

ANNUAL REPORT

2011-12



HLABISA

LOCAL MINERALS

"Sakha Umphakathi Dugcwa"

1. Introduction

Introduction and Overview

This document presents an executive summary of Hlabisa Municipality Integrated Development Plan (IDP). Hlabisa Municipality IDP (2009 – 2012) will serve a strategic guide during the term of office of the current councilors. It is based on the issues articulated by the stakeholders and is aligned with the national and provincial development imperatives such as Accelerated and Shared Growth for South Africa (Asgi-SA) and the Provincial Growth the Development Strategy (PGDS). Its objectives are as follows:

To guide decision making in respect of service delivery and public sector investment.

To inform budgets and service delivery programs of various government departments and service agencies.

To coordinate the activities of various service delivery agencies within Hlabisa Municipality area of jurisdiction. To engage communities and other key interested and affected parties in municipal affairs, particularly continuous integrated development process.



Transport Mode	In Commercial Use	Feasible in SA
Road Based Transport Options		
Current Road Transport	Yes	Yes
Quantum 1 Road Transport	Yes	Yes
PBS Vehicles	Yes	Yes
Roadtrains	Yes	Yes
Rail Based Transport Options		
General Freight Rail Transport	Yes	Yes
Heavy Haul Rail Transport	Yes	Yes
Magnetic Levitation Systems	Not for Freight	No

Table No 5

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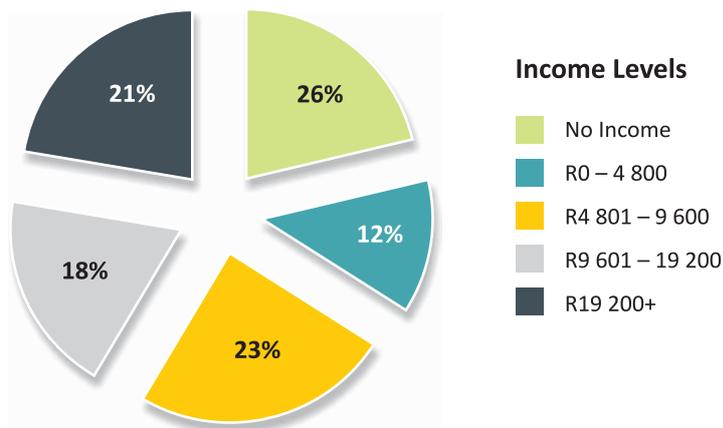
To inform budgets and service delivery programs of various government departments and service agencies.

To coordinate the activities of various service delivery agencies within Hlabisa Municipality area of jurisdiction. To engage communities and other key interested and affected parties in municipal affairs, particularly continuous integrated development process.

To position the municipality to make a meaningful contribution towards meeting the district and provincial development targets and priorities.

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ABBREVIATIONS

Abbreviations	Description
ARV	Anti-retroviral
BEE	Black Economic Empowerment
CBOs	Community-Based Organisations
CIP	Comprehensive Infrastructure Plan
COGTA	Co-operative Governance and Traditional Affairs
CPI	Consumer Price Index
CPMD	Certificate Programme in Management Development for Municipal Finance
DAEA	Department of Agriculture and Environmental Affairs
DBSA	Development Bank of South Africa
DLTC	Driving Licence Testing Centre
DoT	Department of Transport
DPLG	Department of Provincial and Local Government
DTI	Department of Trade and Industry
EE	Employment Equity
EFA	Electricity for All
EPWP	Expanded Public Works Programme
EXCO	Executive Committee
GDP	Gross Domestic Product
GIS	Geographic Information System
HHLd/HH	Household
HR	Human Resource
ICT	Information and Communication Technology
IDP	Integrated Development Plan
IT	Information Technology
KPIs	Key Performance Indicators
LED	Local Economic Development
LGSETA	Local Government Sector Education and Training Authority
MDGs	Millennium Development Goals
MFMA	Municipal Finance Management Act, Act No 56 of 2003
MIG	Municipal Infrastructure Grant
MM	Municipal Manager
MOU	Memorandum of Understanding
MPRA	Municipal Property Rates Act, Act No 6 of 2004
MSA	Municipal Systems Act, Act 32 of 2000
MTEF	Medium Term Expenditure Framework
NGO	Non-Government Organisation
OPMS	Organisational Performance Management System
PDIs	Previously Disadvantaged Individuals
PLWHA	People Living With HIV/AIDS
SALGA	South African Local Government Association
SCM	Supply Chain Management
SDBIP	Service Delivery Budget Implementation Plan
SDP	Spatial Development Plan

Abbreviations	Description
SDF	Spatial Development Framework
SLA	Service Level Agreement
SMMEs	Small, Micro and Medium Enterprises
WSP	Workplace Skills Plan

Table 1: Abbreviations

CHAPTER 1: INTRODUCTION AND OVERVIEW

Section 121(1) of the Local Government: Municipal Finance Management Act 56 of 2003 (MFMA) stipulates that: "Every municipality and municipal entity must for each financial year prepare an annual report in accordance with its guidelines."

The purpose of the annual report is to:

- (a) Provide a record of the activities of the Hlabisa Local Municipality during the financial year 2011/2012;
- (b) Provide a report on performance against the budget of the Hlabisa Local Municipality for the financial year 2011/2012; and
- (c) Promote accountability to the local community for the decisions made throughout the year by the Municipality.

According to the MFMA, this Report should include:

- (a) The annual financial statements of the Municipality, and consolidated annual financial statements, submitted to the Auditor-General for audit in terms of section 126 (1) of the MFMA;
- (b) The Auditor-General's audit report in terms of section 126 (3) of the MFMA on the financial statements in (a) above;
- (c) The annual performance report of the Municipality as prepared by the Hlabisa Local Municipality in terms of section 46(1) (a) of the Local Government: Municipal Systems Act 32 of 2000 (MSA);
- (d) The Auditor-General's audit report in terms of section 45(b) of the MSA;
- (e) An assessment of the arrears on municipal taxes and service charges;
- (f) An assessment of the Municipality's performance against the measurable performance objectives referred to in Section 17 (3)(b) of the MFMA for revenue collection from each revenue source and for each vote in the Municipality's approved budget for the financial year 2011/2012;
- (g) Corrective action taken in response to issues raised in the audit reports referred to in paragraphs (b) and (d); and
- (h) Recommendations of the Municipality's Audit Committee.

1.1 FORWARD BY HIS WORSHIP THE MAYOR

It is indeed an honour for me to present the second Annual Report as the political head of Hlabisa Local Municipality which expresses our forward advances towards building a better community in Hlabisa.

As the political leadership of Hlabisa Local Municipality, it is our mandate to ensure that the municipality operates within the ambits of the laws and regulations governing the local government sphere and that the Annual Report reflects all that has been done by the Municipality during the reporting period which shall include:

- A detailed report on the performance of the Municipality against the approved budget, Integrated Development Plan (IDP) and Service Delivery and Budget Implementation Plan (SDBIP);
- Reflection of the decisions that have been made by Council during the year to promote accountability to the local community; and
- Measures to be undertaken by the Municipality to improve performance, particularly in areas where performance has been found to be lacking.

Being one of the smallest municipalities in the Province; largely dependent on government grants for survival, we have not been exempted from performing the powers and functions allocated to the local government sphere and hence our Annual Report for 2011/2012 financial year reflects the performance of municipal departments in six (6) National Key Performance Areas; that is Basic Service Delivery and Infrastructure Development, Social & Local Economic Development, Institutional Development and Transformation, Good Governance and Public Participation, Financial Management and Viability and Spatial Planning and Environmental Management.

The year 2011/2012 was rather a very difficult year wherein the local government sector experienced a huge transition in political leadership which came as a result of the 2011 Local Government elections held on the 18th of May 2011. The new Council had to finalize the appointment of Senior Managers (Municipal Manager and Managers directly accountable to the Municipal Manager) to ensure that municipal operations continue as expected. Further to that; Hlabisa Local Municipality also lost twelve (12) wards to Mtubatuba Local Municipality due to the new Municipal demarcations and projections of the Division of Revenue Act (DORA) were already indicating that the Municipality was equally going to lose a bigger portion of the Equitable Share allocation.

Nonetheless; I am proud to report that before the end of June 2012; the Municipality had already appointed all Senior Managers and their appointments were all endorsed by the KZN-MEC for Cooperative Governance and Traditional Affairs (COGTA) as per the provision of Section 54A and 56 of the Municipal Systems Act No. 32 of 2000. Our Municipality has witnessed a great improvement in the provision of basic services such as electricity and we will definitely achieve the government's objective of universal access to electricity by the year 2014. Infrastructure development retains centre stage of our economy and remains responsive to achieving economic growth, sustainable livelihoods and meets the basic needs of our people.

The strengthening of the District IGR Forums has also contributed immensely to the realization of our IDP objectives because we have built a solid relationship with the District Municipality and other sister Municipalities which is solely based on the notion of transforming the lives of the people and restoring confidence in our people. We are continuing with our efforts to strengthen the capacity of the institution to respond to the service delivery challenges through the intensification of our performance management system. This has been the foundation of our successes over the years and we still believe that it is a tool that will determine our future growth and success.

As the Mayor of Hlabisa Local Municipality, I have no doubt whatsoever that the 2011/2012 Annual Report presented covers to a large degree all performance areas hence is in compliance with both Section 121 of the Municipal Finance Management Act No. 56 of 2003 and the Municipal Systems Act No. 32 of 2000.

While significant progress has been made in many areas, there is still a long way to go in addressing the following challenges:

- High rate of unemployment;
- The impact of the Aids pandemic;
- Literacy levels and skills development;
- Economic growth and infrastructure development

Nonetheless; we have much reason to be positive for the year ahead (2012/2013). We need to create an environment where all our citizens can pull together and share a common vision for our Municipality. Collectively; we need to shift from the negative mindset that seems to prevail amongst many in our community. We need to separate political and governance issues because as much as they may seem related; they serve totally different purposes. We need to find ways of becoming more innovative in order to achieve more. Lastly, it is high time that we teach our minds to think, our hands to work and our hearts to serve.

With gratitude and appreciation, we recognize the role of officials and councillors for their diligence and hard work thus far.

“Sakha Umphakathi Ongcono”



Cllr V. F. Hlabisa

Mayor

Hlabisa Local Municipality

1.2 HANDOVER STATEMENT BY THE MUNICIPAL MANAGER

During the 2011/2012 financial year, we embarked on a journey to restore Hlabisa Local Municipality with special focus on good governance, financial recovery, cost containment and improving service delivery.

This has been done through the implementation of the following strategic Key Performance Areas (KPAs):

- Basic Service Delivery and Infrastructure Development;
- Municipal Institutional Development & Transformation;
- Social and Economic Development;
- Financial Viability & Management;
- Good Governance & Community Participation;
- Spatial Rationale and Environmental Management

As the Accounting Officer of the Municipality; I also had to look at the following strategic priority areas:

- Provide strategic leadership that will foster unity and cohesion especially amongst senior managers and political office bearers;
- Develop and economically viable, sustainable, effective, efficient and accountable administration;
- Manage and accelerate service delivery and optimize resources;
- Create a culture of responsiveness to community needs and partnerships with all municipal stakeholders;
- Lead the implementation of the IDP, budget and Performance Management System; and
- Proactively develop strategies and systems that will assist the Municipality to fulfil its statutory obligations.

In line with the priorities stated above; we introduced a number of service delivery initiatives and began the process of implementing major projects to transform the lives of our people, boost the economy of the Municipality and promote accountability on governance issues.

I would like to thank His Worship-the Mayor, Cllr V. F. Hlabisa who has continued to support and give strategic political direction, members of the Executive Committee, all senior managers and staff for their dedication and commitment which has made all the difference.

During this period, I was deeply touched by a high level of professional conduct and resilience projected by both the political leadership and the administration. Indeed; we are looking forward to 2012/2013 financial year with a much more positive attitude as we aim at flying above the clouds



Mr. K. E. Gamede

Municipal Manager

Hlabisa Local Municipality

Hlabisa Local Municipality is one of five Category B Municipalities which constitutes the Umkhanyakude District Municipality. The Municipality consists of 8 wards which cover an area of 1555 square kilometres; and in comparison to the other Municipalities within the District family, Hlabisa constitutes about 16% of Umkhanyakude District Municipality area of jurisdiction. IsiZulu is the predominant language in the Hlabisa area.

Umkhanyakude District Municipality



	Jozini Local Municipality		uMhlabuyalingana Local Municipality
	Hlabisa Local Municipality		Big 5 False Bay Local Municipality
		Mtubatuba Local Municipality	

Figure 2: Hlabisa Local Municipality within the Umkhanyakude District

Hlabisa Local Municipality is faced with development problems and challenges as it is one of the most poverty stricken areas in KwaZulu-Natal. The Municipality is generally characterised by isolated rural communities with accompanying high levels of poverty. Furthermore, it has been established that residential needs still requires special attention. Amongst other things, the access roads to residential dwellings, reticulated water, sanitation and electricity are the most pressing needs.

The Municipality strives to address these issues in an innovative manner in order to initiate and promote sustainable development. This aims to result in improved economic growth with accelerating inward investment thereby, creating employment and other socio-economic opportunities.

Hlabisa Local Municipality forms part of the Mtubatuba economic functional region. The Hlabisa area has experienced extreme economic movements as a result of two main factors, firstly the economy is poorly diversified and secondly, the size of the economy is unable to absorb economic shock. The key opportunities lie within the agricultural and tourism sector.

The most significant land use is subsistence agriculture and dispersed settlements, plantations and agriculture are found throughout the Municipality. The key agricultural activities in the area include:

- Community gardens;
- Livestock farming;
- Crop production though limited by the lack of water; and
- Niche products such as the essential oils.

The major draw card of Hlabisa is the tourism industry centred on the Hluhluwe-Umfolozi game reserve located 280 km north of Durban, and is the oldest proclaimed park in Africa. The manufacturing sector needs to be evaluated for development potential and investment opportunities. Tourism offers specific potential for local entrepreneurs and businesses. However, the opportunities are not fully reached or exploited and need to be unlocked and appropriately focused on niche markets for the full benefit of local communities. In addition, the black economic empowerment within this industry has not yet been realised fully. The following opportunities have been identified in respect of tourism development:

- Eco-tourism;
- Community based tourism;
- Culture based tourism; and
- Linkages with the existing regional tourism products and activities.

Tourism aims for the following projects and plans for the next five (5) year:

- Capturing a greater share of the domestic tourist market, particularly the African leisure market;
- Exploring options to integrate cultural tourism;
- Reconciling tourism development with demand for environmental protection;
- Ensuring spin-offs for the local community;
- Providing a range of accommodation types; and
- Providing the local community with equal access to tourist facilities as well as opportunities to operate them.

1.3.2 Social Economic Context

Rural municipalities are not homogenous, and development strategies need to account for wide variations in demographic, social and economic contexts and needs as well as available institutional capacities.

1.3.2.1 Population Statistics

The majority of Hlabisa Local Municipality population resides in rural villages scattered throughout the municipal area, particularly traditional authority areas. Hlabisa Local Municipality has over the years been using the official statistics provided by Statistics South Africa. According to the official statistics provided by Statistics South Africa, the Census Survey 2001 indicated the total population in Hlabisa to be 176 890 and 26 876 households. Changes in the municipal boundaries have reduced the size of the municipal area as well as the population. This was indicated in the Community Survey 2007, which estimated the population of Hlabisa to be 150 557. Whilst the total population seemed to have decreased by approximately 26000 people, Community Survey 2007 had estimated the number of households to have increased from 26 876 to 29 260. The population of Hlabisa Local Municipality was estimated at 199 806 people and 32 066 households as per the Department of Co-operative Governance and Traditional Affairs (COGTA) Consolidated Municipal Performance Report 2009/2010.

According to the figures below, there has been an increase in population and households which poses major development challenges to the Municipality who has limited resources, abject poverty and severe service delivery and historical development backlogs.

Details	Census 2001	Community Survey 2007	COGTA 2009/2010
Households	26 876	29 260	32 066
Population	176 890	150 557	199 806

Table 2: Population and Household Statistics

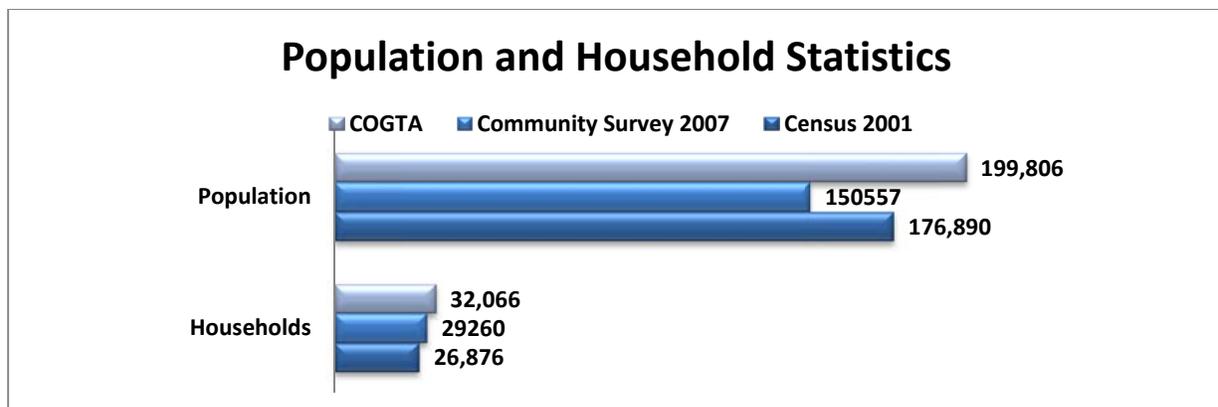


Figure 3: Population and Household Statistics

In order to understand the economic reality of the Hlabisa community, an analysis of statistics relating to levels of education, employment/unemployment, and income levels re-affirms the need for skills development, Adult Basic Education and Training, as well as Further Education and Training, poverty alleviation programmes, local economic development initiatives.

The following is an analysis of the current situation in the Hlabisa Local Municipality:

1.3.2.2 Age Distribution

The Hlabisa population is relatively young, with approximately 72% of the population below the age of 30 and still within the formal description of youth. This relatively young population signifies high potential for growth, which exacerbates the supply and demand scenario for more housing, education and health services in the future. This segment of potentially economically active person/s creates a growing labour pool which is an essential element for economic growth.

The following table and graph represents the age distribution analysis of the population.

Age	% of Population: 2011/2012 IDP	% of Population: Census 2011
0-9	28	28
10-19	30	27
20-29	14	17
30-39	9	8
40-49	7	7
50-59	5	6
60-69	4	4
70+	3	3
Total	100	100

Table 3: Age Distribution of the Population

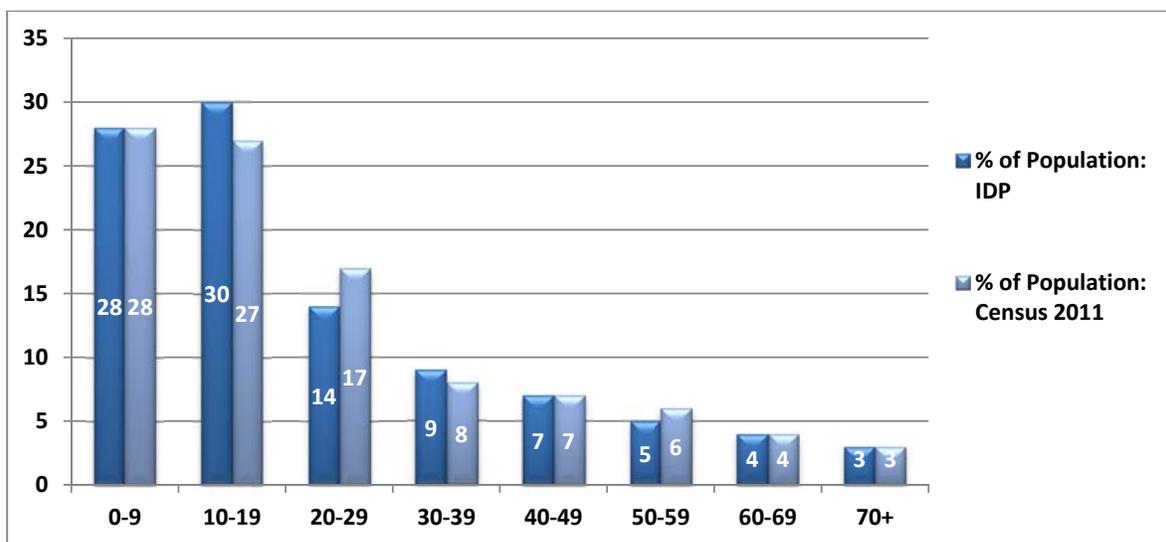


Figure 4: Age Distribution of the Population

1.3.2.3 Gender Distribution

According to Census 2011, majority of the population in Hlabisa are women. Hence, there is a need to implement youth development programmes and, for the most part, target women in stimulating nodal economic growth. Below is a table and graphical representation of the gender distribution of the Hlabisa population.

Gender	% of Gender Distribution: 2011/2012 IDP	% Gender Distribution: Census 2011
Males	55	46
Females	45	54
Total	100	100

Table 4: Gender Distribution of the Population

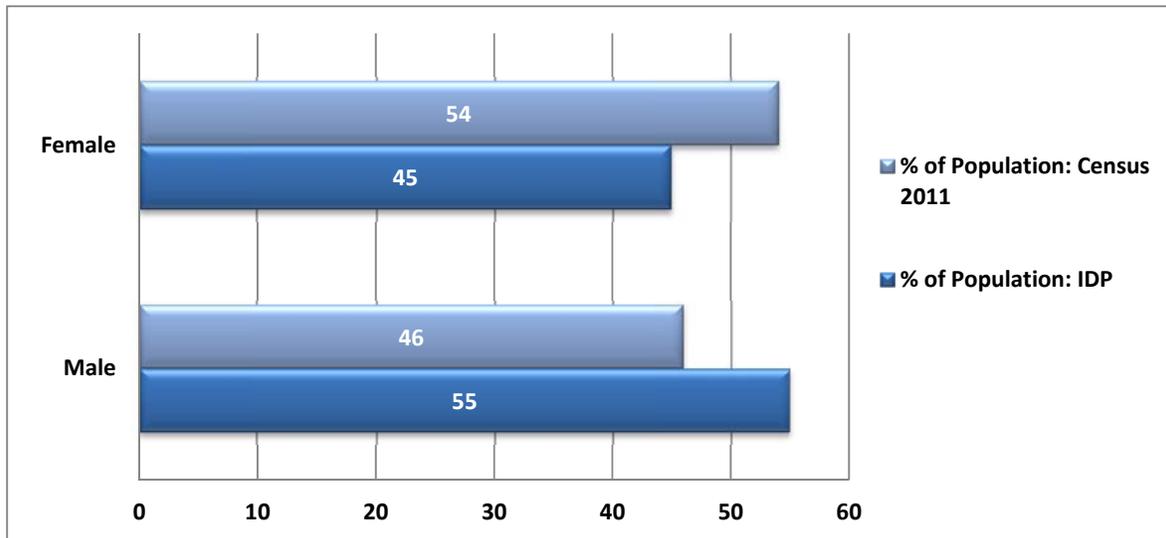


Figure 5: Gender Distribution of the Population

Targeting women in stimulating nodal economic growth has become profoundly more important as this will result in enhancing economic growth and greater investment, thereby creating job opportunities, empowering women as well as creating other socio-economic opportunities.

1.3.2.4 Educational Statistics

The level of education has a major influence on the quality of life. The lack of skilled individuals to perform basic functions due to illiteracy, amongst other reasons, is a key element that defines human poverty. The table and graph below indicate the educational statistics within the Hlabisa municipal area.

Level of Education	% of Educational Level: 2011/2012 IDP
No Schooling	44
Primary School	21
Secondary School	19
Matriculation	13
Tertiary	3
Total	100

Table 5: Educational Statistics

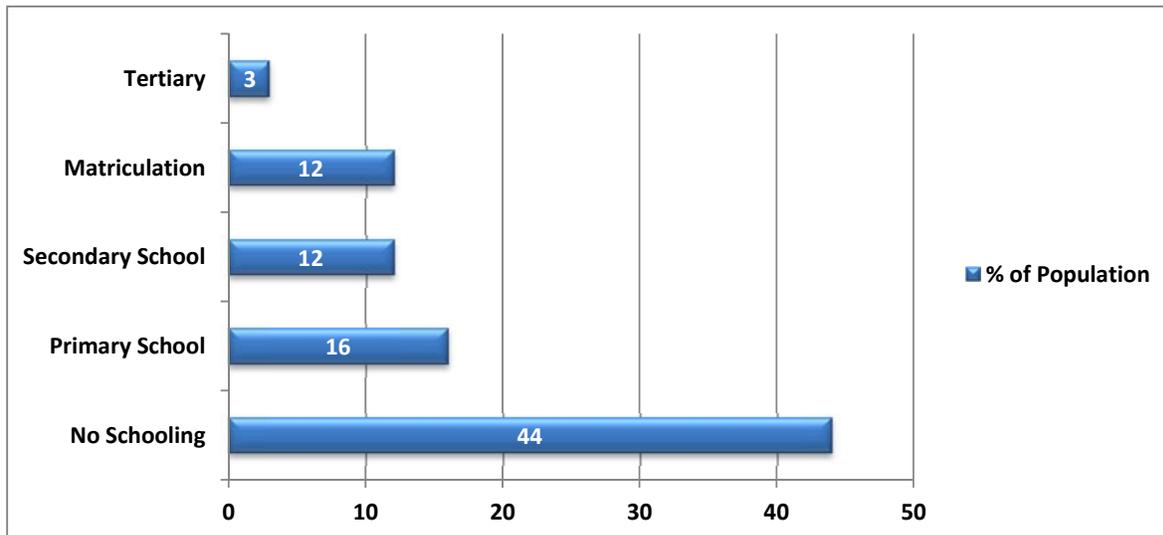


Figure 6: Educational Statistics

As per the statistics shown above, 44 % of the population in the Hlabisa municipal area have no education, while only 3 % have attained some sort of tertiary education.

