



IKWEZI LOCAL MUNICIPALITY
DRAFT ANNUAL REPORT



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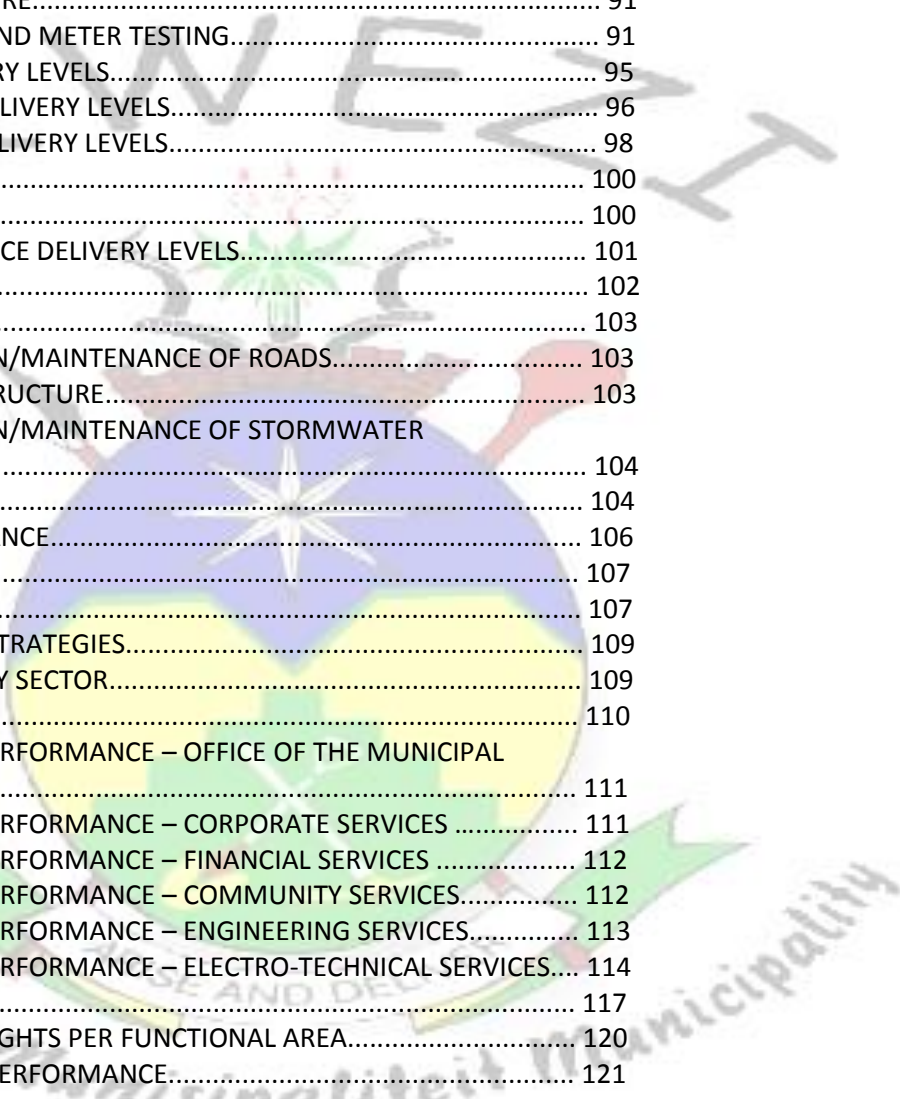
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This Draft Annual Report has been prepared in accordance with Circular 63 issued by National Treasury. The guidelines require that the performance of the municipality be reported on, in functional areas. An overview of each financial area, with a description of the activity, is presented. The strategic objectives of each function as well as priorities and progress on such priorities, is highlighted.

The year under review which highlights the performance of the institution, covers the period 01 July 2013 to 30 June 2014. The report indicates the percentage of the municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's Integrated Development Plan.

Ward Committees are effective and their reports forms part of the Council agenda. Council performs both the legislative and executive functions. Apart from their functions and decision makers, councillors are also actively involved in community work and various social programmes in the municipal area. The municipality has taken the lead in establishing operational ward committees in all the four wards. Open communication channels and interaction exist between ward committee members, the various municipal organisational structures and other interested non-governmental bodies in the municipal area.

During the year under review, the municipality was faced with a number of challenges namely; lack of resources in terms of implementing the capital projects. One of the major highlight which can be identified by the municipality was actually the improvement of water quality and supply thereof. The municipality was able to spend 100% of its allocated budget on the Capital projects which were registered and funded by the municipal infrastructure grant.

During the year under review, a total of 50 units which were occupied by beneficiaries were actually connected to the area of Klipplaat or those units were actually upgraded from Bucket to Full Waterborne Sanitation services. With continued effort and careful reckoning of the future GDC requirements, it is anticipated that an upward trend will continue. The Jansenville WWTW technical site score of 87% is in particular congratulated. The municipality has addressed all the MV/LV network of the municipality including the Upgrading of the Substation of the municipality. The Sub-station was upgraded from 11KVA to 22KVA.

Economic development is a major priority for Ikwezi Municipality. Ikwezi Municipality is one of the municipalities within the Cacadu District that has benefitted to the Agricultural Mentorship Programme which support and coach SMMEs. During the year under review two groups of SMMEs benefitted from this programme. Ikwezi Municipality is grateful for the support it has received from the Cacadu District Municipality throughout the implementation of this programme. The agricultural sector has shown employment growth and could provide opportunities for further development. The Municipality has prioritized the development of the Small, Medium and Micro Enterprises (SMMEs) because entrepreneurship is considered as the engine of economic development.

It is important to note that several of the local economic development projects could not be properly implemented, due to a variety of factors. The details are contained in the functional and activity part of this report. The Wool and Mohair initiatives have received financial injections and other support from Mohair South Africa, SAMIL, Department of Rural Development and Land Reform, Department of Rural Development and Agrarian Reform, Mohair Empowerment Trust, CDM and DEDEA. Ikwezi Municipality hosted a successful International Mohair Summit in October 2013. The following is the legacy projects of the Summit:

- Goat Meat
 - Tannery / Craft
 - Slipper Factory
-

- Carpet Factory.

Tourism is seen as another priority sector for the allocation of resources. Various other tourism related projects were initiated.

Ikwezi Municipality's cash flow position had deteriorated to such an extent that it was unable to meet its financial commitments. The on-going cash flow problems have extended over the last two financial years and it has become evident that the municipality is unable to meet its financial commitments. In view of the nature of cash flow problems and potential risks it was necessary to act swiftly with the objective of introducing a "recovery plan" to ensure that the municipality is able to operate as a going concern with a minimum disruption to municipal services.

The establishment of Internal Audit Services and the Audit Committee has already improved the corporate governance and accountability framework. MPAC is in place and functional.

I would like to take this opportunity to acknowledge time and effort given by Heads of Department, middle management and first line managers. Management would like to appreciate the political leadership and oversight by Council led by our Honourable Mayor, Councillor Sizwe Alfred Mngwevu.

MISIWE MPAHLWA
ACTING MUNICIPAL MANAGER





CHAPTER 1: INTRODUCTION AND MUNICIPAL OVERVIEW

1.1 MUNICIPAL OVERVIEW

This report addresses the performance of the Ikwezi Local Municipality in the Eastern Cape in respect of its core legislative obligations. Local government must create the participatory framework that defines and enhances the relationship between elected leaders and their communities. This requires that the council of the municipality provides regular and predictable reporting on program performance and the general state of affairs in their locality.

The 2014/2015 Annual Report reflects on the performance of the Ikwezi Local Municipality for the period 1 July 2014 to 30 June 2015. The Annual Report is prepared in terms of Section 121(1) of the Municipal Financial Management Act (MFMA), which states that the municipality must prepare an Annual report for each financial year.

1.1.1 VISION AND MISSION

“We strive to be an economically self-sustainable and socially responsive municipality, committed to improve the quality of life for the Ikwezi residents. We believe our primary responsibility is to the residents of Ikwezi by providing quality services by promoting and deepening democracy, stimulate socio-economic development, and promote active citizenship, whilst recognizing the value and mutual benefits of networking and strategic partnerships.”

Whilst we remain committed to the realization of the 5 National Key Areas of Municipality, being the following:

1. Good Governance and Public Participation
2. Municipal Transformation and Organizational Development
3. Basic Service and Infrastructure Delivery
4. Local Economic Development
5. Municipal Financial Viability and Management

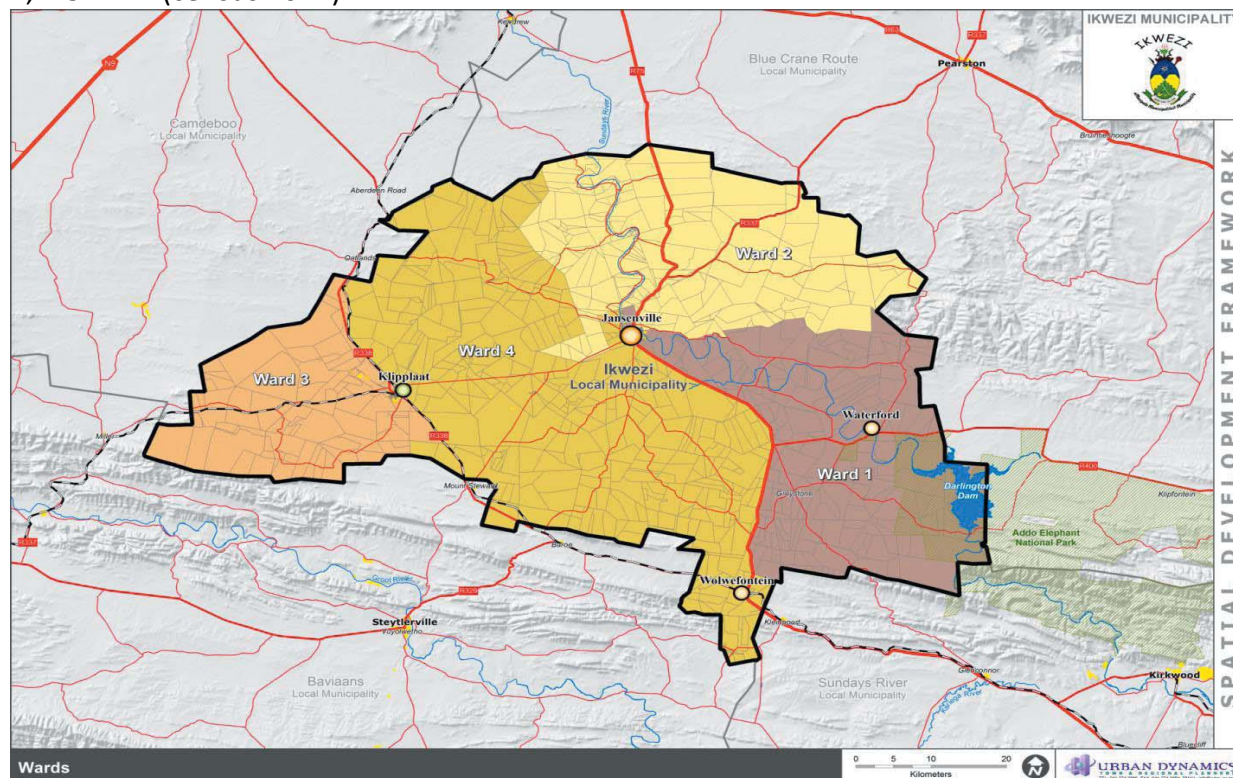
We recognize and take pride at the enormous strides being taken in establishing public participatory structures at ward level. The Community based planning process aimed at enriching our IDP process constitutes the cornerstone of our endeavors to ensure our people influence the budgetary process of the municipality. The success will be replicated to other areas, such as financial viability strategies and an enhanced program of infrastructure development. We will ensure that Ikwezi Local Municipality goes forward with greater pace in delivering quality services to its citizens in the coming years.

1.1.2 DEMOGRAPHIC INFORMATION

Ikwezi Local Municipality is located within the Eastern Cape Province, one of nine local municipalities which form part of the Cacadu District Municipality (CDM). Jansenville is bordered by the Sundays River south of the town. Klipplaat is dominated by pre-dominantly defunct railways lines and shunting yards.

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Waterford can be categorized as a small node historically established to serve the surrounding farming community. The municipal area has a population of 11 452 (2588 households) and covers an area of 4,449.7 km (census 2011).



WARDS:

The Municipality is currently structured into the following 4 Wards:

WARD	AREAS
1	A portion of Mauritius, Waterford, Janesville West and East, including The CDB area, 7de Laan and a portion of Holland.
2	A portion of Mauritius, Drie Kloof, Phumlani, Borchards, Draai, Brickfields and a portion of Holland.
3	Princeville, Wongalethu and Klipplaats Central.
4	Klipplaats Town, Dan Sandi View and Wolwefontein

The following table indicates the urban, peri-urban and rural areas situated within the boundaries of the municipality.

Urban Areas	Peri Urban	Rural Areas
Janesville CBD	Klipplaats Town	Princevale
Klipplaats CBD	Wolwefontein	Wongalethu
		Dan Sandi View
		Holland
		Drie Kloof
		Phumlani
		Borchards
		Draai
		Brickfield

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		7 DeLaan
		Mauritius

Ikwezi Local Municipality falls within the jurisdiction of the Cacadu District Municipality. The municipality is abutted by the boundaries of Blue Crane Route (East), Camdeboo (North) and Baviaans (West) municipal areas.

In 2011, the extent of Ikwezi municipality covered an area of four thousand and five hundred and sixty two square kilometres (4,562.72km²) which was delimited into four wards with a total of seven councillors. The municipality has a population of 10 537 occupying an estimated 2 915 households with an average household size is 3.6 inhabitants.

The physical area is characterized by vast rural hinterland, comprising of privately owned farms where most of the agricultural activities take place. The economy is based on social services and government spending, with strong roots in the agriculture sector. The primary urban area is Jansenville; Klipplaat is a secondary service centre; Waterford a small rural node and Wolwefontein a tiny railway settlement.

The municipal areas contain a small variety of landscapes that can be divided into the following landscapes:

- Mountains and Mountain Valleys
- Foothills
- Plateau
- Incised river valleys
- Plantation

POPULATION:

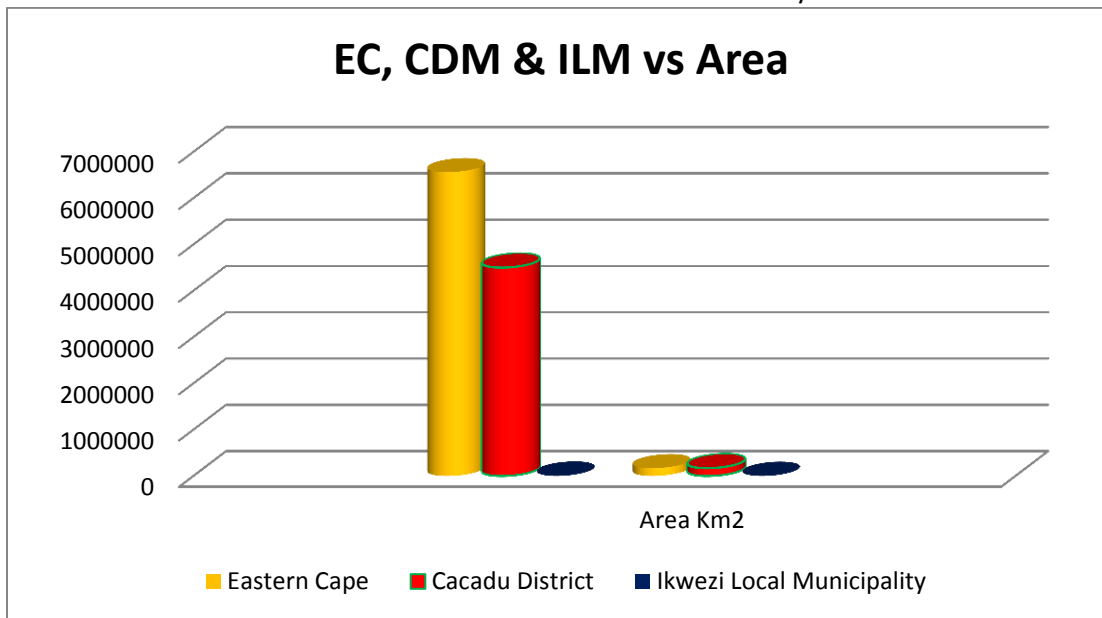
The demographic profile in the study area is made up of both urban and rural dynamics. During the life-span of the current five year IDP, various data sources were used progressively during each planning review process, ranging from StatsSA Census 2001, Community Survey 2007 and ultimately updated by the StatsSA Census 2011.

Table 1: Population and extent of Area km² - EC, CDM and ILM

STATSSA 2011	EASTERN-CAPE PROVINCE	CACADU DISTRICT	IKWEZI-LOCAL MUNICIPALITY
TOTAL POPULATION	6 562 053	450 584	10 537
AREAS KM2	168 966 km ²	168 966 km ²	4562.72 km ²

Table 1: Population and extent of Area km² - EC, CDM and ILM

Graph 1: Population & Extent of Area km² – EC CDM& ILM



Source: StatsSA 2011

According to the 2011 Population Census conducted by Statistics South Africa the total population of the Eastern Cape Province is 6 562 053 people and the total population of the Cacadu District is 450 584. As indicated by the statistical information above, Ikwezi accounts for 2.3% of the Cacadu District and 0.16% of the Eastern Cape Provincial population. Geographically Ikwezi makes up about 7.8% of the District Municipality landmass, with a low population density of 2.3 per km², which is much lower than the District average of 7.7 persons per km².

POPULATION GROWTH RATE:

The population of Ikwezi has increased by approximately 170 people over the past 10 years. This is reflective of a 0.2% average population growth rate per annum from 2001 to 2011. The slow population growth rate can possibly be attributed to a relatively stable migration trend, with limited outward movement in search of employment in Graaf- Reinet and Port Elizabeth. The average population growth rate experienced throughout the Cacadu District over the same period is much higher, at 1.6% per annum.

Table 2: Population Growth Rate and Projections per Ward

Population Growth over time		2001	2011	% Growth / Decline 2001 to 2011	% Growth / Decline p.a.
IKWEZI POPULATION		10367	10537	1.6	0.16
	Population	Household	Household size	Growth Rate 1.1% 2012-22	Growth rate 2% 2012-22
Period	2011	2011	2011	2022	2022
Ward 1	2468	675	3.7	272	494
Ward 2	4044	1086	3.7	445	809
Ward 3	1565	491	3.7	172	313
Ward 4	2460	662	3.7	271	492
Ikwezi Area	10537	2915	3.6	1159	2107

Source: Stats SA

The table above specifies the growth rate and population projects for the next ten years. Planning will consider these population projections as it crafts its long-term and these will Inform key strategic decision to suit future development requirements

The following key observations are noted:

The 2011 Census Stats SA indicates a total population of 10537, for the Ikwezi municipal area, comprising of 2915 households.

It is estimated that the population will grow in line with the National average of 1.1% between 2012 and 2022. The estimated population growth will result in an increase of approximately 1159 persons over a 10 year planning horizon.

1.1.3 AGE DISTRIBUTION

Roughly 6 409 or 61% of the population are under the age of 35 and 31% of these are 15 years of age.

Table 3: Ikwezi Age distribution

DEMOGRAPHICS	IKWEZI AREA (STATSSA 2001)	IKWEZI AREA (STATSSA 2011)		GROWTH % p.a.
Ikwezi-Total Population	10367	10537	170	0.16
Age distribution				
0 – 14	3 301	3274	31.1%	-0.08
15-64	6 336	6 529	62.0%	0.30
65+	733	734	7.0	

Source: StatsSA

The high number of young people requires intergovernmental planning efforts to jointly focus on providing sport and recreation facilities in addition to access to improved education choices.

Sport in particular plays an important part in youth development and relevant role in players should form partnerships to promote sport initiatives and youth programs in Ikwezi. The high number of children could also be an indication of a dependency on child support grants. The elderly accounts for 7% of the Ikwezi population.

Table 4: Cacadu District-wide Age distribution

DEMOGRAPHICS	CACADU DM (STATSSA 1996)	CACADU DM (STATSSA 2001)	CACADU DM (STATSSA 2001)	Growth rate 2001- 11 p.a
Cacadu Total Population	370 159	388 206	450 584	1.6
Age distribution	1996	2001	2001	
0-14	114 875	110 724	122 602	
15-64	227 484	251 548	296 436	
65+	23 266	25 935	31 546	

Source: StatsSA

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At Cacadu District level the dependency trend is slightly lower with only 24.2% of the population under the age of 15 and inhabitants over 64 years of the age level pegging at 7%. The total working-age population in Ikwezi is 62% which is close on 4% lower than the 65.8% living in the Cacadu District area.

1.1.4 GENDER DISTRIBUTION

The population of Ikwezi Local Municipality consists of a slightly lower number of male than female residents and the gender ratio reflected parity levels of roughly 9 males for every 10 females in 2011. The gender ration at Cacadu District is slightly with 9.6 males for every 10 females.

Table 5: Ikwezi Gender Ratio

DEMOGRAPHICS	IKWEZI AREA (STATSSA 2001)	IKWEZI AREA (STATSSA 2011)	%	GROWTH % p.a
Gender	10 370	10 537		
Male	4 926	5 055	48.0	0.26
Females	5 444	5 482	52.0	0.07

Source: StatsSA

In total males constitute 48% of the population and females 52%. This closely resembles the gender breakdown found in District where 49% of the population are male and 51% female. Municipal planning takes cognizance of the gender distribution in the Municipality and the Special programmes Unit has established Ikwezi Women's Forum. Municipality initiatives consider the mainstreaming of previously disadvantaged groups as a priority in all development activities.

Table 6: Cacadu Distract-wide Gender

DEMOGRAPHICS	CACADU DM (STATSSA 1996)	CACADU DM (STATSSA 2001)	CACADU DM (STATSSA 2011)	Dependency
Gender	370 159	388 206	450 584	
Male	179 102	185 919	220 246	96.1%
Female	191 057	202 287	230 338	51.1%

Source: StatsSA

1.1.5 GENDER OF HEAD OD HOUSEHOLD

Table 7: Ikwezi Age Distribution of Head of Household Gender

DEMOGRAPHICS	IKWEZI AREA (STATSSA 2001)	IKWEZI AREA (STATSSA 2011)	%	GROWTH % p.a
Head of Household:	2 754	2 915		
Gender				

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Male	1 860	1 708	58.6	-0.82
Female	894	1 207	41.4	3.5

Source: StatsSA

According to StatsSA an 8.9% increase has occurred, from 32.5% to 41.4%, in respect of female headed households between 2001 and 2011. The increase is relatively high considering that the population growth rate has been very low over a 10 year period and the male to female sex ratio has remained almost unchanged. This could be reflective of males migrating in search of employment opportunities outside of the municipal area or the occurrence of single mothers deciding to create a basis for their young with the option of marriage late in life.

Female headed household are also increasing over time and planning must take this into account as the table below suggests that this is a district-wide phenomenon, especially safely features in house designs and high must lighting and communication must be considered.

Table 8: Cacadu District-wide Head of Household Gender

DEMOGRAPHICS	CACADU DM (STATSSA 1996)	CACADU DM (STATSSA 2001)	CACADU DM (STATSSA 2011)	%
Head of Household	83 291	100 308	125 632	
Total: Gender				
% Female headed HH	29.6	34.9	38.5	
Female	24 657	34 967	48 313	3.8

Source: StatsSA

1.1.6 MARITAL STATUS 2011

Statistical information indicates that 32.8% of the populations are married.

Table 9: Distribution of the population by marital status 2011

	Married	Never married	Widow/er	Divorced	Total
Ikwezi	3 465	6 542	404	127	10 538

Source: StatsSA

1.1.7 LANGUAGE AND RACIAL DISRTRIBUTION

The largest segment (68.5% = StatsSA 2011) of the population in Ikwezi speaks Afrikaans, followed by 25.4% communicating in isiXhosa. Business, private and public institution should attempt to render services in the languages most commonly spoken in the area. Stats 2011 also indicates that the majority of the population (93.9%) living in Ikwezi, were born in Eastern Cape. South Africans of Colour account for 55% of the population, followed by 37% Black South Africans.

Table 10: Ikwezi Population Grouping

DEMOGRAPHICS	IKWEZI AREA (STATSSA 2001)	IKWEZI AREA (STATS 2011)	%
Language	10 369	10 538	100
Afrikaans	7144	7215	68.5
English	129	274	2.6
IsiXhosa	3081	2673	25.4
Other	15	330	3.1
Population Grouping	10370	10538	
Black	3826	3 916	37.2
Coloured	5 603	5 757	54.6
White	941	796	7.6
Indian/Asian	0	21	0.2
Other	0	48	0.5

Source: StatsSA

This population grouping trend is not reflected at the District level, where Black South Africans constitute 53.3% of the total district population.

The municipality must consider the diverse cultural groups existing and languages spoken within the municipality, in all decision making process and equity quotas.

1.1.8 DISABILITY

In the 2011 Census, questions on disability were replaced by General health and functioning questions. Due to change in question, 2011 results are not comparable with previous Censuses 1996 and 2011 and for this reason a comparative analysis will not be done.

Table 11: Ikwezi Population Grouping

IKWEZI	Hearing	Seeing	Walking	Remembering	Self-care
No difficulty	9240	8480	9173	9108	8313
Some difficulty	333	1021	292	342	185
A lot of difficulty	64	166	103	127	82
Cannot do at all	22	15	90	79	303

Source: StatsSA

The most predominant disability found in the Municipality area is people suffering from some form of sight disability, affecting 11.4% of the population. A further 4.7 of the inhabitants are afflicted by a walking or climbing disability and 5.5% find it difficult to take care of themselves.

Currently there is a structure in place “Disabled Forum” however it is not functioning as effective as envisaged. As a result of the poor functioning of the organization, disabled people as a special interest group remain largely marginalized with regard to development dialogues and access to provincial programmes

1.2 SOCIO-ECONOMIC ANALYSIS

The Ikwezi Local Municipality is characterized by poor socio economic conditions. The low economic growth rate coupled with low income leads to affordability levels. On average the level of services compared well with that of the district and the level of vulnerability in the Ikwezi area has decreased slightly between 2001 and 2011.

1.2.1 EMPLOYMENT STATUS

The Ikwezi local Municipality is characterised by a lack of sustainable employment and a high percentage of people in the area are not economically active. This in turn translates into high poverty levels and limited disposable income. In 2001 only 28.8% of the **working-age population** was employed. This situation has steadily improved and in 2011, 40.9% of the population between the ages of 15 and 64 were employed. However, the unemployment rate is still too high and could impact negatively on the municipality as low affordability levels generally result in poor payment rates for services.

Table 12: Ikwezi distribution of the population aged between 15 and 64 years by employment status

SOCIO ECONOMIC ANALYSIS	IKWEZI AREA (STATSSA 1996)	IKWEZI AREA (STATSSA 2001)	IKWEZI (STATSSA 2011)	%	GROWTH % p.a
Labour status					
Employed	2083	1791	2642		
Unemployed	833	1253	580		
Unemployment Rate	28.6%	41.2%	18.0%		

Source: StatsSA

Table 13: Cacadu District-wide population aged between 15 and 64 years by employment status

SOCIO ECONOMIC ANALYSIS	CACADU DM (STATSSA 1996)	CACADU DM (STATSSA 2001)	CACADU DM (STATSSA 2011)	%	GROWTH % p.a
Labour status					
Employed	89 953	94 650	120 176		
Unemployed	35 452	51 996	39 766		159 942
Unemployment Rate	28.3	35.5	24.9		

Source: StatsSA

StatsSA indicates that in Ikwezi **the labour absorption rate equates to 40.9% and the Unemployment rate** is approximately 18%. The unemployment rate in Cacadu is just over 7% higher but cognisance must be taken that the average household income in Ikwezi is R31 587.00 lower than **R76 250.00** received in Cacadu. A further 49.9% were either classified as not economically active or discouraged work-seekers in 2011. The overall dependency ratio has decreased from 64:100 in 2001 to 61.4 persons per hundred population of working age in 2011. StatsSA 2011 also concludes that the youth unemployment rate, in Ikwezi was reduced from 51.1% in 2001 to 22.7% in 2011.

Income levels within the Municipal area are very low considering that 59.1% of the economically active population does not generate an income. The remaining 25.4% are employed with only 9.3% earning an income of more than R1 601.00 per month. Municipal planning needs to focus strongly on local economic development and job creation initiatives, which will enable the community to generate higher income levels.

The following table summarizes the unemployment and poverty situation in the municipality.

Table 14: Poverty indicators 2011

Year	Unemployed (15 – 64)	Discouraged work-Seekers	Household Annual Income < R19691	Absence of Household income
2001	19.7%		61.8%	16.2%
2011	9.0%	7.3%	43.7%	10.8%

1.2.2 UNEMPLOYMENT SECTORS

In 2011 only 14.9% of the total population of Ikwezi was employed in the formal sector, a further 6.4% in the informal sector and a smaller segment (4.7%) worked in private households. Based the community survey conducted in 2007 it is concluded that the community and public sector continues to account for the majority of specified jobs and is still closely followed by the agriculture sector. The first mentioned sector is an unlikely base for employment expansion. The wholesale and retail trade and manufacturing sector was the third and fourth highest employer, but it is also doubtful whether these sectors will expand significantly as commercial and business activities are confined to the urban centre of Jansenville.

Table 15: Employment Sector

SOCIO ECONOMIC ANALYSIS	IKWEZI AREA (STATSSA 2011)	%
Employment Sectors	10 537	
In the formal sector	1568	14.9
In the informal sector	674	6.4
Private household	496	4.7
Do not know	26	0.2
Not applicable	7773	73.8

Source: StatsSA

The employment sector also continues to use elementary occupations, followed by craft and related workers, plant and machine operators, service shop market and sales workers, and clerks. A smaller segment of the employment sector is made up of professionals, technicians and senior managers.

This dominance of elementary occupations is indicative of the low skills base in the area. As a result there is a shortage of skilled artisans, engineers, project managers, business management and technical skills in agriculture and environmental management. Statistics South Africa 2011 reflects that the unemployment rate in Ikwezi is 18.3%, which is 6.6% lower than the unemployment rate rampant in Cacadu District.

1.2.3 INCOME LEVELS

StatsSA 2011 reflects that poverty levels are high with 35% of the population not receiving any income and a further 21% earn less than R801 per month, therefore technically falling under the poverty line. This is exacerbated by the fact that the **labour force participation rate** is only 50.1%. The population lack buying power which makes it difficult to exploit local economic development opportunities and the situation implies a high dependency on social grants. Interventions must be created and expedited to support poor communities.

The potential economic active working-age force accounts for 62% of the total population which reinforces the need to boost the economy and stimulate job growth.

Table 16: Income Category

SOCIO ECONOMIC	IKWEZI AREA	%	IKWEZI AREA	%
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ANALYSIS	(STATSSA 2011)		(STATSSA 2001)		
Individual Income			Household Income		
No Income	3655	34.7	No Income	314	10.8
R 1 – R 400	1431	13.6	R 1 – R 400	133	4.6
R 401 – R 800	742	7.0	R 4801 – R 9600	270	9.3
R 801 – R 1600	2156	20.5	R 9601 – R 19 600	871	29.6
R 1 601 – R 3 200	369	3.5	R 19 601 – R 38 200	650	22.3
R 3 201 – R 6 400	238	2.3	R 38 201 – R 76 400	324	11.1
R 6 401 – R 12 800	227	2.2	R 76 401 – R 153 800	181	6.2
R 12 801 – R 25 600	111	1.1	R 153 801 – R 307 600	130	4.5
R 25 601 – R 51 200	17	0.2	R 307 601 – R 614 400	31	1.1
R 51 201 – R 102 400	5	0.0	R 614 001 – R 1 228 800	5	0.2
R 102 401 – R 204 800	7	0.1	R 1 228 801 – R 2 457 600	3	0.1
R 204 801 or more	1	0.0	R 2 457 601 or more	2	0.1
Unspecified	1408	13.4	Unspecified	-	-
Not applicable	169	1.6		2915	100.0

Source: StatsSA

Census 2011 determined that the households in the Eastern Cape received an average annual income of R64 539 which was the second lowest of all the Provinces. Cacadu District fared much better by comparison with the average household income in 2011 growing to R76 250, which notably, is above the Eastern Cape average. Although Ikwezi household income is way below the average earned in Cacadu, it has increased by R11 98 from R33 565.00 in 2001 to R 44 663.00 in 2011.

Table ..: Distribution of average household income – 2001 and 2011

Municipality	2001	2011
Cacadu	39 757	76 250
Ikwezi	33 565	44 663

Source: Statistics South Africa: 2011

1.2.4 POVERTY LEVELS

Increasing levels of absolute poverty have been recorded in the Eastern Cape and 74% of the people of the Eastern Cape live below the poverty line of R800 or less a month. Poverty levels in the Cacadu District are substantially lower than the Provincial norm, at 59%. Poverty levels within Ikwezi Local Municipality are 71.3% which is much higher than the District norm. High poverty levels imply a higher dependency on social assistance in the form of grants. Municipal planning needs to focus strongly on poverty alleviation mechanisms.

The distribution of income within the municipal area has worsened between 1996 and 2007 from 0.57% to 0.66%. The percentage of people in poverty has increased from 48% in 1996 to 56% in 2007 representing a total population of 5 837 people living in poverty.

The very small population of the area obviously means that limited employment can be created by supplying local markets. An exception is fresh food produce (because of a long distance from suppliers).

The main advantage of the small population is that not much employment needs to be created to significantly address the unemployment problem.

1.2.5 DEPENDANCY ON SOCIAL GRANTS

There is a high level of dependency on social grants.% of the population is dependent on social grants which include the following:-

- Child support grant
- Old age pension
- Disability grant
- Care dependency grant

Child support, disability grants and old age pensions respectively constitute %, % of the allocated grants. Only % of the population receives disability grants as compared to the % of the population who have to disability. Given the high poverty levels, the Ikwezi Municipality needs to facilitate a process to ensure that all potential beneficiaries of grants receive what they are entitled to.

Table 17: Care dependency grant

	<i>Old Age Pension</i>	<i>Disability Grant</i>	<i>Child Support Grant</i>	<i>Care Dependency</i>	<i>Grant in Aid</i>	<i>Social Relief</i>	<i>Institutions</i>
Ikwezi							

The high proportion of dependent youth in the Municipality implies a higher burden on the economically active population. Given that a high percentage of the potential working age population is not employed, this dependency shifts to organs of state. Planning must try to reduce the high unemployment rate that exist in Ikwezi and at the same time facilitate effective and efficient social services to the inhabitants of Ikwezi. Departments such as Home Affairs, Social Development, Health and Education must coordinate their efforts to bring about faster and better services to the people who need it most.

1.2.6 EDUCATION

Table..: Cacadu District-wide population aged 20 years and older by highest level of education attained

	<i>CACADU DM (STATSSA)</i>	<i>CACADU DM (STATSSA)</i>	<i>CACADU DM (STATSSA)</i>	<i>%</i>
	1996	2001	2011	
Grade 12/ Std 10	24 324	35 577	56 665	
Higher	13 028	15 565	23 037	
Total	206 643	236 429	277 825	

Table..: Distribution of the population aged 20 years and older by highest level of education attained

<i>DEMOGRAPHICS</i>	<i>IKWEZI AREA (STATSSA)</i>	<i>IKWEZI AREA (STATSSA)</i>	<i>IKWEZI AREA (STATSSA)</i>	<i>%</i>
	1996	2001	2011	
No schooling	1 457	1 333	787	12.6
Some primary	1 347	1 524	1 496	23.9

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Complete primary	522	528	517	8.3
Some secondary	1 474	1 684	2 146	34.3
Std 10/ Grade 12	424	660	966	15.5
Higher	245	291	338	5.4
TOTAL	5 469	6 022	6 249	

Distribution of the population aged 5-24 years by school attendance

	1996	2001	2011	
Attending	2 908	2 644	2 484	
Not Attending	1 393	1 485	1178	
	4 301	4 129	3662	

Ikwezi local Municipality is characterized by low education and literacy levels. The StatsSA indicates that in 2011, 12.6% of the population over 19 years of age has not received any schooling, while 23.9% had some form of primary school education. Only 15.5% of the population has attained grade 12. A further 5.4% of the population has attained a higher qualification.

