



Ukhlebezwe Municipality Annual Report 2011/2012

24/01/2013

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ACRONYMS AND ABBREVIATIONS

AFS	Annual Financial Statements
AG	Auditor -General
CIP	Consolidated Infrastructure Plan
COGTA	Corporative Governance and traditional Affairs
CPMD	Certificate Programme in Management Development
DOT	Department Of Transport
EXCO	Executive Committee
IDP	Integrated Development Plan
IGR	Intergovernmental Relations
LGSETA	Local Government Sectoral Education and Training Authorities
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MSA	Municipal Systems Act
MTAS	Municipal Turnaround Strategy
PMS	Performance Management Systems
SCM	Supply Chain Management
MPAC	Municipal Public Accounts Committee
SDBIP	Service Delivery and Budget Implementation Plan
SMME	Small Medium Micro Enterprise
OEDTD	Occupation Directed Education and Training Development Programme
WSP	Workplace Skills Plan
APRC	Audit Performance Risk Committee

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1.1 Executive Summary

The Ubhlebezwe Municipality's 2011/12 Annual Report has been developed according with the provisions of Section 121 of the Municipal Finance Management Act (MFMA), 56 of 2003 and Section 46 of the Local Government: Municipal Systems Act (MSA), 32 of 2000 and National Treasury Guidelines on Annual Reports. According to the National Treasury guidelines for the preparation of the Annual Report, the report should comprise five chapters to reflect the key activities undertaken within the organisation during the year under review. A brief summation of what is contained in each chapter is outlined below

1.1.1 Chapter One

This chapter contains, amongst other, the geographic location, population dynamics and the socio-economic profile of the municipality our municipality. The other important aspect of this Chapter is relates to issues of governance and how Council and its council structures are constituted, and more critically the effectiveness of oversight in ensuring good governance of the municipality.

1.1.2 Chapter Two

Chapter two encapsulates the key performance highlights and challenges of the organisation during the year under review. Though the Municipality faced a number of challenges, which ranged from, inadequate funding versus for the implementation of projects, and low revenue base and lack of capacity in strategic positions, the municipality soldiered-on to excel in service delivery. A detailed report is outlined in this chapter.

1.1.3 Chapter Three

This chapter reports on the programmes the Municipality designed and implemented to improve employment equity and skills development. Though capacity constraints engulfed the municipality in the reporting financial year, the municipality ensured that that 95% of the strategic positions were filled by end June 2012. It also highlights Human Resource Management Policies and Practices that have been carried out to build staff capacity. To ensure transparency, issues of remuneration of Senior Management have also been covered.

1.1.4 Chapter Four

This Chapter constitutes the Annual Financial Statements for the year under review. Also key in this chapter is the fact that we have maintained our timely submission of the Annual Financial Statements to the Auditor-General for auditing.

Also contained in this chapter is the report of the Auditor-General on the fair presentation of the Annual Financial Statements, our action plans and / or corrective action to address the issues emerging from the AG's audit.

1.1.5 Chapter Five

Last but not least, in this chapter we furnish a comprehensive report on Performance Information in relation to annual plans (in terms of the strategic service delivery intentions of the municipality in the 2011/12 financial year) versus annual results in relation to those plans. Predominantly, this chapter constitutes an Annual Performance Report for the municipality per Key Performance Area and /or functional area of the municipality.

1.2 Mayor's Handover Statement



As the sphere of Government that is closest to the people, we carry a pronounced obligation to respond directly and positively to the needs and frustrations of our stakeholders and communities.

It gives me immense pleasure to report, that the partnership between the Ubuhlebezwe Municipality as the provider of services and the local communities as the end-users of those services, has once again been successful in implementing the Municipality's objectives.

Despite limited resources, the municipality has managed to implement a number of projects as per our 2011/12 IDP based on prioritisation during our consultative process. These projects include 3 (three) community halls, 3 (three) sportsfields, 2 (two) gravel access roads and 2 (two) creches. It is through these projects that the Municipality has managed to spend 100% of its MIG allocation. Over and above this, the Municipality has started the process of rehabilitating the town roads utilizing grant funding received from COGTA. The phase that was completed in this financial year was the storm-water, sidewalks and street furniture.

Our good working relationship with the business community, sector departments and non-governmental sectors which was established in the previous financial years, has been

strengthened and has been used as a tool to improve service delivery and assist us in moving progressively towards Local Economic Development and sustainability.

Another contribution worth mentioning is the successful training of unemployed persons from the community on how to go about opening a new business.

The Auditor-General commenced with its scrutiny of the Municipality's Annual Financial Statements for the 2011/2012 financial year and the process unfolded in November 2012. We are happy to announce that in December 2012 municipalities were given feedback on the findings of the Auditor-General and the UBhlebezwe Municipality received an **UNQUALIFIED AUDIT OPINION**. There are matters that the municipality still needs to attend to so that in the next audit we get the "Clean Audit" and the municipality has already developed an action plan to address those findings, which will be used as a means of achieving the set 2014 clean audit target set by National Department of Co-operative Governance and Traditional Affairs (COGTA).

Although much still needs to be done, this report shall be used to measure our performance against the mandate that we have received from our seniors, stakeholders and the community at large. In closing, I would like to extend my gratitude for the support, hard work and effort put in by our political and administrative leadership which has contributed to our achievements and triumph over some of the challenges facing the municipality.

Cllr Z D Nxumalo

His Worship, the Mayor

1.3 Municipal Manager's Handover Statement



The time is upon us once again where, as the Council and Management of Ubuhlebezwe Municipality, we are expected prepare an Annual Report and reflect on the extent to which plans set for the 2011/12 financial year have been implemented and account to all our stakeholders, this we do in order to give an overview from the inside of all that has transpired during the year under review. In this report we have highlighted our achievements, the challenges experienced coupled with control measures we intend putting in place going forward. The objectives of Ubuhlebezwe Municipality are those reflected in the Integrated Development Plan (IDP), where we consolidate inputs from the public with the municipality's plans into one comprehensive document, the Service Delivery Budget and Implementation Plan (SDBIP), where targets are set in each department for all projects that are to be implemented in a financial year and the Municipal Turnaround Strategy (MTAS) encapsulating key areas that need the most attention and those which the Municipality wants to see effective change.

This Annual report also comprises of the municipality's financial statements as at 30 June 2012, for your information. We take pride in announcing that Ubuhlebezwe Municipality received an Unqualified audit opinion from the Auditor General in the 2011/12 financial year. However there were matters of emphasis which we are taking great care of and rectifying in order to ensure that we move towards a Clean Audit report by 2013. We are also happy to state that we now have a fully fledged functional Internal Audit Unit that has an Internal Audit Manager, an Internal Auditor and an Internal Audit Intern. Without a doubt the filling of these posts will greatly assist the Municipality in ensuring that due procedures and processes are followed at all times and that we are able to identify our weaknesses from within at an early stage where irreparable damage can still be prevented. Our Performance and Audit Committee is also fully functional. This committee provides an expert view from a purely independent structure, on all municipal matters as you will find in their Audit Report which is also contained in this Annual Report.

We thank our community members who at all times show an interest in the running of the Municipality and who continuously give support by attending our community functions, meetings and roadshows, your participation in this regard goes a long way in ensuring that we perform at our best at all times.

Lastly, I would like to thank Council, the Management Team, and Staff of Ubuhlebezwe Municipality who always give their best to the institution and who can be relied upon to deliver no matter the challenges. May we continue to work tirelessly for our people as their prosperity is our prosperity as well. Ubuhlebezwe – Ubuhle Bethu.

Mr G.M. Sineke

Municipal Manager

**CHAPTER
1**

Introduction and Overview of the Municipality

VISION

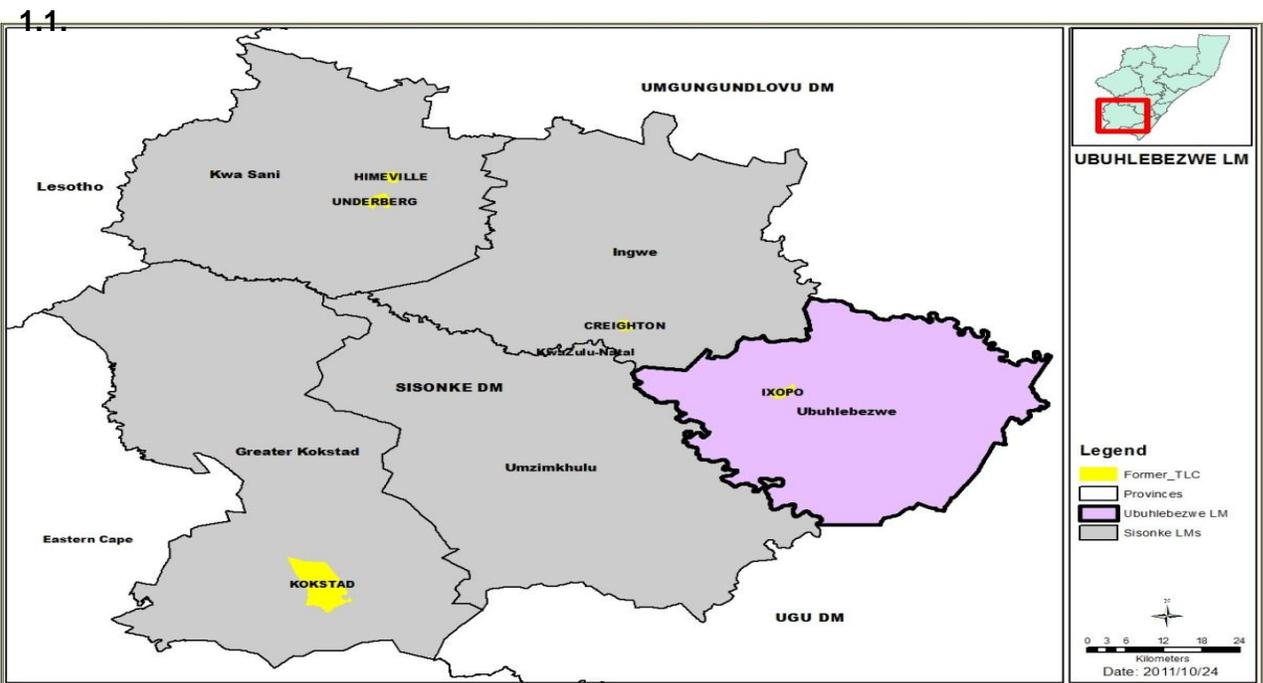
“To improve the quality of life of all its citizens by providing basic affordable services, a safe and healthy environment, eradication of poverty and maintaining the scenic beauty of this land.”

Ukuthuthukisa izinga lempilo lazozonke izakhamizi ngokuhlizeka izidingo-ngqangi, ukuthuthukisa izinga lezempilo, lezokuphepha, ukulwa nobuphofu kanye nokuqiniseka ukuthi indawo yethu igcina ilondeke ngokuyikho.

MISSION STATEMENT

“UBuhlebezwe Municipality will strive to deliver an appropriate level of service to all our citizens by the year 2015 and alleviate poverty by promoting sustainable development whilst providing good governance and being transparent and accountable to the public.”

MAP 1: LOCATION OF UBUHLEBEZWE WITHIN SISONKE DISTRICT



Ubuhlebezwe Municipality in context

Ubuhlebezwe is located along its eastern boundary and it borders onto Ingwe, Richmond, Vulamehlo, Umzumbe and UMzimkhulu Local municipalities. It covers an area of approximately 162 744km and has a total population of about 80 905 people spread throughout the breath and length of the area, with the majority being resident in traditional authority areas. It is strategically located along the midlands mist belt which is famous for high production potential agricultural land.

It is accessed through R 56 which is an inland corridor linking the north and the southern parts of the KZN Province, and R 612 which is generally a trade and tourist route linking Southern Drakensberg and the south coast.

The main administrative centre of the Municipality is the town of Ixopo located approximately 85km south east of Pietermaritzburg, capital of KwaZulu-Natal, and is strategically located at the intersection of four major provincial routes leading to Pietermaritzburg, the Drakensberg, the Eastern Cape and the South Coast.

The Ixopo town forms the primary development node of the Municipality and has also been selected as the seat of the Sisonke District Council. The importance of Ixopo cannot be underestimated in the socio-economic development of the area as a whole. Ixopo plays an important role in terms of the possible location for industry, commerce and other economic activity. It is a major education and health centre and assists in the diffusion of new ideas and technologies to the rural areas. It is also the primary base for the operation of many departments and service providers.

1.2. Demographics

Population

Figure 1: Population Distribution in Sisonke District Municipality



The figure above gives an indication of the population Distribution within Sisonke District Municipality. Currently UBuhlebezwe Municipality has the second largest number of people residing in its area of jurisdiction within the Sisonke District Municipality.

Population Size(Average 2001-2010)	% Share of the population		Annual average Population growth rate (%) (2001-2010)	Population Density	Percentage Share of the Land Area		Area in square (Km)
	KZN	Sisonke			KZN	Sisonke	
112 726	1,1	23,9	2,4	70,20	1,7	15,4	1,606 1 606

Table 1: Key Demographic Information

Global Insight 2010

The table above indicates demographics of UBuhlebezwe Municipality based on the IHS Global Insight 2010. As illustrated in the table above the total population of UBuhlebezwe Municipality is 112 726 which represents 23,9% of the Sisonke District Municipality’s population. It is evident that there is a significant population growth of 2, 4% from the population of 101 959 from 2001. The municipality covers an area of approximately 1606 square kilometres with the percentage share of 15, 4% to the District. The average population density is 70 people per square kilometre.

1.3. Gender Distribution

Figure 2: Gender Distribution

Gender Distribution	
Males	3673
Females	4019
Total	7692

Global Insight 2010

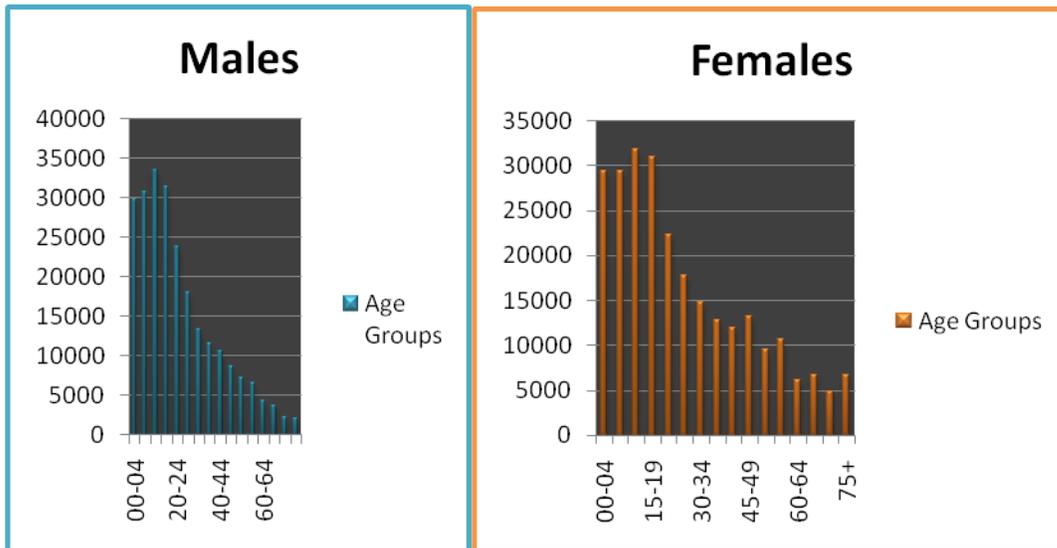
It is evident from the table above that the female population is dominant at UBuhlebezwe which indicates male absenteeism. This could be attributed by a number of factors; it could be that males work as migrant workers in major cities, which further exerts pressure to vulnerable groups, especially women who have to fend for their families with limited resources. This can also be interpreted to mean that there are a number of women-headed households within the Municipal area.

1.4. Racial Distribution

Table 2: Racial Distribution		
Race	Number of People	Total Percentage of people
African	7514	97.7%
White	70	0.9%
Coloured	41	1.1%
Asian	11	0.3%
Total	7692	100%

The people who reside in Ubuhlebezwe area consist are of different ethnic backgrounds. The majority of the population of Ubuhlebezwe Municipality is dominated by Africans who constitute 97% of the population while Whites, Coloureds and Indians / Asians are the minority within the municipality.