This has significant impact on the employability of individuals, the type of job opportunities that can be sought and the vocational distribution of the economically active population.

1.3.2.5 Employment Status

The table below represents the employment status in the municipal area.

Status		Number of Individuals: 2011/2012 IDP
Unemployed		69 124
Employed:		12 748
➤ Institutions	452	
➤ Occupations Unspecific	6 000	
➤ Elementary Occupations	2 107	
➤ Plant and Machine Operators and assemblers	242	
➤ Craft and related trades workers	843	
➤ Skilled agricultural and fishery workers	1 025	
➤ Service workers; shop and market sales workers	515	
➤ Clerks	144	
➤ Technicians and associate professionals	160	
➤ Professionals	1 014	
➤ Legislators; senior officials and managers	246	
Total		81 872

Table 6: Employment Status

As previously indicated, the level of education will contribute, amongst other reasons towards an individual's employability. Further analysis of the employability status in Hlabisa indicates who attain low educational levels are compelled to possess low paying jobs and vice versa.

1.3.2.6 Household Monthly Income

Due largely in part to the large levels of poverty that exist in the Hlabisa Municipal area, mainly stemming from the low education and lack of employability, 26 % of the households earn no income. In the table and graphical representation below, the individual income levels for the Municipality are indicated.

Individual Monthly Income Levels	
Level of income	% of Population: 2011/2012 IDP
No income	26
R1 – R4 800	12
R4 801 – R9 600	23
R9 601 – R19 200	18
R19 201 – R38 400	13
R38 401 – 76 800	5
R76 801 – R153 600	2
R153 601+	1
Total	100

Table 7: Individual Income Levels

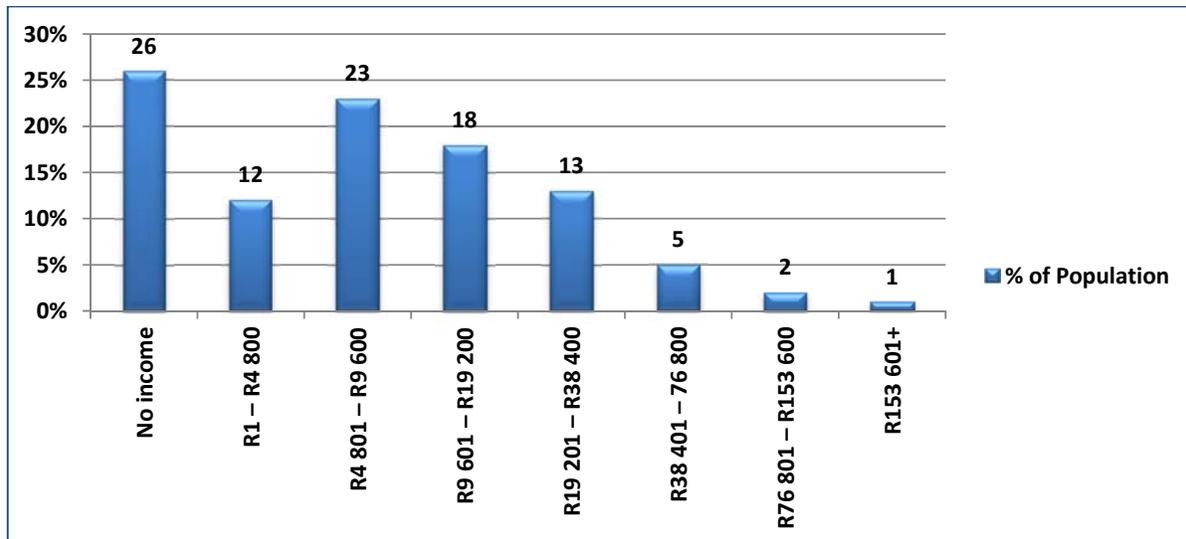


Figure 7: Individual Income Levels

1.4.3 Access to Basic Services

The provision of basic services can be an important agent in the reduction of poverty and unemployment and strengthening of social capital.

The Constitution states explicitly that all Municipalities must “ensure the provision of services to communities in a sustainable manner” and in particular must structure and manage their “administration and budgeting and planning process to give priority to the basic needs of the community”.

Due to the delineation of wards in the Hlabisa area, the following is an analysis of the current basic service delivery realities.

a. Water

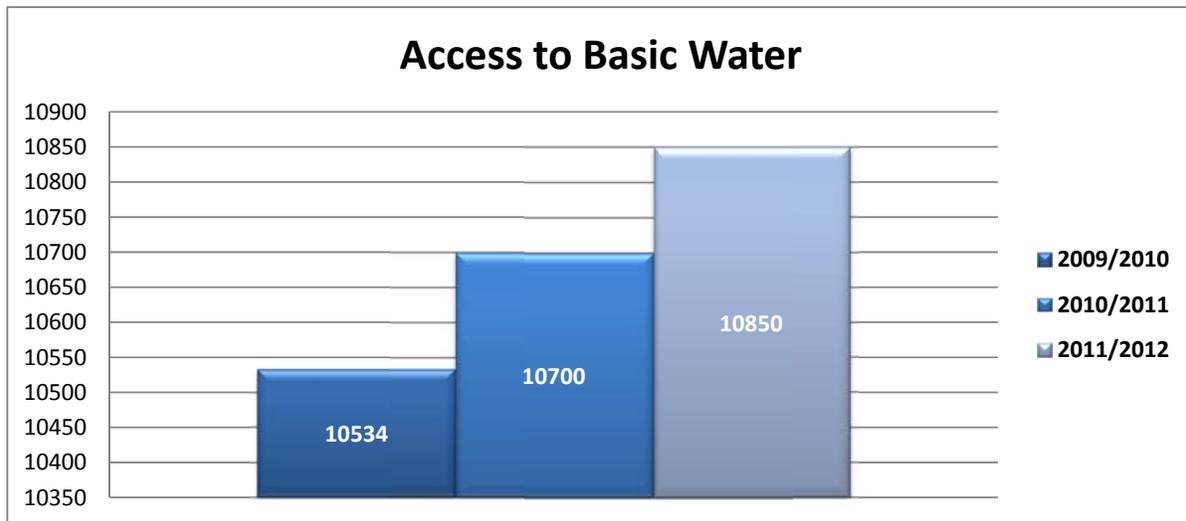
The supply of water infrastructure, depending on the nature and scale of technology, has great potential for stimulating small and large scale agricultural activities. One of the key challenges faced by the Hlabisa Local Municipality is providing access to basic water. Majority of the citizens of Hlabisa do not have access to basic water in accordance with the standards that are set by the National Department of Water Affairs. The responsibility of water resides with the Umkhanyakude District Municipality.

The tables and graph below indicates the number of households with access to basics water, comparing the statistics for three consecutive years.

Description	2009/2010	2010/2011	2011/2012
Number of households with access to basic water	10534	10700	10850

Source: Municipality

Table 8: Number of Households with Access to Basic Water



Source: Municipality

Figure 8: Number of Households with Access to Basic Water

It is evident that the number of households with access to basic water has increased over the three (3) year period.

b. Electricity

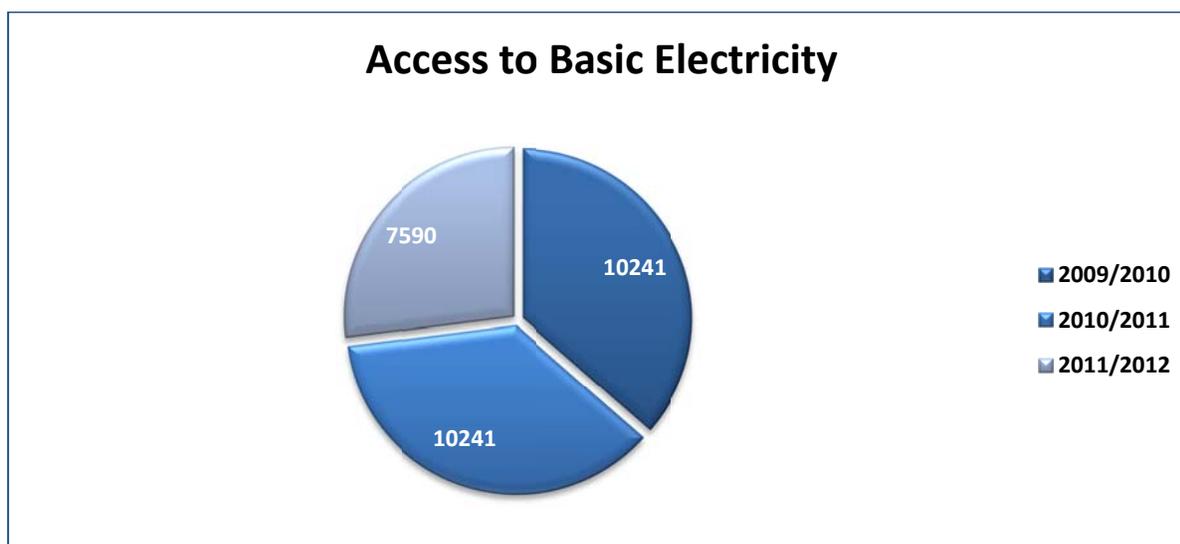
The importance of electricity infrastructure in rural areas cannot be over emphasised. Besides improving the lives of people, it can facilitate small business development. Only 35% of the households in Hlabisa have access to basic electricity. The majority of the households still rely on other forms of energy such as candles, gas, and paraffin for their needs.

The table and graphical representation presents the data reported by the Municipality as the number of household with access to basic electricity for three successive years.

Description	2009/2010	2010/2011	2011/2012
Number of households with access to basic electricity	10241	10241	7590

Source: Municipality

Table 9: Number of Households with Access to Basic Electricity



Source: Municipality

Figure 9: Number of Households with Access to Basic Electricity

The reduction in the number of households with access to basic water between 2010/2011 and 2011/2012 was due to the ward delimitation after the 2011 municipal elections.

c. Sanitation

South Africa is facing huge backlogs in the provision of basic rural water and sanitation services, typical of the scenario facing international developing countries.

The table below is a presentation of the number of households in the Hlabisa municipal area that have access to basic sanitation.

Description	2009/2010	2010/2011	2011/2012
Number of households with access to basic sanitation	4814	4814	4814

Source: Municipality

Table 10: Number of Households with Access to Basic Sanitation

d. Refuse Removal

The Municipality provides waste removal services in town and is in the process of conducting a feasibility study for the establishment of a sub-regional waste disposal facility.

The table below reflect the number of households that have access to refuse removal.

Description	2009/2010	2010/2011	2011/2012
Number of households with access to refuse removal	205	205	205

Source: Municipality

Table 11: Number of Households with Access to Refuse Removal

The Hlabisa Local Municipality only provides services of refuse remove to those households that pay rates.

e. Roads

Road infrastructure connects rural areas to urban centres and facilitates the mobility of goods and people within the area. Road infrastructure is of paramount importance since the area does not have other modes of transport such as rail and freight. The quality of roads varies considerable reflecting the level of importance attached to each road.

The table and graph below reflects that no roads were constructed and maintained due to financial constraints.

Description	2009/2010	2010/2011	2011/2012
Kilometres of roads constructed	1,5 km	3,7 km	0 km
Kilometres of roads maintained	0 km	40 km	0 km

Source: Municipality

Table 12: Kilometres of Roads Constructed and Maintained

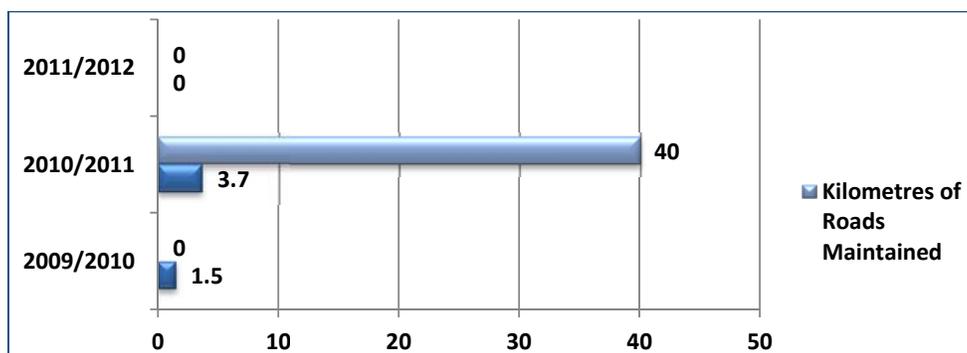


Figure 10: Kilometres of Roads Constructed and Maintained

1.4.4 Access to Social Services

Access to social facilities plays an important role in the local development of the Municipality. The table below indicates the facilities that provide access to local development and the facilities that specifically address the needs on the community. Due to the ward delimitation experienced by the Hlabisa Local Municipality, the number of facilities relating to social services has been reduced.

Description	2009/2010	2010/2011	2011/2012
	Number		
Hospitals	1	1	1
Clinics	4	4	4
Mobile Clinics	25	25	10
Primary Schools	107	107	39
Secondary Schools	51	51	20
Libraries	1	1	1
Community Halls/Centres	24	24	11
Police Stations	2	2	2
Fire Stations	1	1	1
Number of Cemeteries	1	1	1
Number of Waste Disposal Sites	1	1	1

Source: Municipality

Table 13: Access to Social Services

1.4 EXECUTIVE SUMMARY

The **Vision** of the Municipality is:

In line with its mandate, the Municipality has formulated the following development vision:

“A Prosperous and Sustainable Municipality Ensuring the Provision of Basic Services, Skills, Quality Life, and Economic Opportunities”

“Sakha Umphakathi Ongcono”

The **Mission** for the Organisation was determined as follows:

“Exploring and exploiting natural resources and opportunities that we have through cooperative and collaborative working relations with stakeholders and eradicating the vicious cycles of poverty, unemployment and other social ills by enhancing our systems and processes to promote good governance and by upholding Batho Pele Principles.”

The Hlabisa Local Municipality is guided by the following **core values**:

- Transparency
- Integrity
- Competence
- Communication
- Creativity
- Teamwork

1.4.1 Development Goals

The following long-term development goals have been identified on the above key performance areas:

- To create and sustain sufficient capacity for efficient local governance.
- To promote an equitable access to infrastructure and basic services.
- To create a conducive environment for a sustainable social and economic development.
- To promote democracy and good governance.
- To manage and disburse public in an efficient and accountable manner.

1.4.2 Hlabisa Local Municipality Development Strategies

Hlabisa Local Municipality development strategies are based on the notion of developmental local government as introduced in the Constitution, and given effect in terms of various pieces of legislation establishing local government structures. This mandate could be summarized as follows:

- Strategy One: Basic Service Delivery and Infrastructure Development.
- Strategy Two: Social and Local Economic Development.
- Strategy Three: Municipal Transformation and Institutional Development.
- Strategy Four: Good Governance and Public Participation.
- Strategy Five: Spatial Rationale and Environmental Management.
- Strategy Six: Financial Viability and Financial Management.

1.4.2.1 Strategy One: Basic Service Delivery and Infrastructure Development

The Municipality will focus on the following as means to address service backlogs:

- Develop a proper infrastructure plan;
- Support and engage the District and other services agencies in the implementation of projects;
- Assist with the identification and facilitate implementation of water, sanitation and electricity projects;
- Roads and storm water management;
- Establishment of MIG Unit;
- Facilitate the development of public facilities; and
- Expedite the implementation of housing projects.

1.4.2.2 Strategy Two: Social and Local Economic Development

Hlabisa Local Municipality strives to address social and economic development as follows:

- Promote and encourage the community based tourism;
- Develop strategic partnership for effective economic development;
- Facilitate the establishment of agricultural projects in various settlement in association with the Department of Agriculture;
- Facilitate the provision of community services;
- Facilitate the provision of safety nets for the poor and indigent;
- Special programmes; and
- Promote environmental awareness among the members of the community.

1.4.2.3 Strategy Three: Municipal Transformation and Institutional Development

The Municipality strives to ensure the following:

- Development and implementation of the organogram;
- Implementation of the Municipal Assistance Programme;
- Development of systems and procedures;
- Promotes the development of Small Micro and Medium Enterprises; and

1.4.2.4 Strategy Four: Good Governance and Public Participation

Democracy and Governance will be addressed as follows:

- Strengthen and build the capacity of ward committees;
- Implementation of a public participation and communication programme;
- Coordinate the activities of the community development workers;
- Participation in various coordinating structures;
- Efficient and effective local governance;
- Facilitate the preparation of a five year Integrated Development Plan; and
- Facilitate the preparation of sector plans as components of the IDP.

1.4.2.5 Strategy Five: Spatial Rationale and Environmental Management.

- Prepare and introduce Land Use Management Systems (LUMS) covering the whole municipal area; and
- Prepared the Spatial Development Framework.

1.4.2.6 Strategy Five: Municipal Financial Viability and Financial Management

In terms of this strategy, the Municipality will:

- Develop and implement effective financial management systems and policies;
- Develop and implement an efficient and effective assets management system;
- Implementation of the Property Rates Act; and
- To account for the use and expenditure of public funds.

1.5.3 Intended Impact

Over the next five years communities within the Hlabisa Municipal area should expect the following in terms of impact:

- Improved quality of life;
- Equitable access to basic services;
- Investment, economic growth and employment opportunities;
- Improved access to social facilities and amenities;
- An efficient local government structure; and
- Public participation in municipal affairs.

The Municipality will develop an organizational scorecard to measure delivery on each of these impact areas. In the meantime, departmental scorecards, the Service Delivery and Budget Implementation Plan and the associated Section 57 performance plans have been developed as tools to monitor progress and output.

CHAPTER 2 PERFORMANCE HIGHLIGHTS

This chapter provides more information of the Municipality's highlights and challenges within each of the five national key performance areas:

- Basic Service Delivery and Infrastructure Development;
- Municipal Transformation & Institutional Development;
- Social and Local Economic Development;
- Good Governance & Public Participation; and
- Financial Viability & Financial Management.

2.1 BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT

Basic Service Delivery and Infrastructure Development is one of the critical challenges facing Hlabisa Local Municipality, as it is in every other municipality in South Africa. One of the most critical obstacles to accelerating basic services specifically in the Hlabisa municipal area is the lack of infrastructure in rural areas.

Hlabisa Local Municipality aims to ensure for the following:

- Access to free basic water and expansion of water service delivery to all consumers.
- Access to free basic sanitation delivery to all customers by 2014.
- Sustainable waste management in the Municipality.
- Successful implementation of the electricity supply development plan for the Municipality in line with the national targets.
- Greater accessibility for communities in the Municipality.

The information presented below will entail the performance highlights and challenges for the Municipality.

2.1.1 Performance Highlights

- Successful submission of all strategic documents to various Governmental Departments and Council.
- Corporate Service Directorate, through the assistance of the Office of the Premier was able to train 30 members of the Local Task Team on the Operation Sukuma Sakhe (OSS) Implementation Model.
- Since the inception of the Operation Sukuma Sakhe (OSS) concept in Municipalities, the Hlabisa Local Municipality's Local Task Team was successful in coordinating all Government institutions and other Government structures towards achieving the goals of OSS which consists of a single window of coordination and integrated delivery of services.
- The Hlabisa Local Municipality participated in Operation MBO, which is the delivery of services in an integrated manner, i.e. taking the Government /Municipal services to the people. This is highlighted as activities executed towards reaching towards the needs of the community.
- The Municipality purchased a grader for the maintenance of roads. This was to ensure that the Municipality is able to be self-sufficient when it comes to road maintenance rather than outsource this service, thereby, reducing expenditure.
- The target of 500 electrical connections was exceeded by an additional 145 electrical connections in the municipal area.
- The target for constructing new houses in Hlabisa was 100; however, this target was exceeded by 268, whereby 368 new houses were constructed.
- The Hlabisa Town entrance Beautification and Park Project was completed on 28 March 2012. This park has become the focal point of the town as it is an attraction for tourists that are passing through the municipal area.
- A total of 622 jobs were created during the year under review as follows:
 - 22 jobs were created as a result of the Hlabisa Town Beautification Project.
 - 600 jobs were created due to various Housing, MIG, Water, Sanitation and Electrification projects that were implemented.

2.1.2 Challenges

- The Municipality lacked capacity in the formulation of the Municipality's Disaster Management Forum.
- The Municipality was unable to pay all their creditors within 30 days due to the absence of procurement plans which also contributed towards certain service delivery targets not being achieved.
- The absence of Project Implementation Plans was a problem as member of the Bid Committees were unable to meet timeously to ensure relevant deadlines are met.

- Senior municipal officials lacked the understanding and dedication of the OSS concept. This proved challenging as it was the responsibility of Senior Managers to manage the OSS programme.
- The establishment and functionality of war rooms proved to be challenging for the Corporate Services Directorate. A war room is one of OSS structures at a ward level. This structure was coordinated by the local community members that showed keen interest in the development and sustainability of their wards. The Local Task Team did not play a leading role.
- The inability to establish a compliant recycling depot proved to be a major challenge due to financial constraints and the non-availability of dedicated personnel to deal with issues of Solid Waste Management

2.1.3 Service Delivery Backlogs

The introduction of a constitutional democracy in 1996 inaugurated a decentralised system of governance in South Africa. The system of local government is brought into the spotlight as the Constitution of South Africa (Act 108 of 1996) calls upon local government to take responsibility for addressing years of service delivery backlogs created by apartheid. The legislative obligations of local government are rigorous: it must be effective, efficient and responsive in carrying out its constitutionally mandated functions. It must organise its administration to manage, plan and finance its undertakings.

Local government has to provide democratic and accountable government for local communities; to ensure the provision of services to communities in a sustainable manner; to promote social and economic development; to promote a safe and healthy environment; and to encourage the involvement of communities and community organisations in matters of local government.

The following table shows the service delivery backlogs for the Hlabisa Local Municipality:

	30 June 2011		30 June 2012	
	Target	Actual Achievement	Target	Actual Achievement
ELECTRICITY CONNECTIONS				
Past Performance				
2009/2010 – 860 connections	701	701	500	645
For the year ending June 2012				
Backlogs to be eliminated (No. Households not receiving minimum standard of service).	20 400	450	3 855	300
Backlogs to be eliminated (percentage-HH identified as backlogs / total HH)	62%	3%	85%	7.7%
Total spending to eliminate backlogs	R10 000 000	R10 000 000	R12 000 000	R12 000 000
ROADS INFRASTRUCTURE				
Past Performance				
2009/2010 – 26,5 km	7 km	7 km	3 km	0 km
For the year ending June 2012				
Backlogs to be eliminated (No. KM's not providing minimum standard of service)	10 km	5 km	?	0
Backlogs to be eliminated (Percentage - KM's identified as backlogs / total KM's)	80%	50%	0%	0%
Spending on new infrastructure to eliminate backlogs	R7 000 000	R7 000 000	R3 m	0
COMMUNITY HALLS				
Past Performance				
2009 / 2010 – 4 Community Halls	7	7	1	1
For the year ending June 2012				
Backlogs to be eliminated	No data	No data	1	1
HOUSING				
Number of new houses built in the Municipality during the financial year	1 000	380	100	368
REVENUE - FINANCE				
Collection levels for revenue due:				
- Electricity	No Data	44%	No Data	No Data
- Refuse	No Data	56%	40%	27%
REFUSE REMOVAL BACKLOGS				
Backlogs to be eliminated (no. of households not receiving minimum standard of service)	21 500	2 200	21 600	0
Backlogs to be eliminated (percentage-HH identified as backlogs / total HH)	75%	5%	75%	0%

Table 14: Service Delivery Backlogs

The eradication of basic service delivery backlogs has and continues to be a fundamental function and responsibility of Hlabisa Local Municipality.

2.1.4 Building Controls

The National Building Regulations and Building Standards Act, Act no. 103 of 1977 states “To provide for the promotion of uniformity in the law relating to the erection of buildings in the areas of jurisdiction of local authorities; for the prescribing of building standards; and for matters connected therewith”.