In 2011 the academic achievements in Ikwezi was lower than Cacadu District as a whole: the percentage of twenty years and older with pass rates in matric or higher is 20.9% in Ikwezi as compared to 28.7% for the district.

The Statistics South Africa Census of 2011 revealed that 67.8% of the municipality's population between the ages of 5 and 24 years are attending some form of education institution.

Table 16: Education Facilities

LOCATION	PRIMARY SCHOOL	SECONDARY SCHOOL
Jansenville	Jansenville (Ward 2)	Janesville (Ward 1)
Jansenville		Gcinubuzwe Combined (Ward 2)
Klipplaat	Hobson Khanyisa (Ward 3)	Klipplaat (Ward 4)
Klipplaat	Brandovale (Ward 3)	
Waterford (Farm School)	Toekomst Primary	
Wolwefontein	Wolwefontein Primary	
TOTAL	5	3

Eight education facilities are located in Ikwezi. There appears to be an adequate number of education facilities in the municipal area which suggest that the pass rate will not necessarily improve with the provision of additional schools.

1.3 SPATIAL ANALYSIS: IKWEZI LOCAL MUNICIPALITY

The Local Government: Municipal Systems Act makes provision for the revision of the Spatial Development Framework (SDF). The Ikwezi Spatial Development Framework (2006/2007) was reviewed in June 2013 and adopted by Council.

For ease of reference it was decided to summarise and lift issues of importance from the SDF 2013 and Biodiversity Sector Plan 2012 to enable readers of the IDP to get an overview of the development dimensions that must be considered when planning.

1.3.1 LEGAL STATUS AND POLICY FRAMEWORK

The Spatial Development Framework is a statutory plan, which reflects the spatial values, principles and proposals according to the future development policies and direction envisaged by the communities residing within the municipality. This spatial reflection of the IDP represents an important social compact which should be paramount in assessing where development should be permitted, or not permitted, in any area of the municipality.

1.3.2 SDF METHODOLOGY

The principles for strategic planning, land use management, rural development and urban restructuring as documented in the listed National, Provincial and Local Policies, Plans and legislative directives below were taken into account when the Ikwezi SDF was developed.

- **NSDP Growth and Development Objectives**
- **NSDP Principles**
- **DFA Principles**
- **SPLUMB Development Principles**
- **CDM SDF 2006 and**
- **SDFs of adjoining local municipalities**

Although the CDM SDF was under review in 2012, it is expected that the spatial rationale and land use management proposals of the 2006 SDF will significantly change to be aligned with the PSDP, but the fundamental principles are still valid for the purposes of formulating Municipal SDF's.

The Ikwezi SDF methodology is based on the National Guidelines for the Development of Spatial Development Framework (NGDSDF) (Version 8): Department of Rural Development & Land Reform. The spatial vision, principles and goals are guided by and aligned with various National, Provincial and Local informants. Key Provincial Spatial planning informants are the Provincial Growth and Development Plan (PGDP) and the Provincial Spatial Development Plan (PSDP) as these guidelines outline the development vision for the Province, including spatial development principles and objectives for implementation on Provincial, District and Local levels.

1.3.3 SDF ALIGNMENT

The Department of Local Government and Traditional Affairs, with the assistance of UN-Habitat, undertook the Review of the Eastern Cape Provincial Spatial Development Plan (ECPSPD) in 2010. The Review considered issues such as clustering of opportunities in nodes and development corridors to achieve areas of shared impact. It also takes account the environmental potential, and characteristics, economic attributes, migration trends and the impact of climate change on development.

The Provincial Spatial Development Plan links implementation to the seven (7) pillars outlined hereunder. The Ikwezi SDF visioning, analysis and implementation strategies are also outlined on these pillars, to ensure alignment and integration.

Pillar 1: Environment

Pillar 2: Human Settlement

Pillar 3: Rural development

Pillar 4: Infrastructure

Pillar 5: Economic development

Pillar 6: Human resource development

Pillar 7: Governance

The PSDP highlights key spatial development issues which ultimately inform the approach to managing spatial development. The premise of this approach is to ensure the optimal arrangement of settlements in space where access to service and/ or resources provided in a settlement is equitable in balance with the level of services and/ or resources provided there. The following principles of spatial management are adopted for Ikwezi.

- Focus of investment in existing rural settlements, villages and towns according to available resources and development priorities.
- Reinforce development nodes and development areas through channels of opportunity and bulk infrastructure.
- Focus on economic upliftment and employment creation through LED, agriculture, SMME's and industrial programmes.

The Ikwezi IDP identified priorities and strategic objectives to alleviate job creation, sustainable employment and infrastructure development and maintenance. These are:

Priority 1: Local Economic Development and Creation of jobs

Priority 2: Rural Economic Development

Priority 3: Infrastructure Development

Priority 4: Institutional Development

Priority 5: Community Empowerment and Skills Development

1.3.4 STUDY AREA – IKWEZI LOCAL MUNICIPAL AREA

The Ikwezi Local Municipality is situated in the Eastern Province and is one of the 9 Local Municipalities located within the Cacadu District Municipal area. The Municipality comprises of 456 272ha and is characterised by large rural areas with very low population densities and two relatively small urban nodes. Janesville (main town and administrative centre) and Klipplaat are urban areas, with smaller rural settlements, i.e. Waterford and Wolwefontein.

The Ikwezi Municipal area comprises of a diverse mix of land uses, urban areas and rural nodes. The main land uses include:

- Addo Elephant National Park and Darlington Dam including the rural node of Waterford towards the east.
- Large commercial stock farms and conservation areas.
- Urban settlements of Janesville and Klipplaat and the rural settlements of Wolwefontein.

The majority of the population is located within the areas, given the possibilities for job opportunities in these areas.

1.3.4.1 SETTLEMENT PATTERN AND HIERARCHY

PRIMARY NODE	JANSEVILLE	
A larger urban area with strong administrative financial and residential functions and components. Infrastructure is relatively well developed with supporting social facilities and amenities. Future growth and investment should generally be prioritized in this node, based on growth potential and potential to support local economic development.		
SECONDARY NODE	KLIPPLAAT	-
This node has a smaller administrative, financial and service function although it supports a strong residential component service delivery to the surrounding rural areas plays a lesser role. Investment and development of this node should be carefully considered and aimed at the provision of basic and infrastructure to its residents.		
RURAL NODE	WOLWEFONTEIN WATERFORD	-
A very small population component with little or no service. Rural nodes can fulfil an important function in rural carefully assessed and investigated prior to large scale investment.		

Table 1: Nodes

1.3.4.2 KEY TRANSPORTATION CORRIDORS

Key transportation and accessibility corridors in the study area include:

- R75 between Wolwefontein, Janesville and Graaf Reinet
- R337 road link between Janesville and Klipplaat
- R400 between Janesville and Waterford

The study area is easily accessible and provides the gateway to the western and northern portions of the Eastern Cape from the Nelson Mandela Bay Metro.

1.3.4.3 SPITIAL VISON

Based on the Ikwezi Municipality vision, IDP priorities, objectives and strategies, the Spatial Development Framework vision for the Ikwezi Municipality incorporates key principles relating to the following:

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- Ensure that all planning and developing is based on the principles of integration and sustainability to ensure socio economic upliftment of the relevant communities within Ikwezi Municipality.
- Provision of land for the expansion of residential areas and non-residential land uses to ensure economic growth and upliftment.
- Support and promote expansion of commonages and land reform within the greater Ikwezi

The spatial analysis of the study area represents an overall spatial picture of the Municipality, the current situation, patterns and trends within the Municipality and quantifies specific needs and capacities.



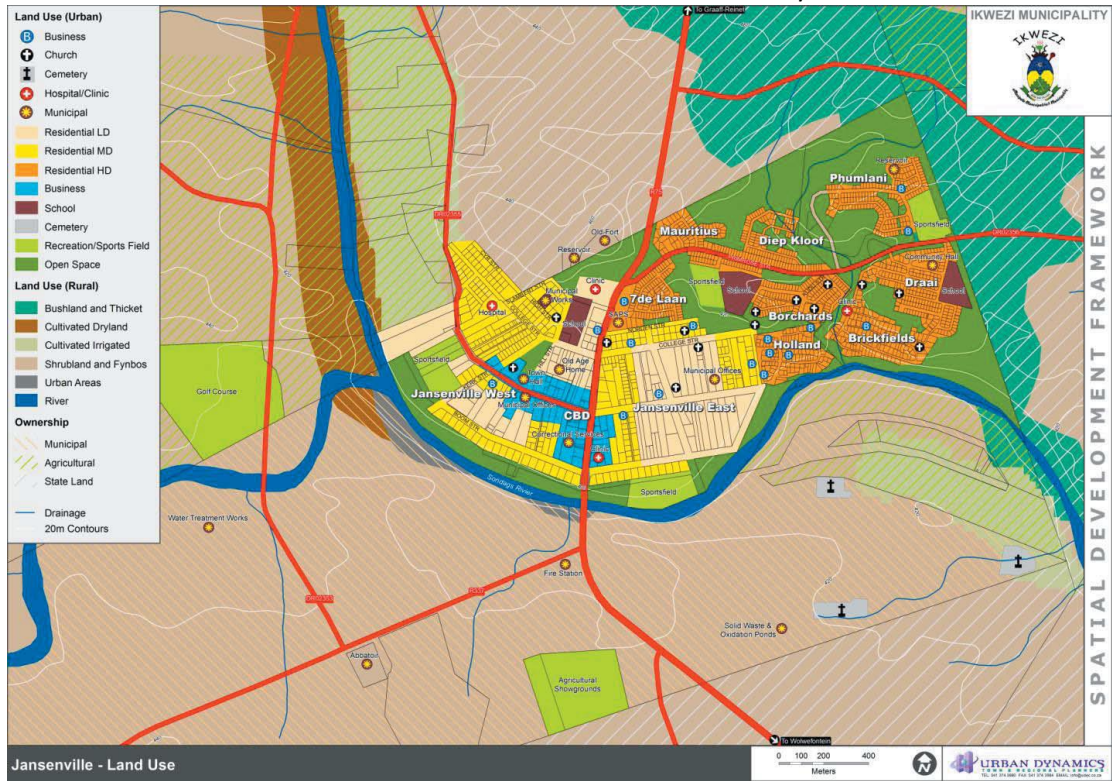
1.4 SPATIAL ANALYSIS – IKWEZI LOCAL MUNICIPAL AREA

1.4.1 JANSONVILLE EXISTING SPATIAL FORM

The Janesville urban area serves as the administrative and economic centre of the Ikwezi area. The existing spatial form of Janesville is dominated by four distinct spatial features. The Sundays River forms the southern border of the town, the R75 passes through the town in a north-south direction, a secondary road dissects Janesville West and another provides access to Mauritius, Borchards, Phumlani and Draai. These spatial factors have created the suburbs of Ward 1 and 2, each with its own unique character. These distinct environs are typical of the historically distorted spatial patterns created through separate development.

The residential component comprises of approximately 289 sites in the lower density area (less than 10 units per hectare) and approximately 970 residential sites at densities above 10 units per hectare.

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1.4.2 KLIPPLAAT EXISTING SPATIAL FORM

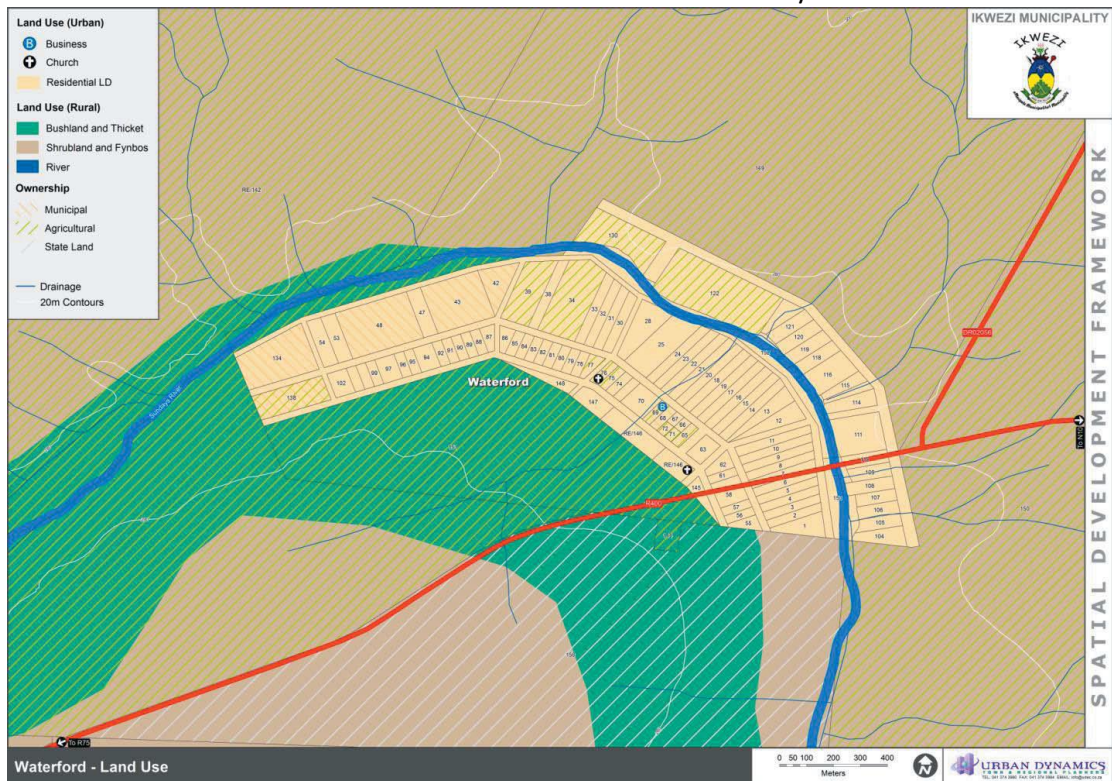
The spatial form of Klipplaat is dominated by railway lines, shunting yards and works. Together the three secondary roads provide access to PE via Baroe, Janesville and Abredeeen. The railway lines also divide Klipplaat into distinct ward based suburbs.

The town is bordered to the east and west by a drainage system which forms the primary component of the towns open space system and drains into the Heuningklip River flowing to the south of Klipplaat. The town comprises of approximately 1165 residential sites at a density of >10 units per hectare.



1.4.3 WATERFORD EXISTING SPATIAL FORM

Waterford is located south east of Janesville, near to the Darlington Dam. The Sundays River forms the northern boundary of the node and various erven have been surveyed on its banks. The node is bordered in the south by the R400 which provides access to the Darlington Dam. The majority of the properties are privately owned and approximately 70% of the plots in Waterford are vacant. The decline in the agricultural based economy and depopulation of the rural area has led to the demise of this node. All that remains of the once thriving rural node is a few inhabited residential houses, the majority of which is located to the west of the Dutch Reform Church. The church is a prominent old building and is still in a functional state of repair.



1.4.4 LAND OWNERSHIP

A basic analysis was conducted for larger land parcels in and around the urban areas to determine land ownership and generally noted that very little land is available in and around the main urban areas within Ikwezi and ownership by the Municipality. Therefore, the general objective is that future development (expansion of existing towns) will have to take place on land currently owned by private individuals. This implies lengthy land acquisition processes and the numerous difficulties associated with private land acquisition. The Spatial Development Framework's objective is to identify land for future expansion, based on the creation of well-designed and integrated urban settlements. This is done notwithstanding land ownership. **Diagrams are provided in the SDF that gives an indication of land owned by the Municipality, privately owned or state owned land can found in the Chapter 3 paragraph 3.2 of the SDF.**

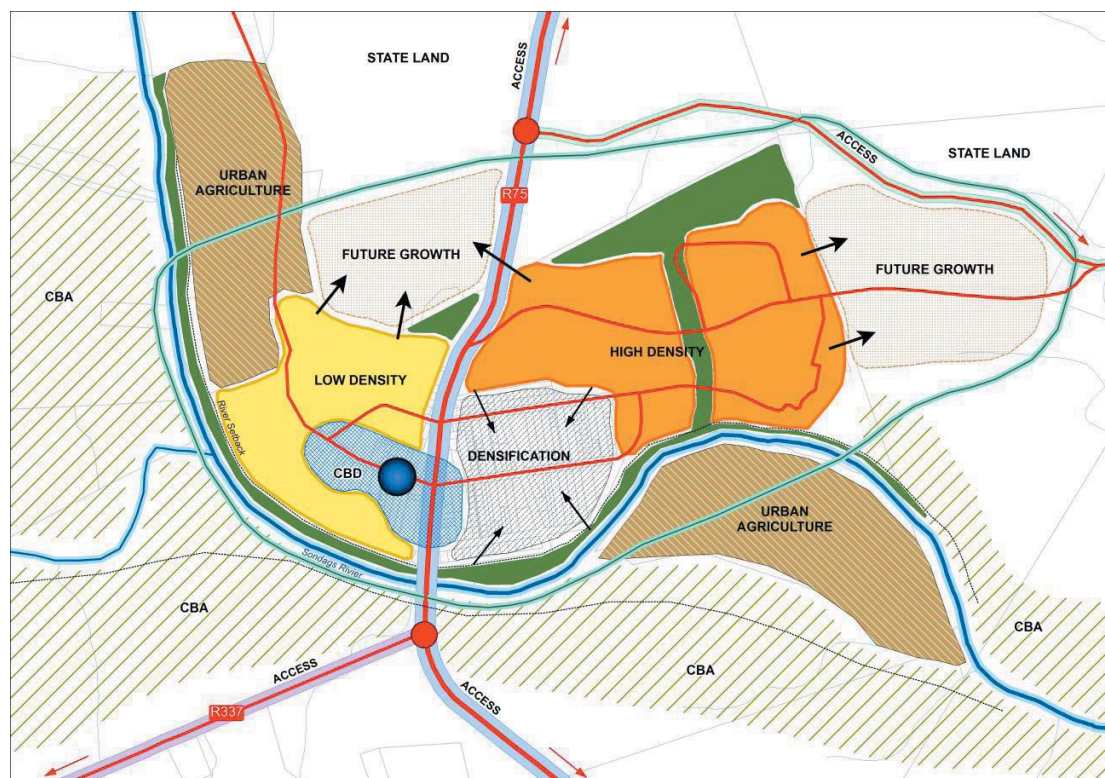
1.5 CONCEPTUAL FRAMEWORK – IKWEZI LOCAL MUNICIPAL AREA

1.5.1 JANSEVILLE CONCEPTUAL FRAMEWORK

The Conceptual Framework is a broad outline and possible development pattern for the Ikwezi nodal settlements and rural area. The conceptual framework is based on input through the analysis, meeting the

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development goals and objectives, taking into account the normative principles and the structuring elements.



STRATEGIES

- Strengthening and expansion of the Central Business District as a key commercial node.
- Improve business visibility and interaction along the R75 as a key accessibility route.
- Promote and support residential densification in the Janesville east area and maintain residential densities in the area towards Phumlani and Brickfields.
- Carefully consider future expansion and unsure urban integration and the prevention of urban sprawl.
- Future growth areas to the east of Phumlani and Dry and north of Janesville west, west of the R75.
- Integration should be promoted through the prioritised development of the area north of Janesville west.
- Ensure setbacks along the Sundays River through floodline management and avoid development south of the Sundays River to minimise service cost implications.
- Maintain as well-defined road hierarchy and internal reticulation system.
- The identification of various municipal owned lands for institutional purposes should be accessed and used for non-residential community and support facilities.

1.5.2 KLIPLAAT CONCEPTUAL FRAMWORK



STRATEGIES

- Maintain upgrade and promote main access corridors, i.e. R338, R337 and existing rail Infrastructure as a key catalyst for future economic development and support.
- Promote integration of Klipplaat town, Wongaletu and Princeville areas through special development initiatives through releases of Spoornet land and precincts.
- Strengthen urban growth and revitalisation through establishment of business node in Klipplaat town and Wongaletu, these on main access routes and nodal points.
- Promote densification and revitalisation in Klipplaat town area.
- Possible infill development and densification towards SAPS and lower precincts areas.
- Protect and preserve open space systems, critical bio diversity area and heritage resources.
- Maintain the urban edge and carefully consider future residential expansion, north of Dan Sandy.

1.5.3 WATERFORD CONCEPTUAL FRAMEWORK



CHAPTER 2: GOVERNANCE

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

During the financial year under review, the Municipal elections were conducted on 07 May 2014 and new council members were appointed. Scheduled underneath is a reflection of the Councilors in office during 3rd term office of council, and reflected underneath is the new Councilors, appointed on 6 June 2014 at the Inaugural Meeting of the Municipal council of Ikwezi local municipality for 4th term council.

2.1 NATIONAL KEY PERFORMANCE INDICATORS – GOOD GOVERNANCE AND PUBLIC PARTICIPATION

The following table indicates the municipality’s performance in terms of the National Key Performance Indicators required in terms of the Local Government: Municipal planning and the Performance Management Regulations 7146 2001 and section 43 of the MSA. This key performance indicator is linked to the National Key Performance Area – Good Governance and Public Participation.

KPA & INDICATORS	MUNICIPAL ACHIEVEMENT	MUNICIPAL ACHIEVEMENT	MUNICIPAL ACHIEVEMENT
	2011/12	2012/13	2013/14
Good governance and public participation The percentage of a municipality’s capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality’s integrated development plan.	11	11	2

Table 1: National KPIs – Good Governance and Public Participation Performance

2.2 PERFORMANCE HIGHLIGHTS – GOOD GOVERNANCE AND PUBLIC PARTICIPATION

HIGHLIGHTS	DESCRIPTION
Effective Audit Committee	The Committee met six times and perused

	the financial statement and made recommendations to the Municipal Council.
Effective Ward Committees	All four ward committees made recommendations on all items on the Mayoral Committee meeting and IDP & budget. Forty ward committee members were trained during the 2013/2014 financial year.
Implementation of Customer Care Facility	A customer care policy is currently being developed by Ikwezi local Municipality. Plans are in place to operationalize a customer care desk, to address concerns of the community as a whole.

Table2: Good Governance and Public Participation Performance Highlights

2.3 CHALLENGES – GOOD GOVERNANCE AND PUBLIC PARTICIPATION

DESCRIPTION	ACTIONS TO ADDRESS
More representative Ward Committees	A revised Ward Committee Policy will be submitted to the newly elected Municipal Council in the 2013/2014 financial year.
Administrative Law Training	The administrative leadership is operating with only 33% of their potential decision making workforce. The DLGTA is supporting the municipalities in areas where capacity is limited. Ikwezi Local Municipality must compile all its by-laws in the Municipal Code.

Table 3: Good Governance and Public Participation Challenges

2.4 GOVERNANCE STRUCTURE

2.4.1 POLITICAL GOVERNANCE STRUCTURE

The council performs both the legislative and executive functions. They focus on legislative, oversight and participatory roles, and have delegated its executive function to the Mayor and the Mayoral Committee. Their primary role is to debate issues publicly and facilitate political debate and discussion. Apart from their functions as decision makers, Councillors are also actively involved in community work and the various social programmes in the municipal area.

A) COUNCIL

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Before the May 2014 local government elections, the Ikwezi Local Municipal Council comprised of six councillors, including four Ward councillors and two Proportional Representation councillors. Ikwezi Local Municipality has an Honorary Committee system and the Honorary Mayoral Committee was made up of councillors drawn from the ruling party, namely the ANC.

Below is the table that categorises the councillors within their specific political parties and wards before 7 May 2014:

NAME OF COUNCILLOR	CAPACITY	POLITICAL PARTY	WARD REPRESENTING OR PROPORTIONAL	GENDER
Cllr. S. Mngwevu	Mayor/Speaker	ANC	PR	Male
Cllr. K. Hendricks	Councillor	ANC	Ward 1	Female
Cllr. A. Mboneni	Councillor	ANC	Ward 2	Male
Cllr. L. Ntame	Councillor	ANC	Ward 3	Male
Cllr. M. Bornaparte	Councillor	ANC	Ward 4	Female
Cllr. W. Seekoei	Councillor	DA	PR	Male
Cllr. J. Lewis	Councillor	DA	PR	Male

Table 4: Council until 07 May 2014

The newly elected Ikwezi Local Municipal Council is comprised of six councillors, including four Ward councillors and two Proportional Representation councillors. Ikwezi Local Municipality has an Honorary Mayoral Committee system and the Honorary Mayoral Committee was made of councillors drawn from the DA.

Below is a table that categorised the councillors within their specific political parties and wards after 7 May 2014:

NAME OF COUNCILOR	CAPACITY	POLITICAL PARTY	WARD REPRESENTING OR PROPORTIONAL	GENDER
Cllr. S Mngwevu	Mayor/Speaker	ANC	PR	Male
Cllr. K.	Councillor	ANC	Ward 1	Female

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Hendricks				
Cllr. A. Mboneni	Councillor	ANC	Ward 2	Male
Cllr. L. Ntame	Councillor	ANC	Ward 3	Male
Cllr. M. Bornaparte	Councillor	ANC	Ward 4	Female
Cllr. W. Seekoei	Councillor	DA	PR	Male
Cllr. J. Lewis	Councillor	DA	PR	Male

Table5: Council after 07 May 2014

Below is the table which indicates the council meeting attendance for the 2013/14 financial year.

MEETING DATES	COUNCIL ATTENDANCE	MEETING	APOLOGIES FOR NON-ATTENDANCE
	4 meetings (SDBIP13/14)	held	

Table 6: Council meetings

B) MAYORAL COMMITTEE

Ikwezi Local Municipality is a Plenary System where the speaker serves as the Mayor. The Honorable Mayor of the Municipality, Mr. Sizwe Alfred Mngwevu, is assisted by the Mayoral committee, and heads the executive arm of the Municipality. The Mayor is at the centre of the system of governance, since executive powers are vested in him to manage the day-to-day affairs. This means that he has an overarching strategic and political responsibility. The key element of the executive model is that executive power is vested in the Honorable Mayor, delegated by the Council, as well as the powers assigned by legislation. Although accountable for the strategic direction and performance of the Municipality, the Honorable Mayor operates in the alignment with the Mayoral Committee.

The name and portfolio of each Member of the Mayoral Committee is listed in the table below for the period of 1 July to 7 May 2014

NAME OF MEMBER	CAPACITY
Cllr Hendricks	Financial and Administration
Cllr Ntame	Strategic Planning
Cllr Mboneni	Infrastructure and community service

Table 7: Mayoral Committee until 07 May 2014

The name of the portfolio of each member of the Mayoral Committee is listed in the table below for the period 7 May 2014:

NAME OF MEMBER	CAPACITY
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Cllr Hendricks	Financial and Administration
Cllr Ntame	Strategic Planning
Cllr Mboneni	Infrastructure and community service

Table 8: Mayoral Committer after 07 May 2014

The table below indicates the dates of the Committee meetings and the number of reports submitted to Council for the financial year.

MEETING DATES	NUMBER OF REPORTS SUBMITTED TO COUNCIL
22 February 2014	0 – Preparation for the IDP Representative Forum
11 March 2014	0 – Majority Sector Heads unable to confirm final projections or budget allocations.
24 March 2014	0 – Majority Sector Heads unable to confirm final projections or budget allocations.
31 March 2014	1 (IDP & Draft SDBIP)

Table 9: Committee meetings

2.4.2 ADMINISTRATIVE GOVERNANCE STRUCTURE

The Municipal Manager is the head of the administration, and primarily has to serve as a chief custodian of service delivery and implementation of political priorities. She is assisted by her direct reports, which constitutes the Management Team, whose structure is outlined in the table below:

NAME OF OFFICIAL	DERPARTMENT	PERFORMANCE AGREEMENT SIGNED
		(YES/NO)
Mr. T. Gutas	Municipal Manager	Yes
Mrs D. Sauls	Chief Financial Officer	Yes
Mrs M. Mpahlwa	Director of Strategic Support	Yes
Mr. Z. Nongene	Director of Infrastructure and Community Development	Yes

Table10: Administrative Governance Structure.

2.5 PUBLIC ACCOUNTABILITY

Section 16 of the Municipal Systems Act (MSA) refers specifically to the development of a culture of community participation within municipalities. It states that a municipality must develop a culture of municipal governance that compliments formal representative government with a system of participatory governance. For this purpose it must encourage and create conditions for the local community to participate in the affairs of the community. Such participation is required in terms of:

- The preparation, implementation and review of the IDP;
- Establishment, implementation and review of the performance management system;
- Monitoring and review of the performance, including the outcomes and impact of such performance; and
- Preparation of the municipal budget.

2.5.1 WARD COMMITTEES

The ward committees supports the Ward Councillor who receives support on development, participate in development planning processes, and facilitate wider community participation. To this end, the Municipality constantly strives to ensure that all ward committees function optimally with community information provision, convening of meetings, ward planning, service delivery, IDP formulation and performance feedback to communities. The municipality has taken the lead in establishing operational ward committees in all four wards.

Members were elected through a nomination process by community members residing in Wards and appointed by council. The Ward councillors are the Chairpersons of the various Ward Committees. Open communication channels and interaction exist between the Ward Committee members, the various municipal organisational structures and other interested non-governmental bodies in the Ikwezi municipal area.

The tables furnished below indicate the respective ward committee membership and the dates on which ward committee meetings were scheduled during 2013/14.

WARD 1: Jansenville, Waterford, Farms

NAME OF REPRESENTATIVES	CAPACITY REPRESENTING	DATES OF MONTHLY PUBLIC WARD MEETINGS HELD DURING THE YEAR
Cllr. Hendricks	Chairperson	22 February 2014
		11 March 2014
		24 March 2014
		25 March 2014
		31 March 2014

Table 11: Ward 1 committee Meetings

WARD 2: Phumlani

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NAME OF REPRESENTATIVE	CAPACITY REPRESENTING	DATES OF MONTHS PUBLIC WARD MEETINGS HELD DURING THE YEAR
Cllr. A. Mboneni	Chairperson	22 February 2014
		11 March 2014
		24 March 2014
		25 March 2014
		31 March 2014

Table12: Ward 2 Committee Meetings

WARD 3: Wongalethu, Farms

NAME OF REPRESENTATIVE	CAPACITY REPRESENTING	DATES OF MONTHS PUBLIC WARD MEETINGS HELD DURING THE YEAR
Cllr. L. Ntame	Chairperson	22 February 2014
		11 March 2014
		24 March 2014
		25 March 2014
		31 March 2014

Table13: Ward 3 Committee Meetings

WARD 4: Klippaat, Dan Sandi, Wolwefontein, Farms

NAME OF REPRESENTATIVE	CAPACITY REPRESENTED	DATES OF MONTHLY WARD MEETINGS HELD DURING THE YEAR
Cllr. M. Bonaparte	Chairperson	22 February 2014
		11 March 2014
		24 March 2014
		25 March 2014
		31 March 2014

Table14: Ward 4 Committee Meetings

2.5.2 FUNCTIONALITY OF WARD COMMITTEE

The purpose of a ward committee is:

- To get better participation from the community to inform council decisions;
 - To make sure that is more effective communication between the council and the community; and
 - To assist the ward councillor with consultation and report-backs to community.
-

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Ward committees should be elected by the community they serve. A ward committee may not have more than 10 members and women should be well represented. The ward councillor serves on the ward committee and acts as the chairperson. Although ward committees have no formal powers, they advise the ward councillors, who make specific submissions directly to council. These committees play the very important role in the development and annual revision of the integrated development plan of the area.

There are critical vacancies that have never been budgeted for and it exposes and/or restricts progress of the Ikwezi Local Municipality in certain aspects. The approval and filling of vacancies can be requested by line managers to ensure that all candidates are selected objectively and on merit and to attract and retain the interest of suitable candidates and to project a positive image of the municipality to outsiders. Council assisted line management with the selection of candidates for 29 vacancies that were filled. There are however, 25 vacancies that need to be filled as per the last report submitted in 2012.

Transport is provided, where necessary, to ward committee members to attend Ward committee meetings and functions where public participation, through the Ward Committee system is required.

Venues have been established for the Ward meetings, and support personnel. Ikwezi Local Municipality has successfully supported the Ward Committee Members with office space and basic operational equipment. Ward Committee Members also attended the IDP Representative Forum meeting held in Jansenville on 11th March 2014 to discuss ward projects, but was not finalised as the majority of Sector Departments were not able to confirm Final Project or Budget allocations. A further Strategic Session was held on the 24th and 25th of March 2014 to accelerate planning activities. The Draft IDP was tabled to Council for consideration on 31 March 2014.

A stipend of R500 per month has been approved for all ward committee members, provided that they attend at least one ward committee meeting per month as part of their participatory functions as ward committee members.

The table below provides information on the establishment of Ward Committees and their functionality.

WARD NUMBER	COMMITTEE ESTABLISHED (YES/NO)	NUMBER OF REPORTS SUBMITTED TO THE SPEAKERS OFFICE	NUMBER OF MEETINGS HELD DURING THE YEAR	COMMITTEE FUNCTIONING EFFECTIVELY (YES/NO)	ACTIONS TO ADDRESS
1	YES		4	YES	-Mobilize the Community to participate in the IDP and budget process. -Create a formal communication channel -Promote co-operative partnerships between the community and Ikwezi Local
2	YES		4	YES	
3	YES		4	YES	
4	YES		4	YES	

					<p>Municipality - Track the implementations of projects, monitor and evaluate their outcomes. -Adequate Infrastructure to Ward Councilors and strengthening of Ward Committees.</p>
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Table15: functioning of Ward Committees

2.5.3 REPRESENTATIVE FORUMS

A) LABOUR FORUM

The table below specifies the members of the Labour forum for 2013/2014 financial year:
THE LABOUR FORUM NEEDS TO BE REVIVED AND IS CURRENTLY BEING ADDRESSED.

NAME OF REPRESENTATIVE	CAPACITY	MEETING DATES

Table16: Labour Forum

B) IDP FORUM

NAME REPRESENTATIVE	OF	CAPACITY	MEETING DATES
Mr. T. Gutas		Municipal Manager	31 March 2014
Mrs D. Sauls		Chief Financial Officer	31 March 2014
Mrs M. Mpahlwa		Director of Strategic Support	31 March 2014
Mr. Z. Nongene		Director of Infrastructure and Community Development	31 March 2014

Table17: IDP Forum

2.6 CORPORATIVE GOVERNANCE

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

2.6.1 ANTI-CORPORATION AND ANTI-FRAUD

Section 83 (C) of the MSA refers to the implementation of effective bidding structures to minimize the possibility of fraud and corruption and the Municipal Finance Management Act (MFMA), Section 112 (1) (m) (i) identify supply chain measure to be enforced to combat fraud and corruption, favoritism and unfair irregular practices. Section 115 (1) of the MFMA states that the accounting officer must take steps to ensure mechanisms and separation of duties are in place in a supply chain management system to minimize the likelihood of corruption and fraud.