Figure 2: Age Distribution by Gender



IHS Global Insight 2010

The figure above indicates the age distribution within the UBuhlebezwe Municipal area where the ages of 15-34 which accounts for 27 958 people or 36, 34% of the total population are the most dominant followed by the 5-14 age groups which account for 20 247 of the total population or 26.30% of the total population, which is still within the formal description of youth.

This has serious implications in terms of development planning and requires the development and implementation of programmes addressing the needs of a youthful population which may include educational facilities, creation of job opportunities and improving access to social facilities. Most importantly, emphasis should be paid to promoting a positive living and managing the devastating impact of HIV/AIDS.

1.5. Functional Literacy

Table 3: Functional Literacy

Functional literacy: age 20+, completed grade 7 or higher		
2001	2005	2010
20 050	25 061	30 910

The table above depicts that the functional literacy has increased by 23% from 2005 to 2010. It also indicates that there is an increase in the functional literacy from age of 20 years and higher.

It further indicates that people from this age group have completed grade 7 and higher. However, there is a dire need for rollout of ABET centres to further improve the literacy levels at ages beyond 35 years.

1.6. Poverty Levels

Table 4: Poverty

Years	Total Number of people living in Poverty	Percentage of People living in Poverty
2001	78 491	78.0%
2005	89 891	80.3%
2010	94 450	76.7%

IHS Global Insight 2010

It is evident from the table above that the percentage of people living in poverty has slowly decreased by 3, 6 % from the year 2005 to 2010. It is therefore crucial for the municipality to pay more emphasis on initiatives that will contribute to the alleviation of poverty. Amongst other, the Local Economic Development Strategy is perceived to be one of the most crucial vehicles to address poverty causes.

1.7. Crime Reported

Table 5: Crime Reported by detailed categories

Common Assault	Common Robbery	Burglary at residential premises	Burglary at business premises	Stock Theft	Drug Related
163	50	279	76	127	333

IHS Global Insight 2010

From the table above it is evident that the crime rate in UBuhlebezwe Municipality is at an unacceptable level.

Drug related criminal offences and burglary at residential premises are both the highest incidences reported. In order to fight the increase of these, it is important that UBuhlebezwe works to promote youth programmes as it is usually the youth who fall victims to such crimes.

1.8. Gross Domestic Product Contribution

The table below indicates that Ubuhlebezwe Municipality contributes 0, 2% to the Provincial Gross Domestic product and 21.9% towards Sisonke District Municipality. It is evident from the table below that the contribution has not increased since 2005 therefore there is a need for the municipality to create a conducive environment for economic growth.

Table 6: Gross Domestic Product by Region (GDP-R)-%contribution by Sisonke towards KZN and by Municipalities towards Sisonke

	% Contribution by Sisonke towards KZN GDP-R			% contribution by Sisonke LMs towards Sisonke DMs GDP-R		
	2001	2005	2010	2001	2005	2010
KwaZulu-Natal	100.0%	100.0%	100.0%	-	-	-
Sisonke	1.2%	1.1%	1.1%	100.0%	100.0%	100.0%
Ingwe	0.2%	0.2%	0.2%	15.6%	15.6%	15.6%
Kwa Sani	0.1%	0.1%	0.1%	6.3%	6.2%	6.3%
Greater Kokstad	0.3%	0.3%	0.3%	23.2%	23.7%	23.7%
Ubuhlebezwe	0.3%	0.2%	0.2%	221%	21.9%	21.9%
UMzimkhulu	0.4%	0.4%	0.4%	32.9%	32.6%	32.5%

Global Insight 2010

1.9. Economic Sector Contribution

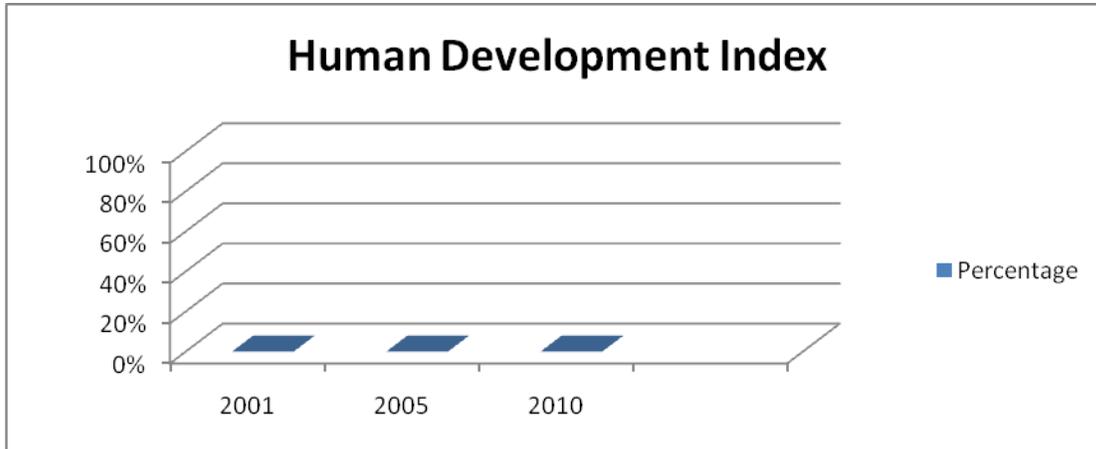
PRIMARY	8.8%	SECONDARY	2.0%
Agriculture	8.8%	Manufacturing	1.7%
Mining	0.0%	Electricity	0.2%
		Construction	0.2%
TERTIARY	8.6%		
Trade	2.1%		
Transport	0.7%		
Finance	1.7%		
Community Services	4.1%		

Global Insight 2010

In terms of the broad economic sector the table indicates that agriculture is the major economic contributor in the primary sector within UBuhlebezwe Municipality as well as within Sisonke District. This means that it is important to create a conducive environment for subsistence and commercial farming in the area.

1.10. Human Development Index

Year	Percentage growth
2001	0,40
2005	0,38
2010	0,37



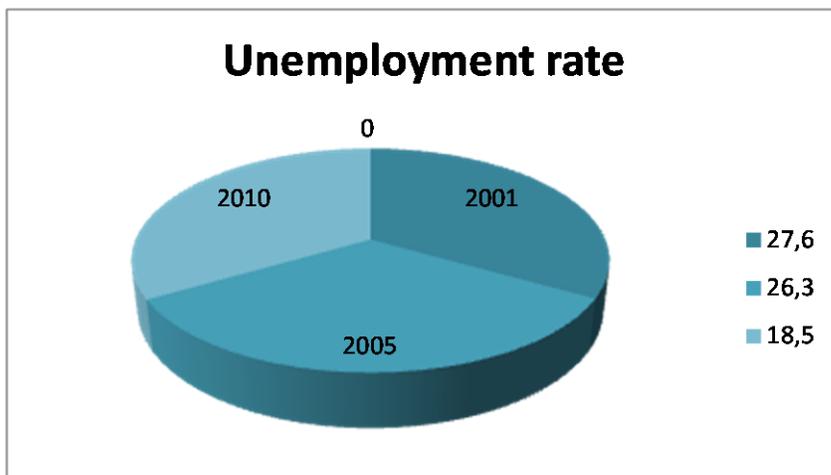
The table and graph above show that the Human Development Index has been gradually decreasing since the year 2001. This presents a problem for the municipality since it was reported that functional literacy in the area is increasing, yet the number of people living in poverty is increasing. The municipality will thus have to look into ways of addressing this.

1.11. Gini Co-efficient

Year	Percentage ama
2001	0,59
2005	0,58
2010	0,55

The Gini Co-efficient in UBuhlebezwe municipality has been decreasing but it can still be considered as high. This has the implication that a number of people still live in poverty

1.12. Unemployment levels



Although the level of unemployment in UBuhlebezwe municipality has been decreasing, there is still much room for improvement since there is still a huge number of unemployment in the area. This can be interpreted to mean high dependency ratios and low affordability levels.

1.13. Key Challenges

- Lack of funding for the acquisition of the land for development and landfill site.
- A financial constraint – The municipality has a low revenue base and is highly dependent on Grant Funding.
- Skills – Inability to retain skills due to low salaries that are offered by the municipality
- Allocated funding versus backlogs (Limited funds for the Implementation of the CIP),
- Inability to attract economic and investment opportunities to our municipal area to ensure economic sustainability due to aging and inadequate infrastructure,
- Vandalism is a major challenge on all public facilities,
- Poor Information and Communication Technology Systems.

1.14. Key Features

- High agricultural potential
- Areas of scenic beauty
- Potential Avi- Tourism endangered bird species (Blue swallows)
- Sisonke Farmers Market
- Seat of Sisonke District Municipality
- Ixopo Town Development offers a great opportunity for residential, commercial and other services
- Existing religious features, missions, Buddhist Retreat
- Rich Cultural History
- The oldest Narrow Gauge

1.15. Opportunities offered by UBuhlebezwe Municipality

- Optimizing the opportunities presented by UBuhlebezwe location along R56 Secondary Corridor as identified in the PSEDS between Pietermaritzburg and the Eastern Cape, P68 Port Shepstone, St Faiths and Ixopo corridor and R612 linking Ixopo to the South Coast and the Southern Drakensberg.
- Tourism potential
- Agricultural and Forestry attributes in terms of soil types, climate diversity and rainfall
- Water Resources, Ubuhlebezwe is bounded by UMzimkhulu River and Umkomaas River.
- Ubuhlebezwe is the seat of the Sisonke District Municipality which strengthens our nodal status.

1.16. Governance

The UBuhlebezwe Local Municipality is a Category B Municipality as defined under Section 3 of the Local Government: Municipal Structures Act, No. 117 of 1998 (Municipal Structures Act). The municipality is governed through a Council.

The Council is made up of 24 Councillors, of which two are full-time Councillors, i.e. the Mayor and the Deputy Mayor. There is an Executive Committee which is made up of four members.

In line with Section 80 of the Municipal Structures Act, the Municipality currently has four multi-party Portfolio Committees, namely Planning and Infrastructure Committee; the Administration and Human Resources, Finance Committee and the Social Development Committee.

CHAPTER 2 PERFORMANCE HIGHLIGHTS AND CHALLENGES

2.1 Basic Service Delivery and Infrastructure Delivery and Infrastructure Development

2.1.1 Project Management Unit

The Project Management Unit is a section within the Infrastructure Planning and Development department responsible for the implementation of all MIG projects and any other infrastructure projects within the Municipality jurisdictional area. This encompasses ensuring that the infrastructure is increased, upgraded and maintained properly to ensure sustainability of the investment.

2.1.2 Municipal Infrastructure Grant

Ubuhlebezwe Municipality entered into annual contracts with six service providers for labour, plant and materials to fast-track the implementation programme of the new ten (10) 2011/2012 MIG projects such as community halls, sports-fields, crèche and access roads. This is described as follows:-

Project scope	Project name	Ward no.	Status
Construction of 15.1m x 33m portal frame community hall with water borne toilets, caretaker room, 230m concrete palisade fence and can accommodate 500 people	Chibini community hall	03	Project under construction and is expected to be completed in the first quarter of 2012/13 financial year
	Nokweja community hall	11	Project under construction and is expected to be completed in the first quarter of 2012/13 financial year

Construction of 120m x 60m sport-field as per Department of Sport and Recreation standard with water borne change rooms with toilets fenced with steel palisade.	Bhaca hall	03	Project experienced delays from the positioning and to the delivery of material due to the terrain of area. Project has been carried over to the 2012/13 financial year.
	Mhlabashane sportsfield	10	Major works have been completed only painting and plumbing is outstanding
	Nodumehlez i sportsfield	12	Major works have been completed only painting and plumbing is outstanding
	Hopewell sportsfield	01	Major works has been completed only painting and plumbing is outstanding
Construction of basic education facility that will accommodate and carter for 30 children with security concrete palisade fence water borne toilets	Senzeni creche	06	Major works have been completed only painting and plumbing is outstanding
	Koshinga crèche	09	Major works has been completed only painting and plumbing is outstanding
Construction of gravel access road with storm water related structures and the course way as per the Department of Transport standard	Vezi Access Road	08	Project is complete
Construction of gravel access road with storm water related structures and the course way as per the Department of Transport standard	Zethembe Access Road		Road layer works and storm-water structure have been completed and the outstanding work is the completion of low level structure. Project is expected to be completed in the first quarter of 2012/13 financial year.

The balance of the scope of the above projects will be completed by the end of September 2012. For the 2011/2012 financial year this department has managed to spend 98.4% of MIG funding totaling to R17, 400 000.00.

Within our capital funding the department has managed to employ 252 local labourers, of which 198 were youth and 64 female.

Chibini Community Hall Under construction



Inside of the hall



Grassed Sportfield



Senzeni Crèche in ward 6



2.1.3 Small Town Rehabilitation Programme

The department managed to source funding totaling R6 720 000.00 from the Department of Corporative Governance and Traditional Affairs through the Small Town Rehabilitation Programme. This funding was utilized in the construction of the V-drains, construction of the kerbs and channels, construction of storm-water catchpits and chutes, laying of storm-water pipes along the roads, construction of bays, construction of sidewalks and landscaping.

Complete section along Margaret Street



Section under construction in Main Street



2.1.4 Sports and Recreation

The department managed to source funding amounting to R1 869 600.00 from the Department of Sport and Recreation and R 300 000.00 from the Municipality for the construction of Ixopo Sportfield Phase 2. This funding was utilized in the construction of the junior sportfield, construction of an Athletic track, Installation of the high mast lighting, repairing of the concrete fencing and lining of the combo court.

2.1.5 Housing

Over the past 10 years, the municipality has managed to build 1621 houses (Fairview, Mahehle Phase 1 and Mziki Agri-Village). There is still a challenge of water and electricity in the Mziki project which leads to beneficiaries not willing to move into their houses.

In this financial year there are only 2 projects in the construction stage namely, Sponya Housing Project in Ward 8 with 700 units and Sangcwaba Housing Projects in Ward 5 with 500 units.

2.1.6 Sponya Rural Housing Project

The project size is 700 units. The project started in July 2011. It sits in Ward 8 under the Ubuhlebezwe Municipal Area under the Ikwezi Lokusa Traditional Area. This project is funded by the Department of Human Settlements and is due to be completed in February 2013.

The budget allocated for this project is R45 611 930.00 and the expenditure to date is R826 484.00 (Stage 1 Funding) R10 241 697.38 and R35 3702 32.62 (Stage2).

Construction progress to date is as follows:

- 300 floor slabs have been passed by the Department of Human settlement
- 207 wall plates were inspected and passed. 17 wall plates are still to be inspected.
- 148 have been inspected and passed and are now complete. 10 are not yet inspected.

Building inspector and the Implementing Agent on the final inspection

Sponya Housing Project 1 of 700 Completed house

Sangcwaba Rural Housing Project

This project is located in Ward 5 under the Municipal Area. It falls under the Vumukwenza Traditional Area. The project size is 500 units. The Sangcwaba Housing Project was advertised early 2004 and is funded by the Department of Human Settlements. The tender process was undertaken via the Municipal procurement process in conjunction with the then Department of Housing, now the Department of Human Settlements. The budget for this project is R33 570 940.00



The project was blocked due to an investigation but in 2006, however, in February 2011 the Ubuhlebezwe Municipality proceeded to unblock the project after engaging the Department of Human Settlements.

The Project is now at Close - out Stage and all 500 units have been completed with 497 of the happy letters signed and seven pending due to snagging. The M.E.C for the Department of Human settlements, Mr. R Pillay visited the Project to do the handover of the 500 units.

MEC HANDING OVER A HOUSE TO MKHIZE FAMILY IN SANGCWABA WARD 5

One of the 500 Sangcwaba completed houses



2.1.7 Sukhuma Sakhe

Operation Sukuma Sakhe Programme (formerly known as the Flagship Programme) seeks to institute food security, fight disease, in particular HIV, AIDS and TB, and poverty, empower women and youth, and instil behavioural change amongst the citizens of the province

Councillors from different wards have embraced this opportunity by working together with their war-rooms in identifying and profiling the affected beneficiaries, and have submitted the said beneficiaries to the co-ordinator at Ubhlebezwe Municipality in the Housing section. The lists of the affected beneficiaries were compiled and submitted to the Department of Human Settlements for approval by HEAC and to be budgeted. Under this intervention we managed to build 13 houses in ward 1, 2 houses in ward 10 and 19 temporary houses in ward 11.

