

2011/12



ANNUAL  
REPORT

Volume I

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# # Contents

## REVISED ANNUAL REPORT TEMPLATE

The purpose of this revised Annual Report template is to address the need expressed by a number of municipalities for assistance in the preparation and development of improved content and quality of Municipal Annual Reports. This template provides an update to the MFMA Circular No. 11, issued in January 2005.

This template gives effect to the legal framework requirement, concepts and principals espoused in the White Paper on Local Government and Improving Government Performance. It reflects the ethos of public accountability. The content gives effect to information required for better monitoring and evaluation of government programmes in support of policy decision making. The template provides an improved overview of municipal affairs by combining the performance report data required under Municipal Systems Act Section 46 with annual report data referred to in that Act and in the MFMA.

The revised template makes its contribution by forging linkages with the Integrated Development Plan, Service Delivery and Budget Implementation Plan, Budget Reforms, In-year Reports, Annual Financial Statements and Performance Management information in municipalities. This coverage and coherence is achieved by the use of interlocking processes and formats.

The revised template relates to the Medium Term Strategic Framework particularly through the IDP strategic objectives; cross cutting nature of services offered by different spheres of government, municipal service outcome indicators; and the contextual material as set out in Chapters 3, 4 & 5. It also provides information on good management practice in Chapter 4; risk management in Chapter 2; and Supply Chain Management in Chapter 5; and addresses the Auditor-General's Report, dealing with Financial and Performance Management arrangements in Chapter 6. This opens up greater possibilities for financial and non financial comparisons between municipalities and improved value for money.

The revised template provides information on probity, including: anti-corruption strategies; disclosure of financial interests by officials and councillors; disclosure of grants by external parties, disclosure of loans and grants by municipalities. The appendices talk to greater detail including disaggregated information on municipal wards, among others. Notes are included throughout the format to assist the compiler to understand the various information requirements.

The financial years contained in this template are explained as follows:

- Year 2011: The previous financial year;
- Year 2012: The financial year of reporting;
- Year 2013: The following year, mostly requires future targets; and
- The other financial years will follow a similar sequence as explained above.

We wish to express our gratitude to the members of the Annual Report Reference Group, consisting of national, provincial and municipal officials for their inputs and support throughout the development of this document.

MFMA Implementation Unit, National Treasury

2012

# Chapter 1

## CHAPTER 1 – MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

### COMPONENT A: MAYOR'S FOREWOR

#### MAYOR'S FOREWORD



Cllr MN Qamngwana  
Mayor Inkwanca Municipality

I hereby present, to the Council and the people of Inkwanca Municipality and to our stakeholders in general, this Annual Report for the Financial year 2011/2012.

Significantly, this report mirrors the activities and achievements for the year under review. It portrays the first year of the current term of this Council. As the municipality we will continue to provide an equal opportunity for material and social up-liftment for all residents and this is evident in the latest published 2011 census that access to basic services has improved in our communities, See Chapter 2 Table 2.11 for details.

I can proudly report during the year under review amongst others progress that has been made by our municipality in improving service delivery , providing clean water and decent sanitation, implementing projects that have created more job opportunities in our municipality, this include the construction of Masakhe Community Hall in ward 3, construction of Sokoyi Bridge in ward 3, Re-surfacing of Access Raods ward 1 & 4, installation of Streetlights in all wards and the upgrading of the Water Treatment Plant in Sterkstroom and our Treatment plant in Molteno has achieve a Blue Drop status . We continue to promote youth development and participatory in sport through Mayor's Cup that is held annually. Although the amount allocated to us remains a challenge in terms of addressing the backlog that we have in our municipality, I hope the method will change in future so that we can be funded according to our needs and not according to our population. One other aspect we need to improve on is the Audit report. We cannot continue receiving a bad Audit outcome year after year.

Although we are collecting on service charges but we need to improve on revenue enhancement. This will make it possible for us to create more jobs and provide quality service to the people.

The period under review the municipality had 4 wards and active ward committees for the first time and this has enhanced public participatory and also improved our planning mechanism which is now ward base because we had no wards in the past.

I am committed to improve service delivery during my term in office. This will be done by building 100 middle-income houses, engaging all government departments to have offices in our municipality, engaging the private sector for the rehabilitation of the railway line and by looking for partnerships in opening coal mines in our area as we have a coal belt and methane gas

In presenting this Annual report, I want to acknowledge the role played by the administration during the

# # Chapter 1

Audit. However, it is important to note that while greater effort has been put in addressing the financial management and governance of the municipality, the internal control environment still require significant improvements in order for the municipality to achieve a clean audit. It is therefore our collective endeavor to work tirelessly to ensure effective oversight over the administration and entrenchment of good governance ethos in order to restore public confidence.

To my fellow Councillors “Aluta Continua”.

I urge all our stakeholders to interact with the report and to exercise their democratic right (which is enshrined in the constitution) to comment on the performance of the municipality.

I thank you

**Councillor M.N. Qamqwana**  
**Mayor**  
**Inkwanca Municipality**

*T 1.0.1*

# # Chapter 1

## COMPONENT B: EXECUTIVE SUMMARY

### 1.1. MUNICIPAL MANAGER'S OVERVIEW

#### MUNICIPAL MANAGER'S OVERVIEW



Municipal Manager- G. Sgojo  
Inkwanca Municipality

This Annual report seeks to provide an overview of Inkwanca Municipality's performance during the financial year 2011/12. Inkwanca Municipality has for the year under review set out certain objectives which we wanted to achieve to change the lives of our people for the better.

We are proud to report that substantial progress has been made towards meeting our targets as set in Service Delivery and Budget Implementation Plan for the year under review. On the subject of performance, the municipality did not perform as well as it could have and this is due to general capacity constraints experienced by the municipality. This is a historical challenge that has had a negative effect to the municipality however we are nonetheless addressing this matter as the municipality. Notwithstanding the said capacity constraints, the municipality has nonetheless achieved satisfactory delivery as presented under Performance Highlights below:

#### **The municipality has prioritised the following:**

Provision of potable water and adequate sanitation to the communities; Provision of electricity; Road Infrastructure; Local Economic Development Provision effective and clean governance , Organizational development and Financial viability of the municipality

While the provision of water is a competence of the District Municipality during the year under review the provisioning of water has become the services of the local municipality through an agreement entered into between the parties, the local municipality has a key role in identifying priority communities for intervention and ensuring indeed that the District Municipality delivers in this regard. Similarly, delivery of electricity in the 60% communities is an Eskom competence; however the municipality plays an enabling and monitoring role in this respect also.

The Inkwanca municipal area is **blessed with natural resources such as coal, clay and good pastures**. The challenge and the priority of the municipality is to tap into these natural resources with an objective of ensuring that there is an economic beneficiation by the communities of Inkwanca.

The municipality's financial health is not at the position where we would like it to be. Some of the key issues in this regard are; that the municipality's revenue collection rate was below budget, that the new valuation roll has not been implemented i.e. the billing level is below the level where it should be, and the fact that our budget for the year under review was unrealistic (not achievable). The foregoing illustrates two issues firstly being the fact that the municipality is not a preferred financial position i.e.

# # Chapter 1

not adequate money collected and recovered; the second issue depicted is that of a financial management function that is not adequate.

Going forward, we have addressed and continue to address the capacity issues within the BTO and across other municipal departments, this will address the issues of financial mismanagement in the past as well as the general financial position of the municipality given that income collection and recovery will be one of the priorities. In the new financial year, these issues have been addressed even in terms of Performance Contracts signed between the Municipal Manager and the rest of section 57 managers.

The municipality assisted by the Province through Operation Clean Audit is working on a comprehensive plan to address the financial and human resources management skills and personnel resources (capacity) issue going forward. In the 2011/12 financial year a number of these plans have since been put in place.

Given the institutional challenges experienced in the year under review, key statutory requirements such as implementing an effective Performance Management Systems were not complied with. As a result, performance reviews were not conducted in time this year. However, we are pleased to report that this position has been reversed in the ensuing financial years.

I would like to extend my warmest appreciation to the political leadership and the staff of the Inkwanca Municipality for their contribution to the progress made during the 2011/12 financial year.

**G Sigojo**

**Municipal Manager**

*T 1.1.1*

# # Chapter 1

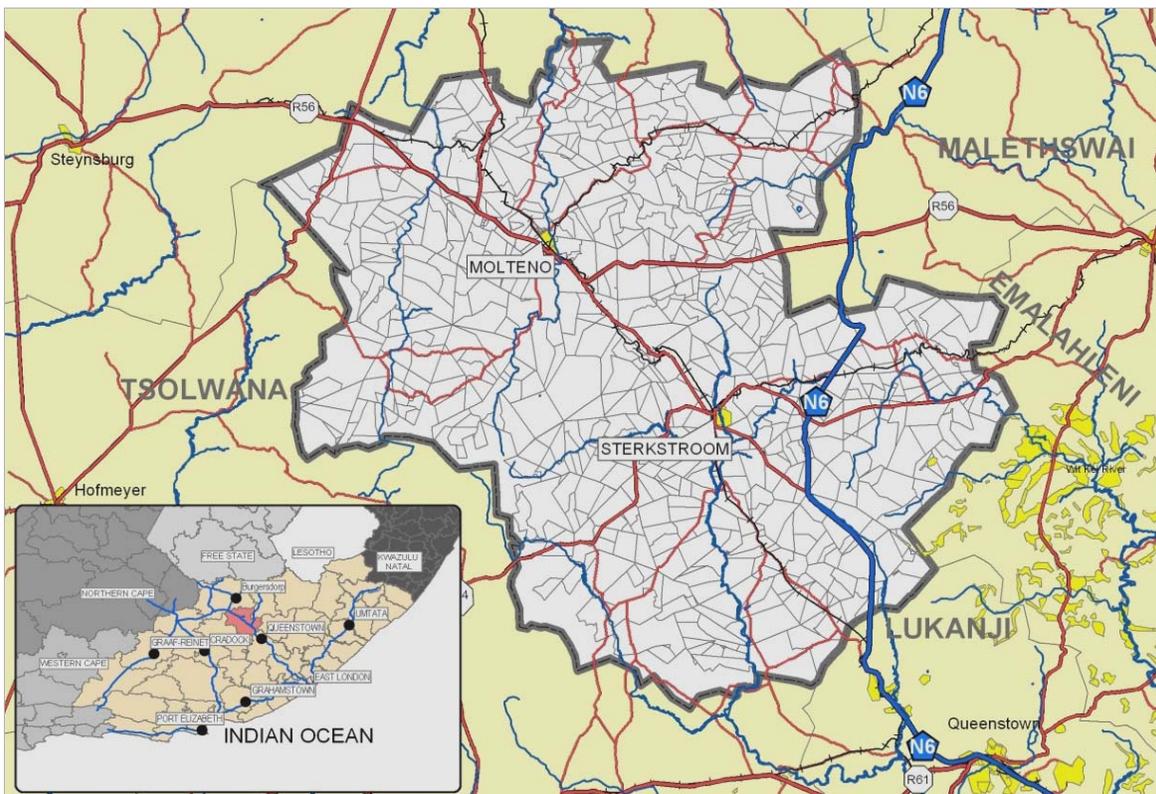
## 1.2. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

### INTRODUCTION TO BACKGROUND DATA

The Inkwanca Local Municipal is a category B municipality established in terms of Section 12 of the Municipal Structures Act 117 of 1998. The municipality is approximately 3583<sup>2</sup>km, situated 60km north-west of Queenstown. It comprises of the towns of Molteno and Sterkstroom and the surrounding farming (rural) areas, with Molteno being the administrative seat of the municipality. The residential component of the municipality is mainly concentrated in the two urban nodes:

- **Molteno, including Nomonde, Molteno Town, Nkululeko and Dennekruijn**
- **Sterkstroom, including Masakhe, Sterkstroom Town, Sonwabile & Hoffmansville**

The rural surroundings (farm areas) comprise a small portion of the total population in the municipality.



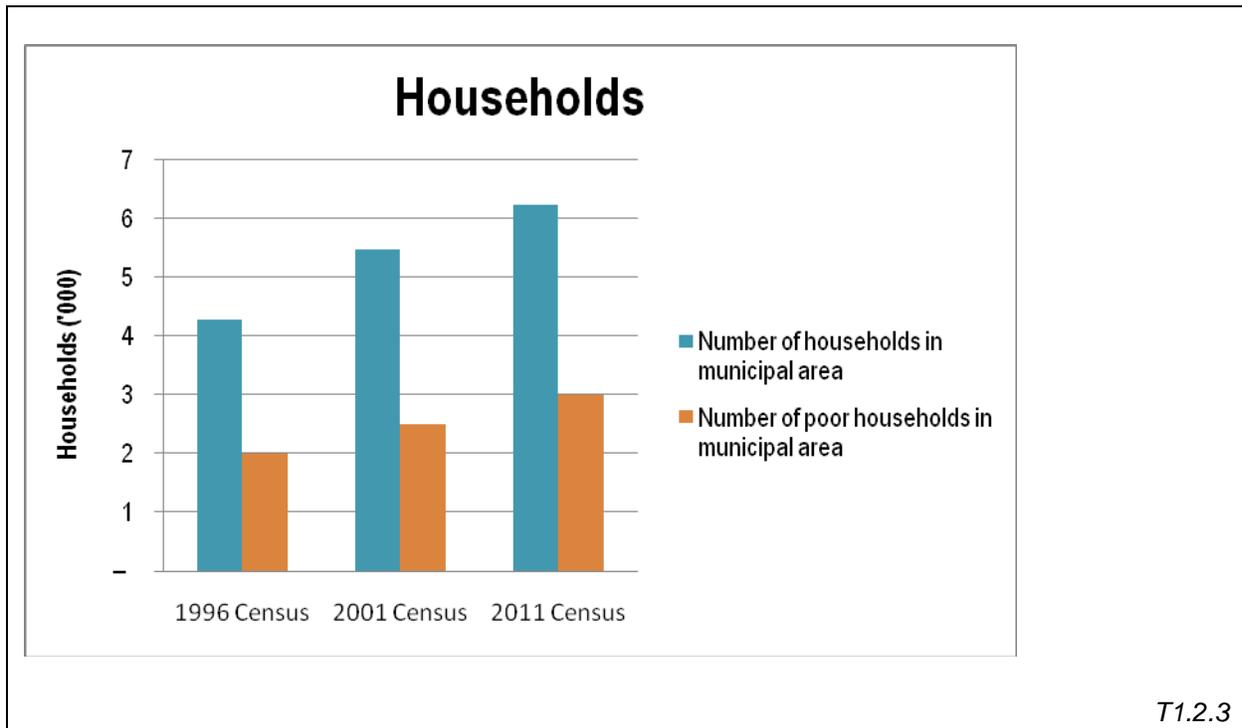
The municipality falls within the Chris Hani District Municipality and is bounded by the Tsolwana, Gariiep, Maletswai, Emalahleni and Lukhanji Municipalities. The N6 national road between Bloemfontein and East London play an important link through the municipality. In addition, the R56 route from Petermaritzburg runs through Molteno towards Middelburg, is a further important road-link. The area has a rich historical background dating back to the 18<sup>th</sup> century with a member of monuments and key places of interest. Commercial agriculture is the main economic activity in the municipality.

# # Chapter 1

Queenstown urban area plays an important role of being the economic hub of the district; and a number of services for Inkwanca residents are obtained from Queenstown and areas further afield like Bloemfontein and East London.

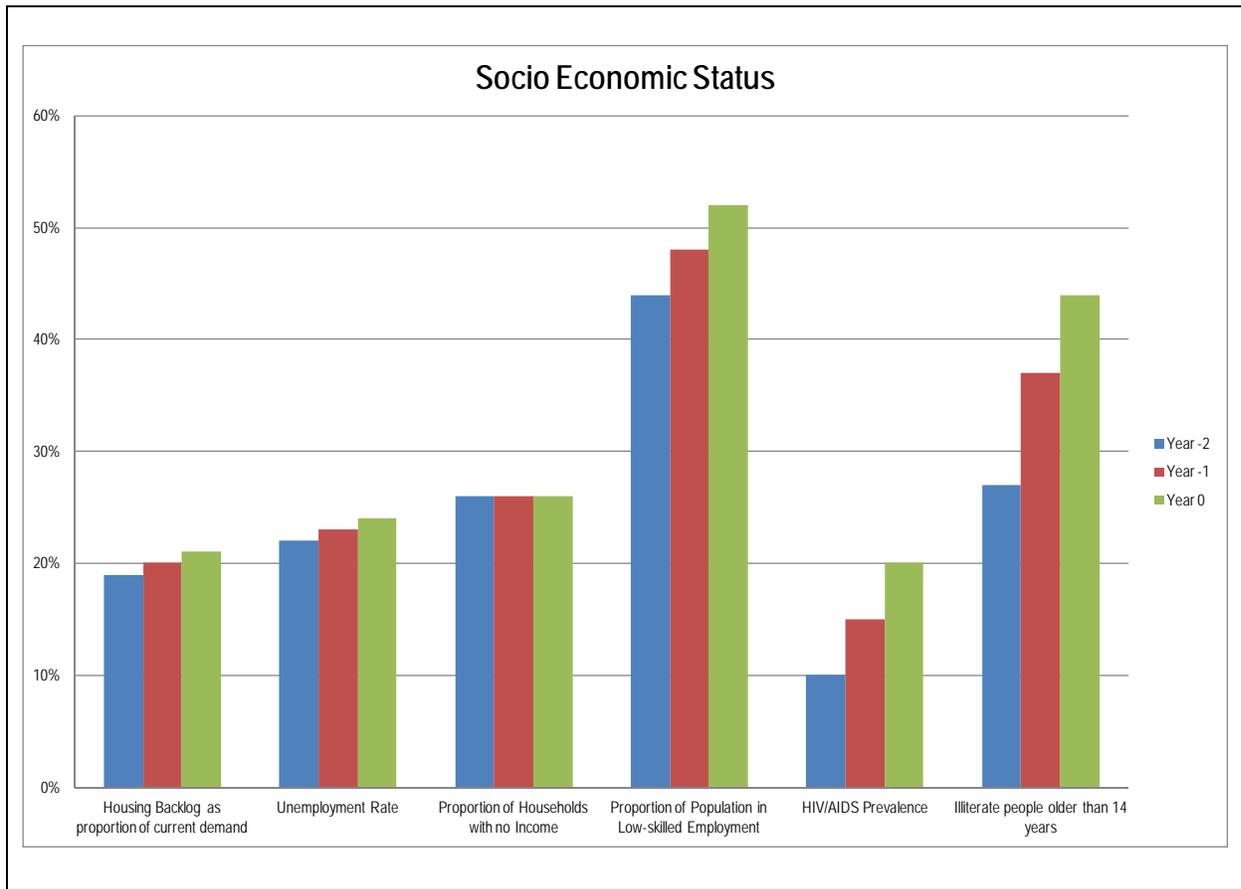
Population Details									
Age	Population '000								
	1996 Census			2001 Census			2011 Census		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Age: 0 - 4			1858			1915			0
Age: 5 - 14			5265			4927			6811
Age: 15 - 34			6323			6682			0
Age: 35 - 64			4335			5326			13754
Age: 65+			1401			1394			1428
Total			19182			20244			21971

Source: Statistics SA  
T 1.2.2



# # Chapter 1

Socio Economic Status						
Year	Housing Backlog as proportion of current demand	Unemployment Rate	Proportion of Households with no Income	Proportion of Population in Low-skilled Employment	HIV/AIDS Prevalence	Illiterate people older than 14 years
Year 2010	19%	22%	26%	44%	10%	27%
Year 2011	20%	23%	26%	48%	15%	37%
Year 2012	21%	24%	26%	52%	20%	44%
<i>T 1.2.4</i>						



# # Chapter 1

T 1.2.5

## □ Population/Age

Age	Rural	Molteno Town	Nomonde+Nkululeko	Masakhe+Sonwabile	Sterkstroom Town	Total
0-9	813	277	1786	1131	119	<b>4127</b>
10-19	552	400	2437	1542	219	<b>5151</b>
20-64	1908	803	4030	2422	417	<b>9580</b>
56+	135	177	563	430	85	<b>1389</b>
<b>Total</b>	<b>3408</b>	<b>1657</b>	<b>8817</b>	<b>5525</b>	<b>840</b>	<b>20247</b>

- Approximately 50% of the population is within the economic active group, aged 20-64.
- 17% of the population lives in the rural area, indicating high level of urbanization.
- Molteno has the greatest population concentration, comprising approximately 50% of the total population or 10474

## □ Family Composition

AREA	Families	Population
Rural	1148	3408
Molteno	2569	10474

# # Chapter 1

Sterkstroom	1758	6365
Total	5475	20247

- Total of 5475 families reside in the municipality.
- This constitutes an average family size of approximately 4 persons.
- Molteno represents the highest family sizes in the municipality with the rural area the lowest at approximately 3 persons per household.
- Population distribution between the urban and rural area clearly demonstrates high level of urbanization and high level of commercial farming activities.

Natural Resources	
Major Natural Resource	Relevance to Community
Agricultural land	40% is employed on agriculture sector
Wind	yet to establish wind farms
Coal	not yet mined
Clay	not yet mined
Methane gas	Not yet explore
<i>T 1.2.7</i>	

#### COMMENT ON BACKGROUND DATA:

The main challenge face by the municipality is to attract investors for exploration of these resource so as to benefit local communities, however there have been engagements with the department of minerals and potential investors.

*T 1.2.8*

# # Chapter 1

## 1.3. SERVICE DELIVERY OVERVIEW

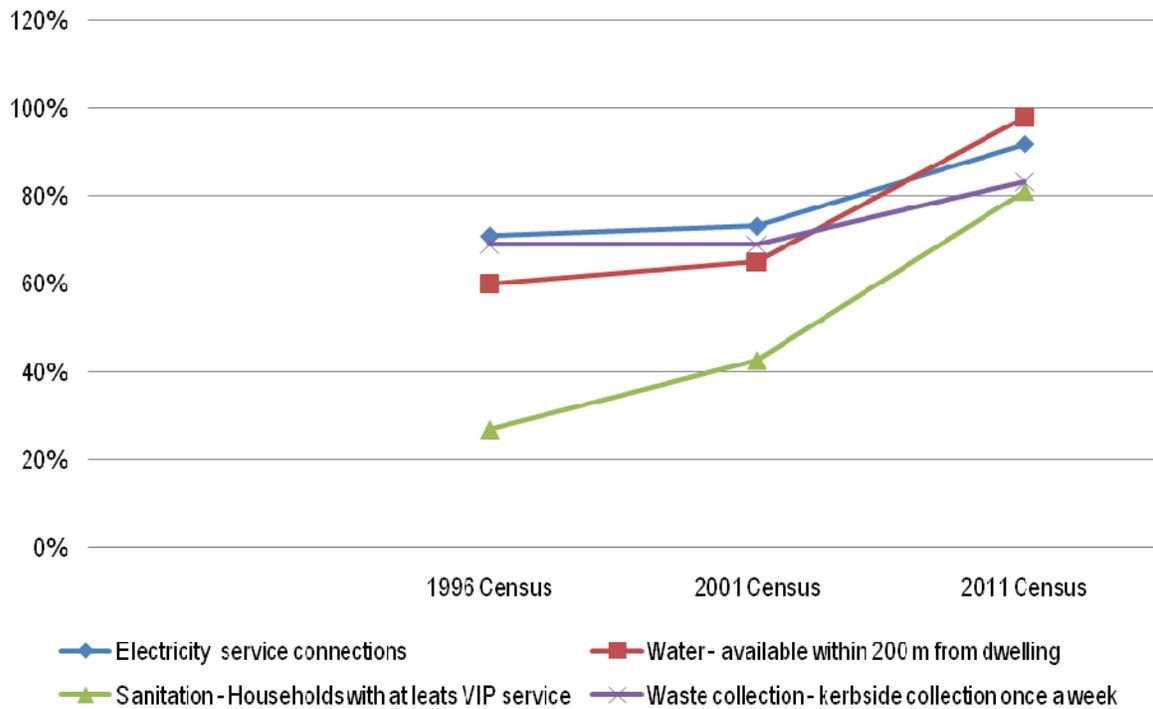
### SERVICE DELIVERY INTRODUCTION

The provisioning of the basic services to the people has been a priority for the Municipality this is evident in the latest statistics published in 2011, **See Table below.**

T 1.3.1

Proportion of Households with minimum level of Basic services				
		1996 Census	2001 Census	2011 Census
Electricity service connections		71%	73%	92%
Water - available within 200 m from dwelling		60%	65%	98%
Sanitation - Households with at least VIP service		27%	43%	81%
Waste collection - kerbside collection once a week		69%	69%	83%

### Proportion of households with access to basic services



T 1.3.2

# # Chapter 1

## COMMENT ON ACCESS TO BASIC SERVICES:

+/- 90 of the total population has access to basic services.

T 1.3.3

## 1.4. FINANCIAL HEALTH OVERVIEW

### FINANCIAL OVERVIEW

+/- 70% of the municipality's revenue comes from grants, this is also attributed to the fact that the municipality does not have the revenue base and also the high rate of unemployment in the area resulted to the majority of our consumers classified as indigents.

T 1.4.1

Financial Overview: Year 2012				R'
Details	Original budget	Adjustment Budget	Actual	
Income:				
Grants	27,145,040	27,145,040	32,094,602	
Taxes, Levies and tariffs	10,475,000	8,425,000	18,717,076	
Other	518,165	718,165	6,823,783	
Sub Total	38,138,205	36,288,205	57,635,461	
Less: Expenditure	38,154,424	38,138,205	66,460,857	
Net Total*	(16,219)	(1,850,000)	(8,825,396)	
* Note: surplus/(defecit)				T 1.4.2

Operating Ratios	
Detail	%
Employee Cost	31%
Repairs & Maintenance, General and Bulk purchases	35%
Finance Charges , Impairment and Depreciation	35%
T 1.4.3	

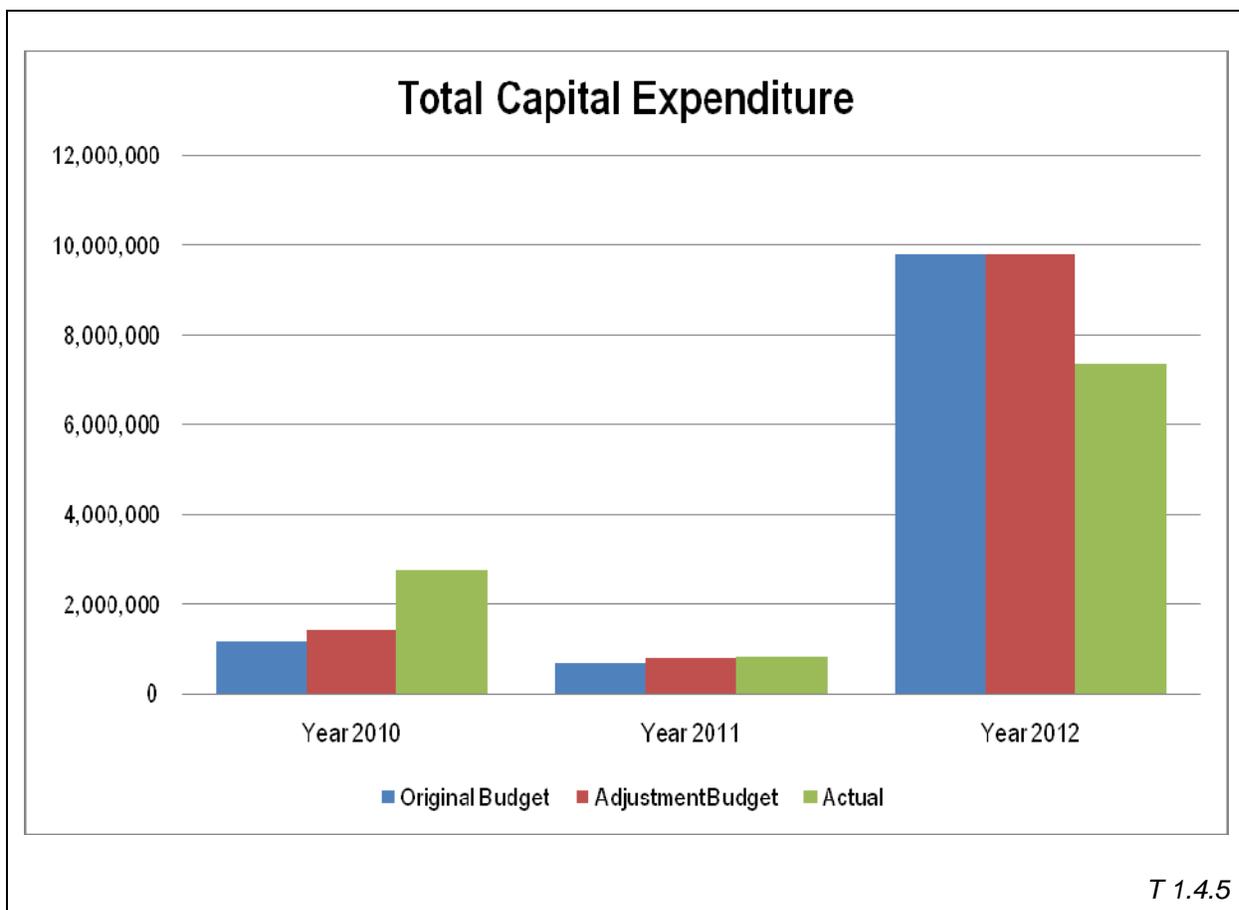
# # Chapter 1

## COMMENT ON OPERATING RATIOS:

The variances are within expected norms: 'Employee Costs' expected to be approximately 30% to total operating cost; 'Repairs and maintenance' 20%; Finance Charges and Impairment 10%.

T 1.4.3

Total Capital Expenditure: Year 2010 to Year 2012				
				R'
Detail	Year 2010	Year 2011	Year 2012	
Original Budget	1,165,171	702,492	9,800,650	
Adjustment Budget	1,426,771	806,641	9,800,650	
Actual	2,749,832	820,294	7,346,418	
				T 1.4.4



# # Chapter 1

## COMMENT ON CAPITAL EXPENDITURE:

There has not been major variations between Actual and the Original and Adjustment Budgets. In prior year periods the grant for infrastructure did not come to the Municipality directly went to the District and it was accountant for it there.

*T 1.4.5.1*

## 1.5. ORGANISATIONAL DEVELOPMENT OVERVIEW

### ORGANISATIONAL DEVELOPMENT PERFORMANCE

Given the institutional challenges experienced in the year under review, key statutory requirements such as implementing an effective Performance Management Systems were not complied with. As a result, performance reviews were not conducted in time this year. However, we are pleased to report that this position has been reversed in the ensuing financial year. The Municipality has reviewed its organizational structure in order to respond to institutional and service delivery challenges.

*T 1.5.1*

## 1.6. AUDITOR GENERAL REPORT

### AUDITOR GENERAL REPORT: YEAR 2012

The Municipality has received Disclaimer Audit Opinion this is as the results of information not or submitted late to the Auditors and not accepted by them. Moving forward the Municipality has drawn up an action plan to address the issues raised by the Auditors and the support by the DPLGTA through OCA team and by the deployee from the Provincial Treasury to assist at BTO. The full audit report and an action plan is contained in chapter 6 of the Annual Report.

*T 1.6.1*

# # Chapter 1

## 1.7. STATUTORY ANNUAL REPORT PROCESS

No	Activity	Timeframe
1	Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period	July
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	
3	Finalise the 4th quarter Report for previous financial year	
4	Submit draft year 0 Annual Report to Internal Audit and Auditor-General	
5	Municipal entities submit draft annual reports to MM	
6	Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant)	August
8	Mayor tables the unaudited Annual Report	
9	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General	
10	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	
11	Auditor General audits Annual Report including consolidated Annual Financial Statements and Performance data	September - October
12	Municipalities receive and start to address the Auditor General's comments	November
13	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	
14	Audited Annual Report is made public and representation is invited	
15	Oversight Committee assesses Annual Report	December
16	Council adopts Oversight report	
17	Oversight report is made public	
18	Oversight report is submitted to relevant provincial councils	
19	Commencement of draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input	January

T 1.7.1

# # Chapter 1

## COMMENT ON THE ANNUAL REPORT PROCESS:

The Municipality has compile an annual performance report and submitted along with annual financial statements for audit purpose on legislated timeframe and this two reports were audited and annexed to this annual report.

*T 1.7.1.1*

# Chapter 2

## CHAPTER 2 – GOVERNANCE

### INTRODUCTION TO GOVERNANCE

This chapter contains components of municipal governance mainly political and administrative governance, intergovernmental relations, public accountability and participation and corporate governance.

### COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

#### 2.1 INTRODUCTION TO POLITICAL GOVERNANCE

The Constitution section 151 (3) states that the council of a municipality has the right to govern on its own initiative, the local government affairs of the local community.

MFMA section 52 (a): The Mayor must provide general political guidance over the fiscal and financial affairs of the municipality.

Governance has eight major characteristics. It is participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, 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.

The council performs both legislative and executive functions. They focus on legislative, oversight and participatory roles, and have delegated its executive function to the Mayor. Their primary role is to debate issues publicly and to 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.

Council comprises of only seven elected Councillors, three come from Proportional Representation (PR) and four from wards, the council has five portfolio committees and two section 79 which is the Oversight and the Audit committee. Audit Committee that provides opinions and recommendations on financial processes and performance and provides comments to the Oversight Committee (or some other stated committee) on the Annual Report. State whether your municipality has established an Oversight Committee, comprised of non-executive councillors,

Refer to **Appendix A** where a full list of Councillors can be found (including committee allocations and attendance at council meetings). Also refer to **Appendix B** which sets out committees and committee purposes

# # Chapter 3

The party and gender representation in the Council is represented by the table below:

COUNCILLOR	PORTFOLIOS	GENDER	PARTY	PR/WARD
Cllr MN Qamngwana	Budget and Treasury	Male		PR
Cllr CM BOTHA	MPAC	Female		PR
Cllr CH Guda	MPAC	Male		PR
Cllr KJ Jonga	Community Services & LED	Male		Ward 1
Cllr N Yaliwe	Special Programmes	Female		Ward 2
Cllr NN Cebi	Technical Services	Male		Ward 3
Cllr XG Mkubukeli-Lufele	Administration	Female		Ward 4

# # Chapter 3



Mayor: Cllr MN Qamngwana ANC (PR)



Cllr M. Botha DA (PR)  
Ward 1



Cllr CH Guda Cope (PR)



Cllr KJ Jonga ANC –



Cllr N Yaliwe ANC – Ward 2



Cllr NN Cwebi ANC – Ward 3



Cllr Lufele ANC- Ward 4

# # Chapter 3

## 2.1 ADMINISTRATIVE STRUCTURES

The Municipal Manager is the Chief Accounting Officer of the Municipality. He is the head of the administration, and primarily has to serve as chief custodian of service delivery and implementation of political priorities. He is assisted by his direct reports, which constitutes the Management Team, whose structure is outlined in the table below.