A) DEVELOPED STRATEGIES

NAME OF STRATEGY	DEVELPED (YES/NO)	DATE ADOPTED/RECEIVED
Anti-corruption strategy	Yes	2009
Fraud prevention strategy	Yes	2009

Table18: Strategies

2.6.2 AUDIT COMMITTEE/S

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

- Internal financial control
- Risk management
- Performance Management
- Effective Governance

A) FUNCTIONS OF THE AUDIT COMMITTEE

The council decided that the Audit Committee will also act as the Performance Committee.

The Audit Committee has the following main functions as prescribed in section 166 (2) (a-e) of the Municipal Financial Management Act, 2003 and the Local Government Municipal and Performance Management Regulations:

- To advise the Council on all matters related to compliance and effective governance.
-

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- To review the annual financial statements to provide council with an authoritative and credible view of the financial position of the municipality, its efficiency and its overall level of compliance with the MFMA, the annual DoRA and other applicable legislation.
- Respond to the council on any issues raised by the Auditor-General in the audit report.
- Carry out investigations into the financial affairs of the municipality as council may request.
- To review the quarterly reports submitted to it by the internal audit.
- To evaluate audit reports pertaining to financial, administrative and technical systems.
- To evaluate the compliance to existing policies and relevant legislation.
- To review the performance management system and make recommendations in this regard to Council.
- To assess whether the performance indicators are sufficient.
- To identify major risks to which Council is exposed and determine the extent to which risks have been minimized.
- To review the annual report of the municipality.
- Investigating cases of fraud, misbehaviour and conflict of interest involving employees.
- Review the plans of the internal Audit function and in so doing, ensure that the plan addresses the high-risk areas and that adequate resource are available.
- Review Audit results and action plans implemented by management.
- Provide support to the Internal Audit function.
- Ensure that no restrictions or limitations are placed on the Internal Audit section.

B) MEMBERS OF THE AUDIT COMMITTEE

NAME OF REPRESENTATIVE	CAPACITY	MEETING DATES
Mr. T. Gutas	Municipal Manager	
Mrs D. Sauls	Chief Financial Officer	
Mrs M. Mpahlwa	Director of Strategic Support	
Mr. Z. Nongene	Director of Infrastructure and Community Development	

Table19: Members of the Audit Committee

2.6.3 INTERNAL AUDITING

Section 165 (2) (a), (b) (iv) of the MFMA requires that:
 The internal audit unit of a municipality must-

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- (a) Prepare a risk based audit plan and an internal audit program for each financial year; and
- (b) Advise the accounting officer and report to the audit committee on the implementation on the internal audit plan and matters relating to ;
 - (i) Internal audit;
 - (ii) Internal control;
 - (iii) accounting procedures and practices;
 - (iv) risk and risk management;
 - (v) performance management;
 - (vi) loss control; and
 - (vii) compliance with this Act, the annual Division of Revenue Act and any other legislation; and

(c) Performance other duties as may be assigned to it by the accounting officer.

Annual Audit Plan

The Risk Based Audit Plan for 2013/14 was implemented 75% with available resources. The table below provides detail on audits complete:

DESCRIPTION			NO OF DAYS	DATES COMPLETED
PHASE 1				
Revisiting current risk profile and priorities			30	
Pro Audit Process Inputs			15	
PHASE 2				
Compiling Risk Based Audit Plan			5	
PHASE 3				
AUDIT ENGAGEMENT	DEPARTMENTAL SYSTEM	DETAIL	NO OF DAYS	DATE COMPLETED
FINANCE	Supply Chain management	Procurement Process	80	
		Emergency Procurement	70	
CORPORATE SERVICES	Human Resource	Recruitment and Selection	100	
	Human Resource	Personnel Files	80	
TRAINING CPD			10	

Table 20: Annual audit plan

Below are the functions of the Internal Audit Unit that was performed during the financial year under review:

FUNCTION	DATE/NUMBER
Risk analysis completed/reviewed	July 2014
Risk based audit plan approved for 2013/14 financial year	July 2014
Internal audit programme drafted and approved	August 2014
Number of audits conducted and reported on	
AUDIT REPORTS INCLUDED THE FOLLOWIN KEY FOCUS AREAS:	
Internal controls	
Accounting procedures and practices	
Risk and risk management	
Performance management	
Loss control	
Compliance with the MFMA and other legislation	

Table 21: Internal Audit Functions

2.6.4 AUDITOR GENERAL

Ikwezi Local Municipality was audited by the Auditor-General of South Africa in terms of section 188 of the Constitution and section 4 of the public Audit Act and section 126 of the MFMA and the audit report for the financial year under review is in Annexure B of the report. An action plan was drawn up on the audit outcomes and Ikwezi Local municipality is currently in the implementation phase to ensure that the shortfalls are addressed and that all relevant procedures have been put in place to improve the 2013/2014 audit.

2.6.5 BY-LAW AND POLICIES

Section 11 of the MSA gives municipal Council the executive and legislation authority to pass and implement by-law and policies.

Below is a list of all the by-laws develop and reviewed during the 2012/2013 financial year. No new by-laws were developed or reviewed during the 2013/14 financial year:

		PUBLIC	
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BUY-LAW DEVELOPED/REVISED	DATE ADOPTED	PARTICIPATION CONDUCTED PRIOR TO ADOPTED OF BY-LAWS (YES/NO)	DATE OF PUBLICATION
Outdoor Advertising & Signage		Yes	
Community Fire Services		Yes	
Electricity Supply		Yes	
Fences and Fencing by-Laws		Yes	
Impoundment of Animals		Yes	
Storm water Management		Yes	
Liquor Trading Hour		Yes	
Public Amenities		Yes	
Solid Waste Disposal		Yes	
Street Trading		Yes	
Water Supply and Sanitation Services		Yes	
Draft By-law relating to Standing Rules and Order of Council.		Yes	

Table22: By-laws

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POLICIES DEVELOPED/REVISED	DATE ADOPTED	PUBLIC PARTICIPATION CONDUCTED PRIOR TO ADOPTION OF POLICY (YES/NO)	DATE OF PUBLICATION
HIV/AIDS Policy		Yes	
Overtime: Policy and control		Yes	
Promotion and Transfer		Yes	
Recruitment and selection Policy		Yes	
Succession planning		Yes	
Training and Development		Yes	
Attendance and development policy		Yes	
Employment equity Policy		No	
Staff retention Policy		No	

Table 23: Policies

2.6.6 COMMUNICATION

Local government has a legal obligation and a political responsibility to ensure regular and effective communication with the community. The Constitution of the Republic of South Africa Act 1996 and other statutory enactments all impose an obligation on local government communicators and require high levels of transparency, accountability, openness, democracy and direct communication with the communities to improve the lives of all.

The communities, on the other hand, have a right and responsibility to participate in local government affairs and decision-making and ample provision is made in the abovementioned legislation for them to exercise their right in this respect

Below is a communication checklist of the compliance to the communication requirements

COMMUNICATION ACTIVITIES	YES/NO
Communication unit	Yes
Communication strategy	Yes
Communication Policy	Yes
Customer satisfaction surveys	No
Function complaint management system	Yes

Newsletters distributed at least quarterly	No
--	----

Table 24: Communication Activities

2.6.7 WEBSITES

A municipal website should be an integral part of a municipality’s communication infrastructure and strategy. It serves as a tool for community participation, improves stakeholder involvement and facilitates stakeholder monitoring and evaluation of municipal performance. Section 75 of the MFMA requires that the municipalities place key documents and information on their website, including the IDP, the annual budget, adjustments budgets and budget related documents and policies.

Below is a website checklist to indicate the compliance to Section 75 of the MFMA:

DOCUMENTS PUBLISHED	YES OR NO
Current annual and adjustments budgets and all budget-related documents	Yes
Budget implementation policy: Tariff policy	Yes
Budget implementation policy: Rates policy	Yes
Budget implementation policy: SCM policy	Yes
Annual report 2013/14	No
All service delivery agreements for 2013/14	Yes
All long-term borrowing contracts above the prescribed value for 2013/14	No
All supply chain management contracts above the prescribed value for 2013/14	Yes
Information statement containing a list of assets over a prescribed that have been disposed of in terms of section 14(2) or (4) of the MFMA during 2013/14	Yes
Contracts agreed in 10/11 to which subsection (1) of section 33 of the MFMA apply, subject to subsection (3) of that section.	Yes
Public-private partnership agreements referred to in section 120 of the MFMA made in 2013/14	Yes
All quarterly reports tabled in the council in terms of section 52 (d) of the MFMA during 2013/14	Yes

Table25: Website Checklist



CHAPTER 3: ORGANISATIONAL DEVELOPMENT PERFORMANCE



3.1. NATIONAL KEY PERFORMANCE-MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

The following table indicates the municipality’s performance in terms of the National Key Performance Indicators required in terms of the Local Government: Municipal Planning and the Performance Management Regulations of 2001 and section 43 of the MSA. These key performance indicators are linked to the National Key Performance Area – Municipal Transformation and Organizational Development.

KPA & INDICATORS	MUNICIPAL ACHIEVEMENT	MUNICIPAL ACHIEVEMENT	MUNICIPAL ACHIEVEMENT
	2011/12	2012/13	2013/14
<u>Municipal Transformation and Organizational Development</u>			
The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality’s approved employment equity plan.	The appointment of the MM (Mr. Gutas) and the appointment of the Legal Advisor (Ms. C. Williams)	The appointment of the Chief Financial Officer (Ms. Sauls)	The reappointment of the Director Infrastructure (Mr. Nongene)
The percentage of a municipality’s budget actual spent implementing its workplace skills plan.	93.54%	100.27% (overspent)	36.28%

Table 1: National KPI’s – Municipal Transformation and Organisational Development

3.2. PERFORMANCE HIGHLIGHTS – MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

HIGHLIGHT	DESCRIPTION
Internship Programme	Interns were engaged to gain work experience to access job opportunities.

Table 2: Performance Highlights – Municipal Transformation and Organisational Development

3.3. CHALLENGES – MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

CHALLENGE	ACTION TO ADDRESS
<ul style="list-style-type: none"> - Balancing of equity (female vs. males) - Disabled staff -Talent Management - Unattractive salary packages 	<ul style="list-style-type: none"> -Specification on ad whether female or male - Insert a clause in an advert to accept people with disabilities -Finalization of job evaluation process -To have a workable retention strategy in place i.e. to have attractive packages in conjunction with binding contracts (clause)

Table 3: Challenges – Transformation and Organisational Development

3.4. INTRODUCTION TO THE MUNICIPAL WORKFORCE

Ikwezi Local Municipality currently employs 106 officials, who individually and collectively contribute to the Municipality’s objectives. The primary objective of Human Resources Management is to render an innovative HR service that addresses both skills development and an administrative function.

3.4.1. EMPLOYMENT EQUITY

The Employment Equity Act (1998) Chapter 3, Section 15 (1) states that affirmative action measures are measures designed to ensure that suitable qualified people from designated groups have equal employment opportunities and are equitably represented in all occupational categories and levels in the workforce of a designated employer. The national performance indicator also refers to: “Number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality’s approved employment equity plan.”

A. EMPLOYMENT EQUITY TARGETS/ACTUAL

AFRICAN			COLOURED			INDIAN			WHITE		
Target June	Actual June	Target Reach	Target June	Actual June	Target Reach	Target June	Actual June	Target Reach	Target June	Actual June	Target Reach
0	0	0	0	0	0	0	0	0	0	0	0

Table 4: Employment Equity Targets by Race

MALE			FEMALE			DISABILITY		
Target June	Actual June	Target Reach	Target June	Actual June	Target Reach	Target June	Actual June	Target Reach
50%	50%	Yes, Balancing	50%	50%	Yes, Balancing	3%	3%	Yes, Balancing

Table 5: Employment Equity Targets by Gender

B. EMPLOYMENT EQUITY VS. POPULATION

DESCRIPTION	AFRICAN	COLOURED	INDIAN	WHITE	TOTAL
Population			0		10537
Number of position filled	66	38	0	2	106

Table 6: Employment Equity Population

C: OCCUPATIONAL LEVELS – RACE

The table below categories the number of employees by race within the occupational levels (excluding councillors):

Occupational Levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top Management	1	0	0	0	0	0	0	0	1
Senior Management	3	0	0	0	4	1	0	0	8
Professionally qualified and experienced specialist and mid-management	2	1	0	1	4	3	0	0	11
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	3	4	0	1	1	0	0	0	9
Semi-skilled and discretionary decisions making	3	3	0	0	9	2	0	0	17
Unskilled and defined decision making	26	20	0	0	0	0	0	0	45
Total permanent	38	28	0	2	18	6	0	0	91
Non-permanent employees	3	1	0	0	7	4	0	0	15
Grand Total	41	28	0	2	25	10	0	0	106

Table 7: Occupational Levels by Race

D: DEPARTMENTS – RACE

The following table categories the number of employees by race within the different departments:

Department	Male				Female				Total
	A	C	I	W	A	C	I	W	
Municipal Manager	1	0	0	0	0	0	0	0	1
Corporate Services	5	1	0	0	3	3	0	0	12
Financial Services	2	1	0	1	9	2	0	0	15
Strategic Services	1	0	0	0	3	0	0	0	4
Community Services	0	0	0	0	1	3	0	0	4
Municipal Services and Infrastructure Development	27	23	0	2	2	0	0	0	54
Total Permanent	37	28	0	2	18	6	0	0	91
Non-permanent	3	1	0	0	7	4	0	0	15
Grand total	40	28	0	2	25	10	0	0	106

Table 8: Departments by race



3.4.2 VACANCY RATE

PER POST LEVEL		
Post level	Filled	Vacant
MM & MSA section 57 & 56	4	0
Middle management	3	1
Junior management	10	4
General Workers	89	0
Total	106	4
PER FUNCTIONAL LEVEL		
Functional area	Filled	Vacant
Municipal Manager	2	0
Mayor's Office	2	0
Corporate Services	9	1
Financial Services	18	2
Strategic Services	6	1
Community Services	4	0
Municipal Services and infrastructure Development	55	0
Total	106	4

Table 9: Vacancy by Rate

The table below indicates the number of staff per level expressed

as total positions and current vacancies expressed as full time staff equivalents:

Salary Level	Number of current critical vacancies	Number total posts as per organogram	Vacancy job title	Vacancies (as a proportion of total posts per category)
Municipal Manager	0	0	N/A	N/A
Chief Financial	0	0	N/A	N/A
Other Section 57 Managers	0	0	N/A	N/A
Senior management	1	1	Assistant Director Finance	1
Highly skilled	3	3	Cashier; Tourism Officer; Committee Clerk	3
Total	4	4	-	4

Table 10: Vacancy rate per salary level

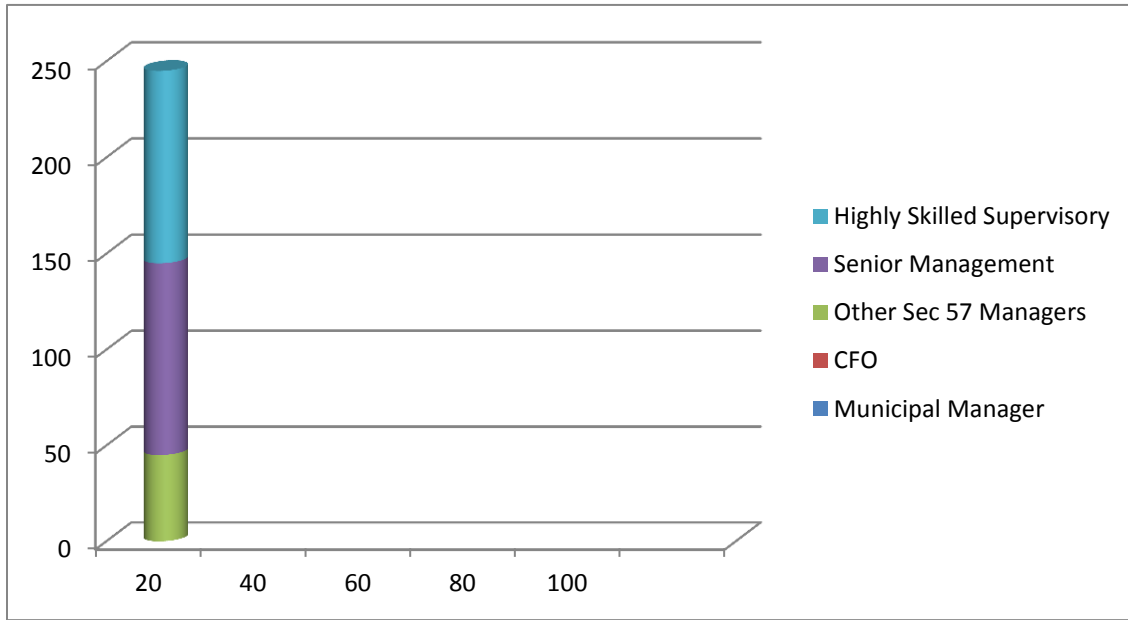


Table 11: Vacancy rate

The approved organogram for the municipality had 7 posts that were filled for the 2013/14 financial year. The actual positions filled are indicated in the tables below. 4 Posts were vacant at the end of 2013/14 financial year.

3.4.3 TURNOVER RATE

A high turnover may be costly to a municipality and might negatively affect productivity, service delivery and institutional memory/organizational knowledge. Below is a table that shows the turnover rate within the municipality.

The table below indicates the turn-over rate over the last three years:

Financial year	Total no of filled posts at the end of each financial year	New appointments	No terminations during the year	Turn-over Rate
2010/11	2	2	3	
2011/12	5	5	2	
2012/13	3	3	9	
2013/14	7	7	1	

Table 12: Turnover rate

3.5. MANAGING THE MUNICIPAL WORKFORCE

Managing the municipal workforce refers to analyzing and coordinating employee behavior.

3.5.1 INJURIES

An occupational injury is a personal injury, disease or death resulting from an occupational accident. Compensation claims for such occupational injuries are calculated according to the seriousness of the injury/disease and can be costly to a municipality. Occupational injury will influence the loss of man hours and therefore financial and productivity performance.

The injury rate over the last two financial years remains at 5 employees.

The table below indicates the total number of injuries within the different directorates:

Directorates	2011/12	2012/13	2013/14
Municipal manager's office	0	0	0
Corporate Services	0	0	0
Financial Services	0	0	0
Strategic Services	0	0	0
Municipal Services and Infrastructure Development		1	0
Community Services	0	0	0
Executive Mayor's office	0	0	0
Total	0	1	0

Table 13: Injuries

3.5.2. SICK LEAVE

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

The table below indicates the total number sick leave days within different directorates:

Department	2011/12	2012/13	2013/14
Municipal manager's office	80 days per annum	80 days per annum	80 days per annum
Corporate Services	80 days per annum	80 days per annum	80 days per annum
Financial Services	80 days per annum	80 days per annum	80 days per annum
Strategic Services	80 days per annum	80 days per annum	80 days per annum
Municipal Services and Infrastructure Development	80 days per annum	80 days per annum	80 days per annum

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Community Services	80 days per annum	80 days per annum	80 days per annum
Executive Mayor's office	80 days per annum	80 days per annum	80 days per annum
Total	640 days per annum	640 days per annum	640 days per annum

Table 14: Sick Leave

3.5.3. HR POLICIES AND PLANS

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

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

Approved policies	
Name of policy	Date approved/revised
Recruitment and Selection Policy	2009
Employment Equity	July 2012
HIV/AIDS	2009
Overtime/Standby Policy	2009
Equity Plan Policy	2010
Health and Safety Policy	2009
Absenteeism	April 2009
Retention Strategy	April 2009
Succession	April 2009
Leave Policy	April 2009
Promotion of Access to Information Act	April 2009

Table 15: HR policies and plans

3.5.4. EMPLOYEE PERFORMANCE REWARDS

In accordance with regulation 32, a performance bonus, based on affordability, may be paid to an employee, after:

1. The annual report for the financial year under review has been tabled and adopted by the municipal council;
2. An evaluation of performance in accordance with the provisions of regulation 23; and
3. Approval of such evaluation by the municipal council as a reward for outstanding performance.

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The evaluation of performance of Section 57 managers forms the basis for rewarding outstanding performance.

The table below shows the total number of Section 57 that received performance rewards:

Race	Gender	Number of beneficiaries	Total number of employees received performance rewards	% Employees received performance rewards
African	Female	0	0	0
	Male	0	0	0
Asian	Female	0	0	0
	Male	0	0	0
Coloured	Female	0	0	0
	Male	0	0	0
White	Female	0	0	0
	Male	0	0	0
Disability	Female	0	0	0
	Male	0	0	0
Total		0	0	0

Table 16: Performance Rewards

3.6. CAPACITATING THE MUNICIPAL WORKFORCE

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

3.6.1. SKILLS MATRIX

The table below indicates the number of employees that received training in the year under review:

Management Level	Gender	Number of employees identified for training at start of the year	Number of Employees that received training
MM and S57	Female	2	2

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	Male	1	1
Legislators, senior officials and managers	Female	0	0
	Male	0	0
Associate professionals and Technicians	Female	0	0
	Male	0	0
Professional	Female	0	0
	Male	0	0
Clerks	Female	11	11
	Male	4	4
Plant and machine operators and assemblers	Female	0	0
	Male	1	0
Elementary occupations	Female	0	0
	Male	0	0
Sub total	Female	13	13
	Male	6	6
Total		19	19

Table 17: Skills Matrix

3.6.2. SKILLS DEVELOPMENT – TRAINING PROVIDED

The Skills Development Act (1998) and the Municipal Systems Act, (2000), require employers to supply employees with the necessary training in order to develop its human resource capacity. Section 55(1)(f) states that as head of administration the Municipal Manager is responsible for the management, utilization and training of staff.

Occupational categories	Gender	Number of employees as at the beginning of the financial year	Learnerships	Skills programmes & other short courses
MM and S57	Female	3	0	2
	Male	1	0	1
Legislators, senior officials and managers	Female	4	0	
	Male	5	0	0
Associate professionals and	Female	0	0	0

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Technicians	Male	1	0	0
Professional	Female	1	0	0
	Male	0	0	0
Clerks	Female	13	0	11
	Male	2	0	4
Plant and machine operators and assemblers	Female	0	0	0
	Male	6	0	1
Elementary occupations	Female	10	0	0
	Male	60	0	0
Sub total	Female	31	0	13
	Male	75	0	6
Total		106	0	19

Table 18: Skills Development

3.6.3. SKILLS DEVELOPMENT – BUDGET ALLOCATION

The table below indicates that a total amount of R80 000 was allocated to the workplace skills plan and that 36.28 % of the total amount was spent in the 2013/14 financial year:

Total personnel budget	Total Allocated	Total Spent	% Spent
R300 000	R80 000	R29 022.68	36.28

Table 19: Budget allocated and spent for skills development

3.7. MANAGING THE MUNICIPAL WORKFORCE EXPENDITURE

Section 66 of the MSA states that the accounting officer of a municipality must report to the Council on all expenditure incurred by the municipality on staff salaries, wages, allowances and benefits. This is in line with the requirements of the Public Service Regulations, (2002), as well as National treasury Budget and Reporting Regulations SA22 and SA23.

3.7.1. PERSONNEL EXPENDITURE

The percentage personnel expenditure is essential in the budgeting process as it reflects on current and future efficiency. The table below indicates the percentage of the municipal budget that was spent on salaries and allowance for the past three financial years.

Financial Year	Total Expenditure and salary allowances (R'000)	Total Operating Expenditure (R'000)	Percentage (%)

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2011/12	R291 004.00	R437 282.20	-50.26%
2012/13	R294 373.00	R187 033.46	63.54%
2013/14	R253 988.22	R225 647.08	88.84%

Table 20: Personnel Expenditure

Below is a summary of staff benefits for the year under review:

Financial Year	2011/12	2012/13	2013/14
Description	Actual	Actual	Original
Senior Managers of the municipality			
Basic salaries and wages	R7 590 903	R120 080 114	R10 174 559
Travelling allowance	R127 034	R507 656	R28 000.00
Long service bonus	R3 708	R3 440	R0.00
Performance bonus	R219 429	R133 820	R863
Contributions to UIF, Medical and Pension Fund	R1 315 305	R1 717 020	R1 539 056
Sub-total	R9 256 379	R122 441 950	R11 742 478
Other Municipal Staff			
Basic salaries and wages	R7590 903	R120 080 114	R10 174 559
Pension contributions	R957 602	R1 150 951	R1 030 278
Medical Aid Contributions	R273 651	R463 320	R416 865
Standby allowance	R6 8205	R72 262	R10 8730
Housing allowance	R10852	R14 997	R7 570
Overtime	R509 363	R703 277	R482 759
Performance bonus	R219 429	R133 820	R863
Other benefits or allowances	R3708	R3440	R0.00
Sub-total	R98 622 861	R122 619 085	R12 221 624
Total Municipality			

Table 21: Personnel Expenditure

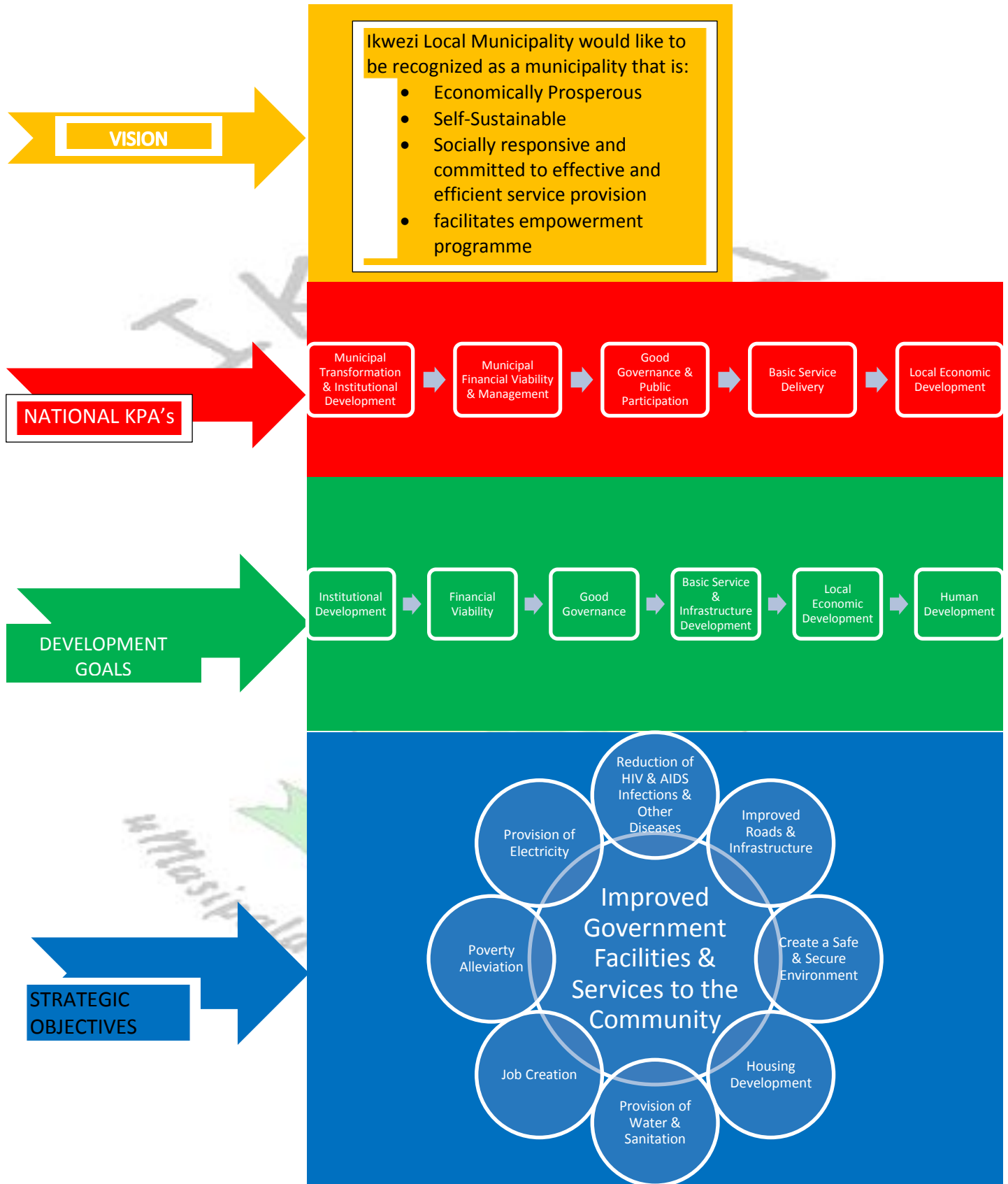
CHAPTER 4: STRATEGIC PERFORMANCE

This chapter will provide information on the strategic performance of the municipality and will indicate how well the municipality is meeting its objectives and which policies and processes are working. All government institutions must report on strategic performance to ensure that service delivery is efficient, effective and economical. Municipalities must develop strategic plans and allocate resources for the implementation. The implementation must be monitored on an ongoing basis and the results must be reported on during the financial year to various role-players to enable them to timeously implement corrective measures where required.

This chapter illustrates the strategic performance highlights in terms of the Ikwezi Local Municipality's IDP, performance on basic service delivery, backlogs addressing the MIG projects, as well as the spending priorities for the following year. It addresses the communication and public participation processes to provide a holistic view of how the Municipality communicates performance to its stakeholders.

The Strategy map below specifies the strategic link of the focus areas of the Ikwezi Municipality aligned with the National Key Performance Areas. The National Key Performance Areas is aligned with the Strategic Objectives that were identified in the 2013/2014 reviewed IDP. The strategic objectives are linked to the outcomes for 2013/14. These alignments are directly linked to the Ikwezi Local municipality's vision and mission.





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The Municipal Systems Act, 2000 (Act 32 of 2000) and the Local Government: Municipal Planning and the Performance Management Regulations 2001 require municipalities to adopt a Performance Management System. Once the IDP and budget have been prepared and approved, the Municipality prepared their Service Delivery and Budget Implementation Plan (SDBIP) in accordance with the MFMA and MFMA Circular 63. The SDBIP indicates monthly performance targets, financial performance targets and assigns responsibility to execute the respective performance targets. The Municipality assessed its performance on a monthly basis and reported progress on performance against targets set to Council quarterly and ultimately presents the Annual Performance Results in this Annual Report.

Through our supply chain management process the municipality embarked on Section 32 for the process of performance management which comprised the compilation of performance agreements, IDP and SDBIP, all of which would be aligned with in the Draft Annual Report:

- Compile Performance Agreements
- Compile IDP
- Compile SDBIP
- Compilation of Draft Annual Report
- Implement an automated PMS system on all levels in a phased approach
- Hands on support for 3 years
- PMS should comply with all legislative requirements
- Facilitating the compilation of Performance Highlights

The municipality is still experiencing challenges in the development and implementation of an electronic PMS system due to the following:

- A lack of dedicated capacity in the performance management function
- A lack of internal auditing controls and assessments
- A lack of budget going forward to install and deploy the system

Monthly Reporting

We do not currently have a monthly reporting system for PMS due to prior issues such as lack of funds.

Quarterly Reporting

During the year no quarterly reports were submitted to council nor the audit committee as there were no tools to measure and monitor performance of each department.

4.1 NATIONAL KEY PERFORMANCE INDICATORS – BASIC SERVICE DELIVERY AND LOCAL ECONOMIC DEVELOPMENT

The following table indicates the municipality’s performance in terms of the National Key Performance Indicators required in terms of the Local Government: Municipal Planning and Performance Management Regulations of 2001 and Section 43 of the MSA. These key performance indicators are linked to the following two National Key Performance Areas: Basic Service Delivery & Local Economic Development.

KPA & INDICATORS	MUNICIPAL ACHIEVEMENT	MUNICIPAL ACHIEVEMENT	MUNICIPAL ACHIEVEMENT
	2011/12	2012/13	2013/14
Basic Service Delivery			
The percentage of households earning less than R 1 100 per month with access to free basic services			
The percentage of households with access to basic level of sanitation			
The percentage of households with access to basic level of electricity			
The percentage of households with access to basic level of solid waste removal			
Local economic development			
The number of jobs created through municipality’s local economic development initiatives including capital projects			

Table 1: National KPI’s – Basic Service Delivery & Local Economic Development



4.2 GENERAL PRIORITY AREAS

The following table indicates the specific areas in which challenges are experienced by the municipality. They are categorized in general priority areas that are aligned with the National Key Performance areas.

National Key Performance Area	Priority Area	Challenges	Actions to address
Municipal Transformation & Institutional Development			
Municipal Financial Viability and Management			
Good Governance and Public Participation			

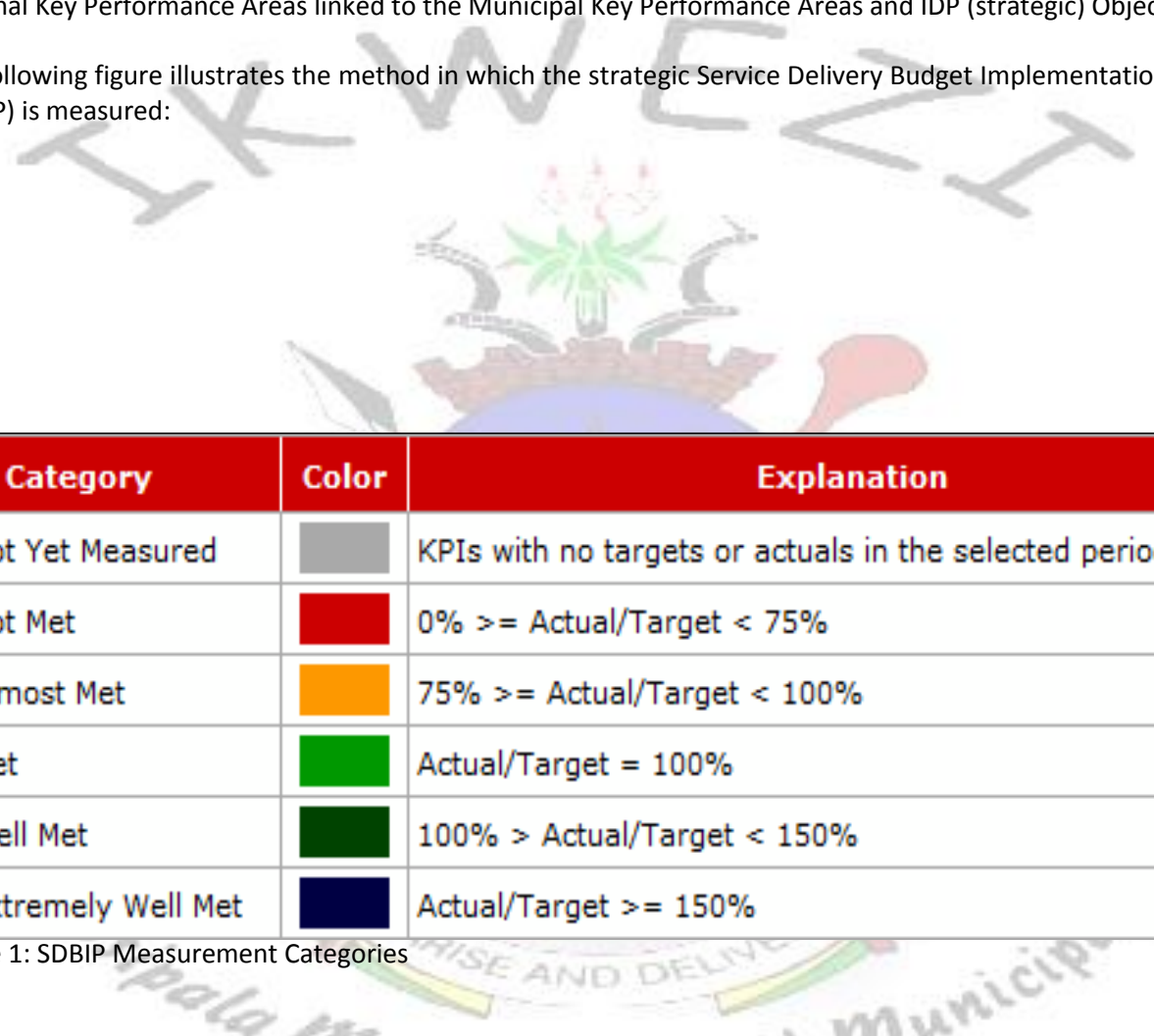


4.3 STRATEGIC SERVICE DELIVERY BUDGET IMPLEMENTATION PLAN (TOP LAYER)

The purpose of strategic performance reporting is to report specifically on the implementation and achievement of the IDP outcomes. This section should provide an overview on the strategic achievement of Ikwezi Local Municipality in terms of the strategic intent and deliverables achieved as stated in the IDP. The top layer SDBIP is the municipality's strategic scorecard and shows the strategic alignment between the different documents. (IDP, Budget & Performance)

In the graphs below, the performance achieved is illustrated against the top layer SDBIP according to the 5 National Key Performance Areas linked to the Municipal Key Performance Areas and IDP (strategic) Objectives.