Fortunately the Department of Human Settlement has approved 11 houses in ward 10, 1 house in ward 7, 43 houses in ward 3, 34 houses in ward 9 and 3 houses in ward 12. Service providers have been appointed by the Province and have been introduced to us and to the ward Councillors together with their ward committees.

5 other projects are currently in the planning stage:

- Ithubalethu in Ward 4 with 384 units: The budget for this project is R2 000 000.00 up to the 2014/2015 financial year. The water supply for the project has been prioritised by Sisonke District Municipality and a request for the provision of Bulks support was sent to Sisonke District Municipality on 21 August 2012.
- Mahehle Phase 2: there is a provisional budget of R1500 000.00 for the 2013/2014 financial year and in principal support of bulks was given by the Sisonke District Municipality. The project is situated in Ward 1 with 500 planned units.
- Mfulomubi in Ward 7 with 500 planned units: The budget for this project is R2 000 000.00 for 2013/2014 financial year.

- Kwathathani in Ward 10 with 500: The budget for the planning stage of this project is R7 150 374.00 for 2012/2013 financial year. This project has received a letter of bulks support for Sisonke District Municipality on the 30th August 2011.

- Ibhobhobho in Ward 5 has 644 planned units: Budget for this project is R1 500 000.00 for 2013/2014 financial year.

BEFORE INTERVENTION



MEC HANDING OVER THE HOUSE KEY TO MR V MKHIZE OF WARD 12



INTERVENTION FROM OTHER STAKEHOLDERS



The Department has strengthened the function of this unit by compiling a weekly schedule in terms of consultation hours as well as inspection days. The municipality has gone the extra mile with regard to illegal buildings, by issuing notices to all residents and businesses with illegal structures.

2.1.8 Building Inspectorate

The Department has strengthened the functioning of this unit by compiling a weekly schedule in terms of consultation hours as well as inspection days. The municipality has gone the extra mile with regard to illegal buildings, by issuing notices to all residents and businesses with illegal structures.

The following table indicates the number of major building plans approved as at 30 June 2012.

Table 4: Building Plans

NEW DWELLINGS			
WARD	TYPE OF BUILDING	PROPERTY DESCRIPTION	RAND VALUE
4	Residential	Lot 702	R90,000.00
2	Residential	Portion 2 of 32	R100, 000.00
2	Residential	Lot 191	R200,000.00
4	Residential	Lot 712	R110, 000.00
2	Residential	Erf 557	R40,000.00
2	Residential	Lot 465	R50, 000.00
4	Residential	Lot 614	R85, 000.00
COMMERCIAL STRUCTURES			
BUSINESS NAME	TYPE OF STRUCTURE	PROPERTY DESCRIPTION	RAND VALUE
Zevoli (PTY) (LTD)	Offices	Portion 2 of Erf 65	R15000 000.00
F.N.B	Offices/Bank	Lot 12	R1,000 000.00
Edgars Ective	Shops	Erf 1536	R500, 000.00
Spar	Sign Post	Lot 298	R5 000.00
PUBLIC BUILDINGS			
BUSINESS NAME	TYPE OF STRUCTURE	PROPERTY DESCRIPTION	RAND VALUE
N/A	N/A	N/A	N/A

LOT 702 FOUNDATION LEVEL



LOT 702 ROOF HEIGHTS



The above dwelling is at roofing stage and the contractor is preparing to place the plastic membrane and roof tiles. Currently there are no challenges regarding the construction of this dwelling

LOT 557 FOUNDATION LEVEL



LOT 557 ROOFING



The external plastering has commenced in this dwelling, there are no challenges experienced.

LOT 712 FOUNDATIONS



The additions and alterations on the existing dwelling have commenced and currently the contractor is busy with the excavation of trenches. The challenge here is the interference of the owner of the house wanted to do things her own way regarding the depth of the trenches. This issue has been dealt with accordingly with the owner of the house.

PLANS APPROVED BUT BUILDING NOT COMMENCED

The following plans received and approved but the construction of the building has not started due to the owners still waiting for their finances to be sorted out.

- Sub 2 of 32
- Lot 191
- Lot 465
- Lot 614
- Sub 2 of 65
- Lot 12
- Erf 1

2.1.9 Job Creation

Ubhlebezwe currently has a high rate of unemployment, and for this reason, we continue to encourage creation of job opportunities for the communities. The municipality, as a developing agent, has resolved that employment should be created during the implementation of projects within the Municipality and that local people be employed during implementation. This initiative has been communicated to and agreed with all service providers and contractors who have been awarded bids, and our SCM policies also have also incorporated this initiative.

We are proud to report that during 2011/2012 financial year the following 481 jobs were created and the breakdown is as follows:

No.	Project	No of people employed
1.	MIG Projects	252
2.	Small Town Rehabilitation	26
3.	Sport and Recreation	10
4.	Sponya Housing Project	57
5.	Sangcwaba Housing Project	136
	TOTAL	481

2.1.10 Planning Unit

The Planning Unit is a section within the Technical Services Department responsible for the implementation of all planning requirements as well as the implementation of all applicable Planning legislation in the province i.e. the KwaZulu-Natal Planning and Development Act (PDA). The planning unit oversees the land use management within the municipality as well as holistic and measured development within the Ubuhlezwe area of jurisdiction.

Through the Development and Planning Shared Services (DPSS), the municipality has been able to acquire the services of a Senior Town Planner that is shared between itself and Umzimkhulu Local Municipality. One of the main objectives of having such personnel is to insure that the municipality has a fully functional planning unit in order to assist the municipality with all planning requirements. The presence of the Senior Planner has enabled the unit to now have a fully dedicated person to the unit.

2.1.10.1 Projects

The unit has been able to partake in the following projects:

- Precinct Plan no 3
- Review of Ixopo Town Planning Scheme
- Development of Highflats Precinct Plan
- Compilation of the SDF
- Urban Edges study

Precinct Plan

The Ixopo precinct plan is a project that is funded by Sisonke DM with its main purpose being taking a look at how the town of Ixopo can be grown further in a manner in which the Town meets the needs of an ever growing developmental state of the municipality. The study provides possible future expansion avenues for the town.

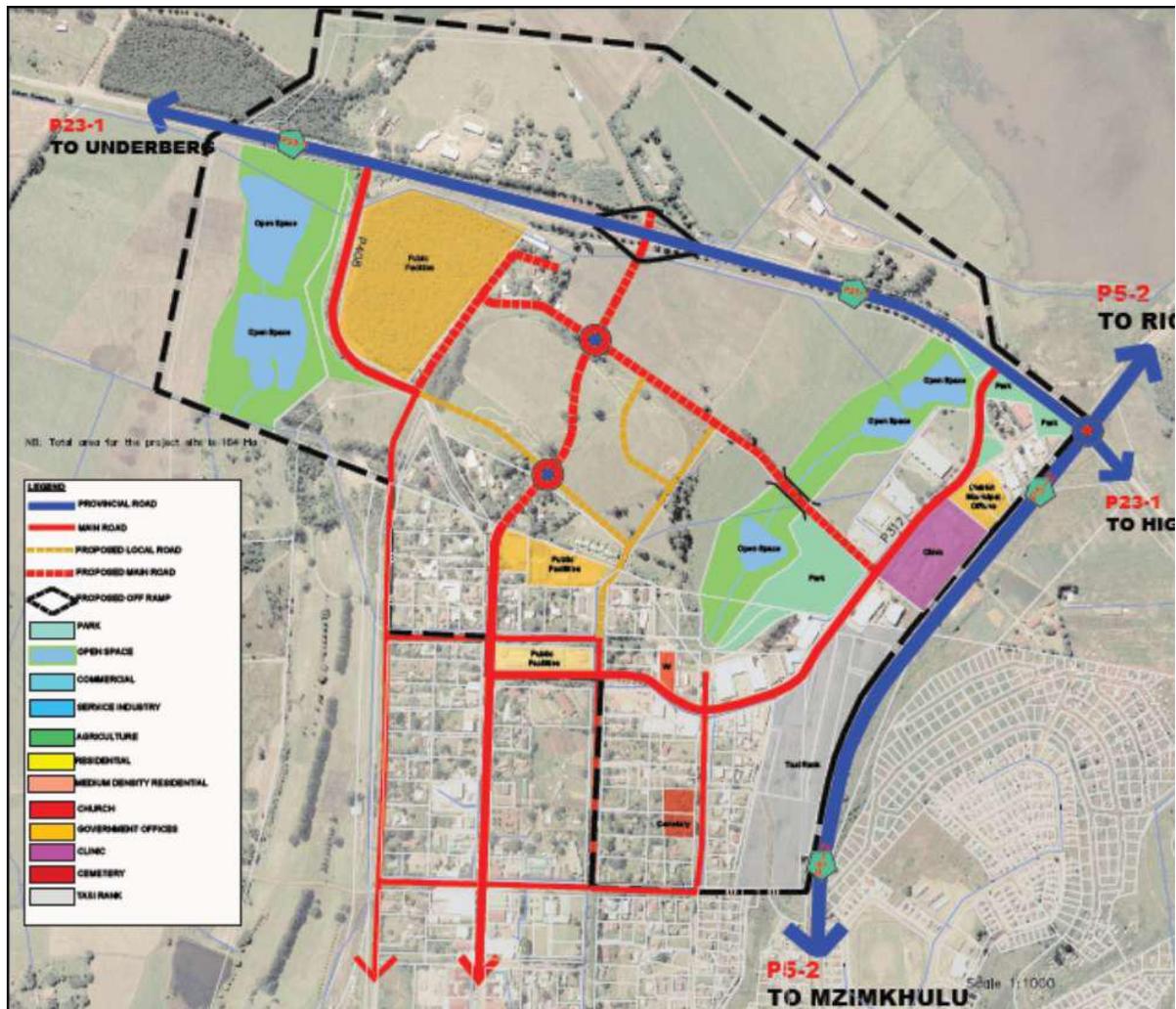


Figure 1: overview of the Ixopo Precinct Plan

Faced with the challenges of utilising an outdated Town Planning Scheme, the municipality embarked on a process to update the Town Planning Scheme for the town of Ixopo. This project was aimed at mainly eradicating the past inaccuracies that were prevalent in the old scheme and also bringing it in line with the new scheme in terms of the KZN PDA legislation. Through funding by COGTA this project has come to fruition with the town now having an updated town planning scheme and map to work from.

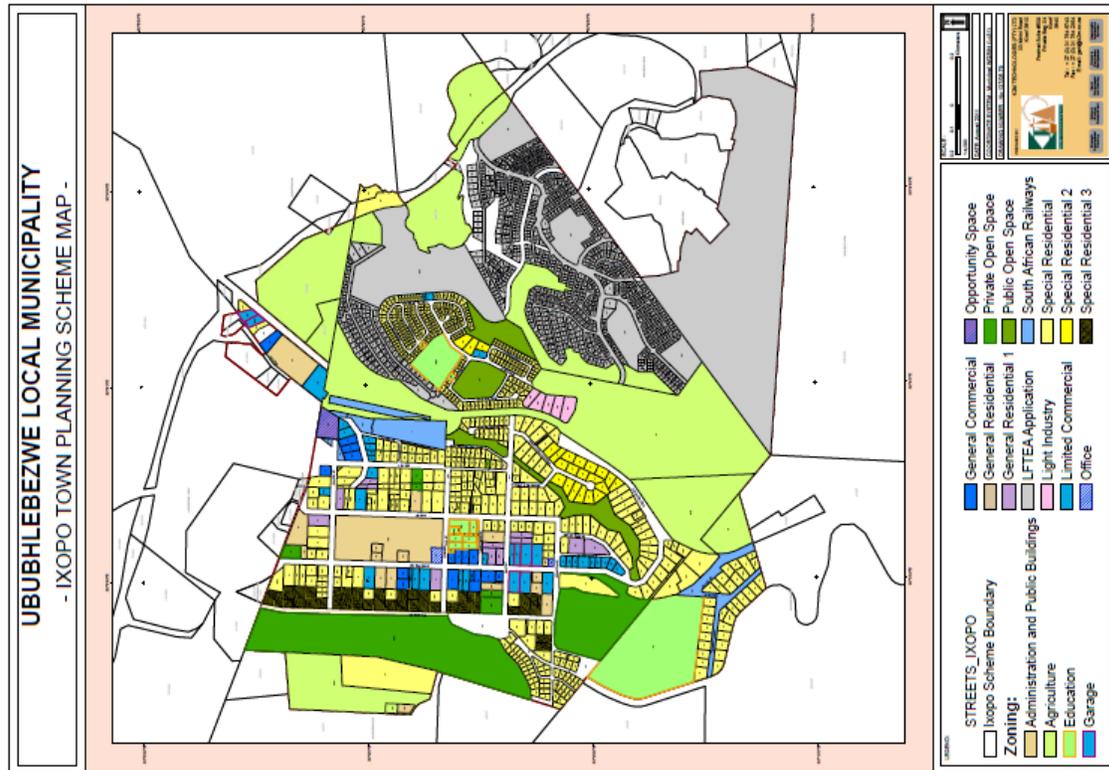


Figure 2: Overview of the Ixopo Town Planning Scheme

Similar to the projects above is the Highflats precinct plan which is aimed at formalising the urban node that has been established at Highflats. Culminating from this project will be a scheme similar to the one above that will lead to a regulated development of Highflats. The municipality has been fortunate in being chosen as one of the municipalities within Sisonke to benefit from the funding provided by the Department of Rural Development and Land Reform in developing the seemingly neglected smaller nodal areas.

The planning unit is currently working hand in hand with COGTA in conducting an urban edges study that will provide the municipality with a broader outline on how to best cope with the ever increasing demand between urban and rural development that very much characterises the municipality as a whole.

2.1.10.2 Future Goals

Future goals of the Planning unit are to ensure that the municipality has a fully functional Wall to wall scheme that covers the entire municipal area in line with the PDA. This project will better enable the municipality to manage all its landuse requirements in line with the applicable legislation as well as policies and bylaws.

2.1.11 GIS Unit

Ubhlebezwe Local municipality, through the Development and Planning Shared Services (DPSS) has acquired the services of a GIS Data Administrator that is shared between itself and Umzimkhulu Local Municipality. One of the main objectives of having a GIS Data Administrator is to insure that the municipality has a fully functional Municipal GIS that not only provides support to the Planning Unit but throughout the municipality as a whole.

The Geographic Information Systems (GIS) Unit is a section within the Technical Services Department, which is responsible for amongst other things:

- The implementation of all spatial data requirements
- maintenance and management of the Spatial Database
- Compilation maps for internal and external clients
- Facilitate the development of GIS within the municipality

GIS has become an essential tool for analysing and displaying spatial data with linkage tabular or attribute data that allows presentation of accurate and timely information to decision makers to assist in their decision making.

The unit is insightful of how data is captured, managed, maintained, acquired, disseminated, printed and secured for the short, medium and long term planning purposes. When fully developed the GIS is a powerful tool for spatial planning, and can be increasingly used in complex decision making by the municipality. The GIS is continuously expanding, and data is verified on a regular basis to ensure that datasets are current.

The GIS Unit plays an imperative role in assisting the municipality, Sector Departments, Consultants and the local Community with maps and updated information that are essential for their day-to-day activities.