The following tables and graphical representation indicates the number of plans submitted, approved and completed for three (3) successive years:

Description	Plans Submitted		
	2009/2010	2010/2011	2011/2012
No. of Plans	12	20	22
Estimated Value of Construction	R 3 million	R 7 million	R 8 million
Total Area	200m ²	750m ²	1 022m ²

Table 15: Plans Submitted

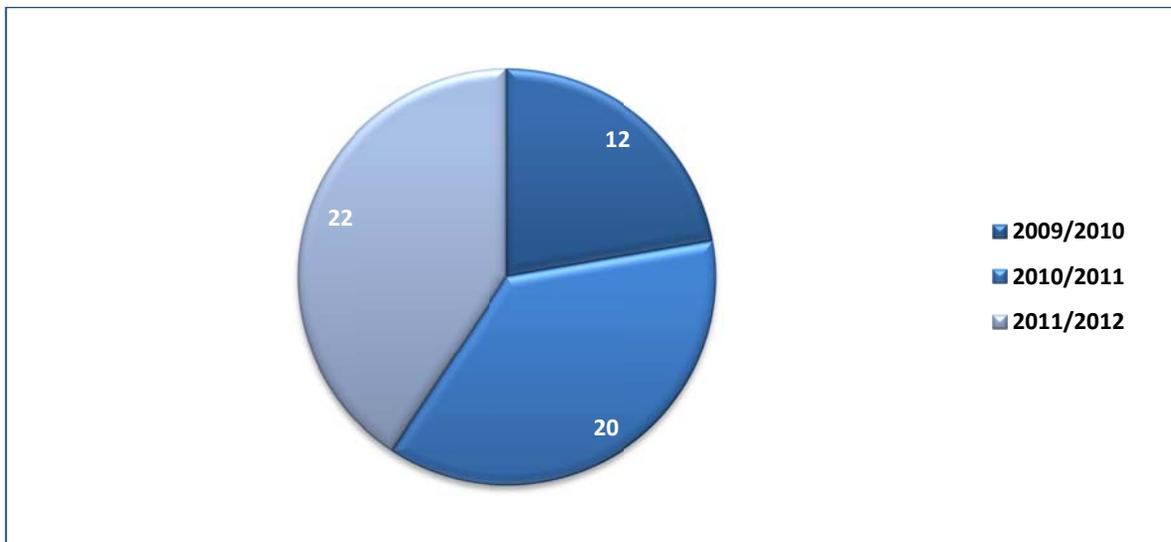


Figure 11: Plans Submitted

Description	Plans Approved		
	2009/2010	2010/2011	2011/2012
No. of Plans	10	8	19
Estimated Value of Construction	R 3 million	R 7 million	R 8 million
Total Area	200m ²	750m ²	1 022m ²

Table 16: Plans Approved

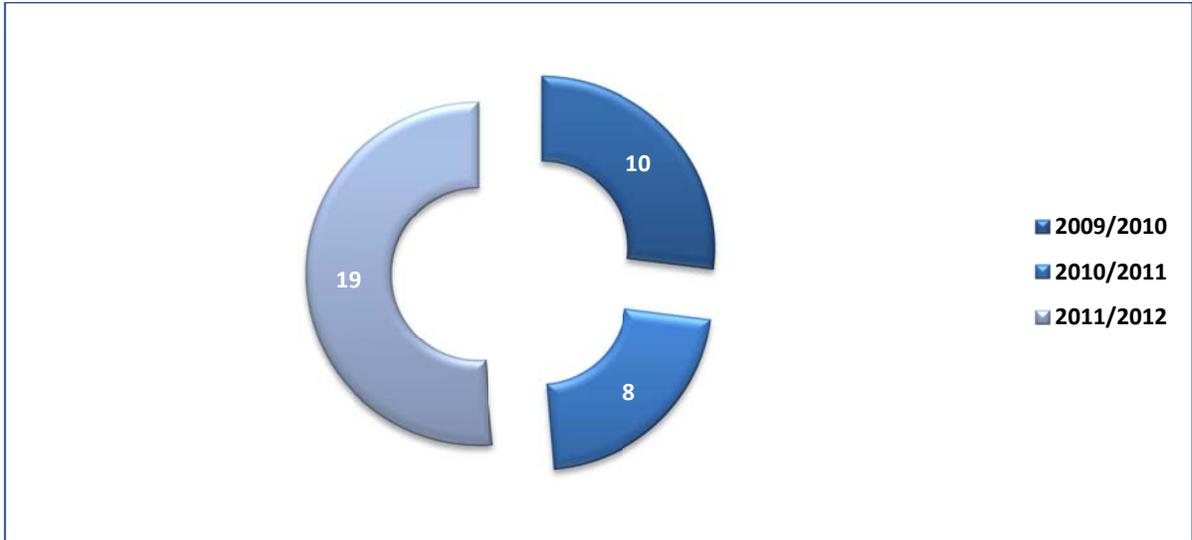


Figure 12: Plans Approved

Description	Plans Completed		
	2009/2010	2010/2011	2011/2012
No. of Plans	12	20	22
Estimated Value of Construction	R 3 million	R 7 million	R 5 million
Total Area	300m ²	550m ²	1 222m ²

Table 17: Plans Completed

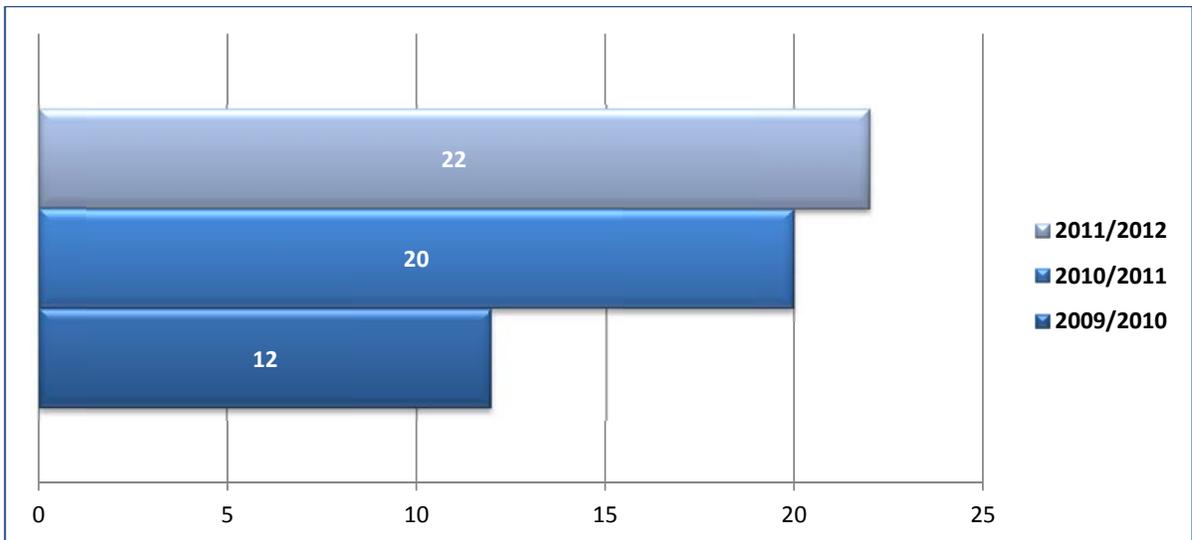


Figure 13: Plans Completed

2.1.5 Building and Zoning Plans 2011/2012

A zoning plan is a legal document that records all land use rights on properties in its area of jurisdiction. It also includes regulations pertaining to restrictions on such rights and how they can be exercised.

The following table reflects the number of building and zoning plan application outstanding, new applications received for the financial year under review for the Hlabisa Local Municipality:

Category	No. Of Applications Outstanding 1 July 2011	No. Of New Applications Received 2011/2012	Total Estimated Value Of Applications Received R'000	No. Of Applications Outstanding 30 June 2012
Residential (new)	1	5	5 million	5
Residential (additions)	5	5	700 000	5
Commercial	2	7	0	
Recreational	1	0	0	0
Tourist Accommodation	1	1	1 million	
Gatehouses	1	0	0	0
Public Sector	1	1	25 million	0
Other (MBW; Pools; Walls; Deviations; etc)	1	2	50 million	0
Place of Worship	0	1	200 000	1
Deviations	0	0	0	0
Education	1	1	30 million	0

Table 18: Building & Zoning Plans

2.1.6 Town Planning Applications Received and Approved

The following table reflects the number of town planning applications that were received and the estimated value.

Nature of Applications	No. of New Applications Received 2010/2011	No. of New Applications Received 2011/2012	Total Estimated Value of Applications Received 2011/2012 R'000
Rezoning	2	5	18,000
Special Consent	2	7	10,000
Relaxation	0	0	0
Formal Authority	0	0	0
Subdivisions	2	2	150,000
Encroachment	10	10	150,000
DFA Applications	0	0	0
SDP Applications	2	2	300,000
Zoning Certificates	20	30	3,000
Total	38	56	631,000

Table 19: Town Planning Applications Received

The following table reflects the number of town planning applications that were approved for the year under review.

Nature of Applications	2011/2012
Rezoning	0
Special Consent	1
Relaxation	0
Formal Authority	0
Subdivisions	0
Encroachment	1
DFA Applications	0
SDP Applications	0
Zoning Certificates	15
Total	17

Table 20: Town Planning Applications Approved for 2011/2012

2.1.7 Municipal Services

By providing various municipal services effectively, leveraging municipal spending to create local jobs, and facilitating local economic development (LED), rural municipalities can play a very important role in alleviating the worst forms of poverty and facilitating development in rural areas.

Below explicates the Municipal Services offered by the Hlabisa Local Municipality.

2.1.7.1 Driving Licence and Testing Centre

The following table and graphical illustration indicates the number of licences issued during the year under review:

Month	Application of Learners Licences	Application for PrDP	Duplicate Learner's Licences	Driving Licences Renewed	Learners Licences Issued	Temporary Licences Issued
July	176	13	1	17	70	5
August	137	10	3	21	53	9
September	104	7	1	28	44	14
October	75	13	1	21	28	12
November	98	16	5	28	37	16
December	115	9	4	22	53	18
January	106	21	6	21	35	10
February	113	14	1	18	49	12
March	153	14	2	37	66	15
April	155	12	1	32	52	11
May	100	22	1	24	41	9
June	100	10	2	13	45	12
Total	1 432	161	28	282	573	143

Table 21: Driving Licence and Testing Centre Statistics

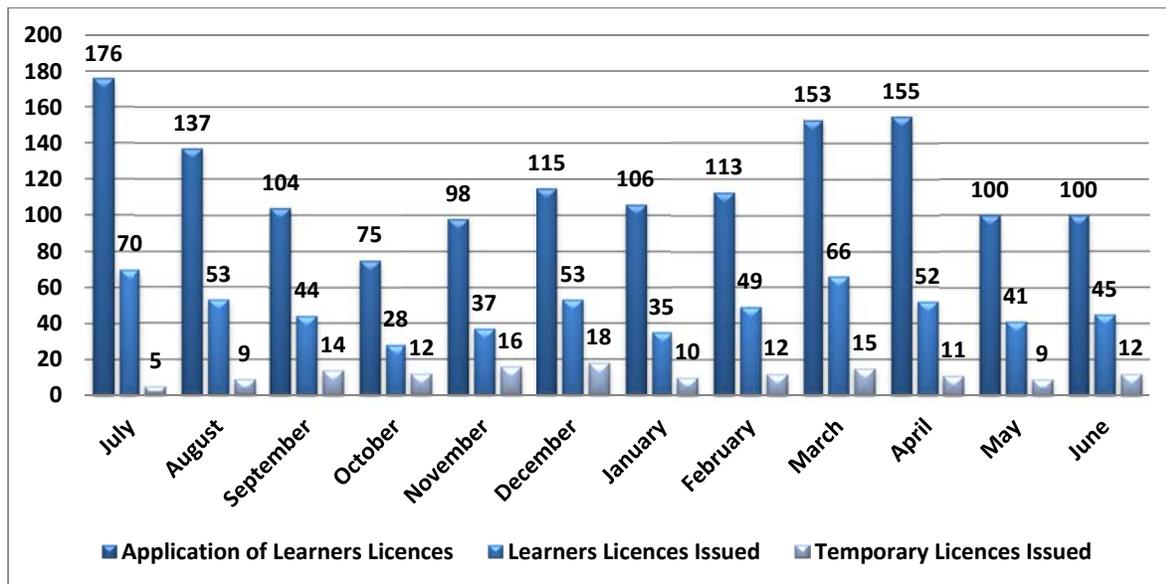


Figure 14: Driving License and Testing Centre Statistics

2.2 MUNICIPAL TRANSFORMATION & INSTITUTIONAL DEVELOPMENT

Municipal Transformation and Institutional Development reflects a Municipality's ability to implement effective and efficient support services to its core service delivery departments.

The Municipality aims for the following:

- To ensure progressive compliance with institutional and governance requirements.
- To ensure on going implementation and review of the Performance Management System.
- Source alternative funding for appropriate projects.

The information presented below will entails the performance highlights, challenges and planned measures for improvement for each directorate of the Municipality.

2.2.1 Performance Highlights

Performance Highlights

- The municipal organogram was reviewed to ensure that there was balance in the allocation of duties within the Municipality and vacant posts were filled. This at the end ensures that activities allocated to the department are well performed.

2.2.2 Challenges

- Performance Management System for Section 56/57 Managers was not well implemented due to the fact that there was no dedicated Manager. This will be rectified in the 2012/2013 financial year.
- The Municipality had to continuously evaluate the process of staff retention. This process was not only time consuming (appointment process) but also had huge financial implications (recruitment, training, etc.).
- The implementation of the Organisational and Individual Performance Management System proved to be challenging as it was difficult to cascade down to all levels. This could lead to the Municipality not complying with Chapter 5 of the Municipal Systems Act.

- Due to the lack of training, there was no adherence to municipal policies and procedures by employees. Employees were not seen as being productive and this could lead to unnecessary audit queries.
- The lack of job descriptions limited the understanding of roles and responsibilities for municipal officials within their respective Department.

2.3 SOCIAL AND LOCAL ECONOMIC DEVELOPMENT

Social and Local Economic Development (LED) is seen as one of the most important ways of decreasing poverty and must aim to create jobs by making the local economy grow.

The Municipality aims for the following:

- To ensure a 3% growth in the economy per annum by 2012.
- To ensure a 15% reduction in unemployment by 2012.
- To ensure diversification in the economy by 2012.
- To ensure on-going partnership development and coordination among various stakeholders.

LED is undoubtedly an important component of local government and is integral in the ability of Municipalities to become autonomous entities. The prospects for LED are not promising in a context where basic service delivery backlogs remain.

The Hlabisa Local Municipality has one (1) library. The following table reflects the membership statistics of the library:

Month	2009/2010				2010/2011				2011/2012			
	Adults	Young Adults	Juveniles	Total	Adults	Young Adults	Juveniles	Total	Adults	Young Adults	Juveniles	Total
July	05	10	08	23	09	12	11	32	14	05	01	20
August	04	11	07	22	05	03	10	18	27	02	05	34
September	03	08	09	20	12	07	03	22	23	01	03	27
October	09	08	03	20	05	07	12	24	51	21	14	86
November	02	09	07	18	04	10	03	17	40	25	31	96
December	07	10	09	26	11	08	04	23	28	25	31	84
January	05	11	04	20	0	0	03	3	32	27	34	93
February	04	10	05	19	0	08	10	18	42	30	41	113
March	04	05	10	19	03	07	09	19	50	40	50	140
April	02	03	08	13	01	0	0	01	60	57	71	188
May	02	03	08	13	02	0	0	02	70	60	80	210
June	10	03	20	33	0	0	0	0	55	50	60	165
Total	57	91	98	246	52	62	65	179	492	343	421	1256

Table 22: Library Membership Statistics

➤ **Circulation of Library Material**

The following table shows the circulation of library material for the library:

Month	2009/2010			2010/2011			2011/2012		
	Non-Print Material	Print Material	Total	Non-Print Material	Print Material	Total	Non-Print Material	Print Material	Total
July	56	40	96	99	236	335	99	236	335
August	57	65	122	178	410	588	178	410	588
September	102	67	169	211	426	637	211	426	637
October	107	80	187	199	426	625	199	548	747
November	32	71	103	329	627	956	329	627	956
December	50	61	111	173	454	627	173	454	627
January	200	466	666	200	466	666	299	621	920
February	189	348	537	189	348	537	291	597	888
March	295	483	778	295	483	778	201	535	736
April	183	358	541	183	358	541	374	908	1282
May	192	288	480	192	288	480	318	558	876
June	157	299	456	157	299	456	409	756	1165
Total	1620	2626	4246	2405	4821	7226	3081	6676	9757

Table 23: Circulation of Library Material Statistic

The information presented below will entails the performance highlights and challenges for the Municipality.

2.3.1 Performance Highlights

- The Municipality successfully made the financial provision to assist 25 local students by providing them with the adequate training that they require which is a prerequisite for them to graduate.
- The Hlabisa LED Strategy has been drafted and is ready for submission to Council for adoption. This strategy will be used as the LED tool for the Municipality.
- The Tourism Master Plan has been drafted and is ready for submission to Council for adoption.
- All wards benefitted from the Poverty Alleviation Programme.
- Business Seminars were held where business people within the municipal are got together and engaged with the Municipality regarding issues pertaining to small businesses, and also to enhance job creation in the area.
- Prioritisation and completion of 10 commercial gardens and have been funded by the Department of Agriculture. These gardens are now effectively producing fresh produce.

- Recruitment of 35 learners to be part of Tourism Ambassador Programme. The recruitment process is still in progress.
- Formalisation of Hlabisa Informal Trader Association.
- Registration of 20 co-operatives by Hlabisa Local Municipality.
- Establishment of Hlabisa Community Tourism Association.

2.3.2 Challenges

- Local SMME's are not able to bid for work in the Municipality due to their lack of knowledge on how to complete and submit bid documents appropriately.
- The Municipality ended up not affording stipends for the 25 local students. This proves challenging as it is a major requirement for these students before they graduate.
- The members of the coordinating structure lack the understanding of their roles and responsibility. This has a negative impact as these members could not deliver as expected and, they misrepresent their constituencies.
- Strategic documentation for all coordinating structures could not be developed or reviewed due to budget constraints.

2.4 GOOD GOVERNANCE & PUBLIC PARTICIPATION

This key area encapsulates the Municipality's commitment to the provision of the highest quality of service to its constituencies and to ensure that all strategies and objectives are adhered to, resulting in a productive and sustainable Municipality.

All Municipalities are obliged to encourage the involvement of communities and community organisation of Local Government according to the Constitution, Section 151 (1) (e). This is further emphasized by Section 16 (1) of the Municipal Systems Act 32 of 2000, which requires the Municipality to develop a culture of municipal governance that complements formal representative government with a system of participatory governance.

The following table indicates the number of ordinary and special meetings held, as well as the average attendance per meeting:

Description	2010/2011			2011/2012		
	Ordinary Meetings	Special Meetings	Average Attendance	Ordinary Meetings	Special Meetings	Average Attendance
Council	4	5	100%	4	6	100%
Executive & Finance Committee	9	4	100%	11	7	100%
Corporate & Community Services	6	0	50%	11	1	100%
Infrastructure Planning & Development	8	-	65%	11	-	99%
Municipal Public Accounts Committee	-	-	-	2	0	100%
Performance Audit & Audit Committee	4	-	100%	4	1	100%

Table 24: Attendance at Committee Meetings

The information presented below will entail the performance highlights and challenges for the Municipality.

2.4.1 Performance Highlights

- Successful sitting of all Executive Committee and Council meetings.
- The Ward Consultative meetings were held in each of the eight (8) wards in order to intensify the public participation.
- The Mayoral Imbizo that took place on the 26th of May 2012 @ Inkosi DJ Hlabisa Stadium was a success with a turnout of more than 4000 community members that attended.

2.4.2 Challenges

- Four (4) ward committees were not launched and trained due to political differences at Council level. This resulted in unnecessary divisions in the municipal Council.
- Not all Ward Committee managed to convene meetings during the year under review, to discuss development issues.
- Non-submission of Ward Committee reports to relevant Council structures for implementation of activities that were resolved at Ward Committee level.

2.5 FINANCIAL VIABILITY & FINANCIAL MANAGEMENT

Financial Viability and Financial Management reflects the ability of a Municipality to generate sufficient own revenue to meet its operating expenditure, and reduce its dependency on grant funding.

The Municipality aims for the following:

- Ensure that the Municipality has adequate financial resources and controls to meet the annual performance objectives of the Municipality.
- Maintain on-going intergovernmental relations among the three spheres of government.

The information presented below will entail the performance highlights and challenges for the Municipality.

2.5.1 Performance Highlights

- Full compliance with new regulation in terms of budget tabling and it was done in house.
- The Municipality trained six (6) finance officials to comply with Municipal Regulation on Minimum Competency Level in terms of the MFMA.
- The Revenue Enhancement Strategy was developed for the Hlabisa Local Municipality.
- The Municipality revised the SCM Policy and other Financial Policies and tabled them to Council for adoption on 31 May 2012.

2.5.2 Challenges

- The Municipality relied on Government grants to fund its budget.
- The Municipality was unable to collect revenue as per targets in the SDBIP/IDP. The Municipality relied on Government Grants to fund its budget.
- The impact of high staff turnover results in the Municipality spending large amounts of money on training new employees, who leaves the Municipality within a period of 24 months. This has a detrimental impact on the Municipality.
- The Municipality lacked adequate financial resources to implement all the municipal priority programmes.

CHAPTER 3 REPORT OF THE AUDIT COMMITTEE

The audit committee of Hlabisa Municipality has pleasure in submitting this report to Council of Hlabisa Local Municipality. This report is submitted in terms of the provision of sections 121 (3)(j), 166(2)(b) and 166(2)(c) of the Municipal Finance Management Act, Act No. 56 of 2003 (MFMA) and covers the financial year from 1 July 2011 to 30 June 2012.

3.1 AUDIT COMMITTEE MEMBERS

The following persons served as members of the Audit Committee for the year under review:

- Ms N Mchunu - Chairperson
- Mr. V Mtshali
- Mr. S Majola

3.2 OVERVIEW OF ACTIVITIES

The audit committee had 4 formal meetings during the period covered in this report. These meetings were held on 23 August 2011, 05 March 2012, 09 May 2012 and 25 June 2012 respectively. All members of the audit committee attended the first three of the meetings and one member applied for leave of absence for one of the meetings. The audit committee has therefore complied with the provisions of section 166(4)(b) of the MFMA which requires the Audit Committee to meet at least four times a year.

3.3 MATTERS

The following matters were dealt with at these meetings:

- The Internal audit plan for 2011/2012 financial year was considered and approved;
- At each of the meetings, a report from internal auditors was tabled, discussed and approved;
- Attention was given to Council's Performance Management System by considering a report issued by Internal Audit;
- The Auditor-General report for the year ended 30 June 2011, was received and considered;
- Review of the Internal audit charter and audit committee charter;

- Review of the Risk Register for the 2011/2012, resulting from the Risk Assessment workshop held during 2011; and
- Review of the Annual Financial Statements for the year ended 30 June 2011.

3.4 REPORT

For the purposes of executing its statutory duties as contained in section 166(2)(a) of the MFMA as well as its mandate as set out in the Audit Charter, the Audit committee relies heavily on the work done by the Internal Audit Unit which has been outsourced to Umnotho Business Consulting.

In order to be able to rely on the work performed by the Internal Audit Unit, the audit committee has to satisfy itself on the quality and scope of work performed by the unit, and must ensure that the information printed is accurate and reliable.

Internal audit visits were conducted during the year and the areas covered during the internal audit visits included the following:

- Supply Chain Management;
- Leave Management;
- Debtors management;
- Status of Auditor-General findings;
- Assets Management; and
- Performance Management System.

3.5 Internal Audit Findings

The Internal Audit findings were summarized as follows:

Performance Management System

The reports received from Internal Audit for quarters 1 to 4 were considered by the Audit Committee. It was noted that this area still requires improvement, and this was also evident from the overall opinion from Internal Audit report which indicated that the Performance Management System (PMS) of Hlabisa Local Municipality still required a vast improvement and the risk associated with PMS was considered as HIGH.

Supply Chain Management

The report on SCM was considered by the Committee. It was established from this report that there are areas that require improvement in SCM. The findings in SCM included, for instance, incidents where the required number of quotes had not been obtained and advertisements not on file. It is important to note these were assessed as being medium risk in nature, and management was urged to address these findings as a matter of priority as SCM is one of the areas that are prone to fraud.

Leave Management

The Internal Audit opinion on Leave Management indicated that the risk associated with this area was medium. However, there are still areas that require specific attention from management, for example, the timeous updating of leave records, timeous authorization of leave taken, review of leave balances, and overall leave management.

Debtors Management

The findings in this area were considered to be of a medium risk; however they still need management's attention. Included in the findings was the fact that the consumer details contained in the debtors system were not always accurate, which could adversely affect the ability of the municipality to recover monies, that is billed to consumers. This also had an impact on the long outstanding debtors, which was also one of the findings.

Status of the Auditor-General's Findings

The extent, to which Auditor-General's findings for 2010/11 have been addressed, was followed up and reported on by Internal Audit, and the report was presented to the Audit Committee. According to the report from Internal Audit, although a significant number of queries raised by the Auditor-General had been resolved, some were partially resolved and there were still a number of queries that had not been resolved, which included findings relating to asset management. Management was urged to pay careful attention to addressing the queries that had not been fully resolved as these could potentially lead to a qualification by the Auditor-General.

Asset Management

This needed to be pending to the following financial year as the asset count was not completed by 30 June 2012; hence the asset register was not updated. The findings raised by the Auditor-General for the 2010/11 year were discussed at length with management and management was requested to prioritize the issues relating to Assets Management as this discussed as this area was one of the contributing factors that led to the qualification of the municipality's audit opinion in 2011.

It is the view of the audit committee that the work performed by internal auditors is of an acceptable standard, that is properly planned and controlled and the reporting is detailed and comprehensive. There is also sufficient evidence that internal audit findings were discussed with responsible officials and that regular follow ups were made in relation to the implementation of corrective measures that were agreed upon. We have no hesitation in relying on the work performed by internal audit for purposes of executing our mandate as per section 166 of the MFMA. This comment should be read with our concerns and recommendations which are dealt in paragraph 8.

3.6 REVIEW OF FINANCIAL STATEMENTS

Section 166(2) of the MFMA requires the audit committee to "review the annual financial statements to provide the Council of the municipality with an authoritative and credible view of the financial position of the municipality, its efficiency and effectiveness and its overall level of compliance with this act, the annual Division of Revenue Act and any other applicable legislation".

The Committee reviewed the financial statements for 30 June 2012 in a meeting that was held on 30 August 2012 and the AFS were noted with changes. The audit committee relies on the work performed by Internal Audit and the Auditor- General during its audit of the financial statements of the municipality.

One of the major concerns that the Committee raised was the discrepancy between the balance of R 11m in Unspent Grants was not adequately cash backed and the balance for Cash and Cash equivalents at 30 June 2012 amounted to R 8m.

The Auditor-General's management letter for June 2011 and management responses were considered and an action plan was formulated by management. This action plan detailed the proposed actions by management to address the audit findings.