### TOP MANAGEMENT



**Municipal Manager: Mr S Sigojo**



**Acting Chief Financial  
Mrs L Labuschagne**



**Community Services  
Manager: Mr M Dingane**



**Corporate Services  
Manager: Mr S Dyantyi**



**Acting Technical Officer:  
Manager : Mr P Parker**

All the above positions are section 56 posts and the two vacancies were budgeted for in the year reported

# # Chapter 3

<b>TOP ADMINISTRATIVE STRUCTURE TIER 1</b>	<b>FUNCTIONS</b>
<b>MUNICIPAL MANAGER</b>	Municipal Administration, IDP, Performance Management, Risk Management, Communication & Liason, Strategic Services, Accounting Officer functions
<b>DIRECTOR: Community Services Manager</b>	Cleansing and solid waste management, Cemeteries. Public Amenities, Traffic Services, Library Services
<b>DIRECTOR: Corporate Services Manager</b>	Committee Secretarial Services, Records & Archives, IT Systems & Control, Personnel Administration, Recruit & Selection, Training & Development, Labour Relations & PMS.

# # Chapter 3

<b>Director: Technical Services Manager</b>	Roads & Storm water Construction, Building Inspectorate, Land Usage, Spatial Planning, Maintenance, Electricity Reticulation, Project & Contract Management, Water and sanitation Services (Reticulation, Treatment, quality & Plumbing) & GIS.
<b>Director: Chief Financial Officer</b>	Supply Chain Management, Budget and Treasury, Expenditure Management, Asset Management, Revenue Management

# # Chapter 3

## COMPONENT B: INTERGOVERNMENTAL RELATIONS

### INTRODUCTION TO CO-OPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

MSA section 3 requires that municipalities exercise their executive and legislative authority within the constitutional system of co-operative governance envisaged in the Constitution section 41.

The municipality has got good intergovernmental relations with various departments. The Department of Public Works has committed itself on EPWP programme which has employed more than 100 unemployed citizens. Agriculture and rural development has assisted local farmers to expand in terms of farming. This department has assisted them to get farming material, this significant assistance has assisted a lot in terms of service delivery. The DPLGTA has assisted through its operation clean audit initiative.

### 2.3 INTERGOVERNMENTAL RELATIONS

#### NATIONAL INTERGOVERNMENTAL STRUCTURES

The Municipality is participating through SALGA representation in National Forums and the benefit derived from these forums is so vital.

#### PROVINCIAL INTERGOVERNMENTAL STRUCTURE

The Municipality is engaged into Provincial IDP through Provincial Iimbizos and participates in provincial Forums.

#### DISTRICT INTERGOVERNMENTAL STRUCTURES

The Municipality has held meetings with all Chris Hani District municipalities for the establishment of Performance management system forum and meetings for the transfer of water services provision function to local municipalities by the CHDM.

# Chapter 2

## COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

### OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

MSA section 17 (2): requires a municipality to establish and organise its administration to facilitate a culture of accountability amongst its staff. Section 16 (1): states that a municipality must develop a system of municipal governance that compliments formal representative governance with a system of participatory governance. Section 18 (a) - (d): requires a municipality to supply its community with information concerning municipal governance, management and development.

Inkwanca LM is a municipality with four wards, in order to enhance public participation the municipality has convene ward committee meeting .The municipality has met with all stakeholders in the form of IDP, Budget representative forum meetings and community Ilmbizos to table reports and municipal performance and disclosure financials. In that particular process community members are afforded an opportunity to participate in the affairs on the municipality.

### 2.4 PUBLIC MEETINGS

#### COMMUNICATION, PARTICIPATION AND FORUMS

The municipality is calling Ilmbizos and IDP, Budget Rep Forums, the municipality has also produced a news letter which is written in English and Xhosa for the benefit of the community members, the news letter is issued quarterly. The meetings convened by the municipality are meetings to give progress report on the demand of the community members, to shape the priorities, projects and objectives of the municipality, in some of the meetings attendance is a challenge, the attendance range around 51-55% all stakeholders do attend, NGO's, Political and government departments. The notices are put on notice boards and published properly.

# # Chapter 2

## WARD COMMITTEES

Refer to **Appendix E** which contains further details on ward committee governance and to **Appendix F** that contains performance data on a ward by ward basis.

T 2.4.2

Public Meetings						
Nature and purpose of meeting	Date of events	Number of Participating Municipal Councillors	Number of Participating Municipal Administrators	Number of Community members attending	Issue addressed (Yes/No)	Dates and manner of feedback given to community
1. Ward 1 community meeting	27/10/2011	7	12	165	Yes	meeting
2. Ward 2 public meeting	26/07/2012	7	12	85	Yes	meeting
3. Ward 4 community meetings	7/12/2012	7	10	142	Yes	meeting
4. Ward 3						
The purpose of the meeting was for public participation .	6/12/2011	7	12	178	Yes	meeting
5. Mayoral outreach ward 1	12/12/2011	7	10	12	Yes	meeting
6. Mayoral outreach ward 4	13/12/2011	7	11	146	Yes	meeting
7. Mayoral outreach ward2	14/12/2011	7	12	84	Yes	
8. Mayoral outreach ward3	15/12/2011	7	12	171	Yes	meeting
T 2.4.3						

## 2.5 IDP PARTICIPATION AND ALIGNMENT

# # Chapter 2

IDP Participation and Alignment Criteria*	Yes/No
Does the municipality have impact, outcome, input, output indicators?	Yes
Does the IDP have priorities, objectives, KPIs, development strategies?	Yes
Does the IDP have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	Yes
Does the budget align directly to the KPIs in the strategic plan?	Yes
Do the IDP KPIs align to the Section 57 Managers	Yes
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	Yes
Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes	Yes
Were the indicators communicated to the public?	Yes
Were the four quarter aligned reports submitted within stipulated time frames?	Yes
* Section 26 Municipal Systems Act 2000	T 2.5.1

## COMPONENT D: CORPORATE GOVERNANCE

### OVERVIEW OF CORPORATE GOVERNANCE

Corporate Governance often refer to it as Good governance is to ensure that the public gains confidence to the entity through its transparent processes and constantly engaging the public for their input on issues for decision making, the systems and controls in the entity that are place to respond to the risks the entity is exposed.

T 2.6.0

## 2.6 RISK MANAGEMENT

### RISK MANAGEMENT

MFMA section 62 (i) (c) requires a municipality to have and maintain an effective, efficient and transparent system of risk management.

The Municipality wide risk management plan that is aimed at effectively identifying, evaluating and managing risk exposures within acceptable or prudent levels has been adopted, the risk register and high priority risk have been identified and the audit committee and the Risk Management Committee to further strengthen risk management process

The top risks identified by the municipality include the following

- Interest by internal staff on tenders

# # Chapter 2

- Deviation from SCM processes
- Limited revenue base
- Insufficient funding for service delivery projects
- Fruitless expenditure

## 2.7 ANTI-CORRUPTION AND FRAUD

### FRAUD AND ANTI-CORRUPTION STRATEGY

Chapter 4 details of Disciplinary Action taken on cases of financial mismanagement (T 4.3.6). MSA 2000 s 83 (c) requires providers to be chosen through a process which minimizes the possibility of fraud and corruption.

The anti-corruption strategy has been launched by the Provincial government and the Mayors were asked to pledge on it and hot lines were introduced to the members of the public to report corrupt tendencies should they occur in the communities and Inkwanca Municipality has always encouraged staff and members of the public to come forward should any suspect of corruption and fraud occur.

Please refer Audit Committee recommendations for year 2012 are set out at **Appendix G** .

*T 2.7.1*

## 2.8 SUPPLY CHAIN MANAGEMENT

### OVERVIEW SUPPLY CHAIN MANAGEMENT

MFMA section 110 - 119; SCM Regulations 2005; and relevant MFMA circulars set out required processes and guidance manuals to help ensure that SCM arrangements provide appropriate goods and services, offer best value for money and minimize the opportunities for fraud and corruption.

SCM policies and processes promote a fair and transparent ways of procuring goods and services to ensure improved service delivery. The Municipality has encouraged the use of competitive bidding when goods and services are procured and make use of the suppliers on the data base on a rotation system to procure goods and services.

*T 2.8.1*

# # Chapter 2

## 2.9 BY-LAWS

By-laws Introduced during Year 2012					
Newly Developed	Revised	Public Participation Conducted Prior to Adoption of By-Laws (Yes/No)	Dates of Public Participation	By-Laws Gazetted* (Yes/No)	Date of Publication
	cemeteries hiring of halls waste management street trading keeping of animals.	under going the process.	still to be confirmed	10-Jan	

*\*Note: See MSA section 13.* T 2.9.1

### COMMENT ON BY-LAWS:

MSA 2000 s11 (3) (m) provides municipal councils with the legislative authority to pass and implement by-laws for the betterment of the community within the terms of the legislation.

The public participation that was conducted on the new by-laws and will be enforced by 2013/14 financial period.

T 2.9.1.1

## 2.10 WEBSITES

Municipal Website: Content and Currency of Material		
Documents published on the Municipality's / Entity's Website	Yes / No	Publishing Date
Current annual and adjustments budgets and all budget-related documents	Yes	17-09-2012
All current budget-related policies	Yes	17-09-2012
The previous annual report (Year 2011)	Yes	17-09-2012
The annual report (Year 2012) published/to be published	No	
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (Year 2012) and resulting scorecards	No	
All service delivery agreements (Year 2011)	Yes	17-09-2012

# # Chapter 2

All long-term borrowing contracts (Year 2012)	No	
All supply chain management contracts above a prescribed value (give value) for Year 2012	No	
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during Year 1	No	
Contracts agreed in Year 2012 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	No	
Public-private partnership agreements referred to in section 120 made in Year 2012	n/a	
All quarterly reports tabled in the council in terms of section 52 (d) during Year 2012	No	
<i>Note: MFMA s75 sets out the information that a municipality must include in its website as detailed above. Municipalities are, of course encouraged to use their websites more extensively than this to keep their community and stakeholders abreast of service delivery arrangements and municipal developments.</i>		T 2.10.1

<b>COMMENT MUNICIPAL WEBSITE CONTENT AND ACCESS:</b>	
The municipality has developed its website and became live in September 2012	T 2.10.1.1

## 2.11 PUBLIC SATISFACTION ON MUNICIPAL SERVICES

<b>PUBLIC SATISFCATION LEVELS</b>	
No public satisfaction survey were conducted during the period reported for municipal service delivery however refer to table from SSA 2011 census.	T 2.11.1

<b>Household Services</b>		<b>Census 2001</b>	<b>Census 2011</b>
Flush Toilet connected to sewerage %		42.5	86.1
Weekly Refuse Removal %		68.9	83.2
Piped Water Inside Dwelling %		19.1	29.7
Electricity for Lighting %		73.1	91.7
			T 2.11

# # Chapter 2

## CHAPTER 3 – SERVICE DELIVERY PERFORMAN (PERFORMANCE REPORT PART I)

### INTRODUCTION

**Delete Directive note once comment is completed** - Provide an overview of the key service achievements of the municipality that came to fruition during year 0 in terms of the deliverables achieved compared to the key performance objectives and indicators in the IDP. It is important to give a multi-year strategic overview on achievement. Give particular attention to your key priorities for development and where applicable and relevant to your municipality's priorities refer to basic services, local economic development health and security and safety services. Provide a brief overview on the contribution of municipal entities to service delivery. Refer to the functions of the municipality and its entities (if any) included at **Appendix D** and the performance table for the Municipal Entities included at **Appendix I**. Provide a brief reference to service delivery performance at ward level included at **Appendix F**. Kindly also provide a narrative providing information on the staff critical to service delivery and shortage thereof to accompany an employee table related to a service. Municipalities should report for employees where cost centers are allocated.

As you go through this Chapter, comment on the contributions made by municipal entities and the support given to informal settlements, as appropriate.

T 3.0.1

### COMPONENT A: BASIC SERVICES

This component includes: water; waste water (sanitation); electricity; waste management; and housing services; and a summary of free basic services.

#### 3.1. WATER PROVISION

##### INTRODUCTION TO WATER PROVISION

Service delivery is a mandated competency for all Local Municipality in the District Municipality. The Chris Hani District Municipality as a Water Service Authority appointed all Local Municipalities within its jurisdiction to be Water Service Providers. As a co-operative governance the District Municipality has seconded key staff personnel to provide additional support in the management of water services. This decision was to ensure proper management and monitoring of the services within the local Municipalities. But the optimum benefit from water and sanitation interventions can only be achieved if communities and individuals are made aware of the links between hygiene practices, poor sanitation, polluted water sources and disease.

The key challenge with respect to the provision of free basic water services is the provision of the facilities themselves to poor households (together with the necessary supporting infrastructure). Therefore the free basic water services policy is directly linked to the policies for infrastructure provision. Subsidies for free basic water services covers the hygiene promotion costs and the operating costs of providing basic water services to households. Ideally, the subsidy for operating

# # Chapter 2

costs is be calculated as a subsidy per household per month for each settlement type and technology used. This subsidy is then paid to the water services provider through tranches and it is applied in an equitable and fair manner, both in the present context and over time as stand-by.

## KEY SERVICE ACHIEVEMENTS OF THE MUNICIPALITY IN WATER

- Installation of the new Water Treatment Works in Sterkstroom to improve the quality of the water supplied.
- Achieving a Blue Drop status for Molteno Water Supply System.
- Improving the water supply provision in Molteno Area.

## LEGISLATURE

Key roles of national, provincial and local government for sanitation provision are allocated in the Constitution. It tasks local government with the responsibility for provision of sustainable services to communities, with the support of provincial and national government.

Key legislation is briefly discussed below.

*The Water Services Act (Act 108 of 1997)* is to assist municipalities to undertake their role as water services authorities and to look after the interests of the consumer. It also clarifies the role of other water services institutions, especially water services providers and water boards.

*The National Water Act (Act 36 of 1998)* legislates the way in which the water resource is protected, used, developed, conserved, managed and controlled. It also governs how a municipality may return effluent and other wastewater back to the water resource.

*The Municipal Structures Act (Act 33 of 2000)* provides for the establishment of municipalities in accordance with the requirements relating to categories and types of municipality and to provide for an appropriate division of functions and powers between categories of municipality. The Act allocates the responsibility for water services to the District Municipality or the local municipality if authorised by the Minister of provincial and Local Government.

*The Municipal Systems Act (Act 32 of 2000)* focuses on the internal systems and administration of a municipality. The Act introduces the differentiation between the function of an authority and that of a provider. It also identifies the importance of alternative mechanisms for providing municipal services and sets out certain requirements for entering into partnerships.

*The Municipal Demarcation Act (Act 27 of 1998)* provides criteria and procedures for the determination of municipal boundaries by an independent authority. In terms of the Act, the Municipal Demarcation Board is established to determine municipal boundaries. Section 24 provides that when demarcating a municipal boundary, the Board must aim to establish an area that would enable the municipality to fulfill its Constitutional obligations, including the provision of services in an equitable and sustainable manner, the promotion of social and economic development and the promotion of a safe and healthy environment. The tax base must also be as inclusive as possible of users of municipal services in the municipality. This is important in that rural and urban areas are consolidated, which ensures a more effective use of resources.

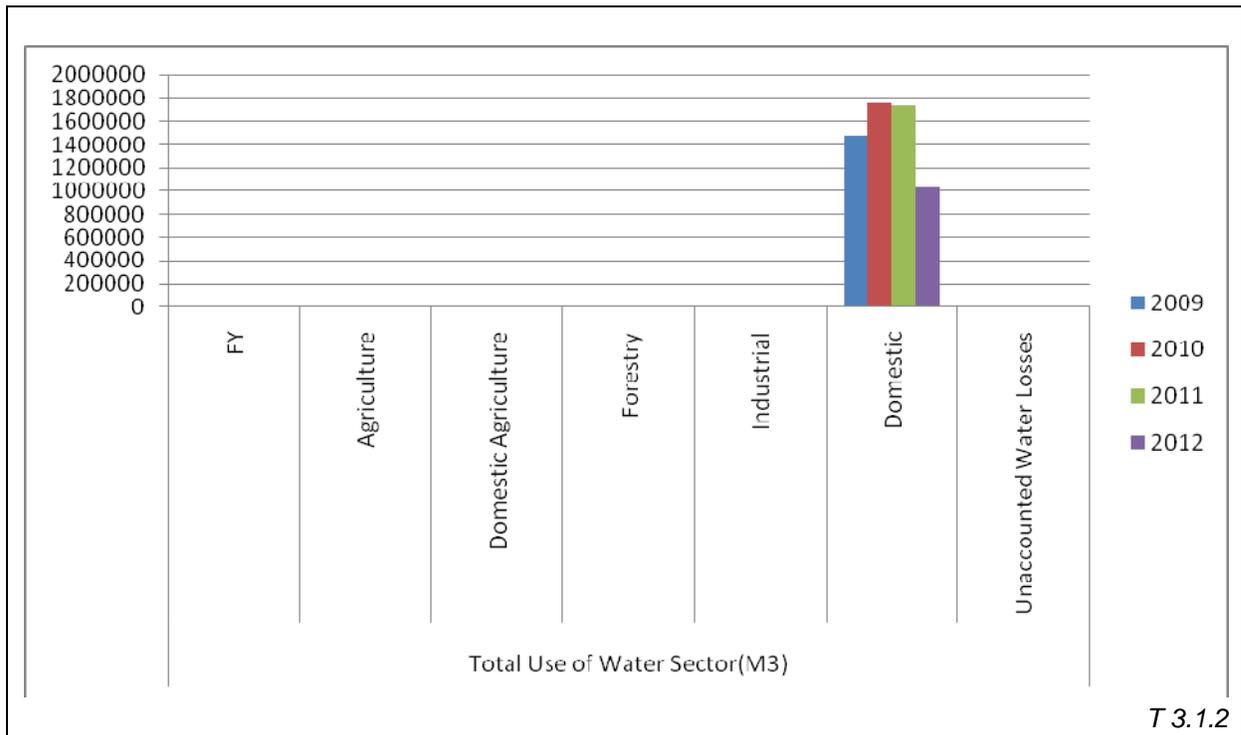
*The Division of Revenue Act*, which is enacted annually, gives effect to Section 214(1) of the Constitution that provides for the equitable division of nationally raised revenue among the three spheres of government. The Act for 2002 makes provision for the CWSS as an “Indirect Conditional Grant” to fund basic level of water services and the implementation of infrastructure projects where municipalities lack the capacity to do so.

# # Chapter 2

*The White Paper on Basic Household Sanitation* (DWAf, 2001) emphasizes the provision of a basic level of household sanitation to those areas with the greatest need. It focuses on the safe disposal of human waste in conjunction with appropriate health and hygiene practices. The key to this White Paper is that provision of sanitation services should be demand driven and community-based with a focus on community participation and household choice.

T 3.1.1

Total Use of Water Sector(M3)						
FY	Agriculture	Domestic Agriculture	Forestry	Industrial	Domestic	Unaccounted Water Losses
2009	120	170	0	80	1475786	50
2010	145	160	0	80	1758773	50
2011	140	150	0	80	1732094	50
2012	160	160	0	80	1031924	50



T 3.1.2

# # Chapter 2

## COMMENT ON WATER USE BY SECTOR:

The water supply in the area is overloaded and there are few actions that needs to taken to ensure proper supply. This will ensure proper service delivery.

## REMAINING CHALLENGES

The provision of water treatment plant in Sterkstroom to reduce the colour problem in the supplied drinking water.

The upgrading of the sewage treatment works in Sterkstroom and Molteno Areas to reduce sewage spillages.

The upgrading of the water treatment works in Molteno to improve water supply and the quality of the supplied water.

Improve the ring fencing of the water services budget and customer billing.

Reduce customer complaints in services billing.

## COMMENT ON THE ABOVE TRENDS, AND ON MORE SPECIFIC ISSUES CONCERNING WATER SUPPLY AND DEMAND AS APPROPRIATE.

## HOUSE HOLDS

Description	2009/10	2010/11	2011/12
	Actual	Actual	Actual
<b>Water (above min level)</b>			
Piped water inside dwelling	1070	1070	1070
Piped water inside the yard (not in the dwelling)	4952	4952	4952
Using public tap (stand pipes)	-	-	-
Other water supply (within 200 m)	-	-	-
Minimum service level and above sub total	6022	6022	6022

# # Chapter 2

Minimum service level and above percentage	100 %	100 %	100 %
<b>Water (below min level)</b>			
Using public tap (200 m from dwelling)	0	0	0
Other water supply (within 200 m)	-	-	-
No water supply	-	-	-
Minimum service level and above sub total	-	-	-
Minimum service level and above percentage	-	-	-
<b>Total number of house holds</b>	6022	6022	6022
<b>Total including informal settlement</b>	6022	6022	6022

## HOUSE HOLDS BELOW MINIMUM SERVICE LEVEL

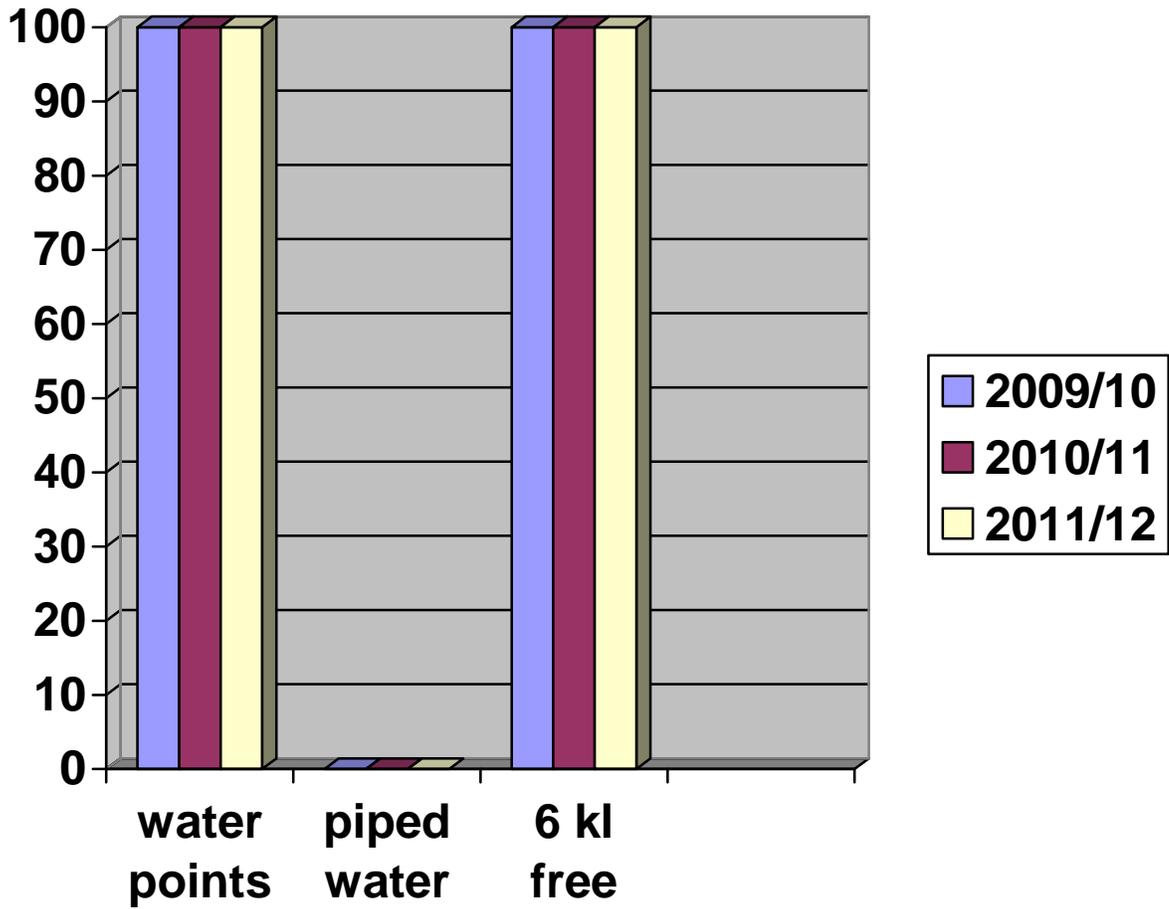
Description	2008/18	2009/10	2010/11	2011/12		
	Actual no.	Actual no.	Actual no.	Original budget no.	Adjusted budget no.	Actual no.
<b>Formal settlements</b>						
Total number house holds	-	-	-	-	-	-
Households below minimum service levels	-	-	-	-	-	-

# # Chapter 2

Proportion of households below minimum service level	-	-	-	-	-	-
<b>Informal settlements</b>						
Total number house holds	-	-	-	-	-	-
House-holds below minimum service levels	-	-	-	-	-	-
Proportion of house-holds below minimum service level	-	-	-	-	-	-

## ACCESS TO WATER

# # Chapter 2



\* Means access to 25 liters of potable water per day supplied within 200m of a household and with a minimum flow of 10 liters per minute

# Chapter 3

## Water services policy objectives taken from IDP

Service objectives/ Service Indicators	Out lined service targets	2009/10		2010/11			2012	2012/13	
		Target	Actual	Target		Actual	Target		
		Previous year		Previous year	Current year		Current year	Current year	Following year
<b>House Holds without minimum supply</b>	Additional house-holds provided with minimum water supply during the year (number of house-holds (hhs) without water supply at year end.	0 (1127)	0 (1127)	0 (1127)	0 (1127)	0 (1127)	0 (1127)	500 (627)	627 (0)
<b>Improved reliability of supply</b>	Reduce the number of interruptions in supply of one hour or more compared to the base line of 2007/08	50 % (175)	50 % (175)	50 % (175)	50 % (175)	65 % (127)	70 % (109)	80 % (73)	90 % (36)
<b>Improved water connection</b>	Reduce uncountable water levels compared to the base line of 2007/08					43 % (60.52)	45 % (69.35)	30 % (36.21)	20 % (30.81)

# Chapter 3

## Employee: Water Service & Sanitation

Job Level	2010/11	2011/12			
	Employees no.	Post no.	Employees	Vacancies (full time equivalent) no.	Vacancies ( as % of total posts)
0-3	1	1	1	-	0 %
4-6	3	3	3	-	0 %
7-9	3	3	3	-	0 %
10-12	2	2	2	-	0 %
13-15	17	17	17	-	0 %

## Financial Performance 2010/11: Water & Sanitation service

Details	2010/11	2011/12			
	Actual	Original Budget	Adjusted budget	Actual	Variance to Budget
<b>Total Operation Revue (excluding tarrifs)</b>	6 672 569	9 446 848	9 446 848	-	%
<b>Expenditure:</b>				-	
Employees	2 325 606	3 229 334	3 229 334	-	%
Repairs and Maintenance	2 470 211	1 041 960	1 041 960	-	%

# # Chapter 3

Other	1 422 938	4 425 554	4 425 554	-	%
<b>Total Operation Expenditure</b>	6 218 755	9 446 848	9 446 848	-	%
<b>Net Operation (service) Expenditure</b>	453 814	-	-	-	%

## 3.2 ELECTRICITY

### INTRODUCTION TO ELECTRICITY

Note: Recent legislation includes the Electricity Amendment Acts 1989; 1994; 1995; and the Electricity Regulation Act 2006.

Currently 99 % of our house hold have access to electricity. And 1 % of the house holds is in the Eskom supplied area. From the above percentage out of a total of 6022 house holds at Inkwanca municipality 2435 is supplied by the local municipality and 3590 is Eskom supplied.

Our infrastructure is very old delapidated as a matter of fact it is in need of a major upgrade as it was last upgraded some in the 1980's. This includes the two 11 KV yards between Molteno and Sterkstroom.

To try and adress some of these challenges we have replaced some of the 11 KV accessories like fuses, arestors etc. also we have purified a total number of 6 transformers in the Sterkstroom area and 15 transformers Molteno area out of a total number of 22 that needed to be purified. The 1 transformer that was not purified is in Molteno due to the fact that it was beyond repaires and need to be replaced.

The top 3 service delivery priorities are the following:

1. Purification of the 21 tranformers that reduced the number electrical power dips and power outages to 0 %.
2. The protection of our lines by means of installing ligthing arestors, fuses and insolators that improved power surges and voltage drops.
3. Brush clearing from our lines that prevented damagies to poles, lines, electrical accessories etc.

The municipality together with Eskom is currently giving free basic electricity to a total number of 873 indigent house holds.

T3.2.1

# Chapter 3

## Capital Expenditure 2011/12

### Electricity Service

Capital Projects	2011/12				
	Budget	Adjusted budget	Actual Expenditure	Variance from original budget	Total Project Value
<b>Total for all project</b>					
Street lighting project for Molteno.	1 554 650	1 554 650	1 482 334	72 316	1 482 334

#### COMMENT ON ELECTRICITY SERVICES PERFORMANCE OVERALL:

The target for electricity provision that is on the current IDP which is the street lighting project for Molteno and Sterkstroom. This project is completed and has ensure that there appropriate lighting within some of the dark places within the municipality area of supply as well as Eskom areas.

There is an agreement between the municipality and Eskom that give a permission for the municipality to operate on Eskom network only on the street lights that are on Eskom areas.

T3.2.2

# Chapter 3

## COMMENT ON ELECTRICITY SERVICES PERFORMANCE OVERALL:

Currently there is no capital project planned and no variances from capital and operational expenditure . There is only one target for electricity provision that is on the current IDP which is the street lighting project for Molteno and Sterkstroom. This project will ensure that there appropriate lighting within some of the dark places within the municipality area of supply as well as Eskom areas.

There is an agreement between the municipality and Eskom that give a permission for the municipality to operate on Eskom network only on the street lights that are on Eskom areas.

T3.2.3

## 3.3 WASTE MANAGEMENT THIS SECTION INCLUDES: REFUSE COLLECTIONS, WASTE DISPOSAL, STREET CLEANING AND RECYCLING

### 3.3 Waste management

#### a. Waste management services delivery strategy and main role-players

The South African Constitution (Act 108 of 1996) states that the people of South Africa have the right to an environment that is not detrimental to human health, and imposes a duty on the state to promulgate and to implement policies to ensure that this right is upheld. All departments of state or administration in national, provincial or local levels of government have similar obligations.

We must provide for proper and safe disposal of solid waste within the municipality and we must ensure that refuse is removed to create clean and healthy environment for the inhabitants of the Municipality.

It is against this background that Inkwanca Municipality put waste management amongst its top priorities. The Municipality has an Integrated Waste Management Plan that was adopted by the council in 2006 and is reviewed annually in order to meet the new challenges. The Municipality renders this service in the Towns of Molteno and Sterkstroom. The domestic waste is collected on a weekly basis while business waste collection frequency depends on the nature of waste. Organic decomposable waste is collected more frequently, up to five times a week. We have two landfill sites that are permitted. We have managed to close the quarry that was a health hazard at Nkululeko Township. We are currently in a process of closing another quarry at Nomonde in the area called Phelandaba. The Molteno and Sterkstroom CBD's are swept and cleansed on a daily basis by the use of our permanently employed workers. The road reserves and open areas within the residential areas are cleaned weekly. The Municipality provides plastic bags to all indigents for waste collection. We have a staff of 24 permanent general workers. The role players are the Municipality employees and the members of the community. We also get assistance from the EPWP employees who assist in cutting the grass along our streets twice a week.

We have easy to follow schedule of refuse removal for both town and it is as follows:

# # Chapter 3

Day of the week	Sterkstroom ( Area)	Molteno ( Area)
Monday	Town	Town/ Dennekruin
Tuesday	Sonwabile	Nomonde
Wednesday	Old Location	Old Location
Thursday	Zwelitsha	Khayelitsha/Phumlani/Phelandaba
Friday	Upper Zwelitsha/Mqeshi/Zola	Nkululeko/Nceduluntu

There are members of the community who have taken an initiative to assist in keeping our towns clean by adopting portions of the land and created mini parks.

## **b. Level and standards in waste management services**

The waste generated at Molteno and Sterkstroom is disposed off at the local landfill sites situated in close proximity to the two towns. There was no apparent waste generated by our rural areas. We unfortunately missed participation in the Greenest Town Competition because we were not informed, in fact the whole district did not participate. As we have earlier alluded to the fact that waste is collected at least once a week we can safely say the standard of waste management service is high. We have entered into a Service Level Agreement with a local service provider to close our cells whenever they are full and in the year under review we have closed four cells. The low level bridge that leads to our landfill site in Molteno is currently under construction and this will assist us in preserving the lifespan of our vehicles.

## **c. Annual performance as per key performance indicators in waste management services**

	<b>Indicator name</b>	<b>Total number of household/customer expected to benefit</b>	<b>Estimated backlogs (actual numbers)</b>	<b>Target set for the f. year under review</b>	<b>Number of HH/customer reached</b>	<b>Percentage of achievement during the year</b>

# # Chapter 3

1	Percentage of households with access to refuse removal services	6220	-	6220	6220	100%
---	---	------	---	------	------	------

#### d. Major challenges in waste management services and remedial actions

There are quite a number of challenges that we are faced with as the Municipality. The first one is the issue of financial constraints and this can be attributed to the size of the Municipality and the high level of unemployment. Staff shortage is another challenge as we sometimes fall short of our targets because of this. We lack in landfill equipment and we use trench method. We do not have a way bridge and therefore unable to have the exact tons of waste collected.

#### Overall service delivery backlogs

Basic service delivery area	Year 2010/11			Year 2011/12		
	Required	Budgeted	Actual	Required	Budgeted	Actual
<b>Refuse removal</b>						
Backlogs to be eliminated (n0. HH not receiving the minimum standard service)	-	-	-	-	-	-
Backlogs to be eliminated (%: total HH identified as backlog/total numb of HH in the municipality)	-	-	-	-	-	-
Spending on new infrastructure to eliminate backlogs (R000)	-	-	-	-	-	-
Spending on renewal of existing infrastructure to eliminate backlog (R000)	-	-	-	-	-	-

# # Chapter 3

Total spending to eliminate backlogs (R000)	-	-	-	-	-	-
Spending on maintenance to ensure no new backlogs (R000)	-	-	-	-	-	-

## Community Development Workers performance monitoring

The Municipality have two CDWs at its disposal. We have put mechanisms in place to ensure that we monitor their performance. They report to the office of the Community Services Manager who in turn report to the Municipal Manager and Council. Reports are submitted monthly by the CDWs and are always submitted on time. The total number of cases identified and reported in the year under review is 120 and 60% of these cases were solved while 40% are pending. The number of homes visited by the CDWs during the financial year is 1 800. Most cases related to various government departments like Home Affairs, Social Development and Labour.