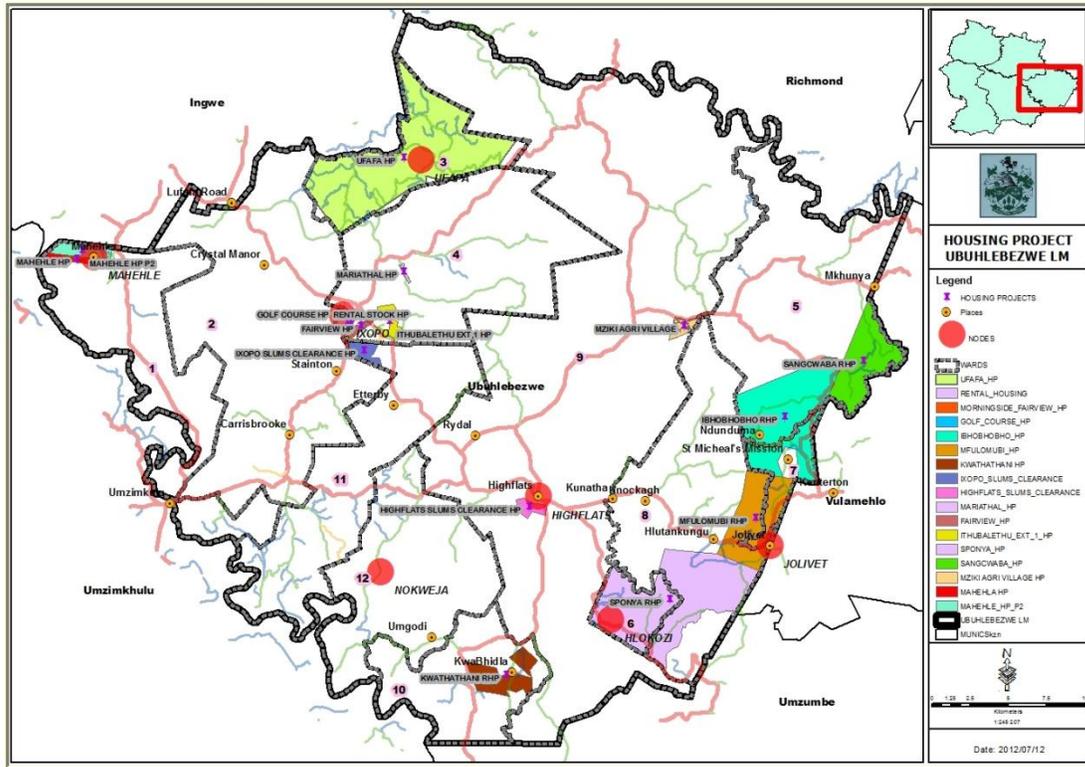
2.1.11.1 Projects

The unit has been able to partake in the following projects:

- GIS Implementation
- GIS input into the Ixopo Town Planning Scheme document
- Mapping of Housing Project
- Mapping of municipal vacant land
- Mapping of the SDF
- MPRA

The GIS unit has overseen the GIS implementation project which seeks to reintroduce GIS into the municipality. This project has ensured the acquisition of base data for the GIS unit as well as an outline of the future plans and growth for the unit.

The GIS office is constantly attending to map and data requests from internal and external clients. Furthermore the GIS unit is working closely with other units within its Department as well as other Departments such as Finance in providing map and data for their projects. As



Housing projects of Ubuhlebezwe LM



Municipal owned land within Ixopo

2.1.11.2 Objectives of the GIS Unit

The immediate GIS Unit intends to support the following objectives:

- Coordinate geographic information management.
- Promote the view of geographic information as a critical information asset.
- To enable access to geographic data and support data sharing.
- Provide coordination accessibility to GIS resources, including personnel, hardware, software to all stakeholders of the municipality
- To keep an up to date spatial database and integrated data as a strategic resource.
- Improve data quality
- To promote partnerships and collaboration to develop and use the GIS
- Develop a GIS policy

2.1.11.3 Key Challenges

- Water and electricity connection delays
- Shortage of human resources to undertake field work.
- Vandalism of public facilities.
- Gaps within the maintenance programme.
- Weak communication lines with sector departments
- Illegal dumping of refuse
- No designated site for solid waste dumping in Highflats
- Accessibility of the current dumping site in UMzimkhulu during rainy days
- Lack of understanding and awareness of the aspect and role played by Planning within the municipal area
- Educating the community on the importance of planning
- Land use study required
- Outdated policies and bylaws
- Conforming to current standards and trends
- Staff retention within the planning unit.
- Lack of understanding and awareness of the aspect and role played by GIS within the municipality
- Lack of essential equipment such as plotter to better support municipal officials
- Lack of IT support

2.2 Social and Local Economic Development

- Strengthened the functionality of the LED/Tourism Forum which meets once a quarter.
- Trained 36 emerging local business people on bricklaying, plumbing, Hospitality and carpentry respectively.
- Ixopo testing station is one of the two remaining stations in operation within the Sisonke District Municipality.
- The Traffic Department has managed to increase its revenue from of R2, 6 million in 2010/2011 to R 2, 7 million in 2012/2012.

2.2.1 Hosted the Mayoral Cup to promote local soccer talent

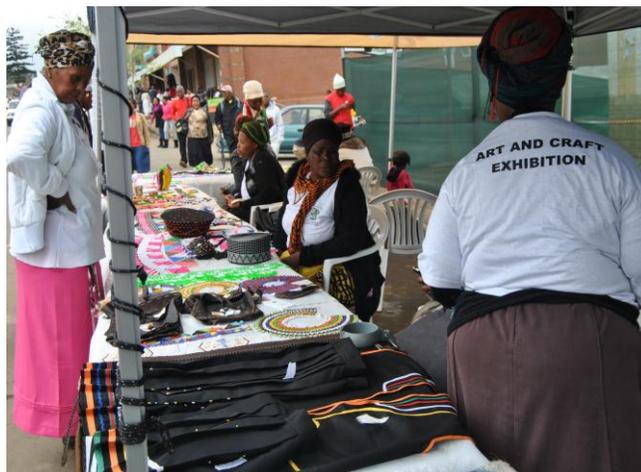
The uBuhlebezwe municipality hosted a Mayoral Cup soccer tournament in May 2012 supported by the Mayor for the local teams within the municipality. The vision was to showcase and promote soccer skills and talent for the young footballers in all genders.



The Mayoral Cup Soccer Games in May 2012

2.2.2 Hosted the Crafters Exhibition & attended the Sisonke District Municipality’s crafters exhibition.

The Municipality hosted the arts and craft exhibition in September 2011 for the local business people. The established and upcoming business people were in attendance to showcase their handcrafts whilst at the same time pursuing market sales for their products.



Arts and Craft in September 2011

2.2.3 Participated in KwaNaloga Games

The uBuhlebezwe Municipality participated in the kwaNaloga local games' selection in May 2012 as preparation and build-up to the District and Provincial Kwanaloga Games. Since the Department of Health encourages healthy minds and bodies, it was befitting to participate in these games as health and sport goes hand in hand a long way.



The KwaNALOGA Games in May 2012

2.2.4 Poverty alleviation project

As part of the poverty alleviation project the Municipality has handed-over a block making project in the Hopewell area in ward 02. The project supplies a number of local suppliers and community members in the area with blocks. The project employs six local members and is registered as a co-operative.



Block making project in Hopewell area in Ward 02

2.2.5 Financial supported 20 students to pay their tuition fees and registration fees

After conducting an assessment on applicants, there are twenty students selected for financial assistance.

No.	Name & Surname	ID number	Contact	Locality /ward	Area of Interest	Institution	Amount
1	ZAKITHI MIYA	9202010515081	084 9925340	01	ND. Accounting	MUT	R 9 200
2	NJABULO KUBONE	8805120906080	083 5698968	01	CIVIL Engineering	MUT	R 9 200
3	NOSIPHEL ELO NGCOBO	9302201078087	071 2297479	03	ND Community Ext.	MUT	R 7 000
4	PHILANI MTHEMBU	9308295393084	074 4156556	04	ND Financial Man.	DUT	R 9 200
5	AYABULEL A TUTUSE	9307170448088	076 3855859	04	B.Com Accounting	UCT	R 9 200
6	APHIWE MGILANE	9302010480086	071 5011359	04	ND Internal Auditing	DUT	R 9 200
7	SBONELW ESIHLE NKUNDLA	8312125550088	076 2595459	04	CIVIL ENGINEERING	MUT	R 7 000
8	NELISWA MKHIZE	9308090723089	083 7233702	05	ND. ACCOUNTING	MUT	R 5 105
9	NKOSIYAZI MAGAGULA	8710116119088	073 7728175	05	ND. ACCOUNTING	MUT	R 2 497
10	CUPHENI MLITWA	7705220255084	084 0885177	06	COMMUNITY DEV.	UNISA	R 3 381
11	SIYANDA MKHIZE	9007045285083	071 5092892	06	BA Environment	UNIZ ULU	R 4 900

al P&D							
12	MENZI SHOBA	9101285891088	076 4959453	06	CIVIL ENGINEERING	MUT	R 7 117
13	REMEMBER MATHOBELA	8909265546089	073 1900543	07	Financial Accounting	DUT	R 7 000
14	SANELE PHUNGULA	8612285936088	074 7492278	08	CIVIL ENGINEERING	DUT	R 9 200
15	MONWABISIMGENGE	9312035421080	078 5029035	09	CIVIL ENGINEERING	DUT	R 9 200
16	NKONZWE NHLE JILI	8611246071084	079 1822137	10	Civil Engineering	MUT	R 7 000
17	SINETHEMBA SHOBA	9205155343086	078 2290870	10	Chattered Accounted	CAPE PENE NSULA	R 9 200
18	LEONARD MNGUNI	9201205648087	083 4235558	10	CIVIL Engineering	MUT	R 7 000
19	SILINDILE KESWA	9004200546086	072 5611761	11	Town and Regional P	DUT	R 9 200
20	ANDILE DLAMINI	8508066033089	078 4269726	12	B.Com Accounting	Nelson Mandela MU	R 9 200
TOTAL							R 150 000

2.2.6 Solid waste management

In order to ensure better cleanliness of the town and surrounding areas the municipality has introduced a working shifts system and placed 21 skip bins in the highest waste generating points in Ixopo and Highflats. The Municipality has recently modified the refuse truck to be able to load skip bins. This initiative is already bearing results through the visible cleanliness levels of the towns.

SKIPPER BIN PLACEMENTS

PLACE	AMOUNT	LOCATION
HIGHFLATS	1	Taxi rank next to public toilet
	1	In front of Ellerines shop
	1	In front of Triangle Supermarket
	1	Placed in front of Slimline Super market however there is a challenge with this skipper so it was placed next to Spar. The Municipality placed the skipper on a Telkom and Eskom lines and were asked to remove it to prevent accidents.
	1	In front of the fruit market at the Taxi Rank
	1	In front of Nedbank and Wholesaler
	1	In front of Spar Supermarket
TOTAL	7	
IXOPO	2	In front of Winners Supermarket
	1	In Boxer Supermarket
	1	Taxi Rank
	1	On Philani Supermarket premises
	1	Outside Philani Supermarket. This one services the taxi rank and Pack & Win Supermarket
	1	Behind the Ixopo Mall
	1	At Railway Street
	3	At Spar Supermarket. Two were supplied to Spar and one was supplied to the business behind Spar. However, Spar has purchased the

	business park and the skipper was places with the other two
	2 At Ixopo High School Hostel
	1 In front of Johnson Garage
TOTAL	13
OVERALL TOTAL	21

2.2.7 Town Beautification

2.2.7.1 Parks and Gardens

In the quest to ensure a cleaner, greener and beautified town, the municipality has extended its urban greening exercise by planting Trees, Shrubs and Flowers at the 5 entrances leading to Ixopo Town. This project is one of the projects identified in the Ixopo Urban Regeneration Strategy. Grass cutting on-going to maintain all road verges within the towns and formal residential areas.

In the year under review, the municipality continued to strive to be one of the “Green” destinations in KZN. To this end, the municipality participated in the “greenest municipality” competitions, in which the municipality won the following awards:

- ✓ Greenest Municipality in the B3 Category within Sisonke DM with a price of R60, 000.00
- ✓ Most improved municipality within Sisonke DM with a price of R15, 000.00





The cleanup campaign in June 2012



2.3 Good Governance and Public Participation

Ubhlebezwe places a high premium on Community Participation, in that the municipality fosters involvement of the community in the decision making processes as well as determining priorities for inclusion in the IDP and Budget. In this regard there is a dedicated Unit that spearheads public participation to ensure that municipality not only complies with legislation but practically takes government to its own people. All this is done in collaboration with the assistance of political office bearers.



2.4 Municipal Transformation and Institutional Development

Ubhlebezwe Municipality has always strived towards meeting the needs of the citizens through service delivery. This has always the mindset of leadership at all levels even though there are challenges attempting to inhibit these efforts such as personnel capacity constraints. This challenge hit hard on Ubhlebezwe Municipality in the reporting financial year, however, efforts were made address this challenge through the approval of the organisational structure and filling of strategic posts in the various departments. In the main we proudly highlight the following as achievements in no particular order of significance:-

Achievements in the 2011/12 Financial Year

- Review and approval of the organogram which speaks to envisaged vision and mission of Ubhlebezwe municipality
- Reviewed career pathing initiatives
- Reviewed Human Resource policies
- Approved Fleet Management Officer
- Filled all strategic vacant posts.
- Review of job descriptions of staff in line with the job functions
- Implementation of the Work-place Skills Plan (*about 84% of the budget was utilized*)
- Improved on the implementation of the Employment Equity Plan in terms women employed by the municipality compared to the previous years.
- Improved turnaround time in the recruitment and appointment of personnel.

2.4.1 Policy Development

2011/12 financial year and in preparation for the 2012/13 financial year, Ubhlebezwe Local Municipality reviewed its Human Resource policies and ensured adoption by council.

2.4.2 Implementation of the Performance Management System

As required, Ubhlebezwe Local Municipality has established a committee to assess managers in line with Municipal Performance Regulations, 2006. However, challenges were encountered in this regard as the municipality did not have strategic leadership on issues of performance management. In the 2012/13 financial year we management has put plans in plans to improve the functionality of the performance management system within the municipality.

2.4.3 Organisational Review

Ubhlebezwe Municipality has over the years been able to review the organisational structure and has ensured that this is done during the strategic planning sessions and together with the budget to ensure alignment to the strategy and funding resources of the municipality. The 2011/12 financial year was not different as the municipality managed to review its organogram in preparation for the 2012/13 financial year.

2.5 Municipal Financial Viability

2.5.1 Highlights

In an endeavour to enhance revenue, the municipality engaged the services of a debt collector and also embarked on a limited physical verification of properties, as part of a data cleansing exercise. The following are some of the highlighted achievements in the reporting:

- Improved on compliance with Supply Chain Management policy and regulations
- Reviewed financial policies adopted by Council;
- We have continued to adhere to budget limits and have improved on cash flow management;
- Ongoing deliberations with the Department of Public Works have resulted in an improvement in the recovery of long outstanding debtors from government Departments.

2.5.2 Assessment by the accounting officer on any arrears on municipal taxes and service charges

- There has been assessment during the 2011/2012 financial year;
- Municipal debt collectors were appointed in September 2011. The strategy was to start collecting from the businesses owing the municipality;
- Now all municipal debts that are 90+ days are now handed over;
- If there is a councillor owing the municipality, the deductions takes place from their salaries, and same goes for the municipal staff;
- Government debts: There are still outstanding amounts from property rates, however, only properties that have not been verified that they belong to government have not been billed.

2.5.3 Challenges

- Changing reporting formats that result in the Budget and Treasury office to have multiple reporting versions for different stakeholders, such as Council and provincial and National Treasuries.
- Not fully compliance asset register in terms GRAP requirements.

- Low revenue collection rate. Incorrect billing due to inaccurate ratepayers' data. Cleaning of data still being undertaken.
- Skills shortage – loss of experienced staff in the finance department
- Inability to utilize the financial systems to full potential due to ICT challenges.
- Delays in SCM processes, sometimes due to non-response by service providers (items sometimes re-advertised at least three times)

In the 2012/13 financial we expect to see drastic improvement as plans are in place address these challenges.

2.6 Good Governance and Public Participatiion

2.6.1 Integrated Development Planning:

According to the Municipal Systems Act, 32/2000 (Section 35), the IDP is a 'principal strategic planning instrument for the Municipality, it guides & informs all planning and development within the Municipality.'

In the 2011/12 financial year, Ubuhlebezwe Municipality convened quarterly IDP Representative Forum meetings with municipal management from Sisonke and Ubuhlebezwe Municipalities, various Government Departments, Non-Governmental Organizations and community structures in attendance. The purpose of this Forum was to encourage participation from the community and from other Stakeholders, providing an external platform to debate issues and make contributions with the purpose of finding workable solutions (priorities in the IDP) to existing community needs.

The IDP Process continued with the adoption of the IDP Process Plan which was to inform the IDP process plan review for the 2011/12 financial year. The 2011/12 Integrated Development Plan (IDP) review was then adopted on the 28th of April 2011 with the final IDP document for the 2011/12 being adopted by the Council of Ubuhlebezwe Municipality in a Council meeting of the 30th May 2011, together with the Spatial Development Framework, copies of which were then made available for public consumption at the Municipal offices.

2.6.1.1 Challenges:

- Community needs versus Municipal resources. In this regard we are honing out prioritization and alignment skills in an attempt to strike a balance.
- Budget spending on project within set timeframes and within set financial allocations.