The following figure illustrates the method in which the strategic Service Delivery Budget Implementation Plan (SDBIP) is measured:



Category	Color	Explanation
KPI's Not Yet Measured	Grey	KPIs with no targets or actuals in the selected period.
KPI's Not Met	Red	0% \geq Actual/Target < 75%
KPI's Almost Met	Orange	75% \geq Actual/Target < 100%
KPI's Met	Green	Actual/Target = 100%
KPI's Well Met	Dark Green	100% > Actual/Target < 150%
KPI's Extremely Well Met	Dark Blue	Actual/Target \geq 150%

Figure 1: SDBIP Measurement Categories

KPI'S	Unit of Measurement	Wards	Baseline	Previous year actual	Performance 2010/11		Performance Comment	Corrective measures
					Target	Actual		

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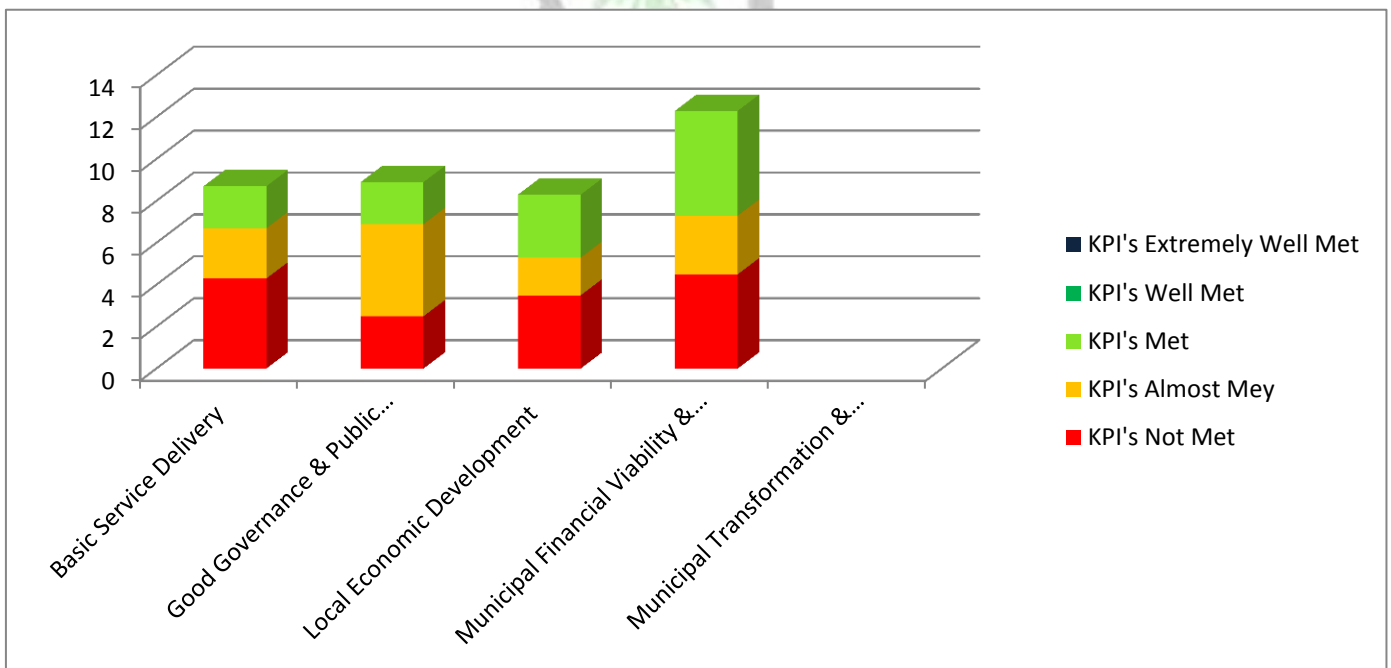
Effective functioning of council								
Effective functioning of ward committees								
Annual performance reporting								
IDP endorsed by all wards								
IDP endorsed by community organisations and								
Institutional Performance management system in place								
Institutional Performance management system in place								
Reviewed IDP								
Strengthen role of								
IDP to include all required sectorial								
Revision of the SDF (Spatial Development								
Creation of effective capacity								
Effective communication with communities								



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Functional Audit unit	Internal								
Functional performance audit committee	audit								
Improved governance	good								
Municipality complying with all relevant legislation									
Reaching of employment equity targets									

The graph below displays the performance per National Key Performance Area:



Graph 1: Performance per National Key Performance Area

4.3.3 TOP LAYER SDBIP – MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

The National Key Performance Area Municipal Financial Viability and Management are linked to the Municipal Key Performance Area namely **Financial Viability**. The IDP Objective that is aligned to Municipal Financial Viability is:

KPI	Unit Measurement	of Ward	Baseline	Previous year actual	Performance 2010/11		Performance Comment	Corrective measures
					Target	Actual		
Asset management								
Clean audit								
Effective bid cycle								
Effective quotation								
Effective SCM								
Financial Viability								
Financial Viability								
Financial Viability								
Improved revenue collection								
Improvement in conditional grant								
Improvement in conditional grant								
Percentage of property valuations								
Preparation of financial statements								

Table 3: Top Layer SDBIP – Municipal Financial Viability & Management

Updated indigent register for the provision of free basic

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Table 4:Top Layer SDBIP-Local Economic Development



Updated indigent register for the provision of free basic services								
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Table 5: Top Layer SDBIP- Basic Service Delivery

4.4 DEVELOPMENT & SERVICE DELIVERPRIORITIES FOR 2013/2014

4.4.1 MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT PRIORITIES FOR 2013/14

The following objective is linked to the priorities listed in the table below:

- Create an institution to align planning with implementation for effective and efficient service delivery to Ikwezi residents.

MUNICIPAL KPA	KPI	UNIT OF MEASUREMENT	ANNUAL TARGET

Table 6: Institutional Development Priorities for 2013/2014



MUNICIPAL KPA	KPI	UNIT OF MEASUREMENT	ANNUAL TARGET
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4.4.2 GOOD GOVERNANCE AND PUBLIC PARTICIPATION PRIORITIES FOR 2013/2014

The following objective is linked to the priorities listed in the table below:

- To develop a municipal governance system that enhances and embraces the system of participatory governance by 2015

MUNICIPAL KPA	KPI	UNIT OF MEASUREMENT	ANNUAL TARGET

Table 7: Good Governance Priorities for 2013/2014

4.4.3 MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT PRIORITIES FOR 2013/14

The following objective is linked to the priorities listed in the table below:

- To be a financially viable institution geared to provide affordable and sustainable services to Ikwezi Municipality clients by 2014

Table 8: Financial Viability Priorities for 2013/2014

4.4.4 BASIC SERVICE DELIVERY PRIORITIES FOR 2011/2012

The following objective is linked to the priorities listed in the table below:

- Ensure efficient and affordable basic services to all residents of Ikwezi by 2014

MUNICIPAL KPA	KPI	UNIT OF MEASUREMENT	ANNUAL TARGET

Table 8: Basic Service Delivery Priorities

4.4.5 LOCAL ECONOMIC DEVELOPMENT PRIORITIES FOR 2013/14

The following objective is linked to the priorities listed in the table below:

- To strengthen and improve the economy for sustainable growth by 2014

MUNICIPAL KPA	KPI	UNIT OF MEASUREMENT	ANNUAL TARGET

Table 9: Local Economic Development

4.5 BASIC SERVICE DELIVERY

4.5.1 Basic services delivery Performance highlights

During the year under review, the municipality of ikwezi was faced with quite a number of challenges which involved administrative and financial constraints, in terms of implementing the capital projects. Beside those kinds of challenges that the municipality was faced with, a lot of positive things that can be highlighted in terms of services that were improved in order to better the livelihood of the communities. One of the major highlight which can be identified by the municipality was actually the improvement of water quality and supply thereof.

Over the last number of years or since the establishment of the area of Jansenville, the municipality has been battling with the some problem of water quality. Taking into consideration that only ground water has been used as the only source of water supply in the entire area of Jansenville. It was actually the matter of must, for the municipality to start by doing something in order to improve the situation of water supply and quality.

This matter of water quality was also fuelled by the announcement of Water Results in 2012, which were announced by the Honourable Minister of Water Affairs, Ms Bomo Edna Molewa whereby she described the issue of water quality in the area of Ikwezi, particularly in Jansenville as the matter of **“Grave concern”**.

Upon, announcement of such results and statement, the municipality was then issued with the directive in order to respond within twenty one day, in terms of what actions are going to be put in place to remedy the situation. Once of the most imported thing that the municipality managed to deal with very much successfully, so was to ensure that there are not people of children which are being effected by the quality of water, this was proven by collecting different type of results from local clinics and hospital in order to determine if there are no results of people or children that have been affected by water related disease of so.

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And all the information that was collected, actually confirmed that there were no results of such personnel that were admitted either at the hospital or local clinics with any water related disease. Then the municipality started to ensure that all the households with in the area of Ikwezi Municipality are actually provided with Rain Water Harvest Tankers, as one of the control measure to ensure that for drinking purposes, people are actually using the rain water. The project became a huge success on the side of the municipality and also to the community of Jansenville and Klipplaat.

After such intervention, programmes such as water conservation and demand management were actually introduced in the area of Ikwezi local municipality. Those programme were actually supplemented by the huge programme of **"Boil Water Notice"** which are taken as one of the major campaign of the municipality order to ensure that people who are using tap water, understood in details the importance of boiling water before usage.

The notice of Boil water campaign was also included on the consumer bill account of the municipality in order for the people to take note of such imported notice. The notice was designed in the manner that will assist even with the contact details of reporting all water leakages and faulty meters to the municipality.

There were also school competitions programmes which were rolled out in order to ensure that the massage of boil water campaign reaches all eagles of Ikwezi Municipality.

After the campaigns, there were other programmes which were implemented jointly between the Department of Water Affairs, Cacadu District Municipality and Ikwezi.

One or two of those projects was the introduction of the RRU (Rapid Response Unit) of the Department which was sent to assist the municipality with some few challenges that were water related. The team was actually introduced on the basis that it will just assist and leave within the period of three to six months once everything has been stabilised at the municipality. Indeed the team was off great assistance to the municipality, because issue such as water disaffection, dosage on the reservoirs and business plans to access funding for repairs and maintenance of such infrastructure were actually developed. One other issue which was definitely going to assist the municipality was the programme which was started to establish the Karoo Cluster Shared Service Model, the model whereby the available resource on the municipalities of the Karoo cluster were going to be shared equitable.

Also the biggest programme or the initiative of ensuring the improvement of water quality and supply was also enforced by the funding which was received from the CDM in order to investigate the option of Deep Drilling within the area of Ikwezi. The programme of Deep Drilling was actually initiated in order to establish if, the municipality can drilled much deeper than the existing boreholes, are there any possibilities of getting much better water quality. Indeed, the first results of such initiative yielded better results. After such analysis it was then agreed that the programme of Deep Drilling such be explored.

One deep borehole of about 210 meters deep was then drilled and equipped in order to supplement the existing boreholes. Also during the same stage it was then agreed that some of the boreholes must also be refurbished in order to ensure proper management and maintenance thereof of those resources. After such implementation of Deep Drilling programme, there two borehole of the Area called Kruitwater was then shut down, the boreholes of Kruitwater where actually the two boreholes with stronger supply but with also the huge element of Manganese (Mn) on the water. As much as the quality of water has not yet improved to the required standard of SANS 241, it can be mentioned that a huge improvement has been made on the site of water supply and quality thereof in the area of Jansenville, but a lot of work still need to be done in order to ensure that the community enjoys even better water provision and quality.

4.5.2 Basic services delivery challenges

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In term of Service Delivery Challenges in the municipality of Ikwezi, one can easily pin point quite a number of challenges, ranging from resources, finance, recruitment of skilled personnel in the area etc. But the most and critical issue especially in the area of Jansenville as the administrative area of the municipality, is the issue of water quality. For any small town, in order for such town to develop, there will also be those kinds of issues which are being set as the major drivers of the economy of that particular area. Farming, Game Reserves and Mohair are actually the main drivers of the economy in the area, but it is very much difficult for the area to attract more investors to explore the avenues such as shopping centres, fuel stations and any other sort of trading. This is squarely on the fact that the quality of water remains the huge treat for investors in the area.

There are service delivery challenges in the municipality such as lack of resources, financial constraints in order for the municipality to deal with the backlogs that are facing the municipality, especially on the roads infrastructure, water and public facilities.

Also because of the semi-rural nature of the area, it is very much difficult for the municipality to absorb and retain the right type of personnel that will assist the municipality in terms of ensuring that service delivery is being fast trucked to all the areas within the jurisdiction of the municipality.

4.5.3 Access to Free Basic Services

During the year under review, the municipality of Ikwezi has done a lot in terms of ensuring that communities within the area are actually becoming the first ones to benefit for the Free Basic services that are being provided either by National, Provincial and Local Government.

In terms of the recent results that have been published by the accredited institution called – Statistic South Africa, it has been revealed that the total percentage of 44.1% of the population in the area depends on the Government Grant. In simplest terms the municipality is actually or forced to subsidize those households via the equitable share of the municipality in order to ensure that they do benefit of the available services that are being rendered by the municipality.

The municipality is actually providing the Free Basic Services of the following:

1. Water services – whereby the municipality is actually providing more that has been set out by the National Government of 6KL per month to all the households. The municipality is actually charging the flat rate of R48 to all the households, irrespective whether the households can afford or not. On the Intervention or the analysis which was conducted by RRU it was established that the municipality is actually providing all its households with the maximum of 14KL per month.
2. Electricity services – the municipality is actually in line with the norm as set out by the regulator for electricity provision, which require the municipality to provide households which do qualify for the free basic service of electrify at the range of 50kwh per month. In order for all the households to benefit on those kinds of service. The municipality has developed some policy framework which seeks to guide the process and the procedure that must be followed in order to be registered as the rightful owner that can benefit from the Free Basic Services.

In the same policy framework, the municipality has actually laid out the road map that needs to be followed in terms of ensuring that one doesn't remain on the Indigent Register for ever. The register is actually reviewed on the bi-annual basis, in order to ensure that if the status of the households does change within the duration of one year or six months, then the municipality is then able to determine that the beneficiary must be removed from the register.

4.5.4 Access to basic level of services

a) Capital budget spent on municipal services

During the year under review, the municipality received the total allocation R10, 806,000 which was set aside to the implementation of Capital Projects within the municipality of Ikwezi. The source of funding was the Municipal Infrastructure Grant better known as MIG. As per the schedule of commitment that was submitted to the provisional as well as the National MIG office the following projects were supposed to be implemented during the 2013/14 financial year of the municipality.

1. Upgrading of Phumlani Access Road with the allocation of R4,2 million
2. Upgrading of the Waste Water Treatment Works In Klipplaat with the allocation of R6,2 million
3. PMU top slice of 5% which was R406,000
4. Upgrading of the Town Hall in Jansenville which was allocated an amount of R5,2 million

All of the above projects were advertised and all the relevant supply chain procedures were actually followed in terms of ensuring that there is fairness, transparency and competitiveness on the procedures.

The service provider for the Town Hall project was then appointed, and it was realised after two months that the contractor was not performing at all on site, than the agreement to terminate its contract was then reached after following all the necessary legal processes. Then the second best contractor was then appointed in order for it to complete the project, as the results of such pro-activeness the project was completed successfully before the actual date of the Mohair summit which was planned to take place in the area of Jansenville on the 29 October to 03 November 2013. Also the project of the Treatment works in Klipplaat was also planned to start on the same financial year, but due to financial constraints on the side of the municipality, the project was placed on hold.

Hence it was agreed that the Phumlani Access Road should be implemented parallel with the Town Hall project in order to accommodate the available amount of MIG.

The project also kicked off very much well so, but in the middle of the project. There were some financial difficulties that were experienced by the municipality in terms of paying the service providers with the specified timeframe of thirty days after receipt of such invoice. As the results of Non-payment the contractor actually pulled out of site.

Because of over commitment that was done by the municipality, the Ikwezi municipality was able to complete or spend all the allocation which was allocated to the municipality for the 2013/14 financial year.

b) Percentage spending on total capital budget

In terms of the allocated amount versus the expenditure amount of the municipality. The municipality was able to spend 100% of its allocated budget on the Capital projects which were registered and funded by the municipal infrastructure grant.

c) Summary of backlogs that must still be addressed

The table below indicate the backlog challenges that are still outstanding for the municipality of Ikwezi.

Performance Indicator	Baseline Households	Total served	Total backlog	Annual target	Quarterly Targets				Comment
					April - June	July - Sept 2013	Oct - Dec 2013	Jan - Mar 2014	
% of households (total number of households in the municipality) with access to basic level of water Note: Only WSAs	2 579	29 477 (100%)	0 0%	0 0%	0 0%	0 0%	0 0%	0 0%	Bulk Infrastructure is still a challenge especially quality drinkable water. @ Jansenville has insufficient bulk water infrastructure as well as challenges around the quality of the water, which has to be purified. @ Ikwezi municipality is currently looking at possibilities of sourcing water from outside Ikwezi municipal boundaries in order to address the current water backlog. The investigation of Deep Geophysical Drilling has also been explored by the municipality to ensure that the quality of water is being improved.
% of households (total number of households in the municipality) with access to basic level of sanitation Note: Only WSAs	2 579	2 470 (96%)	109 4%	0 0%	0 0%	0 0%	0 0%	0 0%	109 household have bucket toilets. These Bucket Toilets will be eradicated once the Bulk water infrastructure is upgraded to enable the Dept. of Human to build RDP which those RDP houses will have water borne sanitation/ flushed toilets inside. No sanitation project is currently running .
% of households (total number of households in the municipality) with access to basic level of refuse removal Note: Only LMs	2 579	2 502 97%	77 3%	0 0%	0 0%	0 0%	0 0%	0 0%	3% of households dispose of their own refuse. No solid waste related project is being implemented.
% of households (total number of households in the municipality) with access to basic level of electricity Note: Only LMs	2 579	2 414 93.6%	165 6.4%	0 0%	0 0%	0 0%	0 0%	0 0%	No electrical infrastructure related project is being implemented by Ikwezi LM.

4.5.5 Water and Sanitation

a) Report on the Water Services Development Plan

Under the Municipal Structures Act (No 117 of 1998), Ikwezi Local Municipality was appointed as the Water Services Authority (WSA) and in this capacity inherited the powers and functions of both the old Water Service Authority and the old Water Service Provider (WSP) bodies. Under these expanded responsibilities, the Water Service Authority has a duty to all consumers, or potential consumers, in its area of jurisdiction to progressively ensure efficient, affordable, economical and sustainable access to water and sanitation services.

To achieve this, the Water Services Authority must take a leading role in planning:

- Service Level Objectives
- Water Resources
- Water Conservation and Demand Management
- Bulk Infrastructure
- Institutional Arrangements and Organisational Support
- Financial Management & Tariff Policy

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In general terms, as a WSA, Ikwezi Municipality must focus on establishing services provider capacity and bringing basic services to consumers in their areas. The Water Services Development Plan (WSDP) is a key tool in achieving this objective. The WSDP also feeds information into the Integrated Development Plan (IDP), which is the annual multi-sectoral plan of the Ikwezi Municipality.

Strategies and Methodologies for Water Services Planning

This Water Services Development Plan is the first to be prepared in compliance with the latest DWA Guide framework and Checklist for the development of Water Services Development Plans. These Guidelines require that the bulk of the WSDP be prepared in a pre-defined MS Excel spreadsheet format.

Supporting Documents

The following supporting documents are actually attached on the complete documentation of the Ikwezi WSDP:

1. Maps:
 - Plan 1: Ikwezi LM Location in Cacadu District Municipality
 - Plan 2: Ikwezi Geology
 - Plan 3: Ikwezi Rainfall per Quaternary
 - Plan 4: Ikwezi Rainwater Harvest Potential
 - Plan 5: Ikwezi Water Quality
 - Plan 6: Ikwezi Water Supply Areas
 - Plan 7: Jansenville Town Erven
 - Plan 8: Jansenville Bulk Water Layout
 - Plan 9: Jansenville Water Infrastructure (GIS data)
 - Plan 10: Klipplaat Town Erven
 - Plan 11: Klipplaat Bulk Water Layout
 - Plan 12: Klipplaat Water Infrastructure (GIS data)
 - Plan 13: Waterford Bulk Water Layout
 - Plan 14: Waterford Photos
 2. Jansenville Water Infrastructure Layout
 3. Klipplaat Water Infrastructure Layout
 4. Ikwezi Water Services Provider Business Plan, dated February 2012
 5. Ikwezi Blue Drop Assessment 2011
 6. Ikwezi Green Drop Assessment 2011
 7. Jansenville Water Conservation and Demand Management Business Plan, dated 9 March 2012
 8. Jansenville Water Conservation and Demand Management Progress Report, dated 31 January 2012
 9. DWA Jansenville All Towns Water Resources Reconciliation Report
 10. DWA Klipplaat All Towns Water Resources Reconciliation Report
 11. Water Quality Test Results for Jansenville and Klipplaat
 12. Ikwezi Municipality Audit Report - June 2011
 13. Ikwezi Municipality Rates and Tariffs 2010-2011
 14. Ikwezi Municipality Debtor Age Analysis to June 2011
 15. Ikwezi Municipality Water Income and Expenditure Budget for 2010 2011
 16. Ikwezi Municipality Sewerage Income and Expenditure Budget for 2010 2011
 17. Ikwezi Credit Management and Cash Collection Policy
 18. Ikwezi Municipality Staffing Organogram
 19. Water Supply and Sanitation By-Law
 20. Ikwezi Municipality Staffing Organogram
 21. Indigent Policy
 22. Indigent Register at 31 January 2012
 23. Customer Care and Revenue Management By-law
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24. Ikwezi Integrated Development Plan for 2011/12
25. Ikwezi Water Sector IDP Report 2011
26. Ikwezi IDP Budget and Process Plan 2011 / 2012
27. Cacadu District Municipality Integrated Development Plan
28. Ikwezi Water Services Development Plan 2007
29. Jansenville Preliminary Design Report
30. Infrastructure Photographs
31. OHS Reports for Jansenville and Klipplaat
32. Shared Services Plan and Agreement



b) Water Service Delivery Levels

In line with the WSDP of ikwezi Local Municipality, the municipality as both water service Authority and Provider, must developed the service levels kind of standards which must be published and announced to all the residents of the Municipality within its area of Jurisdiction.

Those service levels standards must indicate clearly the turnaround time of the municipality in terms of providing such services, in this case the service standards for Water provision has been set by the municipality of Ikwezi whereby the municipality has the following turnaround time in terms of attending and respond to the services of water provision to its consumers:

Leaking pipe outside the erf boundaries of the each yard and the meter distance to the water meter, that particular area it's been described as the area of operation for the municipality, which mean the municipality must attend to such problem within the required period of **2hours**.

If there is a bulk line that needs to be attended too, by the municipality, the municipality has the system in place of announcing to all the consumers that the water will be shutdown, while the team is attending to the repairs of the bulk line, and the turnaround time for such type of job it's the duration of **5hours**.

Based on the timeframes indicated above, the compliance register is also available in order to monitor the actual implementation of such service standards.

It should be noted, that during the drought season in the area, the municipality is actually forces to place some restriction order in terms of water utilization, those restrictions indicate the time and the duration for which water will be opened and closed. This is mainly caused by the water table levels, especially when its summer season in the area of Karoo.

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the FY under review (actual numbers)	Number of HH/customer reached during the FY	Percentage of achievement during the year
1	Percentage of households with access to potable water	2915	0	0	2915	100%
2	Percentage of indigent households with access to free basic potable water	2915	0	0	2915	100%
4	Percentage of clinics with access to potable water	3	0	0	3	100%
5	Percentage of schools with access to potable water	8	0	0	8	100%

c) Sanitation Service Delivery Levels

On the side of sanitation services, the municipality has done very much well over the years to ensure that the set targets for 2007 bucket eradication are being met in the area of Ikwezi. However there were some areas that were not completed during the implementation stage of the Bucket Eradication projects. In the Area of Klipplaat there were 62 households which were not connected, and 34 in Jansenville, of which the area of Wolwefontein and Waterford were also not connected yet. But during the year under review, a total of 50 units which were occupied by beneficiaries were actually connected to the area of Klipplaat or those units were actually upgraded from Bucket to Full Waterborne Sanitation services.

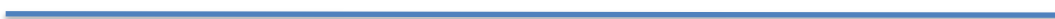
Also the area of Wolwefontein was actually attended too, by ensuring that all the buckets system that were in place are being replace by the Ventilated Improved Pits (VIP's).

According to the plans and the application for funding, the eradication of 32 units in Jansenville is actually planned to be eradicated in 2014/15 financial year.

Also the area of Waterford, it's anticipated that it will be done on the 2016/17 financial year, when the Department of Human Settlement will be implementing the 66 housing units which are critical in the area of Waterford. In line with the service standard of the Municipality for sanitation service, the municipality has no actual duration or turnaround time to attended too the blocked drainage system. But if the matter has been reported to the municipality, it gets registered on the compliance book so that when the supervisor for Sanitation visit the office to collect the compliance, then those households which have reported their blocked system are being prioritised. Also the municipality is also rendering the service of sucking the septic tanks to those households which are not yet connection of the collection main of sewerage.

Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the f. year under review	Number of HH/customer reached	Percentage of achievement during the year
Percentage of households with access to sanitation services	2817	98	50	50	100%
Percentage of indigent households with access to free basic sanitation services	2915	0	0	2915	100%
Percentage of clinics with access to sanitation services	3	0	1	1	100%
Percentage of schools with access to sanitation services	8	1	1	1	100%

On the improvement of sanitation services, it should be mentioned in to so many word that the improvement of the Green Drop Status of the municipality. In term of the moderated scores of the assessment the municipality of Ikwezi, has indicated some huge improvement which is illustrated as follows:



Ikwezi Local Municipality

Water Services Authority

Water Services Provider(s)

Ikwezi Local Municipality

2013 Municipal Green Drop Score

56.20% ↑

2011 Municipal Green Drop Score

2.00%

2009 Municipal Green Drop Score

0.00%

Key Performance Area

Weight

Jansenville

Klipplaats

Process Control & Maintenance Skills

10%

88

67

Monitoring Programme

15%

24

21

Submission of Results

5%

10

0

Effluent Quality Compliance

30%

20

20

Risk Management

15%

78

100

Local Regulation

5%

20

32

Treatment Capacity

5%

79

6

Asset Management

15%

73

58

Bonus Scores

10.80

10.80

Penalties

0.00

0.00

Green Drop Score (2013)

57.15%

52.25%

2011 Green Drop Score

2.50%

1.50%

2009 Green Drop Score

0.00%

0.00%

System Design Capacity MI/d

1

0.24

Capacity Utilisation (% ADWF ito Design Capacity)

76.00%

NI (151.00%)

Resource Discharged into

Sunday/ Sondag River (nearest river)

Heuning Klip river, 15 to 20 meters from plant

Microbiological Compliance

%

100.00%

100.00%

Chemical Compliance

%

50.00%

25.00%

Physical Compliance

%

66.67%

66.57%

Overall Compliance

%

66.67%

NI

Wastewater Risk Rating (2012)

52.90%

100.00%

Wastewater Risk Rating (2013)

52.94%

64.71%

The regulatory Impression was as follows:

Ikwezi Local Municipality is to be commended for the substantial and noteworthy improvement in the Green Drop score at the two wastewater systems. An improvement from 2% to 56.2% is no small feat! and comes with first-rate commitment and preparation by the team. With continued effort and careful reckoning of the future GDC requirements, it is anticipated that an upward trend will continue. The Jansenville WWTW technical site score of 87% is in particular congratulated.

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Through the development of the GDIP and WzRAP, a number of gaps in compliance have been identified have already been implemented. This will contribute to an improvement in compliance at the next Green Drop assessment. This includes the implementation of compliance monitoring and uploading of the results to the GDS, flow metering at the Jansenville WWTW, and improved record keeping, including operational and maintenance logbooks. This will facilitate the optimisation of the treatment performance and improve the quality of effluent that is discharged to the environment.

Both plants are categorised as medium risk rating with a downward trend noted for the Klipplaats WWTW. The municipality is encouraged to continue to prioritise the risk based approach to wastewater management to continue the trend of increasing Green Drop compliance and lower risk rating.

Green Drop findings:

- The lack of compliance monitoring information significantly impacts on the risk rating and improvement in Green Drop compliance.
- A storm water management plan and WC/WDM plan have been developed to minimise the ingress of water into the sewer system.
- Both plants have a valid authorisation against which regulatory compliance can be monitored.
- Although process audits have been conducted at the WWTWs, inspections and capacity assessments have not been undertaken on the collector system.
- Electricity consumption should be monitored and future projected consumption estimated to guide budgetary provisions.
- A sludge management programme has been developed and implemented. Sludge should be classified and disposed of in accordance with the WRC guidelines.

Site Inspection Report

Jansenville 87%

The Jansenville plant was inspected to verify the findings of the Green Drop audit:

- Operational and maintenance logbooks were implemented since August 2012 and are well maintained with daily entries.
- The site is well maintained with good signage and access controlled.
- Good operation of the screens and grit removal was observed.
- Flow is measured manually at the parshall flume. A 24 hour programme was implemented to establish the daily flow profile to verify that all sewage reaches the WWTW. Raw sewage analysis commenced in July 2012.
- The ponds are well operated and maintained.

4.5.6 Electricity

During the year under review, there were quite a few number of capital projects if not none that were implemented by the municipality within the area of Ikwezi jurisdiction. The main reason behind that it was the huge improvement which was done over the previous year or the financial year of 2012/2013 financial year, whereby the municipality actually addressed all the MV/LV network of the municipality including the Upgrading of the Substation of the municipality. The Sub-station was upgraded from 11KVA to 22KVA.

The actual Upgraded was done in order to address the huge backlog of electricity provision within the area, whereby it was discovered that even the light wind or light rain fall will caused the electrical failure in the entire area of the municipality.

The project was implemented successful with the Total Expenditure of **R 11 227 471.40**

Also the area of Wolwefontein was attended too by installation of the pre-paid meters on all the households in the area.

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In the area of Klipplaat, which was identified as one of the area whereby the crime rate was increasing, the municipality managed to install the total number of 17 High Must lights. Those lights were installed in order to ensure the security of the community.

Also the challenge of street light, which were not in good working condition was also partly addressed. It was identified that the municipality actually needs some more assistance in terms of ensuring that qualified Artisan or Technicians are being retain in the area.

4.5.7 Housing

In 2013/2014 financial year, there was no housing development which took place in the entire area of Ikwezi local municipality, taking into consideration that the Department of Human Settlement, was actually the developer for all new housing development in the entire area of Cacadu.

The status, of being the Developer from the side of the municipality was actually transferred to the Department. Only the municipality was supposed to identify beneficiaries and allocate the available piece of suitable land which can be utilized for development of housing.

But projects such as Venters 36 units were actually identified for rectification programme as well as the 34 units of Dube location. But due to technicalities and challenges that the Department was faced with, those projects were not implemented, which was a matter of concern for the beneficiaries of those units, as some of the initiatives such as site clarification meeting and site handover meeting were already held.

One of the biggest concerns was the actual implementation of the Waterford 66 units, whereby 55 beneficiaries were already approved from the side of the Department. But the actual implementation of the project never took place. It is actually assumed that the implementation of such project will take place on the next financial year of 2014/15 financial year.

The program of Waterford, housing development it's actually planned to be a combined type of housing development in terms concept and modification.

Whereby the German Investors, were actually planning to make use of the solar panels as some sort of roof sheets which will generate the electricity for those households, as the processes of water recycling was going to be explored.

The concept was developed as follows:

CONCEPT MODEL HOUSING & ENERGY FOR DEVELOPING COUNTRIES Pilot project 100 social solar houses in Waterford-Ikwezi / South Africa

Basic situation

The municipality of Ikwezi representing many communities in the world does have a huge need of housings for people with a week social position. In most cases these needs are satisfied by types of houses that are quite similar worldwide and only provide little comfort and living quality to the in dwellers. Regarding South Africa the typical social houses show a floor plan with three rooms and a total of 40 m² net living space. These houses are promoted by a grant of R40.000 Rand per house by the South African government.

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In addition to the straight demand of houses all communities do have a relevant lack of energy to guarantee the basic energy needs of the households and community buildings and furthermore to provide the electricity needed for economic growth through business cycles. In this context the feed-in-tariffs of the REFIT II programme presented by NERSA in October 2009 provide a realistic approach for smaller communities to improve their situation of energy supply especially by grid-connected photovoltaic power plants with a minimum capacity of 1 MW.

Concept and strategy / „The village is the power plant!“

The situation described above provides the framework for the innovative concept of Peoples Home: The realization of solar settlements with a minimum of 100 houses preferably in countries with an existing feed-in-tariff. The single houses are equipped with a special photovoltaic roof of about 100 m² and an installed capacity of around 10 kWp each so the entire settlement is up to 1 MW as required in South Africa by REFIT II.

These residential areas are able to produce 10 times the amount of the energy needed by the concerning households and can provide the surplus of energy to the general public – in the case of Waterford/Ikwezi that means in figures about 1.500.000 kWh per year. Through the incomes generated by the feed-in-tariff fixed in South Africa the electricity provided gives a reasonable return on investment thus the refinancing of the project is ensured without any rent for the houses to be needed.

In our proposal for the design of social houses for South Africa we raised the living space required by the governmental specifications of 40 m² by 10 m² to 50 m². Thus the requirements of a maximum of 10 peoples per house including a reasonable furnishment are considered. The redesigned roof can be used as terrace and storage capacity and is significantly improving the grade of living comfort. On demand the buildings can be extended both ways horizontally and vertically. This is giving the opportunity for small scaled business to the inhabitants and thus is creating purchasing power for the municipality.

In the case of the Waterford project we didn't judge it senseful to integrate an optional bathroom as required by the specifications of the government. The Communal Waterhouse – a cross-border cooperation and pilot project of South Africa and Germany – will be a distinguished part of the future centre of the hamlet and can provide all the needed functions of a bathroom. So we only integrated a flushing toilet in the floor plan that is working as a closed system and can provide biomass for additional use. This technology already was accepted as useful by the authorities of the Ikwezi Local Municipality. Additionally every house is equipped with a drinking water tap connected with the projected drinking water treatment of the Communal Waterhouse.

