be rezoned. Although this is a serious problem, the municipality has to balance legal compliance with the need to stimulate small business development. We accept that this matter needs to be addressed in a manner that strikes a balance between compliance and the need to stimulate small business initiatives.

Application for Land Use Development						
Details	Formalization of townships		Rezoning		Built Control	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
Planning application received	0	0	1	3	130	190
Determination made in year of receipt	0	0	1	3	130	189
Determination made in following year	2	0	0	0	0	0
Applications withdrawn	0	0	0	0	0	1
Applications outstanding at year end	0	0	0	0	0	0

Tswelopele Municipality does not have a dedicated planning department or division. All the functions associated with planning are normally outsourced. This option seems to be the most cost-effective.

Planning Policy Objectives								
Service Objectives <i>Service Indicators</i> (i)	Outline Service Targets (ii)	2009/10		2010/11		2011/12	2012/13	
		Target	Actual	Target		Actual	Target	
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)
Service Objective xxx								
BASIC SERVICES AND INFRASTRUCTURE	Approval or rejection of all build environment applications	0	0	0	130	130	189	190
	Reduction in planning decisions overturned	No planning decisions overturned	No planning decisions overturned	No planning decisions overturned	No planning decisions overturned	No planning decisions overturned	No planning decisions overturned	1

3.10 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM)

INTRODUCTION TO ECONOMIC DEVELOPMENT

The Local Economic Development (LED) Function of the Municipality is located in the Community Services Directorate. The Local Economic Development Strategy is still in a draft format and will be tabled before Council for approval; this is through the assistance of the Lejweleputswa District Municipality. The LED function includes Infrastructural Development, Informal Trade and by-laws, rural development, Identification, upgrading and establishment of tourism facilities and tourism sector plans. LED in this municipality has not been quite effective and as a result the municipality reviewed the organogram with a view to accommodate dedicated officials in the department.

LOCAL ECONOMIC DEVELOPMENT

The formal employment sector is unable to provide the number of jobs that are required. As a result Local Economic Development becomes a key driver of job creation. During the 2012/13 financial year the number of jobs created through LED initiatives were 442.

Job Creation through EPWP projects		
Details	EPWP Project No.	Job creation through EPWP Project No.
2010/11	0	0
2011/12	2	72
2012/13	4	156

EMPLOYEES: LOCAL ECONOMIC DEVELOPMENT SERVICES					
Job level	2011/12	2012/13			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total % of total posts) %
0 -3	0	0	0	0	0
4 -6	0	0	0	0	0
7 -9	0	0	0	0	0
10 -12	1	2	1	1	50 %
13 -15	0	0	0	0	0
16 -18	0	0	0	0	0
19 -20	0	0	0	0	0
Total	1	2	1	1	50 %

COMPONENT D: COMMUNITY & SOCIAL SERVICES

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

3.11 LIBRARIES, ARCHIVES AND COMMUNITY FACILITIES

In this category the municipality provides only the following functions/services: maintenance of library premises (as the actual library services are provided by the Free State Provincial government and public halls).

EMPLOYEES: Libraries; Archives; Museums; Community Facilities; Others					
Job level	2011/12	2012/13			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 -3	13	13	13	1	7,14%
4 -6	0	0	0	0	0
7 -9	0	0	0	0	0
10 -12	1	1	1	0	0
13 -15	0	0	0	0	0
16 -18	0	0	0	0	0
19 -20	0	0	0	0	0
Total	14	14	14	1	7,14%

3.12 CEMETERIES, CREMATORIUMS, PARKS AND SPORTS GROUNDS

INTRODUCTION TO CEMETERIES, CREMATORIUMS, SPORTS RECREATION SERVICES AND HALLS

Tswelopele Municipalities does not own or provide crematorium facilities and services. Below are the statistics for the 2012/13 Financial Year.

EMPLOYEES: Cemeteries/Sports Recreation and Halls					
Job level	2011/12	2012/13			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 -3	25	25	24	1	4,87 %
4 -6	5	5	4	0	0
7 -9	1	1	1	0	0
10 -12	0	0	0	0	0
13 -15	0	0	0	0	0
16 -18	0	0	0	0	0
19 -20	0	0	0	0	0
Total	41	41	39	2	4,87 %

Capital Expenditure 2012/13: Cemeteries, Parks and Sports Grounds			
Capital Projects	2012/13		
	Adjustment Budget	Actual Expenditure	Variance from original budget
Total All	11 400 000	10 635 970	100%
Fencing of Cemeteries	11 400 000	6 074 657	100%
Upgrading of Sports Facilities Phase 1	0	4 561 313	100%

THE OVERALL PERFORMANCE OF CEMETERIES, PARKS & SPORTS GROUNDS

Tswelopele Local Municipality undertook a project for fencing of cemeteries in Tikwana and Phahameng. The total of 552m long and 2, 4 high concrete palisade fences were erected during the year under review. The municipality also upgraded sports facilities in Phahameng Phase 1 and the following activities were upgraded and constructed; internal water, sewer and electricity

network; new main pavilion with ablution and change rooms; rehabilitation of multipurpose tennis/netball courts; building of new soccer field and installation of irrigation system.

COMPONENT E: SECURITY AND SAFETY

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

3.13 TRAFFIC AND LAW ENFORCEMENT

TRAFFIC AND LAW ENFORCEMENT

Tswelopele Local Municipality has only three traffic officers (peace officers). Their function also includes law enforcement and traffic. Tswelopele Local Municipality is faced with a challenge of safe and secure municipal buildings. In the 2013/14 financial year the municipality will seriously become security conscious, amongst others is to fence all municipal premises.

TRAFFIC AND LAW ENFORCEMENT DATA					
	Details	2011	2011/12		2012/13
		Actual No.	Estimate No.	Actual No.	Estimate No.
1	Number of road traffic accidents during the year	14	7	6	5
2	Number of by-law infringements attended	733	600	593	700
3	Number of traffic officers in the field on any average day	2	4	2	3
4	Number of traffic officers on duty on an average day	2	2	2	3

EMPLOYEES: Traffic and Disaster Management					
Job level	2011/12	2012/13			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 -3	0	0	0	0	0
4 -6	0	2	0	0	25%
7 -9	2	4	3	1	0
10 -12	0	0	0	0	0
13 -15	0	0	0	0	0
16 -18	0	1	0	0	0
19 -20	0	0	0	0	0
Total	2	8	6	3	25%

COMPONENT F: CORPORATE POLICY OFFICES AND OTHER SERVICES

This component includes: corporate policy offices, financial services, human resource services, ICT services, property services.

3.14 EXECUTIVE AND COUNCIL

This component includes: Executive office (Mayor; Speaker; Councillors and Municipal Manager).

INTRODUCTION TO THE EXECUTIVE AND COUNCIL

The part comprises of two components, namely political and administration. The political component consists of the Mayor who is the Chairperson of the Executive Committee (Exco) as well as the Speaker who is the Chairperson of Council and is also responsible for ward committees. The administration component is headed by the Municipal Manager who is the head of the administration and the Accounting Officer of the Municipality.

SERVICE STATISTICS FOR THE EXECUTIVE AND COUNCIL	
FREQUENCY OF MEETINGS	TYPES OF MEETINGS
Four (4)	Council Meetings
Eleven (11)	Exco Meetings
Four (4)	Special Meetings

The statistics for the Executive and Council during the period under review are as follows:

EMPLOYEES: EXECUTIVE AND COUNCIL					
Job level	2011/12	2012/13			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0-3	0	0	0	0	0
4 -6	2	3	1	2	14,28%
7 -9	6	6	6	0	0
10 -12	4	5	4	1	7,14%
13 -15	0	0	0	0	0
16 -18	0	0	0	0	0
19 -20	0	0	0	0	0
Total	12	14	11	3	21,42%

THE PERFORMANCE OF THE EXECUTIVE AND COUNCIL:

The council has a responsibility to oversee the performance of the Executive Committee; Council Committees and the Administration. During the year under review the Council exercised this oversight work with due diligence. It held both the Executive Committee and the Administration to the highest level of scrutiny and oversight. The Executive Committee also ensured that the reports and recommendations that went to Council were thoroughly scrutinized and investigated. This assisted in ensuring that the best decisions were taken by the Council. It is also worth mentioning that Tswelopele Council operates as one entity and that it always aspires to take decisions that are in the best interest of all the residents, irrespective of their individual members' political party and persuasion.

In order to facilitate and strengthen accountability of the Council, the municipality has resuscitated the section 80 committees which are solely meant to assist and advice EXCO to take informed decisions.

The Executive and Council Objectives									
Service Objectives	Outline Service Targets	2009/10		2010/11			2011/12	2012/13	
		Target	Actual	Target		Actual	Target		
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
Service Indicators (i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
Service Objective									
GOOD GOVERNANCE	% of Council resolutions implemented	100%	100%	100%	100%	100%	100%	100%	100%
GOOD GOVERNANCE	% agendas and minutes available for Council	100%	100%	100%	100%	100%	100%	100%	100%

3.15 FINANCIAL SERVICES

INTRODUCTION FINANCIAL SERVICES

The Finance Department is headed by the Chief Financial Officer who accounts to the Municipal Manager. The finance department is divided into the following sections: Revenue, Expenditure, Budget Treasury and Office and Supply Chain.

EMPLOYEES: FINANCIAL SERVICES

Job level	2011/12	2012/13			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 -3	0	1	0	1	5%
4 -6	7	8	6	1	5%
7 -9	5	5	5	0	0
10 -12	5	5	5	1	0
13 -15	0	0	0	0	0
16 -18	1	1	1	1	0
19 -20	0	0	0	0	0
Total	18	20	16	4	20%

Financial Service Objectives									
Service Objectives	Outline Service Targets	2009/10		2010/11		2011/12	2012/13		
		Target	Actual	Target	Actual	Target	Target		
		*Previous Year		*Previous Year	*Current Year		*Current Year	*Current Year	*Following Year
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
Service Objective									
MUNICIPAL FINANCIAL VIABILITY	No more than x% of creditors raised (in Rand value) during the year outstanding (o/s) at year end	No more than T0% of current yr creditors o/s at yr end	No more than A0% of current yr creditors o/s at yr end	No more than T1% of current yr creditors o/s at yr end	No more than T1% of current yr creditors o/s at yr end	No more than A1% of current yr creditors o/s at yr end	No more than T2% of current yr creditors o/s at yr end	No more than T5% of current yr creditors o/s at yr end	No more than T5% of current yr creditors o/s at yr end
MUNICIPAL FINANCIAL VIABILITY	x% reduction in number of invoices raised over the previous year's target	T0% reduction in invoices raised; target limit of invoices	A0% reduction in invoices raised; target limit of invoices	T1% reduction in invoices raised; target limit of invoices	T1% reduction in invoices raised; target limit of invoices	A1% reduction in invoices raised; target limit of invoices	T2% reduction in invoices raised; target limit of invoices	T5% reduction in invoices raised; target limit of invoices	T5% reduction in invoices raised; target limit of invoices
Improving speed of legal measures to recover revenues	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

3.16 HUMAN RESOURCE SERVICES

INTRODUCTION TO HUMAN RESOURCE SERVICES

The Human Resources function is located within the Department of Corporate Services and is headed by the Executive Manager Corporate Services who is accountable to the Municipal Manager. The Section serves as a catalyst to all Departments of the Municipality. The Department is also crucial in providing support to Political Office-Bearers.

GENDER	TOTAL NUMBER OF EMPLOYEES
Females	51
Males	181

Below are statistics of employees in the Corporate Department (excluding other Departments):

EMPLOYEES: Human Resources Services					
Job level	2011/12	2012/13			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 -3	3	3	3	0	0
4 -6	0	1	0	1	11,11%
7 -9	2	2	2	0	0
10 -12	1	1	1	0	0
13 -15	0	0	0	0	0
16 -18	1	1	1	0	0
19 -20	0	0	0	0	0
Total	7	8	7	1	11,11

Human Resource Services Objectives									
Service Objectives	Outline Service Targets	2009/10		2010/11			2011/12	2012/13	
		Target	Actual	Target		Actual	Target		
		*Previous Year		*Previous Year	*Current Year		*Current Year	*Current Year	*Following Year
Service Indicators (i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
GOOD GOVERNANCE	Job description reviewed	1	1	1	1	1	1	1	1
GOOD GOVERNANCE	Work skills Plan developed	1	1	1	1	1	1	1	1

	Equity Plan	1	1	1	1	1	1	1	1
	Vacancies filled within 3 months	100%	100%	100%	100%	100%	100%	100%	100%

3.17 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

Tswelopele Local Municipality did not provide any of the ICT services in-house. In instances where they were required by the Municipality, an external service provider was appointed.

**ORGANISATIONAL DEVELOPMENT PERFORMANCE
(PERFORMANCE REPORT PART II)**

INTRODUCTION

Tswelopele Municipality is dedicated toward the objectives of Local Government as outlined in Chapter 7 of the Constitution of the Republic of South Africa Act, 1996 (Act 108 of 1996). These objectives are to provide democratic and accountable government for local communities; to ensure the provision of services to communities in a sustainable manner; to promote social and economic development; to provide a safe and healthy environment; to encourage the involvement of communities and community based organization in the matters of local government.

COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

Below is an outline of Roles and Responsibilities of various Stakeholders in the Management of Performance Management System (PMS) at Tswelopele Local Municipality.

ROLES AND RESPONSIBILITIES OF STAKEHOLDERS IN THE MANAGEMENT OF THE PMS

A. MUNICIPAL COUNCIL’S POLITICAL OVERSIGHT ROLES AND RESPONSIBILITIES

Planning	Monitoring		
	Review	Reporting	Performance Audit
1. Adopts priorities and objectives of the Integrated Development Plan. 2. Adopts the PMS framework. 3. Adopts the municipality’s corporate strategy that includes key performance indicators and performance targets. 4. Assigns the responsibility for the management of the PMS to the Mayor.	1. Approves the annual review programme of the IDP, including the review of key performance indicators and performance targets. 2. Approves the annual improvement measures of the municipality as part of the new municipal strategic scorecard. 3. Approves any	1. Receives externally audited performance reports from the Mayor every quarter. 2. Reports the municipality performance to the community twice a year. 3. Approves recommendations for the improvement of the performance management system. 4. Annually approves	1. Notes the municipal annual audit plan and any substantial changes to it. 2. Can receive reports directly from the Audit Committee. 3. Approves the implementation of the recommendations of the Audit Committee with regard to both improvement in the performance of the municipality or

Planning	Monitoring		
	Review	Reporting	Performance Audit
5. Adopts SDBIPS.	changes to the priorities, objectives, key performance indicators and performance targets of the municipality.	performance appraisal of the municipal manager and other section 57 employees. 5. Submits the municipal annual report to the Auditor General and the MEC.	improvement of the performance management system itself. 4. Receives performance audit report from the Auditor General and approves implementation of its recommendations.

B. ROLES AND RESPONSIBILITIES OF THE EXECUTIVE COMMITTEE

Planning	Monitoring		
	Review	Reporting	Performance Audit
<ol style="list-style-type: none"> 1. Submits priorities and objectives of the IDP to Council for approval. 2. Submits the PMS framework for approval. 3. Submits the municipality's corporate strategy that includes key performance indicators and performance targets for approval. 4. Approves the SDBIP 5. Mandate the Mayor to enter into a performance agreement with the Municipal manager on behalf of Council. 6. Assigns the responsibility for the management of the PMS to the Municipal Manager. 	<ol style="list-style-type: none"> 1. Proposes to Council, the annual review programme of the IDP, including the review of key performance indicators and performance targets. 2. Proposes the annual performance improvement measures of the municipality. 3. Proposes changes to the priorities, objectives, key performance indicators and performance targets of the municipality. 4. Quarterly evaluates the performance of the municipality against adopted KPIs and targets. 5. Quarterly reviews the performance of departments to improve the economy, efficiency and effectiveness of the municipality. 6. Quarterly and annually evaluates the 	<ol style="list-style-type: none"> 1. Receives performance reports quarterly from the Municipal Manager 2. Receives performance reports twice a year from the Audit Committee. 3. Receives Monthly financial indicators and quarterly performance reports from the Municipal Manager on the performance of section 57 employees. 4. Reports to Council on the performance of the municipality once every quarter. 5. Reports to Council on the recommendations for the improvement of the performance management system. 6. Annually reports to Council on the performance of the Municipal Manager and other section 57 employees. 	<ol style="list-style-type: none"> 1. Submits the municipal annual audit plan and any substantial changes to it to Council for approval. 2. Approves the implementation of the recommendations of the internal auditor with regard to both improvement in the performance of the municipality or improvement of the performance management system itself. 3. Receives performance audit report from the Auditor General and makes recommendations to Council.

Planning	Monitoring		
	Review	Reporting	Performance Audit
	performance of the Municipal Manager.		

C. ROLES AND RESPONSIBILITIES OF THE MUNICIPAL MANAGER

Planning	Implementation	Monitoring		
		Review	Reporting	Performance Audit
<ol style="list-style-type: none"> 1. Coordinates the process of IDP needs identification and prioritization among all stakeholders, including community structures. 2. Coordinates the formulation and revision of the PMS framework. 3. Coordinates the formulation and revision of the municipality's corporate strategy that includes key performance indicators and performance targets. 4. Leads the process of the formulation and revision of the SDBIP. 5. Enters into a performance agreement with other section 57 employees on behalf of Council 	<ol style="list-style-type: none"> 1. Manages the overall implementation of the IDP. 2. Ensures that all role players implement the provisions of the PMS framework. 3. Ensures that the SDBIP serve the achievement of corporate performance targets. 4. Ensures that the SDBIP is implemented according to the approved targets and timeframes. 5. Implements performance improvement measures approved by the Mayor and the Council. 6. Ensures that performance objectives in the section 57 employee's performance agreements are achieved. 	<ol style="list-style-type: none"> 1. Formulates the annual review programme of the IDP, including the review of key performance indicators and performance targets for the consideration of Council Committees and the Mayor. 2. Formulates the annual performance improvement measures of the municipality as part of the new corporate strategy and SDBIP. 3. Quarterly reviews the performance of departments to improve the economy, efficiency and effectiveness of the municipality. 4. Quarterly and annually evaluates the performance of section 57 employees. 	<ol style="list-style-type: none"> 1. Receives performance reports quarterly from the internal auditor. 2. Receives performance reports twice a year from the Performance Audit Committee. 3. Receives monthly departmental performance reports from HoD's. 4. Reports once quarterly to council committees and the Mayor on the performance of Directorates. 5. Reports on the implementation of improvement measures adopted by the Mayor and Council. 6. Annually reports on the performance of section 57 employees. 7. Submit the 	<ol style="list-style-type: none"> 1. Formulates the municipal annual audit plan. 2. Formulates a response to the recommendations of the internal auditor and the Audit Committee. 3. Formulates a response to performance audit report of the Auditor General and makes recommendations to the Mayor.

Planning	Implementation	Monitoring		
		Review	Reporting	Performance Audit
			municipal annual report to the Mayor	

D. ROLES AND RESPONSIBILITIES OF COUNCIL COMMITTEES

Planning	Monitoring		
	Review	Reporting	Performance Audit
<ol style="list-style-type: none"> 1. Advise the Mayor on priorities and objectives of the Integrated Development Plan. 2. Deliberates and advice on the corporate strategy and SDBIP that includes key performance indicators and performance targets. 3. Ensures that concerns of community structures are taken into account in discharging their responsibilities. 	<ol style="list-style-type: none"> 1. Participate in the formulation of the annual review programme of the IDP. 2. Participate in the formulation of proposals for the annual performance improvement measures of the municipality as part of the corporate strategy. 3. Quarterly evaluates the performance of their portfolios against adopted KPIs and targets. 4. Quarterly reviews the performance of their portfolios to improve the economy, efficiency and effectiveness of the municipality. 	<ol style="list-style-type: none"> 1. Receives quarterly reports from the Directors responsible for their portfolios before they are tabled at the Mayor and Council. 2. Reports to the Mayor on the recommendations for the improvement of the performance management system. 	<ol style="list-style-type: none"> 1. Participate in the formulation of the annual audit plan. 2. Advises the Mayor on the implementation of the recommendations of the internal auditor with regard to both the improvement in the performance of the municipality and improvement of the performance management system itself.

E. ROLES AND RESPONSIBILITIES OF HEADS OF DEPARTMENTS

Planning	Monitoring			
	Implementation	Review	Reporting	Performance Audit
<ol style="list-style-type: none"> 1. Participates in the IDP process 2. Participates in the formulation and revision of the municipality's corporate strategy that includes key performance indicators and performance targets. 3. Develop Technical SDBIP 4. Enters into a performance agreement with the Municipal Manager. 5. Manages the development of subordinates' performance measurement system. 	<ol style="list-style-type: none"> 1. Manages the implementation of the SDBIP. 2. Ensures that the SDBIP is implemented according to the approved targets and timeframes. 3. Implements performance improvement measures approved by the Mayor and the Council. 4. Manages the implementation of subordinates' performance measurement system. 5. Ensures that performance objectives in the performance agreements are achieved. 	<ol style="list-style-type: none"> 1. Participates in the formulation of the annual review programme of the IDP, including the review of key performance indicators and performance targets for the consideration of Council Committees and the Mayor. 2. Annually reviews the performance of the Municipality 3. Quarterly and annually evaluates the performance of the department. 	<ol style="list-style-type: none"> 1. Submit monthly section 71 reports 2. Comment on section 71 reports on material variances 3. Reports on the implementation of improvement measures 	<ol style="list-style-type: none"> 1. Participates in the formulation of the response to the recommendations of the internal auditor and the Performance Audit Committee. 2. Participates in the formulation of the response to performance audit report of the Auditor General and makes recommendations to the Municipal Manager

F. ROLES AND RESPONSIBILITIES OF STAFF

Planning	Implementation	Review	Reporting
<ol style="list-style-type: none"> 1. Participates in the development of the SDBIP 2. Participates in the development of their own performance measurement. 	<ol style="list-style-type: none"> 1. Executes individual work plans. 	<ol style="list-style-type: none"> 1. Participates in the review of unit plans. 2. Participates in the review of own performance. 	<ol style="list-style-type: none"> 1. Reports to line manager on the implementation of their work plans.