2.6.2 Performance Management System:

Performance Management System (PMS), as a management and monitoring tool is an approach of delivering successful results within the Municipality by improving performance and developing the capacity of personnel that occupies strategic positions. To achieve this goal in the 2011/12 financial year, all Managers reporting directly to the Municipal Manager signed Performance Agreements with the Municipal Manager and the Municipal Manager signed his performance agreement with the Mayor. The performance agreements were approved by Council at a Council meeting held on the 14th December 2011.

Monitoring and Evaluation for each Department was then done through quarterly Performance Assessments with each manager reporting on progress made on each of his Key Performance Areas in accordance with the Service Delivery Budget Implementation Plan, citing challenges, solutions implemented and control measures

thereof. We also produced an Annual Performance Report on the overall organization.

The Performance Management Framework was approved at a Council meeting that took place on the 14th December 2011.

2.6.2.1 Challenges:

- One of the major challenges in the 2011/12 financial year in that 3 of the key positions. Namely that of the Municipal Manager, the CFO and Director Corporate services were vacant and candidates had to be appointed to act in these positions. This occurred at different intervals of the year and made it difficult to conduct assessment timeously.
- These positions have since been filled and we envisage a smooth transition going forward.

2.6.3 Performance Audit and Risk Committee

The Municipality has a fully functional Performance Audit and Risk Committee which consists of three members. There is an approved Audit Committee Charter in place which governs the operations of the committee.

The Audit Committee carried out its activities in terms of Section 166 of the MFMA 56 of 2003. The Audit and Performance Committee held six (6) meetings during the year to discuss financial management issues, performance information, risk management etc. The committee submitted the Audit and Performance Committee report which was tabled to Council in July 2012. Extensive details on the functions of the Audit Committee are entailed in the Audit and Performance Report which is contained in this Annual Report.

2.6.4 Internal Audit Activity

We have pleasure in reporting that we now have a fully functional Internal Audit Activity, the Internal Audit Activity comprise of an Internal Audit Manager, an Internal Auditor and an Internal Audit Intern. There is an approved Internal Audit Charter in place which sets out the nature, role, responsibility and authority of the Internal Audit Activity and to outline the scope of their work.

The Internal Audit Activity carried out its activities in terms of section 165 of the MFMA, by conducting risk-based Internal audits in accordance with the approved risk-based internal audit plan. To this end internal audit reports were submitted to the audit committee for review and comments.

2.6.5 Risk Management

Risk management forms a critical part of any institution's strategic management. The municipality has established a Risk Committee as a measure of managing risk. The Risk Committee is an oversight committee accountable to the Accounting Officer for the monitoring of risk management.

We engaged the services of Provincial Treasury to assist in facilitating the risk assessment workshops. The municipality has an existing risk register which will be monitored by the Risk Committee on a quarterly basis. The Risk Committee reports were discussed with the Accounting Officer and tabled to the Audit Committee as well.

2.6.6 Challenges

The municipality does not have a person who is responsible for risk management, currently risk management activities are facilitated by Internal Audit in conjunction with Provincial Treasury's, Internal Audit Unit. In mitigating the above circumstances the Municipality has resolved to review the organogram to cater for the position of a Risk and Compliance Officer.

2.6.7 Communication Strategy:

The Municipality has advertised for a service provider to develop a comprehensive Communication Strategy for the Municipality.

We are optimistic that this project will be finalised by the end of the 2nd quarter of 2012/13.

2.6.8 Challenges:

The response to the call for proposal has not been favourable as we have advertised twice for these services and are now trying to find an alternative method in this regard.

CHAPTER 3 HUMAN RESOURCES AND OTHER ORGANISATIONAL MANAGEMENT

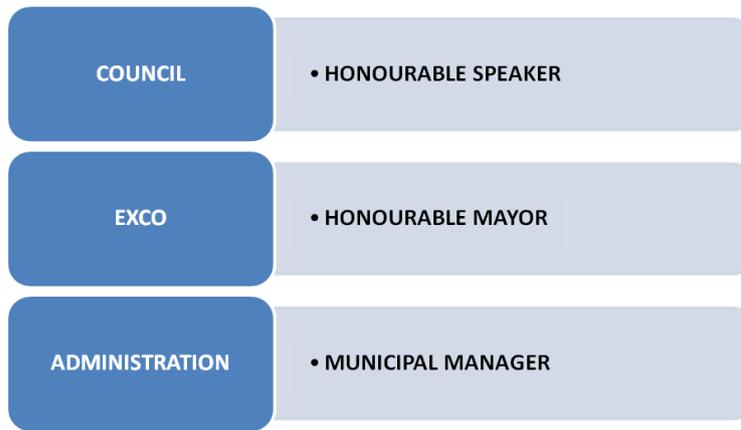
Our Municipality functions under the collective executive system combined with a ward participatory system and is a category B Municipality.

In terms of Section 48 of the Municipal Systems Act, Act No. 117 of 1998, Council elected the Mayor, the Deputy Mayor, the Speaker and all Executive Committee Members. They are the Executive leadership of the Municipality. Councillors from different political parties play an important role to develop policies to improve service delivery in order to ensure better lives for the people of Ubuhlebezwe. We have 18 (eighteen) Councillors from the ANC, 1 (one) from DA, 3 (three) from NFP and 2 (two) from the IFP.

The following four Departments make up the structure and are accountable to the Accounting Officer:-

- a) Budget and Treasury
- b) Social Development
- c) Infrastructure, Planning and Development
- d) Corporate Services

3.1 Organisational Structure



3.2 Skills Development And Employment Equity

The Employment Equity Plan is in place and was adopted by Council. Ubuhlebezwe continually endeavours to reach adequate representation of all designated groups at all job levels and categories. To this end and with this Employment Equity Act, the aim is to:-

- Set targets for the recruitment and promotion of designated groups
- Make sure that priority is given to development of internal staff, their recruitment and promotion without sacrificing quality.

The Table Below Illustrates Demographics for 2010- 2011

Workplace Population	Male				Female				Total Employees
	A	C	I	W	A	C	I	W	
Number of Employees	56	1	2	1	63	2	1	0	126

3.3 Training And Development

Ubuhlebezwe municipality develops and approves a WSP for each financial year in the quest to continually improve the skills and competency of management and staff including councillors. In the 2011/12 financial year he following trainings were successfully conducted:

- **CPMD**
- Exco members, Municipal Manager and 3 Directors were capacitated.

- **MPAC**
 - All Councillors were workshopped on Oversight.

- **Report Writing and Minute Taking**
 - 30 Officials were capacitated.

- **Client Services**
 - 20 Officials were developed in the field in order to improve service delivery.

- **New Venture Creations**
 - 24 Unemployed persons were trained focusing on how to start a new business.

- **Municipal Finance Management Programme**
 - Finance interns were developed by being trained on municipal finance management.

CHAPTER 4 Audited Annual Financial Statements and Related Financial Information

4.1 Annual Financial Statements

The accounting officer of the municipality is responsible for the preparation of the annual financial statements, which are set out as Annexure A in Chapter 6 of the Annual Report, in terms of Section 126(1) of the Municipal Finance Management Act and which have been signed on behalf of the Municipality.

The accounting officer certify that the salaries, allowances and benefits of Councillors as disclosed in note 21 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

4.2 Tariffs

Tariffs for the 2011/12 financial year were based on the recommended inflation rate. Phasing in of general rebate was over four years per Municipal Property Rates Act (MPRA). It was initiated in 2008 and 2011/2012 is the final year of phasing. The tariffs for the 2011/2012 financial year were as follows:

Description	Tariff 2011/12
Residential	0.01264
State owned	0.01264
Agriculture	0.00316
Communal land	0.002982
Public Service Infrastructure	0.00316
Commercial	0.01264
Industrial	0.01370

And these tariffs were advertised on the local newspaper. All customer categories had already been 100% phased in as per the Municipal Property Rates Act (MPRA).

4.3 Debtors

Consumer debtors amounted to R12 400 742, and these were impaired by (R8 152 368). Out of the above debtors, just above R9 000 000 are greater than 120 days in ageing. Included in the debtors amount were VAT debtors of R387 844. This amount is expected to be paid over to the municipality by SARS. The municipality budgets for the provision of doubtful debts as prescribed by the Municipal Budget and Reporting Regulations.

4.4 Grants

All unspent conditional grants were cashed backed at 30 June 2012.

4.5 Investments

The municipality has an approved investment policy so funds are invested in different banking institutions through Supply Chain Management processes. Current Investments as at 30 June 2012 amounted to R 38 104 678 and included in that amount was the R6 000 000 for unspent grants.

CHAPTER 5 Functional Area Service Delivery Reporting

5.1 Introduction and Overview

Performance management is a strategic approach to management, which equips leaders, managers, officials and stakeholders at different levels with a set of tools and techniques to regularly plan, continuously monitor, periodically measure and review performance of the organisation in terms of indicators and targets for efficiency, effectiveness and impact.

A Performance Management System (PMS) is a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement review, reporting and improvement will be conducted, organised and managed, including determining the different role players.

PMS forms the basis of aligning the Integrated Development Plan (IDP) with the operational business plans, performance areas and performance indicators of the various departments of the Municipality. Performance management is a powerful tool which assists municipalities to develop an integrated perspective on development areas. It enables the municipality to focus on priorities within an increasingly complex and diverse set of demands. It also enables a municipality to direct resource allocations and institutional systems to a new set of development objectives.

One of the hallmarks of leading-edge local government has been the successful application of performance measurement to gain insight into, and make judgements about, the municipalities and the effectiveness and efficiency of its programmes, processes, and people. However, leading municipalities do not stop at the gathering and analysis of performance data. These municipalities use performance measurement to drive improvements and successfully translate vision and strategies into action. In other words, they use performance measurement processes for managing their municipalities.

In terms of the Municipal Systems Act No 32 of 2000 (MSA), municipalities are required to prepare an Annual Performance Report that is to form part of the Annual Report to be prepared in terms of the Municipal Finance Management Act.

5.2 Purpose of a Performance Management System

The Department of Co-Operative Governance and Traditional Affairs defines PMS as “ a strategic approach to management which equips leaders, managers, employees and stakeholders at different levels, with a set of tools and techniques to regularly plan, continuously monitor and periodically measure and review performance of the municipality in terms of indicators and targets for efficiency, effectiveness and impact.”

A PMS is also intended to assist the Council to improve service delivery by channeling its resources to meet performance targets and in doing so, ensure that the municipality achieves its strategic objectives as contained in its IDP. A PMS should fulfill the following objectives:

- Facilitate increased accountability
- Facilitate learning and improvement
- Provide early warning signs
- Facilitate decision making
- Effective usage of resources

In the local government context, a comprehensive and elaborate system of monitoring performance of municipalities has been legislated. The system is intended to continuously monitor the performance of municipalities in fulfilling their developmental mandate. Central to the system is the development of key performance indicators as instruments to assess performance. The indicators help to translate complex socio-economic development challenges into quantifiable and measurable outputs. They are therefore crucial if a proper assessment is to be done of the impact of government in improving the quality of life of all.

At **Ubhlebezwe Municipality**, performance management is seen beyond adhering to legislation, but an integral part of the management system to monitor and improve service delivery and report back to National government and communities. It is also a process whereby the Integrated Development Plan (IDP) and Performance Contracts and agreements of managers are aligned to the strategic intent of the municipality to enhance commitment to deliver on the strategy of the municipality.

5.3 Legislative Requirements & Compliance

The Performance Management System is located within a legislative and policy framework and is influenced by, but not limited to, the following:

- The Constitution of the Republic of South Africa, Act 108 of 1996;
- The White Paper on Local Government, 1998;
- The Municipal Systems Act 32 of 2000;
- The Municipal Planning and Performance Management Regulations, 2001;
- The Municipal Finance Management Act 56 of 2003;
- National Treasury's Framework for Managing Programme Performance Information; and
- Intergovernmental Relations.
- Monitoring and Evaluation Policy Framework and Procedure Manual

The Local Government Municipal Systems Act, 2000 Chapter 6 states that a municipality must:

- Establish a performance management system that is :
 - ✓ Commensurate with its resources;
 - ✓ Best suited to its circumstances; and
 - ✓ In line with the priorities, objectives. indicators and targets contained in its integrated development plan;
- Promote a culture of performance management among its political structures.
- Involve political office bearers and councilors; and
- Administer its affairs in an economical, effective, efficient and accountable manner.

The Municipal Planning and Performance Management Regulations set out in detail requirements for municipal PM systems. It also further states that in developing its performance management system, a municipality must ensure that the system -:

- Complies with all the requirements set out in the Act;
- Demonstrates how it is to operate and be managed from the planning stage;
- Defines the stages of performance review and reporting;
- Clarifies the roles and responsibilities of each role-player, including the local community, in the functioning of the system;
- Clarifies the processes of implementing the system within the framework of the integrated development planning process;

- Determines the frequency of reporting and the lines of accountability for performance;
- Relates to the municipality's employee performance management processes;
- Provides for the procedure by which the system is linked to the municipality's integrated development planning processes.

However, the main regulatory mechanism for the Performance Management System is Chapter 6 of the Municipal Systems Act, (Act 32 of 2000) and the related Municipal Performance Management Regulations (2001 and 2006) and Municipal Finance Management Act.

The MSA requires that all Municipalities:

- Develop a Performance Management System;
- Set target and monitor and review performance based on indicators linked to their IDP;
- Prepare an Annual Performance Report on the performance of a municipality forming part of its Annual Report as required in terms of the MFMA;
- Incorporate and report on a set of general/national indicators prescribed by the Minister responsible for local government;
- Conduct on a continuous basis, an internal audit of all performance measures;
- Have their annual performance report audited by the Auditor-General; and
- Involve the community in setting indicators, targets and reviewing of municipal performance

Currently, within the **Ubuhlebezwe Municipality**, there has been a fairly structured and methodical approach to ensuring that the requirements as set out by the legislation are reached and that transparency and integrity in the reporting of performance measures, however drastic measures still need to be put in place to ensure that the municipality improves in the manner in which it plans, implements, analyses, measures and reports on its performance. In fact plans are in place to ensure that this becomes a reality in the 2012/13 financial year.

5.4 Performance Management Highlights for 2011/2012

5.4.1 Preparing for Performance Management

In preparing for performance management and after extensive public participation to assess community needs, the developed an **organizational scorecard** representative of the various departments' strategic objectives, measurable outputs, performance measures and targets. Thereafter performance agreements were signed by all managers to which performance plans were attached.

In the 2011/2012 financial year we have also continuously ensured that the following elements, as required by the various legislative requirements and Ubhlebezwe Organisational Performance Management Framework are in place and functioning effectively. These elements include, but are not limited to, the following:

- Approved IDP, Scorecard and SDBIP which are aligned and containing annual performance indicators and targets in line with the national key performance areas and vision and mission of the municipality.
- Performance Audit Committee (same as the Audit Committee), which is properly constituted and has:
 - ✓ Terms of Reference;
 - ✓ Held the required number of meetings; and
 - ✓ Reviewed Performance Audit Reports.

5.5 National Key Performance Indicators

The municipality adopted the prescribed national key performance indicators/areas (NKPAs) and the strategic and operational key performance indicators were developed in the context of the national key performance indicators. The NKPAs are described hereunder

- Basic Service Delivery and Infrastructure Development;
- Local Economic Development;
- Community and Social Services
- Good governance and public participation;
- Financial viability and management; and
- Institutional development and transformation

5.6 Monitoring, Evaluation and Review

At the end of every quarter managers were expected to prepare and submit quarterly performance reports for monitoring and evaluation of actual performance against set targets (quarterly section 57 assessments). However, this could not occur as a dedicated Monitoring and Evaluation Unit was not in place in the reporting financial year. The other strategic challenge was the vacancies sustained during the financial year in the department of Budget and Treasury, Corporate Services and Community Services, and this adversely affected the functionality of the performance management system within the municipality. Plans are afoot to establish this unit in the 2012/13 financial to ensure that the municipality complies.

5.7 Performance Reports: 2011/2012

The tables below record the information as required for the Annual Performance Report which is derived from the Integrated Development Plan and includes additional outputs developed as part of the IDP Review process.

5.8 Annual Organisational Performance (Annual Targets vs. Actual Actuals)

The annual organization performance (depicted by strategic departments of Ubuhlebezwe municipality) is encapsulated in the below table. These results are derived from the quarterly performance monitoring and evaluations performed during the 2011/12 financial year. It is also **significant** to note that some of the key performance indicators were removed after careful assessment of the SMARTNESS of the key performance indicators as required by the municipal systems act, 32 of 2000. In the quest to formalize the alteration of the original organisational scorecard, approval was sought from the Executive committee after a motivation was presented through the office of the municipal manager.