In order to ensure an uninterrupted power supply even in case of grid blackouts which happen quite often in South Africa, every house optionally can be equipped with a low-budget solution (ca. EURO 1.000) of an inverter/power-tracking/battery system which can bridge a power failure up to one day.

All the construction materials used will be eco-friendly, the final fixing of the relevant construction technologies and building materials will be done after the project survey concerning the local resources and the final matching of the design with the local people and the concerning authorities.

The preliminary design for a new centre of the hamlet apart from the fore-mentioned Communal Waterhouse includes shops, a school and a community house as well as potentially a health station. The power supply for these communal facilities will be provided by a small containerized hybrid power station based on Renewable Energies (so called Power & Life Container) including wind and solar power and in addition a bio-fuel generator as back-up system. Combined with electric storage and an intelligent controlling system this utility can ensure an uninterrupted power supply even in case of power failure up to one week.

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In order to bring most parts of the value chain to local and regional stakeholders German Know-how including necessary tools and production goods will be transferred and finally owned by the municipality and/or the concerning cooperatives and companies as part of the project. According to that local people will be trained for installation and maintenance of solar systems as well as for eco-friendly water and waste management.

In case of a project volume of minimum 1.000 houses to be reached (a number of municipalities of e.g. the Province of Eastern Cape signs contracts up to this amount) the additional erecting of a production unit for the pre-fabrication of wall and/or ceiling elements with a capacity of 1.000 houses per year can be included in the project financing. This would be accompanied by qualification measures for the production technology as well as for administrative and management services.

The **project volume** including infrastructure- & qualification measures for 100 social solar houses is up to **EURO 3,65 Mio** (incl. water- & energy and community houses, **without** school and health station - these communal buildings are very much depending on the specific demands).

Scheduled provision of capital

- 50 % national investors (e.g. national Independent Power Producer IPP)
- 25 – 35 % investment Peoples Home / international Co-Investor (plus liquidity start-up phase)
- 15 – 25 % grants Government / Development Banks

For reasons of economical sustainability the project scheme of Peoples Home is basically designed for Public Private Partnerships (PPP). The projecting and operating companies short to mid-term are intended to be directed by a local and /or national management (e.g. for Sub-Sahara Africa: so called **Broad Based Black Economic Empowered Companies**).

Shareholders and dispatching of tasks in the Public Private Partnership:

- Government and municipalities: feed-in-tariff for the refinancing of the project costs, subsidies for the buildings, access to the surplus of energy, ownership of the houses
- Capital providers like banks, national and international investors: attendant micro credit programmes, Independent Power Producer IPP, tourism expansion
- Cooperatives and locals: administration and maintenance of the facilities
- Peoples Home: project management, financial engineering, controlling and monitoring

The basic goals of the project

- Improvement of the living conditions of the people in the objective area under special consideration of the Millennium Development Goals MDG
 - Boost of the local and national business cycles (keyword South Africa: BBBEE) with the involvement of local resources (manpower, raw materials, building materials, energetic resources etc.)
 - Local implementation of self-administrated cooperative models (IPP for the power supply, property management)
 - Kick-off for new legal framework (e.g. feed-in-tariffs, solar roof programmes, promotion of tourism)
 - Long-term cooperation with national, regional and local universities and institutes.
-

4.5.8 Refuse Removal

The services of refuse removal were being done twice a week in the area of Jansenville. But due to lack of resources as well as the transportation, the routine work programme was actually developed in order to ensure that all the areas within the jurisdictions of Ikwezi are being serviced equitable with the available resources.

The teams of personnel in areas of Klipplaat, Jansenville, Wolwefontein and Waterord were actually established, in order to ensure the effective process of rendering the service to all the customers of the municipality. The municipality is actually having only one 5ton refuse Truck in order to ensure that all communities are covered in terms of providing the services to them.


Once the refused has been collected on all the households, it gets to be dumped on the municipal landfill site, but the major challenge that the municipality is faced with in terms of the landfill sites, that both existing landfill sites of the municipality are not licensed.

This has been raised as the audit query of the last two or three years by the team of Auditors. But the municipality of Ikwezi took some initiative in terms of ensuring that the process of actually registering those landfill sites is been developed.

The service provider was then appointed towards the end of 2012, in order to start with the process of ensuring that the landfill sites are actually registered.

The following programme of registering the landfill sites of both **Jansenville** and **Klipplaat** was as follows:



PROJECT PROGRESS REPORT			
Project:	Permitting and upgrading of Klipplaat Landfill Site	Your firm Ref:	107523
Progress Period	Oct-13	Appointment date:	Sept. 2011
Distribution:	Hilton Rossouw, Zolile Nongene		
DEDEAT Ref	CA/B/10,11,5,7,18/007-11		
Case Officer	Chris Julius		

PROGRESS DURING PERIOD
FEIR submitted to DEDEAT on 18 Sept 2013. Awaiting acknowledgement

PROJECT PROGRAMME			
Task	Description	Target date	
1	Inception & site visit	11/10/2011	Complete
2	Initial PPP (Advert, notices)	15/11/2011	Complete
3	Waste Licence application and DEDEAT project registration	15/01/2012	Complete
4	Scoping report		
	Prepare Background Information Document	12/1/2012	Complete
	Literature review	12/1/2011	Complete
	Compile draft Scoping Report	2/15/2012	Complete
	Make DSR available for I&AP comment	5/1/2012	Complete
	Finalise Scoping Report in light of public comments	6/20/2012	Complete
	Distribute final Scoping to I&APs	7/19/2012	Complete
	Submit final Scoping Report to DEDEAT	8/8/2012	Complete
	Acknowledgement by department (14 days)	10/19/2012	Complete
5	Plan of study for EIA	2/28/2012	Complete
6	Specialist Studies		
7	Environmental Impact Assessment Report		
	Compile draft EIR report	3/26/2012	Complete
	Commenting	5/15/2013	Complete
	Final EIR	6/18/2013	Complete
	Commenting	9/4/2013	Complete
	Submit final EIR to department	9/18/2013	Complete
	Acknowledgement by department	10/3/2013	Pending
	Acceptance of final EIR by department	12/2/2013	
	Decision by department	2/2/2014	
8	Compile EMP		
	Compile EMP	3/6/2012	Complete
	Integrate EMP into draft EIR	3/26/2012	Complete
	Review EMP in light of comments	6/18/2013	Complete
	Finalise EMP for inclusion in Final EIR	9/18/2013	Complete
9	Submit waste permit application to DEDEAT	12/6/2012	Complete

BUDGET			
Total appointment value (incl. VAT):		R 209 793.06	
Invoiced to date:	2/24/2012	R 57 174.99	Paid
Invoiced to date:	8/3/2012	R 41 531.42	Paid
Invoiced to date:	12/6/2012	R 54 326.59	Paid
Invoiced to date:	6/21/2013	R 50 309.49	over 120 days
Status:	Outstanding Invoice submitted in June 2013		

GENERAL COMMENT			
Engineering designs required for upgrade and final document. Ikwezi LM to apply for WULA with DWA once design has been finalised.			
Author:	Theuns Duvenhage	Signature	Not signed ~ e-copy
Designation:	Technical Director Environmental Services	Date:	25-Oct-13
Tel:	T +27 41 503 3983 F +27 86 600 4037 M +27 72 355 9078	Email:	
			Theuns.Duvenhage@exxorecon.com

PROJECT PROGRESS REPORT		aurecon	
Project:	Permitting and upgrading of Jansenville Landfill Site	Your firm Ref:	107525
Progress Period	Oct-13	Appointment date:	Sept. 2011
Distribution:	Hilton Rossouw, Zoëlle Nongene		
DEDEAT Ref	CA/B/10, 11, 1, 5, 7, 18/008-11		
Case Officer	Chris Julius		

PROGRESS DURING PERIOD
 FEIR acknowledged by DEDEAT on 28 August 2013. Awaiting acceptance.

PROJECT PROGRAMME			
Task	Description	Target date	
1	Inception & site visit	11/10/2011	Complete
2	Initial PPP (Advert, notices)	15/11/2011	Complete
3	Waste Licence application and DEDEAT project registration	15/01/2012	Complete
4	Scoping report		Complete
	Prepare Background Information Document	12/1/2012	Complete
	Literature review	12/1/2011	Complete
	Complete draft Scoping Report	2/15/2012	Complete
	Make DSR available for I&AP comment	5/1/2012	Complete
	Finalise Scoping Report in light of public comments	6/20/2012	Complete
	Distribute final Scoping to I&APs	7/19/2012	Complete
	Submit final Scoping Report to DEDEAT	8/8/2012	Complete
	Acknowledgement by department (14 days)	10/19/2012	Complete
5	Plan of study for EIA	2/28/2012	Complete
6	Specialist Studies		
7	Environmental Impact Assessment Report		
	Complete draft EIR report	3/10/2013	Complete
	Commenting	4/19/2013	Complete
	Final EIR	7/11/2013	Complete
	Commenting	8/1/2013	Complete
	Submit final EIR to department	8/21/2013	Complete
	Acknowledgement by department	8/28/2013	Complete
	Acceptance of final EIR by department	10/27/2013	Pending
	Decision by department	12/28/2013	
8	Compile EMP		
	Complete EMP	7/1/2012	Complete
	Integrate EMP into draft EIR	7/1/2012	Complete
	Review EMP in light of comments	7/1/2013	Complete
	Finalise EMP for inclusion in Final EIR	8/1/2013	Complete
9	Submit waste permit application to DEDEAT	12/6/2012	Complete

BUDGET			
Total appointment value (including VAT):		R 182 051	
Invoiced to date:	2/24/2012	R 59,451.76	Paid
Invoiced to date:	8/3/2012	R 54,140.06	Paid
Invoiced to date:	6/12/2012	R 45,722.12	Paid
Invoiced to date:	21/05/2013	R 42,538.79	over 120 days
Status:	Outstanding Invoice Issued in June 2013		

GENERAL COMMENT			
Engineering designs required for upgrade and final document. Ikwezi LM to apply for WULA with DWA once design has been finalised.			
Author:	Theuns Duvenhage	Signature	Not signed - e-copy
Designation:	Technical Director Environmental Services	Date:	25-Oct-13
Tel:	T +27 41 503 3983 F +27 86 600 4037 M +27 72 355 9078	Email:	
		Theuns.Duvenhage@aurecon.co.za	

4.5.9 ROADS INFRASTRUCTURE

a) Tarred Roads

The area of Jansenville has the total number 6,785km of roads infrastructure that is currently tarred or surfaced, but due to lack of maintenance on those roads, the municipality will be required to reseal most of those roads.

Whilst the area of Klipplaat has the grant total of 7,305km of roads infrastructure that has been tarred or surfaced.

b) Gravelled Roads

The municipality is still face with the huge backlog when it comes to the issue of gravel roads in the entire area of Ikwezi.

Jansenville: 16,230km
 Klipplaat: 25,580km

The grand total of 41,810km of roads infrastructure requires some urgent attention from the side of the municipality. Due to lack of funding and resources , the municipality have approve a strategy called improve road project, whereby each and every financial year, the municipality will deal with at least 2 to 3km of roads infrastructure in order to decrease the backlog by year 2031.

c) Cost of Construction/Maintenance/ storm water

During the year under review the municipality has actually managed to develop a proper plan in terms of h backlog on roads infrastructure in the entire area of Ikwezi. **Table 1(a)**

Town	Area	Road	Type	Work	Kerbs	Storm water	Length (m)
JANSENVILLE	Primrose	Primrose	Surfaced	Re-slurry	Ok	Ok	580
	Mauritius		Surfaced	Re -slurry	Ok	Ok	1080
	Phumlai		Gravel	Construction	Construction	Construction	2250
	South of Primrose		Surfaced	Re - slurry	Ok	Ok	1685
	Borchards and Hollard	Main	Gravel	Grave	Ok	No	2275
			Surfaced	Pothole & Reseal	Ok	Ok	585
	Draai and Brickfields	Main	Surfaced	Reseal	Ok	Ok	3020
			Surfaced	Reseal	Ok	Ok	815
	Jansenville East	College	Surfaced	Reseal	Ok	Ok	1250
		Main street	Surfaced	Reseal	No	No	770
Boom Street		Surfaced	Reseal	No	No	1460	
Below Sports Field		Gravel	Construct	Construct	Construct	1530	
Mark Boom to Main		Surface	Reseal	Construct	Construct	1250	
Mark + 4	Gravel	Construct	Construct	Construct	1250		

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		others					
Janseville West		Reservoirs	Gravel	Construct	Construct	Construct	670
		Queen Hill	Gravel	Construct	Construct	Construct	300
		Slambert	Gravel	Construct	Construct	Construct	320
		High	Gravel	Construct	Construct	Construct	295
		North	Gravel	Construct	Construct	Construct	175
		Camp	Gravel	Construct	Construct	Construct	1200
		Cyr	Gravel	Construct	Construct	Construct	180
		Fourie	Surfaced	Reseal	Construct	Construct	470
		Main Street	Surfaced	Reseal & Construct	Construct	Construct	1150
							450
		Main – Memorial – R75	Surface	Reseal	Construct	Construct	1365
		Boom	Gravel	Construct	Construct	Construct	730
		Unnamed Boom	Surfaced				
		Kerk : Fourie Main	Surfaced	Slurry	Ok	Ok	260
	Kerk: Boom	Surfaced	Reseal	Construct	Construct	250	
	West of Kerk	Surfaced	Reseal	Construct	Construct	570	
KLIPPLAAT	Klipplaat Central	Surfaced Gravel	Reseal Construct	Ok Construct	Construct Construct	4565 8710	
	Dan Sandi	Gravel	Construct	Construct	Construct	5560	
	Wongaletu	Surfaced Gravel	Reseal Construct	Ok Construct	Construct Construct	1640 7340	
	Princevale	Surfaced Gravel	Reseal Construct	Ok Construct	Construct Construct	1100 3290	
	North of Princevale	Gravel	Construct	Construct	Construct	680	

CAPE SEAL SURFACING

JANSEVILLE COST ESTIMATE – NEW ROADS				
Description	Units	Quantity	Rate	Price
Site Clearance	Ha	17	12500	212,500.00
Earthworks				
Cut to Spoil Hard	m ³	1461	95	138,766.50
Cut to Spoil Soft	m ³	3652	35	127,811.25
Rip and Compact Insitu	m ³	14607	60	876,420.00

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Imported G5 Subbased 150mm	m ³	23022	200	4,604,400.00
Imported G2 Base 125mm	m ³	10144	470	4,767,562.50
Cape Seal	m ²	81150	85	6,897,750.00
Kerbs	m	40160	175	7,028,000.00
Sub Total				24,653,210.25
Contingencies @10%				2,465,321.03
P&G's @ 14%				3,451,449.44
SUB -TOTAL				30,569,980.71
Escalation @ 5%				1,528,499.04
TOTAL				32,098,479.75
VAT @ 14%				4,493,787.16
GRANT TOTAL				36,592,266.91

JANSENVILLE COST ESTIMATE – POTHOLES – RESEAL - KERBS

Description	Units	Quantity	Rate	Price
Repair Potholes	Sum			500,000.00
Cape Seal	m ²	40710	85	3,460,350.00
Kerbs	m	13570	175	2,374,750.00
Sub Total				6,335,100.00
Contingencies @10%				633,510.00
P&G's @ 14%				886,914.00
SUB -TOTAL				7,855,524.00
Escalation @ 5%				392,776.20
TOTAL				8,248,300.20
VAT @ 14%				1,154,762.03
GRANT TOTAL				9,403,062.23

MAINTENANCE COSTS

TOWN	YEAR (1)	YEAR (2)	YEAR (3)
JANSENVILLE	1,200,000	1,500,000	1,700,000
KLIPLAAT	950,000	1,200,000	1,350,000

KLIPLAAT : COST ESTIMATE – NEW ROADS

Description	Units	Quantity	Rate	Price
Site Clearance	Ha	26	12500	306,960.00
Earthworks				
Cut to Spoil Hard	m ³	2302	95	218,709.00
Cut to Spoil Soft	m ³	5756	35	201,442.50
Rip and Compact Insitu	m ³	23022	60	1,381,320.00
Imported G5 Subbased 150mm	m ³	23022	200	4,604,400.00

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Imported G2 Base 125mm	m ³	15988	470	7,514,125.00
Cape Seal	m ²	127900	85	10,871,500.00
Kerbs	m	51160	175	8,953,000.00
Sub Total				34,051,456.50
Contingencies @10%				3,405,145.65
P&G's @ 14%				4,767,203.91
SUB -TOTAL				42,223,806.06
Escalation @ 5%				2,111,190.30
TOTAL				44,334,996.36
VAT @ 14%				6,206,899.49
GRANT TOTAL				50,541,895.85

KLIPPLAAT: COST ESTIMATE – POTHoles – RESEAL - KERBS

Description	Units	Quantity	Rate	Price
Repair Potholes	Sum			600,000.00
Cape Seal	m ²	43830	85	3,725,550.00
Kerbs	m	14610	175	2,556,750.00
Sub Total				6,882,300.00
Contingencies @10%				688,230.00
P&G's @ 14%				963,522.00
SUB -TOTAL				8,534,052.00
Escalation @ 5%				426,702.60
TOTAL				8,960,754.60
VAT @ 14%				1,254,505.64
GRANT TOTAL				10,215,260.24

4.5.10 Stormwater

Stormwater infrastructure and cost related with the upgrading and repairs has been dealt with on Table 1(a).

a) Storm Water Infrastructure

Based on the costs provided above, the municipality will be embarking on the open v-drains system with roll over kerbs, hence there are costs related to storm water. But on the existing infrastructure, the municipality is busy with constant maintenance of such storm water drainage system.

b) Cost of Construction/Maintenance..... 104

4.6 MUNICIPAL INFRASTRUCTURE AND OTHER GRANTS..... 104

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MUNICIPAL GRANTS WHICH WERE RECEIVED IN 2013/14 FINANCIAL YEAR	
MUNICIPAL INFRASTRUCTURE GRANT - (MIG)	
CAPACITY BUILDING (DWA)PROCESS CONTROLLERS	R300,000
INTERGRATE NATIONAL ELECTRIFICATION PROGRAMME -(INEP)	R0,00
REGIONAL BULK INFRASTRUCTURE GRANT – (RBIG)	R0,00
EXPENDED PUBLIC WORKS PROGRAMME – (EPWP)	R1,000,000
ACCELERATED INFRASTRUCTURE PROGRAMME	R1,000,000
CACADU DISTRICT MUNICIPALITY – DEEP DRILLING	R1,000,000

4.7 ADDITIONAL PERFORMANCE

The table below enclose all additional performance of the municipality:

Type of service	2008/09	2009/10	2010/11
General Law enforcement			
Animals impounded	No records	No records	23
Motor vehicle licenses processed	No records	No records	31877
Learner driver licenses processed	No records	No records	R 6 655 905
R-value of fines collected	No records	No records	R 5 830 205
Operational call-outs	No records	No records	120
Roadblocks held	No records	No records	48
Complaints attended to by Traffic Officers	No records	No records	256
Special Functions – Escorts	No records	No records	45
Awareness initiatives on public safety	No records	No records	48
Fire Services			
Operational call-outs	No records	No records	216
Reservists and volunteers trained	No records	No records	8
Awareness initiatives on fire safety	No records	No records	3
Town Planning and Building Control			
Building plans application processed	31	323	465
Total surface (m ²)	103 273.45m ²	51 614.4m ²	57 187.066m ²
Approximate value	R 213 547 501.00	R 181 438 013.00	R 49 934 551.00
New residential dwellings	13	157	266
Residential extensions	19	170	232
New Business buildings	0	3	2

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Business extensions	0	6	0
Land use applications processed	11	96	74
	Libraries		
Library members	17	18 123	17 351
Books circulated	128 578	152 471	168 270
Exhibitions held	-	102	264
Internet users	No services	No services	3 Libraries with facilities
Children programmes	No records	Included in figure below	Included in figure below
Visits by school groups	No records	186	432
Book group meetings for adults	No records	No records	6



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Type of service

2008/09

2009/10

2010/11

	Monthly library promotion – new membership & user	Monthly library promotion – new membership & user	Monthly library promotion – new membership & user
Primary and Secondary Book Education sessions			
Trees planted			
Veggie gardens established			
Soup kitchens established or supported			
Initiatives to increase awareness on child abuse			
Youngsters educated and empowered			
Initiatives to increase awareness on women			
Women empowered			
Initiatives to increase awareness on HIV/AIDS			
Initiatives to increase awareness on substance abuse and high drug and alcohol related crimes			
Special events hosted (World's Aids Day, World Arbour day, World Disability Day, Youth Day, 16 Days of activism against women abuse)			

Table 36

Local economic development initiatives

Small businesses assisted			
SMME's trained			
Community members trained for tourism			

Local artisans and crafters assisted			
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Table37: Additional Performance

4.8 LED

4.8.1 HIGHLIGHTS: LED

The following performance highlights with regard to the implementation of the LED strategy are:

Highlights	Description



Highlights	Description

Table 38: LED Highlights

4.8.2 CHALLENGES: LED

The following challenges with regard to the implementation of the LED strategy are:

Description	Actions to address

Table 39: LED Challenges

4.8.3 STRATEGIC OBJECTIVES

Local Economic Development (LED) includes all activities associated with economic development initiatives. The municipality has a mandate to provide strategic guidance to the municipality’s integrated development planning and economic development matters and working in partnership with the relevant stakeholders on strategic economic issues.

The LED strategy identifies various issues and strategic areas for intervention such as:

Objectives	Strategies

--	--



Objectives	Strategies



Objectives	Strategies

Table 40: LED Objectives and Strategies

4.8.4 ECONOMIC ACTIVITY

The table below identifies the economic activity within the different sectors:

Sector	2011/12	2012/13
Total		

Table 41: Economic activity by sector

4.8.5 LED INITIATIVES

With a limited budget for LED Projects and one official assist with LED implementation the following initiative has been initiated as set out in the table below identifies the detail of the various LED initiatives in the municipal area:

Project name	Ward	Mandays worked	Period	No of jobs created	Project cost (R)

Project name	Ward	Man days worked	Period	No of jobs created	Project cost (Rand)
Total					

Table 42: LED initiatives

4.9 SERVICE PROVIDERS STRATEGIC PERFORMANCE

Section 76(b) of the MSA states that KPIs should inform the indicators set for every municipal entity and service provider with whom the municipality has entered into a service delivery agreement. According to AG’s office:

- a) Service provider means a person or institution or any combination of persons and institutions which provide a municipal service
- b) External service provider means an external mechanism referred to in section 76(b) which provides a municipal service for a municipality

c) Service delivery agreement means an agreement between a municipality and an institution or person mentioned in section 76(b) in terms of which a municipal service is provided by that institution or person, either for its own account or on behalf of the municipality

Section 121(b) of the MFMA and Section 46 of the MSA further state that a municipality should include the following related to service providers in its annual report:

- ☐ The performance of each service provider;
- ☐ A Comparison of the performance with targets set for and performances in the previous financial year; and
- ☐ Measures taken to improve performance.

The purpose of this section is to provide information related to the performance of external service providers. Only services rendered for an amount more than R200 000 are listed.

The table below indicate service providers utilised according to functional areas:

a) Office of Municipal Manager

Description of services rendered	Term of contract	Performance areas	Performance rating	Performance comment	Corrective measures
None-					

Table 43: Service Providers Performance – Office of the Municipal Manager

b) Corporate Services

Description of services rendered	Term of contract	Performance areas	Performance rating	Performance comment	Corrective measures
None-					

Table 44: Service Providers Performance – Corporate Services

c) Financial Services

Description of services rendered	Term of contract	Performance areas	Performance rating	Performance comment	Corrective measures



Description of services rendered	Term of contract	Performance areas	Performance rating	Performance comment	Corrective measures

Table 45: Service Providers Performance – Financial Services

d) Community Services

Description of services rendered	Term of contract	Performance areas	Performance rating	Performance comment	Corrective measures

Table 46: Service Providers Performance – Community Services

e) Municipal Services and Infrastructure Development

Description of services rendered	Term of contract	Performance areas	Performance rating	Performance comment	Corrective measures

Table 47: Service Providers Performance – Engineering Services

f) Strategic Services

Description of services rendered	Term of contract	Performance areas	Performance rating	Performance comment	Corrective measures

Table 48: Service Providers Performance – Electro-Technical Services



CHAPTER 5: FUNCTIONAL PERFORMANCE

This chapter provides information on the functional performance of the municipality on the municipality of the Top Layer and Departmental SDBIP for 2013/2014.

The municipal functions are as indicated below:

MUNICIPAL FUNCTION	MUNICIPAL FUNCTION YES/NO
Air Pollution	No- not in industrial area
Building Regulation	Yes
Child Care Facilities	No
Electricity and Gas Reticulation	Yes
Firefighting services	Yes
Local Tourism	Yes
Municipal Airports	No
Municipal planning	Yes
Municipal Health Services	No
Municipal Public Transport	No
Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law	Yes
Pontoons, ferries, jetties, piers and harbors excluding the regulations of international and national shipping and matters related thereto	No
Storm water management systems in built up areas	Yes
Trading regulations	Yes
Water and sanitation services limited to portable water supply systems and domestic waste water and sewage disposal systems.	Yes
SCHEDULE 5 PART B	
Beaches and amusement facilities	No
Cemeteries, funeral parlors and crematoria	Yes
Cleansing	Yes
Control of public nuisances	Yes
Control of undertakings that sell liquor to the public	Yes
Facilities for the accommodation, care and burial of animals	No

Fencing and fences	No
Licensing of dogs	No
Licensing and control of undertakings that sell food to the public	No
Local Amenities	Yes
Local sport facilities	Yes
Markets	No
Municipal abattoirs	Yes
Municipal Parks and Recreation	Yes
Municipal roads	Yes
Ponds	No
Public places	No
Refuse Removal, refuse dumps and solid waste disposal	Yes
Street trading	Yes
Street Lighting	Yes
Traffic and Parking	Yes

Table 1: Functional Area

5.1 PERFORMANCE HIGHLIGHTS PER FUNCTIONAL AREAS

Directorate/Functional area	Sub Directorate	Highlights
Council and Executive	Internal Audit	The Internal Audit function was outsourced to KMPG, but this appointment has since lapsed. Ikwezi Local Municipality is putting in place a plan to reinforce the Internal Audit Unit. In addition to this an Audit Action plan was developed and is monitored on a monthly basis to ensure that improvement measures are in place. A2A is currently doing the Internal Audit for Ikwezi Local Municipality.
Corporate Services	Secretariat & Facility Management	Four ward committees have been established, each consisting of ten members, all of whom received training in 2013/2014 financial year.

	Human Resources	A Human Resource plan was drafted in 2011 with the assistance from the Department Of Local Government and Traditional Affairs. The draft HRP underwent several amendments and has now been work shopped with the staff. The reviewed HRP strategy will be tabled to council for consideration and adoption in 2014/2015
	Records & Customer Care	Policy on Customer to be developed. There is an existing plan to compile a Records Management Policy.
	Aerodrome	N/A
Financial Services	Income	Total Revenue has increased by 1.5% since the last financial year
	Budget and Treasury	Budget and Treasury Office established objectives including investment in Human Capital, implementation of MFMA and Property Rates Act, Performance of the Treasury Function, Management of the Municipal Revenue, Maintenance of Internal Financial Control, and to have a clean Audit Report by 2016
	Information Technology	Ikwezi Local Municipality has developed a website. Two I.T interns have been contracted to the municipality for the next two years. Ikwezi Municipality is also used as a training hub for information technology.

Community Services	Housing & Beaches	2070 greenfield housing units have been completed or are under construction. The Ikwezi Housing Sector Plan (2011-2016) analyzed housing demand and the housing process within the municipality in detail and proposes a strategic program for improved Housing delivery.
	Library Services	There is a library in Jansenville and one in Kilpplaar. There is a library service available in Toekomst Farm School near Waterford.
	Public Safety: Fire	Ikwezi operates a firefighting service that also provides fire prevention, and road rescue services.
	Public Safety: Disaster Management	The Mayor and Ikwezi Disaster Management Officer have held discussions with the community to facilitate the establishment of the Ikwezi Municipal Disaster Management Advisory Forum.



	<p>Public Safety: Law Enforcement</p> <p>Public Safety: Traffic Control</p> <p>Social Services</p> <p>Parks and Recreation</p> <p>Waste Management</p>	<p>Police station is located at 9 Nordeu Street.</p> <p>A fully functional motor vehicle testing center is located in Jansenville.</p> <p>Ikwezi Municipality interacts with the Community Based Organization, through Local Aid Council, which is chaired by the Mayor</p> <p>Ikwezi Municipality hosts the Easter Tournament annually, in which 12 soccer clubs participate. Sports facilities are within easy reach of the urban community.</p> <p>79% of households in Ikwezi Local Municipality have access to weekly waste removal services.</p>
<p>Municipal Services & Infrastructure Development</p>	<p>Civil Works</p> <p>Electrical & Mechanical Services</p> <p>Roads Infrastructure</p> <p>Water Quality Control</p>	<p>The Department of Water Affairs (DWA) is assisting Ikwezi Municipality for refurbishment of the installation of pump sets in Jansenville, as well as reparations to the final evaporation pond at the Waste Water Treatment Works (WWTW).</p> <p>Ikwezi Local Municipality is the licensed distributor of electricity and buys in bulk for distribution within its approved area of supply.</p> <p>Ikwezi Local Municipality has allocated an annual budget for the operation and maintenance of infrastructure.</p> <p>The municipality has a project which focuses developing water control, water demand management plan including meter repair/pipe leaks and replacement plan. The Cluster Regional Water Scheme has been looking to</p>

		broaden the water source options and improve the water quality.
Strategic Services	<p>Building Control & Infrastructure Maintenance</p> <p>IDP</p> <p>LED</p> <p>Performance Management</p> <p>Tourism</p>	<p>There are 6 community facilities within the municipality. The proposed budget is R6 million for renovation to these facilities</p> <p>The IDP takes all reasonable steps within the framework of national and provincial housing legislation to ensure that the inhabitants within the area have access to adequate housing on a progressive basis. The objectives of the IDP also takes into consideration the improvement of basic education, decent employment through inclusive economic growth, a skilled and capable workforce, an accountable, effective and efficient local government system, an equitable and sustainable rural community and food security.</p> <p>Ikwezi Local Municipality obtains the best value for money by supporting local service providers and contractors; black economic empowerment by facilitating access o historically disadvantaged individuals to acquisitions and disposals. Ikwezi is successfully implementing the CWP, EPWP and Anti- Poverty Programs.</p> <p>The Ikwezi Local Municipality developed a Performance Management System/ Framework in 2012/2013. As per the Institutional Development, a project has been undertaken to install electronic performance management systems affecting all levels of the organization.</p> <p>Ikwezi Local Municipality has a strategy to promote the R338 Baroe link for tourism purposes as well as supporting the R75 as a key access and tourism corridor and the Klipplaat Jansenville link as a strategic corridor between the</p>

		<p>municipality's primary and secondary urban nodes.</p> <p>Jansenville hosts the International Mohair Summit annually.</p>
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Table 2: Performance Highlights per functional area

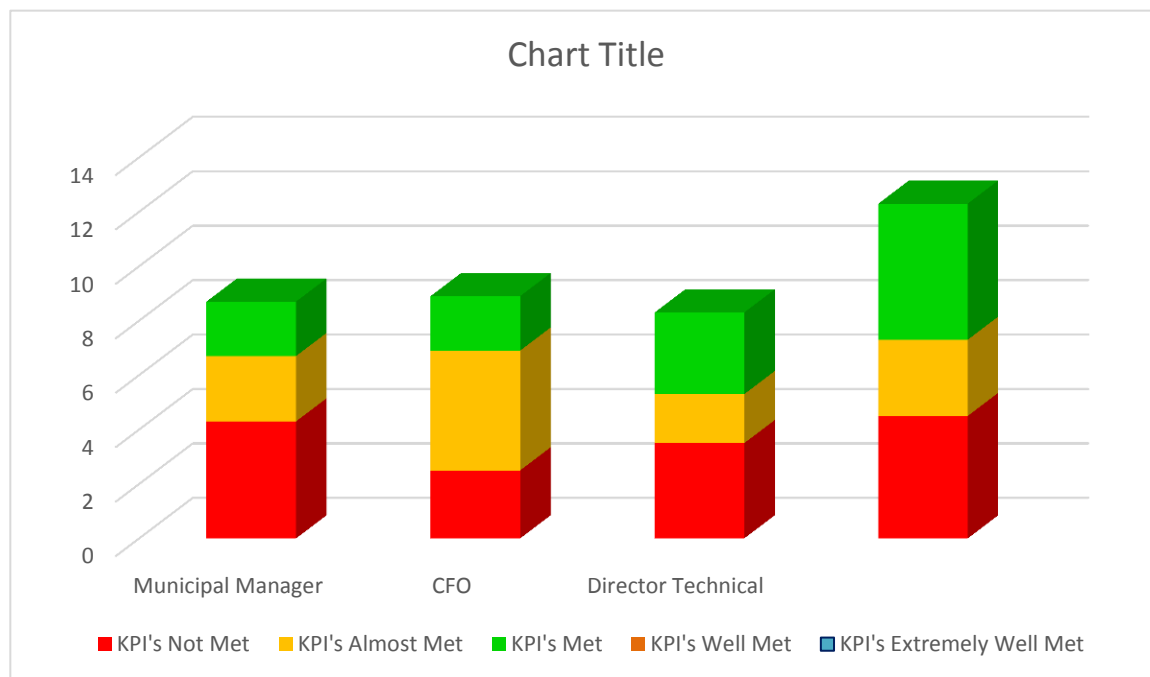
5.2 OVERVIEW OF PERFORMANCE

The performance statistics in the table below and all the graphs in the following sub paragraphs include performance in terms of the Departmental SDBIP, which measures operational performance, as well as the performance in terms of the Top Layer SDBIP. The graph for each directorate is an overview of the overall results of all the KPI's measured in terms of the municipal SDBIP performance management system.

Directorates	Financial Year	Total KPI's	KPI's extremely well met	KPI's well met	KPI's met	KPI's almost met	KPI's not met
Municipal Manager	2013/2014	16					
Financial Service	2013/2014	15					
Infrastructure Development and Municipal Services	2012/2013	21					
Strategic Services	2013/2014	16					
Ikwezi Municipality	2014/2015	6					

Table 3: Summary of Total Performance

The following graph indicates the overall results of all the KPI's measured of the various directorates in terms of the municipal SDBIP performance management system.