The Audit Committee reviewed the adequacy of the proposed actions against the Auditor-General's audit findings. The Audit Committee was concerned with the level work involved in addressing the findings on Asset Management and whether the Municipality had enough resources to sufficiently address weaknesses in this area. It however transpired, upon review by Internal Audit, that some of findings raised by the Auditor-General as at 30 June 2011 had not been fully resolved as at 30 June 2012. We therefore urge management to pay careful attention to addressing queries raised by the Auditor-General timeously, using adequate resources. Another area that was noted was performance management, for which management also confirmed that it was receiving special attention. This area still remains a concern for the Committee as the reports for Internal Audit and the Auditor-General reveal that there is a vast area of improvement that still needs to be addressed.

Regrettably the Auditor-General Report on the financial statements of the municipality was qualified. The significant qualifying item again related to Property Plant and Equipment, which was the case in the previous year. The Committee has requested that a meeting be held with the Auditor-General to fully discuss this area and other qualifying items to gain full understanding of the action plans that have to be implemented to address these issues. We have availed ourselves for these interventions and have asked to be included in the meetings with the Auditor General.

In as far as the provisions of section 166(2)(c) of the MFMA are concerned, we can report that in our opinion, all issues raised by Auditor- General are treated by ourselves in a serious nature and we are committed towards the national goal to adherence Clean Audit by 2014. We are therefore going to monitor management's progress in resolving these issues and we will report to council accordingly.

Risk Management

With regards to risk management, we believe that the municipality still needs to improve in this area. Although the risk assessment is reviewed annually, there is currently no process of monitoring risk on a continuous basis. The Audit Committee has made recommendations to management to establish a risk committee that will compile the terms of reference which will be implemented on a continual basis.

3.7 CONCERNS AND RECOMMENDATIONS

During the course of our meetings and discussions during the period under review, a number of important issues came to light which the audit committee believes that they should be brought to the Council's attention as listed below.

- The full implementation and operation of performance management system to measure service delivery in line with the IDP and pre-determined objectives still appears to be a concern. We would like management to provide more focus on this area as this is a direct link to service delivery to the community.
- A process of continuously identifying and monitoring risks should be put in place. We recommend that risk committee be established which will be composed of senior managers from each department.
- There are various internal control and compliance concerns raised by the internal auditors and also by the Office of the Auditor-General in their reports during the year, for example around the areas of supply chain management, leave management etc. Although management responses to the findings were considered by the Audit Committee during the year, we would like to urge management to pay specific attention to these areas and to continue to address the concerns raised as priority in order to improve the functioning of the municipality.
- Asset management at the Municipality is still an area that requires major focus from management. This is evident since the Municipality has received qualified opinions from the Auditor-General for two consecutive years, where Property, Plant and Equipment was the main contributor. The municipality should determine what is required to be addressed in this area, formulate an action plan, assess the availability of suitable resources to address the Auditor-General's findings and seek specialist intervention where required.

3.8 CONCLUSION

The implementation and maintenance of proper systems of internal controls, risk management, prevention of fraud and errors, safeguarding of the assets of the municipality and compliance with relevant laws and regulations, are the responsibility of Council. The role of the audit committee is to monitor the efficiency of the procedures and mechanism which Council has put in place in order to ensure that its policies and procedures are adhered to.

We can report that, taking into account the exemptions noted above and based on the reports submitted to us, our overall impression is that the systems and procedures implemented by Council are being implemented and managed properly except for the areas that require specific attention as has been detailed above.

Yours faithfully

Nosipho Mchunu
for AUDIT COMMITTEE
21 December 2012

CHAPTER 4 HUMAN RESOURCE AND ORGANISATIONAL MANAGEMENT

Hlabisa Local Municipality is a category B Municipality within the KwaZulu-Natal Province, as determined by the Demarcation Board in terms of Section 9 of the Municipal Structure Act, Act No. 117 of 1998. The Municipality operates within a Collective Executive System. Hlabisa Local Municipality consist of eight (8) wards and (sixteen) 16 Councillors with the Executive and Finance Committee comprising three (3) Members.

The Council of Hlabisa Local Municipality comprises the following:

- Mayor: Cllr V.F. Hlabisa;
- Deputy Mayor: Cllr B.B. Ntombela; and
- Speaker: Cllr M.S. Jele.

The elected Council play a vital role in the development of policies and monitoring of service delivery to the citizens of Hlabisa.

Hlabisa Local Municipality comprises of four (4) departments that report directly to the Municipal Manager, who is the Administrative Head. The Departments are as follows:

- Budget and Treasury;
- Corporate Services;
- Community Services; and
- Infrastructure Planning and Development.

4.1 ORGANISATIONAL STRUCTURE

To ensure improved sustainable service delivery, Hlabisa Local Municipality has developed an organisational structure which has been adopted by Council. The managerial structure has been developed in a manner that would enable the Municipality to deliver on its priorities and objectives, as set out in the Municipal Integrated Development Plan.

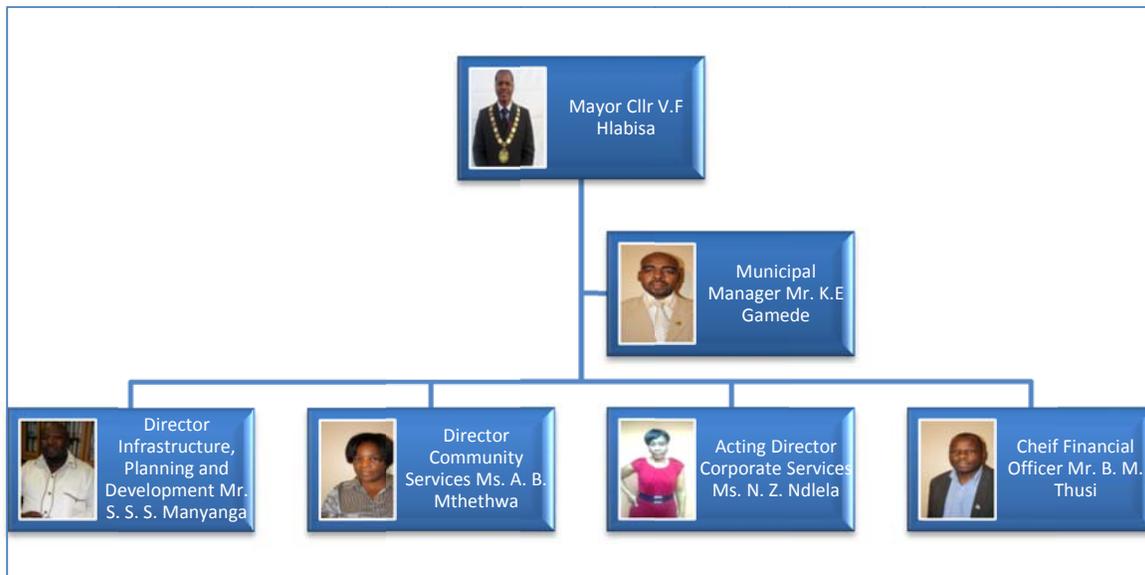


Figure 15: Organisational Structure

Hlabisa Local Municipality has three (3) Section 57 Managers posts that have been filled. The post of the Director: Corporate Services is currently occupied by an individual in an acting capacity.

These departments are responsible for carrying out Council and EXCO resolutions. They assist Council with the execution of operational strategies and objectives that are set out in the Integrated Development Plan. In accordance with municipal legislation, the Municipality has established the statutory Committees for Good Governance and Financial Management. It has also developed the necessary policies, systems and procedures. These are reviewed and updated on an on-going basis. In addition, the Municipality has established, and is currently capacitating Ward Committees in order to facilitate public involvement in municipal affairs and strengthen democracy.

4.1.1 Departmental Overview

4.1.1.1 The Office of the Municipal Manager

The Office of the Municipal Manager is responsible for the effective and efficient management of the Municipality. This includes amongst other things making it possible for all the Departments and systems to function well. The functioning of this office is reflected in the performance reports as submitted by the four (4) departments.

The following are specific functions related to the Office of the Municipal Manager:

- Creating an enabling environment for all Departments to function properly;
- Attending to compliance issues;
- Managing finances according to the MFMA and Treasury Regulations;
- Managing IDP processes;
- Managing the Office of the Mayor; and
- Disaster management.

4.1.1.2 Budget and Treasury

The Budget and Treasury Department is responsible for the overall financial administration, financial control and financial reporting of the Municipality.

The services provided by the Budget and Treasury Department are as follows:

- Revenue and Expenditure Management;
- Supply Chain Management;
- Budgeting and Financial Reporting;
- Contract Management and Leases;
- Internal Controls and IT; and
- Asset Management.

The above services are rendered in-house by the finance department staff with the exception of the Internal Audit and IT which is outsourced.

4.1.1.3 Corporate Services

The Corporate Services Department is responsible for the overall administration of the Municipality which includes the following functions:

- Recruitment and Staff Appointments;
- Staff Benefits and Conditions of Service;
- Performance Management;
- Human Resource Development;
- Administrative Support Service;
- Communications;
- Capacity Building;
- Training and Development of Staff, Councillors and Community;
- Labour Legislations and Trade Unions;
- Disciplinary Action;
- Employment Equity;
- Archives and Internal Library; and
- Committee Matters and Legal Services.

4.1.1.4 Community Services

The Community Services Department is responsible for the following functions:

- Public Transport;
- Protection Services;
- Traffic and Parking;
- Fresh Produce;
- Fire Fighting;
- Libraries and Community Halls;
- Sports and Recreation;
- Solid Waste Management;
- Parks and Amusement Facilities;
- Public Places;
- Street Trading;
- Public Toilets;
- Trade Regulations;

- Control of Public Nuisance;
- Control of undertakings to sell liquor;
- Facilities for animals;
- Licensing of dogs;
- Noise Pollution; and
- Refuse Removal.

4.1.1.5 Infrastructure Planning and Development

The Infrastructure Planning and Development is responsible of the following functions:

- Land Planning;
- Marketing;
- Integrated Development Planning (IDP);
- Environmental management;
- Land use management;
- Local economic development;
- Local tourism;
- Project Management;
- Industrial Development Planning;
- Billboard & Display of Advertisements in Public Places;
- By-laws;
- Municipal Planning;
- Environmental Affairs;
- Cemeteries;
- Funeral Parlours and Cremations;
- Agriculture;
- Craft;
- Water;
- Electricity;
- Sanitation;
- Solid waste sites;
- Municipal roads;
- Business planning;
- Project management;

- Contracts management;
- Regulator and monitoring;
- Implementing agent; and
- Housing (Rural).

4.2 EMPLOYMENT EQUITY & SKILLS DEVELOPMENT

In terms of section 13(1) of the Employment Equity Act, Act No. 55 of 1998, the Municipality is required to achieve employment equity by ensuring that affirmative action is implemented which targets mainly the designated groups.

Hlabisa Local Municipality has developed and implemented the Employment Equity Plan, which reflects the significant progress the Municipality has achieved thus far, and actions to address challenges relating to enhancing demographic representatives, skills development, diversity management, and organisational culture assessment.

The Municipality is committed to achieving equity in the workplace by promoting equal opportunity and fair treatment in employment. Hlabisa Local Municipality aims to eliminate all unfair discrimination and implement affirmative action measures to redress the disadvantages in employment experience by the designated groups and to ensure their equitable representation in all occupational categories and levels in the workforce. The Municipality focuses on the following main areas:

- The integration of employment equity within policy, planning and management systems;
- Ensuring employment practices do not discriminate against employees or potential employees;
- Promoting employment equity and workforce diversity; and
- Ensuring a work environment that is free from racial harassment.

The following table illustrates the workforce demographics for the year under review.

Workforce Population	Male				Female				Total
	B	C	I	W	B	C	I	W	
Number of Employees	69	0	0	2	32	0	0	0	103
Percentage	67	0	0	2	31	0	0	0	100

Table 25: Workplace demographics

The profile of the Municipality by occupational category for the year under review is:

Occupational Category	Male				Female				Total
	B	C	I	W	B	C	I	W	
Legislators, senior officials and managers	19			1	7				27
Officers	18			1	14				33
Elementary Occupations	15				9				24
Total Permanents	26			2	14				42
Non Permanents	26				16				42

Table 26: Occupational Category

4.2.1 Training and Development Information

EDUCATION AND TRAINING PLANNED AND CONDUCTED TO ACHIEVE TRAINING AND SKILLS DEVELOPMENT PRIORITIES for the period 01 July 2011 to 30 June 2012																	
Kind and number of beneficiaries			Nature of learning intervention		... if formal, at NOF level								Duration of intervention			Indicative spend per level – R	
Employment category	Skills Priority No. (Section 7.2 of WSP)	No. to receive training	Informal: (defined in guidelines)	Formal: in-house or external institution	1	2	3	4	5	6	7	8	Not NOF linked	days	weeks		months
Leadership & Governance SOC 100	3	1	Yes										Yes	1			8,335.80
Leadership & Governance	4	2	Yes										Yes	2			9,900.00
Mayor	1	1		Yes									Yes	4			5,400.00
Senior officials/ managers																	
CEO/MD																	
Directors																	
Financial Directors	1	4	Yes										Yes	2			40,088
Department/Division Heads																	
Plant Managers																	
Information technology																	
Professionals SOC 200																	
Health care																	
Parks/community facilities																	
Core finance	1	1		Yes					5							11	70,000
Health care																	
Public safety/Emergency services																	
Community development		1	Yes										Yes	3			9,118.861
Roads																	
Electricity																	

EDUCATION AND TRAINING PLANNED AND CONDUCTED TO ACHIEVE TRAINING AND SKILLS DEVELOPMENT PRIORITIES for the period 01 July 2011 to 30 June 2012

Kind and number of beneficiaries			Nature of learning intervention		... if formal, at NQF level								Duration of intervention			Indicative spend per level – R	
Employment category	Skills Priority No. (Section 7.2 of WSP)	No. to receive training	Informal: (defined in guidelines)	Formal: in-house or external institution	1	2	3	4	5	6	7	8	Not NQF linked	days	weeks		months
Information technology																	
Core administration																	
Parks/community facilities																	
Clerks SOC 400																	
Core administration																	
Core finance	1	1	Yes										Yes	1			2,150
Service workers SOC 500																	
Public safety/Emergency services																	
Electricity																	
Core finance																	
Apprentices																	
TOTALS		11															144,992.66

4.3 HUMAN RESOURCE GOVERNANCE

Hlabisa Local Municipality has reviewed a number of policies that deal with Human Resources (HR) as follows:

- Code of Conduct for Municipal Staff Members;
- HIV and AIDS Policy;
- Sexual Harassment Policy;
- Smoking Policy;
- Recruitment Policy;
- Subsistence and Travelling Allowances Policy;
- Motor Vehicle Usage Policy;
- Overtime Policy;
- Leave Policy;
- Training and Skills Development Policy;
- Experiential Training Policy;
- Mayoral Vehicle Policy;
- Benefits and Allowances Policy;
- Termination of Employment Policy;
- Disciplinary Code & Procedures;
- Grievance Code & Procedures;
- Welfare of Employees Policy;
- Health & Safety Policy;
- Employee Assistance Policy;
- Social Responsibility Policy;
- Declaration of Interest Policy;
- Remuneration Policy;
- Telephone Usage Policy; and
- Long Service Allowance Policy.

4.4 PERFORMANCE MANAGEMENT AND REPORTING

Outlined in Section 40 of the Municipal Systems Act of 2000 (MSA), a Municipality must establish mechanisms to monitor and review its Performance Management System (PMS) so as to measure, monitor, review, evaluate and improve performance at organizational, departmental and employee level. Section 34 of the MSA furthermore points out that the Integrated Development Plan (IDP) has to be reviewed on an annual basis, and that during the IDP review process the Key Performance Areas, Key Performance Indicators and Performance Targets be reviewed and this review will form the basis for the review of the Organizational Performance Management and Performance Contracts of Senior Managers.

The Municipal Planning and Performance Management Regulations (2001) stipulates that a municipality's performance management system entails a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organized and managed, including determining the roles of the different role-players" (**Chapter 3, Section 7, Municipal Planning and Performance Management Regulations, 2001**).

Section 46 of the Municipal Systems Act (Act 32 of 2000), stipulates the following:

"Annual performance reports"

- 1) A municipality must prepare for each financial year a performance report reflecting -
 - a. the performance of the municipality and of each external service provider during that financial year;
 - b. a comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year; and
 - c. measures taken to improve performance.
- 2) An annual performance report must form part of the municipality's annual report in terms of Chapter 12 of the Municipal Finance Management Act."

4.5 STAFFING INFORMATION

4.5.1 Remuneration of Councillors

The remuneration of Councillors is determined in terms on the Remuneration of Public Office Bearer's Act, Act No. 20 of 1998 and the Local Government: Municipal Finance Management Act, Act No. 56 of 2003.

Councillors	Amount R
Mayor	330 745.00
Speaker	-
Deputy Mayor	275 973.00
Exco Members	281 941.00
Councillors	514 028.00
Councillors Allowances	239 191.00
Total	3 641 878.00

Table 27: Remuneration for Councillors for 2011/2012

4.5.2 Remuneration of Senior Officials

The following table indicates the remuneration of senior management in the Municipality:

Senior Management	Amount R
Municipal Manager	833 453.00
Chief Financial Officer	678 445.00
Head of Department: Community Services	622 643.00
Head of Department: Corporate Services	506 595.00
Head of Department: Technical Services (Infrastructure & Planning)	489 128.00
Total	3 130 264.00

Table 28: Remuneration of Senior Officials for 2011/2012

CHAPTER 5 FINANCIAL INFORMATION**5.1 REPORT OF THE AUDITOR-GENERAL****REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE
COUNCIL ON HLABISA LOCAL MUNICIPALITY****REPORT ON THE FINANCIAL STATEMENTS****Introduction**

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

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 the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Local Government: 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 my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the General Notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for qualified opinion Property, plant and equipment

6. I was unable to obtain sufficient appropriate audit evidence about property, plant and equipment reflected as R63,779 million due to the limitation of scope placed upon my work by the municipality and the fact that no reliance could be placed upon the restated opening balances as I was unable to confirm the adjustment processed by alternative means. Moreover, there is a difference of R15,288 million between the fixed asset register and financial statements.

Cash flow statement

7. Presentation of a cash flow statement, summarising the entity's operating, investing and financing activities, is required by Standard of Generally Recognised Accounting Practice, GRAP 2, Cash flow statements. The other payments of R19 680 661 presented in the cash flow statement do not agree to other payments of R14 009 452 included in the statement of financial performance. The net cash flows from operating activities in the cash flow statement are overstated by R5 671 209.

Budget disclosure

8. The municipality did not disclose budget information in accordance with the SA Standards of GRAP, paragraphs 11 — 15 of GRAP 1 Presentation of financial statements.

Unauthorised expenditure

9. I was unable to verify the correctness of the amount of unauthorized expenditure as disclosed in note 35 to the financial statements amounting to R1 684 731 due to the limitation of scope placed upon my work by the municipality by not submitting the budget reconciliation as stated above or supporting evidence.

Irregular expenditure

10. The municipality did not implement and maintain an appropriate procurement and provisioning system as required by section of the MFMA. The municipality made payments in contravention of the supply chain management which were not included in irregular expenditure, resulting in irregular expenditure being understated by 814,300 million. Furthermore, a shortfall of R1 985 857 was noted when comparing the total of unconditional grant amounting to R9 403 729 to total cash grant available R7 417 872.

Opinion

11. In my opinion, except for the effects of the matters described in the Basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the Hlabisa Local Municipality as at 30 June 2012 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the MFMA and DORA.

Additional matter

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

Unaudited supplementary schedules

13. The supplementary information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. I have not audited this schedule and, accordingly, I do not express an opinion thereon

Emphasis of matter

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

Fruitless and wasteful expenditure

14. As disclosed in note 25 to the financial statements, fruitless and wasteful expenditure of R266 190 was incurred, due to interest and penalties being imposed on the late payment of supplier invoices and taxes due to the South African Revenue Service (SARS).

Additional matter

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

Unaudited supplementary schedules

16. The supplementary information set out on pages xx to xx does not form part of the financial statements and is presented as additional information. I have not audited this schedule and, accordingly, I do not express an opinion thereon

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Predetermined objectives

18. I performed procedures to obtain evidence about the usefulness and reliability of the information in the Hlabisa Local Municipality annual performance report as set out on pages xx to xx of the annual report.
19. 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).

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

20. The material findings are as follows:

Usefulness of information

Presentation

21. Improvement measures in the annual performance report for a total of 100% (>20%) of the planned targets not achieved were not disclosed as required by section 46 of the Local Government: Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA). This was due to limited review of the presentation of the annual performance report by management and audit committee.
22. A total of 100% (<20%) of major variances between planned and actual achievements were not explained in the annual performance report for the year under review as per the National Treasury annual report preparation guide. This was due to limited review of the presentation of the annual performance report by management and audit committee.

Consistency

23. The MSA, section 41(c) requires that the integrated development plan/service delivery agreement 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 30% (>20%) of the reported objectives, indicators and targets are not consistent with the objectives, indicators and targets as per the approved integrated development plan/ service delivery agreement. This is due to the lack of controls measure and limited reviews.

Measurability

24. The required performance could not be measured for a total of 24% (>20%) of the targets relevant to Basic Service Delivery and Infrastructure Development. This was due to the fact that management was aware of the requirements of the FMPPi but did not receive the necessary training to enable application of the principles.

Reliability of information Validity

25. The National Treasury FMPPI requires that processes and systems which produce the indicator should be verifiable. A total of 25% (>20%) of the actual reported performance relevant to the selected objectives were not valid when compared to the source information and/or evidence provided. This was due to a lack of monitoring, review and standard operating procedures for the recording of actual achievements by senior management and audit committee.

Accuracy

26. The National Treasury FMPPI requires that the indicator be accurate enough for its intended use and respond to changes in the level of performance. A total of 25% (>20%) of the actual reported indicators/measures relevant to Basic Service Delivery and Infrastructure were not accurate when compared to source information. This was due to a lack of monitoring and review of the recording of actual achievements by senior management and audit committee.

Additional matter

27. I draw attention to the following matter below. This matter does not have an impact on the predetermined objectives audit findings reported above.

Achievement of planned targets

28. Of the total number of planned targets, only 81 were achieved during the year under review. This represents 62% (>20%) of total planned targets that were not achieved during the year under review.

Compliance with laws and regulations

29. I performed procedures to obtain evidence that the municipality 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:

Budgets

30. The municipality incurred expenditure that was not budgeted for and/or incurred expenditure in excess of the limits of the amounts provided for in the votes in the approved budget, in contravention of section 15 of the MFMA.

Annual financial statements, performance and annual report

31. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA.
32. The 2010/11 annual report was not tabled in the municipal council within seven months after the end of the financial year, as required by section 127(2) of the MFMA.
33. A written explanation was not submitted to council setting out the reasons for the delay in the tabling of the 2010/11 annual report in the council, as required by section 127(3) of the MFMA.
34. The accounting officer did not make public the council's oversight report on the 2010/11 annual report within seven days of its adoption, as required by section 129(3) of the MFMA.
35. The annual performance report for the year under review does not include a comparison of the performance with set targets and measures taken to improve performance, as required by section 46 (1)(b) and (c) of the MSA.

Procurement and contract management

36. Goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations as required by SCM regulation 17(a) & (c).
37. The preference point system was not applied in all procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act (PPPFA) and SCM regulation 28(1)(a).
38. Quotations were awarded to providers whose tax matters had not been declared by the SARS to be in order, as required by SCM regulation 43.
39. Contracts and quotations were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).

40. Awards were made to providers who are persons in service of other state institutions or whose directors/ principal shareholders are persons in service of other state institutions, in contravention of SCM regulations 44. Similar awards were identified in the prior year and no effective steps were taken to prevent or combat the abuse of the SCM process in accordance with SCM regulation 38(1).

Expenditure management

41. 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.
42. The accounting officer did not take reasonable steps to prevent unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.

Transfer of funds and/ or conditional grants

43. The allocations for conditional grants were utilised for purposes other than those stipulated in their respective schedules or Gazetted Division of Revenue Act framework in contravention of the requirements of section 15(1) of the DORA.

Revenue management

44. A credit control and debt collection policy was not adopted and implemented, as required by section 96(b) of the MSA and section 62(1)(f)(iii) of MFMA.

Internal control

45. 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 qualified opinion, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Leadership

46. The accounting officer and delegated officials have not exercised adequate oversight responsibility over financial and performance reporting, compliance with laws and regulations and internal control. In this regard, the financial statements and predetermined objectives were not adequately reviewed prior to submission for audit.

Financial and performance management

47. Systems are not appropriate to facilitate the preparation of quality financial statements. Actions are not taken to address risks relating to the achievement of complete and accurate financial reporting, and to mitigate the risk resulting in non-compliance with regulatory and reporting requirements.

(Signature of Auditor-General)

Pietermaritzburg
30 November 2012



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

5.2 ACCOUNTING POLICIES

5.2.1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

5.2.1.1 Basis of preparation of the Annual Financial Statements

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

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

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.

GRAP 1 Presentation of Financial Statements

GRAP 2 Cash Flow Statement

GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors GRAP 4 The Effects of Changes in Foreign Exchange Rates

GRAP 9 Revenue from Exchange Transactions

GRAP 10 Financial Reporting in Hyperinflationary Economies

GRAP 11 Construction Contracts

GRAP 12 Inventories

GRAP 13 Leases

GRAP 14 Events after the Reporting Date

GRAP 16 Investment Properties

GRAP 17 Property, Plant and Equipment

GRAP 19 Provisions, Contingent Liabilities and Contingent Assets

GRAP 100 Non-Current Assets Held for Sale and Discontinued Operations GRAP 101 Agriculture

GRAP 102 Intangible Assets

IPSAS 20 Related Party Disclosure

IAS 39 Financial Instruments

5.2.1.2 Presentation of Currency

The Annual Financial Statements are presented in South African Rand, which is the Municipality's functional currency.

5.2.1.3 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.

5.2.1.4 Comparative Information

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the unaudited annual financial statements.

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.