G. ROLES AND RESPONSIBILITIES OF INTERNAL AUDIT

Planning	Monitoring	
	Review	Reporting
<ol style="list-style-type: none"> 1. Participates in the formulation of the Audit Committee Charter. 2. Participates in the formulation of the annual audit plan. 	<ol style="list-style-type: none"> 1. Review the functionality of the PMS system 2. Compliance with the Act 3. Audit the results of the performance measurements 4. The extent to which the municipality's performance measurements are <i>reliable</i> in measuring the performance of municipalities by making use of indicators 	<ol style="list-style-type: none"> 1. Report to the MM and to the Performance Audit Committee regarding the performance measurements 2. Receive annual performance and budget reports from council 3. Participate in the development of the Oversight report

H. ROLES AND RESPONSIBILITIES OF THE PERFORMANCE /AUDIT COMMITTEE

Planning	Monitoring	
	Review	Reporting
<ol style="list-style-type: none"> 1. Plan the work of the Performance Audit Committee 	<ol style="list-style-type: none"> 1. Review the reports submitted to it; 2. Review the Municipality's PMS and make recommendations in this regard to the Municipal Council; and 3. Must focus on the economy, efficiency, effectiveness and impact in so far as the KPI's and performance targets set by the municipality are concerned 	<ol style="list-style-type: none"> 1. At least twice during the financial year submit an audit report to the Municipal Council; 2. Participate in the development of the Oversight report

I. ROLES AND RESPONSIBILITIES OF THE COMMUNITY

Planning	Monitoring	
	Review	Reporting
<ol style="list-style-type: none"> 1. Participate in the drafting and implementation of the municipality's IDP through established forums 2. Participates in the development of the PMS, to Comment on KPIs and targets set for the municipality every year 3. Make representations on the draft annual budget 	<ol style="list-style-type: none"> 1. Participate in the annual review of performance through their involvement in the development of the Oversight Report. 	<ol style="list-style-type: none"> 1. Receive annual performance and budget reports from council 2. Participate in the development of the Oversight report

4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

EMPLOYEES					
Description	2011/12	2012/13			
	Employees No.	Approved Posts No	Employees No.	Vacancies No.	Vacancies %
Water	8	17	16	1	5,88%
Waste Water (Sanitation)	23	35	29	6	17,42%
Electricity	4	5	4	1	20,00%
Waste Management	54	55	52	3	5,45%
Public Works ,includes Roads, Storm Water, Waste Water, Workshop & Admin Personnel	35	42	36	6	14,28
Housing Services	4	4	4	0	0
HR Services, Committee and Library	14	14	13	1	7,14%
Local Economic Development	1	2	1	1	50%
Executive & Council Employees	12	11	10	1	9,09%
Community and Social Development	4	5	5	0	0
Financial Services	18	20	18	2	10%
Traffic and Disaster	2	8	6	2	25,00%
Cemeteries and Halls	31	41	39	2	4,87%
Human Resource Services	7	8	7	1	11,11%
Risk Management		2	1	1	50%
Procurement Services		1	1	0	0
Financial Services		20	16	4	20,00%
TOTALS	218	263	233	30	6,66

VACANCY RATE 2012/13			
Designation	*Total Approved Posts No.	*Vacancies (Total time that vacancies exist using fulltime equivalents) No.	*Vacancies (as a Proportion of total posts in each category) %
Municipal Manager	1	0	0
CFO	1	0	0
Other Sec. 57 Managers (excluding finance posts)	4	1	25%
Other Sec. 57 Managers (finance posts)	0	0	0
Traffic Officers	4	1	25%
Fire fighters	0	0	0
Senior management: Levels 13-16 (excluding finance posts)	2	0	0

Senior management : Levels 13-16 (finance posts)	1	1	100%
Highly skilled supervision: Levels 9-12 (finance posts)	5	0	0
TOTALS	18	3	17,64%

TURN-OVER RATE: 2012/13			
Details	Total Employees as of Beginning of financial year No.	Terminations during the Financial Year No.	Turn-over Rate*
2010/11	216	11	5,55%
2011/12	218	5	2,29% %
2012/13	237	10	4,22%

VACANCIES AND TURNOVER:

The Municipality has been able to retain staff across all levels and occupational categories. The impact that the current Minimum Competency Levels as prescribed by National Treasury will have on the staff turnover is unknown at this stage.

COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

INTRODUCTION TO MUNICIPAL WORKFORCE MANAGEMENT

Our municipality has developed and adopted a number of policies that are intended to create a fair, efficient and transparent system on matters affecting the employees. These documents are not only adopted but have been posted on our website to ensure that they are easily accessible. The municipality reviews these policies regularly to ensure that they are on par with best practices, new and amended legislation.

4.2 POLICIES

HUMAN RESOURCES POLICIES AND PLANS				
No.	Name of Policy	Completed %	Reviewed %	Date adopted by council or comment on failure to adopt
1.	Affirmative Action	0	0	N/A
2.	Attraction and Retention	100	0	Still to be adopted.
3.	Code of conduct for employees	100	100	As contained in the Municipal Systems Act (, Act 32 of 2000).
4.	Delegations, Authority and Responsibility	100	100	22 February 2006

HUMAN RESOURCES POLICIES AND PLANS				
No.	Name of Policy	Completed %	Reviewed %	Date adopted by council or comment on failure to adopt
5.	Disciplinary Code and Procedure	100	100	As approved by parties to the SALGBC.
6.	Essential Services	100	100	As approved by parties to the Local Labour Forum
7.	Employee Assistance/wellness	100	100	22 August 2011
8.	Employment Equity	100	100	Adopted on 30 November 2010.
9.	Exit Management	100	0	See item 2 above
10.	Grievance Procedure	100	100	As approved by parties to SALGBC.
11.	HIV/AIDS	100	100	22 August 2011
12.	Human Resources Policy	100	100	22 August 2011
13.	Information Technology	100	0	Adopted on 29 March 2006
14.	Job Evaluation	100	100	As approved by parties to SALGBC.
15.	Leave	100	100	22 August 2011
16.	Occupational Health and Safety	100	100	22 August 2011
17.	Official Housing	100	100	22 August 2011
18.	Official Journey	100	100	22 August 2011
19.	Official transport to attend funerals	100	100	22 August 2011
20.	Official Working Hours and Overtime	100	100	22 August 2011
21.	Organisational Rights	100	0	Adopted by parties to SALGBC.
22.	Payroll Deductions	100	0	Adopted on 30 May 2001.
23.	Performance Management and Development	100	100	Adopted on 30th November 2010.
24.	Recruitment, Selection and Appointments	100	100	22 August 2011
25.	Remuneration Scales and Allowances	100	100	Determined by parties to SALGBC.
26.	Resettlement	100	100	22 August 2011
27.	Sexual Harassment	100	100	22 August 2011
28.	Skills Development	100	100	22 August 2011
29.	Smoking	100	100	22 August 2011
30.	Special Skills	100	0	Retention and Exit Policy pending approval.
31.	Work Organisation	100	0	As per approved staff establishment.
32.	Uniforms and Protective Clothing	100	100	22 August 2011
33.	Other	100	100	

4.3 INJURIES, SICKNESS AND SUSPENSIONS

Number and Cost of Injury on Duty				
Type of Injury	Injury Leave Taken Days	Employee using injury leave Days	Proportion employees using sick leave %	Average Injury Leave per employee Days
Required basic medical attention only	31	5	2,14%	6,2 days
Temporary total disablement	0	0	0	0
Permanent disablement	0	0	0	0
Fatal	0	0	0	0
TOTAL	31	5	2,14%	6,2days

Number of days and Cost of Sick Leave (excluding injury of duty)					
Designations	Total sick leave	Proportion of sick leave without certification	Employees using sick leave	Total employees in post*	*Average sick leave per Employee
	Days	%	No.	No.	Days
Lower skilled (level 1-2)	268	8,2%	94	117	2,85%
Skilled (levels 3-5)	51	5,88%	20	39	2,55
Highly skilled production (levels 6-8)	39	10,25%	20	43	1,95
Highly skilled supervision (levels 9-12)	33	6,06%	15	25	2,2
Senior Management (levels 13-15)	1	100%	1	27	
MM and Sec. 57	0	0	0		0
TOTAL	392		150	233	2,6

INJURY AND SICK LEAVE:

The total number of days taken/ used by employees during 2012/13 financial year is 1679 days involving 596 employees.

Number and Period of Suspensions				
Positions	Nature of Alleged Misconduct	Date of Suspension	Details of Disciplinary Action taken or Status of Case and Reasons why not Finalised	Date Finalised
Debtors Clerk	Gross insubordination	29/01/13 to date	SAMWU took case to SALGBC	N/A

Disciplinary Action Taken on Cases of Financial Misconduct			
Position	Nature of Alleged Misconduct and Rand Value of the loss to the municipality	Disciplinary action taken	Date Finalized
Cashier	Theft =R40 280-21	Suspended 23/11/12, Disciplinary hearing. SAMWU took case to SALGBC	N/A

SUSPENSIONS AND CASES OF FINANCIAL MISCONDUCT

During the term under review there was only one (1) incident of suspension and case of financial misconduct.

4.4 PERFORMANCE REWARDS

The only reward system applicable currently at the municipality is the payment of performance bonuses to the Municipal Manager and Managers accountable to the Municipal Manager. At the time of drafting this report no performance bonus for the 2012/13 financial year had been paid as the performance of the affected employees had not yet been evaluated.

COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

WORKFORCE CAPACITY DEVELOPMENT

A key document in this regard is the Skills Development Plan drawn in terms of the Skills Development Act. Assessment of skills levels of employees and gaps are regularly identified and external interventions sought and implemented in line with the Plan.

The information provided below is about the Minimum Competency Levels determined by the National Treasury Levels that certain categories of employees must comply with; by the 31 January 2011 or at least apply for Special Merit Cases where the Municipality does not comply.

COMPONENT C: MANAGING THE WORKFORCE EXPENDITURE

4.5 EMPLOYEE EXPENDITURE

Number of Employees Whose Salaries Were Increased Due To Their Positions Being Upgraded			
Beneficiaries	Gender		Total
	Male	Female	
Lower skilled (levels 1-2)	0	0	0
Skilled (levels 3-5)	0	0	0
Highly skilled production (levels 6-8)	0	0	0
Highly skilled supervision (levels 9-12)	1	0	1
Senior Management (levels 13-16)	0	1	1
MM and Section 57	0	0	0
TOTAL	1	1	2

Employees Whose Salary Levels Exceeded The Grade Determined By Job Evaluation			
Occupation	Number of employees	Job evaluation level	Remuneration Level
Executive Secretary	1	T7	Old Post Level 6/1
Principle Clerk-Debtors	1	T7	Old PL3
Principle Clerk-Debtors	1	T7	Old PL6/1
Traffic Officer	1	T9	Old PL4/1
Disaster Management Officer	1	T9	Old PL1
General Worker	1	T2	Old PL2
General Worker	1	T2	Old PL 14/1
General Worker	4	T2	Old PL 15/1

Employees not appointed to established posts				
Department	Level	Date of appointment	No. Appointed	Reasons for appointment when no established post exist
N/A	N/A	N/A	N/A	N/A

Skills Development		
Management level	Gender	Employees as at the beginning of the financial year
		No.
MM and S57	Female	1
	Male	3
Legislators, senior officials and managers	Female	0
	Male	0
Professionals	Female	3
	Male	11
Plant and machine operators and assemblers	Female	0
	Male	5
	Male	0
Sub total	Female	4
	Male	18
Total		22

DISCLOSURES OF FINANCIAL INTERESTS

During the year under review, no employees or councillors had declared any interest on any work done to the municipality or any organ of state.

CHAPTER 5

FINANCIAL PERFORMANCE

INTRODUCTION

Chapter 5 contains information regarding financial performance and highlights specific accomplishments.

The chapter comprises of three components:

Component A: Statement of Financial Performance

Component B: Spending Against Capital Budget

Component C: Other Financial Matters

The municipality sought to contain inflationary pressures during the financial year through anticipating it during the budget preparation process and factoring it into the budget.

COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

5.1 STATEMENTS OF FINANCIAL PERFORMANCE

Statement of Financial Performance

Figures in Rand	Note(s)	2013	2012
Revenue			
Service charges	23	32 202 116	27 754 677
Rental of facilities and equipment	24	882 534	389 622
Interest received (trading)		104 165	265 387
Licences and permits		1 350	1 100
Sale of game		158 522	197 300
Other income	25	1 064 852	533 027
Interest received - investment		419 298	815 952
Dividends received		258 565	69 042
Property rates	26	7 477 676	6 571 275
Government grants and subsidies	27	98 413 772	97 697 348
Fines		259 400	248 300
Total revenue		141 242 250	134 543 030
Expenditure			
Personnel	28	(38 525 232)	(32 001 458)
Remuneration of councillors	29	(4 025 443)	(3 670 373)
Depreciation and amortisation	30	(19 330 543)	(20 290 458)
Finance costs	31	(3 586 642)	(2 661 095)
Movement in bad debt provision	32	(4 112 517)	(6 260 335)
Repairs and maintenance		(6 677 885)	(5 534 176)
Bulk purchases	33	(28 337 970)	(24 839 234)
General Expenses	34	(21 045 266)	(19 232 809)
Total expenditure		(125 641 498)	(114 489 938)
Operating surplus		15 600 752	20 053 092
Loss on disposal of assets and liabilities		(66 862) -	
Fair value adjustments - game		156 274	176 804
Fair value adjustments - shares		35 74 075	615 151
		163 487	791 955
Surplus for the year		15 764 239	20 845 047
Attributable to:			
Owners of the controlling entity		15 764 239	20 845 047

5.2 GRANTS

OPERATING TRANSFERS AND GRANTS:

Grants received were from the following sources: Equitable Share; Financial Management Grant; Lottery; Municipal Systems Improvement Grant; Municipal Infrastructure Grant and Skills Development Grant.

COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

INTRODUCTION TO SPENDING AGAINST CAPITAL BUDGET

Capital expenditure relates mainly to construction projects that will have value lasting over many years. Capital expenditure is funded from grants, borrowings and operating expenditures and surpluses. Component B deals with capital spending indicating where the funding comes from and whether Municipalities are able to spend the available funding as planned.

5.3 CAPITAL SPENDING ON LARGEST PROJECTS

Capital Expenditure of 3 largest projects*					
Name of Project	2012/13			Variance	
	Original Budget	Adjustment Budget	Actual Expenditure	Original Variance (%)	Adjustment variance (%)
Construction of Sewerage Network	25 015 000	25 015 000	25 015 000	0%	0%
Construction of Athletic Fields	9 500 000	6 500 000	5 921 148	38%	32%
Fencing of Cemeteries	1 900 000	1 900 000	153 509	92%	0%

5.4 BASIC SERVICES AND INFRASTRUCTURE BACKLOGS - OVERVIEW

INTRODUCTION TO BASIC SERVICE AND INFRASTRUCTURE BACKLOGS

The need and cost of backlogs are the result of migration into an area; migration out of an area; the trend towards disaggregation of families into more than one housing unit; and the cost of renewing and upgrading core infrastructure.

Municipal Infrastructure Grant (MIG)* Expenditure 2012/13						R'
Details	Budget	Adjustments Budget	Actual	Variance		Major conditions applied by donor (continue below if necessary)
				Budget	Adjustments Budget	
Infrastructure - Sanitation				%	%	
<i>Reticulation</i>	25 015 000	25 015 000	25 015 000	%	%	100% Expenditure on Grants
Total	25 015 000	25 015 000	25 015 000	%	%	

5.5 BORROWING AND INVESTMENTS

INSTRUMENT	2011/12	2012/13
Municipality		
Long term Loans (annuity/reducing balance)	0	0
Long term Loans (non-annuity)	0	0
Local Registered Stock	0	0
Installment Credit	0	0
Financial leases	425 729	0
PPP Liabilities	0	0
Finance Granted By Cap Equipment Supplier	0	0
Market Bonds	0	0
Non-Market Bonds	0	0
Bankers Acceptance	0	0
Financial Derivatives	0	0
Other Securities	0	0
Municipality Total	425 729	0

The Municipality has two loans with DBSA; the loans were acquired in 1984 and 2005, during the year under review Municipality did not make any borrowings.

5.6 PUBLIC PRIVATE PARTNERSHIPS

Tswelopele Municipality has not entered into any Public Private Partnerships (PPP) or any Municipal Services Partnerships as contemplated by Section 83(1)-(4) of the Municipal Systems Act (Act 32 of 2000; the White Paper on Municipal Services Partnerships nor in the Treasury Guidelines.

COMPONENT C: OTHER FINANCIAL MATTERS

5.7 SUPPLY CHAIN MANAGEMENT

The Municipality has adopted updated Supply Chain Management and Procurement Policies in accordance with the guidelines set down by the SCM Regulations 2005. The Policy was amended following the changing of legislation in December 2011 to re-determine the BBBEE threshold and points allocation. No Councilors are members of any committee handling Supply Chain Processes.

5.8 GRAP COMPLIANCE

GRAP is the acronym for Generally Recognized Accounting Practice 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.

All standards of GRAP as disclosed in National treasury directive 5 have been complied with by the municipality.

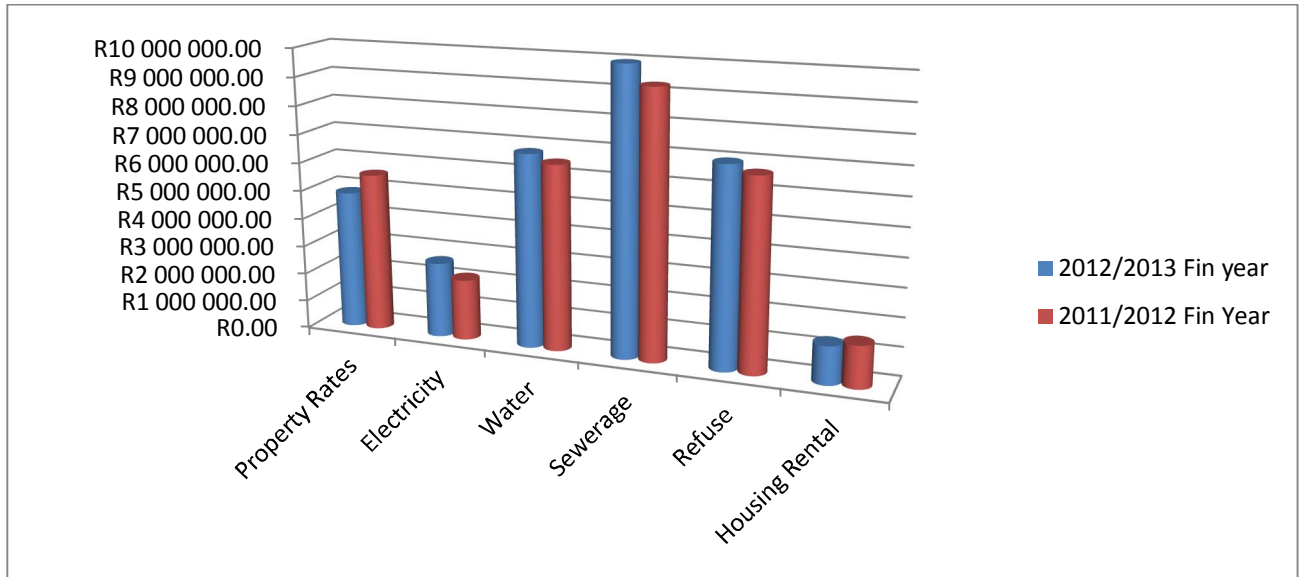
5.9 SERVICE CHARGES (Outstanding Debtors as at 30 June 2013)

As at 30 June 2013, Tswelopele Local Municipality had outstanding debtors of R 32,568,807, of which 90% are debtors over 365 days.

The table below shows debtors per source for the two financial years, i.e. 2012/2013 and 2011/2012 financial years:

Debtors by source	2012/2013 Gross Amount	2011/2012 Gross Amount
Property Rates	R 4,861,478	R 5,572,122
Electricity	R 2,642,979	R 2,135,672
Water	R 6,783,161	R 6,494,558
Sewerage	R 9,968,928	R 9,287,487
Refuse	R 6,976,233	R 6,684,078
Housing Rental	R 1,335,028	R 1,473,325
Total	R 32,568,807	R 31,644,242

- The information on the table above is further depicted by the graph below:



- From the above table and graph, it can clearly be seen that the debtors increased from 2011/2012 by R 924,565.00. This is cause for concern given the fact that most people do not register for indigent, and yet they are not paying for the services they consume, this situation has led to Municipality to depend on grants for their day to day operation, and in future it may stifle service delivery.
- The municipality provides for expected credit losses relating to consumer debtors. At the end of each reporting period, the municipality assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss on a financial asset has occurred, the loss is recognized in surplus or deficit.
- During 2012/2013 financial year, municipality impaired debtors to the value of R 24,887,512, this accounts for 76% of total debtors, this effectively means that, if Municipality were to embark on a robust credit control mechanism, only 24% of debtors will be able to pay.
- Auditor General raised a concern about this impairment, and recommended that council enforce their council adopted debt recovery policy without fear or favor.
- Tswelopele Local Municipality further wrote off debtors to the value of R 4,503,471.
- The municipality plans to embark on a robust revenue enhancement strategy to address all the grey areas mentioned above.

CHAPTER 6

AUDITOR GENERAL AUDIT FINDINGS

INTRODUCTION

Section 188(1) (b) of the Constitution states that the functions of the Auditor-General includes the auditing and reporting on the accounts, financial statements and financial management of all municipalities. Section 45 of the Municipal Systems Act states that the results of performance measurement must be audited annually by the Auditor-General.

COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS 2012/13

6.1 AUDITOR GENERAL REPORT 2012/13

During the 2012/13 Financial Year, Tswelopele Municipality obtained a financially unqualified Audit Report with other matters. The matters raised by the Auditor-General as well as remedial action plan developed by the Municipality are as outlined below:

AUDITOR-GENERAL REPORT ON SERVICE DELIVERY PERFORMANCE 2012/13	
Audit Report Status: Unqualified Audit Opinion	
Non-Compliance Issues	Remedial Action Taken
Various issues raised	Audit Action Plan developed to address the non-compliance issues

AUDITOR-GENERAL REPORT ON FINANCIAL PERFORMANCE 2012/13	
Audit Report Status: Unqualified report	
Non-Compliance Issues	Remedial Action Taken
Various matters	The Audit Action Plan developed to address the non-compliance issues

REPORT OF THE AUDITOR-GENERAL TO THE FREE STATE LEGISLATURE AND THE COUNCIL ON THE TSWELOPELE LOCAL MUNICIPALITY
REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Tswelopele Local Municipality set out on pages 86 to 185, which comprise the statement of financial position as at 30 June 2013, the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended and statement of comparison of budget and actual amounts, 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 and fair presentation of the 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) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Tswelopele Local Municipality as at 30 June 2013 and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the MFMA and DoRA.

Emphasis of matters

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

Restatement of corresponding figures

8. As disclosed in note 48 to the financial statements, the corresponding figures for 30 June 2012 have been restated as a result of errors discovered during 2013 in the financial statements of the municipality at, and for the year ended, 30 June 2012.

Material losses and impairments

9. As disclosed in note 4 to the financial statements, material losses to the amount of R4 503 471 (2012: R3 379 784) were incurred as a result of bad debts written off.

10. As disclosed in note 4 to the financial statements, a provision for impairment to the amount of R24 887 512 (2012: R25 278 466) was made with regard to amounts owing to the municipality in respect of consumer debts amounting to R32 698 943 (2012: R706 702).

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

11. 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

12. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages 16 to 56 of the annual report.

13. 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 development objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury's *Framework for managing programme performance information* (FMPPI).

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

The material findings are as follows:

Usefulness of information

15. 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. The performance report submitted by the municipality for audit purposes did not include actual performance for the year. I could therefore not conclude as to whether the municipality had achieved its planned targets and reasons for not achieving, where applicable. This was due to the lack of adequate knowledge and skills by officials and inadequate oversight over performance reporting.

16. The MSA, section 41(c), requires that the actual achievements against all planned indicators and targets must be reported annually. The annual performance report submitted for audit purposes did not include the actual performance of 100% of all planned objectives, indicators and targets specified in the integrated development plan for the year under review. This was due to the lack of adequate knowledge and skills by officials and inadequate oversight over performance reporting.
17. The FMPPI requires that performance targets be specific in clearly identifying the nature and required level of performance. A total of 98% of the targets were not specific in clearly identifying the nature and the required level of performance. This was due to the lack of adequate knowledge and skills by officials and inadequate oversight over performance reporting.
18. The FMPPI requires that performance targets be measurable. The required performance could not be measured for 100% of the targets. The nature and required level of performance were not clearly specified for each target. This was due to the fact that management was aware of the requirements of the FMPPI but did not receive the necessary training to enable application of the principles.
19. The FMPPI requires that the time period or deadline for delivery be specified. A total of 51% of the targets were not time bound in specifying a time period or deadline for delivery. This was due to the lack of adequate knowledge and skills by officials and inadequate oversight over performance reporting.
20. 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 36% of the indicators were not well defined in that clear, unambiguous data definitions were not available to allow for data to be collected consistently. This was due to the lack of adequate knowledge and skills by officials and inadequate oversight over performance reporting.
21. 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 were not verifiable in that valid processes and systems that produce the information on actual performance did not exist. This was due to the lack of key controls in the relevant systems of collection, collation, verification and storage of actual performance information

Reliability of information

22. 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.

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 100% of the development objectives. This was due to limitations placed on the scope of my work as actual performance was not included in the annual performance report and the municipality's records did not permit the application of alternative procedures to determine the actual performance that should have been reported.

Compliance with laws and regulations

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

Strategic planning and performance management

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

Budget

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

Annual financial statements, performance and annual reports

26. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of non-current assets, current assets, liabilities, expenditure and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.
27. 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.
28. The annual performance report for the year under review does not include the performance of the municipality, a comparison of the performance with set targets, a comparison with the previous financial year and measures taken to improve performance as required by section 46(1)(a), (b) and (c) of the MSA.

Audit committee

29. The audit committee did not meet at least four times a year, as required by section 166(4)(b) of the MFMA.
30. The audit committee did not advise the accounting officer and municipal council on matters relating to risk management, performance management and performance evaluation as required by section 166(2)(a) of the MFMA.
31. The audit committee did not advise the accounting officer and municipal council on matters relating to compliance with legislation, as required by section 166(2)(a)(vii) of the MFMA.
32. The audit committee did not review the municipality's performance management system and make recommendations to the council, as required by municipal planning and performance management (MPPM) regulation 14(4)(a)(ii).
33. The audit committee did not review the quarterly internal audit reports on performance measurement, as required by MPPM regulation 14(4)(a)(i).
34. 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 MPPM regulation 14(4)(a)(iii).

Internal audit

35. The internal audit unit did not function as required by section 165(2) of the MFMA, in that:
- (a) it did not prepare a risk-based audit plan and an internal audit programme for the financial year under review
 - (b) it did not report to the audit committee on the implementation of the internal audit plan.
36. The internal audit unit did not advise the accounting officer and report to the audit committee on matters relating to compliance with the MFMA, DoRA and other applicable legislation, as required by section 165(2)(b)(vii) of the MFMA.

Procurement and contract management

37. Goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations as required by SCM regulation 17(a) and (c).

Expenditure management

38. 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.
39. An adequate management, accounting and information system was not in place which recognised expenditure when it was incurred and accounted for creditors, as required by section 65(2)(b) of the MFMA.
40. Reasonable steps were not taken to prevent unauthorised, irregular expenditure and fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.

Revenue management

41. 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 MFMA.

Assets management

42. 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.

Consequence management

43. Irregular expenditure incurred by the municipality was not investigated to determine whether any person was liable for the expenditure, in accordance with the requirements of section 32(2) of the MFMA.

Internal control

44. 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 findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Leadership

45. The municipal council and senior management did not provide adequate leadership as they did not ensure that the municipality had an approved performance management system. The accounting officer did not ensure that officials responsible for performance planning, monitoring, evaluation and reporting had the required competencies to enable them to perform their responsibilities. There were no consequences for incomplete and inaccurate performance by officials.
46. The accounting officer did not exercise oversight responsibility over compliance with laws and regulations, which resulted in material repeat findings on predetermined objectives and non-compliance with laws and regulations being reported. This was due to a lack of consequences for poor performance by officials and changes in key senior management as the new accounting officer, chief financial officer and technical manager were appointed in the last quarter of the financial year.
47. The accounting officer did not exercise adequate oversight over IT governance as processes to address findings on IT reported in the previous years were only initiated after the year-end. This was mainly due to the slow response by the political leadership as changes in key senior management were implemented in the last quarter of the financial year.

Financial and performance management

48. On-going monitoring and supervisory reviews over performance and compliance reporting were not adequate. Internal control weaknesses were not identified and corrected in time to ensure accurate and complete reporting. This was due to changes in key senior management in the last quarter of the financial year and lack of consequences for poor performance as officials were not held responsible for inaccurate and incomplete performance reporting and contravention of laws and regulations.

Governance

49. The audit committee did not provide adequate oversight over governance and internal controls as some members were appointed after year-end. The accounting officer and municipal council did not ensure that a properly constituted audit committee was fully operational throughout the year. This resulted in inadequate oversight over the internal audit function. The municipal council did not ensure that members of the audit committee were appointed in time to perform the oversight responsibility.
50. Work performed by the internal audit function was not based on a risk assessment and therefore had limited impact on addressing key weaknesses in performance management and compliance with laws and regulations. This was due to a lack of effective leadership by the accounting officer as risk assessment was not prioritised and implemented.

Bloemfontein

30 November 2013

Auditor General



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

DETAILED MUNICIPAL ACTION PLAN TO ADDRESS ISSUES RAISED BY THE AUDITOR GENERAL.

FINDINGS	RESPONSIBLE DEPARTMENT	RESPONSIBLE PERSON	DUE DATE	REMEDIAL ACTION
EX.18.Risk Identification and management	MUNICIPAL MANAGER	MM	12/31/2013	The risk officer is appointed will start on 01/02/2014
EX.15.Employee Cost - Performance Evaluations not done	MUNICIPAL MANAGER	Strategic Manager	30/03/2014	Performance Management Framework is in place, SDBIP is in place and quarterly reports prepared and are presented to council.
EX.2:(CoA2)Audit Committee	MUNICIPAL MANAGER	Internal Auditor		There is a budget for special investigations.
EX.13.Internal audit: Internal control issues identified	MUNICIPAL MANAGER	Municipal Manager		The departmental structure for internal audit has been approved and the appointment will be in January 2014. Ref. to EX 18
EX.122.AFS - compliance	MUNICIPAL MANAGER	Internal Auditor		Audit completion list and the exception register are performed after every audit and the exception register
EX.16.AOPO - Performance management system not established	MUNICIPAL MANAGER	Strategic Manager	30/03/2014	Performance Management Framework will incorporate the PMS system and monitoring and measurement of performance is done on a quarterly basis.
EX.21.AOPO - Municipal IDP not compliant	MUNICIPAL MANAGER	Strategic Manager	31/05/2014	IDP reviewed and the performance targets and general KPI's were incorporated into IDP. Disaster Management Plan has been developed. Departmental SDBIP developed as per the IDP.
EX.24.AOPO - Service Delivery and Budget Implementation Plan	MUNICIPAL MANAGER	Strategic Manager	31/05/2014	SDBIP developed and approved by mayor and monitors on quarterly monitored. SDBIP and IDP are fully aligned and taken with the council. KPI's not in the IDP were incorporated and taken to council
EX.34.AOPO: Performance not reported	MUNICIPAL MANAGER	Strategic Manager	31/07/2014	Annual Report to indicate incorporate evaluation of performance targets against the IDP and measures taken to improve performance
EX.35.AOPO - No Key performance targets set in IDP	MUNICIPAL MANAGER	Strategic Manager	Ongoing	IDP was reviewed and the performance targets and general KPI's were incorporated into IDP.
EX.37.AOPO - No Key Performance Indicator set for development priority in IDP	MUNICIPAL MANAGER	Strategic Manager	Ongoing	IDP was reviewed and the performance targets and general KPI's were incorporated into IDP.
EX.115.AOPO - No consistency in development objectives, indicators and targets between IDP, SDBIP and APR	BTO/MUNICIPAL MANAGER	Strategic Manager	31/05/2014	SDBIP and IDP are fully aligned and taken with the council. KPI's not in the IDP were incorporated and taken to council
EX.116.AOPO - Key performance indicators and targets not verifiable	MUNICIPAL MANAGER	Strategic Manager	31/05/2014	IDP reviewed and verifiable performance targets and KPI's were incorporated into IDP.
EX.117.AOPO - Performance targets not specific and time bound	MUNICIPAL MANAGER	Strategic Manager	31/05/2014	IDP reviewed and specific and time bound performance targets and KPI's were incorporated into IDP.
EX.118.AOPO - Targets not achieved	MUNICIPAL MANAGER	Strategic Manager	30/03/2014	Performance monitored on quarterly basis
EX.119.AOPO - Limitation actual performance not reported	MUNICIPAL MANAGER	Strategic Manager	Ongoing	Actual Performance is monitored and reported on quarterly basis
EX.120.AoPI:performance indicators not well defined	MUNICIPAL MANAGER	Strategic Manager	31/05/2014	IDP was reviewed and the performance targets and general KPI's were incorporated into IDP.

FINDINGS	RESPONSIBLE DEPARTMENT	RESPONSIBLE PERSON	DUE DATE	REMEDIAL ACTION
EX.1:(CoA 1)Planning: CFO did not sign monthly reconciliations	Budget & Treasury (CFO)	Manager: Revenue & budget	30-Jun-14	Monthly bank reconciliations and investment registers to be signed by CFO
EX.63.ADJUSTED: Cash and bank - Difference between AFS balance and bank confirmation.	Budget & Treasury (CFO)	Chief Expenditure Clerk	Continuous beginning 31 January 2014	Maintain a register of cancelled cheques and ensure these have been written back into the cashbook on a monthly basis
ADJUSTED: EX.55.Commitment: Incorrect Classification	Budget & Treasury (CFO)/Technical	Asset Practitioner	Continuous beginning 31 January 2014	Maintain a contract/commitment register. Update on a monthly basis
EX.137.ADJUSTED:Commitments:D isclosure not complete	Budget & Treasury (CFO)/Technical	Asset Practitioner	Continuous beginning 31 January 2014	Maintain a contract/commitment register. Update on a monthly basis
EX.80.Employee Cost: Payroll	Budget & Treasury (CFO)	Manager: SCM & Exp	Continuous beginning 25 January 2014	Changes made on payroll master file to be reviewed and approved by independent senior official on a monthly basis
EX.93.Employee Cost: Journals	Budget & Treasury (CFO)	Manager: SCM & Exp	Continuous beginning 31 January 2014	All journals to be approved by the Chief Financial Officer and a Senior Manager
EX.131.Other Disclosures: Non _compliance	Budget & Treasury (CFO)	Manager: SCM & Exp	30-Jun-14	AFS disclosures
EX.114.ADJUSTED: AFS: High level review	Budget & Treasury (CFO)	Manager: SCM & Exp	30-Jun-14	AFS disclosures
EX.123. ADJUSTED. AFS:Review	Budget & Treasury (CFO)	Manager: SCM & Exp	30-Jun-14	AFS disclosures
EX.42.PPE: Monthly reconciliation not performed	Budget & Treasury (CFO)	Asset Practitioner	Continuous beginning 31 January 2014	Ensure monthly reconciliations between general ledger and asset register are performed
EX.64.PPE: asset register does not contain scan code number	Budget & Treasury (CFO)	Asset Practitioner	Continuous beginning 31 January 2014	Asset Register to be updated on a continuous basis. The asset register to contain detailed location details for the new additions and scan codes
EX.67.PPE: Completeness of Land register	Budget & Treasury (CFO)	Asset Practitioner	Continuous beginning 31 January 2014	Regularly obtain the listing of municipal properties as per the Title Deeds Office and compare to the municipal properties per the asset register. Investigate and file adequate supporting documentation to support the changes
EX.77.PPE: Location errors identified	Budget & Treasury (CFO)	Asset Practitioner	Bi-annual starting 31 January 2014	Perform regular asset counts and reconcile to the ledger. Update locations and assess conditions of assets. Ensure all assets are bar-coded
EX.84.ADJUSTED:PPE: Title deeds (Rights to land not verified)	Budget & Treasury (CFO)	Income Accountant	Continuous beginning 31 January 2014	Title deeds to all municipal properties to me maintained.
EX.128.PPE & Depreciation: Accounting policy	Budget & Treasury (CFO)	Asset Practitioner	30-Jun-14	Accounting policy to be consistent and agree to source
EX.129.ADJUSTED: PPE: Completeness of land (landfill sites & borrow pits)	Budget & Treasury (CFO)/Technical	Asset Practitioner	30-Jun-14	Ensure completeness of asset register.
EX.31.Inventory - stock records not reconciled to General Ledger and physical counts.	Budget & Treasury (CFO)/Technical	Asset Practitioner	Monthly/quarterly beginning 31 January 2014	Regular inventory counts to be performed and the stock listing reconciled to the General Ledger.
EX.65.ADJUSTED: Inventory: Difference between inventory listing and general ledger	Budget & Treasury (CFO)/Technical	Asset Practitioner	Continuous beginning 31 January 2014	Regular updates to be done for issues of inventory

FINDINGS	RESPONSIBLE DEPARTMENT	RESPONSIBLE PERSON	DUE DATE	REMEDIAL ACTION
EX.71. ADJUSTED: Inventory: Incorrect valuation of water.	Budget & Treasury (CFO)/Technical	Asset Practitioner	30-Jun-14	The cost/unit of water to be determined and used for the valuation of inventory
EX.23.ADJUSTED:Investment Property - completeness not confirmed	Budget & Treasury (CFO)/Corporate	Asset Practitioner	Continuous beginning 31 January 2014	Ensure the Investment Property Register is reconciled to the rental agreements regularly to ensure completeness of investment properties. Liaise with Legal Manager for any changes and update accordingly
EX.28.ADJUST:Investment property - inadequate disclosure	Budget & Treasury (CFO)	Manager: SCM & Exp	30-Jun-14	AFS disclosures
EX.73.Leases: Non-compliance with GRAP	Budget & Treasury (CFO)	Asset Practitioner	30-Jun-14	Determine the accounting treatment of the radio tower in relation to supporting documentation. Ensure all lease expenditure is accounted for
EX.78. ADJUSTED: Leases: Cell phones classified as other assets instead of leased assets	Budget & Treasury (CFO)	Asset Practitioner	30-Jun-14	Review all cell-phone contracts and ensure correctly accounted for
EX.82.PPE: Assets not included in the FAR	Budget & Treasury (CFO)	Asset Practitioner	Bi-annual starting 31 January 2014	Continuously update asset register for all asset movements and assess conditions
EX.39.ADJUSTED:Expenditure:Cu: Transactions recorded in incorrect period	Budget & Treasury (CFO)	Expenditure Accountant	30-Aug-14	Ensure transactions are recorded in the correct accounting period (Creditors)
EX.90.ADJUSTEDProcurement: Internal control findings	Budget & Treasury (CFO)	CFO/MM	Continuous beginning 31 January 2014	1. Delegations procedures to be in place
EX.90.ADJUSTEDProcurement: Internal control findings	Budget & Treasury (CFO)	Manager: SCM & Exp	Continuous beginning 31 January 2014	2. Plan for addressing internal & external audit findings on SCM to be implemented. Compliance to the plan to be monitored on a monthly/quarterly basis by appropriate level of management. Address internal control deficiencies
EX.90.ADJUSTED Procurement: Internal control findings	Budget & Treasury (CFO)	Manager: SCM & Exp	31-Jul-14	3. Accounting Officer to submit to the Council, within 30 days after financial year end, a report on the implementation of the SCM policy of the municipality and of any municipal entity under its sole or shared control.
EX.90.ADJUSTED Procurement: Internal control findings	Budget & Treasury (CFO)	SCM practitioner	Continuous beginning 31 January 2014	4. Publish on the website of the municipality a register of bids received on time.
EX.90.ADJUSTED Procurement: Internal control findings	Budget & Treasury (CFO)	SCM Practitioner	Continuous beginning 31 January 2014	5. Contract registers to be implemented to record contracts awarded and monitor expenditure on contracts.
EX.90.ADJUSTED Procurement: Internal control findings	Budget & Treasury (CFO)	Risk Officer	30-Jun-14	6. Audit Committee's review of municipal compliance with laws and regulations to include compliance with SCM regulations
EX.90.ADJUSTED Procurement: Internal control findings	Budget & Treasury (CFO)	Risk Officer	30-Jun-14	7. Audit Committee's report of effectiveness of internal controls to cover controls around the SCM system.
EX.90.ADJUSTED Procurement: Internal control findings	Budget & Treasury (CFO)	Risk Officer	31-Mar-14	8. A risk assessment of the SCM system to be performed
EX.111.ADJUSTED: Procurement: Non compliance	Budget & Treasury (CFO)	Expenditure Accountant	Continuous beginning 31 January 2014	1.Procurement procedures and requirements to be monitored for procurement up to R200,000 (Adequate quotations to be obtained and suppliers to be on the Supplier database)
EX.111.ADJUSTED: Procurement: Non compliance	Budget & Treasury (CFO)	Expenditure Accountant	Continuous beginning 31 January 2014	2. Contracts above R200,000 to comply with the SCM policy

FINDINGS	RESPONSIBLE DEPARTMENT	RESPONSIBLE PERSON	DUE DATE	REMEDIAL ACTION
EX.113.ADJUSTED Procurement: Irregular expenditure	Budget & Treasury (CFO)	SCM practitioner	Continuous beginning 31 January 2014	Ex.111 result in irregular expenditure
EX.138. ADJUSTED: Unauthorised Expenditure	Budget & Treasury (CFO)	Manager: SCM & Exp	31 January 2014 & 30 June 2014	AFS disclosures
EX.14.Payables - Creditor's reconciliation not performed	Budget & Treasury (CFO)	Chief Expenditure Clerk	Continuous beginning 31 January 2014	Monthly creditors reconciliations to be performed to ensure the accuracy and completeness of outstanding creditor balances
EX.49.ADJUSTED: Trade and other payables - Payment not made within 30 days of receiving of invoice	Budget & Treasury (CFO)	Chief Expenditure Clerk	Continuous beginning 31 January 2014	Monitoring procedures to be put in place including performing creditors' reconciliations on a monthly basis.
EX.134.ADJUSTED. Trade payables - Existence and Valuation	Budget & Treasury (CFO)	Expenditure Accountant	Continuous beginning 31 January 2014	Review the creditors listing on a monthly basis and reconcile to the General ledger
EX.26. AOPO - Adjusted budget	Budget & Treasury (CFO)	Manager: Revenue & budget	1-Mar-14	1. The adjustment budget to be made public after it approval by the Council.
EX.26. AOPO - Adjusted budget	Budget & Treasury (CFO)	Manager: Revenue & budget	10-Mar-14	2. The adjustment budget to be submitted to the National and Provincial Treasury within ten days after approval by council.
EX.33.Budget not based on development priorities and objectives in IDP	Budget & Treasury (CFO)/ Municipal Manager	Manager: Revenue & budget/ IDP Officer	30-Apr-14	Ensure that, the budget and IDP preparation processes are aligned so that adequate resources are provided for the achievement of planned objectives.
EX.115.AOPO - No consistency in development objectives, indicators and targets between IDP, SDBIP and APR	Budget & Treasury (CFO)/ Municipal Manager	CFO	Continuous beginning 31 January 2014	Implement a performance management system.
EX.30. Bad Debts - No steps not taken to recover the debt	Budget & Treasury (CFO)	Manager: Revenue & budget	Continuous beginning 31 January 2014	Implement the municipal credit control and debt collection policy
EX.40.Consumer Debtors: No Authorisation for Journals Passed	Budget & Treasury (CFO)	Manager: Revenue & budget	Continuous beginning 31 January 2014	Implement adequate controls over processing of adjusting journals to prevent unauthorised transactions.
EX.46.ADJUSTED: Suspense account: Incorrect allocation of finance costs	Budget & Treasury (CFO)	Manager: Revenue & budget	Continuous beginning 31 January 2014	Review expense allocations regularly to ensure correct classification
EX.70.Consumer Deposits: Differences Between in Deposit register and Financial statements	Budget & Treasury (CFO)	Manager: Revenue & budget	Continuous beginning 31 January 2014	Ensure that monthly reconciliation between general ledger and the deposit register is performed and any reconciling items followed up timeously
EX.5:(CoA 1)Bank and cash: Cash delivered to bank	Budget & Treasury (CFO)	Manager: Revenue & budget	7-Jan-14	Municipal Traffic Officers to escort the income accountant to the bank until such time that the municipality appoints the permanent security officer.
EX.6:(CoA3) Revenue: Difference between SEBATA and Valuation roll	Budget & Treasury (CFO)	Manager: Revenue & budget	Continuous beginning 31 January 2014	1. Reconcile formal valuation roll to billing module valuation roll.
EX.6:(CoA3) Revenue: Difference between SEBATA and Valuation roll	Budget & Treasury (CFO)	Manager: Revenue & budget	Continuous beginning 31 January 2014	2. Implement supplementary valuation roll.
EX.6:(CoA3) Revenue: Difference between SEBATA and Valuation roll	Budget & Treasury (CFO)	Manager: Revenue & budget	Continuous beginning 31 January 2014	3. Reconcile the valuation roll to actual rate levied
EX.7:Revenue: No register for direct deposit	Budget & Treasury (CFO)	Manager: Revenue & budget	Continuous beginning 31 January 2014	Implement adequate controls over daily and monthly processing and reconciling of transactions relating to direct income.