The CDWs are fully participating in all Municipal programmes and activities. They also assisted in mobilising people to attend such programmes through loud hailing and posters.

## Community and social services function's performance

<b>Function:</b>	<b>Community and Social Services</b>
<b>Sub Function:</b>	<b>All inclusive</b>

Reporting Level	Detail	Total	
Overview:	The Department of Community Services deals with various function which include waste management, traffic control, library services, managing parks and public places		
Description of the Activity:	The function of provision of various community and social services within the municipality is administered as follows and includes:  <i>Leading, directing and taking full responsibility for the Community Services Department of the Municipality,</i>		

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	<p><i>including the refuse collection function, libraries, halls, chalets, preschools, old age homes, clinics, care centres, parks, sport fields, cemeteries and traffic function.</i></p> <p>These services extend to include <i>building creches, maintenance of them but do not take account of salaries of personnel</i> and other cost which resides within the jurisdiction of <i>provincial government</i>. The municipality has a mandate to:</p> <p><i>Deliver quality service to all its residents and to create an environment that is conducive to economic growth.</i></p> <p>The strategic objectives of this function are to:</p> <p><i>Manage and control the cleansing function for the entire Municipality.</i></p> <p><i>Manage and control the library function, community halls, chalets, preschools, old age homes, clinics and care centres for the Municipal area.</i></p> <p><i>Manage and control parks, sport fields and cemeteries for the entire municipal area.</i></p> <p><i>Prepare, monitor and control the budget for the Community Services Dept so that expenditure is in line with the budget, and manage all other administrative matters of the Dept.</i></p> <p><i>The key issues for 2011/12 are:</i></p> <p><i>Opening of the Traffic Testing Station.</i></p> <p><i>Training of Traffic Officials.</i></p> <p><i>Completion of Molteno Sport Complex</i></p> <p><i>Awareness Campaigns</i></p>		
Analysis of the Function:	<p><i>Provide statistical information on (as a minimum):</i></p>		
1	<p><i>Nature and extent of facilities provided:</i></p> <ul style="list-style-type: none"> <li><i>- Library services</i></li> <li><i>- Museums and art galleries</i></li> <li><i>- Other community halls/facilities</i></li> </ul>	<p>no of facilities:</p> <p>2</p> <p>2</p> <p>4</p>	<p>no of users:</p> <p>5015</p> <p>964</p> <p>+_20000</p>

# Chapter 3

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	- Cemeteries and crematoriums	4	720
	- Child care (including creches etc)	7	442
	- Aged care (including aged homes, home help)	4	198
	- Schools	9	5692
	- Sporting facilities (Molteno Rugby field ,Masakhe Sport complex & Sterkstroom Sport field, Nomonde Soccer Ground and Dennekruin Netball Field )	5	20000
	- Parks	7,686sqkm	
	<i>Note: the facilities figure should agree with the assets register</i>		
2	<i>Number and cost to employer of all personnel associated with each community services function:</i>		R(000s)
	- Library services	5	771
	- Museums and art galleries	1	0
	- Other community halls/facilities	5	1 441
	- Cemeteries and crematoriums	23	0
	- Child care		
	- Aged care		
	- Schools		
	- Sporting facilities	5	0
	- Parks	22	1 441
	<i>Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package</i>		
6	<i>Total operating cost of community and social services function</i>		

# # Chapter 3

## 3.3.1 Waste management function's performance

<b>Function:</b>	<b>Waste Management</b>
------------------	-------------------------

Reporting Level	Detail	Total	
Overview:	Includes refuse removal, solid waste disposal and landfill, street cleaning and recycling		
Description of the Activity:	<p>The refuse collection functions of the municipality are administered as follows and include:</p> <p><i>Collection of waste in all our residential households and business sites at least once a week. The waste is then taken to our permitted land fill sites where waste is sorted and unrecyclable waste is disposed in our cells and those cells are then covered.</i></p> <p>These services extend to include <i>collecting domestic waste as well as garden refuse and rubble</i>, but do not take account of <i>medical waste</i> which resides within the jurisdiction of <i>provincial</i> government. The municipality has a mandate to:</p> <p><i>Provide for proper and safe disposal of waste within the municipality and we must ensure that refuse is removed to create clean and healthy environment for all inhabitants.</i></p> <p>The strategic objectives of this function are to:</p> <p><i>Create a safe and healthy environment</i></p> <p>The key issues for 2011/12 are:</p> <p><i>The training of staff in handling waste</i></p> <p><i>Purchasing of a truck to replace the lost one</i></p>		
Analysis of the Function:	<p><i>Provide statistical information on (as a minimum)</i></p> <p>1 Number and cost to employer of all personnel associated with refuse removal:</p>		R (000s)

# # Chapter 3

	- Professional (Engineers/Consultants)	0	0
	- Field (Supervisors/Foremen)	2	0
	- Office (Clerical/Administration)	1	0
	- Non-professional (blue collar, outside workforce)	23	2 089
	- Temporary		
	- Contract		
	Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package		
2	Number of households receiving regular refuse removal services, and frequency and cost of service:		R (000s)
	- Removed by municipality at least once a week	6220	1752
	- Removed by municipality less often		
	- Communal refuse dump used		
	- Own refuse dump		
	- No rubbish disposal		
	Note: if other intervals of services are available, please provide details		
3	Total and projected tonnage of all refuse disposed:		
	- Domestic/Commercial	N/A	N/A
	- Garden	N/A	N/A
	Note: provide total tonnage for current and future years activity		
4	Total number, capacity and life expectancy of refuse disposal sites:		
	- Domestic/Commercial (number)	2	15
	- Garden (number)	2	15
	Note: provide the number of tip sites, their total current capacity and the expected lifespan as at end of reporting period		
<b>Reporting Level</b>	<b>Detail</b>	<b>Total</b>	

# # Chapter 3

5	Anticipated expansion of refuse removal service:		R (000s)
	- Domestic/Commercial	1127	
	- Garden	1127	
	Note: provide total number of households anticipated to benefit and total additional operating cost per year to the municipality		
6	Free Basic Service Provision:		
	- Quantity (number of households affected)	2207	
	- Quantum (value to each household)	45	
	Note: Provide details of how many households receive the FBS provision, and the average value it means per household. Describe in detail the level of Free Basic Services provided.		
7	Total operating cost of solid waste management function		4077

## 3.3.2 Traffic Services

Reporting Level	Detail	Total	
Overview:	Includes traffic testing and traffic control		
Description of the Activity:	<p>The traffic functions of the municipality are administered as follows and include:</p> <p><i>Traffic Contract Law enforcement</i></p> <p><i>Registration and licensing of motor</i></p> <p><i>Traffic and licensing of motor vehicles</i></p> <p><i>Learners licence testing</i></p> <p><i>Road markings and signage</i></p>		

# Chapter 3

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	<p>These services extend to include <i>functional areas</i>, but do not include areas which reside within the jurisdiction of <i>provincial government</i>. The municipality has a mandate to:</p> <p><i>Do the registration and licensing of motor vehicles, the testing of and issuing of learner and drivers licences in terms of Act 93/1996 and regulate parking and traffic within the jurisdiction of the Inkwanca Municipality.</i></p> <p>The strategic objectives of this function are to:</p> <p><i>Provide a safe traffic environment for both the motoring traffic and pedestrian traffic.</i></p> <p>The key issues for 2011/12 are:</p> <p><i>Opening of the testing station.</i></p>	Not met	
<p>Analysis of the Function:</p> <p>1</p>	<p><i>Provide statistical information on (as a minimum)</i></p> <p>Number and cost to employer of all personnel associated with traffic services:</p> <ul style="list-style-type: none"> <li>- Professional (Senior Management)</li> <li>- Field (Traffic Officers)</li> <li>- Office (Clerical/Administration)</li> <li>- Non-professional (visible police on the street )</li> <li>- Temporary</li> <li>- Contract</li> </ul> <p>Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package</p> <p>2</p> <p>Number of call outs attended:</p> <ul style="list-style-type: none"> <li>- Emergency call- outs</li> <li>- Standard call-outs</li> </ul>	<p></p> <p>1</p> <p>3</p> <p>1</p> <p>0</p> <p>0</p> <p>0</p> <p></p>	<p><i>R (000s)</i></p>

# Chapter 3

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	Note: provide total number registered		
3	Average response time to call-outs: - Emergency call-outs - Standard call-outs	10 5	
	Note: provide average by dividing total response time by number of call-outs		
4	Total number of targeted violations e.g: traffic offences: -Parking offences -Speeding -Stop sign -Unroadworthy vehicles -Driving licences - Other offences	12 111 18 56 51 179	
	Note: list details, including the number of offences recorded.		
<b>Reporting Level</b>	<b>Detail</b>	<b>Total</b>	
5	Total number and type of emergencies leading to loss of life :  Note: list details including the number and type of emergencies recorded.	0	
6	Total operating cost of traffic services		918

# # Chapter 3

## Performance against KPA's

IDP Objective	Key performance indicator	Area	Target	Actual performance
1. Manage and control the cleansing function of the entire municipal area.	A) Undertake the refuse collection and disposal function.	Inkwanca Municipal Area	Ongoing	Achieved
2. Manage and control the library function, community halls, chalets, preschools, old age homes, clinics and care centres etc. for the Municipal area.	b) Provision of library services. b) Control of community halls and chalets. c) Control of preschools, old age homes, clinics, care centres and Municipal buildings.	Inkwanca Municipal Area	Ongoing	Achieved
3. Manage and control the Traffic function for the entire area.		Inkwanca Municipal Area	Ongoing	Achieved
4. Manage and control the parks, sport fields and cemeteries for the entire municipal area.	Control and maintenance of cemeteries. Provision and maintenance of sports and recreation facilities. Beautification of parks and open spaces and maintenance of pavements.	Inkwanca Municipal Area	Fortnightly and Monthly	Achieved

# # Chapter 3

5. Prepare, monitor and control the budget for the Community Services Department so that expenditure is in line with the budget, and manage all other administrative matters of the Dept.	a) Prepare and submit departmental budget for 2009/2010 to CFO. b) Monitor and control budget. c) Ensure that staff costs are not overspent.	Inkwanca Municipal Area	Ongoing	Achieved
	d) All community services reports to be submitted to Council Committees through MM.			
	e) Attendance at all meetings on time.	Ongoing		Achieved

The municipality has made a rotation plan to ensure that, refuse collection is taken seriously. The refuse doesn't wait for more than seven days to be collected, because after seven days it becomes dangerous to human beings. Refuse collection schedule is in place to accelerate in speed in terms of refuse collection.

# Chapter 3

## 3.4 ROADS AND WASTE WATER (STORMWATER DRAINAGE)

### INTRODUCTION TO ROADSA AND STORMWATER DRAINAGE

The municipality is in a the process of dealing with roads and storm water drainage, as we have tried but we can confirm that, the level of service which relates to roads and storm water drainage is moving very slow, due to the fact that the municipality doesn't have adequate financial resources to address this matter. However we have prioritised roads and storm water drainage in terms of our IDP priorities.

Sterkstroom is a very difficult town to maintain or rehabilitate, the streets are narrow and a plan needs to be developed to address this.

It is unfortunate that our municipality is lacking resources to maintain these roads as we don't even have any roads maintenance machinery, ending us up at having to out-source these service at very high costs. As a '**low revenue-based**' Municipality we depend on capital grants to construct proper roads but the challenge is that after these capital projects are complete, we are unable to maintain from our own operational budget.

Our stormwater system is not effective, as a result our roads are not sustainable due to this fact. We have unblocked over the past year more 10 000 m of block stormwater channels.

T3.4.1

Gravel Road Infrastructure				Kilometers
	Total gravel roads	New gravel roads constructed	Gravel roads upgraded to tar	Gravel roads graded/maintained
Year 2010	1100	4.8km	0	0
Year 2011	1,100	8km	3km	18
Year 2012	1,100	12km	3km	0
				T 3.4.2

# # Chapter 3

Tarred Road Infrastructure					Kilometers
	Total tarred roads	New tar roads	Existing tar roads re-tarred	Existing tar roads re-sheeted	Tar roads maintained
Year 2010	85	10	0	0	11km
Year 2011	6km	3km	0	0	18km
Year 2012	9km	3km	0	0	3km
					T 3.4.3

# Chapter 3

## 3.5 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES)

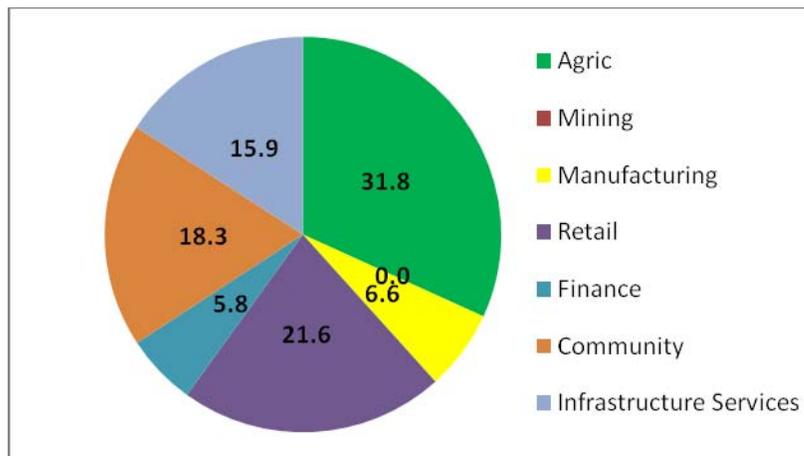
### 3.5.1 LOCAL ECONOMIC DEVELOPMENT

#### Background

The sector contribution of each individual producer, industry or sector to the economy is measured through Gross Value Added (GVA). The total GVA for Inkwanca is R286420 (based on 2004 figures). This is a 5% contribution to the District Economy and 0.3% to the Provincial Economy. The areas low contribution to the overall District and National economic highlights the fact that this area is not an economic growth point.

The Agricultural sector is the greatest contributor to Inkwanca's GVA (31.8%). This is followed by Retail (21.6 %) and Community and Government Services (18.3%). Currently Mining contributes very little to the Municipal GVA but there are opportunities for this sector to expand.

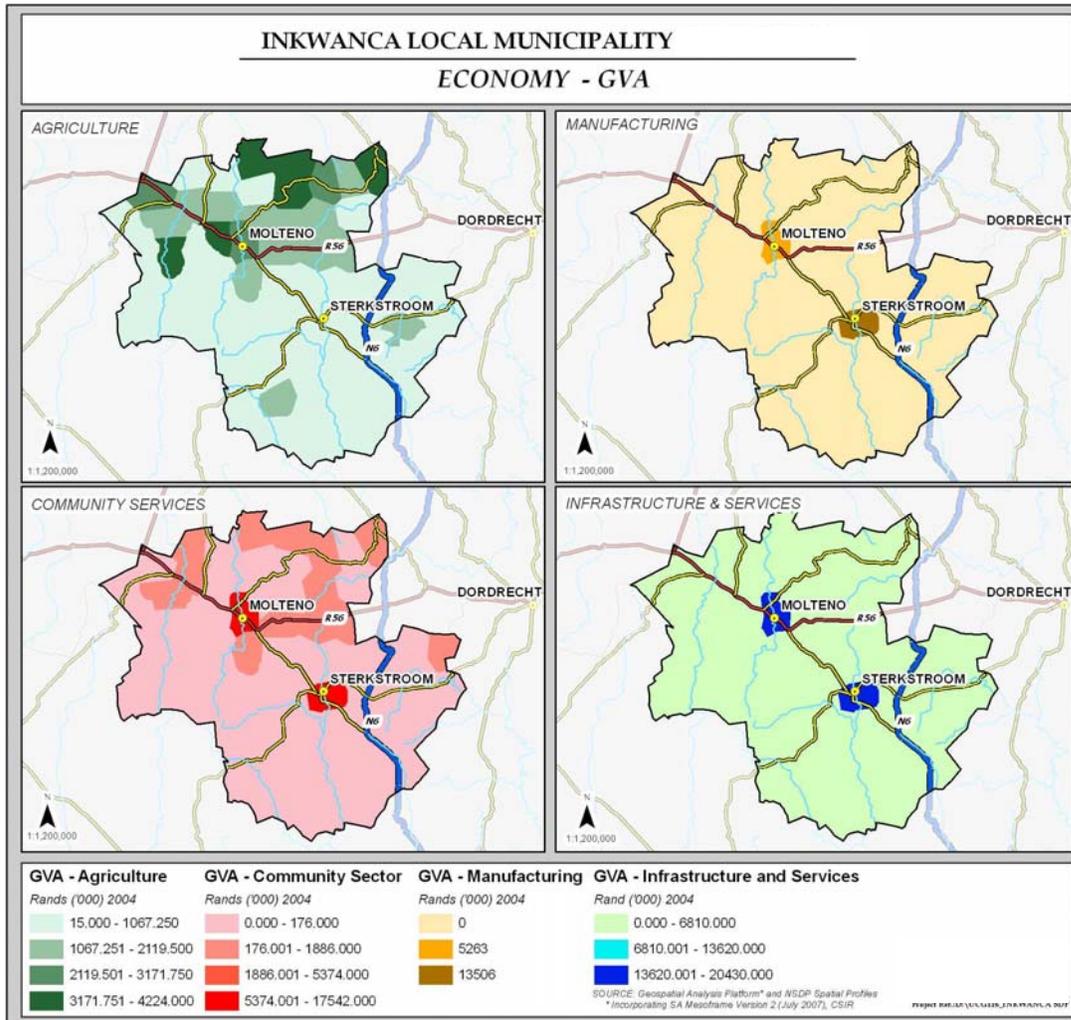
#### Sector Contribution to GVA - Inkwanca LM



Source: SDF 2012

# Chapter 3

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## Projects identified to meet this potential:

The Chris Hani REDS strategy identified the following sectors as having the greatest comparative advantage in the Municipality

- Mining
- Livestock Production and Processing

## Perceived economic opportunities (Chris Hani REDS strategy - Corridors)

Town	Agricultural, agro-processing and forestry	Manufacturing, construction and mining	Tourism and hospitality	Service, retail and logistics
<b>Molteno</b>	Forestry plantations,	clay making, brick	Tourist attraction battle fields,	

# Chapter 3

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Town	Agricultural, agro-processing and forestry	Manufacturing, construction and mining	Tourism and hospitality	Service, retail and logistics
	partridge hunting,	manufacture of good quality clay bricks, coal mining high quality clay for arts and crafts and crockery	develop Molteno dam (picnic sites), spa-paradise (tourism)	
<b>Sterkstroom</b>	tannery for hides, wind farming, , sheep , cattle, poultry and pigs, organic agricultural product meat, , wool processing plant, fresh market	recycling waste red ochre mining	Hunting tourism catering rock art tourism	filling station

## Agriculture

### LIVESTOCK

Inkwanca has approximately 1.67% of the Chris Hani District's cattle, 0.08% of its goats and 3.69% of its sheep. The two commodities identified as having potential in Inkwanca are

- Beef Cattle
- Dohne-Merino

THE PRODUCTION OF LIVESTOCK IS MAINLY BECAUSE OF THE GOOD GRAZING POTENTIAL IN THE AREA, WITH OVER 60% OF THE MUNICIPALITY HAVING A CARRYING CAPACITY OF 9 HECTARES OR LESS PER LIVESTOCK. HOWEVER, THERE IS LITTLE FOOD CROP PRODUCTION AS A RESULT OF ARID NATURE OF THE ENVIRONMENT.

# # Chapter 3

## LIMITATIONS

### WATER

Water is probably the most limiting factor for agriculture in the region, especially for vegetable and crop production, but also successful livestock farming is dependent on a reliable, constant and sustainable water access.

### MARKET ACCESS

Before any production is started, a sustainable long-term market access has to be secured

### TRANSPORT AND INFRASTRUCTURE

Linked to the problem of market access is the problem of lack of transport. Transport is a major problem in the area. This includes of course market access, but also the access to get inputs into the project, like seeds and fertilizer

### MINING

For the past decade the municipality has been struggling to extract value out of the coal deposits discovered in its jurisdictional area. Coal mining remains an untapped potential in the area and can contribute immensely to employment creation if it can be properly mined and beneficiated. These coal deposits are located in the central area of the Municipality.

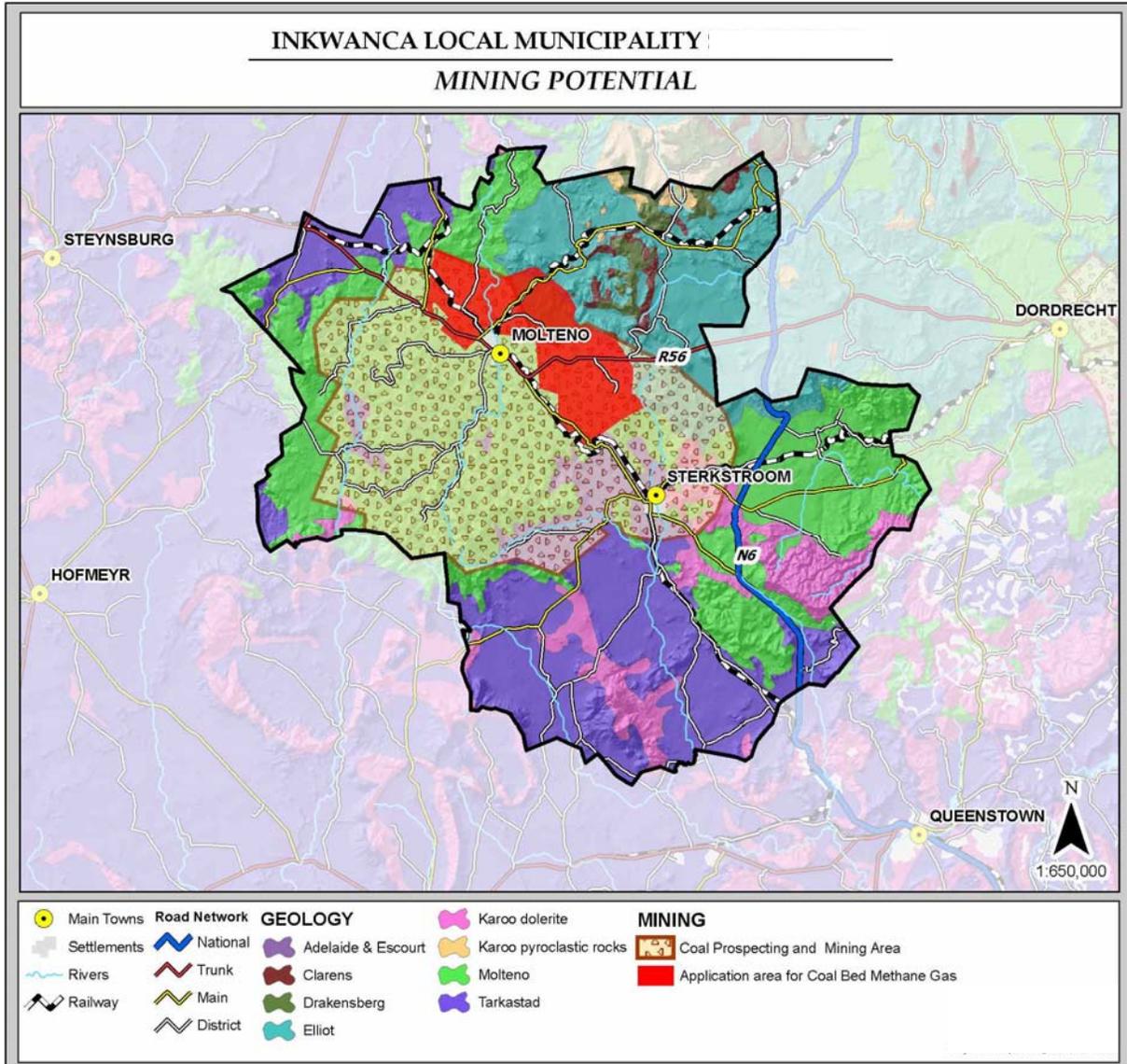
### COAL MINING

The Elitheni Coal Company has mining prospecting rights to a large area of Inkwanca (See map below). The company estimates that there is over 1 billion tonnes of coal available in its mining and prospecting areas. Unlocking of the Mining Industry will create spinoffs in subsidiary industries

### METHANE GAS

Badimo Gas (Pty) Ltd has made an application for an exploration right for coal bed methane near Molteno (See map below).

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## Tourism

Inkwanca's tourism vision is: - "To make Inkwanca area a sustainable eco-tourism, cultural (including rock art) and adventure tourism destination."

### TOURISM ATTRACTIONS AND FACILITIES

Tourism facilities and attractions in the area are limited as this is not a traditional tourism area. The biggest draw card to the area is hunting; fly fishing and the rock art. The potential of adventure and eco-tourism has not been fully exploited. There are current only 9 accommodation facilities. Inkwanca requires linkages, packaging of products, as well as the development of theme routes. We have all the

# # Chapter 3

assets to become a major destination for adventure tourism as identified in the District and Provincial Tourism Framework.

## Accommodation Facilities in Inkwanca LM

Type	No.	Beds
Bed&Breakfast	5	45
Hotels	2	21
Self-Catering	2	8
Total	9	74

Source: Chris Hani DM Tourism Plan, 2009

## Potential Tourism Attractions in Inkwanca LM

Heritage/ History Tourism	
Molteno Museum	Vegkoppies
Sterkstroom Museum	Clock Tower - Molteno
Molteno Watermill	Johannes Meintjies Art Gallery
Archaeological Sites	Stormberg Certified Organic Farms
Nature-Based Tourism	
Koos Ras Nature Reserve	Carnavon Estate - Hunting
Black Eagle Nature Reserve	Rooipoort -Hunting

# # Chapter 3

Nature Heritage Site on the farm Carnavon	Branston Lodge - Hunting
Brosterlea Farm -Hunting	John Broster Farm - Hunting
Laetitia Mountain Lodge Safaris - Hunting	

Source: Chris Hani DM Tourism Plan, 2009

## LED Projects by both Inkwanca Municipality and other Stakeholders

Name of Project	Location	Funder	MTEF Estimates		
			2012/12	2013/14	2014/15
<b>Construction of a Game Reserve</b>	Sterkstroom	Inkwanca Municipality	R 300 000 00	R 300 000 00	R 300 000 00
Agriculture, Development	Sterkstroom & Molteno	Agric, CHDM, Uvimba Finance, DBSA	R2 500 000.00	-	-
SMME Development	Sterkstroom & Molteno	SEDA, ECDC, DEDEA, CHDM	R1 500 000.00	-	-
Tourism Development	Sterkstroom & Molteno	DSRAC, CHDM, ECtourism	R2 700 000	-	-
Ekuphumuleni service Centre	Molteno	Dept. Soc. Devpt	R11 500.00	R11 500.00	R11 500.00
Sterkstroom Service Centre	Sterkstroom	Dept.Soc. Devpt	R		
Masithobelane Sizama	Molteno	Dept. Soc. Devpt	R		
Molteno Community Garden	Molteno	Dept. Soc. Devpt	R750 000.00		
Home Based Care Centre	Molteno & Sterkstroom	Dept. Soc. Devpt	R269.298.00	R269.298.00	R269.298.00
Siyokhana Project	Molteno	Dept. Soc. Devpt	R750 000.00	-	-
Ucoceko Dry clean & laundry project	Molteno	Dept. Soc. Devpt	R500 000.00	-	-
Masakhe Herbs Project	Sterkstroom	Dept. Soc. Devpt	R500 000	-	-
Siphesihle bakery Project	Sterkstroom	Dept. Soc. Devpt	R500 000.00		

# # Chapter 3

## **Challenges facing the LED Unit**

- Lack of funding (Internal resources to fund the development of sector specific plans)
- Poor bulk infrastructure to attract investors to invest in mega projects
- Lack of participation/cooperation of Tourism Product Owners in Tourism Forums
- Lack of infrastructure such as irrigation, fencing, tractors, electricity and roads.
- Lack of institutional capacity (human capital)

### **3.5.2 PLANNING AND DEVELOPMENT**

The objective is to ensure the creation of a favourable environment for economic development to take place and also ensure that the municipality is managed strategically through its Integrated Development Plan. The Key Performance Area (KPA) of the unit includes, Town Planning, Integrated Development Plan, Local Economic Development (LED), Tourism, Poverty Alleviation, and Enterprise Development.

### **3.5.3 SPATIAL PLANNING**

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

A spatial Development Framework was developed and approved in 2007. However, it was reviewed in May 2012.

#### **b) Land use management:**

- Rezoning, (Nil)
- Sub-division, (Nil)
- Consent use, (Nil)
- Removal of restrictive conditions (Nil)
- Township establishments (Nil)

## **3.6 HOUSING DELIVERY**

### **3.6.1 DELIVERED HOUSING PROJECTS**

#### **Housing and town planning**

# # Chapter 3

The Directorate for Land and Housing is responsible for managing Housing within Inkwanca Municipality. There are posts for a senior land and housing officer as well as a housing officer and administrative support. The major functions fulfilled by the municipality are in beneficiary identification, project applications and some level of financial control and management. The municipality is very dependent upon the provincial DoHS and external technical consultants for the delivery of prioritised housing. Inkwanca Municipality also acts as a coordinator and ensures that the following are done:

- Avail land for future housing development
- Prepare & submit a verified beneficiary list to Dept. Of Housing
- Provide awareness on housing beneficiation to communities
- Monitor the quality of houses built

### Role-players in Housing delivery:

- Dept of Human Settlement; Dept of Land Affairs; Chris Hani District Municipality; Inkwanca Local Municipality; Developers

Annual performance as per key performance indicators in housing and town planning services:

The following is the latest data received from the Department

Project Name	Project Units	Project Type	Project Status	Comment
<b>MOLTENO - NOMONDE</b>	412	Project Linked	Completed	Rectification started not
<b>MOLTENO - PHASE 2</b>	800	Project Linked	Completed	Rectification started not
<b>Molteno Phase 2 - R/L 2</b>	116	Project Linked PHP	Completed	Rectification started not
<b>Molteno - Dennekruin</b>	97	Project Linked PHP	Completed	Rectification started not
<b>STERKSTROOM</b>	493	Project Linked	Completed	

# # Chapter 3

<b>Sterkstroom Phase 2 - R/L 2</b>	721	Project Linked PHP	Completed	
<b>Total</b>	2639			

## 3.6.2 CURRENT HOUSING PROJECTS

Project Name	Project Units	Project Type	Project Status	Comment
<b>Molteno Nomonde 136</b>	136	IRDP Phased Approach Top Structure	Unblocking	To start in 2 <sup>nd</sup> Quarter 2012/2013
<b>Molteno Airstrip 1127</b>	500		Tender Stage	Tender document will be presented to BSC
<b>Total</b>	<b>636</b>			

## 3.6.3 PROPOSED PROJECTS

Project Name	Project Units	Project Type	Project Status
<b>Molteno Airstrip 1127</b>	1127	IRDP Phased Approach Top Structure	To start 1 <sup>st</sup> Quarter 2012/2013
<b>Sterkstroom 164</b>	164	IRDP Phased Approach Planning & Services	3 <sup>rd</sup> Quarter 2012/2013
<b>Sterkstroom 1214</b>	1214	Rectification	3 <sup>rd</sup> Quarter

# # Chapter 3

			2012/2013
<b>Molteno 907</b>	907	Rectification	3 <sup>rd</sup> Quarter 2012/2013
<b>Total</b>	<b>3412</b>		

## **Challenges in housing and town planning services**

Housing applications take too long to be approved by the Department of Human Settlement and this leads to communities invading land reserved for Housing purposes. In addition, housing projects do not come with bulk infrastructure and therefore the Municipality has to commit its scare MIG allocation in providing all the services needed for housing projects to be approved.

# Chapter 3

# Chapter 4

## CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE REPORT PART II)

### INTRODUCTION

The Corporate Services Department derives its mandate from the council's key development objectives, that is, the institutional development. The primary function of this department, is therefore among others to facilitate institutional development, including staffing and staff development.

Our commitment as an internal service provider and facilitator is to ensure the municipality is strategically positioned and resources to meet and maximise on client needs, the various publics. It is important to mention herein that to date our greatest challenge remains, staff retention.

Due to the size of our budget, we have found ourselves in an untenable position, where we struggle to firstly entice skilled personnel and retain staff. As a consequence our staff development programme has been greatly compromised, in that even though we have invested time and resources in developing skills and competencies in key functional areas, these have come to not where we have in one fell swoop lost three highly skilled managers.

T 4.0.1

### COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

#### 4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Description	Employees				
	Year 2011	Year 2012			
	Employees No.	Approved Posts No.	Employees No.	Vacancies No.	Vacancies %
Water	26	25	26	0	0%
Waste Water (Sanitation)	8	6	8	0	0%
Electricity	11	11	11	0	0%
Waste Management	31	31	31	0	0%
Housing	3	3	3	0	0%
Waste Water (Stormwater Drainage)	11	11	11	0	0%
Roads	12	12	12	0	0%

# # Chapter 4

Local Economic Development	6	6	6	3	50%
<b>Totals</b>	<b>108</b>	<b>105</b>	<b>108</b>	<b>3</b>	<b>1</b>
Headings follow the order of services as set out in chapter 3. Service totals should equate to those included in the Chapter 3 employee schedules. Employee and Approved Posts numbers are as at 30 June, as per the approved organogram.					T 4.1.1

Vacancy Rate: Year 2012			
Designations	*Total Approved Posts	*Vacancies (Total time that vacancies exist using fulltime equivalents)	*Vacancies (as a proportion of total posts in each category)
	No.	No.	%
Municipal Manager	1	0	0%
CFO	1	1	100%
Other S57 Managers (excluding Finance Posts)	6	1	17%
Other S57 Managers (Finance posts)	3	1	33%
Senior management: Levels 13-15 (Finance posts)	6	2	33%
Highly skilled supervision: levels 9-12 (excluding Finance posts)	35	8	23%
Highly skilled supervision: levels 9-12 (Finance posts)	8	1	13%
<b>Total</b>	<b>60</b>	<b>14</b>	<b>23%</b>
Note: *For posts which are established and funded in the approved budget or adjustments budget (where changes in employee provision have been made). Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.			T 4.1.2

# # Chapter 4

Details	Turn-over Rate		Turn-over Rate*
	Total Appointments as of beginning of Financial Year No.	Terminations during the Financial Year No.	
Year 2010	50	1	2%
Year 2011	50	5	10%
Year 2012	50	2	1%

\* Divide the number of employees who have left the organisation within a year, by total number of employees who occupied posts at the beginning of the year

T 4.1.3

## COMMENT ON VACANCIES AND TURNOVER:

Detail the attempts made to fill the posts of senior management and highly skilled supervision and explain why there are no appropriate internal staff to fill the vacancies. Explain how long, at a minimum, the section 57 vacancies (including MM and CFO) have remained unfilled and the reasons for this. Give reasons for the turnover rate experienced by your municipality. Explain measures taken to successfully attract and retain staff.