5.2.1.5 Standards , Amendments to standards and interpretations issued but not yet effective

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

GRAP 18 Segment Reporting - issued March 2005

GRAP 21 Impairment of Non- Cash generating assets- issued March 2009

GRAP 23 Revenue from Non- Exchange Transactions

GRAP 24 Presentation of Budget Information - issued November 2007

GRAP 25 Employee Benefits - issued 11 January 2009

GRAP 26 Impairment of Cash generating assets - issued March 2009

GRAP103 Heritage Assets

GRAP104 Financial Instruments

5.2.1.6 Property, plant and equipment

5.2.1.6.1 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 is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

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

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.

5.2.1.6.2 Subsequent measurement - cost model

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

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

5.2.1.6.3 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. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure		Other	
Roads and Paving	15 years	Computer equipment	3-7 years
Pedestrian Malls	20 years	Specialist	5-20 years
Electricity	30 years	Other vehicles	3-15 years
Water	20 years	Office years	3-7 years
Sewage	20 years	Furniture	7-10 years
		Watercraft	15 years
Community		Bins and containers	5-7 years
Buildings	30 years	Specialised plant and equipment	2-15 years
Recreational Facilities	20 years	Other items of plant	2-15 years
Security	30 years	Landfill sites	30 years
Halls	30 years	Quarries	30 years
Libraries	30 years	Emergency Equipment	5-15 years
Parks and Gardens	30 years		
Heritage assets		Buildings	30 years
Paintings and Artefacts	30 years		
Finance lease assets			
Office equipment	30 years		

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.

5.2.1.6.4 Derecognition

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

5.2.1.7 Intangible Assets

5.2.1.7.1 Initial recognition

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

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

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

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired 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 intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair 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.

5.2.1.7.2 Subsequent measurement - cost model

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

5.2.1.7.3 Amortisation and impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method.

The annual amortisation rates are based on the following estimated average asset lives: Computer software 5 years

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date.

Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

5.2.1.7.4 Derecognition

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

5.2.1.8 Investment property

5.2.1.8.1 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.

5.2.1.8.2 Subsequent measurement - Cost model

Investment property is measured using the cost 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.

5.2.1.9 Inventories

5.2.1.9.1 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 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.

5.2.1.9.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down 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.

5.2.1.10 Financial instruments

Initial recognition and measurement

5.2.1.10.1 Initial recognition

Financial instruments are initially recognised at fair value.

5.2.1.10.2 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, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

5.2.1.10.2.1 Investments

Investments, which include listed government bonds, unlisted municipal bonds, 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.

5.2.1.10.2.2 Trade and other payables

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.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current 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 (for example in the case of obligations for the rehabilitation of land).

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

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for terminating their services; - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

5.2.1.15 Leases

5.2.1.15.1 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 subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

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

The accounting policies relating to 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.

5.2.1.15.2 Municipality as lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease.

The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis.

The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

5.2.1.16 Revenue Recognition

5.2.1.16.1 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 quarterly 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.

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 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 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.

1.16.2 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.

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.

5.2.1.16.3 Transfers, Grants 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.

5.2.1.17 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete.

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established.

Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

5.2.1.18 Retirement Benefits

The municipality provides retirement benefits for its employees and Councillors. Contributions are made to the Natal Joint Provident Fund (CJPF) to fund the obligations for the payment of retirement benefits in accordance with the rules of the defined contribution funds it administers. Contributions are recognised as an expense in the statement of Financial Performance.

5.2.1.19 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 the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

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.

5.2.1.20 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 re-valued 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 re-valued asset is treated as a revaluation increase.

5.2.1.21 VAT

The Municipality accounts for Value Added Tax on the payments basis. This means that VAT is declared to the South African Revenue Services as input VAT or output VAT only when payments are made to suppliers or payments are received for goods or services. The net output VAT on debtors where money has not been received or creditors where payment has not yet been made is disclosed separately in the Statement of Financial Position in terms of GRAP 1.

5.3 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Statement of Financial Position at 30 June 2012

Figures in Rand	Note(s)	2012	2011 Restated
ASSETS			
Current Assets			
Inventories	2	43 733	1 884
Trade and other receivables from exchange transactions	3	1 730	13 251
VAT receivable	4	1 133 983	2 624 186
Consumer debtors	5	614 481	432 339
Cash and cash equivalents	6	8 674 098	10 376 633
		10 468 025	13 448 293
Non-Current Assets			
Investment property	7	113 900	113 900
Property, plant and equipment	8	63 778 792	67 892 450
Intangible assets	9	670 714	745 568
Deposits	10	14 200	14 200
		64 577 606	68 766 118
Total Assets		75 045 631	82 214 411
LIABILITIES			
Current Liabilities			
Finance lease obligation	11	585 000	472 289
Trade and other payables from exchange transactions	12	2 240 942	7 867 571
Unspent conditional grants and receipts	13	9 403 729	10 280 774
Bank overdraft	6	1 699 936	1 666 095
		13 929 607	20 286 729
Non-Current Liabilities			
Finance lease obligation	11	873 072	-
Total Liabilities		14 802 679	20 286 729
NET ASSETS		60 242 952	61 927 682
NET ASSETS			
Accumulated surplus		60 242 952	61 927 682

Statement of Financial Performance

Figures in Rand	Note(s)	2012	2011 Restated
Revenue			
Property rates	14	317 189	307 113
Service charges	15	232 871	660 448
Property rates - penalties imposed and collection charges	14	179 835	112 535
Fines		1 622 651	6 282 961
Licences and permits		282 328	274 663
Government grants & subsidies	16	65 594 850	67 068 273
Commission received		193	-
Rental of facilities and equipment	17	206 824	192 044
Sundry income	17	938 843	276 335
Interest earned - external investments		851 520	895 124
Total Revenue		70 227 104	76 069 496
Expenditure			
Employee related costs	18	(13 014 606)	(14 061 189)
Remuneration of councillors	19	(3 641 878)	(6 885 481)
Depreciation and amortisation	20	(3 030 100)	(2 598 431)
Finance costs	21	(323 533)	(90 596)
Debt impairment		(766 361)	(88 932)
Repairs and maintenance		(274 415)	(122 078)
Contracted services	22	(6 468)	(2 632 337)
Grants and subsidies paid		(14 550 622)	(19 517 052)
General expenses	23	(36 303 852)	(20 760 373)
Total Expenditure		(71 911 835)	(66 756 469)
(Deficit) surplus for the year		(1 684 731)	9 313 027

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	56 641 035	56 641 035
Adjustments		
Correction of error	(3 948 342)	(3 948 342)
Balance at 01 July 2010 as restated	52 692 693	52 692 693
Changes in net assets		
Prior period adjustment as per audited AFS	(168 584)	(168 584)
Casting errors in prior period AFS	90 546	90 546
Net income (losses) recognised directly in net assets	(78 038)	(78 038)
Surplus for the year	9 313 027	9 313 027
Total recognised income and expenses for the 12 months	9 234 989	9 234 989
Total changes	9 234 989	9 234 989
Balance at 01 July 2011	61 927 683	61 927 683
Changes in net assets		
Surplus for the year	(1 684 731)	(1 684 731)
Total changes	(1 684 731)	(1 684 731)
Balance at 30 June 2012	60 242 952	60 242 952

Cash Flow Statement

Figures in Rand	Note(s)	2012	2011 Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		2 634 874	1 216 977
Grants		65 594 850	64 818 321
Interest received		851 520	895 124
Other receipts		1 145 860	7 065 619
Other cash item		-	1 384 425
		70 227 104	75 380 466
Payments			
Employee costs		(16 656 484)	(20 946 670)
Community grant expenditure		(14 550 622)	(19 517 052)
Interest paid		(323 533)	-
Consulting and professional fees		(6 427 551)	(7 944 133)
Other payments		(19 680 661)	(7 926 405)
		(57 638 851)	(56 334 260)
Net cash flows from operating activities	24	12 588 253	19 046 206
Purchase of property, plant and equipment	8	(15 310 414)	(14 958 573)
Purchase of other intangible assets	9	-	(850 230)
Net cash flows from investing activities		(15 310 414)	(15 808 803)
Proceeds from finance lease liability		985 783	30 463
Net increase/(decrease) in cash and cash equivalents		(1 736 378)	3 267 866
Cash and cash equivalents at the beginning of the year		8 710 538	5 442 672
Cash and cash equivalents at the end of the year	6	6 974 160	8 710 538

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
2. Inventories		
Consumable stores	43 733	1 884
3. Trade and other receivables from exchange transactions		
Other debtors	1 730	13 251
4. VAT receivable		
VAT	1 133 983	2 624 186
5. Consumer debtors		
Gross balances		
Rates	904 006	1 327 575
Refuse	1 162 012	1 028 488
	2 066 018	2 356 063
Less: Provision for debt impairment		
Rates	(827 376)	(1 096 522)
Refuse	(624 161)	(827 201)
	1 451 537	1 923 723
Net balance		
Rates	904 006	1 327 575
Refuse	1 162 012	1 028 488
Provision for debt impairment	(1 451 537)	(1 923 724)
	614 481	432 339
Rates		
Current (0 -30 days)	625 087	543 455
31 - 60 days	140 358	295 040
61 - 90 days	31 839	27 681
91 - 120 days	28 094	24 425
121 - 365 days	78 628	436 974
	904 006	1 327 575
Refuse		
Current (0 -30 days)	335 282	312 655
31 - 60 days	113 798	106 118
61 - 90 days	79 292	73 941
91 - 120 days	77 362	72 141
121 - 365 days	556 278	463 633
	1 162 012	1 028 488
Reconciliation of debt impairment provision		
Balance at beginning of the year	(1 923 723)	(1 834 792)
Contributions to provision	472 187	(88 931)
Balance at year end	(1 451 536)	(1 923 723)

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
6. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	1 941	18 084
Bank balances	30 143	316 921
Short-term deposits	8 642 014	10 041 628
	8 674 098	10 376 633
Bank overdraft	(1 649 689)	(1 666 095)
Current assets	8 674 098	10 376 633
Current liabilities	(1 699 936)	(1 666 095)
	6 974 162	8 710 538

The municipality had the following bank accounts

Bank	Account number	Account description	Bank statement balances		Cashbook balances	
			30 June 2012	30 June 2011	30 June 2012	30 June 2011
ABSA BANK	- 4053-7095-58	Current Account	40612	(1 666 095)	(50 247)	(1 666 095)
ABSA BANK	- 9104-6894-80	Investment	-	64 532	-	64 532
FNB BANK	- 6233-1260-240	Current account	(55 879)	-	(1 649 689)	-
FNB BANK	- 6220-5724-174	Current Account	30 143	316 921	30 143	316 921
FNB BANK	- 7410-7649-045	Investment	10 000	21 046	10 000	21 046
FNB BANK	- 7433-2463-674	Investment	6 377 791	6 035 138	6 377 791	6 035 138
FNB BANK	- 6233-3315-952	Investment	1 040 081	2 792 585	1 040 081	2 792 585
FNB BANK	- 6233-3317-594	Investment	11 439	-	11 439	-
STANDARD BANK	- 0685-5356-0002	Investment	1 122 272	1 072 037	1 122 272	1 072 037
NEDBANK	- 9998-5256-5126	Investment	67 852	44 044	67 852	44 044
MERCANTILE	- 4100-1677-25	Investment	12 580	12 247	12 580	12 247
Total	Total		8 656 891	8 692 455	6 972 222	8 692 455

Notes to the Annual Financial Statements

Figures in Rands	2012		2011			
7. Investment property						
	2012		2011			
	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying Value
Investment property	198 150	(84 250)	113 900	198 150	(84250)	113 900

Reconciliation of investment property - 2012

	Opening balance	Total
Investment property	113 900	113 900

Reconciliation of investment property - 2011

	Opening balance	Total
Investment property	113 900	113 900

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

Details of valuation

Carrying amounts of Investment Property carried at Provisional amounts are as follows:

Amounts recognised in surplus and deficit for the year

Rental revenue from investment property	206 824	192 044
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8. Property, plant and equipment

	2012			2011		
	Cost / Valuation	Accumulated value depreciation and asset adjustments	Carrying value	Cost / Valuation	Accumulated depreciation and asset adjustment	Carrying value
Land	168 000	-	168 000	168 000	-	168 000
Buildings	6 478 518	(1 648 545)	4 829 973	6 478 518	(1 429 868)	5 048 650
Infrastructure	17 253 938	(1 942 668)	15 311 270	5 619 637	(1 053 230)	4 566 407
Community	21 220 883	(2 278 763)	18 942 120	28 392 273	(2 522 100)	25 870 173
Capital work in progress	16 843 363	-	16 843 363	27 599 702	-	27 599 702
Finance leased assets	1 994 783	(775 462)	1 219 321	848 703	(486 728)	361 975
Other property, plant and equipment	10 280 865	(3 816 122)	6 464 743	7 679 406	(3 401 863)	4 277 543
Total	74 240 350	(10 461 560)	63 778 792	76 786 239	(8 893 789)	67 892 450

Notes to the Annual Financial Statements

Figures in Rands

2012

2011

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment – 2012

	Opening balance	Additions	Transfers from WIP	Transfer to Mtubaba	Depreciation	Impairment Reversal	Total
Land	168 000	-	-	-	-	-	168 000
Buildings	5 048 650	-	-	-	(218 677)	-	4 829 973
Infrastructure	4 566 407	-	11 634 301	-	(889 438)	-	15 311 270
Community	25 870 173	-	9 375 937	(15 614 847)	(689 143)	-	18 942 120
Capital work in progress	27 599 702	10 253 899	(21 010 238)	-	-	-	16 843 363
Finance leased assets	361 975	1 146 080	-	-	(288 734)	-	1 219 321
Other property, plant and equipment	4 277 543	3 910 435	-	(532 885)	(869 254)	(321 096)	6 464 743
	67 892 450	15 310 414	-	(16 147 732)	(2 955 246)	(321 096)	63 778 790

Reconciliation of property, plant and equipment – 2011

	Opening balance	Additions	Correction of error	Depreciation	Total
Land	168 000	-	-	-	168 000
Buildings	4 939 367	203 866	382 556	(477 139)	5 048 650
Infrastructure	687 757	-	3 952 810	(74 160)	4 566 407
Community	13 219 847	-	13 571 829	(921 503)	25 870 173
Capital work in progress	36 026 129	13 091 322	(21 517 749)	-	27 599 702
Finance leased assets	251 283	267 354	-	(156 662)	361 975
Other property, plant and equipment	3 885 180	1 396 031	(5 886)	(997 782)	4 277 543
	59 177 563	14 958 573	(3 616 440)	(2 627 246)	67 92 450

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
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9. Intangible assets

	2012			2011		
	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying Value
Computer software	887 895	(217 181)	670 714	887 895	(142 327)	745 568

Reconciliation of intangible assets – 2012

	Opening balance	Amortization	Total
Computer software	745 568	(74 854)	670 714

Reconciliation of intangible assets - 2011

	Opening balance	Additions	Amortisation	Total
Computer software	19 075	850 230	(123 737)	745 568

10. Deposits

Deposits	14 200	14 200
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11. Finance lease obligation

Minimum lease payments due

- within one year	910 331	318 881
- in second to fifth year inclusive	767 741	266 154
	1 678 072	585 035
less: future finance charges	(220 000)	(112 937)

Present value of minimum lease payments

	1 458 072	472 098
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Present value of minimum lease payments due

- within one year	585 000	472 289
- in second to fifth year inclusive	873 072	-
	1 458 072	472 289
Non-current liabilities	873 072	-
Current liabilities	585 000	472 289
	1 458 072	472 289

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
12. Trade and other payables from exchange transactions		
Trade payables	1 196 079	6 698 585
Cellphone contracts	609	1
Deposits received	1 925	9 325
Leave accrual	869 936	908 230
Annual bonus accrual	172 393	251 430
	2 240 942	7 867 571

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Hlabisa Sewerage System Project	1 798 319	4 069 782
National Electrification Program	4 686 392	2 129 027
Corridor Development	652 752	1 425 041
Finance Management Grant	-	(596 493)
MIG	1 268 862	1 319 583
DOH - Disaster Management Grant	1 267 785	1 267 785
DPLG - MSIG	-	(498 713)
Library Grant	-	(185 833)
Project Consolidate - Water Reticulation	(544 881)	(544 881)
DOH - Community Gardens	-	202 298
DTLGA - Informal Trading	-	(200 000)
PMS Grant - DC 27	-	(198 044)
Project Consolidate - Waste Dump	-	(174 274)
Internal Control Units	-	1 882
MDPC Grant	-	(8 949)
Mpembeni Game Lodge	-	54 203
Zampilo Tourism Centre	-	(48 454)
IDP Grant - DC 27	-	(38 172)
Community Initiative Grant	-	42 452
Municipal Development Plan	-	12 399
IDP Grant	-	9 922
DTLGA - Community Development	-	9 011
GIS Grant	-	8 619
Shikishela Creche	-	8 346
Hlabisa Town Beautification	274 500	2 279 575
Computer Grant	-	54
DC 27 - Voter registration	-	2 000
DOH Socio economic grant	-	4 676
Inter Government department monitoring	-	4 677
Mpembeni Health centre	-	4 172
Sports Grant	-	(80 917)
	9 403 729	10 280 774

Notes to the Annual Financial Statements

Figures in Rands	2012	2011
14. Property rates		
Rates received		
Municipal	317 189	307 113
	<u>317 189</u>	<u>307 113</u>
Property rates - penalties imposed and collection charges	179 835	112 535
	<u>497 024</u>	<u>419 648</u>

The following are the rates randage that were applied to the valuations in respect of the various categories:

Category	Randage in cents/Rand
Residential :	0.0105
Business :	0.0131
Specialized:	0.0026

Residential properties are subject to a rebate of R55 000 of the market value.

Valuations

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 01 July 2012

15. Service charges		
Refuse removal	232 871	660 448

16. Government grants and subsidies

Equitable share	37 856 000	39 264 974
Conditional and other grants	27 738 850	27 803 299
	<u>65 594 850</u>	<u>67 068 273</u>

Equitable share

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

Conditional & Other Grants

Balance unspent at beginning of year	10 280 775	5 008 838
Current-year receipts	26 861 804	33 075 236
Conditions met - transferred to revenue	(27 738 850)	(27 803 299)
	<u>9 403 729</u>	<u>10 280 775</u>

Notes to the Annual Financial Statements

Figures in Rands	2012	2011
17. Other revenue		
Rental income - third party	206 824	192 044
Sundry income	938 843	276 335
	1 145 667	468 379
18. Employee related costs		
Basic	8 066 408	8 485 059
Bonus	462 810	573 040
Medical aid - company contributions	226 274	311 274
UIF	77 514	87 329
SDL	115 454	117 024
Post-employment benefits - Pension - Defined contribution plan	756 782	781 938
Travel, motor car, accommodation, subsistence and other allowances	812 123	999 527
Overtime payments	855 113	1 000 505
Housing benefits and allowances	883 006	1 045 357
Telephone, cell allowances	662 184	608 377
Industrial Council	73 043	72 976
Leave	23 895	(21 499)
Workmens Compensation	-	282
	13 014 606	14 061 189
Remuneration of Municipal Manager		
Annual Remuneration	228 523	388 875
Car Allowance	63 487	144 755
Contributions to UIF, Medical and Pension Funds	4 338	34 299
Other Allowances	537 105	137 517
Other	-	19 963
	833 453	725 409
Remuneration of Chief Finance Officer		
Annual Remuneration	388 399	372 252
Car Allowance	118 727	113 792
Contributions to UIF, Medical and Pension Funds	1 497	46 159
Other Allowances	169 822	114 356
Other	-	30 388
	678 445	676 947
Remuneration Corporate and Human Resources (Corporate Services)		
Annual Remuneration	252 161	367 347
Car Allowance	72 097	101 329
Contributions to UIF, Medical and Pension Funds	2 800	20 517
Other Allowances	179 537	137 667
Other	-	72 821
	506 595	699 681
Remuneration of Technical Services		
Annual Remuneration	261 134	360 242
Car Allowance	108 276	135 361
Contributions to UIF, Medical and Pension Funds	23 881	1 497
Other Allowances	95 837	104 800
Other	-	57 365
	489 128	659 265

Notes to the Annual Financial Statements

Figures in Rands 2012 2011

18. Employee related costs (continued)

Remuneration of Community Services

Annual Remuneration	355 174	215 961
Car Allowance	86 555	31 190
Contributions to UIF, Medical and Pension Funds	1 373	1 458
Other Allowances	179 541	51 912
Other	-	14 864
	622 643	315 385

19. Remuneration of councillors

Mayor	330 745	230 789
Deputy Mayor	275 973	231 137
Executive Committee	281 941	821 382
Speaker	-	394 952
Councillors	514 028	3 689 651
Councillors Allowances	2 239 191	1 517 570
	3 641 878	6 885 481

In-kind benefits

The Mayor, Deputy Mayor and Mayoral Committee Members are part-time employees. Speaker is a full time employee. Only the Mayor, Deputy Mayor and Speaker have offices and secretarial support at the cost of the Council.

The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties. The Mayor has two full-time bodyguards. The Deputy Mayor has one full-time bodyguard. The Speaker has one full-time bodyguard and Executive Committee Member has one.

20. Depreciation and amortisation

Property, plant and equipment	3 030 100	2 598 431
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21. Interest paid

Finance leases	323 533	90 596
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22. Contracted services

Contract services	6 468	2 632 337
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Notes to the Annual Financial Statements

Figures in Rands	2012	2011
23. General expenses		
Administration Expenses	624 938	411 401
Advertising	721 699	540 152
Assets expensed	321 096	-
Auditors remuneration	2 724 813	2 339 461
Bank charges	62 930	94 074
Cleaning	76 152	32 618
Community development and training	2 249 99	1 346 518
Consulting and professional fees	6 427 551	7 944 133
Consumables	-	51 588
Donations	16 147 732	-
Entertainment	74 897	236 001
Fines and penalties	5 195	7 766
Fuel and oil	773 364	990 603
General	326 848	529 617
Insurance	279 851	879 533
Lease rentals on operating lease	487 974	260 161
Legal Claim	1 048 499	447 848
Postage and courier	474 826	461 496
Printing and stationery	155 212	144 818
Promotions	70 430	126 293
Royalties and license fees	850	45 002
Security (Guarding of municipal property)	701 416	645 339
Sports	276 795	278 635
Subscriptions and membership fees	5 101	122 604
Subsistence & Travel	1 527 813	2 237 013
Tourism development	228 258	115 647
Training	181 053	188 636
Uniforms	30 406	30 799
Utilities - Other	298 554	252 617
	36 303 852	20 760 373
24. Cash generated from operations		
(Deficit)/Surplus for the year	(1 684 731)	9 313 027
Adjustments for:		
Depreciation and amortisation	3 030 100	2 598 431
Finance costs - Finance leases	323 533	90 596
Debt impairment	766 361	88 932
Appropriations	-	(167 897)
Donation to Mathuba	16 147 731	-
Other non-cash items	(323 534)	90 509
Changes in working capital:		
Inventories	(41 849)	17 333
Trade and other receivables from exchange transactions	11 521	14 305
Consumer debtors	(948 503)	467 597
Trade and other payables from exchange transactions	(5 626 629)	2 339 768
VAT	1 490 203	(1 078 331)
Unspent conditional grants and receipts	(877 045)	5 271 936
Other liability 3	321 095	-
	12 588 253	19 046 206

Notes to the Annual Financial Statements

Figures in Rands	2012	2011
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25. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure - opening balance	14 786	6 154
Add: Fruitless and wasteful expenditure - current year	257 558	-
less: Condoned	(6 154)	8 632
	266 190	14 786

The above item relates to penalties in respect of late payments to Telkom and Eskom for 2011-2012 financial year.

26. Irregular expenditure

Opening balance	489 666	-
Add: Irregular Expenditure - current year	7 684 245	489 666
	8 173 911	489 666

Details of irregular expenditure not recoverable (not condoned)

-

27. SCM Deviations

Description

1 Quotation	1 345 225	-
2 Quotations	13 400	-
No Preference Points Applied	2 968 671	-
	4 327 296	-

The following awards have been included in the above amount of R4 327 296.

Without Tax Clearance Certificate R387 687.26

Did not declare R487 235.35

Not on database R172 286.79

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

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

Notes to the Annual Financial Statements

Figures in Rands 2012 2011

28. Additional disclosure in terms of Municipal Finance Management Act Auditor's remuneration

Current year auditor's remuneration	2 724 813	2 339 461
VAT		
VAT receivable	1 133 983	2 624 186
VAT output payables and VAT input receivables are shown in note 4 . All VAT returns have been submitted by the due date throughout the year.		
PAYE and UIF		
Current year subscription / fee	2 977 116	-
Amount paid - current year	(2 977 116)	-
	-	-
Pension and Medical Aid Deductions		
Current year subscription / fee	1 377 488	-
Amount paid - current year	(1 377 488)	-
	-	-

29. Commitments

Authorized capital expenditure	4 965 213	26 915 283
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Approved and contracted for

- Property, plant and equipment

30. Events after reporting date

There are no events after reporting date requiring disclosure.

31. Key Sources of estimation uncertainty and judgements

The following areas involve a significant degree of estimation uncertainty:

- Useful lives and residual values of property, plant, and equipment
- Recoverable amounts of property, plant and equipment
- Provision for doubtful debts
- Impairment of assets
- Provision for long-term service award

Notes to the Annual Financial Statements

Figures in Rands	2012	2011
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32. Risk management

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 evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Liquidity risk

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

Interest rate risk

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

At year end, financial instruments exposed to interest rate risk were as follows:

- Notice deposits

33. Related parties

Relationships

Wife of Councillor GR Mchunu

Makhosandile trading enterprise owned by EN Zungu provided catering to the municipality amounting to R2 750

Compensation to accounting officer and other key management

Post-employment benefits - Pension - Defined contribution plan	5 043	2 476
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34. Contingencies

The Municipality is in litigation with Mguni Wells CC over the construction of the city hall. The amount in question is R 763 782.