FINDINGS	RESPONSIBLE DEPARTMENT	RESPONSIBLE PERSON	DUE DATE	REMEDIAL ACTION
EX.9.(CoA5)Receivables: Loan agreement not signed by municipality representative (EX.9)	Budget & Treasury (CFO)	Manager: Revenue & budget	Continuous beginning 31 January 2014	Debt agreement with service debtors to be approved by delegated officials to provide legal basis for compliance and enforcement.
EX.38.Revenue - Valuation Roll	Budget & Treasury (CFO)	Manager: Revenue & budget	Continuous beginning 31 January 2014	Ensure that the municipal website is updated with all the information prescribed in terms of applicable laws and regulations. The municipal valuation roll should be revised to include all the required information.
EX.59.Revenue: Internal controls relating to reconnection/ Connection fees	Budget & Treasury (CFO)	Manager: Revenue & budget	Continuous beginning 31 January 2014	1. New connections to be supported by application forms or signed by the official from the municipality as authorisation
EX.59.Revenue: Internal controls relating to Reconnection/ Connection fees	Budget & Treasury (CFO)	Manager: Revenue & budget	Continuous beginning 31 January 2014	2. Implement adequate controls to ensure collection of debtors 3. Ensure correct classification of income
EX.59.Revenue: Internal controls relating to Reconnection/ Connection fees	Budget & Treasury (CFO)	Manager: Revenue & budget	Continuous beginning 31 January 2014	3. Ensure correct classification of disconnection & connection fees
EX.60.Revenue: Internal controls relating to the rental of halls	Budget & Treasury (CFO)	Manager: Revenue & budget	Continuous beginning 31 January 2014	1. Maintain a register for all the deposit and rental income received for the rental of halls. 3. Ensure deposit paid agrees to tariff listing
EX.60.Revenue: Internal controls relating to the rental of halls	Budget & Treasury (CFO)	Manager: Revenue & budget	Continuous beginning 31 January 2014	2. Reconcile the registers to the GL
EX.60.Revenue: Internal controls relating to the rental of halls	Budget & Treasury (CFO)	Manager: Revenue & budget	Continuous beginning 31 January 2014	3. Ensure deposit paid agrees to tariff listing
EX.61.Revenue: Valuation Roll not reconciled	Budget & Treasury (CFO)	Manager: Revenue & budget	Continuous beginning 31 January 2014	Regularly update the valuation roll with changes in property ownership and new property developments.
EX.61.Revenue: Valuation Roll not reconciled	Budget & Treasury (CFO)	Manager: Revenue & budget	Continuous beginning 31 January 2014	2. Perform reconciliations between the rateable valuation roll and the SEBATA system.
EX.44.Value Added Tax - Vat returns not submitted to SARS timeously	Budget & Treasury (CFO)	Expenditure Accountant	Continuous beginning 31 January 2014	Ensure that VAT returns are submitted to the Receiver of Revenue before the due date.
EX47. Adjusted: Revenue: Income from fines measured incorrectly	Community Services	Director Community Services	On-going	Reconciliation of Traffic control document by adding a payment column that stipulate the amount paid from the Magistrate Court in order to have the actual amount received after fines were issued. Thereafter compare the amount of fines that were issued and the amount that was received from the issued fines that were paid from the Magistrate Court.
EX.32.Employee costs: Lack of controls over new appointments	Corporate Services	Director Corporate Services	To be monitored on an on-going basis	The director corporate services should also ensure that all appointments are done in accordance with the municipality's Human Resources Policy and requirements of the law
EX.94.ISA:Information technology governance	Corporate Services	Director Corporate Services	IT was appointed 4 November 2013	Management should consider increasing the IT staff capacity to allow roles and responsibilities to be allocated to different staff members to ensure the provision and maintenance of effective IT security that is in line with business requirements and good practices. The entity should obtain the skills needed to implement the policies, e.g. via training.

FINDINGS	RESPONSIBLE DEPARTMENT	RESPONSIBLE PERSON	DUE DATE	REMEDIAL ACTION
EX.95.ISA: Service Level agreement not monitored by management	Corporate Services	Director Corporate Services	28 February 2014	Service performance reviews should regularly be conducted for all external service providers and timeously corrective action should be taken to remedy any deficiencies identified.
EX.96.ISA:Lack of designed IT security policy	Corporate Services	Director Corporate Services	31 March 2014	In the absence of a government-wide IT security framework, assistance should be sought from the district municipality for the development or revision of the IT security policies. Furthermore, management should ensure that IT vacancies are filled with appropriately skilled staff. Where necessary, the skills of staff should be developed through appropriate training intervention
EX.97.ISA:Lack of designed patch management procedures	Corporate Services	IT Officer	31 March 2014	The responsibility for the patch management process should be delegated to a specific individual to ensure that the organisation's network and systems are protected by the required patches/updates. The patch management procedures should also be formally documented and approved to ensure consistency should the party or individual responsible for this activity leave the municipality.
EX.98.ISA:Lack of designed user access management procedures	Corporate Services	IT Officer	31 March 2014	Management should ensure that a user account management policy and related procedures are developed and implemented to ensure that: A Single access form is developed for all applications in use at the entity, Users who sign on to any application are required to have their own user IDs allocated to them, the access allocation for new users, changes to existing user's access and procedures for dealing with resignations, terminations and retirements are clearly documented and managed, And time frames for notifying the staff of user movements are documented.
EX.99.ISA:Formal access request documentation	Corporate Services	IT Officer	31 March 2014	Management should ensure that a user account management policy and related procedures are developed and implemented to ensure that: A Single access form is developed for all applications in use at the entity, Users who sign on to any application are required to have their own user IDs allocated to them, the access allocation for new users, changes to existing user's access and procedures for dealing with resignations, terminations and retirements are clearly documented and managed, And time frames for notifying the staff of user movements are documented.

FINDINGS	RESPONSIBLE DEPARTMENT	RESPONSIBLE PERSON	DUE DATE	REMEDIAL ACTION
EX.100.ISA: Review of users access and privileges on all financial systems	Corporate Services	IT Officer	31 March 2014	Management should ensure that a user account management policy and procedures are developed and documented. The responsibility for the review of user profiles lies with the system owners (business), IT merely facilitates the process. Segregation of duties reviews should be conducted at least twice per year depending on the number or users on the system and the frequency of changes to the user access/profiles.
EX.101.ISA:Review of activities of person granting user access	Corporate Services	IT Officer	31 March 2014	The activities of the system controller with regard to user account management should be reviewed by an independent person or party on a regular basis. Evidence of such reviews should be retained for future reference and audit purposes.
EX.102.ISA:Formal processes to manage upgrades	Corporate Services	IT Officer	31 March 2014	Application change control standards and procedures should be developed and should include key elements such as ensuring that updates are approved and tested prior to implementation.
EX.103.ISA:Formal change requests documentation for upgrades/updates	Corporate Services	IT Officer	31 March 2014	Change management policies and procedures should be developed. Appropriately skilled individuals should be employed to manage the process. When the services of contractors are used, it should be ensured that skills are transferred to the municipality's IT staff to prevent the contractors from operating in the five environments.
EX.104.ISA: Monitoring of access to live environment granted to vendors	Corporate Services	IT Officer / Finance	31 March 2014	When the services of contractors are used, it should be ensured that skills are transferred to the municipality's IT staff to prevent the contractors from operating in the production environment or to enable the monitoring of their actions.
EX.105.ISA: Backups performed, verified and checked for completion	Corporate Services	IT Officer / Finance	Continuously	Management should ensure that backups and restoration processes are established to ensure IT service continuity.
EX.4:(CoA3) Revenue: Fixed rental contract without escalation	Community Services/Corporate services	Manager HR &Legal Services	To be monitored on ongoing basis	No fixed rental agreement will be signed without input of Legal Services going forward and Corporate Services will be responsible for drafting and administering of all Contracts
EX.112: Leave payout: Leave payment in excess of 48 days	Corporate Services	Manager HR &Legal Services	31 June 2014	Consultation with affected employees will be held in due course to address the matter and the proposed action will be that of employees taking or selling leave days in order for them to remain in 48 capped leave days.
EX.107.Service delivery: Road Infrastructure	Technical	Technical Officers	31/03/2014	Operations and maintenance plan
EX.109.Service delivery: Road Infrastructure	Technical	Technical Officers	31/03/2014	Operations and maintenance plan
EX.110.Service Delivery - Access to basic levels of water services	Technical	Technical Officers/ Supervisors/Process controller	28/02/2014	Training of supervisor and process controllers

FINDINGS	RESPONSIBLE DEPARTMENT	RESPONSIBLE PERSON	DUE DATE	REMEDIAL ACTION
EX.121.Service delivery: Basic services: Sanitation	Technical	Technical Officers/ Supervisors/Process controller	28/02/2014	Training of supervisor and process controllers
EX.124.Service delivery: Water services Development plan	Technical	Director	31/03/2014	Review of WSDP and Council to adopt
EX.48.Inventory - daily reconciliation of fuel received/ issued	Technical	Director	31/01/2014	Appointment of Inventory personnel
EX.65.ADJUSTED: Inventory: Difference between inventory listing and general ledger	Technical / BTO	Technical Officers	31/01/2014	Proper recording on inventory
EX.69.Inventory: No monthly reconciliation performed	Technical	Technical Officers	31/01/2014	Proper recording on inventory
Provisions: Land fill sites	Technical	Director	1-Mar-14	Appointment of Waste Manager
EX.127.Cosumer debtors: No controls to limit usage of water	Technical	Director	31/10/2014	Installation of water meters

GLOSSARY

Accessibility indicators	Explore whether the intended beneficiaries are able to access services or outputs.
Accountability documents	Documents used by executive authorities to give “full and regular” reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and Annual Reports.
Activities	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe “what we do”.
Adequacy indicators	The quantity of input or output relative to the need or demand.
Annual Report	A report to be prepared and submitted annually based on the regulations set out in Section 121 of the Municipal Finance Management Act. Such a report must include annual financial statements as submitted to and approved by the Auditor-General.
Approved Budget	The annual financial statements of a municipality as audited by the Auditor General and approved by council or a provincial or national executive.
Baseline	Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period.
Basic municipal service	A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment.
Budget year	The financial year for which an annual budget is to be approved – means a year ending on 30 June.
Cost indicators	The overall cost or expenditure of producing a specified quantity of outputs.
Distribution indicators	The distribution of capacity to deliver services.
Financial Statements	Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed.
General Key performance indicators	After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
Impact	The results of achieving specific outcomes, such as reducing poverty and creating jobs.
Inputs	All the resources that contribute to the production and delivery of outputs. Inputs are “what we use to do the work”. They include finances, personnel, equipment and buildings.
Integrated Development Plan (IDP)	Set out municipal goals and development plans.
National Key performance areas	<ul style="list-style-type: none"> É Service delivery & infrastructure É Economic development É Municipal transformation and institutional development É Financial viability and management É Good governance and community participation
Outcomes	The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are “what we wish to achieve”.
Outputs	The final products, or goods and services produced for delivery. Outputs may be defined as “what we produce or deliver”. An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunization, or a service such as processing an application) that contributes to the achievement of a Key Result Area.
Performance Indicator	Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered)

Performance Information	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.
Performance Standards:	The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this EPMDS performance standards are divided into indicators and the time factor.
Performance Targets:	The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and express a specific level of performance that a municipality aims to achieve within a given time period.
Service Delivery Budget Implementation Plan	Detailed plan approved by the mayor for implementing the municipality's delivery of services; including projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included.
Vote:	One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area. Section 1 of the MFMA defines a "vote" as: <i>a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and</i> <i>b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned</i>

APPENDICES

APPENDIX A - COUNCILLORS; COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE

COUNCILLORS, COMMITTEES ALLOCATED AND ATTENDANCE					
Council Members	Full Time/ Part Time FT/PT	Committees Allocated	*Ward and/Party Represented	Percentage Council Meetings Attendance	Percentage Apologies for non-attendance
				%	%
Cllr ME Mathibe	FT	Executive Committee; Finance Committee.	PR	98%	2%
Cllr TA Matlakala	FT	Finance Committee; Housing	Ward 3 [ANC]	100%	0
Cllr PP Moalosi	PT	Finance Committee	Ward 2 [ANC]	100%	0
Cllr. KR Phukuntsi	PT	None	PR [ANC]	100%	0
Cllr TT Taedi	PT	Housing and Erven.	Ward7[ANC]	99.9%	1%
Cllr MS Baleni	PT	Infrastructure and Basic Services	Ward8 [ANC]	100%	0
Cllr. MS Bonokoane	PT	none	PR [ANC]	100%	0
Cllr MW Raseu	PT	None	Ward 5 [ANC]	100%	0
Cllr DA Njodina	PT	None	Ward 4 [ANC]	100%	0
Cllr MJ Taljaard	PT	None	PR [ANC]	92%	8%
Cllr C Horn	PT	None	PR [DA]	97%	3%
Cllr MM Snyer	PT	None	PR [Cope]	88%	12%
Cllr.EC Joubert	PT	None	PR [DA]	99.9%	1%
Cllr BP Esau	PT	None	Ward 1 [ANC]	100%	0
Cllr MJ Ngexe	PT	None	Ward 6 [ANC]	100%	0

APPENDIX B - COMMITTEES AND COMMITTEE PURPOSES

COMMITTEES (other than Executive Committee) AND PURPOSES OF COMMITTEES	
Municipal Committees	Purpose of Committee
Finance Committee	Deals with municipal financial management.
Audit Committee	It is independent advisory body to council, municipal manager and management staff on financial controls, risk management, accounting policies, performance management etc.
Housing & Erven	Deals with housing & erven matters within municipal jurisdiction.
Local Labour Forum[LLF]	It is platforms were organised labour and the employer negotiates and bargains on issues affecting labour at local level.
Education	Deals with local educational matters.
Sports	Deal with issues affecting all sporting code.
Agriculture & Rural Development	Deals with all matters pertaining to agriculture and rural development.
Economic Development	Deals with local economic development issues.
Social Development	Deal with social & welfare issues affecting the community.

APPENDIX C - THIRD TIER ADMINISTRATIVE STRUCTURE

THIRD TIER STRUCTURE	
Directorate	Director
Corporate Services	Director: Corporate Services- Mr. S Rabanye
Financial Services	Chief Financial Officer- Mr. L Moletsane
Community Services	Director Community Services- Ms. Z Tindleni
Technical Services	Director Infrastructure –Mr. B Dikoko

APPENDIX D -FUNCTIONS OF THE MUNICIPALITY

MUNICIPAL FUNCTIONS		
Municipal Functions	Function Applicable to Municipality (Yes/No)	Function Applicable to Entity (Yes/No)
Constitution Schedule 4, Part B functions		
Air Pollution	Yes	Not Applicable
Building regulations	Yes	Not Applicable
Child care facilities	No	Not Applicable
Electricity and gas reticulation	Yes	Not Applicable
Fire fighters services	No	Not Applicable
Local Tourism	Yes	Not Applicable
Municipal Airports	No	Not Applicable
Municipal planning	Yes	Not Applicable
Municipal public transport	No	Not Applicable
Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer function specifically assigned to them under the Constitution or any other	Yes	Not Applicable
Pontoons, ferries, jetties, piers and harbours, excluding the regulation of international and national shipping and matters related	No	Not Applicable
Storm-water management in built-up areas	Yes	Not Applicable
Trading regulations	Yes	Not Applicable
Water and sanitation services limited to potable water supply systems and domestic waste-water and sewerage system	Yes	Not Applicable

MUNICIPAL FUNCTIONS		
Municipal Functions	Function Applicable to Municipality (Yes/No)	Function Applicable to Entity (Yes/No)
Constitution Schedule 5, part B functions:		
Beaches and amusement facilities	No	Not Applicable
Cemeteries, funeral parlours and crematoria	Yes	Not Applicable
Cleansing	No	Not Applicable
Control of public nuisances	Yes	Not Applicable
Control of undertakings that sell liquor to public	No	Not Applicable
Facilities for the accommodation, care and burial of animals	No	Not Applicable
Fencing and Fence	Yes	Not Applicable
Licensing of dogs	Yes	Not Applicable
Licensing and control of undertakings that sell food to the public	Yes	Not Applicable
Local amenities	Yes	Not Applicable
Local sport facilities	Yes	Not Applicable
Markets	No	Not Applicable
Municipal abattoirs	No	Not Applicable
Municipal parks and recreation	Yes	Not Applicable
Municipal roads	Yes	Not Applicable
Noise pollution	Yes	Not Applicable
Pounds	Yes	Not Applicable
Refuse removal, refuse dumps and solid waste disposal	Yes	Not Applicable
Street trading	Yes	Not Applicable
Street lighting	Yes	Not Applicable
Traffic and parking	Yes	Not Applicable

APPENDIX E - WARD REPORTING

FUNCTIONALITY OF WARD COMMITTEES					
Ward Name (Number)	Name of Ward Councillor and elected ward committee members	Committees established (Yes/No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to the Speaker's office on time	Number of quarterly public ward meetings held during the year
1 [One]	Cllr BP Esau <u>Ward Committees</u> (S. Thebesoa, D. Thulo, S. Sonopo, N. Tolela, D. Malanka, G.Maerman, R. Vanrooi, N. Jonas, L. Peter).	Yes	10	4	4
2 [Two]	Cllr TA Matlakala <u>Ward Committees</u> (G. Skosana, Z. Noveld, T. Mtsewu, Z. Jan, M. Monang, V. Magaxane, M. Leaba, C.Klaas, S.	Yes	9	4	4

	Molaoa).				
3 [Three]	Cllr PP Moalusi <u>Ward Committees</u> (I. Ramosa, T. Maki, M. Ranothsi, N. Wittes, L. Khalaki, N. Manju, M. Rens, T. Bangani, N. Motsoeneng)	Yes	7	4	4
4 [Four]	Cllr DA Njodina <u>Ward Committees</u> (M. Molefe, N. Dasheka, M. Sesotlo, J. Gasemetse, V. Maripa, M. Nteo, S. Mabogole, S. Mambalo, K. Dandiso).	Yes	10	4	4
5 [Five]	Cllr MW Raseu <u>Ward Committees</u> (M. Motshabi, P. Masekwa, S. Leeuw, T. Ditjhaba, M. Marametse, D. Makgetla, D. Matlatse, T. Kgang, M. Metsing).	Yes	5	0	3
6 [Six]	Cllr MJ Ngexe <u>Ward Committee</u> (S. Seoke, K. Kamolane, C. Mphatsoe, G. Phetlo, N. Saliwe, M. Maphisa, J.Seretsi, S. Kgang, N. Libazi).	Yes	5	0	2
7 [Seven]	Cllr TT Taedi <u>Ward Committees</u> (M. Pan, M. Seitisho, M. Nthatisi, N. Qankase, M. Mkabane, L. Gotyana, W. Vinger, O. Phukuntsi).	Yes	5	0	3
8 [Eight]	Cllr MS Baleni <u>Ward Committees</u> (T. Raitibane, S. Moshoeshoe, N. Lekaota, V. Sixaxa, M. Gotyane, L. Nkomo, D. Lephoi, D. Molohe, D. Mmusi)	Yes	5	0	4

APPENDIX F - WARD INFORMATION

Capital Projects: largest in 2012/13				
No.	Project Name and detail	Start date	End Date	Total Value
1	Fencing of Cemeteries			
2	Upgrading of Sports facilities			

APPENDIX G - RECOMMENDATIONS OF THE MUNICIPAL AUDIT COMMITTEE 2012/13

MUNICIPAL AUDIT COMMITTEE RECOMMENDATIONS		
Date of Committee	Committee recommendations during 2012/13	Recommendations adopted
14 October 2011	Internal Audit Policy documents and the Audit Committee Charter be adopted	Yes
08 December 2011	Risk Management Policy documents and Risk Assessment report and register be adopted	Yes
05 April 2012	The Municipality must develop a performance management system	No
	The Municipality must prepare and submit to the Mayor for approval a Service Delivery and Budget Implementation Plan	Yes
	The revised Internal Audit Strategy adopted	Yes
	The Municipality appoint a Risk Officer to take on risk management functions	Yes

APPENDIX H - LONG TERM CONTRACT AND PUBLIC PRIVATE PARTNERSHIPS

Long Term Contracts (largest Contracts Entered into 2012/13)					
Name of Service Provider	Description of Service Rendered by the Service Provider	Start Date of Contract	Expiry date of Contract	Project Manager	Contract Value per Annum/ha
Vivier Trust	Arable Land (Camps A-E)	15 September 2010	15 August 2020	N/A	R 175 105
Loomer Boerdery	Arable Land (Camps F-I)	15 September 2010	15 August 2020	N/A	R 95 718
Tikwe Farmers	Arable Land (Camps 4&9)	01 September 2006	31 August 2031	N/A	R 32 148
Reasebetsa Farmers Trust	Arable Land (Camps 1-3)	01 October 2010	31 August 2020	N/A	R 1133 750
C Horn	Arable Land (Camps 4&9)	01 December 2010	31 October 2020	N/A	R 11 73 915
Hlanganani Project	Arable Land (Camps 5-6)	01 November 2010	31 October 2020	N/A	R 1 708 155
Bultfontein Farming Project	Arable Land (Camps 7,8 and 10)	01 November 2010	30 April 2015	N/A	R 1 192 300
Kopano Tswelopele	Arable Land (Camps 11 & 12)	01 July 2009	30 April 2019	N/A	R 1 649 430
Matla Farming Community	Arable Land (Camp 13)	01 October 2009	31 August 2019	N/A	R 506 400

Reasebetsa Farmers Trust	Arable Land (Camps 14 & 15)	01 October 2010	31 August 2020	N/A	R 162 600
G.D Oosthuizen	Arable Land (Camps 16,21,22 & 24)	01 October 2010	31 October 2020	N/A	R 4 752 118
PG Nzapheza	Arable Land (Camp 25)	01 October 2012	31 October 2020	N/A	R 10 351 50
Phahameng CMC		01 February	31 March 2020	N/A	R 13 955 94
Hoopstad Vliegklub			30 June 2053	N/A	R 50 00
Caravan Park	Park (erven 4960)		31 December 2027	N/A	R 20 00
Unoscan	Lapa(Game reserve)		31 July 2019	N/A	R 5 544 00

APPENDIX I - MUNICIPAL ENTITY OR SERVICE PROVIDER PERFORMANCE SCHEDULE

For the period under review the municipality did not have any Entity.