T 4.1.4

## COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

### INTRODUCTION TO MUNICIPAL WORKFORCE MANAGEMENT

*Note: MSA 2000 S67 requires municipalities to develop and adopt appropriate systems and procedures to ensure fair; efficient; effective; and transparent personnel administration in accordance with the Employment Equity Act 1998.*

**Delete Directive note once comment is completed** – Discuss the range and emphasis of workforce management at your municipality and briefly mention progress made with the development of workforce policies and management practices during the year.

T 4.2.0

# # Chapter 4

## 4.2 POLICIES

HR Policies and Plans				
	Name of Policy	Completed	Reviewed	Date adopted by council or comment on failure to adopt
		%	%	
1	Affirmative Action	✓		27-Mar-12
2	Attraction and Retention	✓		27-Mar-12
3	Code of Conduct for employees	✓		27-Mar-12
4	Delegations, Authorisation & Responsibility	✓	✓	27-Mar-12
5	Disciplinary Code and Procedures	✓		27-Mar-12
6	Essential Services	✓		27-Mar-12
7	Employee Assistance / Wellness	✓	✓	27-Mar-12
8	Employment Equity	✓	✓	27-Mar-12
9	Exit Management	✓		27-Mar-12
10	Grievance Procedures	✓		27-Mar-12
11	HIV/Aids	✓		27-Mar-12
12	Human Resource and Development	✓	✓	27-Mar-12
13	Information Technology	✓	✓	27-Mar-12
14	Job Evaluation	✓		27-Mar-12
15	Leave	✓	✓	27-Mar-12
16	Occupational Health and Safety	✓	✓	27-Mar-12
17	Official Housing	✓		27-Mar-12
18	Official Journeys	✓		27-Mar-12
19	Official transport to attend Funerals	✓		27-Mar-12
20	Official Working Hours and Overtime	✓	✓	27-Mar-12
21	Organisational Rights	✓		27-Mar-12
22	Payroll Deductions	✓		27-Mar-12
23	Performance Management and Development	✓		27-Mar-12
24	Recruitment, Selection and Appointments	✓	✓	27-Mar-12
25	Remuneration Scales and Allowances	✓		27-Mar-12
26	Resettlement	✓		27-Mar-12
27	Sexual Harassment	✓		27-Mar-12
28	Skills Development	✓	✓	27-Mar-12
29	Smoking	✓		27-Mar-12
30	Special Skills	✓		27-Mar-12
31	Work Organisation	✓		27-Mar-12
32	Uniforms and Protective Clothing	✓		27-Mar-12
33	Other:	✓		
Use name of local policies if different from above and at any other HR policies not listed.				

T 4.2.1

# # Chapter 4

## COMMENT ON WORKFORCE POLICY DEVELOPMENT:

**Delete Directive note once comment is completed** – Comment on progress made during the year and plans for completing this work.

T 4.2.1.1

### 4.3 INJURIES, SICKNESS AND SUSPENSIONS

Number and Cost of Injuries on Duty					
Type of injury	Injury Leave Taken Days	Employees using injury leave No.	Proportion employees using sick leave %	Average Injury Leave per employee Days	Total Estimated Cost R'000
Required basic medical attention only	60	5	8%	12	60
Temporary total disablement					
Permanent disablement					
Fatal					
<b>Total</b>	<b>60</b>	<b>5</b>	<b>8%</b>	<b>12</b>	<b>60</b>

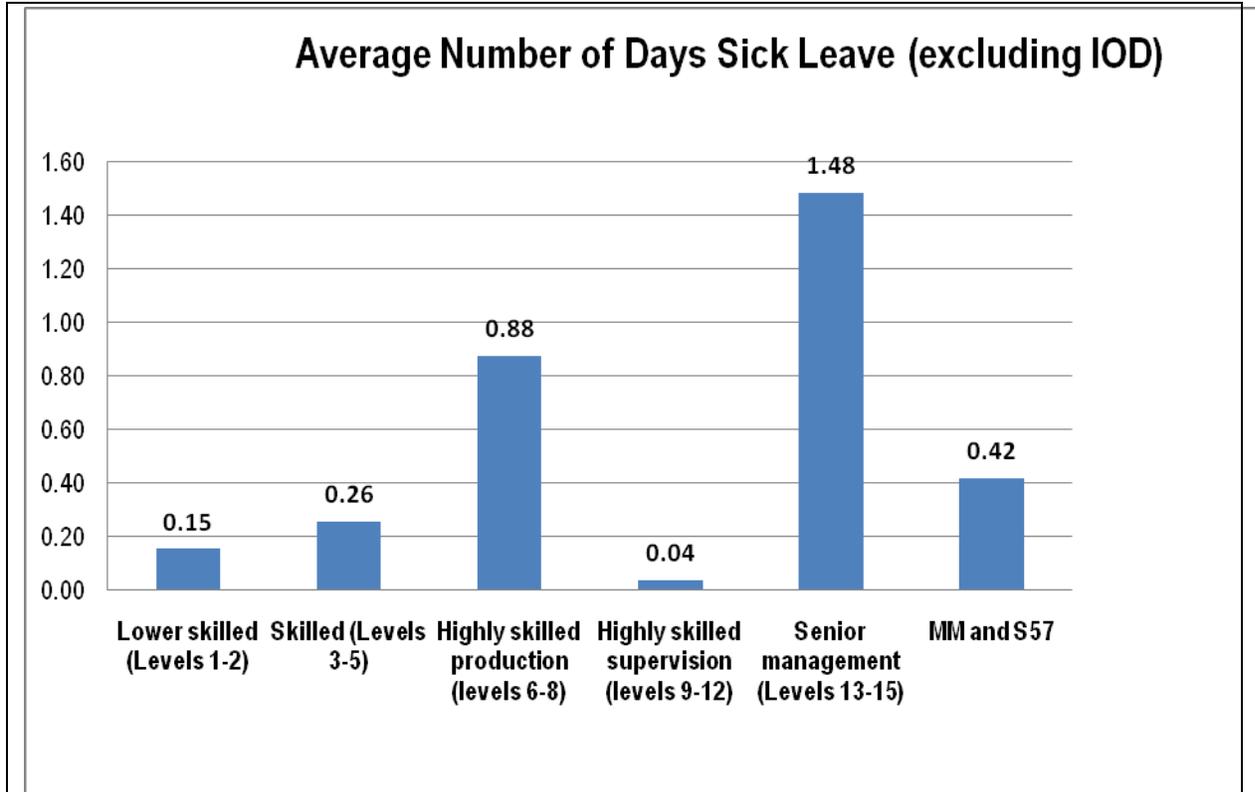
T 4.3.1

Number of days and Cost of Sick Leave (excluding injuries on duty)						
Salary band	Total sick leave Days	Proportion of sick leave without medical certification %	Employees using sick leave No.	Total employees in post* No.	*Average sick leave per Employees Days	Estimated cost R' 000
Lower skilled (Levels 1-2)	24	90%	10	30	0.15	30
Skilled (Levels 3-5)	40			22	0.26	
Highly skilled production (levels 6-8)	136			58	0.88	
Highly skilled supervision (levels 9-12)	6	95%	2	26	0.04	31
Senior management (Levels 13-15)	230			11	1.48	
MM and S57	65			8	0.42	
<b>Total</b>	<b>501</b>	<b>93%</b>	<b>12</b>	<b>155</b>	<b>3.23</b>	<b>61</b>

# # Chapter 4

\* - Number of employees in post at the beginning of the year

\*Average is calculated by taking sick leave in column 2 divided by total employees in column 5 T 4.3.2



T 4.3.3

### COMMENT ON INJURY AND SICK LEAVE:

**Delete Directive note once comment is completed** – Comment on injury and sick leave indicated in the above tables. Explain steps taken during the year to reduce injuries and follow-up action in relation to injury and sick leave (e.g. are injuries examined by the municipality's own doctor; are those taking long or regular periods of sick leave monitored by municipality's doctor; and are personal records maintained of the number of instances of sick leave and amount of time taken each year?)

T 4.3.4

Number and Period of Suspensions				
Position	Nature of Alleged Misconduct	Date of Suspension	Details of Disciplinary Action taken or Status of Case and Reasons why not Finalised	Date Finalised
Housing Clerk	Insubordination	May-12	suspension lifted case pending	Pending



# # Chapter 4

	Male	4		
<b>Total</b>		<b>138</b>	<b>21</b>	
<i>Has the statutory municipal calculator been used as part of the evaluation process ?</i>				Yes/No
<p><i>Note: MSA 2000 S51(d) requires that ... 'performance plans, on which rewards are based should be aligned with the IDP'... (IDP objectives and targets are set out in Chapter 3) and that Service Delivery and Budget Implementation Plans (developed under MFMA S69 and Circular 13) should be consistent with the higher level IDP targets and must be incorporated appropriately in personal performance agreements as the basis of performance rewards. Those with disability are shown in brackets '(x)' in the 'Number of beneficiaries' column as well as in the numbers at the right hand side of the column (as illustrated above).</i></p>				T 4.4.1

COMMENT ON PERFORMANCE REWARDS:

**Delete Directive note once comment is completed** – Comment as appropriate.

T 4.4.1.1

COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

INTRODUCTION TO WORKFORCE CAPACITY DEVELOPMENT

*Note: MSA 2000 S68 (1) requires municipalities to develop their human resource capacity to a level that enables them to perform their functions and exercise their powers in an economical, effective, efficient and accountable way.*

**Delete Directive note once comment is completed** – Discuss the way ahead and the improvements made and the challenges faced for capacity development in your municipality.

T 4.5.0

# Chapter 4

## 4.5 SKILLS DEVELOPMENT AND TRAINING

Skills Matrix														
Management level	Gender	Employees in post as at 30 June Year 2012	Number of skilled employees required and actual as at 30 June Year 2012											
			Learnerships			Skills programmes & other short courses			Other forms of training			Total		
			No.	Actual: End of Year 2011	Actual: End of Year 2012	Year 2012 Target	Actual: End of Year 2011	Actual: End of Year 2012	Year 2012 Target	Actual: End of Year 2011	Actual: End of Year 2012	Year 2012 Target	Actual: End of Year 2011	Actual: End of Year 2012
MM and s57	Female	1	5	1	8	5	1	8	5	0	1	5	2	17
	Male	5	5	4	6	5	4	6	5	1	2	5	9	14
Councillors, senior officials and managers	Female	3	2	1	8	2	1	8	2	3	3	2	5	19
	Male	3	3	1	5	3	1	5	3	4	4	3	6	14
Technicians and associate professionals*	Female	5	4	4	6	4	4	6	4	2	2	4	10	14
	Male	6	8	3	8	8	3	8	8	8	9	8	14	25
Professionals	Female		8	2	10	8	2	10	8	6	6	8	10	26
	Male	5	6	4	8	6	4	8	6	2	2	6	2	2
Sub total	Female	9	19	8	32	19	8	32	19	11	12	19	27	76
	Male	19	22	12	27	22	12	27	22	15	17	22	31	55
<b>Total</b>		<b>56</b>	<b>82</b>	<b>40</b>	<b>118</b>	<b>82</b>	<b>40</b>	<b>118</b>	<b>82</b>	<b>52</b>	<b>58</b>	<b>82</b>	<b>116</b>	<b>262</b>

\*Registered with professional Associate Body e.g CA (SA)

T  
4.5.1

### Financial Competency Development: Progress Report\*

# Chapter 4

#

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

\* This is a statutory report under the National Treasury: Local Government: MFMA Competency Regulations (June 2007)

T 4.5.2

# Chapter 5

Skills Development Expenditure										
										R'000
Management level	Gender	Employees as at the beginning of the financial year	Original Budget and Actual Expenditure on skills development Year 1							
			Learnerships		Skills programmes & other short courses		Other forms of training		Total	
		No.	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual
MM and S57	Female									
	Male									
Legislators, senior officials and managers	Female									
	Male									
Professionals	Female									
	Male									
Technicians and associate professionals	Female									
	Male									
Clerks	Female									
	Male									
Service and sales workers	Female									
	Male									
Plant and machine operators and assemblers	Female									
	Male									
Elementary occupations	Female									
	Male									
Sub total	Female									

# # Chapter 5

	e									
	Male									
Total		0	0	0	0	0	0	0		
*% and *R value of municipal salaries (original budget) allocated for workplace skills plan.									%*	*R
										T4.5.

## COMMENT ON SKILLS DEVELOPMENT AND RELATED EXPENDITURE AND ON THE FINANCIAL COMPETENCY REGULATIONS:

**Delete Directive note once comment is completed** – Comment on the adequacy of training plans and the effectiveness of implementation at your municipality. Explain variances between actual and budgeted expenditure. Also comment on the adequacy of funding (e.g. is it intended to increase or decrease this level of spending in future years and how is the value of the training activity assessed?) Refer to MFMA Competency Regulations, the range of officials to which it relates and the deadline of 2013 by which it will become fully effective. Discuss the progress made on implementation at your municipality as reflected in T4.5.4 above.

T 4.5.4

## COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE

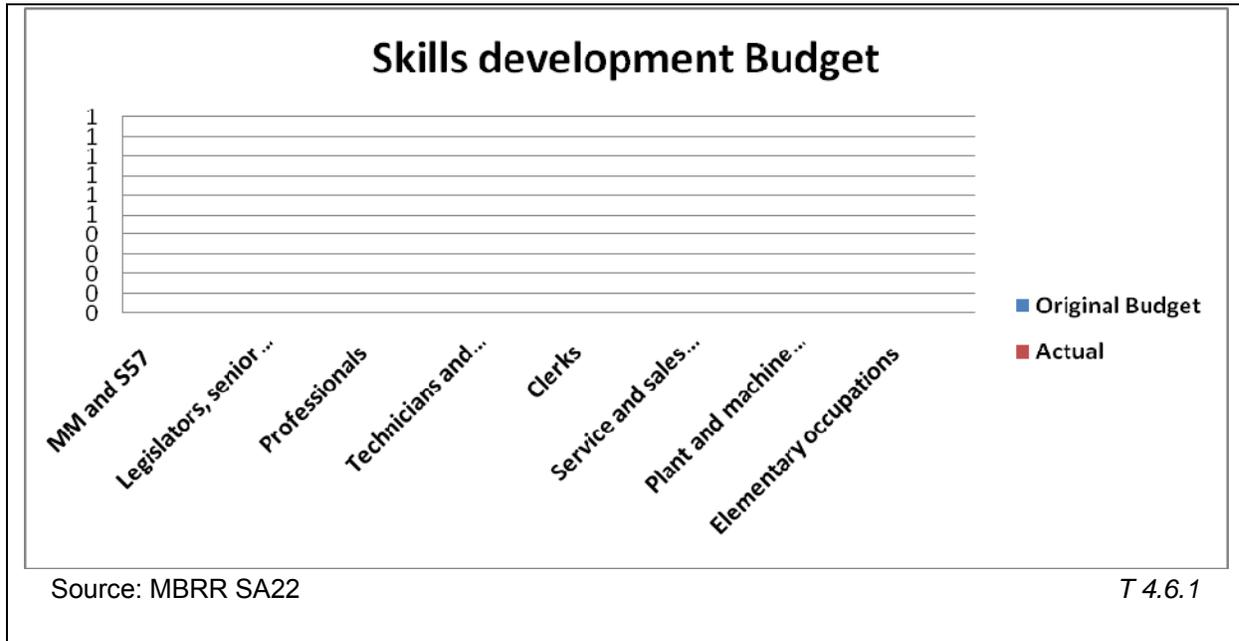
### INTRODUCTION TO WORKFORCE EXPENDITURE

**Delete Directive note once comment is completed** – Explain the importance of managing workforce expenditure, the pressures to overspend and how spending is controlled (e.g. within approved establishment and against budget and anticipated vacancy rates arising from turnover). Also explain how municipality seeks to obtain value for money from work force expenditure.

T 4.6.0

# # Chapter 5

## 4.6 EMPLOYEE EXPENDITURE



### COMMENT ON WORKFORCE EXPENDITURE:

***Delete Directive note once comment is completed*** – Explain the spending pattern in the context of the actual and two previous years plus the budget year. Refer to implications for workforce ratio in Chapter 5. Comment on factors influencing workforce expenditure during the year.

T 4.6.1.1

Employees appointed to posts not approved				
Department	Level	Date of appointment	No. appointed	Reason for appointment when no established post exist
WSSU	six	1-Feb-12	one	Council decision

T 4.6.4

# Chapter 5

## CHAPTER 5 – FINANCIAL PERFORMANCE

### INTRODUCTION

Chapter 5 contains information regarding financial performance and highlights specific accomplishments. The chapter comprises of three components:

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

***Note: Please refer to Volume II of the report***

T 5.0.1

## COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

### INTRODUCTION TO FINANCIAL STATEMENTS

***Note: Please refer to Volume II of the report***

T 5.1.0

# Chapter 5

## 5.1 STATEMENTS OF FINANCIAL PERFORMANCE

Description	Year 0											Year -1			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousands	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<b>Financial Performance</b>															
Property rates			-			-									
Service charges			-			-									
Investment revenue			-			-									
Transfers recognised - operational			-			-									
Other own revenue			-			-									
<b>Total Revenue (excluding capital transfers and contributions)</b>															
Employee costs			-			-									
Remuneration of councillors			-			-									
Debt impairment			-			-									
Depreciation & asset impairment			-			-									
Finance charges			-			-									
Materials and bulk purchases			-			-									
Transfers and grants			-			-									
Other expenditure			-			-									
<b>Total Expenditure</b>															
<b>Surplus/(Deficit)</b>															
Transfers recognised - capital			-			-									
Contributions recognised - capital & contributed assets			-			-									
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>															
Share of surplus/ (deficit) of associate			-			-									
<b>Surplus/(Deficit) for the year</b>															
<b>Capital expenditure &amp; funds sources</b>															
<b>Capital expenditure</b>															
Transfers recognised - capital			-			-									
Public contributions & donations			-			-									
Borrowing			-			-									
Internally generated funds			-			-									
<b>Total sources of capital funds</b>															
<b>Cash flows</b>															
Net cash from (used) operating			-			-									
Net cash from (used) investing			-			-									
Net cash from (used) financing			-			-									
Cash/cash equivalents at the year end															

T 5.1.1

# Chapter 5

#

COMMENT ON FINANCIAL PERFORMANCE:

**Delete Directive note once comment is completed** – Comment on variances above 10%.

T5.1.3

## 5.2 GRANTS

COMMENT ON OPERATING TRANSFERS AND GRANTS:

*Note: For Municipal Infrastructure Grant (MIG) see T5.8.3. For other conditional transfers including Neighborhood Development Partnership Grant (NDPG); Public Transport Infrastructure and Systems Grant (PITS) see **Appendix L**.*

**Delete Directive note once comment is completed** – Comment on the variances in the above table and other and indicate high value projects & total the remaining project.

T 5.2.2

COMMENT ON CONDITIONAL GRANTS AND GRANT RECEIVED FROM OTHER SOURCES:

**Delete Directive note once comment is completed** – Use this box to provide additional information on grant benefits or conditions and reason for acceptance. Please also provide comments on grant surrendered to the National Revenue Fund with reasons that led to this.

T 5.2.4

## 5.3 ASSET MANAGEMENT

INTRODUCTION TO ASSET MANAGEMENT

# # Chapter 5

**Delete Directive note once comment is completed** - Provide a brief overview on Asset Management as practiced within your organisation and outline the key elements of your Asset Management Policy. Explain how asset management is organised, the staff involved and the key delegations. Describe key issues under development. Indicate the approach to capacity development for this activity. Refer to the illustrations of asset management approach in relation to the new assets set out below.

T 5.3.1

## COMMENT ON ASSET MANAGEMENT:

**Delete Directive note once comment is completed** – With reference to the three projects approved in the year, set out above, describe how these projects were evaluated from a cost and revenue perspective, including Municipal tax and tariff implications (See MFMA section 19 (2) (a) & (b) and MSA section 74 (2) (d), (e) & (i)). Ensure that these projects are maintained on files that are readily accessible for audit inspection. Financial data regarding asset management may be sourced from **MBRR Table A9**

T 5.3.3

## COMMENT ON REPAIR AND MAINTENANCE EXPENDITURE:

**Delete Directive note once comment is completed** – Comment on adequacy of Repair & Maintenance Expenditure and variances show in T5.3.4 above and on the implications of the proportion of operating budget spend on repairs and maintenance over the past four years set out below. Note that the repairs and maintenance expenditure in T5.3.4 must reconcile with the operational repairs and maintenance expenditure for all services set out in Chapter 3.

T 5.3.4.1

# # Chapter 5

## 5.4 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

	T 5.4.1
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	T 5.4.2
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	T 5.4.3
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	T 5.4.4
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	T 5.4.5
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	T 5.4.6
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	T 5.4.7
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	T 5.4.8
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### COMMENT ON FINANCIAL RATIOS:

**Delete Directive note once comment is completed** - Comment on the financial health of the municipality / municipal entities revealed by the financial ratios set out above. These ratios are derived from table SA8 of the MBRR.

T 5.4.9

## COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

# # Chapter 5

## INTRODUCTION TO SPENDING AGAINST CAPITAL BUDGET

**Delete Directive note once comment is completed** – Capital expenditure relates mainly to construction projects that will have value lasting over many years. Capital expenditure is funded from grants, borrowings and operating expenditures and surpluses. Component B deals with capital spending indicating where the funding comes from and whether Municipalities are able to spend the available funding as planned. In this component it is important to indicate the different sources of funding as well as how these funds are spend. Hghlight the 5 largest projects (see T5.7.1) and indicate what portion of the capital budget they use. In the introduction briefly refer to these key aspects of capital expenditure (usually relating to new works and renewal projects) and to **Appendices M** (relating to the new works and renewal programmes), **N** (relating to the full programme of full capital projects, and **O** (relating to the alignment of projects to wards).

T 5.5.0

### 5.5 CAPITAL EXPENDITURE

T 5.5.1

### 5.6 SOURCES OF FINANCE

#### COMMENT ON SOURCES OF FUNDING:

**Delete Directive note once comment is completed** – Explain any variations from the approved budget of more than 10% and discuss the total capital expenditure as a viable proportion of total expenditure.

T 5.6.1.1

### 5.7 CAPITAL SPENDING ON 5 LARGEST PROJECTS

#### COMMENT ON CAPITAL PROJECTS:

**Delete Directive note once comment is completed** - Provide information in the template above on the 5 largest projects, ranked according to their approved budget provision year 0. Comment on the variance between the original and adjustment budgets and on availability of future Budget provision to

# # Chapter 5

operate the projects and lessons learnt in the year about capital project implementation on time to budget.

T 5.7.1.1

## 5.8 BASIC SERVICE AND INFRASTRUCTURE BACKLOGS – OVERVIEW

### INTRODUCTION TO BASIC SERVICE AND INFRASTRUCTURE BACKLOGS

**Delete Directive note once comment is completed** – Explain that need and cost of backlogs are the result of migration into an area; migration out of an area; the trend towards disaggregation of families into more than one housing unit; and the cost of renewing and upgrading core infrastructure. Explain how this balance effects net demand in your municipality and how your municipality is responding to the challenges created.

T 5.8.1

### COMMENT ON BACKLOGS:

**Delete Directive note once comment is completed** - Comment on how MIG grants have been utilised to redress the backlogs and on the variances in T 5.8.3. If appropriate, comment that **Appendix P** contains details of schools and clinics that have been established that do not have ready access to one or more basic services and **Appendix Q** contains details of those services provided by other spheres of government (whether the municipality is involved on an agency basis or not) that carry significant backlogs.

T 5.8.4

## COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

### INTRODUCTION TO CASH FLOW MANAGEMENT AND INVESTMENTS

**Delete Directive note once comment is completed** – Give a brief comment on the importance of cash flow management. Refer to the scope of this activity as indicated in this component and what you regard as the key management features of your municipality's approach. Refer to any other cash flow issues of current relevance to your municipality that are not adequately provided for in the format of this component.

T 5.9

# # Chapter 5

## 5.9 CASH FLOW

### COMMENT ON CASH FLOW OUTCOMES:

**Delete Directive note once comment is completed** - Supply a brief summary about the cash flow status of the municipality. Explain variances from Original and Adjustment Budget to Actual. Include information on operating activities and what effect they had on cash flow and on cash backing of surpluses. Information regarding cash flow may be sourced from **Table A7 of the MBRR.**

T 5.9.1.1

## 5.10 BORROWING AND INVESTMENTS

### INTRODUCTION TO BORROWING AND INVESTMENTS

**Delete Directive note once comment is completed** – Explain briefly the relevance of borrowing and investments to you municipality with reference to the tables below and your municipality’s requirements in the year. Information may be sourced from **table SA3 AND SA15 in the MBRR.**

T 5.10.1

T 5.10.3

# # Chapter 5

## COMMENT ON BORROWING AND INVESTMENTS:

***Delete Directive note once comment is completed*** – Make clarifying comments on the above tables as necessary. All investments whether in the form of loans (in cash or kind) made by the municipality but not to one or more of the organisations set out above and all grants (in cash or kind) made to any form of organisation **must** be set out in full at **Appendix R**.

T 5.10.5

## 5.11 PUBLIC PRIVATE PARTNERSHIPS

### PUBLIC PRIVATE PARTNERSHIPS

***Delete Directive note once comment is completed*** - Provide overview of agreements, contracts and projects undertaken during the year through PPP's – Refer to further details of PPP details **Appendix H. Table SA3 (MBRR)** may also be used to gain information on PPP's.

T 5.11.1

## COMPONENT D: OTHER FINANCIAL MATTERS

## 5.12 SUPPLY CHAIN MANAGEMENT

### SUPPLY CHAIN MANAGEMENT

***Delete Directive note once comment is completed*** - Provide a brief narrative that describes the progress made by your municipality in developing and implementing policies and practices in compliance with the guidelines set out in SCM Regulations 2005. State the number of Supply Chain officials that have reached the prescribed levels required for their positions (See MFMA Competency Regulation Guidelines) and state the number of prescribed officials that are yet to reach the necessary competency levels; and set out any remarks made in the previous Auditor-General's report or the report for year 0 concerning the quality of Supply Chain Management and detail the remedial action taken. Note comments made in Chapter 2, under section 2.8.

T 5.12.1

# # Chapter 5

## 5.13 GRAP COMPLIANCE

### GRAP COMPLIANCE

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

**Delete Directive note once comment is completed** – Follow the above with information on progress with GRAP compliance at your municipality. Detail any instances where the municipality has deviated from the GRAP standards currently applicable.

T 5.13.1

## CHAPTER 6 – AUDITOR GENERAL AUDIT FINDINGS

### INTRODUCTION

The Constitution S188 (1) (b) states that the functions of the Auditor-General includes the auditing and reporting on the accounts, financial statements and financial management of all municipalities. MSA section 45 states that the results of performance measurement... must be audited annually by the Auditor-General.

The Annual Financial Statements set out in Volume II of this report were prepared in accordance to GRAP and submitted along with performance report for audit within a prescribed timeframe, The Audit report and the Action plan is set out below.

T 6.0.1

## COMPONENT A: AUDITOR-GENERAL OPINION YEAR 2011/2012

### 6.1 AUDITOR GENERAL REPORT YEAR 2012

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

#### REPORT ON THE FINANCIAL STATEMENTS

##### Introduction

1. I was engaged to audit the financial statements of the Inkwanca Local Municipality set out on pages ... to ... which comprise, the statement of financial position as at 30 June 2012, the statements of financial performance, changes in net assets and cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

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

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP), the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2011 (Act .No. 6 of 2011) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

##### Auditor-General's responsibility

3. My responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA),

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*the General Notice issued in terms thereof and International Standards on Auditing. Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.*

## **Basis for disclaimer of opinion**

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

4. In both the current and prior year, properties registered in the name of the municipality are not included in the fixed asset register or financial statements. There are also certain assets which are listed on the fixed asset register and financial statements but could not be located by the municipality or are properties that are not registered in their name. I have not determined the correcting entries for property, plant and equipment in this regard as it was impracticable to do so.
5. The municipality applied Directive 7 - *The application of Deemed Cost on the Adoption of Standards of GRAP* in order to value their property, plant and equipment. Sufficient appropriate audit evidence was not available to support the cost, accumulated depreciation, related depreciation expense and carrying values of these assets as no supporting documentation was submitted to evidence the process that was followed by the municipality to determine the deemed costs of the assets. I was unable to confirm these amounts by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to property, plant and equipment of R126 090 953 (2011: R134 924 743) as disclosed in note 6 and Appendix B, or to Depreciation expense of R10 298 868 (2011: R10 061 212) as disclosed in note 23 to the financial statements.
6. Furthermore, the municipality did not disclose all the relevant information as required by Directive 7 regarding the value of deemed costs and aggregate adjustments for each line item, or the method of determining the deemed costs.
7. The disclosure in note 6 and appendix B of the carrying value of infrastructure assets is overstated by R610 736 and community assets is understated by R610 736 due to a misclassification between the two categories. Furthermore, included in finance lease assets category on note 6 to the financial statements is a casting error of R376 521. The carrying value of finance lease assets is understated by this amount in note 6 to the financial statements.

### **Accumulated surplus/(deficit)**

8. The municipality recorded the deemed cost adjustment to a revaluation reserve instead of adjusting accumulated surplus/(deficit), as required by Directive 7. The adjustment of R113 702 478 (2011: R131 354 616) is reflected as a revaluation reserve in the statements of financial position and changes in net assets. Accumulated surplus/(deficit) is consequently understated by this amount. In addition I was unable to obtain sufficient appropriate audit evidence for this balance or to confirm it by alternative means. Consequently, I was unable to determine whether any further adjustments to accumulated surplus/(deficit) were necessary.

### **Service charges**

9. The municipality recognised items that did not meet the definition of revenue as per GRAP 9 - Revenue from Exchange Transactions, and also did not measure revenue at the fair value of the consideration received or receivable as required by the standard as a result of:
  - revenue from indigent debtors being incorrectly recorded,
  - incorrect tariffs used to calculate service charges,
  - revenue recorded in the incorrect period,
  - no consumption adjustment at year end for meter readings performed before year end and prepaid electricity sold before year end.

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10. Consequently service charges revenue is overstated by R4 910 680, general expenses are overstated by R5 726 336, specifically related to the indigent debtor revenue, and other receivables are understated by R815 509 (2011: R1 008 559). In addition, sufficient appropriate audit evidence was not available as documentation in support of service charges was either not submitted for audit purposes or that which was submitted, was incomplete. I was unable to confirm the revenue by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to service charges of R15 897 649 (2011: R7 927 648) as disclosed in note 15 to the financial statements.

## **Interest earned**

11. Interest earned on outstanding receivables and the gross balance of trade and other receivables from exchange transactions as disclosed in note 18 and note 2 respectively to the financial statements are understated by R1 797 790 as a result of incorrect interest rates being used to calculate interest on outstanding receivables during the year.

## **Government grants and subsidies - Revenue**

12. Government grants and subsidies revenue is overstated by R992 316 as a result of incorrect recording of entries related to conditional grants. In addition, sufficient appropriate audit evidence was not available and documentation in support of grant revenue was either not submitted for audit purposes or that which was submitted, was incomplete. I was unable to confirm the revenue by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to government grants and subsidies revenue of R32 094 602 as disclosed in note 19 to the financial statements.

## **Other income**

13. Sufficient appropriate audit evidence was not available to support other income disclosed in note 20 to the financial statements. Supporting documentation was either not submitted for audit purposes or that which was submitted, was incomplete. I was unable to confirm the revenue by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to other income of R2 778 490 (2011: R2 013 992) as disclosed in note 20 to the financial statements.

## **Trade and other receivables from exchange transactions**

14. The municipality has recorded revenue that does not meet the definition of revenue as per GRAP 9. Inter-departmental charges were recorded when there was no actual inflow of revenue to the municipality. Consequently, gross trade and other receivables as disclosed in note 2 to the financial statements, and revenue on the statement of financial performance are overstated by R1 623 025 (2011: R1 182 773), while the accumulated deficit is understated by the same amounts.
15. The municipality has included property rates revenue in the trade and other receivables from exchange transactions note instead of disclosing the balances as receivables from non-exchange transactions as required by GRAP 23 - *Revenue from Non-exchange Transactions*.
16. The municipality did not disclose receivables that are past due but not impaired as required by *the International Financial Reporting Standards - IFRS 7, Financial instruments: Disclosures*.

## **Bad debts impairment**

17. Bad debts impairment of R12 552 413 (2011: R10 117 936) as disclosed on the statement of financial performance, and included in the provision for doubtful debts of trade and other receivables of R41 422 505 (2011: R40 776 480) as disclosed in note 2 to the financial statements, was not calculated in accordance with GRAP 104 - Financial Instruments as the

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present value of estimated future cash flows was not determined by the municipality. I have not determined the correct amount of bad debts impairment as it was impracticable to do so.

## General expenses

18. General expenditure is overstated by R745 505 as a result of errors in capturing of grants, misclassification of expenditure, duplicate orders incorrectly raised as liabilities and other misstatements. In addition, sufficient appropriate audit evidence was not available as documentation in support of general expenditure was either not submitted for audit purposes or that which was submitted, was incomplete. I was unable to confirm the expenditure by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to general expenses of R17 219 680 (2011: R13 212 545) as disclosed in note 28 to the financial statements, or whether adjustments were required to the detailed note 27 for grants and subsidies expensed of R9 745 964 (2011: R9 528 580).

## Current portion of unspent conditional grants and receipts

19. Sufficient appropriate audit evidence was not available and documentation in support of grant revenue and expenditure was either not submitted for audit purposes or that which was submitted, was incomplete. As a result I could not determine whether conditional grant funding was utilised for its intended purpose or alternatively for operational expenditure. I was unable to confirm the current portion of unspent conditional grants by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the unspent grant liability of R2 995 801 as disclosed in note 11 to the financial statements.