Notes to the Annual Financial Statements

Figures in Rands	2012	2011
35. Unauthorized expenditure		
Over expenditure	1 684 731	-
Conditional Grants not cashed back	839 566	-
	2 524 297	-

36. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2011 is as follows

Statement of financial position**Finance leases**

Previously stated	-	217 456
Adjustment	-	209 833
	<u>-</u>	<u>427 289</u>

Statement of Financial Performance**Interest expense**

Previously stated	-	(42 701)
Adjustment	-	(47 859)
	<u>-</u>	<u>(90 560)</u>

37. Prior period errors

Property, Plant and Equipment were capitalised at incorrect values as wells not accounted for correctly.

Income from Grants and Subsidies of R2 249 951.39 were not recognised in the prior year.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Property, plant and equipment	-	(3 616 440)
Unspent Grants and Subsidies	-	(2 249 951)
Opening Accumualted Surplus or Deficit	-	3 616 440

Statement of Financial Performance

Revenue from Grants and subsidies	-	2 249 951
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38. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix A for the comparison of actual operating expenditure versus budgeted expenditure.

Appendix A

Schedule of external loans as at 30 June 2012

Loan Redeemable Number	Balance at 30 June 2011	Received during the period	Redeemed written off during the period	Balance at 30 June 2012	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
	Rand	Rand	Rand	Rand	Rand	Rand
Loan Stock	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
Structured Loans	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
Funding Facility	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
Development Bank of South Africa	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
Bonds	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
Other Loans	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
Lease Liability	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
Annuity Loans	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
Government Loans	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-

Appendix B

Analysis of property, plant and equipment as at 30 June 2012

	Cost / Revaluation						Accumulated Depreciation						Closing Balance	Carrying Value
	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes / movements	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment Loss		
Land and Buildings														
Land (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure														
Roads, Pavements & Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm Water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street Lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage Purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals & Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic & WIFI infrastructure)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	7 647	-	-	-	-	7 647	7 647
	-	-	-	-	-	-	-	7 647	-	-	-	-	7 647	7 647
Heritage Assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix B continued

Analysis of property, plant and equipment as at 30 June 2012

	Cost / Revaluation						Accumulated Depreciation						Closing Balance	Carrying Value
	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes / movements	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment Loss		
Community Assets														
Parks & Gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sports fields & Stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming Pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreation Facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & Art Galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social Rental Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, Safety & Emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security & Policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised Vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix B continued

Analysis of property, plant and equipment as at 30 June 2012

	Cost / Revaluation						Accumulated Depreciation						Carrying Value	
	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes / movements	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment Loss		Closing Balance
Other assets														
General Vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant & Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment – Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security Measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic Land & Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins & Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in Progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets – Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing Development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Property, Plant & Equipment														
Land & Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	7 647	-	-	-	-	7 647	7 647
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised Vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	7 647	-	-	-	-	7 647	7 647

Appendix B continued

Analysis of property, plant and equipment as at 30 June 2012

	Cost / Revaluation						Accumulated Depreciation						Carrying Value	
	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes / movements	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment Loss		Closing Balance
Agricultural / Biological Assets														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible Assets														
Computers (Software & Programming)	888	-	-	-	-	-	888	(217)	-	-	-	-	(217)	671
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	888	-	-	-	-	-	888	(217)	-	-	-	-	(217)	671
Investment Properties														
Investment Properties	198	-	-	-	-	-	198	(84)	-	-	-	-	(84)	114
	198	-	-	-	-	-	198	(84)	-	-	-	-	(84)	114
Total														
Land & Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	7 647	-	-	-	-	7 647	7 647
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialise Vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural / Biological Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible Assets	888	-	-	-	-	-	888	(217)	-	-	-	-	(217)	671
Investment Property	198	-	-	-	-	-	198	(84)	-	-	-	-	(84)	114
	1 086	-	-	-	-	-	1 086	7 346	-	-	-	-	7 346	8 432

Appendix C

Analysis of property, plant and equipment as at 30 June 2012

	Cost / Revaluation						Accumulated Depreciation						Closing Balance	Carrying Value
	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes / movements	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment Deficit		
Municipality														
Executive & Council / Mayor & Council	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance & Admin / Finance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Planning & Development / Economic Development / Plan	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health / Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Commun. & Social / Libraries & Archives	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Safety / Police	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sports & Recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Environmental Protection / Pollution Control	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Water Management / Sewerage	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Road Transport / Roads	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water / Water Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity / Electricity Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other / Air Transport	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Municipal Owned Entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total														
Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Municipal Owned Entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix D

Segmental Statement of Financial Performance for the year ended 2012

Prior Year			Current Year			
Actual Income Rand	Actual Expenditure Rand	Surplus / (Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus / (Deficit) Rand
-	-	-	Municipality	-	-	-
-	-	-	Executive & Council / Mayor & Council	-	-	-
-	-	-	Finance & Admin / Finance	-	-	-
-	-	-	Planning & Development / Economic Development / Plan	-	-	-
-	-	-	Health / Clinics	-	-	-
-	-	-	Commun. & Social / Libraries & Archives	-	-	-
-	-	-	Housing	-	-	-
-	-	-	Public Safety / Police	-	-	-
-	-	-	Sports & Recreation	-	-	-
-	-	-	Environmental Protection / Pollution Control	-	-	-
-	-	-	Waste Water Management / Sewerage	-	-	-
-	-	-	Road Transportation / Roads	-	-	-
-	-	-	Water / Water Distribution	-	-	-
-	-	-	Electricity / Electricity Distribution	-	-	-
-	-	-	Other / Air transport	-	-	-
-	-	-		-	-	-
-	-	-	Municipal Owned Entities	-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-	Other Charges	-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-	Total	-	-	-
-	-	-	Municipality	-	-	-
-	-	-	Municipal Owned Entities	-	-	-
-	-	-	Other Charges	-	-	-
-	-	-		-	-	-

Appendix E

Actual versus Budget (Revenue & Expenditure (for the year ended 30 June 2012))			
Current Year 2012	Current Year 2012		
Actual Balance	Adjusted Budget	Variance	Explanation of Significant Variances Greater than 10% versus Budget
Rand	Rand	Rand	
Revenue			
Sale of goods	-	-	(Explanation to be recorded)
Sale of goods in agricultural activities	-	-	
Rendering of services	-	-	
Rendering of services in agricultural activities	-	-	
Property rates	317 189	-	317 189
Service charges	232 871	-	232 871
Levies	-	-	-
Property rates – penalties imposed & collection charges	179 835	-	179 835
Sales of housing	-	-	-
Construction contracts	-	-	-
Royalty income	-	-	-
Rental of facilities & equipment	-	-	-
Interest received (trading)	-	-	-
Dividends received	-	-	-
Income from agency services	-	-	-
Public contributions & donations	-	-	-
Fines	1 622 651	-	1 622 651
Licences & permits	282 328	-	282 328
Government grants & subsidies	65 594 850	-	65 594 850
Municipal revenue UD1	-	-	-
Municipal revenue UD2	-	-	-
Revenue 1	193	-	193
Revenue 2	-	-	-
Miscellaneous other revenue	-	-	-
Administration & management fees received	-	-	-
Fees earned	-	-	-
Commissions received	-	-	-
Royalties received	-	-	-
Rental income	206 824	-	206 824
Discount received	-	-	-
Recoveries	-	-	-
Other income 1	938 843	-	938 843
Other income 2	-	-	-
Other income 3	-	-	-
Other income	-	-	-
Other farming income 1	-	-	-
Other farming income 2	-	-	-
Other farming income 3	-	-	-
Other farming income 4	-	-	-
Other farming income	-	-	-
Government grants	-	-	-
Interest received – investment	851 520	-	851 520
Interest received - other	-	-	-
Dividends received	-	-	-
	70 227 104	-	70 227 104

Appendix E (1)

Actual versus Budget (Revenue & Expenditure (for the year ended 30 June 2012))				
	Current Year 2012	Current Year 2012		
	Actual Balance	Adjusted Budget	Variance	
	Rand	Rand	Rand	
			Explanation of Significant Variances Greater than 10% versus Budget	
Expenses				
Personnel	(13 014 606)	-	(13 014 606)	(Explanation to be recorded)
Manufacturing – employee costs	-	-	-	
Remuneration of councillors	(3 641 878)	-	(3 641 878)	
Administration	-	-	-	
Transfer payments	-	-	-	
Depreciation	(3 030 100)	-	(3 030 100)	
Impairment	-	-	-	
Amortisation	-	-	-	
Reversal of impairments	-	-	-	
Finance costs	(323 533)	-	(323 533)	
Debt impairment	(766 362)	-	(766 362)	
Collection costs	-	-	-	
Repairs & maintenance – manufacturing expenses	-	-	-	
Repairs & maintenance - general	(274 415)	-	(274 415)	
Repairs & maintenance – general	-	-	-	
Bulk purchases	-	-	-	
Contracted services	(6 468)	-	(6 468)	
Grants & subsidies paid	(14 550 621)	-	(14 550 621)	
Cost of housing sold	-	-	-	
General expenses	(36 303 851)	-	(36 303 851)	
Other – taken out of general expenses	-	-	-	
Other – taken out of general expenses	-	-	-	
Other – taken out of general expenses	-	-	-	
	(71 911 834)	-	(71 911 834)	
Other revenue & costs				
Gain / loss on disposal of assets & liabilities	-	-	-	
Gain / loss on exchange differences	-	-	-	
Fair value adjustments	-	-	-	
Gains / losses on biological assets & agricultural produce	-	-	-	
Income from equity accounted investments	-	-	-	
Gain / loss on disposal of non-current assets held for sale or disposal groups	-	-	-	
Taxation	-	-	-	
Discontinued operations	-	-	-	
Net surplus / (deficit) for the year	(1 684 730)	-	(1 684 730)	

5.4 COMMENTS ON THE ANNUAL FINANCIAL STATEMENTS

The 2011/2012 Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention.

The 2011/2012 Annual Financial Statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP) as prescribed by the Minister of Finance in terms of Government Gazette Number 31021, Notice Number 516, dated 9 May 2008 and also in terms of the standards and principles contained in Directive 4 and 5 issued by the Accounting Standards Board (ASB) in February 2010 in accordance with Section 122(30) of the Municipal Finance Management Act (Act No 56 of 2003).

The municipality changes the policy only if the change:

- Is required by a Standard of GRAP, or
- Results in the financial statements providing reliable and more relevant information about the effect of transactions, other events or conditions on the performance or cash flow.

The details of any resulting changes in accounting policy and comparative restatements are set in paragraphs 1.1, 1.4, 1.6 and 1.7 of the accounting policies for the year ended 30 June 2012 which forms part of the Annual Financial Statements.

The quality of the Annual Financial Statements was equal to that of a medium capacity municipality and no material changes to the statements were required by the office of the Auditor-General, therefore I have no doubt that the Annual financial Statements are a true reflection of the financial performance and position of Hlabisa Municipality.

The following information is presented on financial viability of Hlabisa Local Municipality:

	2009/2010	2010/2011	2011/2012
Rate of Consumer Debtors			
- Collection rate on billings	85.98%	15.01%	39.2%
- Debt over 90 days	51.96%	51.62%	35.84%
Grants as a % of Revenue Received	83.20	87.81	97.14%
Debt coverage ratio	60.48:1	45,44:1	43.89:1
Cost coverage ration	1,39:1	1.57:1	1.59:1
Audit opinion	Unqualified	Qualified	Qualified

For the past two years the municipality has been getting qualified audit opinion due to weaknesses and misstatement in the Property Plant and Equipment and the Asset Register that was not reconciling to the PPE disclosed on Annual Financial Statements. Misstatement on Cash flow, non-compliance with SCM Regulations which resulted in Irregular Expenditure being incurred and un-authorised expenditure incurred by the municipality where the budget was exceeded.

The management will ensure that the Asset Register is updated at least on quarterly basis and will revise internal controls on procurement of goods and services and comply with SCM Regulations and Policy of the Municipality.

5.5 ASSESSMENT BY THE ACCOUNTING OFFICER ON ARREARS

Collection rate from billings has increased by 24.19% whilst debtors older than 90 days have decrease by 15.78%. The municipality serves a largely rural community where unemployment and poverty is high; this is confirmed by the dependency on Grant Income by the municipality.

5.6 MANAGEMENT RESPONSES TO AUDITOR-GENERAL'S REPORT

The matters in the ensuing paragraphs are matters that arose from the audit and relevant to responsibilities of the accounting officer.

Basis for Qualified Opinion Property, Plant and Equipment

6. I was unable to obtain sufficient appropriate audit evidence about property, plant and equipment reflected as R63,779 million due to the limitation of scope placed upon my work by the municipality and the fact that no reliance could be placed upon the restated opening balances as I was unable to confirm the adjustment processed by alternative means. Moreover, there is a difference of R15,288 million between the fixed asset register and financial statements.

Management Response

Differences on Property Plant and Equipment on opening balances were investigated and corrected on the Annual Financial Statements by 30 November 2012.

Cash Flow Statement

7. Presentation of a cash flow statement, summarising the entity's operating, investing and financing activities, is required by Standard of Generally Recognised Accounting Practice, GRAP 2, Cash flow statements. The other payments of R19 680 661 presented in the cash flow statement do not agree to other payments of R14 009 452 included in the statement of financial performance. The net cash flows from operating activities in the cash flow statement are overstated by R5 671 209.

Management Response

Difference of R5 671 209 will be investigated and will be corrected in the opening balances of 2013 Annual Financial Statements.

Budget Disclosure

8. The municipality did not disclose budget information in accordance with the SA Standards of GRAP, paragraphs 11 — 15 of GRAP 1 Presentation of financial statements.

Management Response

Budget disclosure was not done as per GRAP Standards; the disclosure will be done when preparing the 2012/2013 Annual Financial Statements.

Unauthorised Expenditure

9. I was unable to verify the correctness of the amount of unauthorized expenditure as disclosed in note 35 to the financial statements amounting to R1 684 731 due to the limitation of scope placed upon my work by the municipality by not submitting the budget reconciliation as stated above or supporting evidence.

Management Response

The municipal budget will be monitored properly to avoid unauthorised expenditure as a result of over expenditure on other line items.

Irregular Expenditure

10. The municipality did not implement and maintain an appropriate procurement and provisioning system as required by section of the MFMA. The municipality made payments in contravention of the supply chain management which were not included in irregular expenditure, resulting in irregular expenditure being understated by 814,300 million. Furthermore, a shortfall of R1 985 857 was noted when comparing the total of unconditional grant amounting to R9 403 729 to total cash grant available R7 417 872.

Management Response

Management will improve internal controls on procurement and SCM processes to ensure that irregular expenditure is avoided.

Fruitless and Wasteful Expenditure

14. As disclosed in note 25 to the financial statements, fruitless and wasteful expenditure of R266 190 was incurred, due to interest and penalties being imposed on the late payment of supplier invoices and taxes due to the South African Revenue Service (SARS).

Management Response

Management will make sure that all service providers are paid within 30 days to prevent penalties being imposed on the municipal accounts by creditors.

Predetermined Objectives**20. Usefulness of Information****Presentation**

21. Improvement measures in the annual performance report for a total of 100% (>20%) of the planned targets not achieved were not disclosed as required by section 46 of the Local Government: Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA). This was due to limited review of the presentation of the annual performance report by management and audit committee.

Management Response

Performance reports will be checked properly by relevant people before they are presented to other committees like the Audit Committee and Internal Auditors for review.

Consistency

23. The MSA, section 41(c) requires that the integrated development plan/service delivery agreement 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 30% (>20%) of the reported objectives, indicators and targets are not consistent with the objectives, indicators and targets as per the approved integrated development plan/ service delivery agreement. This is due to the lack of controls measure and limited reviews.

Management Response

IDP, SDBIP and Budget will be reviewed for the current financial year to ensure alignment between these strategic documents. Any inconsistencies found will be addressed to ensure that there are no similar issues raised in future.

Measurability

24. The required performance could not be measured for a total of 24% (>20%) of the targets relevant to Basic Service Delivery and Infrastructure Development. This was due to the fact that management was aware of the requirements of the FMPPPI but did not receive the necessary training to enable application of the principles.

Management Comment

Key performance indicators will be reviewed to ensure that they are clear and measurable and any inconsistencies found will be addressed to ensure that there are no similar issues raised in future.

Reliability of Information Validity

25. The National Treasury FMPPPI requires that processes and systems which produce the indicator should be verifiable. A total of 25% (>20%) of the actual reported performance relevant to the selected objectives were not valid when compared to the source information and/or evidence provided. This was due to a lack of monitoring, review and standard operating procedures for the recording of actual achievements by senior management and audit committee.

Management Response

The findings will be investigated and evidence will be made available where there was an achievement. In the case where evidence cannot be produced, an amendment will be made in the performance reports since evidence in the POE file is the only proof that a target was achieved.

Accuracy

26. The National Treasury FMPPPI requires that the indicator be accurate enough for its intended use and respond to changes in the level of performance. A total of 25% (>20%) of the actual reported indicators/measures relevant to Basic Service Delivery and Infrastructure were not accurate when compared to source information. This was due to a lack of monitoring and review of the recording of actual achievements by senior management and audit committee.

Management Response

The reported findings will be investigated and necessary corrections will be made in the final annual performance report. An updated annual performance report will be submitted for audit purposes. Conducting of quarterly performance assessment will help to ensure that what is reported quarterly has relevant evidence in the POE.

Additional matter

Achievement of planned targets

28. Of the total number of planned targets, only 81 were achieved during the year under review. This represents 62% (>20%) of total planned targets that were not achieved during the year under review.

Management Response

Council Committees will improve their oversight responsibility by making sure that they check management reports properly and make sure that set targets are achieved in time.

Compliance with Laws and Regulations

29. I performed procedures to obtain evidence that the municipality 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:

Management Response

Compliance check lists have been developed and will be implemented by management.

Budgets

30. The municipality incurred expenditure that was not budgeted for and/or incurred expenditure in excess of the limits of the amounts provided for in the votes in the approved budget, in contravention of section 15 of the MFMA.

Management Response

Internal controls will be improved on to avoid incurring over expenditure on votes above their limits.

Annual Financial Statements, Performance and Annual Report

31. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA.

Management Response

The Annual Financial Statements for 2012/2013 will be prepared as per the requirements of Section 122 of the MFMA.

32. The 2010/11 annual report was not tabled in the municipal council within seven months after the end of the financial year, as required by section 127(2) of the MFMA.

Management Response

The 2011/2012 Annual Report will be tabled to Council by the 25th of January 2013 so that we comply with the legislation.

33. A written explanation was not submitted to council setting out the reasons for the delay in the tabling of the 2010/11 annual report in the council, as required by section 127(3) of the MFMA.

Management Response

2011/2012 Annual Report will be tabled in time to the Council

34. The accounting officer did not make public the Council's oversight report on the 2010/11 annual report within seven days of its adoption, as required by section 129(3) of the MFMA.

Management Response

The Council Oversight Report was not tabled within 7 days as per MFMA. The reason for non-compliance is that as a municipality we don't have a check list yet and there is no official responsible for compliance issues.

We are in the process of developing a comprehensive compliance check list which will be assigned to a full time official.

The Annual Report for 2011/2012 will be publicized as per the requirements of the legislation.

35. The annual performance report for the year under review does not include a comparison of the performance with set targets and measures taken to improve performance, as required by section 46 (1)(b) and (c) of the MSA.

Management Response

Performance reviews for 2011/2012 has not been done and therefore it is difficult to include measures taken to improve performance, since these should come out during performance assessments. Once the reviews are performed then measures to improve performance will be included.

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

Management Response

Deviations as a result of not obtaining three quotations should have been reported to Council. A monthly review of all awards and payments to service providers will be done to identify similar cases and proper procedures will be followed in terms of section 36 of SCM Regulations.

Management will review the procurement processes so that they comply with SCM Regulations and SCM Policy.

37. The preference point system was not applied in all procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act (PPPFA) and SCM regulation 28(1)(a).

Management Response

Controls will be developed and monitored to ensure compliance with sections of PPPFA 5 of 2000. Management will review the procurement processes so that they comply with SCM Regulations and SCM Policy.

38. Quotations were awarded to providers whose tax matters had not been declared by the SARS to be in order, as required by SCM regulation 43.

Management Response

Control procedures will be developed to ensure that all SCM Regulations are adhered to in the procurement of goods and services. Management will review the procurement processes so that they comply with SCM Regulations and SCM Policy.

39. Contracts and quotations were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).

Management Response

A checklist will be developed to ensure that all mandatory documents are submitted before any award is made.

Management will review the procurement processes so that they comply with SCM Regulations and SCM Policy.

- 40. Awards were made to providers who are persons in service of other state institutions or whose directors/ principal shareholders are persons in service of other state institutions, in contravention of SCM regulations 44. Similar awards were identified in the prior year and no effective steps were taken to prevent or combat the abuse of the SCM process in accordance with SCM regulation 38(1).

Management Response

Management has obtained a system that is able to verify companies whose directors are in the services of the state and who are prohibited to trade with the municipality.

Expenditure Management

- 41. 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.

Management Response

Management will amend the check list being used currently to monitor payment of creditors in time and include the column for comments with regards to delays on payment of invoices concerned.

- 42. The accounting officer did not take reasonable steps to prevent unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.

Management Response

Management will make sure that all service providers are paid within 30 days to prevent penalties being imposed on the municipal accounts by creditors.

Transfer of Funds and/ or Conditional Grants

43. The allocations for conditional grants were utilised for purposes other than those stipulated in their respective schedules or Gazetted Division of Revenue Act framework in contravention of the requirements of section 15(1) of the DORA.

Management Response

The difference is still being investigated and once all the findings have been found they will be corrected accordingly.

Revenue Management

44. A credit control and debt collection policy was not adopted and implemented, as required by section 96(b) of the MSA and section 62(1)(f)(iii) of MFMA.

Management Response

Credit Control and Debt Collection Policy will be implemented once the Credit Control and Debt Collection By-laws have been developed, adopted by Council and gazetted.

Internal Control

45. 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 qualified opinion, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Management Response

Proper systems for debt management are being developed which will assist in reducing long outstanding debts. We are currently doing data cleansing through Deeds Search and CSI, reviewing Credit Control and Debt Collection Policy. We will also be developing Credit Control By Laws to implement our policy.

Leadership

46. The accounting officer and delegated officials have not exercised adequate oversight responsibility over financial and performance reporting, compliance with laws and regulations and internal control. In this regard, the financial statements and predetermined objectives were not adequately reviewed prior to submission for audit.

Management Response

Financial reports and performance reports will be submitted to Internal Auditors and the Audit Committee in time for review before they are submitted to Auditor General for audit.

Financial and Performance Management

47. Systems are not appropriate to facilitate the preparation of quality financial statements. Actions are not taken to address risks relating to the achievement of complete and accurate financial reporting, and to mitigate the risk resulting in non-compliance with regulatory and reporting requirements.

Management Response

Caseware system has been purchased by the municipality and will be used to prepare Annual Financial Statements and all officials that will use it will be trained. Pastel Evolution is being used as our financial system and officials using this system have been trained to use it.

CHAPTER 6 FUNCTIONAL AREA SERVICE DELIVERY REPORT

The Constitution of the Republic of South Africa, Act No. 108 of 1996, places an obligation on Local Government to deliver quality services to the community and focus on development and accountability. Thus, the preparation of the annual performance report is to enable the Council of Hlabisa Local Municipality, Government sector departments, the community and other stakeholders to evaluate the progress that has been made by the Municipality towards accelerating service delivery and promotion of economic development.

The preparation of this report is supported by the provisions of the:

- Local Government Municipal Systems Act No. 32 of 2000;
- The Local Government Municipal Structures Act No. 117 of 1998;
- The Municipal Finance Management Act No. 56 of 2003; and
- The Constitution of the Republic of South Africa, Act No. 108 of 1996.

Furthermore, the report is central to the vision and developmental goals of the Municipality from which the IDP strategic objectives, as well as development strategies were developed.

Therefore, the mandate of the Council of Hlabisa Local Municipality will only be derived from meeting the needs of its communities, the implementation of its Integrated Development Plan (IDP), as well as the implementation of all Council resolutions within specified and reasonable time frames.

The performance report will reflect the overall performance of activities undertaken by the Municipality in terms of the following five (5) National Key Performance Areas (KPA's):

- Basic Service Delivery and Infrastructure Development;
- Municipal Transformation and Institutional Development;
- Social and Local Economic Development;
- Good Governance and Public Participation; and
- Financial Viability and Financial Management.

6.1 THE OFFICE OF THE MUNICIPAL MANAGER

6.1.1 Basic Service Delivery and Infrastructure Development

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2011 Actual Performance	Comments
To facilitate the delivery of basic services in an effective and efficient manner	Participation in all of the Service Delivery Planning Programmes undertaken by the District Municipality	Total number of meetings attended and attendance registers	4	4	0	This KPI is scattering throughout the municipal financial year. Nothing has happen from all four quotas. Target not achieved
	Monitor the provision of services by the District and other Agencies.	Number of monthly reports on the DC projects and monthly reports to the Municipal Manager.	4	4	0	This KPI is scattering throughout the municipal financial year. There has been no report received from the district. Target not achieved
	Assist the District Municipality with the identification and prioritization of projects	Number of priority projects approved by the Municipal Manager and relevant Council structures and forwarded to DC	1	1	1	The target on this KPI was achieved since the list of projects was submitted to the district. Target achieved

6.1.2 Social and Local Economic Development

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
To promote social development	Develop capacity to manage Disaster Management Programs (Disaster Management Forums, Disaster Management Plans workshop and awareness)	Number of Disaster Forum meetings held in the year.	Only one meeting held in 2010.	4	0	The target on this KPI was not achieved thought-out the year. There has been no sitting of the Disaster Forum. Target not achieved
		Number of Disaster Management Plans presented to Council.	Target not achieved in 2010/2011 period.	1	1	Disaster Management Plan has being developed. Target achieved
		Number of workshops/campaigns held.	Nothing has happened in 2010/2011 period.	2	0	Target not achieved No workshops were held.
		Number of youth programs held.	Miss & Mr. Hlabisa Beauty Pageant was planned for the 2 nd quarter in 2011	1	The event was held on the 18 th of December 2011 at Qunwane Community hall	Target achieved Miss and Mr Hlabisa Beauty Pageant Event.