APPENDIX J - DISCLOSURES OF FINANCIAL INTERESTS

DISCLOSURES OF FINANCIAL INTERESTS		
Position	Name	Description of Financial Interests* (Nil/ or details)
Mayor	Cllr ME Mathibe	declared
Members of Exco	Cllr PP Moalosi	declared
	Cllr C Horn	declared
Speaker	Cllr TA Matlakala	declared
Councillors	Cllr MJ Taljaard	declared
	Cllr KR Phukuntsi	declared
	Cllr MS Bonokoane	declared
	Cllr MS Baleni	declared
	Cllr EC Joubert	declared
	Cllr MM Snyer	declared
	Cllr BP Essau	declared
	Cllr DA Njodina	declared
	Cllr MJ Ngexe	declared
	Cllr MW Raseu	declared
	Cllr C Horn	declared
Municipal Manager	TL Mkhwane	
Chief Financial Officer	L Moletsane	
Director: Corporate Services	S Rabanye	
Director: Technical Services	B Dikoko	
Director: Community Services	Z Tindleni	

APPENDIX K - I & II REVENUE COLLECTION BY VOTE & BY SOURCE

Information is included in the attached annual financial statements

APPENDIX L - CONDITIONAL GRANTS RECEIVED EXCLUDING MIG

CONDITIONAL GRANTS EXCLUDING MIG:

Tswelopele Local Municipality met all the conditions of the grants received and all the reports that were mandatory were provided to the funders.

APPENDIX M - SERVICE BACKLOGS EXPERIENCED BY THE COMMUNITY WHERE ANOTHER SPHERE OF GOVERNMENT IS RESPONSIBLE FOR SERVICE PROVISION

Services and Locations	Scale of Backlogs	Impact of Backlogs
Housing: Insufficient housing units. The service provider is the Department of COGTA.	New shacks are erected regularly.	Residents do not have houses and some resorts to illegal occupation of land.

APPENDIX N - CAPITAL EXPENDITURE NEW ASSETS

Information is included in the attached annual financial statements

APPENDIX O - UPGRADES OR RENEWAL PROGRAMME

Information is included in the attached annual financial statements

APPENDIX P - DECLARATION OF LOANS AND GRANTS MADE BY THE MUNICIPALITY

DECLARATION OF LOANS AND GRANTS MADE BY THE MUNICIPALITY 2012/13				
All Organisations or Persons in receipt of Loans*/Grants* provided by the municipality	Nature of project	Conditions attached to funding	Value 2012/13 R'000	Total Amount committed over previous and future years
None	None	None	None	None

AUDITED ANNUAL FINANCIAL STATEMENTS FOR 2012/13 OF TSWELOPELE LOCAL MUNICIPALITY.



Tswelopele Local Municipality
(Registration number FS183)
Financial statements
for the year ended 30 June 2013

Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2013

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	Providing municipal services and maintain the best interests of the local community mainly in the Tswelopele area.
Executive committee	Mathibe, ME (Mayor) Moalosi, PP Horn, C
Councillors	Matlakala, TA (Speaker) Baleni, MS Bonokwane, MS Eseu, BP Joubert, EC Njodina, DA Ngexe, MJ Phukuntsi, KR Raseu, MW Taedi, TT Taljaard, MJ Snyer, MM
Grading of local authority	Medium Capacity Grade 3 in terms of Remuneration of Public Office Bearers Act.
Accounting Officer	Mkhwane, TL
Chief Finance Officer (CFO)	Moletsane, L
Business address	Civic Centre Bosman Street Bultfontein 9670
Postal address	PO Box 3 Bultfontein 9670
Bankers	ABSA Bank Limited
Auditors	The Auditor-General of South Africa

Tswelopele Local Municipality

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Financial Statements for the year ended 30 June 2013

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The reports and statements set out below comprise the financial statements presented to the provincial legislature:

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Tswelopele Local Municipality

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2013

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

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

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The annual financial statements set out on pages 5 to 83, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2013 and were signed on its behalf by:

TL Mkhwane
Municipal Manager

Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2013

Statement of Financial Position as at 30 June 2013

Figures in Rand	Note(s)	2013	2012
Assets			
Current Assets			
Cash and cash equivalents	3	14 110 511	15 219 754
Consumer debtors	4	7 681 295	6 365 776
Inventories	5	219 728	166 493
Other receivables from exchange transactions	6	707 376	821 068
Other receivables from non-exchange transactions	7	2 143 152	4 311 139
VAT receivable	8	801 756	1 825 207
		25 663 818	28 709 437
Non-Current Assets			
Biological assets that form part of an agricultural activity	9	1 131 476	816 680
Intangible assets	10	18 685	12 091
Investment property	11	23 876 000	23 876 000
Other financial assets	12	897 182	823 107
Property, plant and equipment	13	358 208 179	347 242 209
		384 131 522	372 770 087
Total Assets		409 795 340	401 479 524
Liabilities			
Current Liabilities			
Borrowings	14	1 694 349	566 036
Consumer deposits	15	538 253	478 702
Finance lease obligation	16	636 931	601 962
Payables from exchange transactions	17	16 477 308	22 676 304
Provisions	18	490 000	442 000
Retirement benefit obligation	19	419 000	425 000
Unspent conditional grants and receipts	20	-	2 546 130
VAT payable		51 439	265 747
		20 307 280	28 001 881
Non-Current Liabilities			
Borrowings	14	11 848 214	12 484 907
Finance lease obligation	16	360 974	908 595
Provisions	18	18 684 078	17 253 592
		30 893 266	30 647 094
Total Liabilities		51 200 546	58 648 975
Net Assets		358 594 794	342 830 549

Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2013

Statement of Financial Position as at 30 June 2013

Figures in Rand	Note(s)	2013	2012
Net Assets			
Reserves			
Accumulated surplus		358 594 794	342 830 549
Total Net Assets		358 594 794	342 830 549

Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2013

Statement of Financial Performance

Figures in Rand	Note(s)	2013	2012
Revenue			
Service charges	23	32 202 116	27 754 677
Rental of facilities and equipment	24	882 534	389 622
Interest received (trading)		104 165	265 387
Licences and permits		1 350	1 100
Sale of game		158 522	197 300
Other income	25	1 064 852	533 027
Interest received - investment		419 298	815 952
Dividends received		258 565	69 042
Property rates	26	7 477 676	6 571 275
Government grants and subsidies	27	98 413 772	97 697 348
Fines		259 400	248 300
Total revenue		141 242 250	134 543 030
Expenditure			
Personnel	28	(38 525 232)	(32 001 458)
Remuneration of councillors	29	(4 025 443)	(3 670 373)
Depreciation and amortisation	30	(19 330 543)	(20 290 458)
Finance costs	31	(3 586 642)	(2 661 095)
Movement in bad debt provision	32	(4 112 517)	(6 260 335)
Repairs and maintenance		(6 677 885)	(5 534 176)
Bulk purchases	33	(28 337 970)	(24 839 234)
General Expenses	34	(21 045 266)	(19 232 809)
Total expenditure		(125 641 498)	(114 489 938)
Operating surplus		15 600 752	20 053 092
Loss on disposal of assets and liabilities		(66 862)	-
Fair value adjustments - game		156 274	176 804
Fair value adjustments - shares	35	74 075	615 151
		163 487	791 955
Surplus for the year		15 764 239	20 845 047
Attributable to:			
Owners of the controlling entity		15 764 239	20 845 047

Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2013

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2011	321 985 502	321 985 502
Changes in net assets		
Surplus/(deficit) for the period	20 845 047	20 845 047
Total changes	20 845 047	20 845 047
Opening balance as previously reported	320 514 220	320 514 220
Adjustments		
Correction of errors (note 48)	22 316 335	22 316 335
Balance at 01 July 2012 as restated	342 830 555	342 830 555
Changes in net assets		
Surplus/(deficit) for the period	15 764 239	15 764 239
Total changes	15 764 239	15 764 239
Balance at 30 June 2013	358 594 794	358 594 794

Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2013

Cash Flow Statement

Figures in Rand	Note(s)	2013	2012
Cash flows from operating activities			
Receipts			
Sale of goods and services		38 786 401	40 385 900
Grants		95 867 642	96 762 437
Interest income		419 298	815 952
Dividends received		146 218	69 042
		135 219 559	138 033 331
Payments			
Employee costs		(43 126 129)	(33 147 998)
Suppliers		(59 225 029)	(58 847 757)
Finance costs		(3 292 073)	(2 267 242)
		(105 643 231)	(94 262 997)
Net cash flows from operating activities	38	29 576 328	43 770 334
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(30 284 190)	(34 870 971)
Proceeds from sale of property, plant and equipment	13	155 122	-
Purchase of other intangible assets	10	(240 902)	(223 117)
Proceeds from sale of biological assets that form part of an agricultural activity	9	-	102 698
		(30 257 623)	(34 991 390)
Cash flows from financing activities			
Movement in borrowings		491 620	(503 229)
Movement in other liability		-	(1 000)
Finance lease payments		(807 221)	(852 392)
Distributions to owners		(112 347)	-
		(427 948)	(1 356 621)
Net increase/(decrease) in cash and cash equivalents		(1 109 243)	7 422 323
Cash and cash equivalents at the beginning of the year		15 219 754	7 797 431
Cash and cash equivalents at the end of the year	3	14 110 511	15 219 754

Tswelopele Local Municipality

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Financial Statements for the year ended 30 June 2013

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	23 884 289	8 198 711	32 083 000	32 202 116	119 116	23
Rental of facilities and equipment	583 490	215 510	799 000	882 534	83 534	24
Interest received (trading)	448 200	(448 200)	-	104 165	104 165	
Licences and permits	947	353	1 300	1 350	50	
Other income	149 400	664 600	814 000	158 522	(655 478)	25
Other income - (rollup)	524 473	(524 473)	-	1 064 852	1 064 852	
Interest received - investment	373 500	106 500	480 000	419 298	(60 702)	
Dividends received	97 110	(97 110)	-	258 565	258 565	
Total revenue from exchange transactions	26 061 409	8 115 891	34 177 300	35 091 402	914 102	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	2 314 344	1 770 656	4 085 000	7 477 676	3 392 676	26
Government grants & subsidies	49 110 284	17 205 716	66 316 000	98 413 772	32 097 772	27
Transfer revenue						
Fines	114 216	117 784	232 000	259 400	27 400	
Total revenue from non-exchange transactions	51 538 844	19 094 156	70 633 000	106 150 848	35 517 848	
Total revenue	77 600 253	27 210 047	104 810 300	141 242 250	36 431 950	
Expenditure						
Personnel	(28 670 586)	(6 767 634)	(35 438 220)	(38 525 232)	(3 087 012)	28
Remuneration of councillors	(3 725 187)	(849 593)	(4 574 780)	(4 025 443)	549 337	29
Depreciation and amortisation	-	-	-	(19 330 543)	(19 330 543)	30
Finance costs	(1 516 261)	(829 739)	(2 346 000)	(3 586 642)	(1 240 642)	31
Debt impairment	(1 867 878)	(632 622)	(2 500 500)	(4 112 517)	(1 612 017)	32
Repairs and maintenance	(5 745 924)	-	(5 745 924)	(6 677 885)	(931 961)	
Bulk purchases	(19 871 969)	(343 031)	(20 215 000)	(28 337 970)	(8 122 970)	33
General Expenses	(18 183 585)	(18 371 991)	(36 555 576)	(21 045 266)	15 510 310	34
Total expenditure	(79 581 390)	(27 794 610)	(107 376 000)	(125 641 498)	(18 265 498)	
Operating surplus	(1 981 137)	103 773 479	(2 565 700)	15 600 752	18 166 452	
Loss on disposal of assets and liabilities	-	-	-	(66 862)	(66 862)	
Gain on fair value adjustment	-	-	-	156 274	156 274	
Fair value adjustments	-	-	-	74 075	74 075	35
	-	-	-	163 487	163 487	
Surplus before taxation	(1 981 137)	103 773 479	101 792 342	15 764 239	(86 028 103)	

Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2013

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(1 981 137)	103 773 479	101 792 342	15 764 239	(86 028 103)	

Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2013

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	89 000	-	89 000	219 728	130 728	5
Other receivables from exchange transactions	-	-	-	707 376	707 376	6
Other receivables from non-exchange transactions	4 276 000	(2 552 304)	1 723 696	2 143 152	419 456	7
VAT receivable	-	-	-	801 756	801 756	8
Consumer debtors	19 763 000	-	19 763 000	7 681 295	(12 081 705)	4
Cash and cash equivalents	7 825 000	-	7 825 000	14 110 511	6 285 511	3
	31 953 000	(2 552 304)	29 400 696	25 663 818	(3 736 878)	
Non-Current Assets						
Biological assets that form part of an agricultural activity	1 067 000	-	1 067 000	1 131 476	64 476	9
Investment property	13 066 000	-	13 066 000	23 876 000	10 810 000	11
Property, plant and equipment	553 347 000	-	553 347 000	358 208 179	(195 138 821)	13
Intangible assets	-	-	-	18 685	18 685	10
Other financial assets	212 000	-	212 000	897 182	685 182	12
	567 692 000	-	567 692 000	384 131 522	(183 560 478)	
Total Assets	599 645 000	(2 552 304)	597 092 696	409 795 340	(187 297 356)	
Liabilities						
Current Liabilities						
Borrowings	1 351 000	-	1 351 000	1 694 349	343 349	14
Finance lease obligation	-	-	-	636 931	636 931	16
Payables from exchange transactions	19 103 000	-	19 103 000	16 477 308	(2 625 692)	17
VAT payable	-	-	-	51 439	51 439	
Consumer deposits	452 000	-	452 000	538 253	86 253	15
Retirement benefit obligation	-	-	-	419 000	419 000	19
Provisions	-	-	-	490 000	490 000	18
	20 906 000	-	20 906 000	20 307 280	(598 720)	
Non-Current Liabilities						
Borrowings	14 432 000	-	14 432 000	11 848 214	(2 583 786)	14
Finance lease obligation	-	-	-	360 974	360 974	16
Provisions	3 491 000	-	3 491 000	18 684 078	15 193 078	18
	17 923 000	-	17 923 000	30 893 266	12 970 266	
Total Liabilities	38 829 000	-	38 829 000	51 200 546	12 371 546	
Net Assets	560 816 000	(2 552 304)	558 263 696	358 594 794	(199 668 902)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Capital replacement reserve	350 490 000	-	350 490 000	-	(350 490 000)	
Accumulated surplus	210 326 000	(2 552 304)	207 773 696	358 594 794	150 821 098	
Total Net Assets	560 816 000	(2 552 304)	558 263 696	358 594 794	(199 668 902)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	35 178 000	-	35 178 000	41 920 343	6 742 343	
Grants	102 731 000	-	102 731 000	98 336 699	(4 394 301)	
Interest income	660 000	-	660 000	419 298	(240 702)	
Dividends received	-	-	-	146 218	146 218	
	138 569 000	-	138 569 000	140 822 558	2 253 558	
Payments						
Employee costs	(36 379 000)	-	(36 379 000)	(43 251 675)	(6 872 675)	
Suppliers	(66 428 000)	-	(66 428 000)	-	66 428 000	
Finance costs	(2 346 000)	-	(2 346 000)	-	2 346 000	
	(105 153 000)	-	(105 153 000)	(43 251 675)	61 901 325	
Net cash flows from operating activities	33 416 000	-	33 416 000	97 570 883	64 154 883	
Cash flows from investing activities						
Purchase of property, plant and equipment	(35 371 000)	-	(35 371 000)	(30 284 190)	5 086 810	13
Proceeds from sale of property, plant and equipment	-	-	-	155 122	155 122	13
Purchase of other intangible assets	-	-	-	(240 902)	(240 902)	10
Net cash flows from investing activities	(35 371 000)	-	(35 371 000)	(30 369 970)	5 001 030	
Cash flows from financing activities						
Repayment of borrowings	(448 000)	-	-	491 620	491 620	
Movement in current portion of long-term provision	(596 000)	-	-	-	-	
Finance lease payments	-	-	-	(807 221)	(807 221)	
Distributions to owners	-	-	-	(112 347)	(112 347)	
Net cash flows from financing activities	(1 044 000)	-	-	(427 948)	(427 948)	
Net increase/(decrease) in cash and cash equivalents	(2 999 000)	-	(1 955 000)	66 772 965	68 727 965	
Cash and cash equivalents at the beginning of the year	7 825 000	-	7 825 000	15 219 754	7 394 754	
Cash and cash equivalents at the end of the year	4 826 000	-	5 870 000	81 992 719	76 122 719	

Additional text

Tswelopele Local Municipality

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Financial Statements for the year ended 30 June 2013

Accounting Policies

1. Presentation of Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

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

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance is recognised to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items.

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Financial Statements for the year ended 30 June 2013

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

Useful lives of waste and water network and other assets

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

Post retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 19.

Tswelopele Local Municipality

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Financial Statements for the year ended 30 June 2013

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

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

1.2 Biological assets that form part of an agricultural activity

The fair value of game is determined based on market prices of livestock of similar age, breed, and genetic merit.

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less estimated point-of-sale costs and from a change in fair value less estimated point-of-sale costs of a biological assets that form part of an agricultural activity is included in surplus or deficit for the period in which it arises.

1.3 Investment property

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

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

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

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

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

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

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

Tswelopele Local Municipality

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Financial Statements for the year ended 30 June 2013

Accounting Policies

1.3 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measure that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity apply the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

1.4 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:

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

Property, plant and equipment is initially measured at cost.

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

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

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Financial Statements for the year ended 30 June 2013

Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

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

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Financial Statements for the year ended 30 June 2013

Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

Item	Average useful life
Land and buildings	
• Land	Indefinite
• Buildings	30 - 45 years
Leased assets	5 years
Furniture and fixtures	6 years
IT equipment	3 years
Infrastructure	
• Electricity	20 years
• Roads and paving	15 - 30 years
• Sewerage	20 - 30 years
• Water	20 - 30 years
Other property, plant and equipment	10 years

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

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

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

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Accounting Policies

1.4 Property, plant and equipment (continued)

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

Items of municipality are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

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

1.5 Intangible assets

An asset is identified as an intangible asset when it:

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

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

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

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

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

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

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

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Financial Statements for the year ended 30 June 2013

Accounting Policies

1.5 Intangible assets (continued)

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Software licences	1 year
Computer software	3 years
Website	Indefinite

Intangible assets are derecognised:

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

1.6 Financial instruments

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

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

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

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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Accounting Policies

1.6 Financial instruments (continued)

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

A financial asset is:

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

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

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

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

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

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

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Financial Statements for the year ended 30 June 2013

Accounting Policies

1.6 Financial instruments (continued)

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

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

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

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

Class	Category
Consumer receivables	Financial asset measured at amortised cost
Other receivables	Financial asset measured at amortised cost
Unlisted shares	Financial asset measured at fair value

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

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Trade and other payables	Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

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Financial Statements for the year ended 30 June 2013

Accounting Policies

1.6 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

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

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

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

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Financial Statements for the year ended 30 June 2013

Accounting Policies

1.6 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

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

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

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

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

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

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Financial Statements for the year ended 30 June 2013

Accounting Policies

1.6 Financial instruments (continued)

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

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

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1.6 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

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

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

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

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

Financial liabilities

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1.6 Financial instruments (continued)

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

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

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

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

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

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

Distributions to holders of residual interests are debited by the entity directly to net assets, net of any related income tax benefit [where applicable]. Transaction costs incurred on residual interests is accounted for as a deduction from net assets, net of any related income tax benefit [where applicable].