## Trade and other payables

20. The municipality did not maintain adequate records of outstanding payments for goods and services received but not yet paid at year-end, and did not include all outstanding amounts meeting the definition of a liability as per GRAP 1 - *Presentation of Financial Statements*, in the financial statements, resulting in an understatement of trade and other payables as disclosed in note 8 to the financial statements by at least R684 120 (2011: R125 928), while expenditure and VAT receivable are also understated as a result. Due to the lack of systems in place, it was impracticable for me to determine the full extent of the understatement in trade and other payables.

## Irregular expenditure

21. The municipality did not have adequate systems in place to identify and disclose all irregular expenditure incurred during the year as required by section 125(2)(d)(i) of the MFMA. The irregular expenditure disclosed in note 31 to the financial statements is understated in respect of amounts incurred during the year that were identified during the audit process of R4 899 421 (2011: R 3 839 391), while the opening balance for 2010/11 is also understated by R1 695 304 in this regard. Due to the lack of systems, and non-availability of sufficient appropriate audit evidence for all awards, it was impracticable to determine the full extent of the understatement of irregular expenditure disclosed at R 647 646. I was unable to confirm the disclosure by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the irregular expenditure disclosure note.

## Material losses

22. The municipality did not disclose material losses for water and electricity in the financial statements as required by section 125(2)(d)(i) of the MFMA. I have not determined the correct

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disclosure amounts for material losses as it was impracticable to do so.

## Cash flow statement

23. Included in the Cash flow statement is an amount of R8 882 021 relating to purchases of property, plant and equipment for which supporting documentation could not be provided. I was unable to confirm this amount by alternative means. Consequently I was unable to determine whether any adjustment relating to the cash flow statement was necessary.

## GRAP 1 disclosures

24. Actual versus budget for revenue and expenditure is included in Appendix E to the financial statements. GRAP 1 requires entities to provide information on whether resources were obtained and used in accordance with the legally adopted budget. The disclosed budget for revenue is overstated by R948 208, while the disclosed budget for expenditure is understated by R869 794 when compared to the approved budget. The disclosure of explanations for significant variances is also not complete.
25. The Statement of Financial Performance indicates that the municipality incurred a deficit of R8 825 395 during the year ended 30 June 2012 and, as of that date, the municipality's liabilities exceeded its current assets by R15 955 154. It is therefore materially uncertain whether the municipality is able to settle short term debts timeously and the financial statements do not disclose this uncertainty or planned mitigating actions in this regard, as required by GRAP 1.
26. During the year the municipality assumed responsibility for the water services function from the district municipality. The financial statements do not disclose details to enable users to understand the impact of this transfer of function on the financial statements as required by GRAP 1.

## Aggregation of immaterial uncorrected misstatements

27. The financial statements as a whole are materially misstated due to the cumulative effect of numerous individually immaterial uncorrected misstatements in the following elements making up the statement of financial position and the statement of financial performance:
- Repairs and maintenance expense as disclosed on the statement of financial performance is understated by R296 472
  - Property rates revenue as disclosed in note 14 is understated by R529 945
  - Current provisions as disclosed in note 10 are understated by R303 759
  - Consumer deposits as disclosed in note 9 and other receivables from non-exchange transactions as disclosed in note 3 are understated by R125 639.
28. The following elements contain both immaterial uncorrected misstatements and I was also unable to obtain sufficient appropriate audit evidence due to individually immaterial amounts that were unsubstantiated:
- Employee costs as disclosed in note 21 is understated by R352 953
  - Inventories as disclosed in note 4 is overstated by R146 202
  - As a result of the unsubstantiated amounts included in these two items and since I was unable to confirm them by alternative means, I was unable to determine whether any further adjustments to these elements were necessary.

## Other corresponding figures

29. During 2010/11, I identified the following misstatements which are still included in the corresponding figures disclosed in the current period's financial statements:

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- Property rates as disclosed in note 14 and gross trade and other receivables as disclosed in note 2 are understated by R1 968 599 as a result of errors made and incomplete billings.
  - Current provisions disclosed in note 10 and employee related costs disclosed in note 21 are overstated by R551 582 due to errors in the calculation of bonus and leave pay provisions.
30. In addition during 2010/11 I was unable to obtain sufficient appropriate audit evidence concerning:
- Employee costs disclosed in note 21
  - Grant expenditure disclosed in note 27
  - Accumulated surplus/(deficit) disclosed on the statement of changed in net assets
  - Trade and other receivables disclosed in note 2
31. I was unable to obtain sufficient appropriate audit evidence for the corresponding figures of the above items or to confirm them by alternative means, Consequently I was unable to determine whether any adjustments to these amounts were necessary. My audit opinion on the financial statements *for the period ended 2010/11 was modified accordingly*. My opinion on the current period's financial statements is also modified because of the possible effect of these matters on the comparability of the current period's figures.

## Disclaimer of opinion

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

## Emphasis of matter

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

## Restatement of corresponding figures

34. As disclosed in note 38 to the financial statements, the corresponding figures for 30 June 2011 have been restated during the current financial period.

## Additional matter

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

## Unaudited supplementary schedule

36. *The supplementary information set out in Appendix E (2) - Actual versus Budget (Acquisition of property, plant and equipment) does not form part of the financial statements and is presented as additional information. This schedule has not been audited and, accordingly, I do not express an opinion thereon.*

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

37. In accordance with the PAA and the General Notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion thereon.

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## **Predetermined objectives**

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

## **Usefulness of information**

### Measures taken to improve performance not disclosed

42. There were no improvement measures included in the annual performance report for those planned targets that were not achieved, as is required by section 46 of the Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA).

### Reported objectives, indicators and targets not consistent with planned objectives, indicators and targets

43. Section 41(c) of the MSA requires that the annual performance plan should form the basis for the annual report, therefore requiring the consistency of objectives, indicators and targets between planning and reporting documents. A total of 32% of the reported objectives, 28% of the reported indicators and 67% of the reported targets are not consistent with the objectives, indicators and targets as per the approved annual performance plan.

### Performance targets not measurable or specific

44. The FMPPI requires that performance targets be measurable and specific in clearly identifying the nature and required level of performance. None of the performance targets could be measured and they were not specific in clearly identifying the nature and the required level of performance.

### Performance Indicators not well defined

45. The FMPPI requires that indicators should have clear unambiguous data definitions so that data is collected consistently and is easy to understand and use. A total of 30% of the indicators were not well defined in that clear, unambiguous data definitions were not available to allow for data to be collected consistently.

## **Reliability of information**

### Annual performance report not supported by sufficient appropriate evidence

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46. The National Treasury FMPPI requires that processes and systems which produce the indicator should be verifiable, accurate enough for its intended use and respond to changes in the level of performance and that documentation addressing the systems and processes for identifying, collecting, collating, verifying and storing information be properly maintained. The documentation I did receive indicated that 28% of the selected objectives were not reliable, however I was unable to obtain sufficient, appropriate audit evidence to satisfy myself as to the validity, accuracy and completeness of the actual performance reported in the annual performance report due to documentation that was not available for audit.

## **Additional matter**

### **Achievement of planned targets**

47. Of the total number of 113 targets planned for the year, 63 targets were not achieved during the year under review. This represents 56% of total planned targets that were not achieved.

### **Compliance with laws and regulations**

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

### **Strategic planning and performance management**

49. The municipal council did not consult with the local community in the drafting and implementation of the municipality's IDP, by means of a municipal wide structure for community participation or through a forum that enhances community participation, as required by section 28 of the MSA and the Local Government: Municipal planning and performance management regulations, 2001 (MPPM regulations) 15(1)(a)(i).
50. The municipality did not afford the local community at least 21 days to comment on the final draft of its integrated development plan before the plan was submitted to council for adoption, as required by regulation 15(3) of the MPPM regulations.
51. The performance management system was not in line with the priorities, objectives, indicators and targets contained in its integrated development plan and did not relate to the municipality's performance management processes, as required by section 38 (a) of the MSA and MPPM Regulation 7(2)(c)
52. The municipality did not establish mechanisms to monitor and review its performance management system, as required by section 40 of the MSA.
53. The municipality did not set appropriate key performance indicators as a yardstick for measuring performance, including outcomes and impact, with regard to the municipality's development priorities and objectives set out in its integrated development plan as required by section 41 of the MSA.

### **Budgets**

54. Quarterly reports were not submitted to the council on the implementation of the budget and

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- financial state of affairs of the municipality within 30 days after the end of each quarter, as required by section 52(d) of the MFMA.
55. Expenditure was incurred in excess of the limits of the amounts provided for in the votes of the approved budget, in contravention of section 15 of the MFMA.
  56. Monthly budget statements were not submitted to the mayor or provincial treasury, as required by section 71(1) of the MFMA.
  57. The annual budget of the municipality is not based on the development priorities and objectives as well as the performance targets set by the municipality in its IDP as required by regulation 6 of the MPPM Regulations.

## **Financial statements, performance and annual reports**

58. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a disclaimer of audit opinion.
59. The accounting officer did not make public the council's oversight report on the 2011/12 annual report within seven days of its adoption, as required by section 129(3) of the MFMA.

## **Internal audit**

60. The internal audit unit did not function as required by section 165(2) of the MFMA, in that:
  - it did not prepare a risk-based audit plan and an internal audit programme for the financial year under review.
  - it did not report to the audit committee on the implementation of the internal audit plan.
  - it did not advise the accounting officer and report to the audit committee on matters relating to internal audit, internal controls, accounting procedures and practices, risk and risk management or loss control.
61. The internal audit unit did not report to the audit committee on matters relating to compliance with the MFMA, the DoRA and other applicable legislation, as required by section 165(2)(b) of the MFMA.
62. The internal audit did not audit the results of performance measurements, as required by section 45(1)(a) of the MSA and MPPM Regulation 14(1)(a).
63. The internal audit unit did not assess the functionality of the performance management system I whether the performance management system complied with the requirements of the MSA 1 the extent to which the performance measurements were reliable in measuring the performance of the municipality on key and general performance indicators, as required by MPPM Regulation 14(1)(b) (i), (ii) and (iii)
64. The internal audit unit did not audit the performance measurements on a continuous basis and submit quarterly reports on their audits to the municipal manager and the performance audit committee, as required by MPPM Regulation 14(1)(c).

## **Audit committee**

65. The audit committee did not advise the council or accounting officer and management staff on matters relating to internal financial control and internal audits, risk management, accounting policies, effective governance, performance management or performance evaluation as required by section 166(2)(a) of the MFMA.
66. The audit committee did not advise the council or accounting officer and the management staff on matters relating to the adequacy, reliability and accuracy of financial reporting and information, as required by section 166(2)(a)(iv) of the MFMA or relating to compliance with

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- applicable legislation as required by section 166(2)(a)(vii) of the MFMA.
67. The audit committee did not respond to the council on the issues raised in the audit reports of the Auditor-General, as required by section 166(2)(c) of the MFMA.
  68. The audit committee was not constituted of at least three persons with appropriate experience, as required by section 166(4)(a) of the MFMA.
  69. The performance audit committee did not meet at least twice during the financial year, as required by MPPM Regulation 14(3)(a).
  70. The audit committee did not review the municipality's performance management system and make recommendations to the council, as required by MPPM Regulation 14(4)(a)(ii).
  71. The audit committee did not submit at least twice during the financial year, an audit report on the review of the performance management system to the council, as required by Municipal Planning and Performance Management Regulation 14(4)(a)(iii).

## **Procurement and contract management**

72. Goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations as required by Municipal Supply Chain Management (SCM) regulation 17(a) & (c).
73. *Goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a).*
74. Sufficient appropriate audit evidence could not be obtained that bid specifications for procurement of goods and services through competitive bids were drafted in an unbiased manner that allowed all potential suppliers to offer their goods or services, as required by SCM regulation 27(2)(a).
75. Sufficient appropriate audit evidence could not be obtained that bid specifications were drafted by bid specification committees which were composed of one or more officials of the municipality as required by SCM regulation 27(3).
76. Sufficient appropriate audit evidence could not be obtained that invitations for competitive bidding were advertised for the required minimum period of days, as required by SCM regulation 22(1) & 22(2).
77. Sufficient appropriate audit evidence could not be obtained that bids were evaluated by bid evaluation committees which were composed of officials from the departments requiring the goods or services and at least one SCM practitioner of the municipality as required by SCM regulation 28(2).
78. Sufficient appropriate audit evidence could not be obtained that bid adjudication was always done by committees which were composed in accordance with SCM regulation 29(2).
79. The performance of contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.
80. Sufficient appropriate audit evidence could not be obtained that construction contracts were awarded to contractors that were registered with the Construction Industry Development Board (CIDB) in accordance with section 18(1) of the CIDB Act.
81. A list of accredited prospective providers was not in place for procuring goods and services through quotations as required by SCM regulation 14(1)(a).
82. The prospective providers list for procuring goods and services through quotations was not updated at least quarterly to include new suppliers that qualify for listing, and prospective providers were not invited to apply for such listing at least once a year as per the requirements of SCM regulation 14(1)(a)(ii) and 14(2).
83. Sufficient appropriate audit evidence could not be obtained that all contracts were awarded in accordance with the legislative requirements and a procurement process which is fair, equitable, transparent and competitive, as tender documentation was not provided for all tenders as required for specific procurement testing.

## **Human resources**

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84. An acting chief financial officer was appointed for a period of more than 6 months, in contravention of section 56(1)(c) of the MSA.
85. Appointments were made in posts which were not provided for in the approved staff establishment of the municipality, in contravention of section 66(3) of MSA.
86. The municipality was unable to provide sufficient appropriate evidence that the Accounting Officer was appointed having met the prescribed minimum competency levels, as required by section 54A(2) of the MSA and regulation 18(2) on Minimum Competency levels.
87. The competencies of financial and supply chain management officials were not assessed promptly in order to identify and address gaps in competency levels as required by Municipal Regulation on Minimum Competency Levels 13.
88. The municipality did not submit a report on compliance with prescribed competency levels to the National Treasury and provincial treasury as required by Municipal Regulation on Minimum Competency Levels 14(2)(a).
89. The annual report of the municipality did not reflect information on compliance with prescribed minimum competencies as required by Municipal Regulation on Minimum Competency Levels 14(2)(b).
90. The municipal manager did not sign a performance agreement, as required by section 57(2)(a) MSA.
91. The performance agreements of the Chief Financial Officer and Head of the Supply Chain Management Unit who did not have the minimum competencies, did not include the attainment of minimum competencies as a performance target, as required by Municipal Regulations on Minimum Competency Levels reg 16(2).

## **Expenditure management**

92. Money owing by the municipality was not always paid within 30 days of receiving an invoice or statement, as required by section 65(2)(e) of the MFMA.
93. An adequate management, accounting and information system was not in place which recognised expenditure when it was incurred and accounted for creditors as required by section 65(2)(b) of the MFMA.
94. The accounting officer did not take effective steps to prevent unauthorised, irregular and fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.
95. Unauthorised, irregular and fruitless and wasteful expenditure was not recovered from the liable person, as required by section 32(2) of the MFMA.

## **Conditional grants**

96. The municipality did not comply with the requirements of the grant framework, as required by section 12(1) of the DoRA.
97. Monthly budget statements did not include all the information as required by section 12(2)(b) of the DoRA.
98. The municipality did not submit quarterly performance reports to the provincial treasury and the national treasury, within 30 days after the end of each quarter, as required by section 12(2)(c) of the DoRA.
99. The municipality did not evaluate its performance in respect of programmes funded by the allocation and submit the evaluation to the transferring national officer within two months after the end of the financial year, as required by section 12(6) of the DoRA.
100. The municipality did not timeously submit project registration forms, for projects it intended implementing in the financial year under review, to the department of local government, as required by the Division of Revenue Grant Framework.
101. The municipality did not submit project implementation plans to the national department of cooperative governance and traditional affairs (CoGTA), as required by the Division of Revenue Grant Framework.
102. The municipality did not submit MFMA implementation plans to national treasury to address

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weaknesses in financial management, as required by the Division of Revenue Grant Framework.

103. The municipality did not submit its signed activity plan in the prescribed format to CoGTA, as required by the Division of Revenue Grant Framework.
104. The municipality did not submit, within 20 days after the end of each month, its monthly expenditure reports to CoGTA, as required by the Division of Revenue Grant Framework.
105. Sufficient appropriate audit evidence could not be obtained that the allocations for Land Development, Updating Fixed Asset Register, Updating Valuation Roll and Municipal infrastructure were utilised for the purposes as stipulated in the grant framework as required by section 15(1) of the DoRA.
106. Unspent conditional grant funds not committed to identifiable projects and not approved by the National Treasury for retention, were not surrendered to the National Revenue Fund, as required by section 20(1) of the DoRA.

## **Revenue management**

107. A credit control and debt collection policy was not maintained, as required by section 96(b) of the MSA and section 62(1)(f)(iii) of MFMA.
108. An adequate management, accounting and information system was not in place which recognised revenue when it was earned, accounted for debtors or accounted for receipts of revenue, as required by section 64(2)(e) of the MFMA.
109. Revenue received was not always reconciled on a weekly basis, as required by section 64(2)(h) of the MFMA.

## **Asset management**

110. An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.
111. An effective system of internal control for assets (including an asset register) was not in place, as required by section 63(2)(c) of the MFMA.
112. All investments were not made in accordance with the requirements of the investment policy as required by Municipal Investment Regulation 3(3).

## **Liability management**

113. A management accounting and information system which adequately accounts for liabilities was not in place, as required by section 63(2)(a) of the MFMA.
114. Short-term debt was incurred without a resolution of the municipal council approving the debt agreement, in contravention of section 45(2) of the MFMA.

## **Internal control**

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

## **Leadership**

116. Leadership does not exercise effective oversight responsibility regarding financial and performance reporting and compliance and related controls

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117. Management does not implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored.
118. Management disregarded its oversight responsibilities regarding the implementation and monitoring of internal controls and compliance with laws and regulations, This resulted in inaccurate, incomplete and inadequate financial and performance reporting.
119. Failed execution of internal control objectives, processes and responsibilities has resulted in unauthorised, irregular and fruitless and wasteful expenditure not being prevented and detected.
120. Policies are not adhered to and management does not ensure that they are widely circulated and that staff are properly trained on all policies and procedures.
121. Management did not perform a detailed review on the financial statements prior to submitting it for audit. Management has put too much reliance on the work performed by consultants without performing a proper review.

## Financial and performance management

122. Management does not implement proper record keeping in a timely manner to ensure that complete relevant and accurate information is accessible and available to support financial and performance information. Record management is inadequate and not systematically and regularly monitored to ensure that information is easily retrievable and available for audit purposes.
123. Management does not implement controls over daily and monthly processing and reconciling of transactions and undue reliance is placed on the system. They do not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information. Undue reliance is placed on the work of consultants.
124. *Management does not review and monitor compliance with applicable laws and regulations or ensure that all staff are trained on the various laws and legislations or on the relevant GRAP requirements. Ongoing monitoring and supervision is not undertaken to determine whether internal control over financial reporting is present and functioning.*
125. There are inadequate internal policies and procedures over the processes pertaining to the reporting of performance information and undue reliance was placed on the consultants who prepared the annual performance report. Management did not ensure compliance with the requirements of the FMPPI.

## Governance

126. There was ineffective implementation of the risk assessment process and no risk assessment was made for the current financial year.
127. The internal audit function was inadequately resourced and did not function effectively for the majority of the financial year. The focus of the unit was not based on an internal audit plan approved by the audit committee.
128. The audit committee's effectiveness is impaired by the absence of a functioning internal audit unit and credible information for discussion at the audit committee meetings. Furthermore the audit committee did not have the minimum amount of three members for the entire financial year.

East London

30 November 2012



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

# # Chapter 6

## COMPONENT B: AUDIT ACTION PLAN YEAR 2011/2012

### **PROCESSES THAT HAVE BEEN FOLLOWED AFTER RECEIVING AG REPORT**

1. Audit Steering Committee meeting held (1<sup>ST</sup> week of January)
2. Extended Management Meeting (2<sup>nd</sup> week of January)
3. Departmental meeting for strategic sessions (3<sup>rd</sup> week of January)
4. Council Meeting 10 December, 2012
5. MPAC, Treasury, OCA (To be confirmed)
6. Publication of audit outcome and placed on website – After Council Meeting.

### **MONITORING DATES**

Monthly Management Meetings

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No	AG EXCEPTION	AG FINDING	ROOT CAUSE	ACTIVITY/ACTION PLAN	RESPONSIBLE PERSON	TIME FRAME	POE
14	<b>Incomplete Property Register</b>	Part B of Property Register no updated	Outdated property register with no Part B.	Re-assess property register as required by legislation and consumer rates adjusted for changes in property values	CFO	31 March 2013	Part B of Property Register
21	<b>Inventory</b>	Non-Compliance with policy and procedures	No pre-numbered goods received notes and pre-numbered goods issued notes. Inventory not stored in secured store rooms.	Secure stores. Develop pre-numbered goods received notes and goods issued notes.	CFO	31 March 2013	Inspection of secure stores.  Copies of Pre-numbered goods received notes filed and checked quarterly
22	<b>Inventory</b>	No measurement of inventory held as at 1 July 2009, 30 June 2010 and 2011	No measurement of inventory held as at 1 July 2009, 30 June 2010 and 2011 as per Directive 4 GRAP	Municipality should count and measure all inventories that were on hand for the past three years.	CFO	31 March 2013	Schedule of Measurement done as per Directive 4
23	<b>Inventory</b>	Incorrect valuation and	Incorrect valuation	Adherence to	CFO	31 March	Schedule of

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		allocation	and allocation of inventory. Non-compliance with GRAP 12 & 17	GRAP 12 & 17 to ensure correct valuation and allocation of inventory		2013	Valuation and allocation of inventory as per GRAP 12 & 17
24	<b>Investment Property</b>	Non-compliance with GRAP 17	Municipality did not review the useful life of the investment property in order to reflect the expected pattern of future economic benefits	Review the useful life or the depreciation method of the investment property to ensure that the investment property has a reasonable carry amount	CFO	31 March 2013	Schedule of reviewal of useful life.
34	<b>Property, plant and equipment</b>	Inadequate impairment method	Fixed asset policy silent on impairment identification steps and estimation of recoverable amount procedures	Update policy and procedures	Corporate Services Manager/CFO	31 March 2012	Amended Policy and procedure documents
35	<b>Property, Plant and Equipment</b>	Fixed asset register does not reconcile to the Annual Financial Statements	No reconciliation done between the Fixed Asset Register and	Reconciliations will be performed between the Annual Financial	CFO	31 March 2013	Reviewed updated fixed asset

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			Annual Financial Statements	Statements amounts and the amounts per the supporting schedules			
63	<b>Property Plant and Equipment</b>	Misclassification	Misclassification between AFS and the fixed assets register	Review classification of assets in the fixed asset register to ensure it is appropriate and that the financial statement classification agrees with the fixed asset register	CFO	31 March 2013	Reviewed fixed assets
119	<b>Property, plant and equipment</b>	Calculation errors and unknown funding	Calculation error of the carrying amount of Erf 540. Calculation error when the additions depreciation was recalculated. No supporting documentation received for the deemed cost determined by the	Valuation and count of fixed assets will be processed against the accumulated surplus/deficit and not against the revaluation reserve. Depreciation of assets bought after 1 July 2009 will be reversed. Additions after 1 July 2009	CFO	31 March 2013	Fixed Assets Register

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			consultants	will be capitalised and not included in the journal entries of the effect of the application of GRAP 17.			
121	<b>Property, plant and equipment</b>	Existence, valuation and completeness misstatements	No invoices or quotes were received for key items. Some assets did not appear on FAR, and others that appear in FAR could not be identified. Capital projects disclosed at incorrect amounts	Review will be done of all projects in progress to ensure they are capitalised in the correct year. Invoices/quotes will be obtained where necessary, in conjunction with consultants	CFO	31 March 2013	Complete Fixed Asset Register
122	<b>Inventory</b>	Incorrect valuation and allocation	Meter boxes and water pipes included as inventory but expected to be used for more than one reporting period	Staffs were not aware of all requirements of GRAP 12 and 17. Correct valuation and allocation will be done	CFO	30 June 2013	Corrected valuation of inventory
120	<b>Revaluation reserve</b>	Incorrect accounting	Revaluation	Perform a	CFO	31 March	Amended

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		and errors	reserve does not agree with the financial statements	reconciliation of revaluation reserve in conjunction with the consultants		2013	revaluation reserve
8	<b>Average calculations for Water &amp; Electricity</b>	No average calculations were done in instances where no reading was recorded	Where no reading was recorded for the month, no average reading was recorded	Activate the indicator on the financial system to record an interim reading	CFO	Monthly(3 <sup>rd</sup> week of month)	Print out of indicator where no reading is recorded
10.	<b>Consumer Deposits</b>	Non-compliance with debt collection and credit control policy	No screening of applicant's credit worthiness. Deposit not equivalent of two months average consumption. Does not use legal processes to ensure that overdue debt is collected	Processes must be put in place ensuring staff performing the functions to which these policies are applicable.	CFO/Corporate Services Manager	31 March 2013	New applicant's will be screened. BTO and the legal department will work tog. To ensure that all legal processes are followed sequentially.
26	<b>Consumer Deposits</b>	No review of connections and disconnections	Account disconnected as per the disconnection form not included in the	Review procedure relating to disconnections and connections to ensure that no connection or	CFO	25 th of each month	Authorized Schedule of Connection Disconnection Forms.

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			disconnection report.	disconnection goes unrecorded			
31	<b>Revenue</b>	Electricity consumption adjustment at year-end	No estimate was calculated with respect to the prepaid electricity consumption at year end	Calculation should be performed at year end to quantify the amount of prepaid electricity units not yet consumed by unit holders.	CFO	30 June 2013	Proof of calculations done. Records of monthly consumption will be kept
32	<b>Revenue</b>	Overstatement of revenue and expenditure with regard to indigent debtors	Indigent debtors is recognised and then written off as an expense	Revenue from exchange transactions should be recorded in terms of GRAP 9 and should not be recognised when collectability is not probable	CFO	30 June 2013	Indigent debtors recorded as per GRAP 9
33	<b>Revenue</b>	Non-compliance with Tariffs Policy	Interest income on overdue debtor accounts is overstated by using incorrect rate(Prime +1.5)	Review all tariffs before these tariffs are applied to transaction on the system.	CFO	31 December 2013 and when need arises.	Print out of tariffs from EVerus system. Print out from pre-Paid System with tariffs.

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45	<b>Revenue</b>	Overstatement of revenue and expenditure with regard to indigent debtors	Revenue from exchange transactions was not recorded in terms of GRAP 9	Revenue from exchange transaction will be recorded in terms of GRAP 9	CFO	30 June 2013	Transactions recorded in terms of GRAP 9
58	<b>Revenue</b>	Incorrect consumer types	Consumer types in terms of valuation roll incorrectly captured onto EVenus System.	Review consumer types to ensure consumer types correctly captured in terms of valuation roll	CFO	31 March 2013	Reconciliation between Valuation Roll and Consumer types on EVenus
65	<b>Consumer Deposits</b>	Completeness misstatement	Accounts were opened without the deposit recorded on the account	Clear all deposits in suspense account and transfer to the relevant account	CFO	31 March 2013	Signed proof of suspense account being cleared
69	<b>Revenue</b>	Completeness of basic charges levied on debtors	Errors found where consumers were not being charged all the basic services	Review and reconcile the services relating to rateable properties in the valuation roll.	CFO	31 March 2013	Signed reconciliation
87	<b>Revenue</b>	Incorrect accounting entry	Incorrect accounting error in relation to water billings	Entry will be corrected as per recommendation.	CFO	30 June 2013	Journal Entry

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101	<b>Revenue</b>	Electricity and water consumption adjustments at year-end	No estimate was done with respect to pre-paid electricity as per GRAP 9	With the upgrading of the pre-paid financial system this calculation will be performed.	CFO	30 June 2013	Calculation of consumption
102	<b>Revenue</b>	Numerous misstatements in revenue	Capturing of information incorrect on EVenus. Incorrect tariffs used for different types of consumers	Review all accounts to ensure they are billed for the correct service at the correct tariff	CFO	31 March 2013	Quality certificate
103	<b>Revenue</b>	Electricity tariff not in terms of NERSA approved tariffs	Pre-paid tariffs not in line with NERSA approval	Old Syntel system has been replaced with new Cash Power System	CFO	31 March 2013	All meters replaced with Cash power. Blocked tariffs will be implemented with upgraded system.
104	<b>Revenue</b>	Reconciliations of revenue not performed weekly	Revenue is reconciled on monthly basis instead of weekly basis	Revenue is reconciled on monthly basis to ensure compliance with MFMA	CFO	31 March 2013	Weekly Reconciliations

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50	<b>Revenue</b>	Incorrect classification between types of revenue	Interest on outstanding receivables was incorrectly recorded as basic refuse	Review the billing system to ensure interest is recorded to the correct revenue stream	CFO	31 January 2013	Print out from EVerus
11.	<b>Unconditional Grants</b>	Equitable share unconditional grant be allocated per the approved budget to the different departments	No process in place to ensure that only amounts of equitable share per approved budget is spent in that department	Quarterly Reconciliation of expenditure for each department to equitable share is done.	CFO	Quarterly	Reconciliation of equitable share per approved budget per department
79	<b>Unspent Conditional grants not cash-backed</b>	Separate bank accounts were not used and at year end the cash equivalent balance is less than the unspent conditional grant balance	Separate bank accounts were not used and at year end the cash equivalent balance is less than the unspent conditional grant balance	Bank accounts have been opened.	CFO	31 January 2013	Proof of bank accounts opened
96	<b>Grants</b>	Unspent Conditional Grants not retained	Unspent conditional grant roll-over denied by National Treasury for retention and	Disclosure must be made in the financial statements to reflect the financial misconduct of not	CFO	30 June 2013	Disclosures

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			deducted from the equitable share was not disclosed in the AFS	surrendering unspent condition grant funds to National Revenue Fund			
124	<b>Grants</b>	Numerous misstatements	Grant expenditure and grant income was allocated under the same vote number. In some instances VAT was not claimed	All the grants will be reconciled and corrections made as per the recommendation.	CFO	31 March 2013	Reconciled Grants
125	<b>Grants</b>	Limitation of scope	Documentation could not be provided in time for testing	Ensure that all documentation is filed adequately and for easy storage	CFO	10 <sup>th</sup> of each Month	POE of all documentation
15	<b>Payment of licences and permits to Traffic Department</b>	Income collected on behalf of another organ of state is transferred to that organ of state at least on a weekly basis as per MFMA	Payments of licence and permit fees collected on behalf of Traffic Department paid over monthly and not weekly	Payments are now been paid directly into their account. As a turnaround strategy money will be paid daily and not weekly	CFO		POE will be kept.
76	<b>Revenue</b>	Completeness of	Cash Receipts not being banked	Stricter daily based controls have been	CFO	31 January	Procedure Manual and

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		receipts	daily	put in place to ensure monies paid to municipality are banked and reconciled properly		2013	internal controls measures
86	<b>Revenue</b>	Scope limitation for documentation not received	Documentation was not submitted for pre-paid electricity.	Develop, monitor and assess daily to ensure documentation for pre-paid is filed and secured	CFO	31 January 2013	Pre-paid documentation
113	<b>Motor Vehicles Registration</b>	Receipts could not be provided	Not all receipts for licenses and registration could be provided for testing	Receipts are being paid directly into their account. Prior year receipts will be filed for submission	CFO	31 March 2013	Prior year receipts
68	<b>Receivables</b>	Other receivables from non-exchange transactions – Incorrect accounting entry	Insurance claim received in prior year was not reversed when claim was received in this financial year	Adjust AFS	CFO	30 June 2013	Adjusted AFS
85	<b>Receivables</b>	Debts of Municipality owed to the Municipality	Municipality charging itself for services rendering	Ensure that accounts are written back	CFO	31 January 2013	Municipality accounts

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			resulting in debts owing	against the relevant department			
94	<b>Receivables</b>	Misstatements in debtors and provision for doubtful debts	Calculations for doubtful debts was based on 90 days and not as per requirements of GRAP 9 and 104	Provision for doubtful debts will be raised as per the requirements of GRAP 9 & 104	CFO	30 June 2013	Provisions for doubtful debts as per GRAP 9 and 104
95	<b>Receivables</b>	Scope limitation on bad debt impairment	Calculations do not support bad debt impairment in the AFS	Sufficient support documentation will be kept for all calculations of amounts disclosed in the AFS	CFO	30 June 2013	Bad debt impairment calculations
56	<b>Cash &amp; Cash Equivalents</b>	Weakness with regard to refer to drawer cheques	No register kept for recording R/D Cheques	Maintain register and record all R/D Cheques	CFO	31 January	Proof of register
25	<b>Expenditure</b>	No invoice for payment made	No invoice for Raumix Aggregates – only a quote	No payment to be made unless valid invoice.	CFO	Each Thursday	Monthly file signed off by CFO to ensure completeness
49	<b>VAT</b>	VAT receivable balance at year end understated	VAT 201E not reconciling to	Perform reconciliations to	CFO	Bi-monthly (25 <sup>th</sup> )	Signed reconciliations

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			Leger	ensure VAT 201 E reconcile to Leger.			
72	<b>Internal Control</b>	Payments not agreeing to invoices	Where payments are split between different votes, the whole payment was submitted and could not be agreed to invoice	When submitting documentation to auditors ensure that invoice relating to all votes agree to the payment	CFO	31 March 2013	Files signed off for completeness.
73 & 75	<b>Internal control</b>	Input VAT not claimed on payment	Vat not claimed on part of Eskom payment	Review payments to ensure input VAT is claimed according to VAT tax Act	CFO	From 31 Dec-March 2013	Ledger inspected for completeness
74	<b>Expenditure classification</b>	Misclassification of expenses	Expense allocation against incorrect type of expenditure	Reviewal will be done to ensure payments are allocated against the correct expense	CFO	From 31 Dec-March 2013	Ledger inspected for completeness
1	<b>Non-Current Borrowings</b>	Unauthorized loan between CHDM and Inkwanca Municipality	No policy/procedure regarding short-term debt. No council resolution approving loan.	Develop policy/procedure for short-term debt. Loan agreement/council resolution in place.	MM/CFO/Corporate Services Manager	31 March, 2013	Take unauthorized fot Council for condonment. Draw up a loan agreement .