5.3. PERFORMANCE PER FUNCTIONAL AREA (DEPARTMENTAL/OPERATIONAL SDBIP)

5.3.1 The office of the Municipal Manager consists of the following divisions:

- Municipal Manager
- Legal Services & Properties
- Administration Support
- Internal Audit

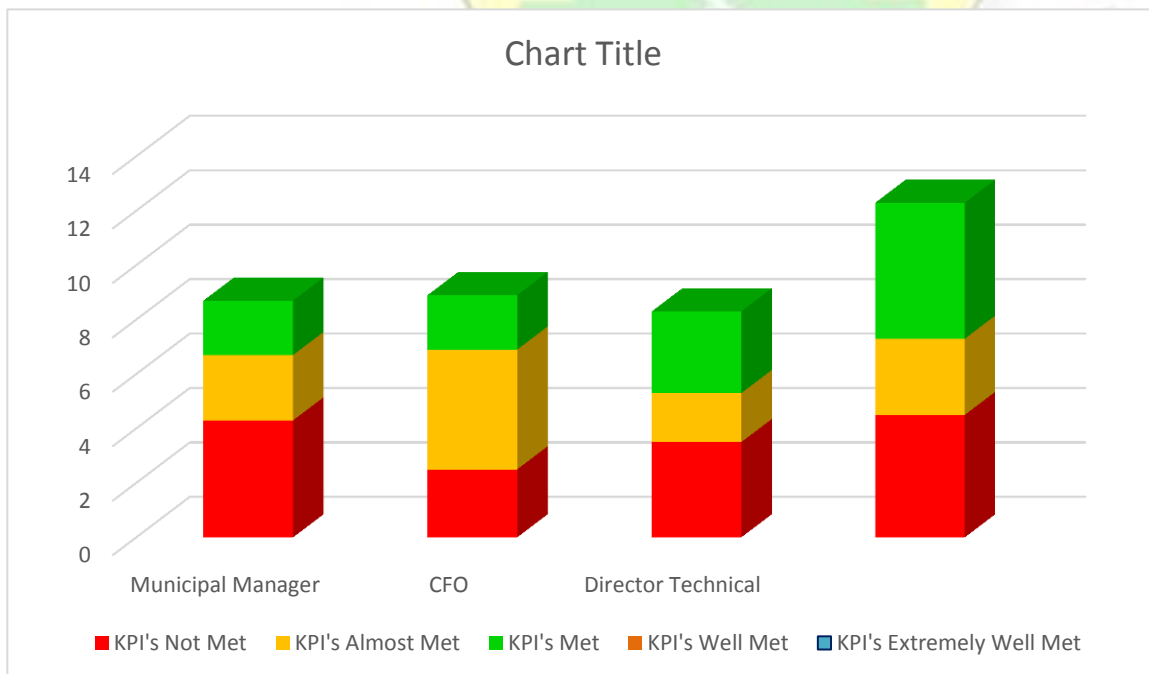
The Operational Key Performance Indicators for Office of the Municipal Manager are aligned to the following National Key Performance Areas, Municipal Key Performance Areas and the IDP Strategic Objectives:

National Key Performance Areas	Municipal Key Performance Area	IDP Strategic Objectives
Good Governance and public Participation	Good Governance	Good governance through institutional transformation, intergovernmental cooperation

		and public consultation to ensure accountability.
Municipal Transformation and Organizational Development	Institutional Development	Strive to create a responsive, accountable, effective and efficient local government system. Functional and stable institution with high ethos and standards.
Municipal Financial Viability and Management	Financial Viability	To enhance the financial viability of the municipality and have a clean audit report by 2016.
Basic Service Delivery	Basic Service Delivery and Infrastructure Development	Key performance areas are water and sanitation, housing and human settlements, roads and electricity.
Local Economic Development	Local Economic Development Human Development	Creation of jobs initiative to enable the community to generate higher income levels.

Table 4: Functional alignment – Office of the Municipal Manager

The following graph indicates the overall results of the KPI's measured of the various sub-directorates within the Office of the Municipal Manager directorate in terms of the municipal SDBIP performance management system.



5.3.2 CORPORATE SERVICES

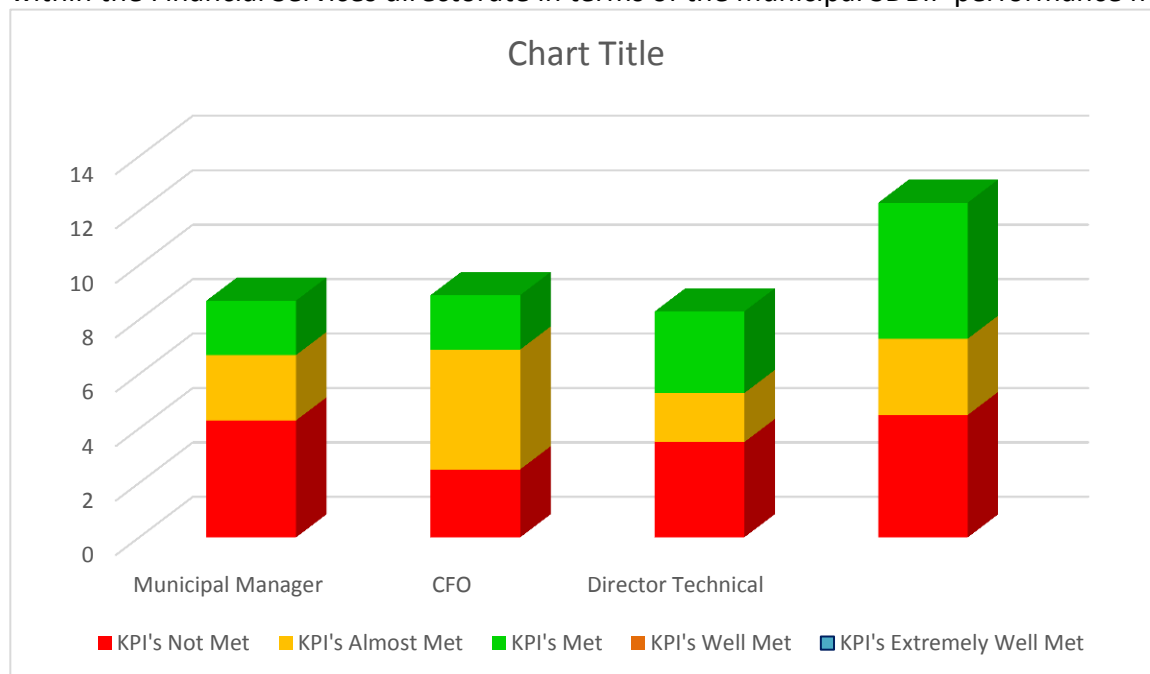
- Head: Corporate Services
- Aerodrome
- Human Resources
- Record & Customer Care
- Secretariat & Facility Management

The Operational Key Performance Indicator for Corporate Services is aligned to the following National Key Performance Areas, Municipal Key Performance Areas and the IDP Strategic Objectives:

Good Governance and Public Participation	Good Governance	Good governance through institutional transformation, intergovernmental cooperation and public consultation to ensure accountability.
Municipal Transformation and Organisational Development	Institutional Development	Strive to create a responsive, accountable, effective and efficient local government system. Functional and stable institution with high ethos and standards.
Municipal Financial Viability	Financial Viability	To enhance the financial viability of the municipality and have a clean audit report by 2016.
Basic Service Delivery	Basic Service Delivery and Infrastructure Development	Key performance areas are water and sanitation, housing and human settlements, roads and electricity.
Local Economic Development	Local Economic Development Human Development	Create an enabling social development that ensures safe, healthy and vibrant communities that participate actively in Ikwezi Municipality.

Table 5: Functional alignment – Financial Services

The following graph indicates the overall results of all the KPI's measured of the various sub-directorates within the Financial Services directorate in terms of the municipal SDBIP performance management system



5.3.3 COMMUNITY SERVICES

- Head: Community Services
- Library Services
- Housing & Beaches
- Parks & Recreation
- Public Safety: Fire
- Public Safety: Law Enforcement
- Public Safety: Traffic Control
- Public Safety: Disaster Management
- Social Services
- Waste Management

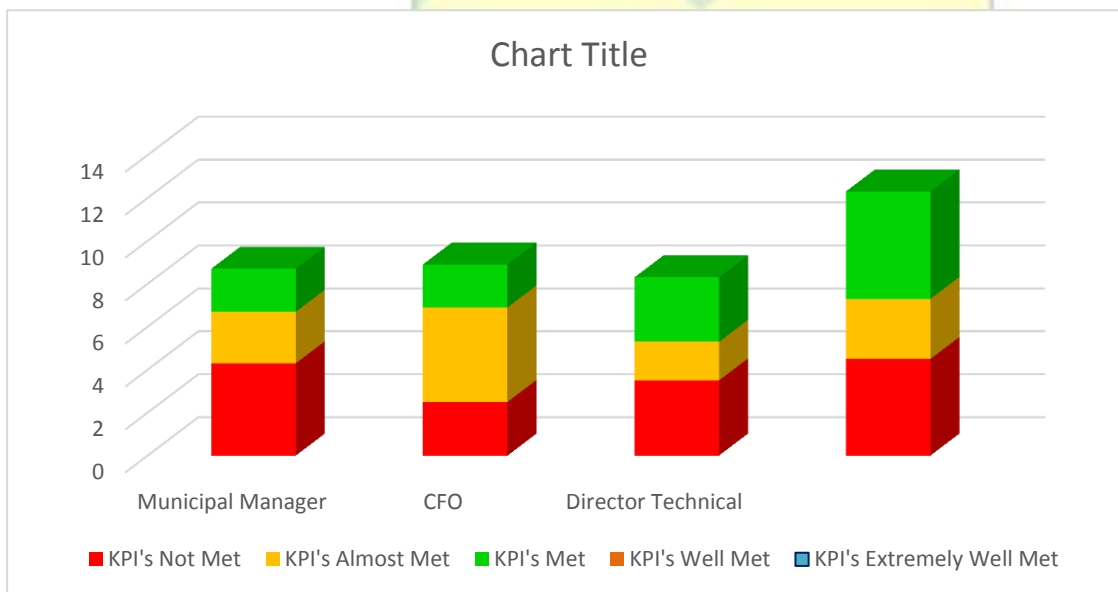
The Operational Key Performance Indicators for Community Services are aligned to the following National Key Performance Area, Municipal Key Performance Area and the IDP Strategic Objectives:

National Key Performance Area	Municipal Key Performance Area	IDP Strategic Objectives
Good Governance and Public	Good Governance	Good governance through

Participation		institutional transformation, intergovernmental cooperation and public consultation to ensure accountability.
Municipal Transformation and Organisational Development	Institutional Development	Strive to create a responsive, accountable, effective and efficient local government system. Functional and stable institution with high ethos and standards.
Municipal Financial Viability and Management	Financial Viability	To enhance the financial viability of the municipality and have a clean audit report by 2016.
Basic Service Delivery	Basic Service Delivery and Infrastructure Development	Key performance areas is water and sanitation, housing and human settlements, roads and electricity
Local Economic Development	Local Economic Development	Create an enabling social development that ensures safe, healthy and vibrant communities that participate actively in Ikwezi Municipality.
	Human Development	

Table 6: Functional alignment – Community Services

The following graph indicates the overall results of the all KPI's measured of the various sub-directorates within the Community Services directorate in terms of the municipal SDBIP performance management system



5.3.4 MUNICIPAL SERVICES AND INFRASTRUCTURE DEVELOPMENT

Engineering Services consists of the following divisions:

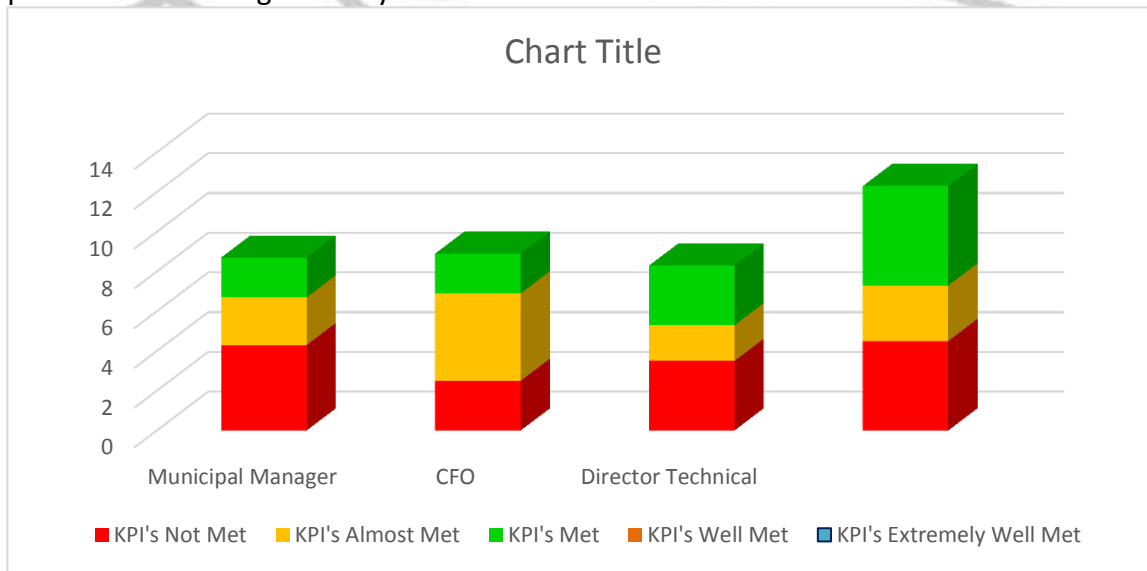
- Head: Municipal Services & Infrastructure Development
- Civil Works
- Electrical & Mechanical Service
- Roads Infrastructure
- Water Quality Control
- Fleet Management

The Operational Key Performance Indicators for Municipal Services & Infrastructure Development are aligned to the following National Key Performance Areas and the IDP Strategic Objectives:

National Key Performance Area	Municipal Key Performance Area	IDP Strategic Objectives
Good Governance and Public Participation	Good Governance	Good governance through institutional transformation, intergovernmental cooperation and public consultation to ensure accountability.
Municipal Transformation and Organizational Development	Institutional Development	Strive to create a responsive, accountable, effective and efficient local government system. Functional and stable institution with high ethos and standards.
Municipal Financial Viability and Management	Financial Viability	To enhance the financial viability of the municipality and have a clean audit report by 2016.
Basic Service Delivery	Basic Service Delivery and Infrastructure Development	Key performance areas are water and sanitation, housing and human settlements, roads and electricity.
Local Economic Development	Local Economic Development <hr/> Human Development	Create an enabling social development that ensures safe, healthy and vibrant communities that participate actively in Ikwezi Municipality.

Table 7: Functional alignment: Municipal Services and Infrastructure Development

The following graph indicates the overall results of all the KPI's measured of the various sub- directorates within the Municipal Services and Infrastructure Development directorate in terms of the municipal SDBIP performance management system.



Graph 4: Municipal Services & Infrastructure Development performance per sub- directorate

5.3.5 STRATEGIC SERVICES

Engineering Services consists of the following divisions:

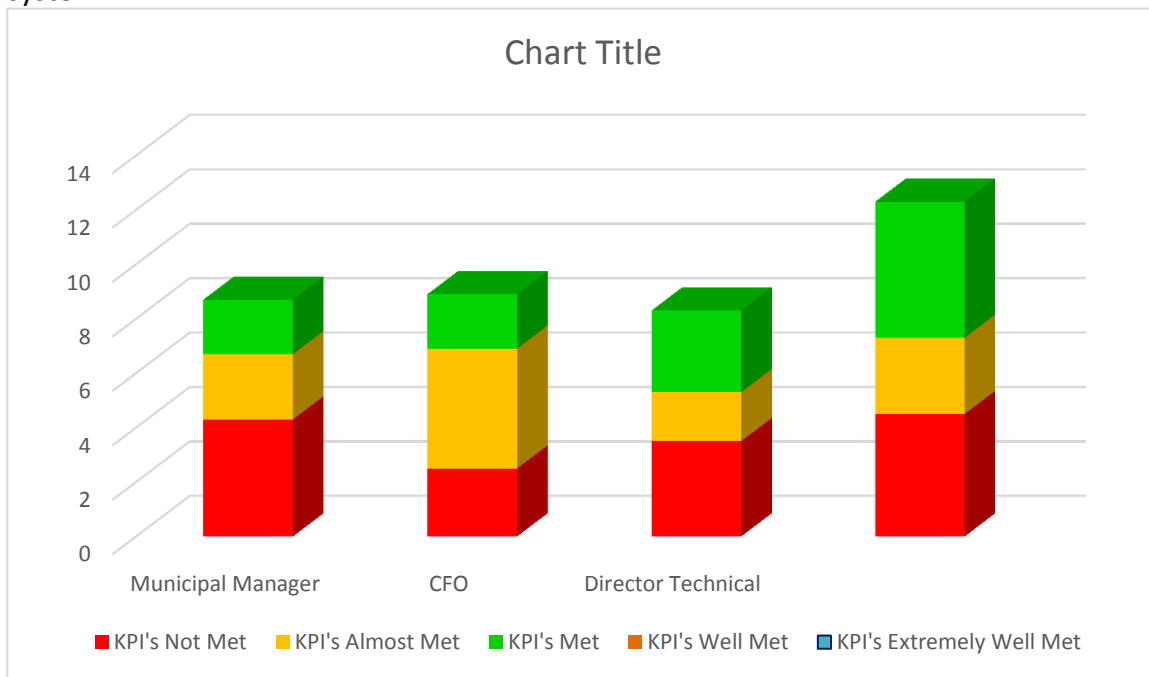
- Head: Strategic Services
- Building Control & Infrastructure Maintenance
- IDP
- LED
- Performance Management
- Tourism
- Town Planning & Development

The Operational Key Performance Indicators for Strategic Services are aligned to the following National Key Performance Area, Municipal Key Performance Areas and the IDP Strategic Objectives:

National Key Performance Area	Municipal Key Performance Area	IDP Strategic Objectives
Good Governance and Public Participation	Good Governance	Good governance through institutional transformation, intergovernmental cooperation and public consultation to ensure accountability.
Municipal Transformation and Organizational Development	Institutional Development	Strive to create a responsive, accountable, effective and efficient local government system. Functional and stable institution with high ethos and standards.
Municipal Financial Viability and Management	Financial Viability	To enhance the financial viability of the municipality and have a clean audit report by 2016.
Basic Service Delivery	Basic Service Delivery and Infrastructure Development	Key performance areas are water and sanitation, housing and human settlements, roads and electricity.
Local Economic Development	Local Economic Development Human Development	Create an enabling social development that ensures safe, healthy and vibrant communities that participate actively in Ikwezi Municipality.

Table 8: Functional Alignment – Strategic Services

The following graph indicates the overall results of all the KPI's measured of the various sub- directorates within the Strategic Services directorates in terms of the municipal SDBIP performance management system.



CHAPTER 6 FINANCIAL PERFORMANCE

6.1 NATIONAL KEY PERFORMANCE INDICATORS - MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

The following table indicates the municipality's performance in terms of the National Key Performance Indicators required in terms of the Local Government: Municipal Planning and the Performance Management Regulations of 2001 and section 43 of the MSA. These key performance indicators are linked to the National Key Performance Area namely Municipal Financial Viability and Management.

KPA & INDICATOR	2010/11	2011/12	2012/13	2013/14
Debt coverage ((Total operating revenue-operating grants received)/debt service payments due within the year)				
Service debtors to revenue – (Total outstanding service debtors/ revenue received for services)				
Cost coverage ((Available cash+ investments)/ Monthly fixed operating expenditure)				

Table 120: National KPI's for financial viability and management

6.2 FINANCIAL VIABILITY HIGHLIGHTS

Highlight	Description
Improve cash flow	
Full compliance with GRAP	

Table 121: Financial Viability Highlights

6.3 FINANCIAL VIABILITY CHALLENGES

Challenge	Action to address
Negative cash flow	
Re-finance of capital projects	

Table 122: Financial Viability Challenges

6.4 FINANCIALSUSTAINABILITY

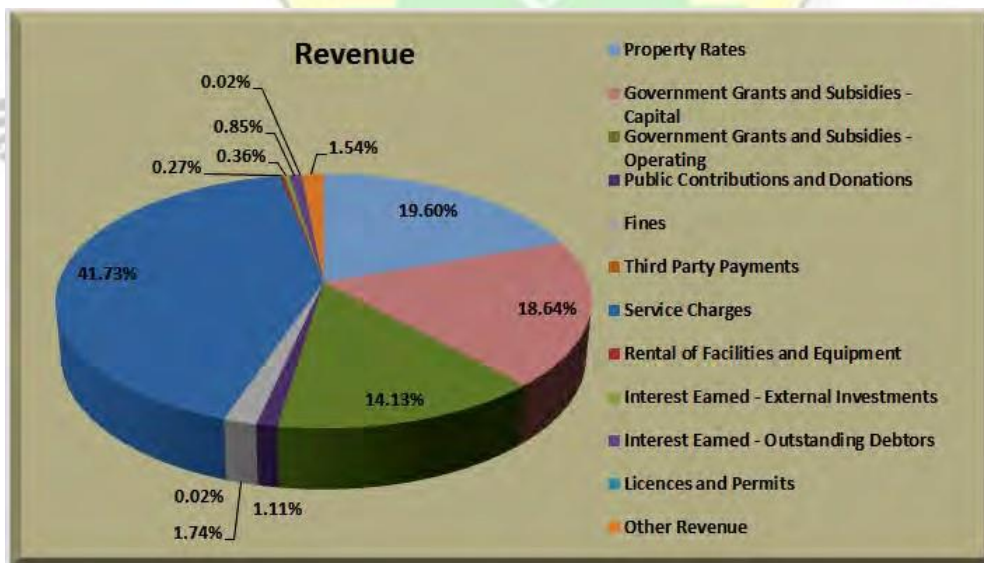
6.4.1 OPERATING RESULTS

The table below shows a summary of performance against budgets

Financial Year	Revenue				Operating expenditure			
	Budget	Actual	Diff.	%	Budget	Actual	Diff	%
2010/11								
2011/12								
2012/13								
2013/14								

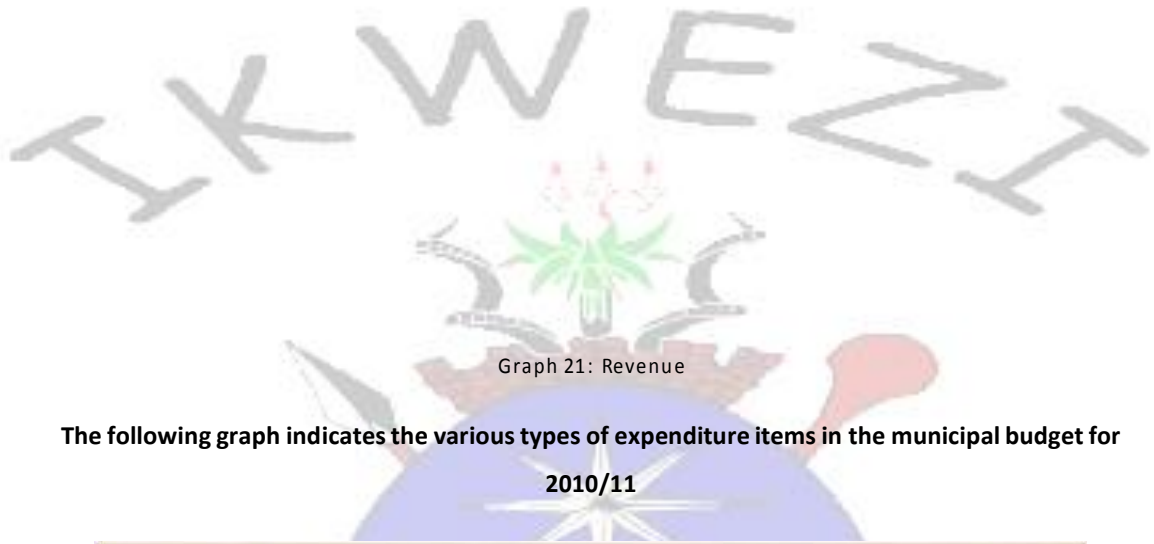
Table 123: Performance against budgets

The municipality received R revenue for the year of which R was utilized for operating expenditure. Under collection of revenue is mainly due to R million of government grants that did not realized .Over expenditure of R18 million occurred on non-cash items ,namely depreciation ,provision for bad debt and actuarial losses. Salaries and Councillor allowances were of the operating expenditure for the year under review and the percentage is within the national norm of between Bulk purchases of water and electricity and expenditure with regards to grants and subsidies that were received from other spheres of government along with salaries and allowances makes up most of the total operating expenditure of the municipality. Grant and subsidies received, property tax and service charges, account for most of the revenue for the year under review.



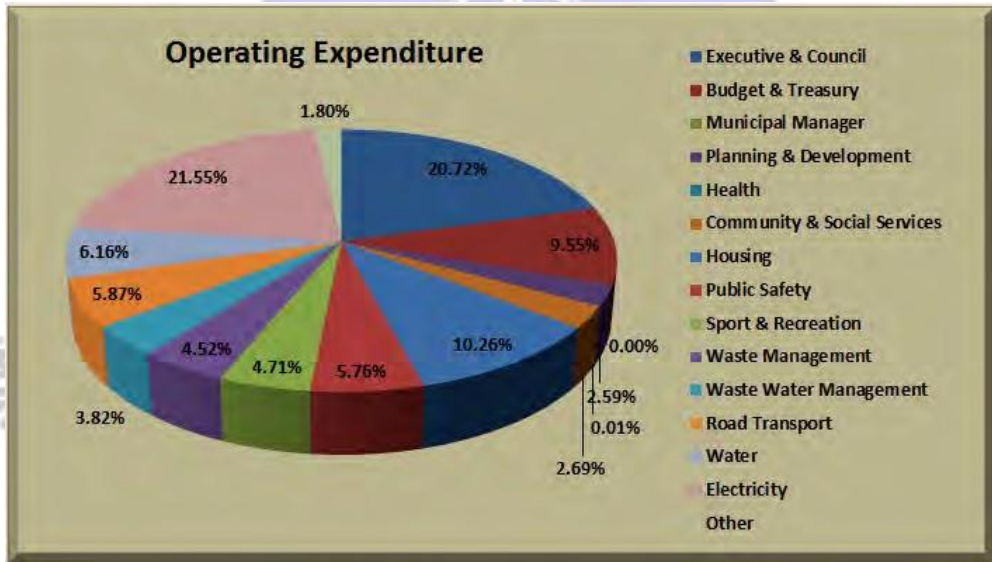
The following graph indicates the various types of revenue items in the municipal budget for

2013/14



Graph 21: Revenue

The following graph indicates the various types of expenditure items in the municipal budget for 2010/11



Graph22: Operating expenditure

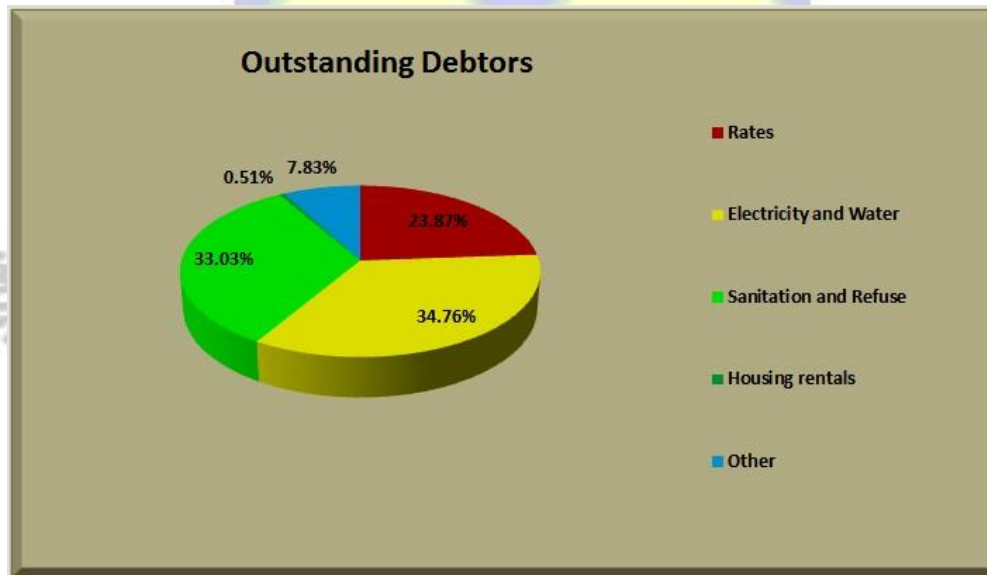
6.4.2 OUTSTANDING DEBTORS

A) GROSS OUTSTANDING DEBTORS PER SERVICE

Financial year	Rates	Trading services (Electricity and Water)	Economic services (Sanitation and Refuse)	Housing rentals	Other	Total
	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
	2011/12	8 778	12 620	13 466	806	5
2012/13	12 746	16 228	15 245	1 416	5	50 737
2013/14	14 609	21 272	20 215	310	4	61 200
Difference	1 863	5044	4970	-1106	-3	10463
% growth year on year	23.87%	34.76%	33.03%	0.51%	7.83%	100.00%

Table124: Gross outstanding debtors per service

The following graph indicates the total outstanding debt per type of service for 2010/11



Graph23: Debt per type of service

B) TOTAL DEBTORS AGE ANALYSIS

Financial year	Less than 30 days	Between 30-60 days	Between 60-90 days	More than 90 days	Total
	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
2011/12					
2012/13					
2013/14					
Difference					
% growth year on year					

Table 125: Service debtor age analysis

Note: Figures exclude provision for bad debt

6.4.3 VIABILITY INDICATORS

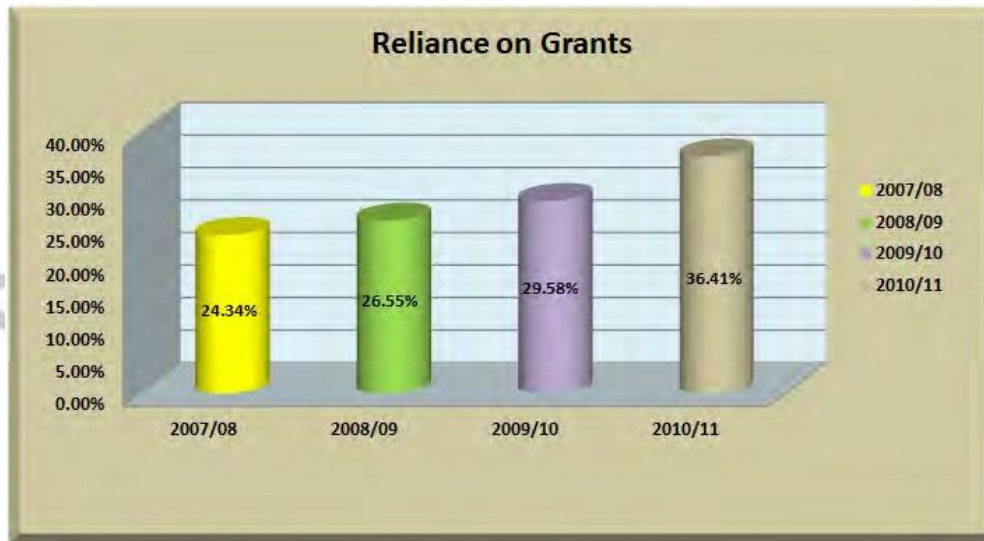
A) LEVEL OF RELIANCE ON GRANTS AND SUBSIDIES

Financial year	Total grants and subsidies received	Total Operating Revenue	Percentage
	(R'000)	(R'000)	(%)
2010/11			
2011/12			
2012/13			
2013/14			

Table 126: Reliance on grants

The high percentage of grants versus own revenue may seem that the municipality heavily rely on grants. This is not the case as R20 million off the grants was once off to build a desalination plant during the drought. Included in operating grant revenue is an amount of R33.7 million for low cost housing which is not a local government function.

The following graph indicates the municipality's reliance on grants as percentage for the last three financial years



Graph24: Reliance on grants as %

B) LIQUIDITY RATIO

Financial year	Net current assets	Net current liabilities	Ratio
	(R'000)	(R'000)	
2010/11			
2011/12			
2012/13			
2013/14			

Table127: Liquidity ratio

The ratio indicates that the municipality is not in a position to meet its short term liabilities. This resulted in the current cash flow problems that the municipality experience. Measures will have to be put in place to improve this ratio in the 2011/2012 financial year.

6.4.4 AUDITED OUTCOMES

Year	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/14
Status						

Table 128: Audit outcomes

The following table provides the details on the audit outcomes for the past two financial years with the correctives steps implemented:

2013/2014	
Issue raised	Corrective step implemented
Emphasis of matter:	
Restatement of corresponding figures	This will occur annually as new standards of GRAP are implemented
Material losses The municipality incurred water distribution losses of 2 139 932 kilolitres (36%) and electricity distribution losses of 13 999 570 Kwh (13.24%) for the year under review.	Fill the position of Loss Control Officer Clean water meters in Kranshoek Public Works and Housing must inform finance of all new connections timeously Meter Readers must ensure that all meters are read Water and electricity losses must be calculated, monitored and corrective steps be implemented monthly
Other Matters	
Non-compliance with applicable legislation	
Local Government: Municipal Finance Management Act, No. 56 of 2003 (MFMA)	
Payment of Creditors The municipality has not paid all money owing within 30 days of receiving the relevant invoice or statement as required in terms of section 65(2)(e).	Ensure that all creditors' payments are made within 30 days. Make departments aware about their role in ensuring that payments are made within 30 days.
SCM Reporting The municipality did not report non-compliance to the supply chain management regulation to the relevant authority, as required by section 114.	Submit monthly, quarterly and annual SCM report as required in the SCM regulations
Local Government: Municipal Systems Act, Act No. 32 of 2000 (MSA)	
Declaration of Interest Councillors did not declare their financial interest as required by schedule 1, section 7 of the MSA.	Ensure that all Councillors complete their declaration of interest for 2009/2010
Reported performance information not reliable	Ensure that the reported information is materially consistent with evidence obtained during the audit.

Table 129: 2008/09 Detail on audit outcomes

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2013/2014	
Issue raised	Corrective step implemented
Emphasis of matter:	
Restatement of corresponding figures	This will occur annually as new standards of GRAP are implemented
Material losses Material losses to the amount of R1 477 628 (36%) were incurred as a result of unmetered connections, ageing pipeline infrastructure, burst pipes, old reticulation networks and other leakages as well as unmetered consumers in the municipality, like fire and parks services.	Implement findings of water audit. Ensure that all meters are read correctly.
Material under spending of the budget The municipality has materially underspent its capital budget.	Do proper project planning before request for funding is submitted Develop reliable project implementation plans as contained in SDBIP. Budget correctly especially when items are approved at adjustment budget stage.
Other Matters	
Non-compliance with applicable legislation	
Local Government: Municipal Finance Management Act, No. 56 of 2003 (MFMA)	
Predetermined objectives Lack of adoption or implementation of a performance management system	Develop and adopt a framework that describes and represents how the cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players.
Local Government: Municipal Systems Act, Act No. 32 of 2000 (MSA)	
Internal auditing of performance measurements	Add capacity to Internal Audit unit. Include the audit of the performance measurements in the annual audit plan and submit quarterly reports on audits to the municipal manager and the performance audit committee
Usefulness of reported information Planned and reported performance targets not specific, measurable or time bound	Develop objectives that are specific, measurable and time bound (specifying the time period or deadline). Clearly identify the nature and the required level of performance
Reasons for major variances between planned and actual reported targets were not explained	Ensure that explanations for variances from targets are captured on SDBIP reports
Incomplete reporting on all predetermined objectives, indicators and targets	Make proper reporting on the implementation of the SDBIP a KPI for Municipal Manager, Heads and Managers
COMPLIANCE WITH LAWS AND REGULATIONS	
MUNICIPAL FINANCE MANAGEMENT ACT	
The internal audit unit was not properly established or functioning properly	Appoint Chief Audit Executive to capacitate Internal audit Unit. Develop audit plan for 2010/2011 and ensure that audits are performed in terms of such plan.