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

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

1.7 Leases

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

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

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1.7 Leases (continued)

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

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1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

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

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

1.9 Impairment of cash-generating assets

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

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

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

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

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1.9 Impairment of cash-generating assets (continued)

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

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

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

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

Useful life is either:

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

1.10 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or

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1.10 Impairment of non-cash-generating assets (continued)

- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

1.11 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

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1.11 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

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

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.12 Provisions and contingencies

Provisions are recognised when:

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

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

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

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

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

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1.12 Provisions and contingencies (continued)

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

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

Provisions are not recognised for future operating deficits.

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

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

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

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

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

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

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;

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1.12 Provisions and contingencies (continued)

- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.13 Revenue from exchange transactions

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

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

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

Measurement

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

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1.13 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

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

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

Interest, royalties and dividends

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

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

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

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

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

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

1.14 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

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1.14 Revenue from non-exchange transactions (continued)

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

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1.14 Revenue from non-exchange transactions (continued)

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

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

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

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1.14 Revenue from non-exchange transactions (continued)

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind are not recognised.

Services in-kind are recognised as revenue and as assets.

1.15 Investment income

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

1.16 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.9 and 1.10. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

1.17 Comparative figures

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

1.18 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and

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Accounting Policies

1.18 Unauthorised expenditure (continued)

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

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

1.19 Fruitless and wasteful expenditure

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

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

1.20 Irregular expenditure

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

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 Use of estimates

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

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Financial Statements for the year ended 30 June 2013

Accounting Policies

1.22 Presentation of currency

These financial statements are presented in South African Rand.

1.23 Offsetting

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

1.24 Conditional grants and receipts

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

1.25 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by programmes linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2012 to 30/06/2013.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the financial statements as the recommended disclosure when the financial statements and the budget are on the same basis of accounting as determined by National Treasury.

The municipality makes use of conservative budgeting techniques and can be seen as the main reason for the material differences between actual and expected cash flows as per page 12.

Comparative information is not required.

1.26 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

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Financial Statements for the year ended 30 June 2013

Accounting Policies

1.26 Related parties (continued)

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.27 Commitments

'Commitment' may be referred to as the intention to commit to an outflow from the municipality of resources embodying economic benefits.

Generally, a commitment arises when a decision is made to incur a liability in the form of a purchase contract (or similar documentation). Such a contractual commitment would be accompanied by, but not limited to, actions taken to determine the amount of the eventual resource outflow or a reliable estimate e.g. a quote, and conditions to be satisfied to establish an obligation e.g. delivery schedules.

These preconditions ensure that the information relating to commitments is relevant and capable of reliable measurement.

The municipality may enter into a contract on or before the reporting date for expenditure over subsequent accounting periods e.g. a contract for construction of infrastructure assets, the purchase of major items of plant and equipment or significant consultancy contracts. In these events, a commitment exists at the reporting date as the municipality has contracted for expenditure but work has not commenced and no payments have been made.

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Financial Statements for the year ended 30 June 2013

Accounting Policies

1.28 Events after the reporting date

Events after the reporting date are those that occur between the end of the reporting period and when the financial statements are authorized for issue.

Events after the end of reporting period may be classified into two types:

Adjusting Events - Those events that provide further evidence about conditions that existed at the end of reporting period.

Non-Adjusting Events - Those events that reflect conditions that arose after the end of reporting period.

If any events occur after the end of the reporting period that provide further evidence of conditions that existed at the end of reporting period (i.e. Adjusting Events), then the financial statements must be adjusted accordingly.

The municipality does not adjust the financial statements in respect of those events after the end of reporting period that reflect conditions that arose after the end of reporting period (i.e. Non-Adjusting Events).

The nature and estimate of the financial impact of material non-adjusting events shall be disclosed in the financial statements.

Non-Adjusting Events are considered material if they could influence the economic and financial decisions of the users of financial statements.

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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 23: Revenue from Non-exchange Transactions	01 April 2012	Low
• GRAP 24: Presentation of Budget Information in the Financial Statements	01 April 2012	Low
• IPSAS 21: Impairment of Non Cash-Generating Assets	01 April 2009	Low
• GRAP 21: Impairment of non-cash-generating assets	01 April 2012	Low
• GRAP 26: Impairment of cash-generating assets	01 April 2012	Low
• GRAP 104: Financial Instruments	01 April 2012	Low

2.2 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25: Employee benefits	01 April 2013	Low

Tswelopele Local Municipality

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Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

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2. New standards and interpretations (continued)

2.3 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2013 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 105: Transfers of functions between entities under common control	01 April 2014	Low
• GRAP 106: Transfers of functions between entities not under common control	01 April 2014	Low
• GRAP 107: Mergers	01 April 2014	Low
• GRAP 20: Related parties	01 April 2013	Low
• IGRAP 11: Consolidation – Special purpose entities	01 April 2014	Low
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2014	Low
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2014	Low
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2014	Low
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2014	Low
• GRAP 1 (as revised 2012): Presentation of Financial Statements	01 April 2013	Low
• GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	01 April 2013	Low
• GRAP 7 (as revised 2012): Investments in Associates	01 April 2013	Low
• GRAP 9 (as revised 2012): Revenue from Exchange Transactions	01 April 2013	Low
• GRAP 12 (as revised 2012): Inventories	01 April 2013	Low
• GRAP 13 (as revised 2012): Leases	01 April 2013	Low
• GRAP 16 (as revised 2012): Investment Property	01 April 2013	Low
• GRAP 17 (as revised 2012): Property, Plant and Equipment	01 April 2013	Low
• GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	01 April 2013	Low
• IGRAP16: Intangible assets website costs	01 April 2013	Low
• IGRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue	01 April 2013	Low

3. Cash and cash equivalents

Cash and cash equivalents consist of:

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3. Cash and cash equivalents (continued)		
Bank balances	2 547 586	5 718 004
Short-term deposits	11 562 925	9 501 750
	14 110 511	15 219 754

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2013	30 June 2012	30 June 2011	30 June 2013	30 June 2012	30 June 2011
ABSA Bank - Cheque account - 810142227	2 543 746	5 718 004	306 880	2 543 746	5 718 004	306 880
ABSA Bank - Money Market account - 9108352550	1 540 638	4 473 716	4 242 395	1 540 638	4 473 716	4 242 395
Nedbank - 32 day notice account - 03/7662023052/00000 3	22 288	5 028 034	-	22 288	5 028 034	-
Stanlib - Cash plus fund - 551621715	-	-	3 245 216	-	-	3 245 216
FNB - Investment account	10 000 000	-	-	10 000 000	-	-
Total	14 106 672	15 219 754	7 794 491	14 106 672	15 219 754	7 794 491

4. Consumer debtors

Gross balances

Rates	4 861 478	5 572 122
Electricity	2 642 979	2 132 672
Water	6 783 161	6 494 558
Sewerage	9 969 928	9 287 487
Refuse	6 976 233	6 684 078
Housing rental	1 335 028	1 473 325
	32 568 807	31 644 242

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Notes to the Financial Statements

Figures in Rand	2013	2012
4. Consumer debtors (continued)		
Less: Allowance for impairment		
Rates	(4 741 525)	(4 659 707)
Electricity	(265 160)	(301 412)
Water	(4 871 212)	(5 237 466)
Sewerage	(8 414 142)	(8 105 145)
Refuse	(5 533 952)	(5 664 357)
Housing rental	(1 061 521)	(1 310 379)
	(24 887 512)	(25 278 466)
Net balance		
Rates	119 953	912 415
Electricity	2 377 819	1 831 260
Water	1 911 949	1 257 092
Sewerage	1 555 786	1 182 342
Refuse	1 442 281	1 019 721
Housing rental	273 507	162 946
	7 681 295	6 365 776
Rates		
Current (0 -30 days)	69 741	388 400
31 - 60 days	62 760	116 447
61 - 90 days	60 488	92 511
91 - 120 days	58 901	83 272
121 - 365 days	4 609 588	4 891 492
Impairment	(4 741 525)	(4 659 707)
	119 953	912 415
Electricity		
Current (0 -30 days)	92 405	1 746 203
31 - 60 days	40 463	51 627
61 - 90 days	22 339	15 287
91 - 120 days	16 704	13 885
121 - 365 days	2 471 068	305 670
Impairment	(265 160)	(301 412)
	2 377 819	1 831 260

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Figures in Rand	2013	2012
4. Consumer debtors (continued)		
Water		
Current (0 -30 days)	213 371	505 867
31 - 60 days	206 029	187 656
61 - 90 days	195 643	180 733
91 - 120 days	188 465	167 959
121 - 365 days	5 979 653	5 452 343
Impairment	(4 871 212)	(5 237 466)
	1 911 949	1 257 092
Sewerage		
Current (0 -30 days)	252 046	394 030
31 - 60 days	243 291	209 226
61 - 90 days	240 254	204 153
91 - 120 days	240 962	204 642
121 - 365 days	8 993 375	8 275 437
Impairment	(8 414 142)	(8 105 146)
	1 555 786	1 182 342
Refuse		
Current (0 -30 days)	163 262	333 181
31 - 60 days	158 774	144 911
61 - 90 days	159 538	142 561
91 - 120 days	154 898	150 323
121 - 365 days	6 339 761	5 913 101
Impairment	(5 533 952)	(5 664 356)
	1 442 281	1 019 721
Housing rental		
Current (0 -30 days)	3 642	22 069
31 - 60 days	2 809	26 323
61 - 90 days	2 976	7 819
91 - 120 days	3 143	6 469
121 - 365 days	1 322 458	1 410 645
Impairment	(1 061 521)	(1 310 379)
	273 507	162 946

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Notes to the Financial Statements

Figures in Rand	2013	2012
4. Consumer debtors (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	651 977	2 350 738
31 - 60 days	667 002	596 636
61 - 90 days	592 785	509 732
91 - 365 days	26 736 522	24 569 128
	28 648 286	28 026 234
Industrial/ commercial		
Current (0 -30 days)	65 160	723 265
31 - 60 days	63 557	46 552
61 - 90 days	32 288	39 242
91 - 365 days	1 465 222	1 273 154
	1 626 227	2 082 213
National and provincial government		
Current (0 -30 days)	16 390	490 518
31 - 60 days	11 504	109 459
61 - 90 days	7 521	108 151
91 - 365 days	124 947	890 128
	160 362	1 598 256
Impaired consumer debtor balance	7 681 295	6 365 776
Gross consumer debtor impairment	(24 887 512)	(25 278 466)
Gross consumer debtor balance	32 698 943	31 706 702
Reconciliation of allowance for impairment		
Balance at beginning of the year	(25 278 466)	(22 397 915)
Contributions to allowance	(4 112 517)	(6 260 335)
Debt impairment written off against allowance	4 503 471	3 379 784
	(24 887 512)	(25 278 466)

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Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
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4. Consumer debtors (continued)

Receivables from exchange and non-exchange transactions

Exchange transactions

Electricity	2 642 979	2 132 672
Water	6 783 161	6 494 558
Sewerage	9 969 928	9 287 487
Refuse	6 895 718	6 684 078
Housing rental	1 335 028	1 473 325
	27 626 814	26 072 120

Non-exchange transactions

Rates	4 861 478	5 572 122
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The creation and release of allowance for impaired receivables have been included in operating expenses in the statement of financial performance (note 32). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The municipality does not hold any collateral as security.

The municipality's impairment methodology is based on the assumptions listed below.

Debtor types to be fully impaired:

1. Non-indigents, schools, industrial, municipal, business, government, farms, hospital, church, small businesses - Council approved write-offs
2. Indigents - Impair all ageing buckets

Debtor types where accounts older than 90 days were tested for recoverability:

Non-indigents, schools, industrial, municipal, business, government, farms, hospital, church, small businesses

The municipality's discounting methodology is based on the assumptions listed below.

The ability to pay is determined by allocating a weight to payments made in different months. Recent month's payments are assigned a higher weight as the trend is more likely to continue than payments more than 12 months ago.

The discount rate is linked to the interest payable on the DBSA loans which are the major source of credit funding of the municipality.

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Figures in Rand 2013 2012

5. Inventories

Water	27 286	61 522
Fuel (Diesel)	42 820	29 025
Electrical	91 164	43 104
Water equipment	53 646	20 801
Mechanical	4 812	12 041
	219 728	166 493

6. Other receivables from exchange transactions

Prepayments	176 895	176 895
Other receivables	530 481	446 873
Other receivables (Sale of game)	-	197 300
	707 376	821 068

7. Other receivables from non-exchange transactions

Government grants and subsidies - Lotto Grant	2 143 152	4 311 139
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8. VAT receivable

VAT receivable	801 756	1 825 207
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9. Biological assets that form part of an agricultural activity

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Biological assets - game	1 131 476	-	1 131 476	816 680	-	816 680

Reconciliation of biological assets that form part of an agricultural activity - 2013

	Opening balance	Disposals	Gains or losses arising from changes in fair value	Other changes, movements	Total
Biological assets - game	816 680	-	156 274	158 522	1 131 476

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Notes to the Financial Statements

Figures in Rand 2013 2012

9. Biological assets that form part of an agricultural activity (continued)

Reconciliation of biological assets that form part of an agricultural activity - 2012

	Opening balance	Disposals	Gains or losses arising from changes in fair value	Other changes, movements	Total
Biological assets - game	1 067 100	(102 698)	176 804	(324 526)	816 680

Non - Financial information

Quantities of each biological asset

Blesbok	39	34
Blue Wildebeest	-	2
Oryx	40	32
Kudu	20	21
Lechwe	4	4
Impala	14	12
Red Hartebeest	7	6
Springbok	281	224
Black Springbok	20	24
Black Wildebeest	102	77
Ostrich	15	19
Zebra	10	10
Horse	2	-
	554	465

Methods and assumptions used in determining fair value

The latest bid prices from game auctions were used as fair values.

10. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Licences	699 439	(690 746)	8 693	458 537	(457 773)	764
Computer software	16 681	(16 681)	-	16 681	(15 346)	1 335
Website	9 992	-	9 992	9 992	-	9 992
Total	726 112	(707 427)	18 685	485 210	(473 119)	12 091

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Figures in Rand 2013 2012

10. Intangible assets (continued)

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Licenses	764	240 902	(232 973)	8 693
Computer software	1 335	-	(1 335)	-
Website	9 992	-	-	9 992
	12 091	240 902	(234 308)	18 685

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Amortisation	Total
Licenses	36 450	223 117	(258 803)	764
Computer software	3 061	-	(1 726)	1 335
Website	9 992	-	-	9 992
	49 503	223 117	(260 529)	12 091

11. Investment property

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	23 876 000	-	23 876 000	23 876 000	-	23 876 000

Reconciliation of investment property - 2013

	Opening balance	Additions	Other changes, movements	Fair value adjustments	Total
Investment property	23 876 000	-	-	-	23 876 000

Reconciliation of investment property - 2012

	Opening balance	Additions	Other changes, movements	Fair value adjustments	Total
Investment property	18 249 000	-	5 000 000	627 000	23 876 000

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Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

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11. Investment property (continued)

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

Unless there is an indication of significant changes in the fair value of its investment property the municipality revalues its investment property every four years when the valuation roll is updated .

The effective date of the revaluations was 29 June 2012. Revaluations were performed by an independent valuer, Mr R Pretorius [Quantity Surveyor, Professional Associated Valuer], of Modisenyane Property Consultants CC. Pretorius is not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

Amounts recognised in surplus and deficit for the year.

Change in fair value recognised in surplus or deficit	-	627 000
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- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
 - the fact that the entity has disposed of investment property not carried at fair value,
 - the carrying amount of that investment property at the time of sale, and
 - the amount of gain or loss recognised.

12. Other financial assets

Designated at fair value

Unlisted shares	897 182	823 107
49 383 shares held in Senwes Limited		
75 732 shares held in Senwesbel Limited		

Non-current assets

Designated at fair value	897 182	823 107
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Notes to the Financial Statements

Figures in Rand

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13. Property, plant and equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	25 941 254	(1 119 598)	24 821 656	25 941 254	(559 799)	25 381 455
Buildings	99 836 709	(33 713 748)	66 122 961	90 965 238	(29 040 910)	61 924 328
Leasehold property	2 865 475	(2 293 341)	572 134	2 779 415	(1 948 715)	830 700
Furniture and fixtures	1 268 348	(842 856)	425 492	1 115 415	(693 737)	421 678
IT equipment	61 804	(33 851)	27 953	55 805	(13 976)	41 829
Infrastructure	340 845 073	(84 105 207)	256 739 866	258 972 552	(71 301 078)	187 671 474
Other property, plant and equipment	10 593 210	(9 109 068)	1 484 142	10 205 615	(8 916 204)	1 289 411
Capital work in progress	8 013 975	-	8 013 975	69 681 334	-	69 681 334
Total	489 425 848	(131 217 669)	358 208 179	459 716 628	(112 474 419)	347 242 209

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Other non- cash	Depreciation	Total
Land	25 381 455	-	-	-	(559 799)	24 821 656
Buildings	61 924 328	162 649	-	8 708 822	(4 672 838)	66 122 961
Leasehold property	830 700	86 060	-	-	(344 626)	572 134
Furniture and fixtures	421 678	152 933	-	-	(149 119)	425 492
IT equipment	41 829	5 999	-	-	(19 875)	27 953
Infrastructure	187 671 474	-	-	81 872 521	(12 804 129)	256 739 866
Other property, plant and equipment	1 289 411	962 565	(221 984)	-	(545 850)	1 484 142
Capital work in progress	69 681 334	28 913 984	-	(90 581 343)	-	8 013 975
	347 242 209	30 284 190	(221 984)	-	(19 096 236)	358 208 179

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Figures in Rand 2013 2012

13. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Other non- cash	Depreciation	Total
Land	16 587 663	-	-	9 353 591	(559 799)	25 381 455
Land and buildings	67 183 894	-	-	-	(5 259 566)	61 924 328
Leasehold property	1 246 676	-	-	-	(415 976)	830 700
Furniture and fixtures	555 908	28 640	-	-	(162 870)	421 678
IT equipment	-	55 805	-	-	(13 976)	41 829
Infrastructure	199 893 760	-	-	-	(12 222 286)	187 671 474
Other property, plant and equipment	2 136 893	547 966	-	-	(1 395 448)	1 289 411
Capital work in progress	35 442 774	34 238 560	-	-	-	69 681 334
	323 047 568	34 870 971	-	9 353 591	(20 029 921)	347 242 209

Included in the cost of land is the capitalised rehabilitation costs relating to a borrow pit and two landfill sites which are situated in Bultfontein farm 396 and Kameeldoorn 35.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

14. Borrowings

At amortised cost

Annuity loans 13 542 563 13 050 943

The annuity loans comprise two DBSA loans. The endowments are made on a six-monthly basis. The last loan will be redeemed on 31 December 2024. The loans carry interest at 11% and 14% per annum respectively.

Non-current liabilities

At amortised cost 11 848 214 12 484 907

Current liabilities

At amortised cost 1 694 349 566 036

15. Consumer deposits

Electricity	315 745	281 073
Water	222 508	197 629
	538 253	478 702

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Notes to the Financial Statements

Figures in Rand	2013	2012
16. Finance lease obligation		
Minimum lease payments due		
- within one year	810 002	934 144
- in second to fifth year inclusive	420 220	2 040 245
	1 230 222	2 974 389
less: future finance charges	(216 559)	(1 005 293)
Present value of minimum lease payments	1 013 663	1 969 096
Present value of minimum lease payments due		
- within one year	636 931	471 706
- in second to fifth year inclusive	376 733	1 497 390
	1 013 664	1 969 096
Non-current liabilities	360 974	908 595
Current liabilities	636 931	601 962
	997 905	1 510 557
17. Payables from exchange transactions		
Trade payables	3 060 262	2 406 019
Payments received in advanced	2 712 020	2 360 066
Accrued leave pay	3 965 169	4 540 623
Accrued bonus	801 645	725 217
Deposits received	2 300	1 000
Cash suspense accounts	742 811	894 304
Other payables	5 193 101	11 749 075
	16 477 308	22 676 304

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18. Provisions

Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	9 353 592	905 486	-	-	-	10 259 078
Medical contribution provision	4 941 000	431 000	(430 000)	164 000	-	5 106 000
Long service awards provision	3 401 000	442 000	(341 000)	31 000	276 000	3 809 000
	17 695 592	1 778 486	(771 000)	195 000	276 000	19 174 078

Reconciliation of provisions - 2012

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	-	9 353 592	-	-	-	9 353 592
Medical contribution provision	4 517 000	438 000	(342 000)	328 000	-	4 941 000
Long service awards provision	2 726 000	372 000	(267 000)	333 000	237 000	3 401 000
	7 243 000	10 163 592	(609 000)	661 000	237 000	17 695 592

Non-current liabilities	18 684 078	17 253 592
Current liability (long service awards)	490 000	442 000
	19 174 078	17 695 592

Environmental rehabilitation provision

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18. Provisions (continued)

Borrow pits

The provision relates to the estimated future rehabilitation costs relating to two existing open borrow pits in Bultfontein.

The total area of the borrow pits to be rehabilitated is 8,422 square meters.

The expected date of rehabilitation is in 2032 and therefore the expected useful life is estimated at 21 years.

The useful life and expected date of rehabilitation could decrease depending on the extent of material needed for upcoming developments.