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments	
Implementation of Special Programs for Vulnerable Groups	Implementation of youth programs	Number of youth meetings that were coordinated & facilitated.	Quarterly and special meetings were held	4	Quarterly meetings were held (4)	Target achieved	
		Number of Participations in the Youth Parliament.	No target	0	The youth of Hlabisa Local Municipality participated in the 2012 Youth Parliament that was held on the 14 th - 15 th of June 2012 at Jabhisa Sports Field	Target achieved	
		Number of delegates that attended the District Youth Summit.	No target	1	08 delegates from Hlabisa Local Municipality attended District Youth Summit on the 28 th to 29 th of June 2012	Target achieved	
	Implementation of Gender programs	Implementation of Gender programs	Hosting the Women's Dialogue	No target	1	The Women's Dialogue was held in August 2011 at Mpembeni Sports field	Target achieved
			Number of gender meetings that were coordinated and facilitated.	0	4	4	Target achieved
			Number of gender forums implemented.	Gender forums were implemented	Men & women forum structures	Hlabisa Local Municipality	Target achieved

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
				were established	established all gender forums	
		Number of people participated in the Amarula Ceremony.	The target was not achieved The Royal residence did not host the event	36 women representatives from Hlabisa Municipal wards attended the event	The Municipality participated on the ceremony and it was held on the 24 th -26 th of February 2012	Target achieved
		Conducting Cluster awareness campaigns against women & child abuse	There was not target for this financial year	The target was kept on hold by the executive committee	Target was not implemented	Target not achieved
	Implementation of Disability programs	Development of the Disability Framework	The framework was developed and adopted by the council on the 21 st of December 2010	the frame work is still operating	The framework was adopted in 2010 December	Target achieved
		Number of Disabled people empowerment/trained.	19 disabled people were trained in business administration by Athena	06 disabled people were trained for the business administration by Athena	02 disabled people were trained about the rights for the disabled people	Target achieved
		Number of Disability Forum meetings held	04 Disability forum meeting were held	Disability meetings were held quarterly	Disability meetings were held quarterly	Target achieved
	Implementation of Senior Citizens Programmes	Number of Golden Wednesday meetings held	There was no target for 2010/2011 financial year	12 Monthly meetings	Golden Wednesday meeting were held	Target achieved

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
		Date for the Senior Golden Games to be held.	The Senior Citizens Golden Games were held on the 06 th of December 2009	Senior Citizens Golden Games were held on the 14 th to 16 th of September 2010 at Port Shepstone.	Senior Citizens Golden Games were held on the 06 to 06 September 2011 at Pietermaritzburg	Target achieved.
	Senior Citizens Programmes	Hosting of Senior Citizens Christmas Party	The Christmas Party was held on the on the 06 th of December 2009	01 Senior Christmas Party hosted	Senior Citizens Christmas was held on the 22 nd of December 2011	Target achieved.
	World Aids Day	Hosting of World Aids Day	Health Screening Day held on the quarter ending 02	Health Screening Day held on the quarter ending one	World Aids Day was held on the 08 th of December 2011	Target achieved.
	Implementation of HIV and AIDS programmes	Number of LAC held	04 LAC meetings were held financial year	LAC meeting were held on the 06 th of August 2012, 10 September 2010, 08 October 2010 and 03 November 2010	LAC meetings were held on the 22 Nov 2011, 05 Dec 2011 and 09 Feb 2012	Target achieved
Number of HIV and AIDS Awareness Campaign conducted.		01 HIV and AIDS Awareness campaign held in 2009/2010 financial year	05 HIV and AIDS Awareness Campaign	02 HIV and AIDS Awareness campaign were held on the month of December 2011	Target achieved	
Number of Ward Aids Councils Launches.		19 Ward Aids Councils established	19 Wards Aids Councils launched	The establishment of the WAC's is still in process	The target is not achieved because on ward is outstanding with the establishment	

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
		Cluster based capacity building for WAC's	There was no target for 2009/2010 financial year	All members of the WAC's were trained on the 13 th to 17 th of December 2010	There was no target for 2011/2012 financial year	Target not achieved
	Children's Programmes	Hosting Christmas Party for Orphans and Vulnerable Children's	The Christmas Party was held on the 20 th of December 2009	01 Christmas Party for OVC's	The Christmas Party for OVC's was held on the 20 th of December 2011	Target achieved.
		Hosting Children's Day Celebration	There was no target for 2009/2011 financial year	01 Celebration hosted	2010/2011 target was not implemented	Target not achieved.
		Facilitating the sitting of LACC	There was no target for LACC 2009/2010 financial year	04 LACC meeting held	Hlabisa Local Municipality participated in the Child Protection week that was held in Durban on the 29,30 May and 01 June 2011	Target not achieved.
	Implementation of Ministers Programmes	Facilitating the sitting of Ministers meeting	There was no target for 2009/2010 financial year	There was no target for 2010/2011 financial year	Ministers forums were established in all 03 clusters	Target not achieved.

6.1.3 Municipal Transformation and Institutional Development

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
To facilitate integrated development.	Preparation of a five year Integrate Development Plan and Annual review thereafter.	Presentation of the five year Integrated Development Plan to council for adoption.	Target was achieved.	1	1 document adopted and submitted to COGTA	Target achieved because the IDP was presented to council for adoption. Target achieved
	Aligning budget to the IDP	Presentation of the IDP aligned budget to council for adoption.	Target was achieved	1	IDP/BUDGET was presented to Council and submitted to COGTA	Target achieved because the IDP/BUDGET was presented to Council and submitted to COGTA Target achieved
Lead, direct and manage staff and resources so that department is able to attain its performance targets	Staff meetings held on a bi-monthly basis.	Number of staff meetings held	06 meetings conducted out of 12 meetings.	08	02 meetings held	Target was not achieved, since there were two meetings held. Target not achieved
	Every section 57 employee to have a role description and a	Number of signed job descriptions	All section 57 employees job descriptions were signed during	All section 57 employees with signed job	All job descriptions were signed.	Target was achieved since all job descriptions were

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
	weekly work plan		2010/2011	descriptions		signed. Target achieved
	Management of overtime.	Number of monthly Departmental reports submitted to MANCO	12	12	0	Target not achieved since there were no reports submitted. Target not achieved
	Management of absenteeism	Number of monthly Departmental reports submitted to MANCO	12	12	0	Target not achieved since there were no reports submitted. Target not achieved
	Management of leave.	Number of monthly Departmental reports submitted to MANCO	12	12	0	Target not achieved since there were no reports submitted. Target not achieved
To capacitate staff to enable them to implement the IDP	Identification of staff development needs.	Skills development plan for the department	1 skills plan was submitted.	1.	1	Target achieved since the skills development plan was submitted. Target achieved
To promote integrated, coordinated and sustainable development performance	Attendance of IDP Representative Forum Meetings	Number of meetings held	4 meetings achieved.	4	4	The target on this KPI was achieved since the IDP Representative forum sits all four meetings.

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
management system.						Target achieved
	Attendance of IDP steering committee meeting.	Number of meetings held	4	4	4 achieved	The target on this KPI was achieved since the IDP Steering Committee sits all meetings. Target achieved
	Inputs on the development of performance indicator	Number of strategic planning meetings attended	4 meetings but only two conducted.	4	1 meeting conducted.	The target on this KPI was not achieved since only one meeting held in March 2012. Target not achieved

6.1.4 Good Governance and Public Participation

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
To Promote Good Governance	Participation in the district IGR forum.	Number of IGR meetings attended	4 meetings achieved in 2010/2011	4 IGR District Meetings	4	This KPI was achieved since, Mr. K.E. Gamede from Executive Department attended the IDP Workshop in St Lucia from 23-25 of May 2012 and DTT meeting in Mganwini Community Hall on the 22 nd of May 2012, The Municipal Managers Forum on the 12 th of April 2012 in Big Five False Bay and the Technical MuniMec on the 13 th of April 2012 in Sinodale Centre PMB Target achieved
	Establishment of all statutory committees.	Number of statutory committee reports prepared	2	2 Statutory committees established	2	The Executive department is complying with the issue of compliance as the one of our priorities for this financial period. Target achieved

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
	Ensuring legislative compliance.	No non-compliance issues raised in the internal and Auditor General report.	Unqualified Audit report	Unqualified Audit report	1	The Executive department is complying with the issue of compliance as the one of our priorities for this financial period. Target achieved
	Conducting the business of the municipality efficiently and effectively.	Unqualified Auditor general report.	Unqualified Audit report	Unqualified Audit report	1	The Executive department is complying with the issue of compliance as the one of our priorities for this financial period. Target achieved
To promote community involvement in municipal affairs.	Attendance of 4 schedule council meeting p.a	Number of scheduled Council meetings attended	4 achieved	4	4 achieved	The Council meeting did sit for all four quotas. Target achieved
	Attendance of at least 12 meetings of different portfolio committees of council	Number of scheduled Portfolio Committee meetings attended	12 achieved	12	12 achieved	The annual target on this KPI was met since the Executive and Finance meetings scheduled for each month did sat on the scheduled date.

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
						Target achieved
To create and sufficient and appropriate capacity for effective governance and service delivery.	Attendance of 2 public participation meetings during budget formulation.	Number of Public Participation meetings held	2 achieved	2	2	Target on this KPI was achieved since two IDP Road Shows did happen Target achieved
	Submission of all governance and strategic planning documents to council For adoption	Number of governance and strategic planning documents presented to Council for adoption	All Strategic Planning Documents Adopted by Council during 2010/2011 period.	All Strategic Planning Documents Adopted by Council	2 (IDP and Budget)	Target on this KPI was achieved since all strategic planning documents were adopted by council. Target achieved

6.1.5 Financial Viability and Financial Management

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
To ensure participation in the budget process	Inputs on the development of the budget.	Timeous completion and submission of departmental work plans	1	Annual Budget Departmental inputs	1	Target achieved since the annual budget departmental inputs were submitted to finance department. Target achieved
To ensure that the allocated budget is utilized efficiently and economically.	Monitoring of expenditure.	Departmental monthly expenditure reports	1	No Over Expenditure of votes	1	The departmental budget has been monitored to avoid the over-expenditure of votes. Target achieved

6.2 CORPORATE SERVICES

6.2.1 Basic Service Delivery and Infrastructure Development

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
To facilitate the delivery of basic services in an effective and efficient manner	Providing support during ward Operation MBOs	Number of Operation MBOs	No target	2	1 Operation MBO supported	The coordination of the activity is largely dependent on the availability of government departments to render services during the event. Target not achieved
	Capacity Building of members of the Flagship Committee	Number of Flagship Committee members trained	No target	30	30 members trained	Target achieved
	Coordinating Flagship Committee meetings	Number of meetings held	No target	12	12 meetings held	Target achieved

6.2.2 Municipal Transformation and Institutional Development

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
To improve the quality and efficiency of the administrative component of the Municipality	Finalize the review of the organogram	% of budgeted vacancies filled	100%	100%	100%	Target achieved
		Organogram adopted by Council	The 2010/2011 organogram was approved by Council	Approved organogram	The organogram was approved by Council on the 31 st of May 2012	Target not achieved (target set for Q1)
To implement PMS	Finalize the appointment of Section 57 Employees	Number of Performance Agreements signed by S57 Managers	The 2010/2011 Performance Agreements were signed and submitted on 22 July 2011	5	Performance Agreements were signed by 3 Senior Managers (Chief Financial Officer, Director: Corporate Services and Director: Community Services). The former Municipal Manager and the former Director: Infrastructure Planning & Development were on suspension	During the course of the financial year; the Municipality appointed the new MM and two Directors. However; the target was set for Q1 Target not achieved
To improve the quality and efficiency of Municipal PMS	Development of Organizational PMS and Individual PMS	Number of Departmental SDBIPs approved by the Mayor	OPMS and IPMS was adopted by Council	5	5	Target achieved
	Reporting on PMS targets	Revised PMS Policy adopted by Council	The PMS Policy was adopted by Council	1	The PMS Policy was adopted by Council on the 30 th of September 2011	Target achieved
	Encouraging good performance through incentives	Number of Performance Reports submitted	No target	4	4	Target achieved

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
To improve the capacity of staff and councillors	Identification of skills gaps and training needs	Number of performance and service based awards conferred	No target	1	0	The target was not implemented due to financial constraints Target not achieved
	Identification of staff and councillors training needs	Skills Audit Report on Councillors and staff members	No target	1	1	Target achieved
	Identification of staff and councillors training needs	Submission of WSP to LGSETA by 30 June 2012	Workplace skills plan developed, approved by MM and submitted to LGSETA before 30 June 2011	1	The 2012/2013 WSP and 2011/2012 ATR were submitted to LGSETA on the 29 th of June 2012	Target achieved
	Identification of staff and councillors training needs	Number of Councillors trained as per WSP targets	No target	16	16	Target achieved
	Training employees to implement the IDP	Number of Cllrs and Senior Managers trained on Municipal Governance & Administration	No target	16	22	Target achieved
	Training employees to implement the IDP	Number of employees trained as per WSP targets	No target	20	16	Target not achieved
To ensure adherence to Employment Equity Act	Development of the 2011-2014 Employment Equity Plan	Employment Equity Plan submitted to the Department of Labour	The Employment Equity Report was submitted to the Department of Labour on the 30 th of September 2010.	EE Report submitted to the Department of Labour	The report was submitted to DoL in January 2012 (online reporting)	Target achieved

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
	Awareness campaigns on employment equity, work ethics and organizational culture building programmes	Number of awareness campaigns held per annum	No target	2	0	Target not achieved
To improve the quality and efficiency of the administrative component of the Municipality	Review of HR Policies and Systems	Number of HR and Governance Policies developed and revised	38 HR Policies and Procedures were developed through the assistance of the Municipal Governance & Administration Expert and adopted by Council on 21 December 2010.	30	30 policies developed	Target not achieved (target set for Q2 but achieved in Q4)
	Development of a Records Management Policy	Records Management Policy adopted by Council	The Filling Plan was revised with the assistance of the Department of KZN Archives	1	1	Target not achieved (target set for Q3 but achieved in Q4)
	Conducting Disciplinary Hearings	% of disciplinary enquiries addressed	No target	100%	100%	Target achieved
	Management of staff to ensure productivity and job satisfaction	Number of Departmental Staff meetings	Three meetings were held	4	3	Target not achieved
	Management of staff to ensure productivity and job satisfaction	Number of General Staff meetings		4	2	Target not achieved
	Management of staff to ensure productivity and	Number of departmental leave reports submitted	No target	4	3	Target not achieved

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
	job satisfaction	to Senior ManCo				
	Management of staff to ensure productivity and job satisfaction	Number of departmental overtime reports submitted to Senior ManCo	No target	4	3	Target not achieved
	Management of staff to ensure productivity and job satisfaction	Number of departmental absenteeism reports submitted to Senior ManCo	No target	4	There has been no report of employees absent without formal leave of absence.	Target achieved
	Development/ revision of employee Job Descriptions	Number of JDs developed/ revised	28 Job Descriptions were developed	30	0	Target not achieved
Lead, direct and manage staff and resources	Telephone control and monitoring systems	Number of expenditure reports presented to Senior ManCo	No target	12	5	The tell trace reports are not issued on monthly basis Target not achieved
	Fleet control and monitoring systems	Number of expenditure reports presented to Senior ManCo	No target	12	12	Expenditure reports on fleet are submitted together with Monthly Financial Reports Target achieved
	Cost effective and	% expenditure on	No target	100%	100%	Target achieved

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
	sufficient supply of cleaning material	purchase of cleaning material				
	Cost effective and sufficient supply of stationery	% expenditure on purchase of stationery	No target	100%	100%	Target achieved
To create sufficient capacity for effective good governance and service delivery	Facilitate the sitting of Council meetings	Number of Council meetings per annum	Council meetings were held on the 30 th of September 2010, 21 December 2010, 25 January 2011, 28 February 2011, 25 March 2011 and 31 March 2011	4	9	Target achieved
	Facilitate the sitting of Executive & Finance Committee meetings	Number of ExCo meetings per annum	12 Executive & Finance Committee meetings were held on the 30 th of July 2010, 30 th of August 2010, 22 nd of September 2010, 27 th of October 2010, 30 th of November 2010, 02 nd of November 2010, 21 st of December 2010, 24 th of January 2011, 24 th of February 2011, 28 th of March 2011, 13 th of April 2011 and 13 th of May 2011.	12	22	Target achieved

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
	Facilitate the sitting of Corporate & Community Services Portfolio Committee meetings	Number of Portfolio Committee meetings per annum	<p>6 Corporate Services Portfolio Committee meetings were held on the 23rd of July 2010, 23rd of August 2010, 22nd of September 2010, 25th of October 2010, 26th of November 2010 and 21st of January 2011.</p> <p>5 Community Services Portfolio Committee meetings were held on the 12th of August 2010, 13th of September 2010, 04th of October 2010, 11th of October 2010 and 15th of November 2010.</p> <p>6 Social Development Portfolio Committee meetings were held on the 20th of July 2010, 15th of September 2010, 21st of October 2010, 22nd of November 2010, 20th of January 2011 and 17th of February 2011.</p>	12	12	Target achieved

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
	Facilitate the sitting of Infrastructure Planning & Development Portfolio meetings	Number of Portfolio Committee meetings per annum	8 Infrastructure Portfolio Committee meetings were held on 16 th of July 2010, 06 th of August 2010, 20 th of September 2010, 08 th of October 2010, 19 th of November 2010, 07 th of December 2010, 09 th of February 2011 and 07 th of March 2011.	12	12	Target achieved
			8 Planning & Economic Development Portfolio Committee meetings were held on 19 th of July 2010, 19 th of August 2010, 16 th of September 2010, 14 th of October 2010, 19 th of November 2010, 13 th of December 2010, 14 th of February 2011 and 11 th of March 2011.			
	Facilitate the sitting of Rules Committee meetings	Number of Rules Committee meetings per annum	3 Rules Committee meetings were held on 18 th of August 2010, 12 th of October 2010 and 21 st of December 2010.	4	0	Target not achieved
	Facilitate the sitting of	Number of Senior ManCo	No target	4	10	Target achieved

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
	Senior ManCo meetings	meetings per annum				

6.2.3 Social and Local Economic Development

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
To promote social development	Coordinate and host Ingoma ka-Khisimuzi during December 2011	Number of Ingoma Events to be hosted	Ingoma events were held on the 28 th and 30 th December 2010.	1		Target not achieved
	Coordinate and host Ingoma ka-Sosesheni during December 2011	Number of Ingoma Events to be hosted	Ingoma events were held on the 26 th , 27 th , 29 th and 31 st of December 2010.	4		Target achieved
	Participation of Hlabisa Local Municipality during Nyokeni Reed Dance Ceremony	Frequency of participation	Hlabisa Local Municipality participated in the Annual Reed Dance Ceremony held from the 11 th to the 12 th of September 2010 at Nyokeni Royal Residence	1	The Municipality participated during Nyokeni Reed Dance Ceremony that took place on the 09 th to 11 th of September 2011	Target achieved
	Participation of Hlabisa Local Municipality during	Frequency of participation	Hlabisa Local Municipality participated in the	1	Hlabisa Local Municipality participated during Machobeni Reed Dance	Target achieved

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
	Machobeni Reed Dance Ceremony		ceremony held from the 18 th to the 19 th of September 2010 at Emachobeni Royal Residence		Ceremony that took place from the 16 th to the 18 th of September 2011	
	Participation of Hlabisa Local Municipality during Umkhosi we-Lembe	Frequency of participation	No target	1	Hlabisa Local Municipality participated during Umkhosi we-Lembe that took place on the 24 th of September 2011	Target achieved
	Establishment of Arts & Culture Forums at ward level	Number of Arts & Culture Forums to be established	No target	8	The establishment of the Arts & Culture Forums was not achieved due to financial constraints	Target not achieved
	Coordination of Arts & Culture Forum meetings	Number of Forum meetings to be held	No target	4	4 meetings were held whilst preparing for Umkhosi Womhlanga and Ingoma Events	Target achieved
	imparting skills, knowledge and experience to students, graduates and potential job seekers	Number of In-service Trainees enrolled, mentored and coached	No target	24	18 In-service Trainees have been enrolled during the 2011/2012 financial year	Target not achieved

6.2.4 Good Governance and Public Participation

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
To promote public participation in Municipal Affairs	Development of a Policy on Ward Committee Election and Operations	Number of policies adopted by Council	No target	1	1	Target achieved
	Election of Ward Committee Structures	Number of Ward Committee Structures to be elected	No target	8	8	Target achieved
	Launch of Ward Committee Structures	Number of Ward Committee Structures to be launched	No target	8	8	Target achieved
	Hosting Imbizo for Ward Committee Structures	Number of Ward Committee Structures attended	No target	1	1	Target achieved
	Implementation of Ward Committee Training Programme	Number of Ward Committees trained in Ward Committee Governance	No target	80	40	Target not achieved
	Provision of working resources for Ward Committees	Number of name tags procured for Councilors and Ward Committees	No target	96	96	Target achieved
	Provision of working resources for Ward Committees	% expenditure on procurement of Ward Committee stationery	No target	100%	100%	Target achieved

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
	Provision of sit-in allowance for Ward Committees	Number of Ward Committee structures to be compensated for meetings attended	180	80	50	Target not achieved
	Community outreach meetings	Number of community outreach meetings	No target	8	0	Target not achieved
	Community Participation	Number of ward-based community meetings held	No target	24	0	Target not achieved

6.2.5 Financial Viability and Financial Management

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
To ensure participation in the Budget Process	Budgeting	Draft Budget inputs to the Finance Department on time	Departmental budget inputs were submitted to the Finance Department on time	1	1	Target achieved
To ensure that the allocated budget is utilized efficiently and economically	Monitoring of expenditure	No reports on over-expenditure on departmental votes	No over-expenditure on departmental votes	100%	100%	Target achieved

6.3 BUDGET AND TREASURY

6.3.1 Basic Service Delivery and Infrastructure Development

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
Upgrade and maintain infrastructure systems in order to improve quality of life and access to services	Adjudication of bids within the specified timeframes	Percentage of bids adjudicated	98% of bids were adjudicated	100% adjudication of bids	70% of bids were adjudicated within financial year	7 bids could not be adjudicated before 30 June since they were advertised in June Target Not Achieved
	Manage budget and capital expenditure	Number of capital budget reports submitted to ExCo	12 Monthly Reports were prepared	12 Monthly Reports	12 Monthly Reports were prepared and submitted to ExCo	Capital expenditure was reported every month as part of Monthly Financial Performance Target Achieved
	Prompt payment of invoices	Percentage of invoices paid within 30 days	91% of invoices were paid within 30 days	100% payment of invoices of creditors	96% of invoices paid within 30 days	Reasons were recorded for all invoices not paid within 30 days Target Not Achieved

6.3.2 Municipal Transformational and Institutional Development

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
To improve the quality and efficiency of the administrative component of the municipality	Training and development of staff	Number of people who attended training and workshops	Not a target	13 staff members to be trained	13 staff members attended trainings and workshops	3 Officials are on TUT FMDP, 3 are on SAICA/Deloitte. Other officials attended workshops and in-house trainings Target Achieved
	Identification of working resources needed	Percentage of office equipment and furniture percentage	R540 329 was spent on purchasing of office equipment and furniture	100% procurement of working resources	100% of working resources were provided	R380 111.84 was spent on office equipment and furniture. Target Achieved
	Departmental staff meeting	Number of Departmental Meetings held	4 Departmental staff meetings were held	4 Departmental Staff meetings	2 Departmental Staff meetings were held	The CFO was acting as Municipal Manager for a period of 6 months Target Not Achieved
	Monitor budget and expenditure for IT services	Amount of budget spent for provision of IT services	R264 000 was spent on IT Services	100% expenditure on IT services	R194 880 was spent on IT support as per SLA	The IT Service Provider was appointed in August 2011 for a period of 5 years Target Achieved
	To provide budget for staff to be able to attend workshops and	Amount spent of Subsistence & Travelling	R114 318 of R180 000 was spent on S & T	100% expenditure on S & T vote	R161 181.11 of S & T vote was spent	The expenditure was mainly for traveling and

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
	trainings					accommodation Target Achieved

6.3.3 Social and Local Economic Development

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
Create a climate conducive for sustainable economic growth and job creation	Provide support to Small Medium-Micro Enterprises	Percentage of budget spent on local service providers	45% of procurement was done from local service providers	40% of budget spent on local service providers	26% of procurement was done from local service providers	Local service providers were mainly used for catering, tent hiring and repairs Target Not Achieved

6.3.4 Good Governance and Public Participation

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
To promote public participation in municipal affairs	Develop and review budget related policies	Number of Budget related policies adopted by Council	1 Set comprises of 4 policies was reviewed and adopted by Council	4 Policies reviewed and adopted by Council	No reviews were done on budget related policies	All policies are currently undergoing major review for the

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
						next financial year Target Not Achieved
	Conduct budget consultative meetings	Number of budget consultative meetings attended	No budget consultative meetings were held	2 budget consultative meetings	1 Budget Consultative meeting and 1 IDP Road Show was held	Budget Consultative meetings were held jointly with the District Target Achieved
	Advertise budget and tariffs of charges	Number of Adverts prepared and published	2 Adverts were placed in Ilanga and Zululand Observer	2 adverts prepared and published in a local newspaper	2 Adverts were placed	1 Advert was for Draft Budget and the other for Final Budget and Tariffs Target Achieved

6.3.5 Financial Viability and Financial Management

Strategic Objective	Activity	Unit of Measurement	2009/2010 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
To manage and use public funds in an efficient and accountable manner	Prepare a 3 year capital and operational budget	Approved multi-year budget by council within stipulated timeframes	1 Multi-Year Budget prepared and adopted on time	1 Approved multi-year budget	1 Multi-Year Budget approved	Capital and Operational Budget was prepared and submitted on time Target Achieved
	Maintain asset register	Number of physical	4 updates of FAR done	4 Physical Assets verifications to be	4 Physical Asset verifications were	Physical asset verification was done

Strategic Objective	Activity	Unit of Measurement	2009/2010 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
		assets verifications done		done	done	for each quarter. Target Achieved
	Develop and review financial policies	Number of Financial Policies approved by council	1 set of financial policies reviewed and adopted by Council	5 Financial Policies approved by council	Financial Policies not reviewed	Review of Financial Policies was not undertaken due to capacity constraints Target Achieved
	Ensure that SDBIP is in place	Number of SDBIPs submitted to council on time	1 SDBIP approved	1 SDBIP approved by council	1 SDBIP prepared	The SDBIP was developed and submitted to council Target achieved
	Report to council on departmental performance	Number of Monthly reports submitted to council	12 Monthly reports submitted	12 monthly reported submitted to council	12 monthly prepared and submitted to ExCo	Monthly financial reports were prepared and submitted. Target achieved
	Prepare monthly bank reconciliations	Number of monthly reconciliations done	12 Monthly reconciliations done	12 monthly reconciliations done	12 Monthly reconciliations were done	Bank reconciliations were performed throughout the year. Target achieved
	Reporting of over and under expenditure	Number of monthly reports prepared and submitted to council	12 Monthly Reports submitted	12 monthly reports submitted to council	12 monthly reports prepared	Monthly budget comparison reports were prepared Target achieved
	Prepare Mid-Year	Mid-Year Budget and	1 Mid-Year Budget and	1 Mid-Year Budget	1 Mid-Year Budget	The Mid-Year Budget

Strategic Objective	Activity	Unit of Measurement	2009/2010 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
	Budget and Performance Assessment Report	Performance Assessment report submitted	Performance Assessment Report approved	and Performance Assessment report approved	and Performance Assessment Report was prepared	and Performance Assessment report was done after 6 months of budget implementation. Target achieved
	Prepare adjustment budget	Adjustment budget prepared and approved by council	1 Adjustment Budget adopted by Council	1 Adjustment Budget approved by council	1 Adjustment Budget was prepared and approved	Adjustment Budget was approved by Council in February 2012. Target achieved
	Prepare Budget Process Plan and timetable	Budget Process Plan prepared and submitted to council	1 Budget Process Plan adopted	1 Budget Process Plan prepared and approved by council	1 Budget Process Plan prepared	The Budget Process Plan was prepared but not submitted to Council Target achieved
	Prepare monthly cash flow reports	Number of monthly cash flow reports prepared and submitted	12 Monthly Cashflows reported	12 monthly cash flow reports	12 monthly cash flow reports prepared	Monthly cash flows are part of the monthly financial reports. Target achieved
	Payment of salaries and allowances on time	Number of payments made	12 Monthly payments of salaries done	12 monthly payments of salaries and allowances	12 monthly payments done	All salaries and allowances were paid every month.