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			No loan agreement	MM engage MM CHDM to write off loan			Office of Mayor, MM meet their colleagues in CHDM to
64 & 66	<b>Trade Payables</b>	Creditors not raised at year end	Payments made to Creditors after year-end were not recognised as a liability at year end	Review and Reconcile all creditors to ensure all payments made after year-end are recorded as a liability.	CFO	31 March 2013	Signed schedule of Reconciliation of creditors
66	<b>Trade Payables</b>	Third party creditors not agreeing to supporting documentation	Supporting documentation for month of May for PAYE, SDL and UIF did not agree to the Payroll Report	Review supporting documentation between Payroll Report and third party creditors ensuring they agree	CFO	31 March 2013	Signed reconciliation of third party creditors
67	<b>Trade Payables</b>	CHDM Positive Confirmation	Inkwanca recorded CHDM balance of trade payables, yet CHDM confirmed balance as NIL	Adjust financial statements to reflect Nil.	CFO	30 June 2013	Adjusted financial statements
82	<b>Trade Payables and</b>	Documentation not	Documentation was submitted	Ensure documentation is	CFO	30 June 2013	All documentation

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	<b>Expenditure</b>	available for testing	after due date and time	adequately filed and stored in a safe environment so that they are readily available			relating to trade payables and expenditure complete and filed
88	<b>Appropriated and surrendered funds</b>	Prior period error	Workman's Compensation figure could not be confirmed therefore it was not included in the creditors	Creditor will be raised as it has since been confirmed	CFO	31 March 2013	Reviewed creditors listing
100	<b>Trade Payables</b>	Creditors not raised at year end	Payments made after year end which relate to 2011/12 were not raised	Review of all payments made will be done and verified to ensure completeness	CFO	31 March 2013	Reviewed creditors schedule
105	<b>Employee Costs</b>	Documents not on file	No certificate from supervisor confirming that the person did indeed start before he/she received his first salary. In some cases, no advertisement,	Checklist will be attached to each employee file to ensure documentation is complete and will be re-checked to ensure that the required documentation,	Corporate Services Manger	31 March 2013	Checklist already in place but review to ensure matters mentioned are also included in all files. All staff to sSign assumption of

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			interview report or short list report could be found.	based on the checklist, is included			duty
106	<b>Employees Costs</b>	Payment misstatements found within employee costs	UIF, SDL and PAYE incorrectly calculated in some instances	Payday consultant will be contracted to audit system to ensure accuracy of Payday information.	CFO	31 March 2013	Payday consultant will review system
107	<b>Employees costs</b>	Errors identified in wages test	No ID's found in some instances. ID in register does not agree to ID or copy in employee file. Contract not signed. Employment incorrectly dated. Unable to physically verify 20 employees	Checklist must be attached to all employee files relating to wages. Casuals must be physically verified weekly. Verification forms will be developed	Corporate Service Manager	31 Jan 2013	Checklist as per finding 105 will also be used for this finding. Verification forms will be developed. Workshop Supervisors & Team Leaders 6 Dec.2012
2	<b>Employee Costs</b>	Internal control deficiencies	No monitoring of controls over the payroll master file amendment process	Review master-file amendment forms against supporting documentation.	CFO	20 <sup>th</sup> of each month	Reviewed master-file amendment forms and filed.

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3	<b>Employee Costs</b>	Standby allowance incorrectly calculated	Staff not being aware of HR policy and lack of review and authorisation of calculation of standby allowance	Calculate standby allowance in terms of SALBC consolidated collective agreement on conditions of service. Ensure authorised allowance form in personal file	Corporate Services Manager	15 <sup>th</sup> of each month	Authorised standby allowance form in personal file. Standby allowances schedule in terms of SALBC agreement authorised.
4	<b>Employee Costs</b>	Incorrect treatment of overtime	Being unaware of correct method of calculation of overtime. HR policy not aligned to relevant legislation	Amend HR policy in line with relevant legislation. Recalculation of incorrect overtime calculations and overtime be corrected	Corporate Services manager	15 <sup>th</sup> of each month  31 March 2013	Amend HR policy to ensure correct method of calculation.  Re-calculation of overtime. Correct and back pay
110	<b>Employee Costs</b>	Disagreement between Payday system and general ledger	Employee costs are being allocated against council vote	This has been corrected and the necessary journal will be passed	CFO	31 March 2013	Correction done
111	<b>Employee costs</b>	Incorrect calculation of	Incorrect calculation of	Payday consultant will be contracted	CFO	31 March	Payday consultant will

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		council contributions	council contributions	to audit system to ensure accuracy of Payday information, because if one employee is correct everybody should be correct or vice versa		2013	review system
128	<b>Employee Costs</b>	Leave pay provision incorrectly calculated	Leave days taken per leave forms were not accurately captured on system. As a result leave pay provision is understated	All leave forms should be correctly captured onto the system. Reconciliation should be regularly performed of leave days taken per the system compared to approved leave forms. Verified and approved by Corporate Service manager	Corporate Services Manager	31 March 2013	Monthly Report to Management
129	<b>Employee costs</b>	Errors identified in sick leave test	Sick leave taken as per medical certificate not reflected on the leave schedule	Strict controls should be implemented over sick leave taken.	Corporate Services Manager	31 March 2013	Monthly Report to Management

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130	<b>Employee costs</b>	Human resource compliance deviations	Competencies of following officials (AO, CFO, Head of SCM, All financial and SCM Officials) were not assessed in the current year. A Consolidated report on compliance with prescribed competency levels by 30 January and 30 July to the National Treasury and the relevant Provincial Treasury	HR department will ensure that it is aware of all relevant legislation and policies and that these requirements are complied with.	Corporate Services Manager	31 March 2013	Report to National Treasury
131	<b>Employee costs</b>	Vacancy assessment not performed	Sufficient appropriate documentation regarding vacant positions could not be provided. No vacancy assessment was performed.	Municipality should ensure that the appropriate documentation regarding the vacancies within the management structure are completed and stored.	Corporate Services Manager	31 March 2013	Documentation regarding vacancies within the management structure will be completed and filed

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5 & 57	<b>Internal Audit Function</b>	Internal audit unit ineffective	Internal audit not adequately resourced and functional	Financing permitting internal audit will be beefed up. In the interim Prov. Treasury is giving more support in the unit	MM		
12.	<b>Risk assessment not performed</b>	Risk assessment not performed and no risk strategy	No risk assessment performed and no risk strategy in place	Risk assessment strategy was performed and risk plan was issued through risk register. Reviewed and managed quarterly	MM	Quarterly	Separate POE has been created
6	<b>Audit Committee Function</b>	Ineffective Audit Committee	Being ineffective in the performance of its oversight role and the discharging of its responsibilities in terms of the audit committee charter.	Members have been recruited; therefore audit committee will be fully functional and be able to carry out its mandate.			
7	<b>Inadequacy of Policy and Procedure</b>	Lack of policy and procedure documents	Lack of/inadequacy of policy and procedure	Audit policy and procedure that we have and develop those that we do	Corporate Services Manager/CFO	31 March 2013	Policy and procedure documents

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	<b>Documents(Finance)</b>		documents; and no persons are held responsible for these documents	not have. We have already submitted policy register to Prov. Treasury for the development of new policies			
9.	<b>Monitoring of controls over service level agreements</b>	No evidence of performance/compliance with the agreed terms in service level agreements	Lack of monitoring and supervision over service level agreements.	MM has already appointed members to serve on Project Steering Committee with TOR	MM	31 December 2012	Appointment letters. Attendance Register & Minutes of Meetings
13.	<b>Official Website</b>	None of documentation required was published on website as website is not operational	Website not operational. Poor planning and no clear lines of responsibility within the IT Department of the Municipality	Ensure website is operational and that documents required by s. 75 of MFMA is placed on Website	Corporate Services Manager	31 January, 2013	Checklist of documents required on website signed off by Corporate Services Manager
30	<b>Internal Control</b>	Leave days balance exceed capped amount	The Municipality's HR Policy not adhered to when the balance of leave days was calculated for use in the leave pay	Review the balance of leave days for each employee, to ensure that it does not exceed 48 days, before the	Corporate Services Manager	From 31 Jan 2013-30 June 2013	Verified and Authorized Schedule of leave capped.

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			provision calculation.	calculation of leave pay provision is performed			
37	<b>Compliance</b>	Human Resource policy non-compliance	Human Resource Policy does not make reference to the suspension and management of staff.	Update HR Policy to include all sections required by legislation with regards to the suspension and management of staff	Corporate Services Manager	31 March 2013	Updated HR Policy
44	<b>Provision</b>	Employee related costs	Employees unfairly dismissed and no provision was made in event that the municipality has obligation to settle the award made in favour of employees	Provision has been made.	Corporate Services Manager	30 June 2013	Provision made
70	<b>Employees Costs</b>	Errors identified in appointments	Procedure-List for all appointments and termination based on Municipality's policy and legislation be	Procedure manual for appointments and terminations	Corporate Services Manager	31 March 2013	Procedure Manual

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			created to ensure qualified persons are employed and receive appropriate remuneration at correct scales/notches and that appointments are budgeted				
89	<b>Internal Control</b>	Control deficiencies within the Information Technology System	Processes are not in place to ensure that reviews be undertaken periodically to determine whether employees' current access and privileges on the system were commensurate with their job responsibilities	Develop and implement an IT strategic plan to govern IT goals and activities and ensure that key processes are established to ensure that system controller activities are periodically reviewed	Corporate Services manager	31 March 2013	IT Strategic plan
108	<b>Employee costs</b>	Incorrect calculation of wages	Recalculation of wages differ from the spreadsheet	Standardized template is being used which allows the HR Officer to do calculations	Corporate Service Manager	31 Jan 2013	Standardized template

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				based on the attendance registers.			
109	<b>Employee Costs</b>	Unauthorised allowances paid to Councillors	Sample documentation was not submitted.	All documentation will be adequately filed and easy accessible	Corporate Service Manager/CFO	31 March 2013	Gazette authorizing allowances
16	<b>Dora reporting requirements</b>	Non-compliance with reporting regulations in respect of Schedule 5, 6, 8, or 9 of the Division of Revenue Act 6 of 2011.	Proof of some monthly and quarterly reports could not be submitted. Proof submitted for reports submitted to Prov. Treasury but no proof of submission to National Treasury.	Ensure that proof of all reports submitted is kept in a safe environment. Ensure that all reports are signed and submitted within the required time frames	CFO	10 <sup>th</sup> of each month	Signed proof of documentation submitted and proof confirmation received from Prov. & Nat Treasury
46 & 51	<b>Compliance</b>	Reports on unauthorised, irregular, fruitless and wasteful expenditure	No report submitted to Mayor MEC with regard to unauthorised, irregular, fruitless and wasteful expenditure incurred	Reports to be submitted to Mayor, MEC, with regard to unauthorised, irregular, fruitless and wasteful expenditure incurred and steps taken to rectify and	CFO	31 Jan 2013	Proof of report submitted to Mayor, MEC and Treasury.

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				prevent the situation			
60	<b>Compliance</b>	Submission of bank account details	Bank Details were only submitted to Prov. Treasury and not to Auditor-General	Submit bank account details to Prov. Treasury and Auditor-General as required by S 9 MFMA	CFO	31 May 2013	Proof of submission to Prov. Treasury & AG
112	<b>Compliance</b>	Non-Compliance with section 66 of MFMA	Reporting was not done in all four quarters relating to s. 66 in respect of salaries etc.	Corrective measures have been implemented to ensure compliance with s.66.	CFO	Monthly before 10 <sup>th</sup> of each month	Submission of reports to AO
114	<b>Compliance</b>	Investment non compliance	Investment accounts opened were not done in accordance with the investment policy	If and when any investment accounts need to be opened, it will be in accordance with the investment policy	CFO	As required	As required
17	<b>Procurement</b>	Supplier database not updated on financial system, thus not included in the approved suppliers' list and the	Sebata Municipal Solution not being included in the suppliers' database system and not included	Ensure that once a supplier database form is completed, it should be captured onto the system before	CFO	10 <sup>th</sup> of each month	Proof of updated database from Even us System

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		end of the financial year	on the approved suppliers' list at the end of the financial year.	services are provided by the supplier.			
18	<b>Procurement</b>	No review of supplier master file amendments	Suppliers' database is independently reviewed only after the amendment has been made to suppliers.	Amendments must be reviewed independently prior to the suppliers' database being updated.	CFO	10 <sup>th</sup> of each month	Proof of supplier master file amendments
36	<b>Compliance</b>	Training of SCM Staff	SCM Official not adequately trained as per SCM Regulations	SCM Official is being sent to training 7-8 December	CFO	31 December 2013	Attendance Register
59	<b>Compliance</b>	Suppliers not paid within 30 days	Suppliers contained invoices outstanding for longer than 30 days	Ensure payments are made within 30 days where possible	CFO	10 <sup>th</sup> of each month	Reconciliation of suppliers
71	<b>Internal control</b>	No evidence of receipt of goods/services	No evidence of receipt of goods/services could be	GRN Notes have been developed.	CFO	31 January 2013	Evidence of GRN notes been used and filed

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			submitted				
80	<b>Procurement</b>	Three written quotations were not obtained	In some instances three written quotations were not obtained	Advertise for suppliers to register in our database as per SCM procedure Manual. Staff will be work shopped on policies and procedures to ensure compliance	CFO	Before 31 March 2013	Attendance Register
97	<b>Procurement</b>	Internal control non-compliance	No formal policy/procedure in place to deal with financial misconduct and irregular, fruitless and wasteful expenditure. Reporting quarterly – not monthly.	Develop policy and procedure to cover all aspects according to SCM Regulations. Reporting will be done monthly	CFO	31 March 2013	Policy and procedures for SCM
98	<b>Procurement</b>	Prospective supplier list not compiled or maintained	No prospective supplier list was compiled or maintained per commodity or type of service	Compile and maintain a prospective supplier list per commodity and type of service	CFO	31 Jan 2013	Schedule of supplier per commodity and type of service

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115	<b>Procurement</b>	Documentation not available for testing	Documentation was received late and therefore could not be tested	Ensure that all documentation is filed adequately and stored in a secure location and easy accessible	CFO	Monthly before 10 <sup>th</sup> of each month	Filed documentation
116	<b>Procurement</b>	Deviation of procurement process	Purchases from catering and taxi services do not follow the procurement process. No formal rotation list could be provided	Formal rotation plan be developed	CFO	31 Jan 2013	Rotation Plan
117	<b>Procurement</b>	Code of Conduct	SCM official did not sign code of conduct	SCM official will sign code of conduct	CFO	31 Jan 2013	Signed code of conduct
118	<b>Procurement</b>	Oversight resolutions on SCM	No oversight of SCM in 1 <sup>st</sup> and 2 <sup>nd</sup> quarter of SCM but in 3 <sup>rd</sup> and 4 <sup>th</sup> quarter	Oversight of SCM unit is being done	CFO	10 <sup>th</sup> of each month	Oversight report
132	<b>Procurement</b>	Scope limitation	Documentation required for testing on	Municipality should maintain an efficient and	CFO	31 March 2013	Documentation filed

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			procurement was not available	effective system of obtaining all required documentation from suppliers as required by the Municipal Supply Chain Management Regulation.			
19	<b>Annual Financial Statements</b>	Disclosure	No disclosure in the financial statements whether the Municipality has the ability to continue as a going concern.	Disclosure must be made	CFO	30 June 2013	Disclosure
20	<b>Annual Financial Statements</b>	Disclosure	Calling and casting errors	Disclosures will be made	CFO	30 June 2013	Reviewable of AFS
47	<b>Annual Financial Statements</b>	Errors within the capital commitments disclosure for current year and prior year	Disclosure not agreeing to supporting documentation	Review financial statement disclosures for accuracy and completeness prior to the financial statements being submitted.	CFO	30 June 2013	Reviewed annual financial statements

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61	<b>Annual Financial Statements</b>	Bank Account Disclosures	Account disclosures incomplete in financial statements	Review AFS to ensure all disclosure regarding bank accounts are complete	CFO	30 June 2013	Disclosure
62	<b>Annual Financial Statements</b>	Primary bank account disclosure	Primary bank account incorrectly disclosed in financial statements as operating account	Review AFS to ensure information regarding bank accounts are disclosed correctly	CFO	30 June 2013	Disclosure
77 & 78	<b>Annual Report</b>	Non-compliance	Does not include AFS, Auditor-General's audit report on AFS. Annual performance report not included. See section 121 (3)(4)	Measures will be taken to ensure that the municipality complied with the applicable laws and regulations	MM	25 January 2013	Annual Report
81	<b>Annual Financial Statements</b>	Qualifications in comparative amounts	Qualifications in comparative amounts and notes as amounts were not corrected	Correction will be done to ensure comparative amounts and notes are disclosed	CFO	30 June 2013	AFS

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			disclosed	correctly.			
90	<b>Annual Financial Statements</b>	Comparative reclassifications not disclosed	Reclassifications between the prior year financial statements and current year financial statements not disclosed consistently	Disclosure correct to be consistent.	CFO	30 June 2013	Disclosure in AFS
91	<b>Annual Financial Statements</b>	Qualifications in comparative amounts	Numerous qualifications in the previous year	Review and reconcile the comparative figures and current year figures	CFO	30 June 2013	Reviewed AFS
99	<b>Annual Financial Statements</b>	Errors in Cash Flow Statement	Cash Flow statement is not a true reflection of the Cash Flow of the Municipality	Amounts & disclosures will be corrected	CFO	31 Jan 2013	AFS
126	<b>Annual Financial Statements</b>	Inappropriate unauthorised expenditure disclosure	Municipality incurred expenditure beyond the limits of the appropriated votes in an	Amounts disclosed in the annual financial statements will be reviewed for accuracy and compliance with legislation prior to their submission to	CFO	30 June 2012	Authorised disclosure

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			adjusted budget	auditors			
127	<b>Compliance</b>	Expenditure votes exceeding budget	Municipality incurred expenditure beyond the limits of the appropriated votes in an adjusted budget	When preparing budget, municipality must budget for non-exchange transactions. Budget will be controlled to ensure expenditure is within budget.	CFO	31 March 2013	Budget for non-exchange transactions
27	<b>Predetermined Objectives</b>	Compliance	Non-compliance – community was not given opportunity to assist in drafting of IDP, 21 days to comment on Draft IDP.  PMS not in line with IDP. KPI's not aligned to IDP and many other compliance issues	Ensure compliance with all relevant legislation relating to IDP, PMS, SDBIP, Annual Report and Mid Year Performance Assessment	MM	31 May 2013	Proof of Documentation supporting relevant legislation
28	<b>Predetermined Objectives</b>	Weaknesses in Internal Control	Non compliance of the Performance	Emphasis to be placed on the PMS system and	MM		

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			Management System	creation of policies to identify each and every role-player and their responsibility to ensure the integration between IDP, SDBIP and Annual Performance Report			
29	<b>Predetermined Objectives</b>	Annual Budget 2011/12	National Treasury budget template not being completely filled in including all the annexure relating to predetermined objectives	Annual Report must be in line with the relevant template , ensuring that it includes financial information as well as performance information	MM	25 Jan 2013	Oversight Report for Annual Report
38	<b>Predetermined Objectives</b>	Approved SDBIP is incomplete	SDBIP 2011/12 submitted to auditors not same as SDBIP 2011/12 approved in council. Error occurred due to SDBIP not stored in a safe and	Ensure that the SDBIP is approved by council in a timely fashion. SDBIP should be stored in a safe and secure location with easy access for retrieval	MM	31 January 2013	Filed and electronic SDBIP with confirmation of adoption.

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			secure location				
39	<b>Predetermined Objectives</b>	Indicators not well-defined	Indicators not measurable, relevant, objective and precise key performance indicators.	Construct the indicators in accordance with Framework for Programme Performance Information. Ensure clear, unambiguous definition, defined in a manner that data will be collected consistently, easy to understand and use	MM	31 March 2013	SDBIP with clear, relevant, measurable indicators in SDBIP
40	<b>Predetermined Objectives</b>	Targets not specific and not measurable	Targets unclear, difficult to interpret and therefore not specific.	Construct the targets in accordance with the Framework for Programme Performance Information ensuring targets are specific and measurable	MM	31 March 2013	Clear targets in SDBIP, IDP and PMS
41	<b>Predetermined</b>	Presentation of the	Annual	Quarterly	MM	31 August	Reviewed

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	<b>Objectives</b>	Annual Performance Report 2011/12	Performance Report 2011/12 does not contain measures taken to improve performance where there was underperformance	performance assessment is done. Review Annual Performance Report prior to submission on 31 August of each year to ensure that all legislation is complied with		2013	Annual Performance
42	<b>Predetermined Objectives</b>	Indicators not relevant	Performance indicators do not relate logically and directly to an aspect of the institution's mandate, and the realisation of strategic goals and objectives	Review Annual performance Report to ensure that objectives, indicators and targets are consistent between planning documents. Any adjustments be approved in council	MM	31 August 2013	Reviewed Annual Performance
43	<b>Predetermined Objectives</b>	Changes to objectives, indicators and targets not approved	No review of the Annual Performance Reports done.	Review Annual Performance Report for changes between SDBIP with regard to objectives, indicators, targets and targets' dates.	MM	31 August 2013	Reviewed Annual Performance

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				Changes are approved by council before 31 August.			
48	<b>Predetermined Objectives</b>	Targets not time-bound	Targets not having a specific target date or deadline	Ensure targets are time-bound and if not review them and submit to council for approval	MM	31 March 2013	Reviewed targets to ensure they are time-bound
52	<b>Predetermined Objectives</b>	Municipality did not consult with community in the IDP	No evidence submitted that council consulted with local community in drafting and implementation of IDP	Procedures developed to ensure compliance with relevant laws and regulations.	MM	31 March 2013	Attendance register. Proof of consultation
53	<b>Predetermined Objectives</b>	Community not give 21 days to comment on final draft IDP	Notice in local newspaper did not clearly state the stipulated timelines for comments	Clearly indicate the relevant timelines on all adverts and notices, before Council adopts the IDP	MM	31 March 2013	Proof of advert
54	<b>Predetermined Objectives</b>	Performance Management System	PMS not in line with indicators in	Ensure that the PMS is aligned to	MM	31 Jan 2013	Aligned PMS

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		inadequate	the IDP 2011/12	the IDP			
55	<b>Predetermined Objectives</b>	Municipality did not have mechanisms to monitor or review the PMS	Municipality did not have mechanisms to monitor and review the PMS	The Internal Audit must include the review of PMS in its plan	MM	31 Jan 2013	Internal audit Charter
83	<b>Pre-Determined Objects</b>	Compliance	No clear, realistic indicators between IDP, SDBIP and PMS	Measures will be taken to ensure that clear, realistic indicators are developed	MM	31 March 2013	IDP, SDBIP and PMS
84	<b>Pre-determined objects</b>	Errors in Performance Report	Information in Annual Performance Report contained errors	Measures will be taken to ensure reports are drafted in a way that will indicate the true status of each project set for each manager.	MM	31 August 2013	Quarterly Annual Performance Report
92	<b>Predetermined Objectives</b>	Objectives misstated	Objectives misstated. Inadequate documentation or documentation not provided	Controls developed to allow information that supports the annual performance report to be valid,	MM	31 Jan 2013	Procedure and controls

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				accurate and complete			
123	<b>Finance Leases</b>	Classification, measurement, recording and disclosure	Carrying amount of the finance lease liability and related finance charges; and carrying amount of the capitalised asset and related depreciation: have been incorrectly calculated and disclosed.	Leases will be classified as per criteria as per GRAP 13. Adjust closing balances for finance leases and restate the comparatives. Capitalise all finance leased assets. Reclassify rental expense as a reduction in the finance lease liability and a related interest expense. Depreciate the capitalised finance leased asset over the lease term	CFO	30 June 2013	Correction of leases as per GRAP 13.

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## GLOSSARY

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

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	achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are "what we wish to achieve".
<b>Outputs</b>	The final products, or goods and services produced for delivery. Outputs may be defined as "what we produce or deliver". An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunization, or a service such as processing an application) that contributes to the achievement of a Key Result Area.
<b>Performance Indicator</b>	Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered)
<b>Performance Information</b>	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.
<b>Performance Standards:</b>	The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this EPMS performance standards are divided into indicators and the time factor.
<b>Performance Targets:</b>	The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and express a specific level of performance that a municipality aims to achieve within a given time period.
<b>Service Delivery Budget Implementation Plan</b>	Detailed plan approved by the mayor for implementing the municipality's delivery of services; including projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included.
<b>Vote:</b>	One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area. Section 1 of the MFMA defines a "vote" as: <i>a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and</i> <i>b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned</i>

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## APPENDIX A – COUNCILLORS; COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE

Councillors, Committees Allocated and Council Attendance						
Council Members	Full Time / Part Time	Committees Allocated	*Ward and/ or Party Represented	Percentage Council Meetings Attendance	Percentage Apologies for non-attendance	
				%	%	
Cllr M.N Qamgwana	Full Time	Budget and Treasury	PR1	100%		
Cllr S.X Mkubukeli-Lufele	Part Time	Corporate Service	21303004	100%		
Cllr C.M Botha	Part Time	MPAC	PR1	100%		
Cllr N.N Cwebi	Part Time	Technical Services	21303003	100%		
Cllr N Yaliwe	Part Time	Special Programmes	21303002	100%		
Cllr C.H Guda	Part Time	MPAC	PR1	100%		
Cllr K.J Jonga	Part Time	Community Services and LED	21303001	100%		
<i>Note: * Councillors appointed on a proportional basis do not have wards allocated to them</i>						T A

## APPENDIX B – COMMITTEES AND COMMITTEE PURPOSES

Committees (other than Mayoral / Executive Committee) and Purposes of Committees	
Municipal Committees	Purpose of Committee
Municipal Public Accounts Committee	Oversight
T B	

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## APPENDIX C – WARD REPORTING

Functionality of Ward Committees					
Ward Name (Number)	Name of Ward Councillor and elected Ward committee members	Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
1	NOFUNGILE MATROSS	Yes	12	10	1
1	SIZAKELE LOLIWE	Yes	12	10	1
1	FUNDISWA WAMBI	Yes	12	10	1
1	THEMBINKOSI YEKANI	Yes	12	10	1
1	NOMNIKELO LUBISI	Yes	12	10	1
1	MAWETHU GODLO	Yes	12	10	1
1	GLADYS NDIBI	Yes	12	10	1
1	NDOYISILE BETHIWE	Yes	12	10	1
1	NOBUZAKUBANI TJANTJIE	Yes	12	10	1
1	NOTHETHI MALGAS	Yes	12	10	1
2	YOLISWA MATHEBE	Yes	12	10	1
2	PAUL KRUGER	Yes	12	10	1
2	KHANYISA HAMZA	Yes	12	10	1
2	NOMAWETHU SOKUTABA	Yes	12	10	1
2	JESSICA PARKER	Yes	12	10	1
2	JOYCE GROOTBOOM	Yes	12	10	1
2	NTHUTHUZELO GAGAYI	Yes	12	10	1
2	SUTHERLAND MAGDALEEN	Yes	12	10	1
2	SIPHO NDLANGA	Yes	12	10	1
4	MZAMO THYALA	Yes	12	10	1
4	MANTOMBI MANKAYI	Yes	12	10	1
4	ZAMA MAMANI	Yes	12	10	1
4	AGNES YEKANI	Yes	12	10	1
4	ZOLANI FYN	Yes	12	10	1



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## APPENDIX E- ANNUAL PERFORMANCE REPORT

The Municipality in fulfilling the requirement of MSA S46 has prepared and submitted an Annual Performance Report for 2011/12 to the Auditor-General along with the Annual Financial Statements for the audit.

### COMPONENT 1 - MONTHLY PROJECTIONS OF REVENUE TO BE COLLECTED FOR EACH SOURCE

	Budget	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12
	11/12	Rev										
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Property Rates	3 000 000	250 000	250 000	250 000	250 000	250 000	250 000	250 000	250 000	250 000	250 000	250 000
Electricity	5 550 000	462 500	462 500	462 500	462 500	462 500	462 500	462 500	462 500	462 500	462 500	462 500
Water	600 000	50 000	50 000	50 000	50 000	50 000	50 000	50 000	50 000	50 000	50 000	50 000
Sanitation	600 000	50 000	50 000	50 000	50 000	50 000	50 000	50 000	50 000	50 000	50 000	50 000
Refuse	375 000	31 250	31 250	31 250	31 250	31 250	31 250	31 250	31 250	31 250	31 250	31 250
Traffic Fines & Licences	150 000	12 500	12 500	12 500	12 500	12 500	12 500	12 500	12 500	12 500	12 500	12 500
Rental Income	75 575	6 298	6 298	6 298	6 298	6 298	6 298	6 298	6 298	6 298	6 298	6 298
Equitable Share	15 748 000	5 249 333				5 249 333				5 249 333		
MSIG	790 000		790 000									
FMG	2 000 000	2 000 000										
EPWP- Grant	450 240	37 520	37 520	37 520	37 520	37 520	37 520	37 520	37 520	37 520	37 520	37 520
Proceeds on Disposal of municipal assets						-						
MIG	8 236 000	686 333	686 333	686 333	686 333	686 333	686 333	686 333	686 333	686 333	686 333	686 333
Chris Hani District grant- water & sanitation	8 156 800	679 733	679 733	679 733	679 733	679 733	679 733	679 733	679 733	679 733	679 733	679 733
Chris Hani District grant- Libraries	-	-	-	-	-	-	-	-	-	-	-	-
Commission	150 000	12 500	12 500	12 500	12 500	12 500	12 500	12 500	12 500	12 500	12 500	12 500
Other Revenue	492 590	41 049	41 049	41 049	41 049	41 049	41 049	41 049	41 049	41 049	41 049	41 049
<b>Total Rev by Source (Balance to Cash Flow)</b>	<b>46 374 205</b>	<b>9 569 017</b>	<b>3 109 684</b>	<b>2 319 684</b>	<b>2 319 684</b>	<b>7 569 017</b>	<b>2 319 684</b>	<b>2 319 684</b>	<b>2 319 684</b>	<b>7 569 017</b>	<b>2 319 684</b>	<b>2 319 684</b>





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To improve coordination of planning initiatives by various depts. Involved in development in the area	Schedule IGR meetings in process plan. Submit the IDP process plan to the DLGTA by the end of July 2010 for circulation to other government department	Functioning IGR systems	100%	30/06/2013	100%	100%	100%	100%	Minutes	Not performed
Focus on the improvement of delivery of core powers and functions	Develop a service delivery charter	% development of service delivery charter	100%	30/06/2013	100%	100%	100%	100%	Service delivery charter	Performed
Improvement of overall control and corporate government environment	Conduct risk assessment	% implementation of risk assessment	100%	31/12/2011	100%	100%	100%	100%	Risk assessment report	Performed
	Draw and implement itinerary for audit committee and performance audit committee sittings	% of schedule meetings of the audit committee	100%	30/06/2013	100%	100%	100%	100%	Minutes and schedule of meetings	Performed
		% of schedule meetings of performance audit committee sitting	100%	30/06/2013	100%	100%	100%	100%	Minutes and schedule of meetings	Performed
Ensure sound financial management and improved accountability	Adhere to SCM policy and procedures	Implementation of SCM policy	100%	30/06/2013	100%	100%	100%	100%	Compliance report	Performed
	Update and maintain GRAP complaint asset register	% compliance of the asset register	100%		100%	100%	100%	100%	Compliance report	Performed
	Submission of annual financial statements	Confirmation from the AG office	100%	31/08/2011	100%	100%	100%	100%	Letter from AG	Performed

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## 3.1 DEPARTMENT-MUNICIPAL MANAGER

### COMPONENT 3 – QUARTERLY PROJECTIONS OF SERVICE DELIVERY TARGETS AND PERFORMANCE INDICATORS FOR EACH VOTE

#### 3.1.2 LOCAL ECONOMIC DEVELOPMENT

Strategic Objectives	Operational objectives	Strategies	Performance Indicator	Annual Target	Target date	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	Measurement source	Reasons for variance
3.1.2.1 job creation	create a growing and sustainable tourism sector that contributes to local economy	Establish LTO and expand tourism products	Local tourism organisation	100%	30/09/2011	100%	100%	100%	100%	Report minutes & constitution of LTO	Not performed lack of cooperation from tourism products
3.1.2.2	Promote local business and facilitate SMMF's training	Establish Cooperatives & undertake capacity building programme	% increase in number of SMME's & cooperatives	100%	30/06/2012	100%	100%	100%	100%	Report to Council	Performed
			Number of SMMEs capacitated with requisite skills	100%	30/06/2012	100%	100%	100%	100%	Report to Council	Performed
			Number of young people participating in SMMEs & Cooperatives	100%	30/06/2012	100%	100%	100%	100%	Report to Council	performed
			Number of women participating in SMMEs & cooperatives	100%	30/06/2012	100%	100%	100%	100%	Report to Council	Performed
			Number of jobs created by the municipality's capital projects	100%	30/06/2012	100%	100%	100%	100%	Report to Council	performed
			% of the tenders awarded to HDIs.	100%	30/06/2012	100%	100%	100%	100%	Report to Council	Performed
			% of the tenders awarded to local contractors.	100%	30/06/2012	100%	100%	100%	100%	Report to Council	Performed

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3.1.2.3 Grow agriculture and agro-processing	Create a growing and sustainable economic sector	Lobby additional funding to upgrade infrastructure	Number & quality of business plans produced	100%	30/06/2012	100%	100%	100%	100%	Business plans & Applications	Not performed because of financial constraints
		Develop a growth plan for local agriculture	Agriculture growth plan	100%	31/12/2011	100%	100%	100%	100%	Approved agricultural plan	Not performed because of financial constraints
		Develop SMME value chain analysis model	Number of PDIs participating in agriculture	100%	30/06/2012	100%	100%	100%	100%	Report to Council	Performed
			Number of agric related cooperatives established	100%	30/06/2012	100%	100%	100%	100%	Report to Council	Not performed, refer to next financial year

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3 DEPARTMENT-MUNICIPAL MANAGER											
COMPONENT 3-QUARTERLY PROJECTIONS OF SERVICE DEIVERY TARGETS AND PEROMANCE INDICATORS FOR EACH VOTE											
3.1.3: Spatial Planning											
Strategic objectives	Operational objectives	Strategies	Performance indicator	Annual target	Target date	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	Measurement source	Reasons for variance
3.1.3.1Planning	To ensure that planning and development decisions have a legal basis & are spatially considered.	Review and implementation of the SDF	Approved SDF	100%	31/06/2012				100%	SDF	Performed
	Achieve a credible IDP	Review current IDP	Approved IDP	100%	31/05/2012	Process plan	Analysis phase	Strategies	Approval	Report to council	Performed
3.1.3.2 Land use management	To establish a land use management system in comprising zoning maps and scheme clauses.	Partner with DLGTA-send new applications for assessment before endorsed	Zoning scheme	100%	31/12/2012	50%	100%			Zoning scheme	Not performed refer to next financial year.
	To promote better land use management	Lobby funding to invest in land care initiatives	Number of land care initiatives	100%	30/06/2012	100%	100%	100%	100%	Report to council	Not performed
		Increase awareness on better land use management practices	Approved LUMP	100%	31/03/2012	25%	50%	100%		LUMP	Performed, refer SDF