The current weighted average cost of borrowings of the municipality is 11% and this percentage was used as discount factor in future rehabilitation costs.

Landfill sites

The provision relates to the estimated future rehabilitation costs relating to two existing landfill sites in Bultfontein and Hoopstad respectively.

The expected date of rehabilitation is in 2032 and therefore the expected useful life is estimated at 21 years.

It assumed that the current population growth of the town and therefore the dumping rate will not significantly change over the useful life of the landfill sites.

The current weighted average cost of borrowings of the municipality is 11% and this percentage was used as discount factor in future rehabilitation costs.

The evaluation of rehabilitation procedures and costs was performed by NEP Consulting Engineers.

Employee benefit cost provision

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18. Provisions (continued)

The medical contribution and long service provisions are actuarial calculations which were performed by ZAQ.

ZAQ is an actuarial consulting company specialising in the valuation of employee benefit liabilities for accounting disclosure purposes.

Their team has done a large number of these calculations for private and public sector organizations.

Members of their executive committee include:

- Niel Fourie FASSA, CERA
- Pieter Wasserfall B-Comm Actuarial Science
- Dennis De Wet B-Comm (Hons) Financial Analysis

Long service award liability

The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

The expected value of each employee's long service award is projected to the next interval by allowing for future salary growth.

Long service benefits are awarded in the form of leave days and a percentage of salary. The awarded leave days have been converted into a percentage of the employee's annual salary. The conversion is based on a 250 working day year.

The calculated award values are then discounted at the assumed discount interest rate to the date of calculation. The calculation also allows for mortality, retirements and withdrawals from service.

The accrued liability is determined on the basis that each employee's long service benefit accrues uniformly over the working life of an employee up to the end of the interval at which the benefit becomes payable. Further it is assumed that the current policy for awarding long service awards remains unchanged in the future.

The two most important financial variables used in the valuation are the discount rate and salary inflation.

Post-employment medical aid liabilities

The liability relates to future medical expenses which will be incurred by the municipality on behalf of retired employees.

The future cash flows will continue until the mortality of all members. The mortality is therefore the

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18. Provisions (continued)

uncertainty relating to the provision.

The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

The expected value of each employee and their spouse's future medical aid subsidies is projected by allowing for future medical inflation. The calculated values are then discounted at the assumed discount interest rate to the date of calculation.

The calculation also allows for mortality. The accrued liability is determined on the basis that each employee's medical aid benefit accrues uniformly over the working life of an employee up until retirement.

Further it is assumed that the current policy for awarding medical aid subsidies remains unchanged in the future. It is also assumed that all active members will remain on the same medical aid option.

As at the valuation date, the medical aid liability of the Municipality was unfunded, i.e. no dedicated assets had been set aside to meet this liability. We therefore did not consider any assets as part of our valuation.

The two most important financial variables used in our valuation are the discount- and medical aid inflation rates.

19. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Short-term portion of the post-employment liability

Medical-aid	419 000	425 000
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20. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Skills Development Grant	-	216 825
Lotto Grant	-	582 814
Free State Provincial Grant (fencing of cemetery)	-	1 746 491
	-	2 546 130

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20. Unspent conditional grants and receipts (continued)		
Movement during the year		
Balance at the beginning of the year	2 546 130	2 320 438
Additions during the year	-	33 605 349
Income recognition during the year	(2 546 130)	(33 379 657)
	-	2 546 130

See note 27 for reconciliation of grants from National/Provincial Government.

21. Current portion of long-term provision

Post-employment liability		
Medical-aid	419 000	425 000

22. Revenue

Service charges	32 202 116	27 754 677
Rental of facilities and equipment	882 534	389 622
Interest received (trading)	104 165	265 387
Licences and permits	1 350	1 100
Sale of game	158 522	197 300
Other income	1 064 852	533 027
Interest received - investment	419 298	815 952
Dividends received	258 565	69 042
Property rates	7 477 676	6 571 275
Government grants and subsidies	98 413 772	97 697 348
Fines	259 400	248 300
	141 242 250	134 543 030

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	32 202 116	27 754 677
Rental of facilities and equipment	882 534	389 622
Interest received (trading)	104 165	265 387
Licences and permits	1 350	1 100
Sale of game	158 522	197 300
Other income - (rollup)	1 064 852	533 027
Interest received - investment	419 298	815 952
Dividends received	258 565	69 042
	35 091 402	30 026 107

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22. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

Property rates	7 477 676	6 571 275
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Transfer revenue

Government grants & subsidies	98 413 772	97 697 348
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Fines	259 400	248 300
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	106 150 848	104 516 923
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23. Service charges

Sale of electricity	19 645 964	16 270 826
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Sale of water	4 915 378	4 600 910
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Sewerage and sanitation charges	4 925 589	4 441 376
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Refuse removal	2 715 185	2 441 565
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	32 202 116	27 754 677
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24. Rental of facilities and equipment

Facilities and equipment

Rental of facilities	878 956	386 657
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Rental of equipment	3 578	2 965
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	882 534	389 622
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An amount of R 670,223 which relates to revenue from investment property is included the R 882,534 disclosed above.

25. Other income

Building plan fees	-	493
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Commission received	195 485	155 964
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Sundry income	97 298	33 101
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Grave fees	144 134	111 158
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Connection fees	492 671	101 486
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Gravel sales	14 151	26 585
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Building plan fees	20 603	15 509
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Late payment penalty	74 140	69 261
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Opening of graves	21 466	12 814
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Special meter readings	4 904	6 656
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	1 064 852	533 027
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26. Property rates		
Rates received		
State	1 119 537	1 114 992
Property rates	6 358 139	5 456 283
	7 477 676	6 571 275

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27. Government grants and subsidies		
Equitable share	62 058 000	55 333 000
Municipal Infrastructure Grant	30 344 000	25 015 039
Municipal Systems Improvement Grant	800 000	840 000
Financial Management Grant	1 500 000	1 450 000
Lotto Grant	582 814	5 921 148
Free State Provincial Grant	1 746 491	153 509
COGTA Grant	-	8 414 652
District Municipality Grant	50 000	50 000
EPWP Government Grant (operating)	1 000 000	520 000
Skills Development Grant	332 467	-
	98 413 772	97 697 348

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of which is funded from the grant.

Municipal Infrastructure Grant

Current-year receipts	30 344 000	25 010 000
Conditions met - transferred to revenue	(30 344 000)	(25 010 000)
	-	-

Conditions still to be met - remain liabilities (see note 20).

The grant is utilised to supplement municipal capital budgets to eradicate backlogs in municipal infrastructure providing basic services for the benefit of poor households. The grant was used to construct roads, sewerage and water infrastructure as part of the upgrading of informal settlement areas.

Skills Development Grant

Balance unspent at beginning of year	216 825	127 615
Current-year receipts	115 643	89 210
Conditions met - transferred to revenue	(332 468)	-
	-	216 825

Conditions still to be met - remain liabilities (see note 20).

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27. Government grants and subsidies (continued)

A workplace skills plan and training report must be submitted to LGSETA in compliance with the Skills Development Act before the unspent amount will be transferred.

Lotto Grant

Balance unspent at beginning of year	582 814	2 192 823
Current-year receipts	-	4 311 139
Conditions met - transferred to revenue	(582 814)	(5 921 148)
	-	582 814

Conditions still to be met - remain liabilities (see note 20).

The grant was utilised in the construction of an athletics track in Tikwana.

Municipal Systems Improvement Grant

Balance unspent at beginning of year	-	-
Current-year receipts	800 000	840 000
Conditions met - transferred to revenue	(800 000)	(840 000)
	-	-

Conditions still to be met - remain liabilities (see note 20).

Finance Management Grant

Current-year receipts	1 500 000	1 450 000
Conditions met - transferred to revenue	(1 500 000)	(1 450 000)
	-	-

Conditions still to be met - remain liabilities (see note 20).

Free State Provincial Grant

Balance unspent at beginning of year	1 746 491	-
Current-year receipts	-	1 900 000
Conditions met - transferred to revenue	(1 746 491)	(153 509)
	-	1 746 491

Conditions still to be met - remain liabilities (see note 20).

The grant was utilised in the fencing of a cemetery in the municipal area.

COGTA grant

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Figures in Rand	2013	2012
27. Government grants and subsidies (continued)		
Current-year receipts	-	8 414 652
Conditions met - transferred to revenue	-	(8 414 652)
	-	-

Conditions still to be met - remain liabilities (see note 20).

District Municipality Grant

Current-year receipts	50 000	50 000
Conditions met - transferred to revenue	(50 000)	(50 000)
	-	-

Conditions still to be met - remain liabilities (see note 20).

The grant was received to assist the municipality in the redemption of their DBSA loan.

EPWP government grant (operating)

Current-year receipts	1 000 000	520 000
Conditions met - transferred to revenue	(1 000 000)	(520 000)
	-	-

Conditions still to be met - remain liabilities (see note 20).

The grant was received to assist the municipality in job creation.

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28. Employee related costs		
Basic	24 901 355	21 543 590
Medical aid - company contributions	2 060 670	1 739 693
UIF	254 604	211 883
SDL	335 108	259 594
Leave pay provision charge	1 724 178	1 135 879
Other short term costs	15 889	10 539
Post-employment benefits - Pension - Defined contribution plan	4 498 031	3 736 734
Travel, motor car, accommodation, subsistence and other allowances	2 532 249	1 494 275
Overtime payments	2 050 850	1 526 180
Long-service awards	132 000	-
Housing benefits and allowances	14 782	15 091
Termination benefits	5 516	328 000
	38 525 232	32 001 458

The remuneration of staff is within the upper limits of the SALGA Bargaining Council determinations.

Remuneration of Section 57 Managers

Remuneration of TL Mkhwane (Municipal Manager)

Annual remuneration	207 000	-
Car allowance	23 927	-
Contributions to UIF, medical and pension funds	75 342	-
	306 269	-

Remuneration of KJ Motlhale (Previous Municipal Manager)

Annual remuneration	643 255	501 000
Car allowance	75 329	92 715
Contributions to UIF, medical and pension funds	151 543	189 108
Performance and other bonuses	64 748	29 000
	934 875	811 823

Remuneration of NL Moletsane (Chief Financial Officer)

Annual remuneration	174 000	-
Car allowance	27 164	-
Contributions to UIF, medical and pension funds	47 640	-
	248 804	-

Remuneration of JW Young (Previous Chief Financial Officer)

Annual remuneration	847 428	504 000
Car allowance	87 008	86 599
Contributions to UIF, medical and pension funds	224 063	235 130
	1 158 499	825 729

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28. Employee related costs (continued)

Remuneration of BP Dikoko (Executive Manager Technical Services)

Annual remuneration	153 000	-
Car allowance	22 250	-
Contributions to UIF, medical and pension funds	51 462	-
	226 712	-

Remuneration of PW De Bruin (Previous Executive Manager Technical Services)

Annual remuneration	784 129	477 000
Car allowance	176 121	167 733
Contributions to UIF, medical and pension funds	235 262	214 078
	1 195 512	858 811

Remuneration of SS Rabanye (Executive Manager Corporate Services))

Annual remuneration	537 089	460 500
Car allowance	87 594	88 420
Contributions to UIF, medical and pension funds	185 355	218 712
Performance and other bonuses	40 250	38 500
	850 288	806 132

Remuneration ZK Tindleni (Executive Manager Community Services)

Annual remuneration	150 000	-
Car allowance	25 637	-
Contributions to UIF, medical and pension funds	62 463	-
	238 100	-

Remuneration MJ Mahlanyane (Previous Executive Manager Community Services)

Annual remuneration	539 068	439 200
Car allowance	84 909	107 957
Contributions to UIF, medical and pension funds	111 570	128 948
Performance and other bonuses	51 417	36 000
	786 964	712 105

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29. Remuneration of councillors

Councillors	3 368 179	2 784 221
Councillors' pension contribution	474 232	315 600
Executive Committee Members	-	19 651
Councillors' contribution to medical aid	183 032	550 901
	4 025 443	3 670 373

In-kind benefits

The Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor has use of a Council-owned vehicle for official duties.

The Mayor and Speaker have full-time drivers.

The remuneration of the political office-bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the Constitution.

30. Depreciation and amortisation

Property, plant and equipment	19 330 543	20 290 458
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31. Finance costs

Non-current borrowings	1 540 611	1 603 459
Trade and other payables	144 195	598
Finance leases	294 569	393 853
Unwinding costs on provisions	1 607 267	663 185
	3 586 642	2 661 095

32. Debt impairment

Debt impairment	4 112 517	6 260 335
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The municipality provides for expected credit losses relating to consumer debtors.

At the end of each reporting period, the municipality assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on a financial asset has occurred, the loss is recognised in surplus or deficit.

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33. Bulk purchases		
Electricity	25 285 762	21 656 741
Water	3 052 208	3 182 493
	28 337 970	24 839 234

34. General expenses

Advertising	240 913	61 575
Auditors remuneration	2 274 041	1 675 640
Bank charges	218 494	211 763
Cleaning	46 908	829 495
Consulting and professional fees	593 267	(34 686)
Consumables	-	201
Entertainment	87 142	59 316
Insurance	329 532	269 079
Fuel and oil	1 650 574	1 665 159
Printing and stationery	714 452	814 074
Protective clothing	137 243	194 886
Royalties and license fees	541	-
Subscriptions and membership fees	774 029	604 292
Telephone and fax	714 828	604 099
Training	547 534	851 831
Travel - local	823 958	758 820
Radio and television licenses	14 519	11 859
Vehicle licences	73 019	72 223
Valuation costs	944 160	359 470
Sewerage assessment (Green Drop)	187 313	143 677
Operating grant expenditure	4 014 467	3 823 641
Water quality assessment (Blue Drop)	187 313	127 343
Other expenses	6 471 019	6 129 052
	21 045 266	19 232 809

Other expenses include the following amounts:

- Chemicals for water purification R 1,554,124
- SALGA membership fees R 416,250
- Departmental levies (electricity) R 1,051,983
- Ward Committee Members R 380,500

35. Fair value adjustments

Investment property (Fair value model)	-	627 000
Other financial assets		
• Other financial assets (Designated as at FV through P&L)	74 075	(11 849)
	74 075	615 151

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Figures in Rand	2013	2012
36. Investment revenue		
Dividend revenue		
Unlisted financial assets - Local	258 565	69 042
Interest revenue		
ABSA - current account	2 106	880
Interest - call accounts	417 192	815 072
	419 298	815 952
	677 863	884 994
37. Auditors' remuneration		
Fees	2 274 041	1 675 640
38. Cash generated from operations		
Surplus	15 764 239	20 845 047
Adjustments for:		
Depreciation and amortisation	19 330 543	20 290 458
Loss on sale of assets and liabilities	66 862	-
Fair value adjustment on biological assets	(156 274)	(176 804)
Fair value adjustments	(74 075)	(615 151)
Finance costs - Finance leases	294 569	393 853
Debt impairment	4 112 517	6 260 335
Movements in operating lease assets and accruals	-	(3 609)
Movements in retirement benefit assets and liabilities	(6 000)	-
Movements in provisions	1 478 486	1 110 876
Other non-cash items (donation)	-	(5 000 000)
Other non-cash items	(158 517)	968 386
Changes in working capital:		
Inventories	(53 235)	(77 701)
Other receivables from exchange transactions	113 692	(683 551)
Other receivables from non-exchange transactions	2 167 987	(4 311 139)
Consumer debtors	(5 428 036)	(5 512 425)
Payables from exchange transactions	(6 198 994)	7 000 347
VAT	809 143	3 028 925
Unspent conditional grants and receipts	(2 546 130)	225 692
Consumer deposits	59 551	26 795
	29 576 328	43 770 334

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39. Commitments

Authorised capital and operational expenditure

Already contracted for but not provided for

• Property, plant and equipment	273 600	5 669 922
• Financial consulting	195 505	-
	469 105	5 669 922

Not yet contracted for and authorised by accounting officer

• Property, plant and equipment	37 207 962	-
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This committed expenditure relates to a sewerage network and the upgrading of an electricity network. The Municipal Infrastructure Grant will be used to finance the sewerage network whilst the upgrading of the electricity network will be financed from own funding.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	14 464	14 464
- in second to fifth year inclusive	26 518	40 982
	40 982	55 446

Operating leases - as lessor (income)

Minimum lease payments due

- within one year	662 737	670 223
- in second to fifth year inclusive	2 479 323	2 567 861
- later than five years	1 011 129	1 250 677
	4 153 189	4 488 761

Certain of the municipality's property is held to generate rental income. Lease agreements are non-cancellable and have terms from 5 to 20 years. There are no contingent rents receivable.

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40. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and investment of excess liquidity.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	3 159 911	2 008 038	6 024 115	13 052 250
Finance lease obligation	810 002	420 220	-	-
Trade and other payables	11 710 473	-	-	-
At 30 June 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	2 106 607	2 106 607	6 024 115	15 060 288
Finance lease obligation	934 144	810 002	420 220	-
Trade and other payables	17 410 464	-	-	-

Risk from biological assets

The municipality is exposed to financial risks arising from changes in game prices. The municipality does not anticipate that game prices will decline significantly in the foreseeable future. The municipality has not entered into derivative contracts to manage the risk of a decline in game prices.

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40. Risk management (continued)

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

Fair value interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Fixed interest loan from DBSA - 61000141	11.90 %	2 214 018	1 393 734	1 318 457	1 233 956	5 277 067
Fixed interest loan from DBSA - 61002008	13.45 %	17 863	-	-	-	-

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.

Consumer balances outstanding for more than three months are reviewed for impairment and provided for as bad debts as applicable.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2013	2012
ABSA Bank - Cheque account	2 543 746	5 718 004
ABSA Bank - Money Market account	1 540 638	4 473 716
Nedbank - 32 day notice account	22 288	5 028 034
FNB - Investment account	10 000 000	-
Consumer debtors	7 681 295	6 365 776
Receivables from exchange transactions	707 376	821 068
Investment in unlisted shares	897 182	823 107

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40. Risk management (continued)

Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the statement of financial position either as available-for-sale or at fair value through surplus or deficit. The municipality is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the municipality diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the municipality.

The table below summarises the impact of increases/decreases of the indexes on the municipality's surplus for the year and on equity. The analysis is based on the assumption that the equity indexes has increased/decreased by 5% with all other variables held constant and all the municipality's equity instruments moved according to the historical correlation with the index:

	Impact on surplus in Rand		Impact on other components of equity in Rand	
	2013	2012	2013	2012
Financial instrument				
Senwes Limited shares	25 926	22 222	-	-
Senwesbel Limited shares	18 933	18 933	-	-

Surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified a available-for-sale.

41. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

42. Unauthorised expenditure

Opening balance	-	6 791 189
Unauthorised expenditure - current year	1 981 775	1 913 745
Approval by Council or condoned	(1 740 671)	(8 704 934)
	241 104	-

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Figures in Rand	2013	2012
43. Fruitless and wasteful expenditure		
Fruitless and wasteful expenditure - current year	98 842	1 411
Approval by Council or condoned	(98 842)	(1 411)
	-	-
44. Irregular expenditure		
Opening balance	2 076 997	1 778 151
Irregular expenditure - current year	1 743 720	2 076 997
Approval by Council or condoned	(1 148 180)	(1 778 151)
	2 672 537	2 076 997
45. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	416 250	498 134
Amount paid - current year	(416 250)	(498 134)
	-	-
Audit fees		
Current year fee	2 255 197	1 664 322
Amount paid - current year	(2 255 197)	(1 664 322)
	-	-
PAYE and UIF		
Current year subscription / fee	5 258 747	3 588 401
Amount paid - current year	(5 258 747)	(3 588 401)
	-	-
Pension and Medical Aid Deductions		
Current year subscription / fee	7 379 220	5 319 656
Amount paid - current year	(7 379 220)	(5 319 656)
	-	-

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45. Additional disclosure in terms of Municipal Finance Management Act (continued)

VAT

VAT receivable	801 756	1 825 207
VAT payable	51 439	265 747
	853 195	2 090 954

Not all VAT returns were submitted by the due date during the 2012/2013 financial year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2013:

30 June 2013	Outstanding less than 90 days	Outstanding more than 90 days	Total
Horn, C	-	26 765	26 765
Taedi, TT	-	9 702	9 702
	-	36 467	36 467

30 June 2012	Outstanding less than 90 days	Outstanding more than 90 days	Total
Horn, C	-	13 383	13 383
Raseu, MC	-	373	373
Taedi, TT	-	6 837	6 837
	-	20 593	20 593

Bulk electricity and water distribution losses

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Management's best estimated value of bulk electricity and water distribution losses are as follows:

Distribution losses	2013 (Kwh)	2013 (%)	2012 (KI)	2012 (%)
Electricity	3 205 004	11	4 264 733	16
Water	1 908 396	50	2 118 625	55
	5 113 400	61	6 383 358	71

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46. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	13 542 563	13 050 943
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Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

47. Related parties

Councillor Horn is currently leasing arable land from the municipality at R 11,739.15 per annum.

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48. Prior period errors

Revenue

Commission paid in prior years were reallocated to the correct accounts and removed from suspense accounts. The total correction amounts to R 19,226.41.

Income relating to the 2011/2012 financial year was incorrectly recognised in the current financial year and had to be corrected retrospectively. The correction amounts to R 300.

Traffic fines were previously incorrectly recognised on the cash basis. This was corrected and increased the income from fines by R 151,870.00.

Expenditure

The unwinding cost of the provisions relating to employees was previously shown as employee costs. This was corrected and moved to finance costs. The amount moved to finance costs is R 663,000.

Expenditure relating to the 2011/2012 financial year was incorrectly accounted for in 2012/2013 and had to be corrected. The total correction amounts to R 2,312.52.

Expenditure relating to the 2010/2011 financial year was not previously recorded in the correct period and had to be corrected. The total correction amounts to R 794.