Strategic Objective	Activity	Unit of Measurement	2009/2010 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
						Target achieved
	Ensure that AFS are prepared and submitted to Auditor-General	AFS prepared and submitted to Auditor-General on time	1 Set of Annual Financial Statements done	1 Set of Annual Financial Statements	1 set of AFS prepared	Annual Financial Statements for 2010/2011 were prepared and submitted on time. Target achieved
	Appointment of Insurance Broker	Appointment done and payment made	1 Insurance Broker appointed	To appoint an Insurance Broker	1 Insurance Broker was appointed	Indwe Risks Services were appointed as the insurance broker for 3 years. Target Achieved
	Provide information and monitor the preparation of the Annual Report	Annual Report prepared and submitted to Council within prescribed timelines	1 Annual Report submitted and adopted by Council	To have Annual Report adopted by Council by 31 January 2012	Annual Report was prepared and submitted to Council on 02 February 2012	Council meeting of 31 January was postponed due to Finance Committee Workshop organized by KZN Treasury Target Achieved
	Monthly billing and posting of invoices	Monthly billing done and invoices posted	12 Monthly statements posted	12 monthly billing invoices posted	12 monthly billing invoices were posted	Billing Statements were prepared and posted every month. Target Achieved
	Ensure that monthly budget statements are	Monthly budget statements prepared and	12 Monthly Budget	12 monthly budget	12 monthly budget statements	All monthly budget statements were

Strategic Objective	Activity	Unit of Measurement	2009/2010 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
	submitted to National and Provincial Treasury	submitted	Statements submitted	statements	submitted	prepared and submitted to treasury. Target Achieved
	Ensure that supplier's database is updated	Updated supplier's database available	Supplier Database updated monthly	Supplier's database updated at least 2 times a year	Supplier's database updated monthly	Supplier's database is updated on an ongoing basis when new applications are received. Target Achieved
	Ensure that municipality complies with SCM Policy	Deviation reports prepared and submitted to Council	Reports prepared as when deviations occurred	12 Reports prepared each month	Reports prepared but not monthly	SCM Implementation is reported monthly but deviations are reported when they exist. Target Achieved
	Ensure that municipality complies with SCM Guidelines and Treasury Regulations	Number of reports on monthly awards above R100 000	Monthly reports prepared	12 monthly reports prepared and submitted	Monthly reports were submitted	All awards above R100 000 were reported to Treasury. Target Achieved

6.4 COMMUNITY SERVICES

6.4.1 Basic Services Delivery and Infrastructure Development

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
To facilitate the delivery of basic services in an effective and efficient manner.	Removal of sewerage in Hlabisa business centre	Number of removal of sewerage sited in Hlabisa business centre	100%	4 sites	3	Target not achieved
	Cleaning of public facilities/ Community Halls.	Number of community halls cleaned per month	100%	12	12	Target achieved
	Grass cutting and tree felling around municipal area.	Number of sites that require grass cutting and tree felling around the municipal area.	No target	48 sites cleared	48	Target achieved
	Collection of waste in public facilities and business centre surrounding Hlabisa.	Recognition in the Greenest Municipality Competition within the District.	No target	1 competition	1	The Municipality did not participate in the 2012 Greenest Municipality competition Target not achieved
	Repairs and maintenance of Community Halls.	Number of community halls maintained	No target	12	12	Target achieved

6.4.2 Municipal Transformational and Institutional Development

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
Lead, direct and manage staff and resources so that the department is able to attain its performance	Quarterly departmental staff meetings.	Total number of meetings attended, minutes and attendance registers	04	Four departmental meetings	1	Only one departmental staff meeting was held on the 23 rd of February 2012 Target not achieved
	Management of overtime	Number of Departmental quarterly reports submitted	No target	Four reports submitted.	4	Target achieved
	Management of absenteeism	Number of Departmental quarterly reports submitted	No target	Four reports submitted	4	Target achieved
	Management of leave	Number of Departmental quarterly reports submitted	No target	Four reports submitted.	4	Target achieved
To capacitate staff to implement the IDP	Identification of staff training needs: Public Safety	Number of departmental staff attending skills development trainings and / workshops. (Public Safety)	No target	09 departmental staff attended skills development training.	0	Target not achieved

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
	Identification of staff training needs: Library Services	Number of departmental staff attending skills development trainings and workshops. (Library Services)	No target	03 departmental staff attended skills development training.	0	Target not achieved

6.4.3 Social and Local Economic Development

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
Local economic growth	Appointment of local SMME's for minor repairs in public facilities.	Number of Local SMME's employed for minor repairs of public facilities.	100%	100%	1	One person was appointed to do minor repairs at Mganwini Community Hall. Target not achieved
Facilitate the provision of library services to the community	Managing the functioning and operation of the library.	Percentage of positive responses from the users	100%	100%	100%	Target achieved
Facilitate the provision of DLTC services to the community.	Managing the functioning of the Driving License Testing Centre.	Percentage increase in the number of applicants. (Learners' PrDP and Driving Licenses)	No target	100%	100%	All learners licence and PrDP applications have been attended Target achieved

6.4.4 Good Governance and Public Participation

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
To promote community involvement in municipal affairs	Attendance of scheduled Council meetings	Number of Council meetings attended	03	4	02	The Director: Community Services attended only two Council meetings Target not achieved
	Attendance of scheduled EXCO meetings	Number of ExCo meetings attended	06	12	07	The Director: Community Services attended 07 ExCo meetings Target not achieved
	Attendance of scheduled Portfolio Committee meetings	Number of Portfolio Committee meetings attended	05	12	05	The Director: Community Services only attended 5 Portfolio Committee meetings Target not achieved
To promote integrated, coordinated and sustainable development and performance management system	Attendance of IDP Representative Forum meetings	Number of IDP representative Forum meetings attended	02	4	03	The Director: Community Services only attended three IDP Forum meetings Target not achieved
	Attendance of IDP Steering Committee	Number of IDP Steering Committee meetings	01	4	04	Target achieved

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
	meetings.	attended				
To create sufficient and appropriate capacity for effective governance and service delivery.	Attendance of 2 public participation meetings during budget formulation	Number of public participation meetings attended	No target	2	00	The Director: Community Services did not attend Public Participation meetings Target not achieved
	Conducting awareness campaigns, information sessions and consultative meetings on waste management	Attendance register attended scheduled awareness campaigns, information sessions and consultative meetings on waste management	01	2	00	Target not achieved
	Maintaining the operation of the DLTC.	Number of monthly reports submitted to KZN-DoT.	12	12	12	All monthly reports were submitted to KZN-DoT Target achieved
	Running of soccer and netball leagues.	Number of teams participating in the league	No target	8 Soccer teams and 8 netball teams in a league	00	Target not achieved
	Purchasing of sports kits and incentives.	Number of Sports kits purchased and number of teams received incentives	100%	8 Sports kits and equipment	08	Sports kits and equipment were procured for 8 wards Target achieved

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
	Rugby and cricket development tournament	Number of rugby and cricket development tournament held.	No target	Rugby and cricket development tournament.	00	Target not achieved
	Netball tournament	Number of netball tournament	No target	2 Netball tournament	00	Target not achieved
	Players' affiliation	Percentage of Expenditure on players' affiliation	No target	100% payment of players' affiliation.	00	Target not achieved
	Mayoral Cup	Number of Mayoral Cup tournaments held	No target	One tournament	00	Target not achieved
	Purchase of sports equipment	Percentage of Expenditure sports equipment.	No target	100% expenditure on Sports equipment	100%	Target achieved
	Accommodation for SALGA games	Percentage expenditure and report on accommodation for SALGA games	No target	100% expenditure on Accommodation for SALGA games	100%	Target achieved

6.4.5 Financial Viability and Financial Management

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
To ensure participation in the Budget Process	Departmental draft budget inputs	Departmental work plan submitted	01	1 work plan submitted	The Departmental work plan was submitted	Target achieved
To ensure that the allocated budget is utilized efficiently and economically.	Monitoring of departmental expenditure	Percentage in reduction of deviation.	100%	100%	100%	Target achieved
To generate income for the municipality	Revenue generation through DLTC services.	Amount of revenue generation	100%	R 160 313	R 350 976.00	Target achieved
	Revenue generation through booking levies for public facilities.	Amount of revenue generation	100%	R 20 967	R 22 796.58	Target achieved

6.5 INFRASTRUCTURE PLANNING AND DEVELOPMENT

6.5.1 Basic Service Delivery and Infrastructure Development

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
To facilitate the delivery of basic services in an effective and efficient manner	Participate in all service delivery planning programmes undertaken by the District	Total number of meetings attended and attendance registers	In this financial year the Municipality has been having a series of meetings regarding service delivery issues.	4 meetings attended	100%	Service Delivery meetings sat as follows: 19 October 2011, 23 February 2012 there was a meeting between DC 27, Hlabisa Local Municipality and the Department of Co-operative Governance and Traditional affairs focusing on agricultural development. Target – achieved
	Development of a Comprehensive Infrastructure Plan, Municipal Infrastructure Investment Plan	100% development of the CIP and MIIP and submitted to District, COGTA and National Treasury	In the financial year for 2009/2010 it took long for the CIP and MIP to be completed as it required more attention of Senior Management	1 report	0%	This initiative has been not actioned due to financial constraints Target-Not Achieved

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
	Implementation of prioritized electrification projects	Percentage implementation of prioritized projects per annum	75%	450 connections	90%	There is progress in the implementation of Mcibilindi Phase 1 electrification programme, as the programme intends at ensuring that all households in ward 8, will be electrified by 2014.. The project is in its final stages. Target achieved
	Engaging the Department of Transport and other service agencies on the prioritized Provincial roads projects	Minutes and attendance registers for quarterly meetings held with Department of Transport	75%	4 Meetings to be held with DOT	100%	The meetings with DOT were held on the following dates: 21 July 2011, 18 August 2011, 15 September 2011 and on the 2 nd of April 2012 Target Achieved
	Construction of local and access roads and implementation of prioritised projects as per the IDP	Percentage implementation of prioritized projects with committed funding	100%	100% implementation of prioritized projects with committed funding	80%	There is continuation in the implementation of infrastructure programme and projects with committed funding such as Mcibilindi Phase, WWTP, Hlabisa Park, Mabhokisini Community Hall and Testing ground are still

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
						under-construction. Target Achieved
	Construction of Mabhokisini Community Hall	Certificates for Completion	100%	1	85%	Mabhokisini community hall is nearing its completion stage. There were delays in the procurement of the steel structure. Target Achieved
	Facilitating housing delivery in line with the Breaking New Ground policy	Percentage reduction of housing backlog	100%	3000 units	80%	Currently there are three rural housing projects in progress which are Mpembeni Phase 2, Matshamnyama and Mdletsheni rural housing Target Achieved
	Hosting of the housing forum meetings and Project Specific Meetings	Minutes of the forum	100%	Four Housing Forum Meetings held	100%	Housing Forum Meetings sat on the following Dates: 03 February 2012, 20 April 2012, 06 July 2012 and as per the schedule of Human settlement the last meeting will sit in

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
						the next financial year Target Achieved
	Balancing the scope of work done and expenditure per project Entering into Service Level Agreements with service providers stipulating milestones on each project	Expenditure according to initial plan Percentage of SLAs signed	50%	Number of SLAs signed	100%	The Municipality has signed SLA with the Department of Human Settlement for Mpembeni Phase 2 and Mdletsheni rural housing projects to simply ensure that projects milestones are met. Target Achieved
	Implementation of MIG projects and programmes	Number of MIG projects implemented. Percentage of expenditure on MIG Funding	70%	100% Expenditure	80%	There is a continuation in the implementation of MIG Funded projects, and funds are utilised as per projects plan. Target Achieved

6.5.2 Municipal Transformational and Institutional Development

Strategic Objective	Action	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Annual Target	2011/2012 Actual Performance	Comments
Lead, Direct and manage staff and resources so that the department is able to attain its performance targets	Staff meetings held on monthly basis	Number of staff meetings held	50%	4 Staff Meetings	100%	The Departmental Staff Meetings were held on the following dates: 15 August 2011, 01 September 2011, 19 September 2011, 06 February 2012, 19 March 2012, 17 th of April 2012 and 03 rd of May 2012 Target achieved
	Monitoring of staff weekly plans	Signed weekly plans for all employees	The Departmental Staff has been complying when it comes to submitting and approval of itinerary as per their supervision	480 Weekly Plans	100%	All employees in the Department submit their itinerary and all supervisors also ensure that all itineraries are approved. Therefore employees have been reporting against work done as per approved weekly plans Target achieved
	Management of overtime	Number of Departmental monthly reports submitted to ManCo	50%	12 reports submitted to ManCo	50%	Department has been authorizing employees to work overtime time in some instances

Strategic Objective	Action	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Annual Target	2011/2012 Actual Performance	Comments
						whereby some tasks need to be performed even if it is not a work day. Corporate services assist with organizational report on overtime Target achieved
	Management of leave	Number of Departmental monthly reports submitted to ManCo	100%	12 reports submitted to ManCo	100%	All employees who have been on leave in this financial year were authorized by the Directorate. Therefore the Directorate has been reporting to Senior Management Meetings about employees who are on leave Target achieved
To capacitate staff to enable them to implement the IDP	Attendance of accredited training: skills & competence required for the Planning Director position as per COGTA description	1 Certificates	100%	1 Certificate of attendance	100%	The Director Infrastructure, Planning and Development has attended project Management Course Target achieved

6.5.3 Social and Local Economic Development

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
To create climate conducive for sustainable economic growth and job creation	Operationalise LED Forum and sub-forum	.Minutes and attendance registers of 4 LED Forum Meetings held	50%	4 LED Forum Meetings	50%	The LED Forum Meeting sat on the 09 th of November 2011 and 22 May 2012 Target Achieved
	Implement the Small scale's projects	Number of Small Scales projects implemented in each ward	100%	100%	100%	All beneficiaries have received their projects items as per requests that were forwarded by their respective ward councillors Target Achieved
	commercialization of livestock farming in Hlabisa Local Municipality	4 Commercial Farmers assisted and linked with the market	25%	4 Commercial Farmers assisted and linked with the market	100%	Through collective efforts between Hlabisa Local Municipality and the Department of Agriculture 10 commercial gardens have received funding from the above mentioned department for fencing purposes. There are plans in place for them to be formalised and linked

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
						with the market. Target achieved
	Undertaking local tourism planning	Tourism sector plan presented to Council for adoption	75%	Tourism sector plan Completed	100%	The Tourism Sector Plan has been completed and submitted to Council for its adoption Target achieved
	Formulation of LED Strategy	LED Strategy adopted by Council	0%	LED Strategy Completed	100%	The LED Strategy has been completed and also submitted to Council for its adoption Target achieved
	Programme for tourism awareness at a high school level	Number of schools that attend environmental camps at Umfolozi Game Park	75%	10 Schools to attend Environmental camps	0%	The selection for schools to be part of environmental camps was done, however due to the fact that the Sontuli Camp has been under-construction for the whole year the Department couldn't continue with the implementation of this programme Target achieved

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
	Tourism promotion, Engage Potential investors to partner with communities in tourism development	Number of potential investors engaged	0%	2 investors must have been engaged for investment in developing Tourism Product	100%	There has been a continuous engagement of investors for Mpembeni Community Game Lodge consequently even National Empowerment Fund is now on board for the funding of this project. As per current engagement NEF will meet the investor half-way to simply increase the stake of Mpembeni community and also ensure project sustainability. Target -Achieved
	Creating enterprise development programme	Number of crafters developed and capacitated	80%	20 Crafters developed and capacitated	100%	Through the Business Support incubation programme, there has been number of training co-ordinated to equip crafters with Business skills. Consequently Miss Angeline Masuku and Mrs. Beauty Ngxongo have attended Craft Exhibition at Germany and Santa Fe. As part of

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
						linking our emerging SMMEs with other role players in LED on the 15 of August 2011 there was SMME seminar where Institutions such as SEDA, NYDA and EXXARO were sharing with small businesses available opportunities to their respective Institutions. Target achieved
	Participate in regional and national economic development foras	Attendance of 1 economic development fora (Tourism Indaba, Global Business Summit)	100%	1 Tourism Fora attended	100%	The Tourism Indaba Exhibition was attended from the 11-15 th of May 2012 where there was engagements of different stakeholders that can be mobilised for Hlabisa economic opportunities. Target achieved
	Stakeholder identification and mobilisation	Create a database of Economic development Partners mobilised	100%	Database of stakeholders being engaged	100%	The database of economic development stakeholders that have been identified and mobilised has been

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
						developed. Target achieved
	Engaging strategic partners for economic development initiatives	Number of strategic meetings	70%	8 Strategic Meetings	70%	Strategic meetings were held on the following dates: On the 23th of February 2012 there was a meeting between Star For Life , LED Unit and SEDA looking at possible means of assisting Siyathuthuka co-operative, On the 2 nd of March 2012 there was a meeting with IDC, 20 April 2012 there was a meeting with SEDA, On the 30 th of April 2012 there was a meeting with DTI focusing on agricultural development, Target achieved

6.5.4 Good Governance and Public Participation

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
To promote integrated coordinated and sustainable development	Preparation of the Council Five year Plan(IDP)	Council Resolution for the adoption of the IDP	100%	To have IDP adopted by Council	100%	The five year IDP (2011-2016) has been approved by Hlabisa Council and submitted to the Department of Co-operative Governance and Traditional Affairs for assessment purposes Target achieved
	Co-ordinate the sitting of IDP Steering Committee Meetings	Minutes and Attendance registers of 4 IDP Steering Committee Meetings	25%	4 IDP Steering Committee Meetings held	0%	IDP Steering Committee Meetings did not sit for the reporting financial year; however some issues are discussed in the Senior Management. Target not achieved
To promote public participation in Municipal Affairs	Co-ordinate the sitting of the IDP RF Meetings	Number of IDP RF meetings attended	100%	4 IDP Meetings held	100%	IDP Representative Forum sat on the 12 th of September 2012, 07 February 2012, 10 April 2012 and 23 May 2012 Target Achieved

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
	Coordinating the hosting of the IDP Road show	Attendance Register and Comments from the community for the IDP Road Show hosted	100%	1 IDP Road show to be held	100%	The IDP Road Show was held on the 26 th May 2012 Target Achieved
	Conduct 8 ward Based consultative meetings	Number of ward based consultative meetings held	100%	8 ward based consultative meetings	100%	Ward based consultative meetings have been undertaken to all 8 wards. Target Achieved
To create sufficient and appropriate capacity building for effective governance and service delivery	Inputs in the development of performance indicators	Number of strategic planning meetings held	100%	1 Strategic Meeting Attended	100%	The Municipal Strategic meeting were held on the following dates: 23-24 September 2011 and on the 3 rd of March 2012 Target Achieved
	Attendance of 4 schedule council meeting per annum	Number of council meetings attended	100%	4 Council Meetings Attended	100%	Council Meetings were attended on the following dates: 30 September 2011, 21 December 2011, 30 March 2012, 23 April 2012, 30 May 2012 and 31 May 2012 Target Achieved

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
	Attendance of at least 15 meetings of different Portfolio Committee of Council	Attended 15 schedule Meetings of different Portfolio committees	100%	15 Portfolio Committee Meetings to be attended	100%	The Infrastructure, Planning & Development Directorate has been attending Portfolio Committee Meetings of other Departments Target Achieved
	Attendance of at least 12 meetings of different portfolio committees of council	Number of scheduled meetings for the Executive & Finance Committee meetings	100%	12 Executive & Finance Committee meetings attended	50%	The Executive & Finance Committee Meetings were attended on the following dates: 31 August 2011, 23, September 2011, 27 January 2012, 28 March 2012, 30 April 2012 and 18 May 2012 Target Achieved
	Facilitate the sitting for Planning and Economic Development Portfolio Committee	Number of scheduled meetings for the Planning and Economic Development Portfolio Committee	50%	12 Scheduled meetings for Infrastructure Planning and Development Portfolio Committee Meetings to be held	85%	Infrastructure Planning & Development Portfolio Committee Meetings sat on the following dates: 17 August 2011, 08 September 2011, 23 December 2011, 23 rd January 2012, 16 February 2012, 17 March 2012, 17 April

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
						2012, 15 May 2012 and 19 June 2012 Target Achieved

6.5.5 Financial Viability and Financial Management

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
Develop and implement an efficient and effective asset management system	Implement and review of land disposal policy	Number of Commercial Sites sold or leased (signed sale agreements)	50%	1	0%	No commercial site that has been sold for the reporting financial year, due to a moratorium by council Target not achieved
	Implement and review of land disposal policy	Number of residential sites sold(signed sales agreements)	0%	20	0%	No residential site that has been sold for the reporting financial year, due to a moratorium by council Target not achieved

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
To ensure participation in the budget process	Budgeting	Draft Departmental Budget with inputs	100%	Draft Budget with inputs submitted to the Finance department	100%	The draft budget for the Department was submitted on time to finance department Target achieved
To ensure that the allocated budget is utilized efficiently and economically	Monitoring of expenditure	reports of over-expenditure	No report of over-expenditure	No report of over-expenditure	100%	No report of over-Expenditure has been received from finance Department for financial year 2010/2011 Target achieved

6.5.6 Spatial Rationale & Environmental Management

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
To promote integrated, coordinated and sustainable development	New Township establishment on the remainder of Erf 798, GU Hlabisa	Township register open a Deeds office	0%	Township register open at Deeds office	30%	The Township Register has not been adopted, however the Department is engaging the DEEDS office and

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
						COGTA to seek for assistance. The Chief Financial Officer has also promised to issue the department with the DEEDs search software. Target not achieved
	.Finalisation of the Land Use Management Scheme for Hlabisa Town	Departmental monthly expenditure reports	50%	To have a detailed TPS approved by the end of financial year in line with the PDA	50%	The development of town planning scheme is in progress with already two land reports already in place. Target achieved
	Preparation of a Spatial Development Framework	Minutes as well as attendance registers for the meetings of the development of the SDF	60%	SDF Presented to Council and MM	90%	Spatial Development Framework has been completed and has been submitted to Council for its adoption Target achieved
	Revision of Housing	Revised HSP adopted by	60%	HSP Presented to	90%	The Housing Sector has been reviewed and an

Strategic Objective	Activity	Unit of Measurement	2010/2011 Actual Performance	2011/2012 Target	2011/2012 Actual Performance	Comments
	Sector Plan	Council		Council and MM		item for its adoption has been forwarded to Council for adoption. Target achieved

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