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2013/2014	
Issue raised	Corrective step implemented
<p>The financial statements were not prepared in accordance with applicable legislation</p>	<p>Advise Audit Committee on the matters prescribe in section 165(2)(b) of the MFMA</p> <p>Ensure that staff receives the necessary training on new GRAP standards to ensure that there is no need to do material corrections to the AFS submitted to the Auditors.</p>
<p>Expenditure was incurred otherwise than in accordance with sections 15 and 11(3) of the MFMA resulting in unauthorised expenditure</p> <p>Expenditure was incurred in contravention of or not in accordance with applicable legislation resulting in irregular expenditure</p>	<p>Budget properly for non-cash items e.g. provision for bad debt, actuarial losses and depreciation.</p> <p>Implement Virement policy vigorously. Report unauthorized expenditure timeously</p> <p>Put process in place to detect and prevent deviations from the SCM policy. Ensure that all deviations are approved by the Accounting Officer.</p> <p>Ensure that all supply chain documentation are filed and kept in a safe room in order to be readily available for inspection.</p>
<p>Leadership</p> <p>The municipality did not adopt a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players, resulting in non-compliance with laws and regulations relating to predetermined objectives.</p> <p>Performance management</p> <p>Pertinent information relating to planned and reported targets is not identified and captured in a form and time frame to support performance reporting. Adequate processes have not been implemented to ensure that sufficient appropriate evidence is maintained to support actual performance included in the report on predetermined objectives and to ensure variances are explained and targets are specific and measurable.</p> <p>Governance</p> <p>The internal auditor of the municipality did not audit the performance measurements on a continuous basis and did not submit quarterly reports on their audits to the municipal manager and the performance audit committee. The risk of incomplete and inaccurate performance reporting was not specifically identified by management to inform the internal audit plan in this regard.</p>	<p>Develop and implement a performance management framework.</p> <p>Develop and implement an action plan (indicating roles and responsibilities) for the implementation of the performance management framework.</p> <p>Identify planned and reported targets and capture it with due dates/timeframes.</p> <p>Implement adequate processes for the maintenance of evidence that support actual performance and explain variances.</p> <p>Audit performance measurements on continuous basis and submit quarterly reports to the Municipal Manager.</p> <p>Identify risks of incomplete and inaccurate performance reporting in order to inform the internal audit plan</p>
<p>I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives as well as compliance with the relevant laws and regulations, but not for the purpose of expressing an opinion on the effectiveness of internal control.</p> <p>The matters reported below are limited to the significant deficiencies regarding the basis for the opinion paragraph, the findings on the report on predetermined objectives and</p>	<p>Noted</p>

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2009/2010	
Issue raised	Corrective step implemented
<p>the findings on compliance with laws and regulations.</p> <p>Leadership</p> <p>The municipality did not adopt a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players, resulting in non-compliance with laws and regulations relating to predetermined objectives.</p> <p>Performance management</p> <p>Pertinent information relating to planned and reported targets is not identified and captured in a form and time frame to support performance reporting. Adequate processes have not been implemented to ensure that sufficient appropriate evidence is maintained to support actual performance included in the report on predetermined objectives and to ensure variances are explained and targets are specific and measurable.</p> <p>Governance</p> <p>The internal auditor of the municipality did not audit the performance measurements on a continuous basis and did not submit quarterly reports on their audits to the municipal manager and the performance audit committee. The risk of incomplete and inaccurate performance reporting was not specifically identified by management to inform the internal audit plan in this regard.</p>	<p>Noted</p> <p>Develop and implement a performance management framework.</p> <p>Develop and implement an action plan (indicating roles and responsibilities) for the implementation of the performance management framework.</p> <p>Identify planned and reported targets and capture it with due dates/timeframes.</p> <p>Implement adequate processes for the maintenance of evidence that support actual performance and explain variances.</p> <p>Audit performance measurements on continuous basis and submit quarterly reports to the Municipal Manager.</p> <p>Identify risks of incomplete and inaccurate performance reporting in order to inform the internal audit plan</p>

Table130: 2009/10 Detail on audit outcomes

2010/11			
Issue raised	Corrective step implemented		
Emphasis of matter:			
Restatement of corresponding figures			
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="background-color: #cccccc;">As disclosed in note 36 to the financial statements, the corresponding figures for 30 June 2010 and 30 June 2009 have been restated as a result of correction of errors in terms of GRAP 3. The municipality utilised Transitional Provisions of Directive 4, issued by the Accounting Standards Board, during the year ended 30 June 2010 in the financial statements of the Bitou</td> <td style="width: 50px;"></td> </tr> </table>	As disclosed in note 36 to the financial statements, the corresponding figures for 30 June 2010 and 30 June 2009 have been restated as a result of correction of errors in terms of GRAP 3. The municipality utilised Transitional Provisions of Directive 4, issued by the Accounting Standards Board, during the year ended 30 June 2010 in the financial statements of the Bitou		<p>This will occur annually as per the GRAP standard where corrections are to be made.</p>
As disclosed in note 36 to the financial statements, the corresponding figures for 30 June 2010 and 30 June 2009 have been restated as a result of correction of errors in terms of GRAP 3. The municipality utilised Transitional Provisions of Directive 4, issued by the Accounting Standards Board, during the year ended 30 June 2010 in the financial statements of the Bitou			
Material Losses			
<p>As disclosed in note 42.4 to the financial statements, material water losses of 36.40% or 951 894 kilolitres with a value of R1 854 757 were incurred, as well as material electricity losses of 13.22% or 13 660 881 Kwh with a value of R1 751 740.</p>	<p>The council has appointed a firm to implement a revenue enhancement project. This project will also determine whether all users that receive services are measured and billed accordingly. The council is in the process of advertising</p>		

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2010/11	
Issue raised	Corrective step implemented
As disclosed in note 31 to the financial statements, material impairments to the value of R12 124 452 have been incurred in respect of trade receivables.	for handheld metering devices for meter reading, to minimise incorrect reading of meters.
Material under spending of the budget	
As disclosed in note 41.1 to the financial statements, the municipality has materially underspent its capital budget by R37 765 261 (28%). The majority of the under spending relates to service delivery in terms of housing as the purchase transaction for additional land was not yet concluded at year-end although the amount has already been committed to this project.	The council is to improve its oversight role by establishing a finance and governance oversight committee, to monitor the performance of the administration.
Other Matters	
Non-compliance with applicable legislation	
Local Government: Municipal Finance Management Act, No. 56 of 2003 (MFMA)	
Financial Statements The accounting officer did not submit the annual financial statements of the municipality for auditing, within two months after the end of the financial year as required by section 126(1)(a) of the Municipal Finance Management Act.	This council will ensure that the financial statement will be presented as legally determined.
Expenditure Management The accounting officer did not take reasonable steps to prevent unauthorised expenditure, irregular expenditure and/or fruitless and wasteful expenditure, as required by section 62(1)(d) of the Municipal Finance Management Act.	The financial delegations of council together internal controls are to be review of
Transfers and conditional grants The allocations for various projects were utilised for purposes other than those stipulated in their respective schedules or Gazetted Division of Revenue Act framework in contravention of the requirements of section 15(1) of the Division of Revenue Act.	This council is to ensure that Grant fund is to be expensed as per the set conditions.
Internal audit The internal audit processes and procedures did not include assessments of the extent to which the municipality's performance measurements were reliable in measuring the performance of the municipality on key as well as general performance indicators as required by Municipal Planning and Performance Management Regulation 14.	With the implementation of a performance management system at this authority as is legally prescribed, this council will ensure that necessary institutional capacity is in place to measure and monitor organizational performance.
Procurement and contract management Sufficient appropriate audit evidence could not be obtained that invitations for competitive bidding were advertised for a	The functioning of the SCM unit is to be reviewed together

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2010/11	
Issue raised	Corrective step implemented
<p>required minimum period of days as per the requirements of SCM regulation 22(1) & 22(2).</p> <p>Goods and services with a transaction value of between R10 000 and R200 000 were procured without obtaining written price quotations from at least three different prospective providers as per the requirements of SCM regulation 17(a) & (c).</p> <p>Awards were made to providers who are persons in service of the municipality in contravention of SCM regulations 44. Furthermore the providers failed to declare that he/she was in the service of the municipality as required by SCM regulation 13(c).</p> <p>Awards were made to suppliers who did not submit a declaration on their employment by the state or their relationship to a person employed by the state as per the requirements of Municipal SCM regulation 13(c).</p>	<p>with the financial delegations for the procurement of goods and services to ensure legal compliance.</p> <p>This will include the review of the organizational structure where specific attention will be given to the segregation of duties to ensure the proper functioning of the unit so that effective internal control is in place.</p>

Table 131: 2010/11 Detail on audit outcomes

6.4.5 EQUITABLE SHARE VS TOTAL REVENUE

Description of revenue	Amount received 2007/08	Amount received 2008/09	Amount received 2009/10	Amount received 2010/11
	(R'000)	(R'000)	(R'000)	(R'000)
Equitable share				
Capital grants				
Operating grants				
Own revenue				
Total revenue				

Table 132: Equitable share vs. total revenue

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**The following graph indicates the various revenue streams of the municipality for the past three
Financial years**

Graph25: Revenue streams

6.4.6 REPAIRS AND MAINTENANCE

Description	2007/2008	2008/2009	2009/2010	2010/11
	(R'000)	(R'000)	(R'000)	(R'000)
Total Operating Expenditure	140 886	228 840	271 432	303 707
Repairs and Maintenance	7 703	9 182	16 915	14 793
% of total OPEX	5.5	4.0	6.2	4.9

Table 133: Repairs & maintenance as % of total OPEX

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The following graph indicates the percentage of the budget that was spent on repairs & maintenance in relation to the operational budget

Graph26: Repairs and maintenance as percentage of OPEX

6.4.7 CAPITAL FUNDED BY SOURCE

Description Source	2007/08 (R'000)	2008/09 (R'000)	2009/10 (R'000)	2010/11 (R'000)
External loans				
Grants and subsidies				
Public contributions and donations				
Own funding				
Other				
Total capital expenditure				

Table134: Capital funded by source

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The following graph indicates capital expenditure funded by the various sources

Graph27: Capital funded by source

LIST OF ABBREVIATIONS

AG	Auditor-General
CAPEX	Capital Expenditure
CBP	Community Based Planning
CFO	Chief Financial Officer
DPLG	Department of Provincial and Local Government
DWAF	Department of Water Affairs and Forestry
EE	Employment Equity
GAMAP	Generally Accepted Municipal Accounting Practice
GRAP	Generally Recognised Accounting Practice
HR	Human Resources
IDP	Integrated Development Plan
IFRS	International Financial Reporting Standards
IMFO	Institute for Municipal finance officers
KPA	Key Performance Area
KPI	Key Performance Indicator LED
Local Economic Development	MAYCOM
Executive Mayoral Committee	
MFMA	Municipal Finance Management Act (Act No. 56 of 2003)
MIG	Municipal Infrastructure Grant
MM	Municipal Manager
MMC	Member of Mayoral Committee
MSA	Municipal Systems Act No. 32 of 2000

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MTECH

Medium Term Expenditure Committee

NGO

Non governmental organisation

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NT	National Treasury
OPEX	Operating expenditure
PMS	Performance Management System
PT	Provincial Treasury
SALGA	South African Local Government Organisation SAMDI
South African Management Development Institute SCM	Supply
Chain Management	
SDBIP	Service Delivery and Budget Implementation Plan
SDF	Spatial Development Framework
CPD	Continues Professional Development

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ANNEXURE A: FINANCIAL STATEMENTS



IKWEZI LOCAL MUNICIPALITY ANNUAL
FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2014
Auditor General South Africa
Published 31 August 2014

Ikwezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

GENERAL INFORMATION

Legal form of entity	The entity functions as a local municipality, established under Paragraph 151 of the Constitution of the Republic of South Africa, 1996, as amended.
Nature of business and principal activities	Ikwezi Local Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998) The municipality's operations are governed by:- Municipal Finance Management Act 56 of 2003- Municipal Structure Act 117 of 1998- Municipal Systems Act 32 of 2000 and various other acts and regulations
Mayoral committee	
Executive Mayor	S A Mngwevu
Councillors	K Hendricks M Bonaparte L Ntame A Mboneni J Lewis B W Seekoei
Grading of local authority	Grade 2
Business address	34 Main Street Jansenville 6265
Postal address	P O Box 12 Jansenville 6265
Bankers	ABSA Bank Jansenville
Auditors	Auditor General South Africa
Principal Activities	The principal activities of the municipality are: <ul style="list-style-type: none">- Provide democratic and accountable government- Ensure sustainable service delivery to the communities- Promote social and economic development- Provide basic services to the community

Ikwezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

INDEX

The reports and statements set out below comprise the annual financial statements presented to the National Treasury: **Index**

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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)

Ikwezi Local Municipality

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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 annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual 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 annual financial statements and was given unrestricted access to all financial records and related data.

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

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

The accounting officer acknowledges that she 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 annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2015 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 4.

The annual financial statements set out on pages 4 to 51, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2014 and were signed by him:

M P Mpahlwa
Acting Municipal Manager

Ikwezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

Figures in Rand

	Notes	2014	2013
Assets			
Current Assets			
Inventories	2	11,847	7,610
Other receivables from non-exchange transactions	3	667,220	46,102
Trade receivables	4	3,163,276	5,382,344
Cash and cash equivalents	5	11,209	41,087
		3,853,552	5,477,143
Non-Current Assets			
Investment property carried at cost	6	43,637,900	43,637,900
Property, plant and equipment	7	98,750,062	94,562,810
Intangible assets	8	194,334	153,854
Heritage assets	9	-	-
		142,582,296	138,354,564
Total Assets		146,435,848	143,831,707
Liabilities			
Current Liabilities			
Finance lease obligation	11	245,802	221,890
Trade and other payables	12	19,858,746	15,195,996
VAT payable	13	1,194,561	1,353,473
Unspent conditional grants and receipts	14	2,568,266	7,525,692
Provisions	15	535,182	445,390
Bank overdraft	5	320,374	897,117
		24,722,931	25,639,558
Non-Current Liabilities			
Repayment - National Revenue Fund	10	5,305,241	-
Finance lease obligation	11	118,869	364,671
Provisions	15	8,212,606	8,016,946
		13,636,716	8,381,617
Total Liabilities		38,359,647	34,021,175
Net Assets		108,076,201	109,810,532
Accumulated surplus		108,076,201	109,810,532

Ikwezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand

	Notes	2014	2013
Revenue			
Property rates	16	1,593,890	1,392,245
Service charges	17	10,652,912	10,129,891
Government grants & subsidies	18	37,044,692	30,485,208
Interest received - internal	19	722,520	608,881
Interest received - external	19	61,173	116,524
Licences and permits	19	126,357	205,485
Rental of facilities and equipment	19	20,269	9,321
Other income	19	812,305	503,077
Gains on disposal of assets	19	-	6,000
Property rates - penalties imposed	19	231,287	189,438
Public contributions and donations	19	-	10,000
Total revenue		51,265,405	43,656,070
Expenditure			
Personnel	20	(18,004,168)	(17,699,275)
Remuneration of councillors	21	(1,582,600)	(1,517,080)
Debt impairment	22	(8,183,394)	(2,973,593)
Depreciation and amortisation	23	(2,988,733)	(2,749,963)
Finance costs	24	(616,473)	(141,103)
Repairs and maintenance	25	(1,932,029)	(1,597,547)
Bulk purchases	26	(5,879,737)	(5,613,492)
General Expenses	27	(13,783,331)	(13,228,679)
Loss on disposal of assets	7	(29,276)	-
Total expenditure		(52,999,741)	(45,520,732)
Deficit for the year		(1,734,336)	(1,864,662)

Ikwezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand		Accumulated surplus	Total net assets
Opening balance as previously reported at 01 July 2012		90,608,432	90,608,432
Adjustments			
Correction of errors	28	21,066,762	21,066,762
Balance at 01 July 2012 as restated		111,675,194	111,675,194
Changes in net assets			
Surplus for the year		(1,864,662)	(1,864,662)
Total changes		(1,864,662)	(1,864,662)
Balance at 01 July 2013		109,810,537	109,810,537
Changes in net assets			
Surplus for the year		(1,734,336)	(1,734,336)
Total changes		(1,734,336)	(1,734,336)
Balance at 30 June 2014		108,076,201	108,076,201

Ikwezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

CASH FLOW STATEMENT

Figures in Rand

	Notes	2014	2013
Cash flows from operating activities			
Receipts			
Rates and services		5,733,733	5,927,734
Government grants & subsidies		37,042,203	30,485,208
Interest income		783,693	725,405
Other receipts		961,420	727,883
		<u>44,521,049</u>	<u>37,866,230</u>
Payments			
Employee costs		(19,594,520)	(19,216,355)
Suppliers		(21,600,802)	(7,673,262)
Finance costs		(616,473)	(141,103)
		<u>(41,811,795)</u>	<u>(27,030,720)</u>
Net cash flows from operating activities	29	2,709,254	10,835,510
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(7,350,434)	(10,361,099)
Proceeds from sale of property, plant and equipment	7	232,358	6,000
Purchase of other intangible assets	8	(127,665)	(207,725)
Proceeds from sale of other intangible assets	8	1	-
Net cash flows from investing activities		(7,245,740)	(10,562,824)
Cash flows from financing activities			
Repayment of repayment - national revenue fund		5,305,241	-
Finance lease payments		(221,890)	(200,590)
Net cash flows from financing activities		5,083,351	(200,590)
Net increase/(decrease) in cash and cash equivalents		546,865	72,096
Cash and cash equivalents at the beginning of the year		(856,030)	(928,126)
Cash and cash equivalents at the end of the year	5	(309,165)	(856,030)

Ikwezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Cash 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						
Property rates	1,384,960	126,127	1,511,087	1,593,890	82,803	
Service charges	12,635,096	-	12,635,096	10,652,912	(1,982,184)	A
Property rates - penalties imposed	186,594	-	186,594	231,287	44,693	B
Government grants & subsidies	37,094,228	-	37,094,228	37,044,692	(49,536)	
Rental of facilities and equipment	219,551	(215,498)	4,053	20,269	16,216	C
Interest - internal	606,019	-	606,019	722,520	116,501	D
Licences and permits	114,413	-	114,413	126,357	11,944	E
Other income	403,038	(500)	402,538	812,305	409,767	D
Interest received - external	43,197	-	43,197	61,173	17,976	E
Total revenue	52,687,096	(89,871)	52,597,225	51,265,405	(1,331,820)	
Expenditure						
Personnel	(20,695,776)	1,711,387	(18,984,389)	(18,004,168)	980,221	F
Remuneration of councillors	(1,641,193)	(18,683)	(1,659,876)	(1,582,600)	77,276	
Depreciation and amortisation	(1,218,256)	-	(1,218,256)	(2,988,733)	(1,770,477)	G
Finance costs	(1,543,382)	1,348,315	(195,067)	(616,473)	(421,406)	
Debt impairment	(645,217)	-	(645,217)	(8,183,394)	(7,538,177)	H
Repairs and maintenance	(1,420,619)	193,865	(1,226,754)	(1,932,029)	(705,275)	I
Bulk purchases	(5,931,212)	-	(5,931,212)	(5,879,737)	51,475	
Loss on disposal of assets	-	-	-	(1)	(1)	
General Expenses	(23,688,789)	-	(23,688,789)	(13,783,331)	9,905,458	J
Total expenditure	(56,784,444)	3,234,884	(53,549,560)	(52,970,466)	579,094	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(4,873,813)	3,234,884	(1,638,929)	(1,705,061)	(66,132)	

Ikwezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Cash 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	-	-	-	11,847	11,847	
Other receivables from non-exchange transactions	-	-	-	667,220	667,220	
Consumer debtors	-	-	-	3,163,276	3,163,276	
Cash and cash equivalents	-	-	-	11,209	11,209	
	-	-	-	3,853,552	3,853,552	
Non-Current Assets						
Investment property carried at cost	-	-	-	43,637,900	43,637,900	
Property, plant and equipment	-	-	-	98,750,062	98,750,062	
Intangible assets	-	-	-	194,334	194,334	
	-	-	-	142,582,296	142,582,296	
Total Assets	-	-	-	146,435,848	146,435,848	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	-	245,802	245,802	
Trade and other payables	-	-	-	19,858,744	19,858,744	
VAT payable	-	-	-	1,194,561	1,194,561	
Unspent conditional grants and receipts	-	-	-	2,568,266	2,568,266	
Provisions	-	-	-	535,182	535,182	
Bank overdraft	-	-	-	320,374	320,374	
	-	-	-	24,722,929	24,722,929	
Non-Current Liabilities						
Repayment - National Revenue Fund	-	-	-	5,305,241	5,305,241	
Finance lease obligation	-	-	-	118,869	118,869	
Provisions	-	-	-	8,212,606	8,212,606	
	-	-	-	13,636,716	13,636,716	
Total Liabilities	-	-	-	38,359,645	38,359,645	
Net Assets	-	-	-	108,076,203	108,076,203	
Net Assets						
Reserves						
Accumulated surplus	-	-	-	108,076,203	108,076,203	

Ikwezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

A.

Ikwezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act No 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

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

These accounting policies are consistent with those applied in the preparation of the prior year financial statements, unless specified otherwise.

1.1 Presentation of currency

These annual financial statements are presented in South African Rand, which is the functional currency of the entity, rounded to R1.

1.2 Going concern

These annual financial statements were prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.3 Budget information

Budget information in accordance with GRAP 1 and 24, has been provided in the Statement of comparison of budget and actual amounts.

1.4 Comparative figures

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

The presentation and classification of items in the current year is consistent with prior years.

The nature and reasons for the reclassifications and restatements are disclosed in note 28 to the financial statements.

1.5 Offsetting

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

1.6 Significant judgements and sources of estimation uncertainty

The use of judgement, estimates and assumptions is inherent to the process of preparing annual financial statements. These judgements, estimates and assumptions affect the amounts presented in the annual financial statements. Uncertainties about these estimates and assumptions could result in outcomes that require material adjustment to the carrying amount of the relevant asset or liability in future periods.

Judgements

In the process of applying these accounting policies, management has made the following judgements that may have a significant effect on the amounts recognised in the annual financial statements.

Ikwezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

ACCOUNTING POLICIES

1.6 Significant judgements and sources of estimation uncertainty (continued) Estimates

Estimates are informed by historical experience, information currently available to management, assumptions, and other factors that are believed to be reasonable under the circumstances. These estimates are reviewed on a regular basis. Changes in estimates that are not due to errors are processed in the period of the review and applied prospectively.

In the process of applying the entity's accounting policies, the following estimates were made:

Inventory

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir.

Impairments of non-financial assets

In determining the value-in-use of non-financial assets, management is required to rely on the use of estimates about the asset's ability to continue to generate cash flows (in the case of cash-generating assets). For non-cash-generating assets, estimates are made regarding the depreciated replacement cost, restoration cost, or service units of the asset, depending on the nature of the impairment and the availability of information.

Provisions

Provisions are measured as the present value of the estimated future outflows required to settle the obligation. In the process of determining the best estimate of the amounts that will be required in future to settle the provision management considers the weighted average probability of the potential outcomes of the provisions raised. This measurement entails determining what the different potential outcomes are for a provision as well as the financial impact of each of those potential outcomes. Management then assigns a weighting factor to each of these outcomes based on the probability that the outcome will materialise in future. The factor is then applied to each of the potential outcomes and the factored outcomes are then added together to arrive at the weighted average value of the provisions. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

Pension and other post-employment 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, future salary increase, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

The measurement of receivables is derived after consideration of the allowance for doubtful debts. Management makes certain assumptions regarding the categorisation of debtors into groups with similar risk profiles so that the effect of any impairment on a group of receivables would not differ materially from the impairment that would have been determined had each debtor been assessed for impairment on an individual basis. The determination of this allowance is predisposed to the utilisation of estimates, assumptions and management judgements. In determining this allowance the estimates are made about the probability of recovery of the debtors based on their past payment history and risk profile.

Provision for rehabilitation of refuse landfill sites

The entity has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the size / extent of the land to be rehabilitated, the rehabilitation cost per square meter, the monitoring cost per square meter, and the rehabilitation period. Current costs are projected using the average rate of inflation over the remaining period until rehabilitation, and then discounted to their present value using an appropriate discounting rate, representing the time value of money.

Ikwezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

ACCOUNTING POLICIES

1.6 Significant judgements and sources of estimation uncertainty (continued)

Depreciation and amortisation

Depreciation and amortisation recognised on property, plant and equipment and intangible assets are determined with reference to the useful lives and residual values of the underlying items. The useful lives and residual values of assets are based on management's estimation of the asset's current condition, expected condition at the end of the period of use, its current use, expected future use and the entity's expectations about the availability of finance to replace the asset at the end of its useful life. In evaluating the useful life and residual value management considers the impact of technology and minimum service requirements of the assets.

1.7 Investment property carried at cost

Initial recognition and measurement

Investment property carried at cost 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, to meet service delivery objectives, for administrative purposes or sale in the ordinary course of operations.

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

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

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

The cost of self-constructed investment property is the cost at date of completion.

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

The cost of day to day servicing of investment property is recognised in the Statement of Financial Performance as incurred.

Subsequent measurement

Cost model

Subsequent to initial recognition investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation recognised on investment property is determined with reference to the useful lives and residual values of the underlying items. Depreciation is provided to write down the cost, less estimated residual value by equal instalments over the useful life of the property, which is as follows:

Item	Useful life
Buildings	30 years

Land is not depreciated as it is considered to have an indefinite useful life.

Impairments

The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an Investment Property is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance .

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

Ikwezi Local Municipality

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ACCOUNTING POLICIES

1.7 Investment property carried at cost (continued)

Derecognition

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

Gains or losses arising from the retirement or disposal of investment property carried at cost is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the Statement of Financial Performance in the period of retirement or disposal.

1.8 Property, plant and equipment

Initial recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one 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. The cost also includes the cost of dismantling and removing the asset and restoring the site on which it is operated.

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

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.

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

Subsequent measurement

Subsequent to initial recognition, property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land, which is not depreciated as it is deemed to have an indefinite useful life.

Subsequent expenditure

Where the entity replaces part of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Depreciation

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. Components that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciable amount is determined after taking into account an asset's residual value.

Ikwezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

ACCOUNTING POLICIES

1.8 Property, plant and equipment (continued)

The annual depreciation rates are based on the following estimated useful lives:

Item	Average useful life
Infrastructure	
☒ Roads and paving	30-75 years
☒ Water	15-60 years
☒ Electricity	50 years
☒ Sanitation	20-60 years
Community	
☒ Buildings	30 years
☒ Cemetery	25-50 years
Other	
☒ Buildings	30 years
☒ Office equipment	7-10 years
☒ Furniture and fittings	7-10 years
☒ Computer equipment	5-10 years
☒ Infrastructure equipment	15 years
☒ Motor vehicles	5-10 years
☒ Plant and equipment	10-15 years
☒ Other equipment	7 years
☒ Landfill	16-22 years

Impairments

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

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

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

Derecognition

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

Ikwezi Local Municipality

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ACCOUNTING POLICIES

1.9 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. The entity recognises an intangible asset in its Statement of Financial Position when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and the cost or fair value of the asset can be measured reliably.

An internally generated intangible asset is subject to strict recognition criteria before it is capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- ☐ the entity intends to complete the intangible asset, for use or sale
- ☐ it is technically feasible to complete the intangible asset
- ☐ the entity has the resources to complete the project
- ☐ it is probable that it will generate future economic benefits or service potential.
- ☐ the expenditure attributable to the asset during its development can be measured reliably.

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.

Subsequent measurement

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

The cost of an intangible asset is amortised over the useful life where that useful life is finite. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Financial Performance in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life assumption continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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.

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.

Amortisation and impairment

Amortisation is charged to write off the cost of intangible assets over their estimated useful lives using the straight-line method. The

annual amortisation rates are based on the following estimated average asset lives:

Computer software	3 years
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Impairments

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

Derecognition

Intangible assets are derecognised on disposal or when no future economic benefits or service potential are expected from its use or disposal.

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

Ikwezi Local Municipality

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ACCOUNTING POLICIES

1.10 Financial instruments

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.

Upon initial recognition the entity classifies financial instruments or their component parts as financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument meets the relevant definitions.

Financial instruments are evaluated, based on their terms, to determine if those instruments contain both liability and residual interest components (i.e. to assess if the instruments are compound financial instruments). To the extent that an instrument is in fact a compound instrument, the components are classified separately as financial liabilities and residual interests as the case may be.

Initial measurement

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.

Subsequent measurement

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost. All

financial assets and financial liabilities are measured after initial recognition using the following categories:

a) Financial instruments at fair value:

- ☐ 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.

b) Financial instruments at amortised cost

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.

c) Financial instruments at cost

Investments in residual interest, which do not have quoted market prices and for which fair value cannot be determined reliably.

The entity assesses which instruments should be subsequently measured at fair value, amortised cost or cost, based on the definitions of financial instruments at fair value, financial instruments at amortised cost or cost, based on the definitions of financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost as set out above.

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.

Ikwezi Local Municipality

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ACCOUNTING POLICIES

1.10 Financial instruments (continued)

Impairments

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

The entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the entity determines that no objective evidence of impairment exists for an individually assessed asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

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.

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.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when the obligation 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.

Ikwezi Local Municipality

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ACCOUNTING POLICIES

1.10 Financial instruments (continued)

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

Policies relating to specific financial instruments

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost.

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks.

Trade and other receivables

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost less provision for impairment. All trade and other receivables are assessed at least annually for possible impairment. Impairments of trade and other receivables are determined in accordance with the accounting policy for impairments. Impairment adjustments are made through the use of an allowance account.

Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

Trade and other payables

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost.

1.11 Leases

Finance leases - lessee

Initial recognition

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the entity through the lease agreement. Assets subject to finance leases are recognised in the Statement of Financial Position at the inception of the lease, as is the corresponding finance lease liability.

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.

Subsequent measurement

Subsequent to initial recognition the finance lease liability is carried at amortised cost, with the lease payments being set off against the capital and accrued interest. The allocation of the lease payments between the capital and interest portion of the liability is effected through the application of the effective interest method.

The finance charges resulting from the finance lease are expensed, through the Statement of Financial Performance, as they accrue. The finance cost accrual is determined using the effective interest method.

Finance lease liabilities are derecognised when the entity's obligation to settle the liability is extinguished. The assets capitalised under the finance lease are derecognised when the entity no longer expects any economic benefits or service potential to flow from the asset.

Ikwezi Local Municipality

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ACCOUNTING POLICIES

1.11 Leases (continued)

Operating leases - lessor

For those leases classified as operating leases the asset subject to the lease is not derecognised and no lease receivable is recognised at the inception of the lease.

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the straight-lined lease payments and the contractual lease payments are recognised as either an operating lease asset or operating lease liability. An operating lease liability is raised to the extent that lease payments are received in advance (i.e. the straight-line lease payments are more than the contractual lease payments). The operating lease asset and / or operating lease liability are measured as the undiscounted difference between the straight-line lease receipts and the contractual lease receipts.

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.

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

Operating leases - lessee

Assets subject to operating leases, i.e. those leases where substantially all of the risks and rewards of ownership are not transferred to the lessee through the lease, are not recognised in the Statement of Financial Position.

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.

1.12 Inventories

Initial recognition and measurement

Inventories are initially measured at cost. Cost refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their required location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage. Where inventory is acquired for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Subsequent measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress (WIP) and finished goods (FG), are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value.

Derecognition

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.

Ikwezi Local Municipality

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ACCOUNTING POLICIES

1.13 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short term employee benefits are recognised in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs. These short term employee benefits are measured at their undiscounted costs in the period the employee renders the related service or the specific event occurs.

Post-employment benefits

The entity provides post employment benefits for its officials. These benefits are provided as either defined contribution plans or defined benefit plans. The entity identifies as defined contribution plans any post-employment plan in terms of which it has no obligation to make further contributions to the plan over and above the monthly contributions payable on behalf of employees (for example in the event of a funding shortfall). Any other plans are considered to be defined benefit plans.

Defined contribution plans

Contributions made towards the fund are recognised as an expense in the Statement of Financial Performance in the period that such contributions become payable. This contribution expense is measured at the undiscounted amount of the contribution paid or payable to the fund. A liability is recognised to the extent that any of the contributions have not yet been paid. Conversely an asset is recognised to the extent that any contributions have been paid in advance.

Post retirement medical obligations

The municipality provides post-retirement medical benefits by subsidising the medical contributions of certain retired staff members according to the rules of the medical aid funds. Council pays 70% of the contributions and the remaining 30% is paid by the members.

The entitlement to post-retirement medical benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations, in accordance with GRAP 25 - "Employee Benefits". The plan is unfunded.

The contributions are recognised in the statement of financial performance when the employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value of the plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of minimum funding requirements. Payments made by the municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries, and are recognised in the Statement of Financial Performance upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.14 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 expenditure expected to be required to settle the obligation.

Ikwezi Local Municipality

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ACCOUNTING POLICIES

1.14 Provisions and contingencies (continued)

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.

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 expenditure for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

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

1.15 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrues to the entity directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable, excluding indirect taxes, rebates and discounts.

Recognition

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

- a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- b) The amount of revenue can be measured reliably; and
- c) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

Specific exchange revenue sources

Service charges relating to electricity and water are based on consumption. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Electricity meters in industrial areas are read at the end of each month and billed the following month. Premises with high-tension electricity supplies are read and billed monthly.

Revenue arising from the consumption of electricity and water in the month of June is fully accounted for whether invoiced or not.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. At reporting date, an estimate of the prepaid electricity consumed is made and revenue is adjusted accordingly. The estimate is based on trend analysis and historical data of electricity consumption.

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

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff. Tariffs are determined per category of property usage and are levied on a monthly basis.

Ikwezi Local Municipality

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ACCOUNTING POLICIES

1.15 Revenue from exchange transactions (continued)

Rental income arising on facilities and equipment is accounted for on a straight-line basis over the lease terms on ongoing leases.

Measurement

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

1.16 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a 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.

Recognition

Revenue from non-exchange transactions is only recognised once all of the following criteria have been satisfied:

- a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- b) The amount of revenue can be measured reliably; and
- c) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Council applies a flat rating system. The same rate factor is applied for land and buildings. In terms of this system, assessment rates are levied on the value of land and buildings in respect of properties. Rebates are granted according to the use of the property concerned. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Fines are recognised when it is probable that future economic benefits will flow to the entity, the costs can be reliably measured and all restrictions have been complied with. Fines constitute both spot fines and summonses. Revenue from spot fines is recognised when payment is received and the revenue from the issuing of summonses is recognised when collected. Due to the various legal processes that can apply to summonses and the inadequate information available from the courts, it is not possible to measure this revenue in the invoicing period.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is not a corresponding liability in respect of related conditions.

Measurement

An asset that is recognised as a result of a non-exchange transaction is recognised at its fair value at the date of the transfer. Consequently, revenue arising from a non-exchange transaction is measured at the fair value of the asset received, less the amount of any liabilities that are also recognised due to conditions that must still be satisfied.

Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, that liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equalling the fair value of the asset received.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor.

1.17 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Ikwezi Local Municipality

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ACCOUNTING POLICIES

1.18 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.19 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 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 Related parties

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

Transactions between related parties other than transactions that would occur within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the entity would have adopted if dealing with that individual or entity at arm's length in the same circumstances are disclosed within the annual financial statements.

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

1.22 Heritage assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated due to the uncertainty regarding their estimated useful lives.

Transitional provision

The municipality has taken advantage of the three year exemption on the measurement of Heritage Assets allowed by National Treasury.

1.23 Taxes - Value added tax

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

1.24 Capital commitments

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

Ikwezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

ACCOUNTING POLICIES

1.25 Post-reporting date events

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that is indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amounts recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.26. New standards and interpretations

1.26.1 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
☐ GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2014

1.26.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2014 or later periods:

Standard/ Interpretation:	Effective date:	Expected impact:
	Years beginning on or after	
• GRAP 105: Transfers of functions between entities under common control	01 April 2014	No significant effect
• GRAP 106: Transfers of functions between entities not under common control	01 April 2014	No significant effect
• GRAP 107: Mergers	01 April 2014	No significant effect

Possible impact of initial application of standards of GRAP approved but not yet effective

GRAP 105: Transfers of functions between entities under common control - No significant impact is expected as no such transactions or events are expected in the foreseeable future.