National Key Performance Area	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2010/2011 Actuals	IDP2011/2012				
					Annual Target	Annual Actual	Achieved/not fully achieved/not achieved	Reasons/Comments/Corrective Action	Responsibility
Municipal Transformation and Institutional Development	To provide effective and efficient Human Resources Management Services	Implement 2011/2012 organogram	Date implemented	July 2011	Aug 2011	Dec 2011	Not fully achieved	Not all vacant posts were filled in the reporting year. In 2012/13 the municipality will ensure that all critical posts are filled within the 1 st quarter.	Corporate Services
		Approved 2011/2012 organogram	Date approved	May 2011	Jul 2011	Dec 2011	Achieved	N/A	Corporate Services / All
		Revised Employment Equity Plan	Date of approval	N/A	Jun 2012	0	Not achieved	The draft EEP will be tabled at council for approval in the first quarter of 2012/13	Corporate Services

National Key Performance Area	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2010/2011 Actuals	IDP2011/2012				
					Annual Target	Annual Actual	Achieved/not fully achieved/not achieved	Reasons/Comments/Corrective Action	Responsibility
		Identification and filling of posts	Number of posts identified	N/A	10	39	Achieved	N/A	Corporate Services/ All
			Number of posts filled	N/A	7	20	Achieved	Even though below the identified number of vacant posts, and this due to financial constraints	Corporate Services/ All
		Development of outstanding Job Descriptions	Number of JD	N/A	5	0	Not fully achieved	Draft job descriptions were developed and are ready for approval in the first quarter of 2012/13. The Head, Corporate Services was also appointed late in the financial year causing a disruption of planned activities.	Corporate Services/ All
		Number of people from employment equity target groups employed in	No. - Municipal Manager	0	1	1	Achieved	N/A	Corporate Services/ All
			No. - S57 Managers	4	1	1	Not fully achieved	Two director to be appointed in the first quarter of the	Corporate Services/ All

National Key Performance Area	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2010/2011 Actuals	IDP2011/2012				
					Annual Target	Annual Actual	Achieved/not fully achieved/not achieved	Reasons/Comments/Corrective Action	Responsibility
		the three highest levels of management						2012/13 financial year	All
			No. - S56 Managers	N/A	6	2	Not fully achieved	Two section 56 managers were appointed in the reporting financial year, another declined. We are expecting improvement in the 2012/13 financial year.	Corporate Services/ All
		Number of people from employment equity target groups employed in the Municipality	Number of women	-	1	19	Achieved	N/A	Corporate Services/ All
			Number of youth	-	4	34	Achieved	N/A	Corporate Services/ All
			Number of disabled	-	1	0	Not achieved	The municipality has not been fortunate in this regard because disabled persons have not been responding to adverts. We will continue to encourage them to	Corporate Services/ All

National Key Performance Area	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2010/2011 Actuals	IDP2011/2012				
					Annual Target	Annual Actual	Achieved/not fully achieved/not achieved	Reasons/Comments/Corrective Action	Responsibility
								apply as per our recruitment policy.	
		Functional Local Labour Forum	Number of meetings	-	10	4	Not fully achieved	The Manager Corporate Services was appointed late in the financial year, and as result, there was lack of strategic leadership in the human resource department	Corporate Services
		Annual Approved Workplace Skills Plan	Date approved	-	Jun 2012	Jun 2012	Achieved	N/A	Corporate Services/ All
			Date Implemented	-	June 2012	0	Not achieved	The WSP is a draft and will be presented to council in the 1 st quarter of the 2012/13 financial year.	Corporate/Community Services
		Budget Spent on Workplace Skills Plan	Amount spent as a %	-	100%	84%	Not fully achieved	The Manager Corporate Services was appointed late in the financial year, and as result, there was lack of strategic leadership in the	Corporate Services

National Key Performance Area	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2010/2011 Actuals	IDP2011/2012				
					Annual Target	Annual Actual	Achieved/not fully achieved/not achieved	Reasons/Comments/Corrective Action	Responsibility
								human resource department	
		Training of ward Committees	Number of Trainings		2	3	Achieved	N/A	Corporate Services
		Training of newly elected Councilors	Number of trainings	-	3	0	Not achieved	Training was supposed to be conducted by COGTA and therefore not prioritized in the WSP of the municipality	Corporate Services
		Training of Municipal SCOPA and Audit Committee members	Number of workshops	2	2	1	Not fully achieved	Training was supposed to be conducted by COGTA and therefore not prioritized in the WSP of the municipality	Corporate Services
		Training of new staff on Batho Pele Principles	Number of staff trained	-	5	0	Not fully achieved	The Manager Corporate Services was appointed late in the financial year, and as result, there	Corporate Services

National Key Performance Area	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2010/2011 Actuals	IDP2011/2012				
					Annual Target	Annual Actual	Achieved/not fully achieved/not achieved	Reasons/Comments/Corrective Action	Responsibility
								was lack of strategic leadership in the human resource department.	
		Municipal Administration	Yes/No - Buildings maintained	-	Yes	No	Not achieved	A maintenance plan will be developed and implemented in the 2012/13 financial year. The municipality will also be intensifying systems for collation of evidence for credible performance information and reporting.	Corporate Services
	To implement a Performance Management System	Performance Management System	Yes/No	5	Yes	Yes	Achieved	N/A	Office of MM/ All
		S57 Performance Agreements	Number of agreements	4	5	5	Achieved	N/A	Office of MM/ All
		Annual Performance Report	Date submitted	January 2010	Aug 2011	0	Not achieved	The municipality submitted the APR to the auditor-general on time, the	Office of MM/ All

National Key Performance Area	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2010/2011 Actuals	IDP2011/2012				
					Annual Target	Annual Actual	Achieved/not fully achieved/not achieved	Reasons/Comments/Corrective Action	Responsibility
								only issue is the lack of credible evidence to support the submission. The municipality will intensify systems for collation of evidence for credible performance information and reporting.	
		Critical posts with signed performance agreements	% of signed performance agreements	4	100	95	Achieved	N/A	Corporate Services
	To ensure integrated development and environmental planning	Reliable and credible IDP	Yes/No	Yes	Yes	Yes	Achieved	N/A	Office of MM/ All
			Date of review	May 2011	11 Feb 2012	24 March 2012	Achieved	N/A	Office of MM/ All
			Date adopted	May 2010	May 2011	24 March 2012	Achieved	N/A	Office of MM/ All

National Key Performance Area	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2010/2011 Actuals	IDP2011/2012				
					Annual Target	Annual Actual	Achieved/not fully achieved/not achieved	Reasons/Comments/Corrective Action	Responsibility
		Disaster Management Plan	Date updated and implemented	–	Mar 2012	0	Not fully achieved	A draft disaster risk management plan has been developed. It will be tabled to council for approval in the 1 st quarter of the 2012/13 financial year.	Community Services/ All
		Disasters mitigated, prevented, preparedness	Number mitigated	N/A	3	43	Achieved	All reported disaster incidences were responded to on time and no fatalities were reported.	Community Services
			Number prevented	N/A	3	0	Not achieved	A draft disaster risk management plan has been developed. It will be tabled to council for approval in the 1 st quarter of the 2012/13 financial year.	Community Services
			% preparedness	N/A	100	30%	Not fully achieved	Even though the municipality does not have an approved disaster risk management plan,	Community Services

National Key Performance Area	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2010/2011 Actuals	IDP2011/2012				
					Annual Target	Annual Actual	Achieved/not fully achieved/not achieved	Reasons/Comments/Corrective Action	Responsibility
								we can vouch that we are prepared for responding to incidents of disasters because there is staff and resources in place. We are expecting improvement in our state of preparedness once the disaster risk management plan is adopted by end of 1 st quarter.	
		Approved Mid-Term Expenditure Framework	Yes/No - Date	January 2010	Jan 2012	Jan 2012	Achieved	N/A	Financial Services
		Budget	Date adopted	28 April 2010	May 2012	May 2012	Achieved	N/A	Financial Services
		SDBIP	Date adopted	28 June 2010	Jun 2012	May 2012	Achieved	N/A	Financial Services/MM

National Key Performance Area	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2010/2011 Actuals	IDP2011/2012				
					Annual Target	Annual Actual	Achieved/not fully achieved/not achieved	Reasons/Comments/Corrective Action	Responsibility
		Implementation of the National Municipal Turnaround Strategy	Date prepared	–	Quarterly	0	Not achieved	The lack of strategic managers in the municipality adversely affected the implementation of the MTAS. Improvement is expected in the 2012/13 financial year as all strategic positions will be filled.	Office of MM
Basic Service Deliver and Infrastructure Development	Access to Water (If applicable)	Households with access to basic (or higher) levels of water	Number of households	76%	District	N/A	N/A	This is a district municipality's competency, and as such, will be revised in the 2012/13 scorecard to reflect a participatory role for the municipality through IDF meetings and other IGR structures.	District
		Households with access to free basic water	Number of households	N/A	District	N/A	N/A	This is a district municipality's competency, and as such, will be revised in the 2012/13	District

National Key Performance Area	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2010/2011 Actuals	IDP2011/2012				
					Annual Target	Annual Actual	Achieved/not fully achieved/not achieved	Reasons/Comments/Corrective Action	Responsibility
								scorecard to reflect a participatory role for the municipality through IDF meetings and other IGR structures.	
		Households in informal settlements provided with water	Number of households	N/A	District	N/A	N/A	This is a district municipality's competency, and as such, will be revised in the 2012/13 scorecard to reflect a participatory role for the municipality through IDF meetings and other IGR structures.	District
		WSDP Review Forum	Number of meetings	2	4	4	Achieved	N/A	Technical Services
	Access to Sanitation (If applicable)	Households with access to basic sanitation	Number of households	69.70%	District	N/A	N/A	This is a district municipality's competency, and as such, will be revised in the 2012/13 scorecard to reflect a participatory role for the municipality	District

National Key Performance Area	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2010/2011 Actuals	IDP2011/2012				
					Annual Target	Annual Actual	Achieved/not fully achieved/not achieved	Reasons/Comments/Corrective Action	Responsibility
								through IDF meetings and other IGR structures.	
		Households with access to free basic sanitation	Number of households	N/A	District	N/A	N/A	This is a district municipality's competency, and as such, will be revised in the 2012/13 scorecard to reflect a participatory role for the municipality through IDF meetings and other IGR structures.	District
		Households in informal settlements provided with Sanitation	Number of households	N/A	District	N/A	N/A	This is a district municipality's competency, and as such, will be revised in the 2012/13 scorecard to reflect a participatory role for the municipality through IDF meetings and other IGR structures.	Technical Services

National Key Performance Area	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2010/2011 Actuals	IDP2011/2012				
					Annual Target	Annual Actual	Achieved/not fully achieved/not achieved	Reasons/Comments/Corrective Action	Responsibility
	Access To Electricity (If applicable)	Households with access to basic (or higher) levels of electricity	Number of households	63.30%	Eskom	N/A	N/A	This is a district municipality's competency, and as such, will be revised in the 2012/13 scorecard to reflect a participatory role for the municipality through IDF meetings and other IGR structures.	N/A
		Morning view electrification	Date completed	0	Jun-12	Jun-12	Achieved	N/A	Technical Services
		Households with access to free basic electricity	Number of households	2700	Eskom	N/A	N/A	Electrification is the competency of Eskom and thus, not a responsibility of the municipality. Participation and monitoring of electrification projects is done through ongoing meetings with Eskom.	N/A

National Key Performance Area	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2010/2011 Actuals	IDP2011/2012				
					Annual Target	Annual Actual	Achieved/not fully achieved/not achieved	Reasons/Comments/Corrective Action	Responsibility
		Households in informal settlements provided with electricity	Number of households	–	Eskom	N/A	N/A	Electrification is the competency of Eskom and thus, not a responsibility of the municipality. Participation and monitoring of electrification projects is done through ongoing meetings with Eskom.	N/A
	Access to Solid Waste (If applicable)	Households with access to basic (or higher) refuse removal	Number of households	18729	2555	2555	Achieved	N/A	Technical Services
		Source funding for recycling	Number of business plans/proposals for funding	–	Dec-11	Dec-11	Achieved	N/A	Technical Services
	Repairs and Maintenance	Service delivery interruptions per type of service (time per quarter)	Number of interruptions	–	District	N/A	N/A	This is a district municipality's competency, and as such, will be revised in the 2012/13 scorecard to reflect	District

National Key Performance Area	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2010/2011 Actuals	IDP2011/2012				
					Annual Target	Annual Actual	Achieved/not fully achieved/not achieved	Reasons/Comments/Corrective Action	Responsibility
		and no. of households affected						a participatory role for the municipality through IDF meetings and other IGR structures.	
			Number of households	–	District	N/A	N/A	This is a district municipality's competency, and as such, will be revised in the 2012/13 scorecard to reflect a participatory role for the municipality through IDF meetings and other IGR structures.	District
	Access to roads	New Municipal roads constructed	Km of tarred road	2.8	2.5kms	0	Not achieved	These projects are in progress, the delay is due to supply chain management processes. The other challenge insufficient resources.	Technical Services
			Km of gravel	300	5.7kms	2.8kms	Not fully achieved	These projects are in progress, the	Technical

National Key Performance Area	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2010/2011 Actuals	IDP2011/2012				
					Annual Target	Annual Actual	Achieved/not fully achieved/not achieved	Reasons/Comments/Corrective Action	Responsibility
								delay is due to supply chain management processes. The other challenge insufficient resources.	Services
		Taxi Rank	Date completed	–	1	0	Not achieved	The project was withdrawn due to resistance from the squatters. Endeavors will be made to address the matter amicably in the 2012/13 financial year.	Technical Services
		Roads maintained	Number of km	–	25	0	Not achieved	This activity is in-sourced, however the municipal grader was broken for the larger part of the financial year. Even though work has been done towards this target, credible evidence could not be located to support purported	Technical Services

National Key Performance Area	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2010/2011 Actuals	IDP2011/2012				
					Annual Target	Annual Actual	Achieved/not fully achieved/not achieved	Reasons/Comments/Corrective Action	Responsibility
								achievements. The municipality will intensify systems to collate and file performance information in the 2012/13 financial year.	
		Develop Maintenance Plan	Date developed	–	Oct 2011	0	Not achieved	The maintenance plan is in draft. It will be tabled to council in the 1 st quarter of the 2012/13 financial year.	Technical Services
		Implementation of Rural Access Road Programme	Number of km graded	–	100km	0	Not achieved	Even though work has been done towards this target, credible evidence could not be located to support purported achievements. The municipality will intensify systems to collate and file performance information in the 2012/13 financial year.	Technical Services

National Key Performance Area	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2010/2011 Actuals	IDP2011/2012				
					Annual Target	Annual Actual	Achieved/not fully achieved/not achieved	Reasons/Comments/Corrective Action	Responsibility
	Human Settlements	New houses constructed	Number of units	1	760	305	Not fully achieved	Some units are still progress, some have been completed but not yet handed-over to beneficiaries.	Technical Services
Number units handed over			0	760	305	Not fully achieved	Some units are still progress, some have been completed but not yet handed-over to beneficiaries.	Technical Services	
Housing Sector Plan		Date of review	-	May 12	May 12	Achieved	The housing sector plan is place for adoption in the 1 st quarter of the 2012/13 financial year.	Technical Services	
Site inspections of buildings		Number of buildings	-	60	209	Achieved	N/A	Technical Services	
	To construct and maintain new Community And Public Facilities	New facilities provided	Number of facilities	-	9	0	Not achieved	These projects are in progress, the delay is due to supply chain management	Technical Services

National Key Performance Area	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2010/2011 Actuals	IDP2011/2012				
					Annual Target	Annual Actual	Achieved/not fully achieved/not achieved	Reasons/Comments/Corrective Action	Responsibility
								processes.	
		Upgraded facilities provided	Number of facilities	–	1	0	Not achieved	These projects are in progress, the delay is due to supply chain management processes.	Technical Services
		Maintenance of facilities	Number of facilities	–	4	0	Not achieved	Full provision of maintenance of facilities to be provided in the 2012/13 financial year.	Technical Services
Good Governance, Community Participation and Ward Committee Systems		Urban Greening	Date completed	–	Jun 2012	Jun 2012	Achieved	N/A	Community Services
		Urban Design Framework	Date developed	–	Jun 2011	0	Not achieved	Delays in supply chain management processes	Community Services