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3.1.3.3 Environmental management	To adhere to sound environmental practices and to protect environmentally sensitive areas.	Adhere to demarcation of areas that have been identified for biodiversity conservation in the SDF	Principles and procedures	100%	31/06/2012		100%			Approved guidelines	Performed , refer SDF
		Lobby for funding for the development of an environment management	Business plan for EMP	100%	31/03/2012	50%	100%			EMP business plan	Not performed budgetary constraints

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3.2 DEPARTMENT OF BUDGET AND TREASURY											
COMPONENT 3-QUARTERLY PROJECTIONS OF SERVICE DELIVERY TARGETS AND PERFORMANCE INDICATORS FOR EACH VOTE											
Strategic Objectives	Operational objectives	Strategies	Performance Indicator	Annual Target	Target date	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	Measurement source	Reasons for variance
3.2.1 Revenue and expenditure management	Ensure revenue sources are properly accounted for	Proper classification of debtors and their consumption patterns	Data cleansing on venues	60%	30/06/2012	20	40	50	60		Performed
	Ensure sound financial management practices for both revenue and expenditure	Develop and implementation strong financial (internal) control systems in line with the MFMA requirements and other prevailing legislation	Implementation of the payment plan	100%	31/12/2012	100	100	100	100	Quarterly reports	Performed
		Adhere and implementation of the SCM policy	Automated capturing of requisitions and orders	100%	30/09/2012	50	75	100	100	Monthly reports	Performed but not yet automated
			Reduction in number of deviations to the SCM policy	60%	30/09/2012	20	40	50	60	Quarterly	
3.2.2 Implementation of the MFMA	Improve accountability and financial governance	Adhere to the MFMA requirements and reporting monthly, quarterly, mid-yearly and annually	Compliance report from National/Provincial treasury	100%	30/06/2012	50	65	75	100	Monthly and Quarterly reports	performed
3.2.3 Asset management	Ensure that the municipal assets are	Development and maintenance of a GRAP compliant	Maintenance of the asset register	80%	30/06/2012	50	60	70	80	Quarterly reports	Performed

# # APPENDICES

3.2.3 Asset management	Ensure that the municipal assets are properly accounted for	Development and maintenance of a GRAP compliant asset register	Maintenance of the asset register	80%	30/06/2012	50	60	70	80	Quarterly reports	Performed
3.2.4 To ensure compliance with the MFMA with regards to budgeting principles		Develop a budget and IDP process plan in line with MFMA	Tabling to council	100%	31/08/2011					Council minutes	performed
		Compilation of an adjustment budget	Council approve adjustment budget		31/01/2012					Council minutes	performed
		Review of budget related policies in preparation for the next financial year	Council approval of policies		31/12/2011					Council minutes	performed
		Submission of final budget 2013/2016	Approval by council by 31 may 2012		31/05/2012					Council minutes	performed

# # APPENDICES

3.3 DEPARTMENT-CORPORATE SERVICES											
COMPONENT 3-QUARTERLY PROJECTIONS OF SERVICE DEIVERY TARGETS AND PEROMANCE INDICATORS FOR EACH VOTE											
Strategic Objectives	Operational objectives	Strategies	Performance Indicator	Annual Target	Target date	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	Measurement source	Reasons for variance
3.3.1 Human resources development	Achieve a highly motivated and capacitated staff.	At least one junior manager does not meet NT competency requirements.	Junior manager with NT core competency level	2	30/06/2012	100%	100%	100%	100%	Work skills plan; accredited certificates; & accredited courses	Performed
Weighting			Number of middle managers with NT core competency levels.	7	30/06/2012		1	2	6	Work skills plan; accredited certificates; & accredited courses	Performed
		79 of general workers do not have grade 12. While 37 are have no grade 9(general certificate)	Number of general workers with GC education	13	30/06/2012	100%	100%	100%	100%	Work skills plan; accredited certificates; & accredited courses	Performed
		2 out of 6 councillors do not have grade 12 education	Number of councillors with matric level education	4	30/06/2012	100%	100%	100%	100%	Work skills plan; accredited certificates; & accredited courses	Performed
3.3.2	To achieve a fully fledged staff component as per organogram	13 of positions in the financial year	Number of vacant positions fill in the financial year	4	31/12/2011	1	1	1	1	Organizational structure & personnel files (employment contracts)	Not performed see attached letter/ copy of the minutes
		16 staff personnel lack technical	Number of employees trained	13	30/06/2012	3	4	6	3	Work skills plan; accredited certificates; &	performed
					162						

# # APPENDICES

		16 staff personnel lack technical expertise	Number of employees trained	13	30/06/2012	3	4	6	3	Work skills plan; accredited certificates; & accredited courses	performed
3.3.3	To ensure workplace safety and employee wellness	Majority of employees who must attend immunization	Number of employee attended wellness programme	100%	30/06/2012	100%	100%	100%	100%	OHS committee and safety reps in all workstation	performed
3.3.4	Ensure that the municipality retains its capacitated staff	High staffs turn over in scarce skills areas.	%of employees in management & scarce skills areas who sign term service agreements	100%	31/12/2011	100%	100%	100%	100%	Retention plan & term service agreements concluded (retention agreements)	Performed
3.3.5	Ensure that policies and bylaws are in compliance with legislation	Municipality does not have policies and by-laws in critical functional areas. Some policies and by laws need to be developed 2.1.	Number policies reviewed	13	30/09/2012	1	1	10	1	Municipal code: & register of policies	Performed
			Number of new policies developed	8	30/06/2012			2	1	Municipal code: & register of policies	Performed
			Number of assessments conducted	4	30/06/2012	1	1	1	1	Performance agreements & performance reports	Performed
		% reduction of disciplinary hearings	Disciplinary hearings be resolved within 2	100%	30/06/2012				100%		

# # APPENDICES

## 3.4 DEPARTMENT OF TECHNICAL SERVICES

### COMPONENT 3-QUARTERLY PROJECTIONS OF SERVICE DELIVERY TARGETS AND PERFORMANCE INDICATORS FOR EACH VOTE

Strategic Objectives	Operational objectives	Strategies	Performance Indicator	Annual Target	Target date	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	Measurement source	Reasons for variance
3.4.1 Roads & storm water	Ensure that all households have access to roads	18.4 km out of 1100 KM's roads are tarred, the rest is either gravelled or just scrapped	Number of km's to be sealed/tarred	3 km	30/09/2011	3	0	0	0	Design report, specifications and completion report	performed
			Number of km's to be ripped and re-compacted	20 km	30/06/2012	6	6	6	2	Completion report	Performed
			Number of km's to be re-gravelled	5km	31/03/2012	0	0	5	0	Completion report	performed
			Number of km's to be painted	6 km	30/06/2012	1.5	1.5	1.5	1.5	Completion report	performed
			Number of pedestrian crossing to be paved	1	30/06/2012	0	0	1	0		performed
			Number of bridges to be constructed	1	31/03/2012	0	0	0	1	Design report, specifications and completion report	performed
			Re-opening existing storm water channel at Zwelitsha & Zola	120 m	31/09/2011	100	0	0	0	Completion report	performed
			Excavation of a storm water channel at Sonwabile	100 m	30/09/2011	100	0	0	0	Completion report	Not performed because of financial constraints
			Number of km's to be repaired	18.4	30/06/2012	5	5	5	3.4	Completion report	
			Number of routine spot checks on electricity losses	12	30/06/2012	3	3	3	3	Spot check list	Performed
Number of electricity cut offs on none payments	12	30/06/2012	3	3	3	3	Cut off list	Performed			

# # APPENDICES

3.5 DEPARTMENT OF COMMUNITY SERVICES											
COMPONENT 3-QUARTERLY PROJECTIONS OF SERVICE DEIVERY TARGETS AND PEROMANCE INDICATORS FOR EACH VOTE											
Strategic Objectives	Operational objectives	Strategies	Performance Indicator	Annual Target	Target date	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	Measurement source	Reasons for variance
3.5.1 Housing	Facilitate the provision of adequate housing by 2014	There are 6100 persons on the list and the majority do not qualify	Number of beneficiaries approved on 1127 units	627	30/06/2012	150	250	227		Report to council	Performed
3.5.2 Waste management	Provide for the proper and safe disposal of solid waste within the municipality	The municipality has 2 permitted sites: on both sites waste is just dumped on cells- its neither covered nor compacted	Number of cells covered & compacted	4	30/06/2012	0	2	0	2	Service level agreement & completion report	Performed
	To ensure compliance with the national environmental management act. 59 of 2008	There is no provision for the rehabilitation of our landfill sites	Provision to be made	2						Service level agreement & completion report	performed
		People are currently dumping waste anywhere	Number of awareness complains conducted	8	Quarterly	2	2	2	2	Report to council	Only 2 were done and notices were issued to communities
	To ensure that refuse is removed to create clean and healthy environment for inhabitants of the municipality	Irregular collection schedule	%of household receiving minimum once per week refuse collection and approved collection schedule	100%	Weekly	100 %	100 %	100 %	100 %	Complaints received	Performed

# # APPENDICES

3.5.3 Community facilities(Halls, Spot fields & chalets)	To ensure that all community facilities are accessible to all.	Disabled persons cannot access most of community facilities	Number of community facilities upgraded and made accessible to all	4	31/06/2012	2	2			Service level agreement & completion report	performed
	Provide management, control and maintenance		%of allocated budget spent on maintenance and the grading of our spot fields	100%	Monthly	100%	100%	100%	100%	Report to council	performed
3.5.4 Parks & Public places	Ensure beautification of parks, open spaces & pavements		Number of parks & public open spaces upgraded per quarter	100%	30/06/2012	100%	100%	100%	100%	Report to council	Performed
		There are commonages that are not fenced	Number of commonages fenced	2	30/06/2012	0	1		1	Report to council	Not performed due to financial constraints
3.5.5 Libraries	Provide management, control and maintenance		%of allocated budget spent on maintenance	100%	30/06/2012	100%	100%	100%	100%	Report to council	performed
3.5.6 Cemeteries	Provide facilities for the dignified and environmentally safe disposal of human remains	Graveyards in masilakhe and Nomonde are not demarcated and plots are issued haphazardly. There is no record of plots issued. Our graves are not fenced. No shelter for the grave diggers	Number of plots demarcated and issued	100%	30/06/2012	100%	100%	100%	100%	Report to council	
			Number of cemeteries fenced	2	30/06/2012		100%		1	Report to council	performed
			Number of shelters built	1		1				Report to council	performed
			Number of pauper burials	100%	30/06/2012	100%	100%	100%	100%	Report to council	performed

# # APPENDICES

Capital Programme by Project by Ward: Year 2012			R'
Capital Project	Ward(s) affected	Works completed (Yes/No)	
<b>Roads and Bridges</b>			
Sokoyi Bridge	Three		2,005,231
Re -surfacing of access roads	One and Four		2,745,225
<b>Electricity</b>			
Street lights	All Wards		1,482,334
<b>Community Assets</b>			
Masakhe Community Hall	Three		1,113,627
<b>TOTAL EXPENDITURE</b>			7,346,417
			<i>TO</i>

#

2011/12



ANNUAL  
REPORT

Volume II

ANNUAL FINANCIAL STATEMENTS 2011/12

**Inkwanca Local Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

**General information**

**Members of the Council**

M N Qamngwana	Mayor / Speaker
K J Jonga	Councillors
N Yaliwe	Councillors
N N Cwebi	Councillors
G X Mkhubukeli-Lufele	Councillors
C H Guba	Councillors
C M Botha	Councillors

**Municipal Manager**

S.G. SIGOJO

**Acting Chief Financial Officer**

L. LABUSCHAGNE

**Nature of Business and Grading of Local Authority**

Inkwanca Municipality is a Grade 2 Local Authority  
Inkwanca Municipality is a local municipality performing the functions as set out in the Constitution. (Act No 105 of 1996)  
South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act No 117 of 1998)

**Auditors**

Auditor-General, East London

**Bankers**

Standard Bank  
P. O. Box 14  
Molteno  
5500

**Inkwanca Local Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

**General information (continued)**

<b>Registered Office:</b>	<b>Molteno</b>
<b>Jurisdiction:</b>	<b>Inkwanca Municipality includes Molteno and Sterkstroom</b>
<b>Physical address:</b>	<b>39 Smith Street Molteno 5500</b>
<b>Postal address:</b>	<b>P.O. Box 1 Molteno 5500</b>
<b>Telephone number:</b>	<b>045 - 967 0021</b>
<b>Fax number:</b>	<b>045 - 967 0467</b>
<b>E-mail address:</b>	<a href="mailto:louisal@lgnet.org.za">louisal@lgnet.org.za</a>

**Inkwanca Local Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

**Approval of annual financial statements**

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 41, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 22 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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Municipal Manager:

*31 August 2012*

**Inkwanca Local Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

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**Inkwanca Local Municipality**  
**STATEMENT OF FINANCIAL POSITION**  
for the year ended 30 June 2012

	Note	2012 R	Restated 2011 R
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	1.5	63,323	1,077,382
Trade and other receivables from exchange transactions	2	5,042,315	3,060,464
Other receivables from non-exchange transactions	3	112,597	565,219
Inventories	4	731,673	43,702
VAT receivable	5	3,208,302	1,432,232
<b>Non-current assets</b>			
Property, plant and equipment	6	126,090,953	134,924,743
Investment property carried at cost	7	-	-
<b>Total assets</b>		<b>135,249,163</b>	<b>141,103,741</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	8	16,462,902	14,229,472
Consumer deposits	9	209,398	169,512
Current provisions	10	2,987,067	1,891,118
Current portion of unspent conditional grants and receipts	11	2,995,801	3,560,020
Current portion of borrowings	12	2,069,011	2,069,011
Current portion of finance lease liability	13	70,569	73,114
<b>Non-current liabilities</b>			
Non-current finance lease liability	13	318,616	80,217
<b>Total liabilities</b>		<b>25,113,364</b>	<b>22,072,463</b>
<b>Net assets</b>		<b>110,135,799</b>	<b>119,031,279</b>
<b>NET ASSETS</b>			
Rev Reserves		113,702,478	131,354,616
Accumulated surplus / (deficit)		(3,566,682)	(12,323,337)
<b>Total net assets</b>		<b>110,135,799</b>	<b>119,031,279</b>

**Inkwanca Local Municipality**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
for the year ended 30 June 2012

	Note	2012 R	Restated 2011 R
<b>Revenue</b>			
Property rates	14	2,819,427	3,634,270
Service charges	15	15,897,649	7,927,648
Rental of facilities and equipment	16	105,524	63,593
Interest earned - external investments	17	51	762
Interest earned - outstanding receivables	18	3,884,081	2,117,962
Fines		55,637	87,584
Government grants and subsidies	19	32,094,602	22,011,163
Other income	20	2,778,490	2,013,992
<b>Total revenue</b>		<b>57,635,462</b>	<b>37,856,974</b>
<b>Expenses</b>			
Employee related costs	21	18,556,206	13,715,846
Remuneration of councillors	22	1,858,550	1,655,482
Bad debts impairment		12,552,413	10,117,936
Depreciation and amortisation expense	23	10,298,868	10,061,212
Repairs and maintenance		(121,272)	2,027,238
Finance costs	24	169,206	125,506
Bulk purchases	25	5,927,207	4,604,067
General expenses	28	17,219,680	13,212,545
<b>Total expenses</b>		<b>66,460,857</b>	<b>55,519,833</b>
<b>Surplus / (deficit) for the period</b>		<b>(8,825,395)</b>	<b>(17,662,858)</b>

**Inkwanca Local Municipality**  
**STATEMENT OF CHANGES IN NET ASSETS**  
for the year ended 30 June 2012

	Note	Reserves	Accumulated Surplus/(Deficit)	Total: Net Assets
		R	R	R
<b>Balance at 30 June 2010</b>		<b>178,335,619</b>	<b>(8,123,739)</b>	<b>170,211,880</b>
Surplus / (deficit) for the period			(36,850,884)	(36,850,884)
Offsetting of current depreciation		(39,998,424)	39,998,424	-
<b>Balance as previously reported</b>		<b>138,337,195</b>	<b>(4,976,199)</b>	<b>133,360,996</b>
Surplus / (deficit) on revaluation of property of property, plant and equipment		3,078,633		3,078,633
Offsetting of current depreciation		(10,061,212)	10,061,212	-
Surplus / (deficit) for the period			(17,662,858)	(17,662,858)
Correction of prior period error	38		254,508	254,508
<b>Restated Balance at 30 June 2011</b>		<b>131,354,616</b>	<b>(12,323,337)</b>	<b>119,031,279</b>
Surplus / (deficit) on revaluation of property of property, plant and equipment		(7,438,930)		(7,438,930)
Offsetting of current depreciation		(10,213,208)	10,213,208	-
Surplus / (deficit) for the period			(8,825,395)	(8,825,395)
Reversal of agency transactions-CHDM			7,346,858	7,346,858
Correction of Finance leases			21,984	21,984
<b>Balance at 30 June 2012</b>		<b>113,702,478</b>	<b>(3,566,682)</b>	<b>110,135,796</b>

**Inkwanca Local Municipality**  
**CASH FLOW STATEMENT**  
for the year ended 30 June 2012

	Note	2012 R	2011 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts		<b>43,567,203</b>	<b>28,821,813</b>
Sales of goods and services		4,760,413	2,944,756
Grants		31,530,384	23,786,743
Interest received		3,884,133	2,118,724
Other receipts		3,392,273	(28,409)
Payments		<b>(35,935,096)</b>	<b>(27,230,450)</b>
Employee costs		(19,779,856)	(14,793,015)
Suppliers		(15,986,033)	(12,311,929)
Interest paid		(169,206)	(125,506)
<b>CASH GENERATED BY OPERATIONS</b>	29	<b>7,632,107</b>	<b>1,591,363</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets		(8,882,021)	(820,294)
<b>Net cash flows from investing activities</b>		<b>(8,882,021)</b>	<b>(820,294)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase / (Decrease) borrowings and finance lease liability		235,854	(48,183)
<b>Net cash flows from financing activities</b>		<b>235,854</b>	<b>(48,183)</b>
<b>Net increase / (decrease) in net cash and cash equivalents</b>		(1,014,059)	722,887
<b>Net cash and cash equivalents at beginning of year</b>		1,077,382	354,495
<b>Net cash and cash equivalents at end of year</b>	30	<b>63,323</b>	<b>1,077,382</b>

**Inkwanca Local Municipality**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
for the year ended 30 June 2012

**1 BASIS OF ACCOUNTING**

**1.1 BASIS OF PRESENTATION**

financial statements have been prepared in accordance with Generally Recognized Accounting Practice (GRAP) including any interpretations, guidelines and directives 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 accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

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

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

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy and notwithstanding the fact that the transitional provisions of Directive 4 expired in 2012, requiring full compliance with the relevant GRAP standards in the 2012 financial year being reported.

**1.2 PRESENTATION CURRENCY**

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

**1.3 GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on the assumption that the Municipality will continue to operate as a going concern for at least the next 12 months.

**1.4 COMPARATIVE INFORMATION**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

## 1.5 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

### **Fair value estimation**

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

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

### **Impairment testing**

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The Municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

### **Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 10 - Provisions.

**Useful lives of infrastructure and other assets**

The Municipality's management determines the estimated useful lives and related depreciation charges for the infrastructure and other assets. This estimate is based on Treasury regulations. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

**Effective interest rate**

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

**Allowance for doubtful debts**

Impairment loss is recognised in surplus and deficit when there is objective evidence that debtors are impaired.

**2 PROPERTY, PLANT AND EQUIPMENT****2.1 INITIAL RECOGNITION**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment include costs incurred initially to acquire or construct and costs incurred subsequently to add to or replace part of 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 and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

- (a) it is probable that future economic benefits or service potential associated with the item will flow to the entity, and
- (b) the cost or fair value of the item can be measured reliably.

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

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

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

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

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

## 2.2 SUBSEQUENT MEASUREMENT

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less depreciation and accumulated impairment losses. Land is carried at cost less accumulated impairment losses

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

## 2.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. Land is not depreciated and it is deemed to have an indefinite useful life. The annual depreciation rates are based on the following estimated average asset lives:

<b>Infrastructure</b>		<b>Other</b>	
Roads and Paving	15-30	Buildings	30
Electricity - Meters	20	Vehicles	5-7
Electricity	20-30	Office equipment	3-5
			7-
Water	15-20	Furniture and fittings	10
Sewerage	15-20	Other items of plant and Equipment	3-7
		Landfill sites	50
<b>Community</b>		Computer Equipment	3-7
Buildings	30		
Recreational Facilities	20-30		
Halls	30		
Libraries	30		
<b>Finance lease assets</b>			
Office equipment	5		
Other assets	5		

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognized as a change in accounting estimate in the Statement of Financial Performance.

The Municipality 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.

#### **2.4 DERECOGNITION**

Items of Property, plant and equipment are derecognized 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 recognized in the Statement of Financial Performance.

### **3 INVESTMENT PROPERTY**

#### **3.1 INITIAL RECOGNITION**

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

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

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

#### **3.2 SUBSEQUENT MEASUREMENT**

Investment property is initially recognized when future benefits are probable and the cost can be determined reliably.

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Investment property 4

The residual value, the useful life of an asset and the depreciation method is reviewed periodically and any changes are recognized as a change in accounting estimate in the Statement of Financial Performance.

### **3.4 DERECOGNISED**

Investment property is derecognized when there is a disposal or no future economic benefits are to be derived and all gains or losses are recognized in the Statements of Financial Performance.

### **3.5 IMPAIRMENT**

The Municipality tests investment property 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 an investment property 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.

### **3.6 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL**

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

## **4 INVENTORY**

### **4.1 INITIAL RECOGNITION**

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non refundable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

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

### **4.2 SUBSEQUENT MEASUREMENT**

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

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

In general, the basis of allocating cost to inventory items is the first-in, first-out method (**consumable stores**) or the weighted average method(**water**).

## 5 FINANCIAL INSTRUMENTS

### 5.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

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

### 5.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and is in accordance with GRAP 104.

Financial Assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred, and the Municipality has transferred substantially all risks and rewards of ownership, or when the Municipality loses control of contractual rights that comprise the assets.

Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled, or when it expires.

### 5.3 INVESTMENTS

Investments, which include fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

#### **5.4 TRADE AND OTHER RECEIVABLES**

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

#### **5.5 TRADE PAYABLES AND BORROWINGS**

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

#### **5.6 CASH AND CASH EQUIVALENTS**

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

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

## 6 UNAUTHORISED EXPENDITURE

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

## 7 IRREGULAR EXPENDITURE

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

## 8 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful 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.

## 9 PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability

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

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

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.

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

## 10 LEASES

### 10.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality.

Property, plant and equipment or intangible assets (excluding patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate or Borrowing rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

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

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

## 11 REVENUE

### 11.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. 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. The estimates of consumption between meter readings are based on history.

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

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

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.

Interest revenue is recognised on a time proportion basis.

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

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

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

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

## 11.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

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

### **These are all examples of revenue from non exchange transactions:**

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

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

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

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

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

### 11.3 GRANTS, TRANSFERS AND DONATIONS

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

## 12 BORROWING COSTS

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

- # Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.

- # Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the

purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

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

- # expenditures for the asset have been incurred;

- # borrowing costs have been incurred; and

- # activities that are necessary to prepare the asset for its intended use or sale are undertaken.

## 13 RETIREMENT BENEFITS

The Municipality provides retirement benefits for its employees and councilors. Defined Contribution plans are post-employment benefit plans, under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

## 14 CONSTRUCTION CONTRACTS AND RECEIVABLES

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

## 15 IMPAIRMENT OF ASSETS

The Municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the Municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

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

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

## **16 EVENTS AFTER THE REPORTING DATE**

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:

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

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

The Municipality 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.

## **17 EMPLOYEE BENEFITS**

The costs of all short-term employee benefits, such as leave pay, are recognised as they accrue to employees. The liability is based on the total amount of leave days due to the employees at year end and on the salary of the employee.

## **18 BUDGET INFORMATION**

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

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

**19 Related party**

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

Transactions between related parties other than transactions that would occur within a normal supplier or client/recipient relationship on terms and condition no more or less favourable than those which it is reasonable to expect the entry 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 transaction with related parties not at arm's length or not in the ordinary course of business are disclosed.

**20 Commitments**

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash. A commitment is disclosed to the extent that it has not already been recognised elsewhere in the financial statements.

At the end of each financial period the municipality determines commitments in respect of capital expenditure that has been approved and contracted for which is then disclosed as a note in the annual financial statements differentiating between community, infrastructure and other capital expenditure commitments.

**Inkwanca Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

**1.1 Changes in accounting policy**

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the withdrawal of the following new or revised standards as per Directive 5 as issued by the Accounting Standard Board and for the adoption of the following new or revised standards:

IAS 32 Financial Instruments: Presentation withdrawn.

IAS 39 Financial instruments: Recognition and Measurement withdrawn.

IFRS 7 Financial instruments: Disclosures withdrawn.

IAS 19 Employee Benefits withdrawn.

Formulated a policy within Accounting Policies of the AFS for Financial Instruments based on GRAP 104.

Formulated a policy within Accounting Policies of the AFS for Impairments based on GRAP 21 and GRAP 26.

Formulated a policy within Accounting Policies of the AFS for Employee Benefits based on GRAP 25.

Formulated a policy within Accounting Policies of the AFS for Non - exchange Transactions based on GRAP 23.

Formulated a policy within Accounting Policies of the AFS for Related Parties based on GRAP 20.

**1.2 The Municipality have fully complied with GRAP as the transitional provision of Directive 4 has expired in June 2012.**

**1.3 Standards and interpretations issued, but not yet effective**

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2012 or later periods:

<b>Standard:</b>	<b>Effective date: Years beginning on or after</b>	<b>Expected impact:</b>
GRAP 23: Revenue from Non-exchange Transactions	1-Apr-13	No material impact To be determined
GRAP 25: Employee benefits	1-Apr-13	No material impact
GRAP 104: Financial Instruments	1-Apr-13	No material impact

#### 1.4 Standards and interpretations issued, but not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2012 or later periods but are not relevant to its operations:

Standard:	Effective date: Years beginning on or after	Expected impact:
GRAP 21: Impairment of non-cash-generating assets	1-Apr-13	No material impact
GRAP 24: Presentation of Budget Information in the Financial	1-Apr-13	Financial System
GRAP 26: Impairment of cash-generating assets	1-Apr-13	No material impact
GRAP 20: Related parties	1-Apr-13	No material impact unlikely to have an impact
GRAP 103: Heritage Assets	1-Apr-13	impact

2012	2011
R	R

#### 1.5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

Cash on hand	-	-
Cash at bank	63,323	1,077,382
		<hr/>
		1,077,382
	<hr/>	<hr/>
	63,323	2

No cash and cash equivalents (or portions thereof) was pledged as security for any financial liabilities.

No restrictions exist with regard to the use of cash.

No portion is past due or impaired.

The Municipality has the following bank accounts: -

#### Current Account (Other Account)

#### Bank statements balances

2012	2011
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Standard Bank - Molteno Branch - Acc No 280 66 1061-Operating	53,025	997,335
Standard Bank - Molteno Branch - Acc No 280 67 0893- Primary	161	997
Standard Bank - Molteno Branch - Acc No 280 66 0332- Natis	7,068	67,525
Standard Bank - Molteno Branch - Acc No 08 263 1808- Water servises	807	-
Standard Bank - Molteno Branch - Acc No 38 857 4550- Fmg	1,005	-
Standard Bank - Molteno Branch - Acc No 38 857 4720- Msig	1,005	-
Standard Bank - Molteno Branch - Acc No 38 850 0360- Mig	1,005	-
Standard Bank - Molteno Branch - Acc No 28 066 1541-Cimp	-	9,475
Standard Bank - Molteno Branch - Acc No 28 066 1258- Community garden	-	1,787
	<u>64,077</u>	<u>1,077,118</u>

**Current Account (Other Account)****Cash book balances**

	2012	2011
Standard Bank - Molteno Branch - Acc No 280 66 1061-Operating	52,275	989,788
Standard Bank - Molteno Branch - Acc No 280 67 0893- Primary	161	997
Standard Bank - Molteno Branch - Acc No 280 66 0332- Natis	7,068	67,525
Standard Bank - Molteno Branch - Acc No 08 263 1808- Water servises	807	-
Standard Bank - Molteno Branch - Acc No 38 857 4550- Fmg	1,004	-
Standard Bank - Molteno Branch - Acc No 38 857 4720- Msig	1,003	-
Standard Bank - Molteno Branch - Acc No 38 850 0360- Mig	1,004	-
Standard Bank - Molteno Branch - Acc No 28 066 1541-Cimp	-	9,475
Standard Bank - Molteno Branch - Acc No 28 066 1258- Community garden	-	1,787
Standard Bank - Molteno Branch - Acc No 28 066 6132- Spatial Dev	-	7,811
	<u>63,323</u>	<u>1,077,382</u>
<b><u>Cash on hand</u></b>	-	-
Total cash and cash equivalents	<u>63,323</u>	<u>1,077,382</u>

2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS	Gross Balances	Provision for Doubtful Debts	Net Balance
<u>Trade receivables</u>	R	R	R
<b>as at 30 June 2012</b>			
Service debtors			
Rates	7,631,824	(6,177,924)	1,453,900
Electricity	2,568,682	(1,993,011)	575,671
Water	9,381,537	(8,876,082)	505,455
Sewerage	8,742,352	(7,302,830)	1,439,522
Refuse	4,928,399	(4,660,651)	267,748
Other	13,230,025	(12,412,007)	818,018
	<b>46,482,819</b>	<b>(41,422,505)</b>	<b>5,060,314</b>
Add: Credit Balances taken to Trade and other payables from exchange transactions		-	-
<b>Total</b>	<b>46,482,819</b>	<b>(41,422,505)</b>	<b>5,060,314</b>
<b>as at 30 June 2011</b>			
Service debtors			
Rates	10,557,443	(10,043,017)	514,426
Electricity	2,883,297	(1,984,959)	898,337
Refuse	8,867,496	(8,447,135)	420,362
Other	20,768,972	(20,301,370)	467,602
	<b>43,077,207</b>	<b>(40,776,480)</b>	<b>2,300,727</b>
Add: Credit Balances taken to Trade and other payables from exchange transactions	759,737	-	759,737
<b>Total</b>	<b>43,836,944</b>	<b>(40,776,480)</b>	<b>3,060,464</b>
<b><u>Rates: Ageing</u></b>			
		<b>2012</b>	<b>2011</b>
Current (0 – 30 days)		292,481	379,233
31 - 60 Days		200,520	132,624
61 - 90 Days		960,899	126,577
91 - 120 Days		6,177,924	9,919,008

# # VOLUME II

	7,631,824	10,557,443
Less: Allowance for debt impairment	(6,177,924)	(10,043,017)
<b>Total</b>	<b>1,453,900</b>	<b>514,426</b>
<b><u>Electricity: Ageing</u></b>	<b>2012</b>	<b>2011</b>
Current (0 – 30 days)	284,801	669,082
31 - 60 Days	173,020	226,454
61 - 90 Days	117,850	185,355
91 - 120 Days	1,993,011	1,802,405
	2,568,682	2,883,297
Less: Allowance for debt impairment	(1,993,011)	(1,984,959)
<b>Total</b>	<b>575,671</b>	<b>898,337</b>
<b><u>Refuse Ageing</u></b>	<b>2012</b>	<b>2011</b>
Current (0 – 30 days)	121,977	
31 - 60 Days	74,354	
61 - 90 Days	71,417	
91 - 120 Days	4,660,651	8,867,496
	4,928,399	8,867,496
Less: Allowance for debt impairment	(4,660,651)	(8,447,135)
<b>Total</b>	<b>267,748</b>	<b>420,362</b>
<b><u>Water: Ageing</u></b>	<b>2012</b>	<b>2011</b>
Current (0 – 30 days)	202,743	
31 - 60 Days	183,317	
61 - 90 Days	119,395	
91 - 120 Days	8,876,082	
	9,381,537	-
Less: Allowance for debt impairment	(8,876,082)	
<b>Total</b>	<b>505,455</b>	<b>-</b>
<b><u>Sewerage: Ageing</u></b>	<b>2012</b>	<b>2011</b>
Current (0 – 30 days)	254,097	

31 - 60 Days	164,087	
61 - 90 Days	1,021,338	
91 - 120 Days	7,302,830	
	8,742,352	-
Less: Allowance for debt impairment	(7,302,830)	
<b>Total</b>	<b>1,439,522</b>	<b>-</b>

### **Other Debtors: Ageing**

	2012	2011
Current (0 – 30 days)	273,422	
31 - 60 Days	280,157	
61 - 90 Days	264,439	
91 - 120 Days	12,412,007	20,768,972
	13,230,025	20,768,972
Less: Allowance for debt impairment	(12,412,007)	(20,301,370)
<b>Total</b>	<b>818,018</b>	<b>467,602</b>

### **Reconciliation of the doubtful debt provision**

	2012	2011
Balance at beginning of the year	40,776,480	30,658,544
Contributions to provision	646,025	10,117,937
<b>Balance at end of year</b>	<b>41,422,505</b>	<b>40,776,480</b>

### **Consumer debtors pledged as security**

No portion of accounts receivable was pledged as security for any financial liabilities.

### **Consumer debtors impaired**

As of 30 June 2012, consumer debtors of R 41,422,505 (2011: R 40,776,480) were impaired and provided for.

**3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

2012	2011
------	------

Other debtors

112,597	328,712
---------	---------

**Total Other Debtors**

<b>112,597</b>	<b>328,712</b>
----------------	----------------

**Trade and other receivables pledged as security**

No portion of accounts receivable was pledged as security for any financial liabilities.

No security is held for any accounts receivable.

**4 INVENTORIES**

2012	2011
------	------

**Inventories:**

<b>731,673</b>	<b>43,702</b>
----------------	---------------

Consumable stores - at cost

731,673	43,702
---------	--------

**Inventory pledged as security**

No inventory was pledged as security.