GRAP 106: Transfers of functions between entities not under common control - No significant impact is expected as no such transactions or events are expected in the foreseeable future.

GRAP 107: Mergers - No significant impact is expected as no such transactions or events are expected in the foreseeable future.

Ikwezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2014	2013
2. Inventories		
Water	11,847	7,610
No consumables were on hand at year end.		
3. Other receivables from non-exchange transactions		
Other taxes	40,415	46,102
Recoverable amounts - Department	333,828	-
Payment suspense	72,048	-
Prepayments	220,929	-
	667,220	46,102
4. Trade receivables		
Gross balances		
Rates	3,891,626	3,275,406
Electricity	6,111,401	3,368,814
Water	5,305,259	4,368,050
Sewerage	5,762,976	4,603,605
Refuse	5,201,429	4,233,578
Payments received in advance	(495,623)	(83,607)
Other	369,634	410,502
	26,146,702	20,176,348
Less: Allowance for impairment and debtors with credit balances		
Debtors with credit balances	495,623	86,607
Less: Provision for debt impairment	(22,983,426)	(14,794,004)
	(22,487,803)	(14,707,397)
Net balance	3,163,276	5,382,344
Rates		
Current (0 -30 days)	5,606	27,097
31 - 60 days	3,474	28,249
61 - 90 days	1,859	87,193
91 - 120 days	1,088	17,344
121 - 365 days	3,879,599	3,115,523
	3,891,626	3,275,406
Electricity		
Current (0 -30 days)	307,187	226,096
31 - 60 days	283,875	243,323
61 - 90 days	306,498	218,683
91 - 120 days	250,384	207,334
121 - 365 days	4,963,457	2,473,378
	6,111,401	3,368,814

Ikwezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2014	2013
4. Trade receivables (continued)		
Water		
Current (0 -30 days)	66,795	87,691
31 - 60 days	64,300	108,952
61 - 90 days	65,457	88,100
91 - 120 days	65,360	101,934
121 - 365 days	5,043,347	3,981,373
	5,305,259	4,368,050
Sewerage		
Current (0 -30 days)	73,804	103,820
31 - 60 days	73,430	127,508
61 - 90 days	75,295	107,205
91 - 120 days	75,455	125,360
121 - 365 days	5,464,992	4,139,712
	5,762,976	4,603,605
Refuse		
Current (0 -30 days)	68,304	83,282
31 - 60 days	66,199	104,629
61 - 90 days	67,504	85,183
91 - 120 days	68,102	99,302
121 - 365 days	4,931,320	3,861,182
	5,201,429	4,233,578
Provision for debt impairment	(22,983,426)	(14,794,004)
Payments received in advance		
Current (0 -30 days)	(495,623)	-
121 - 365 days	-	(83,607)
	(495,623)	(83,607)
Other		
Current (0 -30 days)	-	275
61 - 90 days	300	-
121 - 365 days	369,334	410,227
	369,634	410,502

Ikwezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2014	2013
4. Trade receivables (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	215,915	431,162
31 - 60 days	400,339	505,352
61 - 90 days	404,149	491,351
91 - 120 days	403,787	489,213
121 - 365 days	22,098,029	16,338,530
	23,522,219	18,255,608
Industrial/ commercial		
Current (0 -30 days)	(27,850)	17,575
31 - 60 days	25,561	22,003
61 - 90 days	20,652	20,817
91 - 120 days	15,506	15,387
121 - 365 days	541,585	394,238
	575,454	470,020
National and provincial government		
Current (0 -30 days)	(161,692)	79,524
31 - 60 days	65,378	85,306
61 - 90 days	91,811	74,196
91 - 120 days	41,098	46,674
121 - 365 days	2,012,436	1,165,020
	2,049,031	1,450,720
Total		
Current (0 -30 days)	26,372	528,261
31 - 60 days	491,278	612,661
61 - 90 days	516,613	586,363
91 - 120 days	460,390	551,274
121 - 365 days	24,652,049	17,897,789
	26,146,702	20,176,348
Less: Provision for debt impairment	(22,983,426)	(14,794,004)
	3,163,276	5,382,344
Total debtor past due but not impaired		
61 - 90 days	119,457	96,750
91 - 120 days	64,005	90,960
61 - 90 days	3,230,547	2,911,574
	3,414,009	3,099,284
Reconciliation of allowance for impairment		
Balance at beginning of the year	(14,794,004)	(11,820,411)
Contributions to allowance	(8,189,422)	(2,973,593)
	(22,983,426)	(14,794,004)

Ikwezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2014	2013
5. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	290	- Short-term deposits
10,919 41,087		
Bank overdraft	(320,374)	(897,117)
		(309,165) (856,030)
Current assets		11,209 41,087
Current liabilities		(320,374) (897,117)
		(309,165) (856,030)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2014	30 June 2013	30 June 2012	30 June 2014	30 June 2013	30 June 2012
ABSA BANK - Cheque Account - 4053099797	1,101,008	(289,459)	(75,025)	(320,083)	(897,117)	(1,239,581)
ABSA BANK - Salary Cheque Account - 2520141122	118	69	8,398	-	-	-
ABSA BANK - Money Market Account - 9137635959	-	25,199	224,127	-	41,087	311,455
ABSA Bank - Call deposit - 9118667163	914	3,045	73,017	914	-	-
ABSA Bank - Call deposit - 9101589574	1,002	6,841	5,310	1,002	-	-
Standard Bank - Trust Fund Account - 3/288885537/001	9,002	9,002	9,002	9,002	-	-
Total	1,112,044	(245,303)	244,829	(309,165)	(856,030)	(928,126)

6. Investment property carried at cost

	2014			2013		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	43,637,900	-	43,637,900	43,637,900	-	43,637,900

Reconciliation of investment property carried at cost - 2014

	Opening balance	Total
Investment property	43,637,900	43,637,900

Reconciliation of investment property carried at cost - 2013

	Opening balance	Total
Investment property	43,637,900	43,637,900
Fair value of investment properties	43,637,900	43,637,900

Ikwezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

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6. Investment property carried at cost (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.

7. Property, plant and equipment

	2014			2013		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	2,099,600	-	2,099,600	2,099,600	-	2,099,600
Infrastructure	125,979,542	(42,058,528)	83,921,014	114,302,414	(39,876,333)	74,426,081
Landfill sites	3,454,406	(1,082,250)	2,372,156	3,405,059	(898,527)	2,506,532
Other assets	4,940,922	(1,860,367)	3,080,555	4,263,721	(1,455,554)	2,808,167
Work in progress	7,276,737	-	7,276,737	12,722,430	-	12,722,430
Total	143,751,207	(45,001,145)	98,750,062	136,793,224	(42,230,414)	94,562,810

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	2,099,600	-	-	-	-	2,099,600
Infrastructure	74,426,081	-	-	11,677,128	(2,182,195)	83,921,014
Landfill sites	2,506,532	49,346	-	-	(183,722)	2,372,156
Other assets	2,808,167	1,069,653	(261,634)	-	(535,631)	3,080,555
Work in progress	12,722,430	6,231,435	-	(11,677,128)	-	7,276,737
	94,562,810	7,350,434	(261,634)	-	(2,901,548)	98,750,062

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Transfers	Depreciation	Total
Land	2,099,600	-	-	-	2,099,600
Infrastructure	65,045,399	-	11,452,708	(2,072,026)	74,426,081
Landfill sites	2,685,908	760	-	(180,136)	2,506,532
Other assets	1,793,539	1,450,565	-	(435,937)	2,808,167
Work in progress	15,265,364	8,909,774	(11,452,708)	-	12,722,430
	86,889,810	10,361,099	-	(2,688,099)	94,562,810

The gross carrying value of fully depreciated property, plant and equipment still in use amounts to R2 489 047.

Contractual commitments for the acquisition of property, plant and equipment

Infrastructure - 2,847,634

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.

Ikwezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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8. Intangible assets

	2014			2013		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	620,455	(426,121)	194,334	530,058	(376,204)	153,854

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	153,854	127,665	(1)	(87,184)	194,334

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer software	7,993	207,725	(61,864)	153,854

9. Heritage assets

The municipality owns the following heritage assets:

The Klipplaat monument, in honour of service men killed during the First World War.

The Great War Memorial monument, situated in Jansenville, in honour of service men killed during the First World War.

Transitional provision

The municipality has taken advantage of the three year exemption on the measurement of Heritage Assets allowed by National Treasury.

10. Repayment - National Revenue Fund

Public Works - EPWP	437,315	-
Integrated National Electrification Grant	2,948,808	-
Municipal Infrastructure Grant	1,543,480	-
Municipal Systems Infrastructure Grant	375,638	-
Terms and conditions	5,305,241	-

The Municipality failed to spend their entire DORA allocation in the 2012/2013 financial year and as a result National and Provincial Treasury are requiring that the municipality repay the unspent amount of R5,305,241.

Non-current liabilities

At amortised cost	5,305,241	-
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Ikwezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2014	2013
11. Finance lease obligation		
Minimum lease payments due		
- within one year	273,015	272,199
- in second to fifth year inclusive	143,078	416,093
	<hr/>	<hr/>
	416,093	688,292
less: future finance charges	(51,422)	(101,731)
Present value of minimum lease payments	<hr/> 364,671	<hr/> 586,561
Present value of minimum lease payments due		
- within one year	245,802	221,890
- in second to fifth year inclusive	118,869	364,671
	<hr/>	<hr/>
	364,671	586,561
Non-current liabilities	118,869	364,671
Current liabilities	245,802	221,890
	<hr/>	<hr/>
	364,671	586,561
The average lease term was 2 years and the effective borrowing rate ranges between prime and		prime plus 1.667 %.
12. Trade and other payables		
Trade payables	8,552,458	10,505,943
Other payables	18,923	12,478
Salaries control	-	421,560
Auditor General	4,368,068	2,119,757
Eskom - Departmental use and Free Basic Services	214,874	-
Eskom bulk purchases	4,325,899	-
Unknown deposits	647,203	741,862
Leave accrual	1,731,321	1,394,396
	<hr/>	<hr/>
	19,858,746	15,195,996
13. VAT payable		
VAT payable	1,194,561	1,353,473
	<hr/>	<hr/>

Ikwezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2014	2013
14. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
DORA grants		
Municipal Systems Infrastructure Grant	-	375,638
Municipal Infrastructure Grant	-	1,543,480
Public Works - EPWP	277,815	437,315
Integrated National Electrification Grant	-	2,948,808
	277,815	5,305,241
Other conditional grants		
Dan Sandi Sewerage Grant	70,000	-
Industrial Development Corporation	500,000	500,000
LED Special Grants Funding	1,645,893	1,645,893
Spatial Development Framework Grant	74,558	74,558
	2,290,451	2,220,451
	2,568,266	7,525,692
Movement during the year		
Balance at the beginning of the year	7,525,692	2,672,633
Additions during the year	13,515,000	17,244,000
Income recognition during the year	(13,167,185)	(12,390,941)
Transferred to borrowings	(5,305,241)	-
	2,568,266	7,525,692

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited.

See note 18 for reconciliation of grants from National/Provincial Government.

Ikwezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

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15. Provisions

Reconciliation of provisions - 2014

	Note	Opening Balance	Additions	Utilised during the year	Total
Rehabilitation of landfill		4,228,206	283,524	-	4,511,730
Provision for performance bonuses		175,740	363,876	(175,740)	363,876
Long service awards	44	972,000	267,000	(450,000)	789,000
Post employment medical aid	44	2,641,000	-	(93,000)	2,548,000
Provision for annual bonuses		445,390	535,182	(445,390)	535,182
		8,462,336	1,449,582	(1,164,130)	8,747,788

Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Total
Rehabilitation of landfill	4,006,318	221,888	-	4,228,206
Provision for performance bonuses	-	175,740	-	175,740
Long service awards	688,000	284,000	-	972,000
Post employment medical aid	2,239,000	402,000	-	2,641,000
Provision for annual bonuses	328,137	445,390	(328,137)	445,390
	7,261,455	1,529,018	(328,137)	8,462,336

Non-current liabilities	8,212,606	8,016,946
Current liabilities	535,182	445,390
	8,747,788	8,462,336

Performance Bonuses

Performance bonuses are paid out to senior management and are calculated at 13% to 14% of the annual salary package.

Bonuses

Bonuses are paid out to all employees (except for senior management) during November each year and are based on a 13th monthly basic salary.

Long service awards

Long service awards to eligible employees are paid for services rendered by employees of 5 years and longer in five year intervals. The service awards are paid as per the collective agreement of 21 February 2011, signed by the Bargaining Council. The basis on which this was calculated is as follows:

- After 5 Continuous Years of Service - 2% of Basic Annual Salary
- After 10 Continuous Years of Service - 3% of Basic Annual Salary
- After 15 Continuous Years of Service - 4% of Basic Annual Salary
- After 20 Continuous Years of Service - 5% of Basic Annual Salary
- After 25 Continuous Years of Service - 6% of Basic Annual Salary
- After 30 Continuous Years of Service - 6% of Basic Annual Salary
- After 35 Continuous Years of Service - 6% of Basic Annual Salary
- After 40 Continuous Years of Service - 6% of Basic Annual Salary
- After 45 Continuous Years of Service - 6% of Basic Annual Salary

Post-employment medical benefits

This provision was valued by an independent valuator as at 30 June 2014. The valuation of this liability considers all employees, retired employees and their dependants who participate in the medical aid arrangements and are entitled to a post-employment medical aid subsidy. The Projected Unit Credit funding method has been used to determine the post-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

Ikwezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

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15. Provisions (continued)

Rehabilitation of landfill

The obligation for the environmental rehabilitation results from the onus imposed by the Environmental Conservation Act No.73 of 1989 to rehabilitate landfill sites after use. The sites are expected to be closed in 2030, after which rehabilitation will take place over the course of the next 9 to 10 years after which the site is expected to be fully rehabilitated. The following assumptions were used when calculating the provisions for Landfill Site rehabilitation:

- The CPIX was used to adjust the cost as it is the only determining factor year on year.

The landfill sites are nearing the end of their useful lives and the ground and ground water on the entire site are thus considered to be contaminated and not just the portions in use, i.e. the provision provides for the cost of rehabilitating the entire site and not just the portions used up to financial year end. The entire site would need to be rehabilitated due to waste distributed across the entire site over the years since opening thereof. Thus, as provided in GRAP 19 where it states that the provision should only be raised to the extent that the costs would need to be incurred, it is considered that the full cost of rehabilitation would need to be incurred to rehabilitate the sites.

16. Property rates

Rates received

Property rates	1,593,890	1,392,245
Property rates - penalties imposed	231,287	189,438
	1,825,177	1,581,683

Valuations

Residential	63,585,200	63,585,200
Commercial	15,792,500	15,792,500
State	57,935,200	57,935,200
Agricultural	877,914,300	877,914,300
Vacant	-	-
Indigent	664,100	664,100
Places of worship	3,537,300	3,537,300
	1,019,428,600	1,019,428,600

The following general rates were applied during the 2013/2014 and 2012/2013 years respectively to property valuations to determine the assessment rates:

Residential properties	2.114 c/R	1.975 c/R
Businesses State	2.537 c/R	2.371 c/R
properties Agricultural	3.043 c/R	2.844 c/R
properties	0.106 c/R	0.099 c/R

17. Service charges

Sale of electricity	6,619,024	6,146,076
Sale of water	1,238,415	1,255,999
Sewerage charges	1,514,705	1,530,432
Refuse removal	1,280,768	1,197,384
	10,652,912	10,129,891

Ikwezi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2014	2013
18. Government grants and subsidies		
Unconditional grants and subsidies		
Equitable share	16,860,000	15,595,000
Provincial allocation	266,000	112,327
Department of Water Affairs	2,459,301	571,017
Department of Water - Water Services Capacity IEC	-	300,000
250,700	239,467	500,985
EC Government Revitalisation grant and Traditional Affairs	700,000	-
248,121	1,276,456	2,592,400
		- Subsidies
		- Local Government Auditor General
		23,877,507
		18,094,267
Conditional grants		
Integrated National Electrification grant	-	325,823
Finance Management grant	1,650,000	1,500,000
Municipal Systems Improvement grant	890,000	682,088
Municipal Infrastructure grant	9,725,000	9,044,903
Public Works - EPWP	722,185	562,685
Spatial Development Framework	-	275,442
Dan Sandi Sewerage	180,000	-
		13,167,185
		12,390,941
		37,044,692
		30,485,208

Equitable Share

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

Integrated National Electrification grant

Balance unspent at beginning of year	2,948,808	74,631
Current-year receipts	-	3,200,000
Transferred to revenue borrowings	(2,948,808)	-
		(325,823) Transferred to
		-
		2,948,808

Finance Management grant

Current-year receipts	1,650,000	1,500,000
Conditions met - transferred to revenue	(1,650,000)	(1,500,000)
		-
		-

Municipal Systems Improvement grant

Balance unspent at beginning of year	375,638	257,725
Current-year receipts	890,000	800,000
Transferred to revenue borrowings	(375,638)	-
		(682,087) Transferred to
		-
		375,638

Ikwezi Local Municipality

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2014	2013
18. Government grants and subsidies (continued)		
Municipal Infrastructure grant		
Balance unspent at beginning of year	1,543,480	344,384
Current-year receipts	9,725,000	10,244,000
Transferred to revenue	(9,725,000)	(9,044,904)
Transferred to borrowings	(1,543,480)	-
	-	1,543,480
Public Works - EPWP		
Balance unspent at beginning of year	437,315	-
Current-year receipts	1,000,000	1,000,000
Transferred to revenue	(722,185)	(562,685)
Transferred to borrowings	(437,315)	-
	277,815	437,315
Local Economic Development		
Balance unspent at beginning of year	1,645,893	1,645,893
Spatial Development Framework		
Balance unspent at beginning of year	74,558	350,000
Conditions met - transferred to revenue	-	(275,442)
	74,558	74,558
Dan Sandi Sewerage grant		
Current-year receipts	250,000	-
Conditions met - transferred to revenue	(180,000)	-
	70,000	-
Industrial Development Corporation		
Balance unspent at beginning of year	500,000	-
Current-year receipts	-	500,000
	500,000	500,000
19. Revenue		
Property rates	1,593,890	1,392,245
Service charges	10,652,912	10,129,891
Government grants and subsidies	37,044,692	30,485,208
Interest received - internal	722,520	608,881
Licences and permits	126,357	205,485
Rental of facilities and equipment	20,269	9,321
Other income	812,305	503,077
Interest received - external	61,173	116,524
Property rates - penalties imposed	231,287	189,438
Public contributions and donations	-	10,000
	51,265,405	43,650,070

Ikwezi Local Municipality

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19. Revenue (continued)

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

Service charges	10,652,912	10,129,891
Rental of facilities and equipment	20,269	9,321
Interest received - internal	722,520	608,881
Licences and permits	126,357	205,485
Other income	812,305	503,077
Interest received - external	61,173	116,524
	12,395,536	11,573,179

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

Property rates	1,593,890	1,392,245
Property rates - penalties imposed	231,287	189,438
Government grants and subsidies	37,044,692	30,485,208
Public contributions and donations	-	10,000
	38,869,869	32,076,891

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20. Personnel		
Basic	13,144,987	12,080,114
Performance bonus	189,000	175,740
Medical aid - company contributions	521,111	464,969
UIF	114,349	102,751
SDL	117,102	103,773
Leave pay provision charge	739,692	856,620
Provision for bonuses	99,359	117,254
Other short term costs	118,088	-
Travel, motor car, accommodation, subsistence and other allowances	522,624	579,919
Overtime payments	716,078	703,278
Long-service awards	-	3,440
Housing benefits and allowances	9,085	14,997
Annual Bonus	741,892	651,465
Pension fund contributions	1,243,509	1,150,952
Group life	-	974
Bargaining council	3,292	7,029
Provision for post employment benefits	(276,000)	686,000
	18,004,168	17,699,275
Remuneration of municipal manager		
Annual Remuneration	737,391	682,500
Travel, motor car, accommodation, subsistence and other allowances	134,400	120,000
Contributions to UIF, Medical and Pension Funds	-	112,350
	871,791	914,850
<p>The municipal manager, Mr T Gutas, has been suspended for the whole year with Mrs Mpahlwa, Director: Strategic Services, acting in his place.</p>		
Remuneration of chief finance officer		
Annual Remuneration	623,072	251,000
Travel, motor car, accommodation, subsistence and other allowances	120,000	35,000
	743,072	286,000
<p>D. Sauls was appointed on 1 July 2013.</p>		
Remuneration of the Manager - Strategic Services		
Annual Remuneration	623,072	575,500
Travel, motor car, accommodation, subsistence and other allowances	120,000	120,000
Contributions to UIF, Medical and Pension Funds	-	97,370
Acting Allowance	42,906	-
	785,978	792,870
Remuneration of Manager - Technical Services		
Annual Remuneration	50,423	557,500
Travel, motor car, accommodation, subsistence and other allowances	12,500	138,000
Contributions to UIF, Medical and Pension Funds	-	97,370
	62,923	792,870

Mr Nongene vacated the post at the end of August 2013 and returned in June 2014.

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Figures in Rand	2014	2013
21. Remuneration of councillors		
Executive Mayor	359,771	342,396
Councillors	1,233,749	1,136,601
	1,593,520	1,478,997

In-kind benefits

The municipality received assistance from the Cacadu District Municipality. The assistance provided by Cacadu District Municipality was to provide accounting support services.

Councillors' Remuneration

2014

Councillor	Remuneration	Allowances	Total
SA Mngwevu (Mayor)	261,472	98,299	359,771
K Hendricks	144,792	60,833	205,625
M Bonaparte	144,792	60,833	205,625
L Ntame	144,792	60,833	205,625
A Mboneni	144,792	60,833	205,625
J Lewis	144,792	60,833	205,625
BW Seekooi	144,792	60,833	205,625
	1,130,224	463,297	1,593,521

2013

Councillor	Remuneration	Allowances	Total
SA Mngwevu (Mayor)	251,325	91,070	342,395
K Hendricks	134,442	55,189	189,631
M Bonaparte	133,260	55,189	188,449
L Ntame	134,442	55,189	189,631
A Mboneni	134,442	55,189	189,631
J Lewis	134,442	55,189	189,631
BW Seekooi	134,442	55,189	189,631
	1,056,795	422,204	1,478,999

22. Debt impairment

Contributions to debt impairment provision	8,183,394	2,973,593
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23. Depreciation and amortisation

Property, plant and equipment	2,988,733	2,749,963
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Figures in Rand	2014	2013
24. Finance costs		
Trade and other payables	335,489	46,858
Finance leases	280,984	94,245
	616,473	141,103
25. Repairs and maintenance		
Buildings	274,684	877,309
Computers	1,648	-
Network	1,299,816	278,603
Stormwater	-	520
Street	77,263	29,250
Tools and equipment	1,746	29,684
Vehicles and plant	219,554	190,426
Water reticulation	57,318	191,755
	1,932,029	1,597,547
26. Bulk purchases		
Electricity	5,879,737	5,613,492

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Figures in Rand	2014	2013
27. General expenses		
Audit committee	5,000	16,510
Advertising	75,968	77,882
Audit fee - internal	137,615	435,166
Auditors remuneration	2,300,495	1,481,271
Bank charges	150,543	151,686
Books and publications	1,486	3,715
Registration costs	-	6,000
Communication	73,448	102,174
Departmental electricity	1,126,826	200
Entertainment	86,359	129,333
Fines and penalties	26,207	-
Matlansana projects	506,107	-
Sign boards	-	298
Free basic services	1,615,331	615,196
Sundry expenses	134,105	686,010
Fuel and oil	513,389	507,201
Insurance	192,157	125,509
Internet subscriptions	147,776	67,994
Lease rentals	274,687	276,078
Professional fees	1,639,301	2,711,116
Legal expenses	529,724	462,731
Chemicals	335,500	881,463
Subscriptions	99,008	111,753
Motor vehicle expenses - licencing	8,852	52,739
Movement in provision for landfill sites	234,178	221,128
MSIG	599,100	627,851
Postage and courier	60,583	45,649
Printing and stationery	274,809	242,882
Special projects	121,131	329,477
Protective clothing	6,285	105,121
Summit costs	422,900	-
Pauper burials	23,000	14,000
Telephone and fax	490,755	659,632
Tourism development	18,248	12,850
Water meters	-	121,673
Training	112,688	363,469
Subsistence and travel	1,423,472	1,511,481
Water	16,298	-
IDP	-	71,441
	13,783,331	13,228,679

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28. Prior period errors

The correction of error relating to the opening retained income balance at 01 July 2012 is due to the following adjustment:

1

Further to the above the following balances were adjusted as follows as at the 2013 reporting date:

Statement of financial position	Restated 2013	Reported 2013
Assets		
Current assets		
Cash and cash equivalents	41,087	41,088
Trade receivables	5,382,344	3,941,462
Other receivables from non-exchange transactions	46,102	2,337,639
Inventories	7,610	2,349
Non-current assets		
Investment property	43,637,900	35,155,800
Property, plant and equipment	94,562,810	74,271,187
Intangible assets	153,854	232,719
Liabilities		
Current liabilities		
Finance lease obligation	221,890	222,174
Trade and other payables	15,195,995	11,646,851
Bank overdraft	897,117	911,163
Provisions	445,390	2,003,733
Unspent conditional grants	7,525,692	8,757,717
VAT payable	1,353,473	(880,416)
Non-current liabilities		
Finance lease obligation	364,671	364,386
Provisions	8,016,946	1,022,400
	177,852,881	140,030,252
Statement of Financial Performance		
Revenue		
Service charges	10,129,891	11,024,551
Rental of facilities and equipment	9,321	10,491
Licences and permits	205,485	-
Government grants & subsidies	30,485,208	28,377,084
Interest received	725,405	725,403
Other income	503,077	1,015,701
Public contributions and donations	-	10,000
Gain on disposal of asset	6,000	-
Expenditure		
Personnel	17,699,275	17,490,346
Depreciation and amortisation	2,749,963	2,526,105
Finance costs	141,103	77,696
Repairs and maintenance	1,741,191	1,181,002
Bulk purchases	5,613,492	5,374,105
General expenses	13,530,054	10,135,267
Impairment loss	-	143,917
	83,539,465	78,091,668

Ikwezi Local Municipality

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Figures in Rand	2014	2013
29. Cash generated from operations		
Deficit	(1,734,336)	(1,864,662)
Adjustments for:		
Depreciation and amortisation	2,988,733	2,749,963
Gain (loss) on sale of assets and liabilities	29,276	(6,000)
Debt impairment	8,183,394	2,973,593
Movements in provisions	285,452	1,200,881
Changes in working capital:		
Inventories	(4,237)	(7,610)
Other receivables	(621,118)	142,569
Consumer debtors	(5,964,326)	(6,547,376)
Trade and other payables	4,662,754	6,720,126
VAT	(158,912)	620,968
Unspent conditional grants and receipts	(4,957,426)	4,853,058
	2,709,254	10,835,510

30. Auditors' remuneration

Fees	2,300,495	1,481,271
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31. Related parties

Relationships	
Mayor	SA Mngwevu
Councillor	Cllr K Hendricks
Councillor	Cllr M Bonaparte
Councillor	Cllr L Ntame
Councillor	Cllr A Mboneni
Councillor	Cllr J Lewis
Councillor	Cllr B W Seekooi
Municipal Manager (suspended)	LT Gutas
Chief Financial Officer and Director Corporate Services	D Sauls
Director Technical Services	N Nongene
Acting Municipal Manager	M P Mpahlwa
Related government entity	Eskom
District Municipality Which Ikwezi Municipality forms part of	Cacadu District Municipality
Close family member of key management	None
Joint venture of key management	None
Associate of close family member of key management	None
Members of key management	None

32. Risk management

Financial risk management

Liquidity risk

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

Ikwezi Local Municipality

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32. Risk management (continued)

Credit risk

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

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

Financial instrument

- Call deposits	10,918	41,087
- Trade and other receivables	3,163,276	5,382,344
- Other receivables	1,346,310	1,346,974

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Interest rate risk is managed by investing any surplus funds into high yield investments. The resultant interest earned is likely to offset interest paid, as both are linked to prime rates.

33. Events after the reporting date

No events have been identified after the reporting date which could have a material impact on the annual financial statements.

34. Unauthorised expenditure

35. Fruitless and wasteful expenditure

36. Irregular expenditure

37. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the council and includes a note to the annual financial statements.

Goods and services to the value of Rxxxx were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the council who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Ikwezi Local Municipality

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38. Contingencies

Phil-Ann Roberts vs Ikwezi Municipality / Xola Jack

A charge of sexual harassment was laid against Mr X. Jack, an employee, by P. Roberts, a former employee. Mr Jack pleaded guilty and entered into an agreement with council, getting minimal sanction. The inappropriate sanction agreed on, created a liability for council and a sizeable claim is a possibility. The claim could reach an estimated R650,000 including legal fees.

M. Blouw

The municipality is being sued by a former employee, M. Blouw. Mr Blouw is claiming an amount of R562,509. The matter has been to arbitration and pending legal counsel the municipality is going to settle out of court.

Mrs M. Mpahlwa

The above employee, and current Acting Municipal Manager, was suing the Municipality for damages to the amount of R49,990.50. The case has been dismissed.

In addition to the above matter, Mrs Mpahlwa is also suing the Municipality for a subsistence and travel claim of R18,068.

Ms P. Grootboom

Ms Grootboom, a former employee, is suing the Municipality for unfair dismissal. She is claiming lost pay and leave pay of R8,024.

Ms C. Williams

Ms C. Williams is suing the Municipality for unfair labour practice. The potential claim has not yet been determined.

Mr T. Gutas

Mr T. Gutas, the current Municipal Manager, is suing the Municipality for unfair labour practice and unfair dismissal. The Municipal Manager has been suspended with full pay while the matter is being investigated. The potential damages amount to R857,391.

Ms L. Mahlahla

Ms Mahlahla is suing the municipality for unfair labour practice. She is claiming an amount of R2,431.

Jansenville Taxi Association

Jansenville Taxi Association has taken the municipality to court over the eviction of M. Blouw. The value of the potential claim has not yet been determined.

Fleet Dynamics CC

The Municipality is being sued by Fleet Dynamics CC for breach of contract. The potential damages have not yet been determined.

Fleet Africa

The Municipality was sued by Fleet Africa for breach of contract. A settlement of R650,000 has been reached.

Lenist Trading

The Municipality is being sued by Lenist Trading for R87,910 for breach of contract.

M. L. Meyer

Mr M.L. Meyer, a former employee, successfully sued the Municipality for R240,000 for unfair dismissal.

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38. (continued) X.

Jack

X. Jack, an employee, sued the Municipality for unfair suspension. The matter has been resolved.

Cllr J. Lewis

The councillor sued the Municipality for unfair dismissal. The matter has been resolved.

M. Mpahlwa

Mrs Mpahlwa, an employee, sued the Municipality for unfair suspension. The matter has been resolved.

Z. Nongene

Mr Z. Nongene, an employee, sued the Municipality for unfair suspension. The matter has been resolved.

M. Plaatjies

Mrs M. Plaatjies, an employee, sued the Municipality for unfair labour practice. The matter has been resolved.

U. Benelwa

Ms U. Benelwa, an employee, sued the Municipality for unfair labour practice. The matter has been resolved.

W. Franse

Ms W. Franse, an employee, sued the Municipality for "Mutual Interest". The matter has been resolved.

Fleet Africa

The Municipality was sued by Fleet Africa for breach of contract. A settlement of R650,000 has been reached.

39. Material losses

During the 2014 financial year the municipality incurred distribution losses relating to water of 5.0% (2013: 5.6%) and relating to electricity of 48.9% (2013: 45.9%)

40. Pension and medical aid deductions

Current year payroll deductions and Council Contributions
Amount paid - current year

2,504,183

1,614,272

(2,074,478)

(1,614,272)

429,705

-

41. Councillors' arrear consumer accounts

Outstanding less than 90 days

Councillor K Hendricks

614

-

Councillor J Lewis

1,051

-

Councillor Ngeza

124

-

Councillor M Bonaparte

592

682

Councillor Lama

592

-

Councillor BW Seekooi

297

481

3,270

1,163

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Figures in Rand	2014	2013
41. Councillors' arrear consumer accounts (continued)		
Outstanding more than 90 days		
Councillor Nqeza	5,593	-
Councillor M Bonaparte	930	227
Councillor Lama	6,366	-
	12,889	227
42. PAYE, SDL and UIF		
Current year payroll deductions	2,319,342	2,163,948
Amount paid - current year	(1,727,634)	(2,163,948)
	591,708	-
43. Operating leases		
Gross investment in the lease due		
- within one year	71,809	62,088
- in second to fifth year inclusive	39,613	63,467
	111,422	125,555
Present value of minimum lease payments due		
- within one year	71,809	62,088
- in second to fifth year inclusive	39,613	63,467
	111,422	125,555

The average lease terms is 2 years and the average effective lending rate is undetermined.

Obligations under operating leases are secured by the lessor's title to the leased property.

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Figures in Rand	2014	2013
44. Employee benefits		
44.1 Post employment medical benefit		
The amounts recognised in the statement of financial position are as follows:		
Post Employment Medical Liability - Carrying value		
Present value of the post employment benefit medical obligation - wholly unfunded	2,548,000	2,641,000
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	2,641,000	2,239,000
Net expense recognised in the statement of financial performance	(93,000)	402,000
	2,548,000	2,641,000
Net expense recognised in the statement of financial performance		
Current service cost	85,000	77,000
Interest cost	209,000	178,000
Actuarial (gains) losses	(79,000)	(72,000)
Benefits paid	(308,000)	219,000
	(93,000)	402,000
Key assumptions used		
Assumptions used at the reporting date:		
Discount rates used	8.94 %	7.89 %
Net discount rate	0.82 %	0.70 %
Consumer price inflation	7.05 %	6.14 %
Medical aid inflation	8.05 %	7.14 %
The PA 90-2 post-retirement mortality table used		
Number of Continuation pensioners - 4		
Average age of Continuation pensioners as at 30 June 2014 was 64.0 (2012/2013: 62.6, with an average employer monthly contribution of R1,650 (2012/2013: R1,510).		
Defined benefit obligation		
The obligation in respect of the medical care contributions for retirement benefits is valued every year by independent qualified actuaries. The last actuarial valuation was performed on 30 June 2014 by ZAQ Consultants and Actuaries using the Projected Unit Credit Method.		
44.2 Long service awards		
The amounts recognised in the statement of financial position are as follows:		
Long service awards - Carrying value		
Present value of the long service awards - wholly unfunded	789,000	972,000
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	972,000	688,000
Net expense recognised in the statement of financial performance	(183,000)	284,000
	789,000	972,000

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Figures in Rand	2014	2013
44. Employee benefits (continued)		
Net expense recognised in the statement of financial performance		
Current service cost	208,000	149,000
Interest cost	79,000	58,000
Actuarial (gains) losses	(366,000)	100,000
Bonuses paid	(104,000)	(23,000)
	(183,000)	284,000

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	7.96 %	7.40 %
Net discount rate	0.59 %	0.69 %
Consumer price inflation	6.33 %	5.66 %
Expected increase in salaries	7.33 %	6.66 %

Defined benefit obligation

The obligation in respect of the long service awards is valued every year by independent qualified actuaries. The last actuarial valuation was performed on 30 June 2014 by ZAQ Consultants and Actuaries using the Projected Unit Credit Method.