National Key Performance Area	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2010/2011 Actuals	IDP2011/2012				
					Annual Target	Annual Actual	Achieved/not fully achieved/not achieved	Reasons/Comments/Corrective Action	Responsibility
		Highflats Precinct Plan	Date adopted by EXCO	–	Jun 2012	0	Not achieved	The delay is attributable to SCM processes. The precinct plan is in draft for tabling to council in the 1 st quarter of the 2012/13 financial year.	Community Services
		SMME Exhibitions	Date of exhibitions	–	1	1	Achieved	N/A	Community Services
		Flagship Programme involvement	Number of meetings attended	–	4	0	Not achieved	However, this programme was combined with other LED programmes	Community Services
		Agricultural Plan adopted	Date adopted	–	Jan 2012	0	Not achieved	Insufficient funding. The agricultural plan will be developed in the 2012/13 financial year.	Community Services
		LED Strategy and plans aligned to PGDS	Yes/No	–	Yes	Yes	Achieved	N/A	Community Services

National Key Performance Area	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2010/2011 Actuals	IDP2011/2012				
					Annual Target	Annual Actual	Achieved/not fully achieved/not achieved	Reasons/Comments/Corrective Action	Responsibility
		Jobs created through the Municipality's LED activities	Number of jobs	–	10	19	Achieved	N/A	Community Services
		Jobs created through Capital Works Plan	Number of jobs	–	135	511	Achieved	N/A	Technical Services
		Co-operatives established and still functional in Wards where CWP is implemented	Number of Co-operatives	–	3	2	Not fully achieved	Delays were experienced from Company Intellectual Property Corporation (CIPC)	Community Services
		Feasibility study agri-business	Date adopted	N/A	Dec-11	0	Not achieved	Delays in supply chain management processes and lack of funding. The study will be commissioned in the 2012/13 financial year.	Community Services
		Piggery Project	Date developed	N/A	Dec-11	0	Not fully achieved	Construction of the project is 90% complete.	Community Services

National Key Performance Area	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2010/2011 Actuals	IDP2011/2012				
					Annual Target	Annual Actual	Achieved/not fully achieved/not achieved	Reasons/Comments/Corrective Action	Responsibility
		Nursery	Date developed	N/A	Jun-12	0	Not achieved	Delays in SCM processes, which the municipality will be addressing in the 2012/13 financial year by providing capacity in the BTO department.	Community Services
		Feasibility study Carisbrooke railway station	Date adopted	N/A	Mar-12	0	Not achieved	Delays in supply chain processes. The project will be initiated in the 2012/13 financial year	Community Services
		SMME capacity building	Number of SMME's	6	5	0	Not achieved	Delays in supply chain processes. The project will be initiated in the 2012/13 financial year	Community Services
	To Contribute Towards a Safe and Secure Environment	Community Safety Forum	Number of meetings	-	4	8	Achieved	N/A	Community Services
		Road blocks	Number of Road Blocks		4	4	Achieved	N/A	Community Services

National Key Performance Area	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2010/2011 Actuals	IDP2011/2012				
					Annual Target	Annual Actual	Achieved/not fully achieved/not achieved	Reasons/Comments/Corrective Action	Responsibility
		Improve Safety and Security	Partnership with SAPS	–	Ongoing	Ongoing	Achieved	N/A	Community Services
	To identify and promote talents within the municipal area	Art and Culture competitions	Number of competitions		2	0	Not achieved	The department had no director who will be appointed in the 2012/13 financial year first quarter.	Community Services
		Sports and Games tournaments	Number of tournaments	–	3	3	Achieved	N/A	Community Services
		Back To School Campaign	R value spent	–	110 000.00	94528.47	Not fully achieved	However all planned activities were conducted and a large number of learners and schools benefited from the campaign.	Community Services
		Youth Day	Date held		1	0	Not achieved	Lack of dedicated capacity and strategic leadership, which the municipality will be aggressively addressing in the 2012/13 financial year. There will be	Community Services

National Key Performance Area	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2010/2011 Actuals	IDP2011/2012				
					Annual Target	Annual Actual	Achieved/not fully achieved/not achieved	Reasons/Comments/Corrective Action	Responsibility
								improvement in the 2012/13 financial year.	
		Youth workshops	Number of Workshops		4	0	Not achieved	Lack of dedicated capacity and strategic leadership, which the municipality will be aggressively addressing in the 2012/13 financial year. There will be improvement in the 2012/13 financial year.	Community Services
		Youth awareness Campaigns	Number of campaigns		4	0	Not achieved	Lack of dedicated capacity and strategic leadership, which the municipality will be aggressively addressing in the 2012/13 financial year. There will be improvement in the 2012/13 financial year.	Community Services

National Key Performance Area	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2010/2011 Actuals	IDP2011/2012				
					Annual Target	Annual Actual	Achieved/not fully achieved/not achieved	Reasons/Comments/Corrective Action	Responsibility
		Youth Development Summit	Date held		June 2012	0	Not achieved	Lack of dedicated capacity and strategic leadership, which the municipality will be aggressively addressing in the 2012/13 financial year. There will be improvement in the 2012/13 financial year.	Community Services
		Youth Programmes	R value spent	–	460 000	99 932.6	Not fully achieved	Lack of dedicated capacity and strategic leadership, which the municipality will be aggressively addressing in the 2012/13 financial year. There will be improvement in the 2012/13 financial year.	Community Services
		Clean-up campaign	Number of campaigns		2	1	Not fully achieved	Lack of dedicated capacity and strategic leadership, which the	Community Services

National Key Performance Area	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2010/2011 Actuals	IDP2011/2012				
					Annual Target	Annual Actual	Achieved/not fully achieved/not achieved	Reasons/Comments/Corrective Action	Responsibility
								municipality will be aggressively addressing in the 2012/13 financial year. There will be improvement in the 2012/13 financial year.	
	To manage health Issues	HIV/AIDS Strategy	Yes/No	–	Yes	No	Not fully achieved	The strategy will be developed in the 2012/13 financial year.	Community Services
	To promote community awareness and participation	Community meetings	Number of meetings	1	2	0	Not achieved	These were combined with IDP road shows which took priority over community meetings.	Community Services
		Ward meetings	no of meetings	1	48	11	No fully achieved	Lack of dedicated capacity and strategic leadership, which the municipality will be aggressively addressing in the 2012/13 financial year. There will be improvement in the	Community Services

National Key Performance Area	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2010/2011 Actuals	IDP2011/2012				
					Annual Target	Annual Actual	Achieved/not fully achieved/not achieved	Reasons/Comments/Corrective Action	Responsibility
								2012/13 financial year.	
			% attendance		100%	72%	Not fully achieved	Lack of dedicated capacity and strategic leadership, which the municipality will be aggressively addressing in the 2012/13 financial year. There will be improvement in the 2012/13 financial year.	Community Services
		Council meetings	Number of meetings	–	4	5	Achieved	N/A	Community Services
		Awareness campaigns	Number of campaigns	1	4	0	Not achieved	Lack of dedicated capacity and strategic leadership, which the municipality will be aggressively addressing in the 2012/13 financial year. There will be improvement in the 2012/13 financial	Community Services

National Key Performance Area	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2010/2011 Actuals	IDP2011/2012				
					Annual Target	Annual Actual	Achieved/not fully achieved/not achieved	Reasons/Comments/Corrective Action	Responsibility
								year.	
		Ward Profiling	Date developed	0	Dec-11	0	Not achieved	Lack of dedicated capacity and strategic leadership, which the municipality will be aggressively addressing in the 2012/13 financial year. There will be improvement in the 2012/13 financial year.	Community Services
		Municipal Citizen Charter	Date developed	0	Mar-12	0	Not achieved	Lack of dedicated capacity and strategic leadership, which the municipality will be aggressively addressing in the 2012/13 financial year. There will be improvement in the 2012/13 financial year.	Community Services
		Moral	Number of	–	2	0	Not achieved	Lack of dedicated capacity and	Community

National Key Performance Area	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2010/2011 Actuals	IDP2011/2012				
					Annual Target	Annual Actual	Achieved/not fully achieved/not achieved	Reasons/Comments/Corrective Action	Responsibility
		Regeneration	events					strategic leadership, which the municipality will be aggressively addressing in the 2012/13 financial year. There will be improvement in the 2012/13 financial year.	y Services
		Social Cohesion Programme	Number of events	–	Jun 2012	0	Not achieved	Lack of dedicated capacity and strategic leadership, which the municipality will be aggressively addressing in the 2012/13 financial year. There will be improvement in the 2012/13 financial year.	Community Services
	To ensure alignment between National, Provincial, Local Government and	IDP Representative Forum	Number of meetings	N/A	2	1	Not fully achieved	Lack of dedicated capacity and strategic leadership, which the municipality will be aggressively	Office of MM

National Key Performance Area	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2010/2011 Actuals	IDP2011/2012				
					Annual Target	Annual Actual	Achieved/not fully achieved/not achieved	Reasons/Comments/Corrective Action	Responsibility
	Public Entities							addressing in the 2012/13 financial year. There will be improvement in the 2012/13 financial year.	
		UBhlebezwe Stakeholders Forum	Number of meetings	0	12	2	Not fully achieved	Lack of dedicated capacity and strategic leadership, which the municipality will be aggressively addressing in the 2012/13 financial year. There will be improvement in the 2012/13 financial year.	Community Services
	To provide effective information communication technology solutions	Communication Strategy	Turnaround time of editing/vetting	-	Within 5 Days	0	Not achieved	Lack of dedicated resources. There will be improvement in the 2012/13 financial year.	Office of MM
		IT Strategy (MSP)	Date developed	-	June 2012	0	Not achieved	Lack of a dedicated IT resources and strategic leadership. Plans are in place to address IT	Corporate Services

National Key Performance Area	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2010/2011 Actuals	IDP2011/2012				
					Annual Target	Annual Actual	Achieved/not fully achieved/not achieved	Reasons/Comments/Corrective Action	Responsibility
								challenges in the 2012/13 financial year. The IT strategy will be developed in the 2012/13 financial year	
	To ensure compliance with legal prescripts	Compliance with all legal prescripts	Percentage of compliance	-	100	60	Not fully achieved	Lack of capacity in BTO contributed immensely in this shortcoming. The municipality is capacitating BTO with human resources and thus improvement is expected in the 2012/13 financial year.	All
	To ensure functional Internal Audit Activity and Audit Committee	Audit Committee	Yes/No - Quarterly Meetings	Yes - 4	Yes - 4	Yes - 4	Achieved	N/A	Office of MM
		Performance Audit Committee	Yes/No - Quarterly Meetings	Yes - 4	Yes - 4	Yes - 4	Achieved	N/A	Office of MM
Financial Viability and	To ensure that all Municipal revenue is	Cash collected from	R value of revenue	-	15,487,450	21,043,988	Achieved	N/A	Financial

National Key Performance Area	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2010/2011 Actuals	IDP2011/2012				
					Annual Target	Annual Actual	Achieved/not fully achieved/not achieved	Reasons/Comments/Corrective Action	Responsibility
Financial Management	accounted	customers	collected						Services
		Amount invoiced/billed to customers	R value of invoices raised	-	10,000,000	8,023,655	Not achieved	Lack of capacity in BTO contributed immensely in this shortcoming. The municipality is capacitating BTO with human resources and thus improvement is expected in the 2012/13 financial year.	Financial Services
		Quarterly collection on billings	% collection rate	-	100	120.19	Achieved	N/A	Financial Services
		Growth in revenue collected by the municipality as a % of projected revenue target	% growth in revenue collected	-	30	0.07	Not achieved	There will be improvement in the 2012/13 financial year.	Financial Services

National Key Performance Area	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2010/2011 Actuals	IDP2011/2012				
					Annual Target	Annual Actual	Achieved/not fully achieved/not achieved	Reasons/Comments/Corrective Action	Responsibility
		Budgeted revenue for property rates collected	% property rates collection	–	25	65.36	Achieved	N/A	Financial Services
		Municipal Property Rates Act	Yes/no	–	Yes	Yes	Achieved	N/A	Financial Services
		Maintenance of valuation roll	Number of objections/appeals	–	0	0	Achieved	N/A	Financial Services
		Grants as a % of revenue received	% achieved	–	100	69.75	Not fully achieved	Delays in SCM processes	Financial Services
	To ensure that all expenditure is managed in terms of all financial legislation	Total operating budget	R value	–	58279362	58016823	Achieved	N/A	Financial Services
		Total budget spent	% spent	–	100	100	Achieved	N/A	Financial Services
		Total operating expenditure	R value	–	58016823	50828632.13	Achieved	N/A	Financial Services

National Key Performance Area	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2010/2011 Actuals	IDP2011/2012				
					Annual Target	Annual Actual	Achieved/not fully achieved/not achieved	Reasons/Comments/Corrective Action	Responsibility
		Quarterly operational expenditure as a % of planned expenditure	% achieved	-	100	87.61	Not fully achieved	Some posts were vacant for the larger part of the financial year, and this adversely affected the operational expenditure.	Financial Services
		Quarterly capital expenditure as a % of planned capital expenditure	% achieved	-	100	27.43	Not fully achieved	Delays in supply chain processes and other projects were put on hold due challenges experienced in implementing capital projects. Improvements expected in the 2012/13 financial year.	Financial Services
		Operational budget spent on repairs and maintenance	% achieved	-	5.85	3.78	Not fully achieved	Lack of a maintenance plan and the grader was not function for the larger part of the financial year.	Financial Services

National Key Performance Area	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2010/2011 Actuals	IDP2011/2012				
					Annual Target	Annual Actual	Achieved/not fully achieved/not achieved	Reasons/Comments/Corrective Action	Responsibility
		Quarterly repairs and maintenance expenditure	R value	–	631500	509670.25	Not fully achieved	Lack of a maintenance plan and the grader was not function for the larger part of the financial year.	Financial Services
		MIG expenditure as a % of annual allocation	% achieved	–	100	96	Not fully achieved	Delays in supply chain processes and other projects were put on hold due challenges experienced in implementing capital projects. Improvements expected in the 2012/13 financial year.	Financial Services
		Total of grants and subsidies spent	% spent	–	100	100	Achieved	N/A	Financial Services
		Municipal capital budget actually spent on capital projects	% spent	–	100	109.73	Achieved	The overspending is minimal.	Financial Services

National Key Performance Area	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2010/2011 Actuals	IDP2011/2012				
					Annual Target	Annual Actual	Achieved/not fully achieved/not achieved	Reasons/Comments/Corrective Action	Responsibility
		Percentage operating budget of total budget	%	–	25	17.2	Achieved	The municipality gives priority to capital projects, and some of the positions were vacant by end of the financial year.	Financial Services
		Total Salaries and Wages budget (including benefits)	R value	–	26584672	26584672	Achieved	N/A	Financial Services
		Percentage salaries and wages budget (including benefits) of total budget	%	–	33	31.2	Achieved	N/A	
		Percentage own revenue contribution to total budget	%	–	19.4	17.2	Not fully achieved	This is due to the low collection rate. The municipality will increase its contribution to the total budget in the 2012/13 financial year, and strategies will be put in place	Financial Services

National Key Performance Area	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2010/2011 Actuals	IDP2011/2012				
					Annual Target	Annual Actual	Achieved/not fully achieved/not achieved	Reasons/Comments/Corrective Action	Responsibility
								to achieve this.	
		Payment of creditors	Number of days	-	Within 30 Days	0	Not achieved	The lack of capacity in BTO has contributed immensely in this shortcoming. The municipality is capacitating the department and will improve its turnaround time to process invoices by implementing systems that are more efficient and effective.	Financial Services
		Actual vs. Budget	% variance	-	5	5.32	Achieved	N/A	Financial Services
	To ensure compliance with all financial management requirements	Compliance with MFMA requirements	% compliance	-	100	70	Not fully achieved	The municipality has identified areas of non-compliance through its internal audit unit and recommendations will be implemented	Financial Service/ All