**5 VAT RECEIVABLE**

2012	2011
------	------

VAT receivable

3,208,302	1,432,232
-----------	-----------

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

# VOLUME II

#

## 6 PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Infrastructure	Community	Other Assets	Finance lease assets	Total
6.1 Reconciliation of Carrying Value	R	R	R	R	R	R	R
<b>as at 1 July 2011</b>	<b>16,900</b>	<b>8,899,524</b>	<b>110,216,691</b>	<b>15,165,523</b>	<b>579,884</b>	<b>46,224</b>	<b>134,924,746</b>
Cost/Revaluation	28,603,200	9,531,780	128,123,465	16,239,494	2,110,344	46,224	184,654,507
Accumulated depreciation and impairment losses	28,586,300	632,256	17,906,774	1,073,971	1,530,460	-	49,729,761
Acquisitions	-	-	-	461,049	839,920	540,631	1,841,600
Capital under Construction	-	-	-	-	-	-	-
Depreciation	-	218,576	9,234,748	539,587	220,298	85,660	10,298,869
Carrying value of disposals	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-

Other movements	-	-	-	-	-	-	-
<b>as at 30 June 2012</b>	<b>16,900</b>	<b>8,680,948</b>	<b>100,981,943</b>	<b>15,086,985</b>	<b>1,199,506</b>	<b>124,674</b>	<b>126,090,953</b>
Cost/Revaluation	28,603,200	9,531,780	128,123,465	16,700,543	2,950,264	586,855	186,496,105
Accumulated depreciation and impairment losses	28,586,300	850,832	27,141,522	1,613,558	1,750,758	462,182	60,405,152

**Refer to Appendix B for more detail on property, plant and equipment**

6.2 Reconciliation of Carrying Value	Land	Buildings	Infrastructur e	Communit y	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R
<b>as at 1 July 2010</b>	<b>16,900</b>	<b>9,117,502</b>	<b>115,511,168</b>	<b>15,703,635</b>	<b>737,823</b>	-	<b>141,087,028</b>
Cost/Revaluation	28,603,200	9,531,780	124,348,414	16,239,494	2,032,690	-	180,755,578
Accumulated depreciation and impairment losses	28,586,300	414,278	8,837,246	535,859	1,294,867	-	39,668,550
Acquisitions	-	-	3,775,051	-	77,654	46,224	3,898,929
Capital under Construction	-	-	-	-	-	-	-
Depreciation	-	217,978	9,069,528	538,112	235,593	-	10,061,211
Carrying value of disposals	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-

<b>as at 30 June 2011</b>	<b>16,900</b>	<b>8,899,524</b>	<b>110,216,691</b>	<b>15,165,523</b>	<b>579,884</b>	<b>46,224</b>	<b>134,924,746</b>
Cost/Revaluation	28,603,200	9,531,780	128,123,465	16,239,494	2,110,344	46,224	184,654,507
Accumulated depreciation and impairment losses	28,586,300	632,256	17,906,774	1,073,971	1,530,460	-	49,729,761

**Refer to Appendix B for more detail on property, plant and equipment**

## 7 INVESTMENT PROPERTY CARRIED AT COST

### 7.1 Reconciliation of carrying value

**as at 1 July 2011**

Cost

Accumulated depreciation and impairment losses

Acquisitions

Depreciation

Carrying value of disposals

Cost

Accumulated depreciation

Impairment loss/Reversal of impairment loss

Transfers

Other movements

	Investment property	Total
	-	-
Cost	1,380,000	1,380,000
Accumulated depreciation and impairment losses	1,380,000	1,380,000
Acquisitions	-	-
Depreciation	-	-
Carrying value of disposals	-	-
Cost	-	-
Accumulated depreciation	-	-
Impairment loss/Reversal of impairment loss	-	-
Transfers	-	-
Other movements	-	-

**as at 30 June 2012**

Cost  
Accumulated depreciation and impairment losses

	-	-
1,380,000	1,380,000	
1,380,000	1,380,000	

**7.2 Reconciliation of carrying value**

**as at 1 July 2010**

Cost  
Accumulated depreciation and impairment losses

	Investment property	Total
	-	-
1,380,000	1,380,000	1,380,000
1,380,000	1,380,000	1,380,000

Acquisitions  
Depreciation

-                      -  
-                      -

Carrying value of disposals  
Cost  
Accumulated depreciation

	-	-
	-	-
	-	-

Impairment loss/Reversal of impairment loss  
Transfers  
Other movements

-                      -  
-                      -  
-                      -

**as at 30 June 2011**

Cost  
Accumulated depreciation and impairment losses

	-	-
1,380,000	1,380,000	
1,380,000	1,380,000	

**7.3** No Investment properties were pledged as security.

Operational expenditure regarding investment property earning rentals and those that are not earning rentals are not available.

At reporting date there are no cumulative fair value changes in the surplus and deficit for investment properties.

There are no restrictions on investment properties.

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

The values were determined by PJ Lindstrom the valuer who is a Registered Professional Valuer with the South African Council for the Property Valuers Profession, Registration No. 935.

Rental income from investment properties in respect of monthly and annual leases amounted to R 76 992 (2011 R 46 771).

**Inkwanca Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

	2012 R	2011 R
<b>8 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
Trade creditors	7,201,935	5,230,035
Transfer of credit balances from Trade and other receivables from exchange transactions	3,962,721	759,737
Chris Hani District Municipality - Water Services Authority control account (see note 43)	-	4,900,644
Other creditors	5,298,246	3,339,056
<b>Total creditors</b>	<b>16,462,902</b>	<b>14,229,472</b>

*The fair value of trade and other payables approximates their carrying amounts.  
None of the trade payables are secured.*

	2012	2011
<b>9 CONSUMER DEPOSITS</b>		
Other	209,398	169,512
<b>Total consumer deposits</b>	<b>209,398</b>	<b>169,512</b>

	2012	2011
<b>10 PROVISIONS</b>		
Bonus	1,074,641	475,997
Landfill Sites	461,049	-
Provision for leave	825,001	1,415,121
CCMA award	626,376	
<b>Total Provisions</b>	<b>2,987,067</b>	<b>1,891,118</b>

Bonus

This provision is in respect of short term liability relating to long service bonuses payable to employees.

Provision for leave



This provision is in respect of short term liability relating to leave payable to employees.

Provision for landfill sites

With regards to the Provision for Landfill sites: It is stated in the Department of Water Affairs and Forestry "Minimum Requirements for Waste Disposal by Landfill", Second Edition 1998, Chapter 2.3.4, that "All landfills except those closed prior to August 1990 when the permitting system came into effect, must be permitted before they can be considered closed. Closure will involve, inter alia, the application of final cover, top soiling, vegetating, drainage maintenance and leach ate management." Rehabilitation costs in respect of geo hydrological monitoring is anticipated to be a recurring cost for the next 30 years. The future value of the Rehabilitation of landfill sites obligation was calculated by inflating the non current rehabilitation cost to an estimated future cost which was then discounted to present value.

Assumptions used:

Interest rate used is borrowing rate at 10% .

The valuation for the landfill site provision was done by Mr A Mxenge, an environmental specialist seconded by the department of Local Government and Traditional Affairs Bhishe.

The movement in current provisions are reconciled as follows: -

	<b>Provision for Landfill Sites</b>	<b>Provision for Bonuses</b>	<b>Provision for leave</b>
<b>as at 1 July 2011</b>	-	<b>475,997</b>	<b>1,415,121</b>
Contributions to provision / (expenditure)	461,049	598,644	(590,120)
<b>as at 30 June 2012</b>	<b>461,049</b>	<b>1,074,641</b>	<b>825,001</b>
<b>as at 1 July 2010</b>	-	<b>400,480</b>	<b>912,325</b>
Contributions to provision / (expenditure)	-	75,517	502,796
<b>as at 30 June 2011</b>	-	<b>475,997</b>	<b>1,415,121</b>

## 11 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

### 11.1 Unspent Conditional Grants from other spheres of Government

Financial Management Grant

-

309,498

Land Development Fund

197,430

320,876

MIG

2,454,225

1,976,450

MSIG

-

523,196

Update Fixed Assets Register

280,000

280,000

Update Valuation Role

64,146

150,000

**Total Unspent Conditional Grants and Receipts**

**2,995,801****3,560,020**

**Current portion of unspent conditional grants and receipts**

**2,995,801****3,560,020**

## 12 BORROWINGS

Chris Hani District Municipality

2,069,011

2,069,011

**2,069,011****2,069,011**

Less : Current portion transferred to current liabilities

**(2,069,011)****(2,069,011)**

Chris Hani District Municipality

(2,069,011)

(2,069,011)

**Total borrowings**

-

-

***Refer to Appendix A for more detail on borrowings.***

The borrowing is unsecured, interest free and repayable at the discretion of the parties.

## 13 FINANCE LEASE LIABILITY

2012	Minimum lease payment	Future finance charges	Present value of minimum lease payments
	R	R	R
Amounts payable under finance leases			
Within one year	416,477	27,292	389,185
Within two to five years			-
	<u>416,477</u>	<u>27,292</u>	<u>389,185</u>
Less: Amount due for settlement within 12 months (current portion)			<u>70,569</u>
			<u><u>318,616</u></u>

2011	Minimum lease payment	Future finance charges	Present value of minimum lease payments
	R	R	R
Amounts payable under finance leases			
Within one year	85,116	12,002	73,114
Within two to five years	<u>91,207</u>	<u>10,990</u>	<u>80,217</u>
	<u>176,323</u>	<u>22,992</u>	<u>153,331</u>
Less: Amount due for settlement within 12 months (current portion)			<u>(73,114)</u>
			<u><u>80,217</u></u>

### Motor Vehicles:

The average lease term is for a 60 month period and the average effective rate is 10%.

### Office Equipment:

The average lease term is for a 60 month period except for one lease, which is for a 36 month period and the average effective rate is 10.1%.

### General

There are no contingent rentals during the period.  
 There are no sublease in existence during the period.  
 There have not been any breaches or defaults of the terms and conditions during the period.  
 None of the terms and conditions were renegotiated during the period.

14 PROPERTY RATES	2012	2011
<b><u>Actual</u></b>		
Residential and other property's	2,819,427	3,634,270
<b>Total property rates</b>	<b>2,819,427</b>	<b>3,634,270</b>
Property rates - penalties imposed and collection charges	-	-
<b>Total</b>	<b>2,819,427</b>	<b>3,634,270</b>
15 SERVICE CHARGES	2012	2011
Sale of electricity	5,102,276	4,652,471
Sale of water	2,762,696	28,193,936
Refuse removal	3,548,775	3,275,177
Sewerage and sanitation charges	5,361,186	3,996,665
<u>Less: Income for service undertaken on behalf of Chris Hani District Municipality</u>		
Sale of water		(28,193,936)
Sewerage and sanitation charges		(3,996,665)
Interest earn- outstanding receivables	(877,284)	
<b>Total Service Charges</b>	<b>15,897,649</b>	<b>7,927,648</b>
16 RENTAL OF FACILITIES AND EQUIPMENT	2012	2011
Rental of facilities	105,524	63,593
<b>Total rentals</b>	<b>105,524</b>	<b>63,593</b>

17 INTEREST EARNED - EXTERNAL INVESTMENTS	2012	2011
Bank	51	762
<b>Total interest</b>	<b>51</b>	<b>762</b>

18 INTEREST EARNED - OUTSTANDING RECEIVABLES	2012	2011
Consumers	3,884,081	2,117,962
<b>Total interest</b>	<b>3,884,081</b>	<b>2,117,962</b>

19 GOVERNMENT GRANTS AND SUBSIDIES	2012	2011
Equitable share	14,201,000	13,502,512
MIG Grant	7,758,223	2,582,216
MSIG	1,313,196	815,098
Finance Management Grant	2,309,498	2,432,936
Subsidy - Chris Hani District Municipality	6,281,686	2,678,401
Other Government Grants and Subsidies	231,000	
<b>Total Government Grant and Subsidies</b>	<b>32,094,602</b>	<b>22,011,163</b>

#### 19.1 Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy.

20 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS	2012	2011
20.1 Other income	2,778,490	2,013,992
<b>Total Other Income</b>	<b>2,778,490</b>	<b>2,013,992</b>

**21 EMPLOYEE RELATED COSTS**

	2012	2011
Employee related costs - Salaries and Wages	13,752,501	9,600,200
Employee related costs - Contributions for UIF, pensions and medical aids	2,379,212	1,785,770
Travel, motor car, accommodation, subsistence and other allowances	746,052	509,207
Overtime payments	59,401	181,438
Performance and other bonuses	1,614,377	841,216
CCMA award	626,376	
Other employee related costs	(621,713)	798,014
<b>Total Employee Related Costs</b>	<b>18,556,206</b>	<b>13,715,846</b>

There were no advances to employees / Loans to employees are set out in note 2.

**Remuneration of the Municipal Manager**

	2012	2011
Annual Remuneration	394,749	382,999
Performance- and other bonuses	20,224	89,864
Travel, motor car, accommodation, subsistence and other allowances	130,436	146,305
Contributions to UIF, Medical and Pension Funds	1,121	1,497
Ex Gratuity	761,348	-
<b>Total</b>	<b>1,307,878</b>	<b>620,665</b>

**Remuneration of the Chief Finance Officer**

	2012	2011
Annual Remuneration	301,599	371,021
Performance- and other bonuses	27,558	53,105
Travel, motor car, accommodation, subsistence and other allowances	3,000	6,000
Contributions to UIF, Medical and Pension Funds	749	1,497
<b>Total</b>	<b>332,906</b>	<b>431,623</b>

Remuneration of Individual Executive Directors	Technical Services	Corporate Services	Community Services
	R	R	R
<b>2012</b>			
Annual Remuneration	401,825	338,644	338,645
Performance- and other bonuses	28,345	28,220	28,220
Travel, motor car, accommodation, subsistence and other allowances	4,500	149,602	120,882
Contributions to UIF, Medical and Pension Funds	1,123	1,497	1,494
<b>Total</b>	<b>435,793</b>	<b>517,964</b>	<b>489,241</b>

	Technical Services	Corporate Services	Community Services
	R	R	R
<b>2011</b>			
Annual Remuneration	376,924	285,293	287,797
Performance- and other bonuses	54,065	46,524	46,524
Travel, motor car, accommodation, subsistence and other allowances	6,000	102,555	102,555
Contributions to UIF, Medical and Pension Funds	1,497	1,497	1,497
<b>Total</b>	<b>438,486</b>	<b>435,869</b>	<b>438,372</b>

22 REMUNERATION OF COUNCILLORS	2012	2011
Councillors' pension and medical aid contributions	167,506	83,456
Councillors' allowances	1,691,044	1,572,026
<b>Total Councillors' Remuneration</b>	<b>1,858,550</b>	<b>1,655,482</b>

23 DEPRECIATION AND AMORTISATION EXPENSE	2012	2011
Property, plant and equipment	10,298,868	10,061,212
<b>Total Depreciation and Amortisation</b>	<b>10,298,868</b>	<b>10,061,212</b>

24 FINANCE COSTS		2012	2011
Borrowings		169,206	125,501
Bank overdrafts		-	5
<b>Total Finance Costs</b>		<b>169,206</b>	<b>125,506</b>
25 BULK PURCHASES		2012	2011
Electricity		5,669,461	4,604,067
Water		257,748	275,180
Less: Bulk purchases for Water Services undertaken on behalf of Chris Hani District Municipality			(275,180)
<b>Total Bulk Purchases</b>		<b>5,927,209</b>	<b>4,604,067</b>
26 CONTRACTED SERVICES		2012	2011
Contracted services for:			
<i>Cash Management</i>		-	-
27 GRANTS AND SUBSIDIES EXPENSED	Note	2012	2011
Grant expenses - Municipal Systems Implementation Grant		1,313,196	815,098
Grant expenses - Financial Management Grant		2,294,628	2,327,269
Grant expenses - Municipal Infrastructure Grant		411,804	1,949,526
Grant expenses - Subsidy Indigents		5,726,336	3,989,183
Expenditure charged against unconditional grants			434,871
Expenditure charged against conditional grants			12,633
	28	<b>9,745,964</b>	<b>9,528,580</b>

Grants and subsidies expensed has been reclassified by expenditure type, Expenditure for infrastructure and other assets has been capitalised resulted in line item for Grants and subsidies expensed on the face of the statement of financial performance being reclassified and the comparative figures being restated.

## 28 GENERAL EXPENSES

Note

2012

2011

Included in general expenses are the following:-

Advertising		56,441	13,336
Admin fees		38,368	31,662
Audit fees		2,392,769	1,560,981
Bank charges		102,622	103,419
Cleaning		98,540	-
Entertainment		-	11,311
Grant expenditure	27	9,745,964	9,528,580
Fuel and oil		458,821	346,043
Insurance		154,190	92,565
Legal expenses		41,005	8,508
Licence fees - all		11,072	4,484
Membership fees		661,455	149,077
Postage		13,988	5,919
Printing and stationery		258,580	141,737
Rental of office equipment		170,843	130,323
Other rentals		59,482	-
Security costs		27,585	28,835
Subscription & publication		219,969	151,191
Telephone cost		244,885	484,646
Training		171,900	189,637
Travel and subsistence		122,675	107,216
Uniforms & overalls		148,441	64,891
Other		2,020,087	58,183
		<b>17,219,680</b>	<b>13,212,545</b>

29 CASH GENERATED BY OPERATIONS	2012	2011
Surplus/(deficit) for the year	(8,825,395)	(17,662,858)
<u>Adjustment for:-</u>		
Adjustment prior years		254,508
Depreciation and amortisation	10,298,868	10,061,212
Reversal of agency accounting- CHDM	7,346,858	
Contribution to provisions - non-current		
Contribution to provisions - current	1,095,949	578,313
<b>Operating surplus before working capital changes:</b>	<b>9,916,280</b>	<b>(6,768,825)</b>
(Increase)/decrease in inventories	(687,971)	(43,702)
(Increase)/decrease in trade receivables	(1,981,851)	(1,508,931)
(Increase)/decrease in other receivables	452,622	2,193,578
(Increase)/decrease in VAT receivable	(1,776,070)	(989,990)
Increase/(decrease) in conditional grants and receipts	(564,219)	1,775,580
Increase/(decrease) in trade payables	2,233,430	6,941,809
Increase/(decrease) in consumer deposits	39,887	(8,157)
<b>Cash generated by/(utilised in) operations</b>	<b>7,632,107</b>	<b>1,591,363</b>
30 CASH AND CASH EQUIVALENTS	2012	2011
Cash and cash equivalents included in the cash flow statement comprise the following:		
Bank balances and cash	63,323	1,077,382
<b>Net cash and cash equivalents (net of bank overdrafts)</b>	<b>63,323</b>	<b>1,077,382</b>

## 31 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

### 31.1 Unauthorised expenditure

#### Reconciliation of unauthorised expenditure

<u>Vote</u>	<u>Actual</u>	<u>Adjusted Budget</u>	<u>Unauthorised Expenditure</u>
Vote 1 - Executive and Council	2,604,580	1,981,000	623,580
Vote 3 - Budget and Treasury Office	11,300,706	4,478,000	6,822,706
Vote 4 - Technical Office	9,366,483	5,935,000	3,431,483
Vote 4 - Water and Sanitation	24,485,604	9,447,000	15,038,604
Vote 6 - Community Services	12,246,003	6,548,000	5,698,003
Vote 7 - Corporate Services			
Unauthorised expenditure awaiting authorisation	<b>60,003,376</b>	<b>28,389,000</b>	<b>31,614,376</b>

### 31.2 Fruitless and wasteful expenditure

#### Reconciliation of fruitless and wasteful expenditure

	<b>2012</b>	<b>2011</b>
Opening balance -	663,193	509,433
Fruitless and wasteful expenditure current year	142,634	153,760
Condoned or written off by Council To be recovered – contingent asset	(805,827)	-
Fruitless and wasteful expenditure awaiting condonement	-	<b>663,193</b>

The following is a list of Fruitless and wasteful expenditure incurred during the year:

Interest on trade payables - Office of the Auditor General		89,181
Interest on trade payables - Eskom	142,634	64,579
	<b>142,634</b>	<b>153,760</b>

#### **Incident proceedings**

#### **Disciplinary steps/criminal**

Interest charged on overdue accounts.  
None

## 31.3 Irregular expenditure

<u>Reconciliation of irregular expenditure</u>	2012	2011
Opening balance	1,997,140	-
Irregular expenditure current year	647,646	1,997,140
Condoned or written off by Council	(2,644,786)	-
Transfer to receivables for recovery – not condoned	-	-
Irregular expenditure awaiting condonement	-	<b>1,997,140</b>

<u>Incident proceedings</u>	<u>Disciplinary steps/criminal</u>	2012	2011
Tendering process irregularities.			
None		647,646	1,985,586
Payments on Terminations			
None		-	11,554
		<b>647,646</b>	<b>1,997,140</b>

## 32 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

32.1 Contributions to organised local government	2012	2011
Opening balance	415,276	298,776
Council subscriptions	645,000	116,500
Amount paid - current	(200,000)	-
Amount paid - previous years	-	-
<b>Balance unpaid (included in payables)</b>	<b>860,276</b>	<b>415,276</b>

32.2 Audit fees	2012	2011
Opening balance	1,588,986	1,681,276
Current year audit fee	2,709,741	1,163,991
Amount paid - current year	(133,848)	(1,256,281)
Amount paid - previous years		

**Balance unpaid (included in payables)****4,164,879****1,588,986**

The balance unpaid represents the audit fee for the audit conducted during 2010/211 and 2009/2012 is payable in full.

The Municipality has requested an assistance from the National Treasury for the excess amount .

**32.3 VAT**

VAT input receivables and VAT output payables are shown in note 5. All VAT returns up to June 2012 have been submitted. The remaining VAT returns are still outstanding.

**32.4 PAYE and UIF****2012****2011**

Opening balance

1,607,579

61,754

Current year payroll deductions

2,359,290

1,545,825

Amount paid - current year

-

Amount paid - previous years

-

-

**Balance unpaid (included in payables)****3,966,869****1,607,579****32.5 Pension and Medical Aid Deductions****2012****2011**

Opening balance

321,073

-

Current year payroll deductions and Council Contributions

2,259,327

2,463,373

Amount paid - current year

(2,261,666)

(2,142,300)

Amount paid - previous years

-

-

**Balance unpaid (included in payables)****318,734****321,073**

The balance represents pension and medical aid contributions deducted from employees in the June 2012 payroll as well as Council's contributions to pension and medical aid funds. These amounts were paid during July 2012.

**32.6 Councillor's arrear consumer accounts**

The following Councillors had arrear consumer accounts outstanding for more than 90 days as at:

-

**as at 30 June 2012**

*XG Mkhubukeli*

**Total Councillor Arrear Consumer Accounts**

<b>Total</b>	<b>Outstanding less than 90 days</b>	<b>Outstanding more than 90 days</b>
<b>R</b>	<b>R</b>	<b>R</b>
16,502	16,502	-
<b>16,502</b>	<b>16,502</b>	<b>-</b>

During the year the following Councillors had arrear accounts outstanding for more than 90 days.

<b>Highest Amount Outstanding</b>	<b>Ageing Days</b>
<b>R</b>	

**32.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act**

The municipality has not paid their suppliers in terms of the MFMA. This due to the lack of funds.

The municipality did not comply with Section 11(4) of the MFMA.

**32.8 CAPITAL COMMITMENTS**

**Commitments in respect of capital expenditure**

***PROJECT***

Approved and contracted for:

Spatial Development Framework

Resurfacing of Nomonde Access Road

Skoyi Bridge Construction

Renovation of Sterkstroom Community Hall

Street light project

Approved but not yet contracted for:

None

**Total**

<b>2012</b>	<b>2011</b>
	259,076
	2,163,817
1,022,192	3,027,423
2,326,119	3,439,746
204,963	1,687,298
<b>3,553,274</b>	<b>10,577,361</b>

This expenditure will be financed from:

- External Loans

- Government Grants

- Own resources

-	-
3,553,274	10,577,361



### 33 Defined contribution plan

The following is a defined contribution plan. These contributions have been expensed.

On retirement of an employee Council has post retirement obligation to contribute 70% to the medical cost of the employee.

Number of members	4	6
Annual Cost	74,837	134,451

### 34 CONTINGENT ASSET

None

### 35 IN-KIND DONATIONS AND ASSISTANCE

The Municipality received the following in-kind donations and assistance

#### Description

Intervention team from the Department of Local Government and Traditional Affairs. (Operation clean audit)

### 36 RELATED PARTIES

#### Related party Transactions

<u>Details</u>	<u>Business interest</u>	<u>Transactions amount</u>
None		-

*The following councillors have not made the appropriate disclosures of business interests in the Declaration of Interest Register:*

#### Councillors

<u>Details</u>	<u>Business interest</u>	<u>In Register of Interest</u>
None		

There were no material events after the reporting date that require adjustment to or disclosure in the financial statements.

### 37 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

The following areas involve a significant degree of estimation uncertainty:

	<u>Nature</u>	<u>Carrying amount</u>
Useful lives and residual values of property, plant, and equipment		
Provision for rehabilitation of landfill sites (discount rate used, number of years, amount of cash flows)	Fair rate of return is used when calculating the provision.	461,049
Provision for doubtful debts Impairment of assets	The provision is subject to estimates used and historical trends.	41,422,505

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Impairment of assets		
Provision for rehabilitation of landfill sites (discount rate used, number of years, amount of cash flows)	Provisions bases on assessments done by professional consultants	see above

### 38 PRIOR YEAR ERRORS

During the year the following adjustments were made to transactions whereby amounts were erroneously stated in the previous financial period

2012	2011
------	------

The correction of the error results in adjustments as follows:

#### Statement of Financial Position

Other Debtors correction of misallocation	-	80,000.00
Other Debtors incorrect posting	-	143,103
Other Debtors Provision for Bonuses incorrectly calculated	-	13,406
Creditors for water	-	<u>18,000</u>
<b>Accumulated Surplus</b>	-	<u><u>254,508</u></u>

**Change in accounting policy measurement of Assets**

Property Plant and Equipment	138,337,195
Reveluation of PPE	3,078,633
Offsetting of depreciation	<u>(10,061,212)</u>
<b>Revaluation reserve</b>	<b><u>131,354,616</u></b>

**Statement of Financial performance**

Depreciation	<u>10,061,212</u>
--------------	-------------------

**39 RISK MANAGEMENT****39.1 Maximum credit risk exposure**

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

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an on going basis.

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

	2012	2011
Standard Bank	-	7,810
Trade and other receivables	5,042,315	3,060,464

These balances represent the maximum exposure to credit risk.

The municipality is exposed to a guarantee for the overdraft facilities.

**39.2 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 on-going review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

**40 COMPARISON WITH THE BUDGET**

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures E(1) and E(2)

**41 GOING CONCERN ASSUMPTION**

The Municipality is heavily dependent on Government Grants and Subsidies this is because the small revenue base of the Municipality which is unlikely to expand overtime  
The liquidity ratio shows that the Municipality is faced with challenges meeting its obligations.

**Conclusion**

Although the Municipality is faced with these challenges, the Inkwanca Municipality will continue with its operations as a going concern in the foreseeable future as long as the grants are still received from the upper sphere of government.

**Inkwanca Local Municipality**  
**APPENDIX A**  
**SCHEDULE OF EXTERNAL LOANS**  
for the year ending 30 June 2012

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 30 June 2011	Received during the period	Redeemed / written off during the period	Balance at 30 June 2012
			R	R	R	R
<b>LONG-TERM LOANS</b>						
Chris Hani District Municipality			2,069,011	-		2,069,011
Telephone Equipment			-	132,722	-	132,722
Vehicles			-	60,853	-	60,853
Wesbank	DDL52169B		1,795	-	(1,795)	0
Wesbank	DDL55360J		54,467	-	(36,311)	18,156
Wesbank	DDL55644V		59,103	-	(37,328)	21,775
Other Leases	Various		60,957	151,263	(29,249)	182,972
Deferred Finance Charges	All		(22,992)	-	17,892	(5,100)
<b>TOTAL EXTERNAL LOANS</b>			<b>2,222,341</b>	<b>344,838</b>	<b>(86,792)</b>	<b>2,480,388</b>

**Inkwanca Local Municipality**  
**APPENDIX B**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**  
for the year ended 30 June 2012

	Cost / Revaluation				Accumulated Depreciation					Transfers	Other movements	Carrying Value	
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss				Closing Balance
	R	R	R	R	R	R	R	R	R				R
<b>Land</b>													
Land	28,603,200	-	-	-	28,603,200	28,586,300				28,586,300		16,900	
Landfill Sites	675,094	461,049	-	-	1,136,143	42,866	21,492			64,358		1,071,785	
	<b>29,278,294</b>	<b>461,049</b>	-	-	<b>29,739,343</b>	<b>28,629,166</b>	<b>21,492</b>	-	-	<b>28,650,658</b>	-	<b>1,088,685</b>	
<b>Buildings</b>													
	<b>9,531,780</b>				<b>9,531,780</b>	<b>632,256</b>	<b>218,576</b>			<b>850,832</b>		<b>8,680,948</b>	
<b>Infrastructure</b>													
Roads	114,256,856				114,256,856	16,582,636	8,569,621			25,152,257		89,104,599	
Sewerage Mains & Purification	-				-	-				-		-	
Electricity Mains	7,219,431				7,219,431	574,584	288,079			862,663		6,356,768	
Water Mains & Purification	-				-	-				-		-	
Storm Water	6,647,177				6,647,177	749,554	377,048			1,126,602		5,520,575	
	<b>128,123,464</b>	-	-	-	<b>128,123,464</b>	<b>17,906,774</b>	<b>9,234,748</b>	-	-	<b>27,141,522</b>	-	<b>100,981,942</b>	
<b>Community Assets</b>													
Libraries	1,322,800				1,322,800	61,482	30,825			92,307		1,230,493	
Halls	3,006,100				3,006,100	139,720	70,052			209,772		2,796,328	
Cemeteries	11,235,500				11,235,500	829,902	417,218			1,247,120		9,988,380	

# # VOLUME II

	15,564,400	-	-	-	15,564,400	1,031,104	518,095	-	-	1,549,199	-	-	14,015,201
<b>Heritage Assets</b>													
Historical Buildings	-				-	-				-			-
	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Other Assets</b>													
Office Equipment	56,488	769,102			825,590	23,089	8,338			31,427			794,163
Furniture & Fittings	218,392	8,475			226,867	77,675	25,398			103,073			123,794
Motor vehicles	1,166,191	-		-	1,166,191	1,016,462	88,477			1,104,939			61,252
Computer Equipment	715,496	62,343	(14,666)		763,173	413,236	98,086	(14,666)		496,656			266,517
Other Assets	-				-	-				-			-
	<b>2,156,567</b>	<b>839,920</b>	<b>(14,666)</b>	<b>-</b>	<b>2,981,821</b>	<b>1,530,462</b>	<b>220,299</b>	<b>(14,666)</b>	<b>-</b>	<b>1,736,095</b>	<b>-</b>	<b>-</b>	<b>1,245,726</b>
<b>Finance Lease Assets</b>													
Office Equipment/vehile		540,631			540,631		-			462,181			78,450
	-	<b>540,631</b>	-	-	<b>540,631</b>	-	-	-	-	<b>462,181</b>	-	-	<b>78,450</b>
<b>Total</b>	<b>184,654,505</b>	<b>1,841,600</b>	<b>(14,666)</b>	<b>-</b>	<b>186,481,439</b>	<b>49,729,762</b>	<b>10,213,210</b>	<b>(14,666)</b>	<b>-</b>	<b>60,390,487</b>	<b>-</b>	<b>-</b>	<b>126,090,953</b>

**Inkwanca Local Municipality**  
**APPENDIX E (1)**  
**ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)**  
for the year ended 30 June 2012

	2012	2012	2012	2012	
	Actual Income	Budget	Variance	Variance	Explanation for Significant Variances greater than 10% vs Budget
	R	R	R	%	
<b>Revenue</b>					
Property rates	2,819,427	3,000,000	180,573	6%	
Service charges	15,897,649	5,425,000	(10,472,649)	-193%	CHDM- services back to the municipality
Rental of facilities and equipment	105,524	75,575	(29,949)	-40%	
Interest earned - external investments	51		(51)	0%	
Interest earned - outstanding receivables	3,884,081	-	(3,884,081)	0%	
Fines	55,637	75,000	19,363	26%	
Government grants and subsidies	32,094,602	27,145,040	(4,949,562)	-18%	
Other income	2,778,490	567,590	(2,210,900)	-390%	
<b>Total revenue</b>	<b>57,635,462</b>	<b>36,288,205</b>	<b>(21,347,257)</b>	<b>-59%</b>	
<b>Expenses</b>					
Employee related costs	18,556,206	17,237,742	(1,318,464)	-8%	
Remuneration of councillors	1,858,550	1,850,851	(7,699)	0%	
Bad debts provision	12,552,413	-	(12,552,413)	0%	provision for Bad impairment not budget for
Depreciation and amortisation expense	10,298,868	-	(10,298,868)	0%	implementation of grap 17 recorgnition o inventory at year end
Repairs and maintenance	-121,272	2,869,750	2,991,022	104%	
Finance costs	169,206		(169,206)	100%	
Bulk purchases	5,927,207	5,360,600	(566,607)	-11%	
Grants and subsidies paid	-	-	-	0%	

# # VOLUME II

General expenses	17,219,680	9,949,263	(7,270,417)	-73%	CHDM- water and sanitation services
Total expenses	<u>66,460,857</u>	<u>37,268,206</u>	<u>(29,192,651)</u>	-78%	
Surplus / (deficit) for the period	<u>(8,825,395)</u>	<u>(980,001)</u>	<u>(8,408,287)</u>	-1042%	

**Inkwanca Local Municipality**  
**APPENDIX E (2)**  
**ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)**  
for the year ending 30 June 2012

	2012	2012	2012	2012	
	Actual / Under Construction	Budget	Variance	Variance	Explanation for Significant Variances greater than 10% vs Budget
	R	R	R	%	
<b>Land</b>					
Land	-		-	0%	
Landfill Sites	-		-	0%	
<b>Buildings</b>	-		-	0%	
<b>Infrastructure</b>					
Roads	6,232,791	6,882,510	649,719	9%	
			-		
<b>Community Assets</b>					
Halls	1,113,628	2,918,140	1,804,512	62%	
			-		
<b>Finance Lease Assets</b>					
Office Equipment	-		-	0%	
<b>Total</b>	<b>7,346,418</b>	<b>9,800,650</b>	<b>2,454,232</b>	<b>0%</b>	