Current liabilities

The Eskom deposits included in the payables balances were understated for a couple of years and were corrected retrospectively. The total understatement amounts to R 76,359.49.

A payable balance of R 29,190.84 had to be corrected retrospectively.

Payments to creditors amounting to R 429,513.45 were not allocated to the payable balances and had to be corrected.

Professional fees were overstated in the prior year when the payment of creditors was allocated against the expense and not the payable balance. The correction amounts to R 384,204.70.

An audit adjustment of R 265,746.58 was incorrectly processed in 2011/2012 and had to be corrected in 2012/2013.

Non-current liabilities

The provision for landfill and borrow pit rehabilitation was understated and the correction resulted in an increase in the liability (R 8,969,274.28), land (R 8,969,274.28), accumulated depreciation (R 198,135.16) and depreciation (R 537,207.50).

A prior year wrong allocation of a payment was corrected and had decreased the trade creditors balance by R 48,562.86.

Current assets

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Financial Statements for the year ended 30 June 2013

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48. Prior period errors (continued)

Errors in the municipality's billing system resulted in an overstatement of consumer debtors. This was corrected and the net effect is a decrease of R 62,459.96 in consumer debtors.

Non-current assets

In 2009/2010 capital expenditure was not capitalised to the capital work in progress account. The completed project was moved from work in progress to infrastructure in 2012/2013 and the amount not capitalised to work in progress in 2009/2010 was corrected retrospectively. The total correction amounted to R 21,537,638.70.

Land valued at R 47,990.87 was transferred from property, plant and equipment to investment property as it has been let under operating lease for the last couple of years.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Trade and other payables	-	887 417
Property, plant and equipment	-	30 595 676
Opening Accumulated Surplus or Deficit	-	(22 316 330)
Other receivables	-	151 870
Consumer debtors	-	(62 460)
Provisions	-	(8 969 274)

Statement of Financial Performance

Other income	-	(815 170)
General expenses	-	837 542

Cash flow statement

Cash flow from operating activities

Sale of goods and services	-	725 760
Suppliers and employees	-	(7 244 316)
	-	(6 518 556)

Cash flow from investing activities

Property, plant and equipment additions	-	30 308 778
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Cash flow from financing activities

Accumulated surplus adjustments	-	(22 316 330)
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Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

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49. Contingencies

The municipality implemented the Categorisation and Job Evaluation Wage Curves Collective Agreement, dated 21 April 2010. The Independent Municipal and Allied Trade Union [IMATU] declared a dispute and the matter went to the Labour Court, where IMATU won the case in June 2012. SALGA appealed against the court order and the final outcome of the appeal was not known at the reporting date. There is uncertainty with regards to the contingent liability and the municipality is still awaiting the final outcome of the appeal.

Schedule of external loans as at 30 June 2013

Loan Number	Redeemable	Balance at 30 June 2012	Interest accrued during the period	Redeemed written off during the period	Balance at 30 June 2013	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand	Rand	Rand
Loan Stock							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Structured loans							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Funding facility							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Development Bank of South Africa							
Loan 61000141		12 882 964	767 308	236 711	13 413 561	-	-
Loan 61002008		167 979	11 297	37 988	141 288	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-

Schedule of external loans as at 30 June 2013

Loan Number	Redeemable	Balance at 30 June 2012 Rand	Interest accrued during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2013 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		-	-	-	-	-	-
		13 050 943	778 605	274 699	13 554 849	-	-
Bonds		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Other loans		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Lease liability		-	-	-	-	-	-
Finance leases		1 510 557	-	512 652	997 905	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		1 510 557	-	512 652	997 905	-	-
Annuity loans		-	-	-	-	-	-
		-	-	-	-	-	-

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June 2013

Analysis of property, plant and equipment as at 30 June 2013
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	25 941 254	-	-	-	-	-	25 941 254	(559 799)	-	-	(559 799)	-	(1 119 598)	24 821 656
Buildings (Separate for AFS purposes)	82 488 261	162 649	-	8 708 822	-	-	91 359 732	(26 008 437)	-	-	(4 255 773)	-	(30 264 210)	61 095 522
	108 429 515	162 649	-	8 708 822	-	-	117 300 986	(26 568 236)	-	-	(4 815 572)	-	(31 383 808)	85 917 178
Infrastructure														
Roads, Pavements & Bridges	83 060 025	-	-	18 223 548	-	-	101 283 573	(37 468 367)	-	-	(5 250 773)	-	(42 719 140)	58 564 433
Transmission & Reticulation	32 155 547	-	-	-	-	-	32 155 547	(3 962 886)	-	-	(789 957)	-	(4 752 843)	27 402 704
Water purification	102 376 527	-	-	19 678	-	-	102 396 205	(21 372 058)	-	-	(4 105 848)	-	(25 477 906)	76 918 299
Sewerage purification	41 230 360	-	-	63 629 295	-	-	104 859 655	(8 373 326)	-	-	(2 647 502)	-	(11 020 828)	93 838 827
Waste Management	150 093	-	-	-	-	-	150 093	(124 441)	-	-	(10 050)	-	(134 491)	15 602
Other (work in progress)	69 681 334	28 913 984	-	-	-	-	98 595 318	-	(90 581 343)	-	-	-	(90 581 343)	8 013 975
	328 653 886	28 913 984	-	81 872 521	-	-	439 440 391	(71 301 078)	-	(90 581 343)	(12 804 130)	-	(174 686 551)	264 753 840
Community Assets														
Recreational facilities	4 899 257	-	-	-	-	-	4 899 257	(2 215 002)	-	-	(253 884)	-	(2 468 886)	2 430 371
Cemeteries	3 577 721	-	-	-	-	-	3 577 721	(817 472)	-	-	(163 181)	-	(980 653)	2 597 068
	8 476 978	-	-	-	-	-	8 476 978	(3 032 474)	-	-	(417 065)	-	(3 449 539)	5 027 439

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June 2013

Analysis of property, plant and equipment as at 30 June 2013
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Specialised vehicles														
Other assets														
General vehicles	7 079 126	534 877	(574 970)	-	-	-	7 039 033	(5 864 796)	352 986	-	(388 967)	-	(5 900 777)	1 138 256
Computer Equipment	677 024	268 743	-	-	-	-	945 767	(619 590)	-	-	(111 341)	-	(730 931)	214 836
Furniture & Fittings	1 115 415	152 933	-	-	-	-	1 268 348	(693 737)	-	-	(149 119)	-	(842 856)	425 492
Office Equipment	55 805	5 999	-	-	-	-	61 804	(13 976)	-	-	(19 874)	-	(33 850)	27 954
Office Equipment - Leased	2 779 415	86 060	-	-	-	-	2 865 475	(1 948 714)	-	-	(344 627)	-	(2 293 341)	572 134
Other	2 449 466	158 945	-	-	-	-	2 608 411	(2 431 818)	-	-	(45 542)	-	(2 477 360)	131 051
	14 156 251	1 207 557	(574 970)	-	-	-	14 788 838	(11 572 631)	352 986	-	(1 059 470)	-	(12 279 115)	2 509 723

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June 2013

Analysis of property, plant and equipment as at 30 June 2013
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	108 429 515	162 649	-	8 708 822	-	-	117 300 986	(26 568 236)	-	-	(4 815 572)	-	(31 383 808)	85 917 178
Infrastructure	328 653 886	28 913 984	-	81 872 521	-	-	439 440 391	(71 301 078)	-	(90 581 343)	(12 804 130)	-	(174 686 551)	264 753 840
Community Assets	8 476 978	-	-	-	-	-	8 476 978	(3 032 474)	-	-	(417 065)	-	(3 449 539)	5 027 439
Other assets	14 156 251	1 207 557	(574 970)	-	-	-	14 788 838	(11 572 631)	352 986	-	(1 059 470)	-	(12 279 115)	2 509 723
	459 716 630	30 284 190	(574 970)	90 581 343	-	-	580 007 193	(112 474 419)	352 986	(90 581 343)	(19 096 237)	-	(221 799 013)	358 208 180
Agricultural/Biological assets														
Biological assets - game	816 680	183 014	-	-	156 274	(24 492)	1 131 476	-	-	-	-	-	-	1 131 476
	816 680	183 014	-	-	156 274	(24 492)	1 131 476	-	-	-	-	-	-	1 131 476
Intangible assets														
Licences, software and website	485 210	240 901	-	-	-	-	726 111	(473 119)	-	-	(234 308)	-	(707 427)	18 684
	485 210	240 901	-	-	-	-	726 111	(473 119)	-	-	(234 308)	-	(707 427)	18 684
Investment properties														
Investment property	23 923 991	-	-	-	-	-	23 923 991	-	-	-	-	-	-	23 923 991
	23 923 991	-	-	-	-	-	23 923 991	-	-	-	-	-	-	23 923 991
Total														
Land and buildings	108 429 515	162 649	-	8 708 822	-	-	117 300 986	(26 568 236)	-	-	(4 815 572)	-	(31 383 808)	85 917 178
Infrastructure	328 653 886	28 913 984	-	81 872 521	-	-	439 440 391	(71 301 078)	-	(90 581 343)	(12 804 130)	-	(174 686 551)	264 753 840
Community Assets	8 476 978	-	-	-	-	-	8 476 978	(3 032 474)	-	-	(417 065)	-	(3 449 539)	5 027 439
Other assets	14 156 251	1 207 557	(574 970)	-	-	-	14 788 838	(11 572 631)	352 986	-	(1 059 470)	-	(12 279 115)	2 509 723
Agricultural/Biological assets	816 680	183 014	-	-	156 274	(24 492)	1 131 476	-	-	-	-	-	-	1 131 476
Intangible assets	485 210	240 901	-	-	-	-	726 111	(473 119)	-	-	(234 308)	-	(707 427)	18 684
Investment properties	23 923 991	-	-	-	-	-	23 923 991	-	-	-	-	-	-	23 923 991
	484 942 511	30 708 105	(574 970)	90 581 343	156 274	(24 492)	605 788 771	(112 947 538)	352 986	(90 581 343)	(19 330 545)	-	(222 506 440)	383 282 331

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Analysis of property, plant and equipment as at 30 June 2012
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	16 587 663	9 353 591	-	-	-	-	25 941 254	-	-	-	(559 799)	-	(559 799)	25 381 455
Buildings (Separate for AFS purposes)	82 488 261	-	-	-	-	-	82 488 261	(21 249 948)	-	-	(4 758 489)	-	(26 008 437)	56 479 824
	99 075 924	9 353 591	-	-	-	-	108 429 515	(21 249 948)	-	-	(5 318 288)	-	(26 568 236)	81 861 279
Infrastructure														
Roads, Pavements & Bridges	83 060 025	-	-	-	-	-	83 060 025	(31 861 519)	-	-	(5 606 848)	-	(37 468 367)	45 591 658
Transmission & Reticulation	32 155 547	-	-	-	-	-	32 155 547	(3 172 871)	-	-	(790 015)	-	(3 962 886)	28 192 661
Water purification	102 376 527	-	-	-	-	-	102 376 527	(17 227 988)	-	-	(4 144 070)	-	(21 372 058)	81 004 469
Sewerage purification	41 230 360	-	-	-	-	-	41 230 360	(6 702 023)	-	-	(1 671 303)	-	(8 373 326)	32 857 034
Waste Management	150 093	-	-	-	-	-	150 093	(114 391)	-	-	(10 050)	-	(124 441)	25 652
Other (work in progress)	35 442 775	34 238 559	-	-	-	-	69 681 334	-	-	-	-	-	-	69 681 334
	294 415 327	34 238 559	-	-	-	-	328 653 886	(59 078 792)	-	-	(12 222 286)	-	(71 301 078)	257 352 808
Community Assets														
Recreational facilities	4 899 257	-	-	-	-	-	4 899 257	(1 877 105)	-	-	(337 897)	-	(2 215 002)	2 684 255
Cemeteries	3 577 721	-	-	-	-	-	3 577 721	(654 291)	-	-	(163 181)	-	(817 472)	2 760 249
	8 476 978	-	-	-	-	-	8 476 978	(2 531 396)	-	-	(501 078)	-	(3 032 474)	5 444 504

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June 2013

Analysis of property, plant and equipment as at 30 June 2012
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Specialised vehicles														
Other assets														
General vehicles	6 543 973	535 153	-	-	-	-	7 079 126	(4 590 911)	-	-	(1 273 885)	-	(5 864 796)	1 214 330
Computer Equipment	677 024	-	-	-	-	-	677 024	(505 662)	-	-	(113 928)	-	(619 590)	57 434
Furniture & Fittings	1 086 775	28 640	-	-	-	-	1 115 415	(530 867)	-	-	(162 870)	-	(693 737)	421 678
Office Equipment	-	55 805	-	-	-	-	55 805	-	-	-	(13 976)	-	(13 976)	41 829
Office Equipment - Leased	2 779 415	-	-	-	-	-	2 779 415	(1 532 739)	-	-	(415 975)	-	(1 948 714)	830 701
Other	2 436 652	12 814	-	-	-	-	2 449 466	(2 424 183)	-	-	(7 635)	-	(2 431 818)	17 648
	13 523 839	632 412	-	-	-	-	14 156 251	(9 584 362)	-	-	(1 988 269)	-	(11 572 631)	2 583 620

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June 2013

Analysis of property, plant and equipment as at 30 June 2012
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	99 075 924	9 353 591	-	-	-	-	108 429 515	(21 249 948)	-	-	(5 318 288)	-	(26 568 236)	81 861 279
Infrastructure	294 415 327	34 238 559	-	-	-	-	328 653 886	(59 078 792)	-	-	(12 222 286)	-	(71 301 078)	257 352 808
Community Assets	8 476 978	-	-	-	-	-	8 476 978	(2 531 396)	-	-	(501 078)	-	(3 032 474)	5 444 504
Other assets	13 523 839	632 412	-	-	-	-	14 156 251	(9 584 362)	-	-	(1 988 269)	-	(11 572 631)	2 583 620
	415 492 068	44 224 562	-	-	-	-	459 716 630	(92 444 498)	-	-	(20 029 921)	-	(112 474 419)	347 242 211
Agricultural/Biological assets														
Biological assets - game	1 067 100	133 441	(102 698)	-	-	(281 163)	816 680	-	-	-	-	-	-	816 680
	1 067 100	133 441	(102 698)	-	-	(281 163)	816 680	-	-	-	-	-	-	816 680
Intangible assets														
Licences, software and website	262 093	223 117	-	-	-	-	485 210	(212 583)	-	-	(260 536)	-	(473 119)	12 091
	262 093	223 117	-	-	-	-	485 210	(212 583)	-	-	(260 536)	-	(473 119)	12 091
Investment properties														
Investment property	18 249 000	5 000 000	-	-	627 000	-	23 876 000	-	-	-	-	-	-	23 876 000
	18 249 000	5 000 000	-	-	627 000	-	23 876 000	-	-	-	-	-	-	23 876 000
Total														
Land and buildings	99 075 924	9 353 591	-	-	-	-	108 429 515	(21 249 948)	-	-	(5 318 288)	-	(26 568 236)	81 861 279
Infrastructure	294 415 327	34 238 559	-	-	-	-	328 653 886	(59 078 792)	-	-	(12 222 286)	-	(71 301 078)	257 352 808
Community Assets	8 476 978	-	-	-	-	-	8 476 978	(2 531 396)	-	-	(501 078)	-	(3 032 474)	5 444 504
Other assets	13 523 839	632 412	-	-	-	-	14 156 251	(9 584 362)	-	-	(1 988 269)	-	(11 572 631)	2 583 620
Agricultural/Biological assets	1 067 100	133 441	(102 698)	-	-	(281 163)	816 680	-	-	-	-	-	-	816 680
Intangible assets	262 093	223 117	-	-	-	-	485 210	(212 583)	-	-	(260 536)	-	(473 119)	12 091
Investment properties	18 249 000	5 000 000	-	-	627 000	-	23 876 000	-	-	-	-	-	-	23 876 000
	435 070 261	49 581 120	(102 698)	-	627 000	(281 163)	484 894 520	(92 657 081)	-	-	(20 290 457)	-	(112 947 538)	371 946 982

Segmental Statement of Financial Performance for the year ended
Prior Year **Current Year**

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality						
526 912	27 539 187	(27 012 275)	Executive & Council/Mayor and Council	49 079 534	50 012 384	(932 850)
69 020 445	12 758 318	56 262 127	Finance & Admin/Finance	1 442 777	4 605 134	(3 162 357)
-	-	-	Planning and Development/Economic Development/Plan	-	-	-
-	-	-	Health/Clinics	-	-	-
14 772 201	10 085 749	4 686 452	Comm. & Social/Libraries and archives	4 754 915	10 232 091	(5 477 176)
-	-	-	Housing	-	-	-
-	774 026	(774 026)	Public Safety/Police	1 580 010	1 382 032	197 978
5 921 148	933 962	4 987 186	Sport and Recreation	582 814	1 361 631	(778 817)
2 441 565	7 046 984	(4 605 419)	Environmental Protection/Pollution Control	-	-	-
4 491 376	6 488 566	(1 997 190)	Waste Water Management/Sewerage	28 761 124	13 707 223	15 053 901
29 982	10 016 162	(9 986 180)	Road Transport/Roads	17 729	10 838 728	(10 820 999)
4 631 225	6 758 856	(2 127 631)	Water/Water Distribution	18 782 862	8 128 828	10 654 034
16 421 517	22 085 105	(5 663 588)	Electricity /Electricity Distribution	36 403 970	25 373 445	11 030 525
17 078 614	10 003 023	7 075 591	Other/Air Transport	-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
135 334 985	114 489 938	20 845 047		141 405 735	125 641 496	15 764 239
Municipal Owned Entities						
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
Other charges						
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-

135 334 985	114 489 938	20 845 047	Municipality	141 405 735	125 641 496	15 764 239
-	-	-	Municipal Owned Entities	-	-	-
-	-	-	Other charges	-	-	-
-	-	-		-	-	-
-	-	-		-	-	-

Tswelopele Local Municipality

Appendix D

June 2013

**Segmental Statement of Financial Performance for the year ended
Prior Year Current Year**

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
			Rand			
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
135 334 985	114 489 938	20 845 047	Total	141 405 735	125 641 496	15 764 239

Tswelopele Local Municipality

Appendix E(1)

June 2013

**Actual versus Budget(Revenue and Expenditure) for the year ended 30 Jun
2013**

	Current year 2013 Act. Bal.	Current year 2013 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Property rates	7 477 676	4 085 000	3 392 676	83.1	
Service charges	32 202 117	32 083 000	119 117	0.4	
Rental of facilities and equipment	882 534	799 000	83 534	10.5	
Interest received (trading)	104 165	-	104 165	-	
Licences and permits	1 350	1 300	50	3.8	
Fines	259 400	232 000	27 400	11.8	
Other income	1 064 852	814 000	250 852	30.8	
Other income - (rollup)	-	-	-	-	
Sale of game	158 522	-	158 522	-	
Government grants	98 413 772	66 316 000	32 097 772	48.4	
Interest received - investment	419 298	480 000	(60 702)	(12.6)	
Dividends received	258 565	-	258 565	-	
	141 242 251	104 810 300	36 431 951	34.8	
Expenses					
Personnel	(38 525 232)	(35 136 000)	(3 389 232)	9.6	
Remuneration of councillors	(4 025 443)	(4 877 000)	851 557	(17.5)	
Depreciation	(19 330 543)	-	(19 330 543)	-	
Finance costs	(3 586 642)	(2 346 000)	(1 240 642)	52.9	
Debt impairment	(4 112 517)	(2 500 500)	(1 612 017)	64.5	
Repairs and maintenance - General	(6 677 885)	(6 261 079)	(416 806)	6.7	
Bulk purchases	(28 337 970)	(20 215 000)	(8 122 970)	40.2	
General Expenses	(21 045 266)	(36 040 421)	14 995 155	(41.6)	
	(125 641 498)	(107 376 000)	(18 265 498)	17.0	
Other revenue and costs					
Gain or loss on disposal of assets and liabilities	(66 862)	-	(66 862)	-	
Fair value adjustments	74 075	-	74 075	-	
Gains or losses on biological assets and agricultural produce	156 274	-	156 274	-	
	163 487	-	163 487	-	
Net surplus/ (deficit) for the year	15 764 240	(2 565 700)	18 329 940	(714.4)	

Tswelopele Local Municipality

Appendix E(2)

June 2013

Budget Analysis of Capital Expenditure as at 30 June 2010

	Additions	Revised	Variance	Variance	Explanation of significant
	Rand	Budget	Rand	%	variances from budget
		Rand			
Municipality					
Executive & Council/Mayor and Council	1 195 009	1 195 009	-	-	
Finance & Admin/Finance	260 207	260 207	-	-	
Planning and Development/Economic Development/Plan	28 985	28 985	-	-	
Comm. & Social/Libraries and archives	49 932	49 932	-	-	
Road Transport/Roads	417 416	417 416	-	-	
Other/Air Transport	-	-	-	-	
	1 951 549	1 951 549	-	-	
Municipal Owned Entities					
	8 014	-	(8 014)	-	
Other charges					

Tswelopele Local Municipality

Appendix F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

June 2013

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure					Grants and Subsidies delay withheld				
		Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar
Other grants (EPWP, SDG, DMG, FSPG, Lotto)		3 711 772	-	-	-	-	-	-	-	-	3 711 772	-	-	-	-
Equitable Share		62 058 000	-	-	-	-	-	-	-	-	62 058 000	-	-	-	-
Municipal Systems Improvement Grant		800 000	-	-	-	-	-	-	-	-	800 000	-	-	-	-
Finance Management Grant		1 500 000	-	-	-	-	-	-	-	-	1 500 000	-	-	-	-
Municipal Infrastructure Grant / Integrated National Electrification Programme		30 344 000	-	-	-	-	-	-	-	-	30 344 000	-	-	-	-
		98 413 772	-	-	-	-	-	-	-	-	98 413 772	-	-	-	-

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.