National Key Performance Area	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2010/2011 Actuals	IDP2011/2012				
					Annual Target	Annual Actual	Achieved/not fully achieved/not achieved	Reasons/Comments/Corrective Action	Responsibility
								in the 2012/13 financial year	
		Compliance with GRAP	% compliance	-	100	40	Not fully achieved	The greatest challenge is fixed asset register, and a project is currently under to ensure that all assets of the municipality are duly accounted for and reconcile to the general ledger.	Financial Services
		Audit Opinion	Opinion	-	Unqualified	awaiting AG audit	Awaiting AG's report	This target will be assessed after the issue of the audit report by the auditor-general at the beginning of the 3 rd quarter.	Financial Services
		Procurement Planning	Yes/No	-	Yes	Yes	Achieved	N/A	Financial Service/ All
		SCM performance reporting	Date	-	12	9	Not fully achieved	This has been identified as one of the non-compliance issues which will be addressed in the	Financial Services

National Key Performance Area	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2010/2011 Actuals	IDP2011/2012				
					Annual Target	Annual Actual	Achieved/not fully achieved/not achieved	Reasons/Comments/Corrective Action	Responsibility
								2012/13 financial year.	
		Updated and credible Asset Register	Yes/No	-	Yes	No	Not achieved	A project is currently underway to ensure that all assets of the municipality are duly accounted for and reconcile to the general ledger.	Financial Services
		Functional Bid Committees	Turnaround time	-	Within 10 days	0	Not fully achieved	The SCM processes has been flagged as one of the areas that need improvement in terms of the turnaround to appoint service providers, and plans are in place to improve in this area, and this will begin by ensure that a proper procurement plan is in place and adhered to under the leadership of the CFO.	Financial Service/ All

National Key Performance Area	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2010/2011 Actuals	IDP2011/2012				
					Annual Target	Annual Actual	Achieved/not fully achieved/not achieved	Reasons/Comments/Corrective Action	Responsibility
		Compliance with SCM Regulations	% compliance	–	100	40	Not fully achieved	Improvement will be seen in the 2012/13 financial year through implementation of internal audit recommendations.	Financial Service/ All
		Submission of Annual Financial Statements	Date submitted	–	31 Aug 2011	0	Not fully achieved	There is lack of documentation to confirm timeous submission, and this is due to ineffective processes to collate and file performance information in the municipality. This will be improved in the 2012/13 financial year as a dedicated resource will be in place to coordinate the performance management processes.	Financial Services
		Submission of Annual Report	Date submitted	–	Jan 2012	0	Not fully achieved	There is lack of documentation to confirm timeous submission, and this	Financial Services

National Key Performance Area	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2010/2011 Actuals	IDP2011/2012				
					Annual Target	Annual Actual	Achieved/not fully achieved/not achieved	Reasons/Comments/Corrective Action	Responsibility
								is due to ineffective processes to collate and file performance information in the municipality.	
	To ensure fraud and corruption is reduced	Functional Supply Chain Management system	Yes/No	–	Yes	Yes	Achieved	N/A	Financial Services
		Environmental Management Plan	Yes/No	–	No Funding	No	Not achieved	Lack of funding	Community Services
		Scheme Revision	Date revised	–	Jun 2012	0	Not achieved	Awaiting the Town Planner who will be appointed in the second quarter of the 2012/13 financial year.	Community Services
	To promote environmental management	Invasive Alien plant removal	Date implemented	–	Jun 2012	0	Not achieved	Awaiting the appointment of Social Development director who will be appointed in the 2012/13 financial year's first quarter.	Community Services

National Key Performance Area	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2010/2011 Actuals	IDP2011/2012				
					Annual Target	Annual Actual	Achieved/not fully achieved/not achieved	Reasons/Comments/Corrective Action	Responsibility
	To implement a Performance Management System	Develop and adopt SDBIP	Adopted SDBIP	May 2012	May 2012	May 2012	Achieved	N/A	Office of MM/BTO
		SDBIP quarterly reports	4 SDBIP quarterly reports submitted	N/A	4	0	Not achieved	This was due to lack of technical capacity and leadership in performance management within the municipality. This will be improved in the 2012/13 financial year as a dedicated resource will be in place to coordinate the performance	Office of MM/ All
		Conduct quarterly assessments	4 Assessment reports	N/A	4	0	Not achieved	This was due to lack of technical capacity and leadership in performance management within the municipality. This will be improved in the 2012/13 financial year as a dedicated resource will be in place to coordinate the performance	Office of MM/ All

National Key Performance Area	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2010/2011 Actuals	IDP2011/2012				
					Annual Target	Annual Actual	Achieved/not fully achieved/not achieved	Reasons/Comments/Corrective Action	Responsibility
	To ensure effective functioning of the internal audit unit	Establishment of the Internal audit unit	Approved organogram		Dec 2011	Dec 2011	Achieved	N/A	Office of MM
		Develop 3-year and annual internal audit activity plan	Approved audit plan		Mar 2012	Feb 2012	Achieved	N/A	Office of MM
		Annual risk assessment	Approved risk assessment register		Sept 2011	0	Not achieved	The risk assessment for 2011/12 was conducted, however it was not approved by council as required by the measure.	Office of MM
		Develop and implement Fraud & Prevention Plan and anti-corruption strategy	Approved Fraud Prevention Plan and Anti-Corruption Strategy		June 2012	0	Not fully achieved	The Fraud Prevention Plan is currently in draft for tabling to council in quarter one of the 2012/13 for approval.	Office of MM

National Key Performance Area	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2010/2011 Actuals	IDP2011/2012				
					Annual Target	Annual Actual	Achieved/not fully achieved/not achieved	Reasons/Comments/Corrective Action	Responsibility
	Ensure staff and councilor awareness on fraud and prevention	Workshop staff and councilor on fraud and prevention plan	Number of Workshops		2	0	Not fully achieved	The Fraud Prevention Plan is currently in draft for tabling to council in quarter one of the 2012/13 for approval.	Office of MM

Key

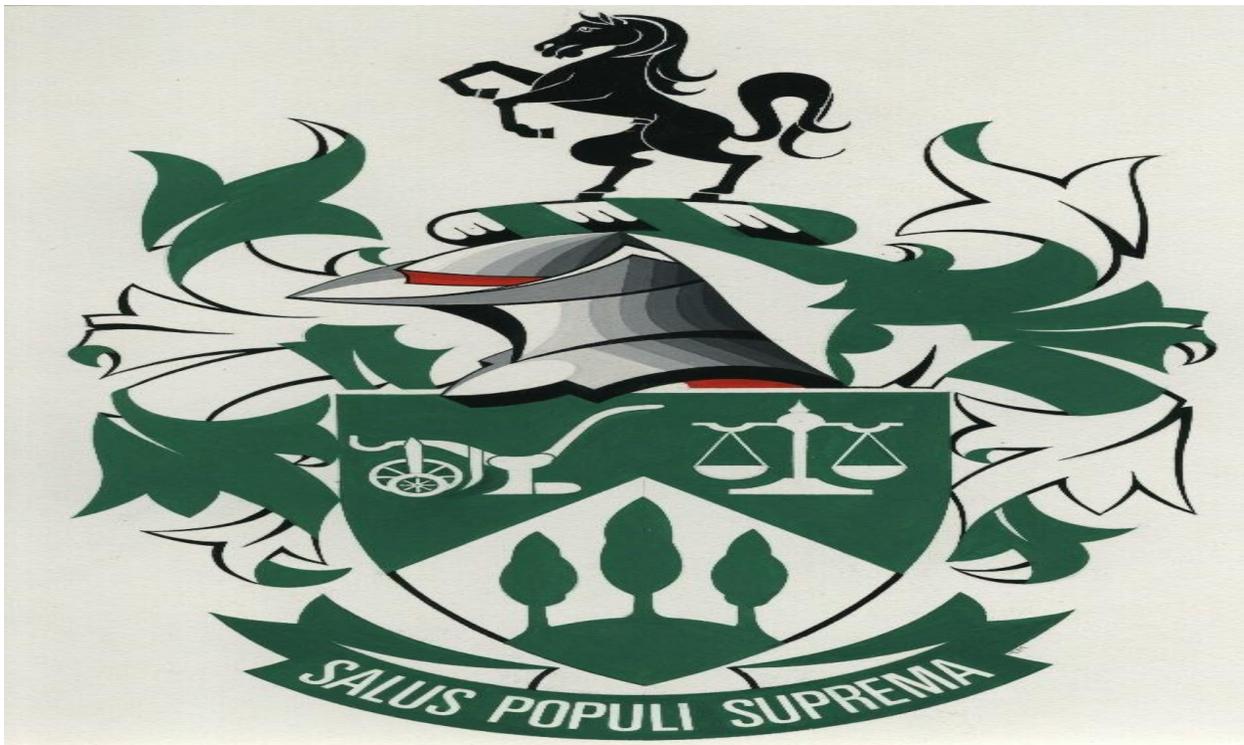
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CHAPTER ANNEXURES

6

ANNEXURE A: AUDITED ANNUAL FINANCIAL STATEMENTS-2011/12

UBUHLEBEZWE MUNICIPALITY ANNUAL FINANCIAL STATEMENTS



FOR THE YEAR
ENDED 30 JUNE 2012

				Annual Financial Statements				
				for				
UBUHLEBEZWE MUNICIPALITY								
		for the year ended 30 June:		2012				
		Province:		KwaZulu Natal				
		AFS rounding:		R (i.e. only cents)				
Contact Information:								
Name of Municipal Manager:			G M Sineke					
Name of Chief Financial Officer:			Mrs D Mohapi					
Contact telephone number:			0724303959					
Contact e-mail address:			cfo@ubuhlebezwe.org.za					
Name of relevant Auditor:			Auditor General					
Contact telephone number:			033 2647400					
Contact e-mail address:			mm@ubuhlebezwe.org.za					

UBUHLEBEZWE MUNICIPALITY						
ANNUAL FINANCIAL STATEMENTS						
for the year ended 30 June 2012						
General information						
<u>MEMBERS OF THE UBUHLEBEZWE MUNICIPALITY EXECUTIVE COUNCIL</u>						
		<u>Previous Council</u>		<u>New Council</u>		
	Mayor	N J Peterson	26/05/2011	ZD Nxumalo	26/05/2011	Full time
	D/ Mayor	N C Vezi	18/05/2011	M E Mkhize	26/05/2011 - 29/03/2012	Full time
	D/ Mayor			TC Dlamini	2012/03/01	
	Speaker	N H Mkhize	30/01/2011	N J Peterson	26/05/2011	
	Speaker	M E Mkhize	1/02/2011 - 26/05/2011			
	Exco	D W Khumalo	30/03/2011	EB Ngubo	26/05/2011	
	Exco	B E Mdlalose	18/05/2011	WMQ Dlamini	26/05/2011	
<u>MEMBERS OF THE UBUHLEBEZWE MUNICIPALITY COUNCIL</u>						
	Councillor	T C Dlamini		T C Dlamini		
	Councillor	S C Shezi		S C Shezi		
	Councillor	B P Nzimande		B P Nzimande		
	Councillor	M E Mkhize		M E Mkhize		
	Councillor	S H Dlamini		S H Dlamini		
	Councillor	C M Ngubo		C M Ngubo		
	Councillor	ZD Nxumalo		Z V Shange	new 26/05/2011	
	Councillor	P B Manci	18/05/2011	C M Ngubo	new 26/05/2011	
	Councillor	E M M Nzimande	18/05/2011	M C Ndlovu	new 26/05/2011	
	Councillor	EPN Pupuma	18/05/2011	D Ram	new 26/05/2011	
	Councillor	T R Ndlovu	18/05/2011	M C Sithole	new 26/05/2011	
	Councillor	F Ndlovu	18/05/2011	G J Ngongo	new 26/05/2011	

	Councillor	N Jili	18/05/2011		T T Mkhize	new 26/05/2011	
	Councillor	M W Ngidi	18/05/2011		G P Nzimande	new 26/05/2011	
	Councillor	M J Mtshali	18/05/2011		G P Nzimande	new 26/05/2011	
	Councillor	V T Nene	18/05/2011		N M Mdunge	new 26/05/2011	
	Councillor	S P Bhengu	18/05/2011		T P Dlamini	new 26/05/2011	
	Councillor	N F Gutshwa	18/05/2011		H C Jili	new 26/05/2011	
	Councillor				C N Ntabeni	new 26/05/2011	
	Councillor				W S Tenza	new 26/05/2011	
	Councillor				ZC Kumalo	new 09/03/2011	

UBUHLEBEZWE MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2012

Municipal Manager	Mr GM Sineke
Acting Chief Financial Officer	Mrs D Mohapi
Grading of Local Authority	Grade 2
Auditors	Auditor-General
Bankers	First National Bank of South Africa Ixopo
	Account Number - 52552416194
Registered Office:	29 Margaret Street
	Ixopo
	3276

Physical address:	29 Margaret Street
	Ixopo
	3276
Postal address:	P O Box 132
	Ixopo
	3276
Telephone number:	039 8342074
Fax number:	039 8341168
E-mail address:	mm@ubhlebezwe.org.za

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**UBUHLEBEZWE MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS**
for the year ended 30 June 2012

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 62, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. I certify that the salaries, allowances and benefits of Councillors as disclosed in note 21 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Municipal Manager:
DATE 31 August 2012

STATEMENT OF FINANCIAL POSITION

	Note	2012 R	Restated 2011 R
ASSETS			
Non-current assets		175 879 850	162 050 220
Property, plant and equipment	2	163 573 597	149 743 967
Investment properties	3	11 866 000	11 866 000
Intangible assets	4	440 253	440 253
Long -term receivables	6	-	-
Current assets		48 619 244	40 063 865
Trade Receivables from exchange transactions.	7	4 248 374	1 132 951
Trade Receivables from non-exchange transactions.	8	961 826	1 076 466
Value added taxation receivable from exchange transactions.	9	4 591 020	3 812 079
Call investment deposits	10	38 104 678	33 559 583
Bank balances and cash	11	713 346	482 786
Total Assets		224 499 094	202 114 085
LIABILITIES			
Non Current Liabilities		5 444 634	4 518 165
Retirement Benefits	34	4 408 052	3 614 295
Non Current Lease Liability	25	1 036 582	903 870
Current liabilities		12 993 122	12 427 763
Trade and other payables from exchange transactions	12	5 533 636	5 879 849
Unspent conditional grants and receipts	13	7 131 180	6 309 989
Current portion of lease liability	25	328 306	237 925
Total Liabilities		18 437 756	16 945 928
Total Assets and Liabilities		206 061 338	185 168 157
NETT ASSETS			

Housing Development Fund	5	373 787	373 787
Accumulated surplus		205 687 550	184 794 369
Total Net Assets		206 061 337	185 168 158

STATEMENT OF FINANCIAL PERFORMANCE

	Note	2012 R	Restated 2011 R
Revenue			
Property rates	14	7 060 308	5 959 382
Rates penalties and service collection	14	598	-
Service charges	15	743 254	1 043 916
Rental of facilities and equipment	16	184 650	423 324
Interest earned - external investments	17	2 539 649	2 182 949
Fines		528 720	41 458
Licences and permits		2 842 502	2 708 968
Government grants and subsidies	18	64 929 510	67 959 024
Other income	19	906 570	681 318
Total revenue		79 735 762	81 000 339
Expenses			
Employee related costs	20	19 653 908	16 707 012
Remuneration of councillors	21	5 288 280	4 652 724
Repairs and maintenance		1 824 235	2 387 857
Contracted services	22	1 755 845	1 127 936
Depreciation and amortisation		13 498 151	14 607 082
Grants and subsidies paid	23	3 098 997	5 693 095
General expenses	24	13 823 874	11 690 293
Impairment of property, plant and equipment	2	102 364	-
Finance Charges		165 591	110 451
Contributions to provisions	7.1	(1 162 429)	3 820 164
Contributions to post retirement benefits	34	793 757	573 688
Total expenses		58 842 573	61 370 301
Surplus / (deficit) for the period		20 893 189	19 630 038

STATEMENT OF CHANGES IN NET ASSETS

as at 30 June 2012

	Note	Housing Operating Account R	Accumulated Surplus/(Deficit) R	Total: Net Assets R
Balance as previously reported at 1 July 2009		348 799	69 473 763	69 822 562
Corrections for the prior period error:				
Restate Leased assets accumulated depr		-	(240 626)	(240 626)
Prior period finance leases payments		-	236 092	236 092
Prior period finance charges on finance leases		-	(135 772)	(135 772)
Prior period Long Service Liability		-	(3 040 607)	(3 040 607)
Prior period WCA.		-	(369 833)	(369 833)
Correction to Salary suspense		-	20 532	20 532
Correction period creditors not raised		-	(7 958)	(7 958)
Prior period expenditure not raised		-	(4 540)	(4 540)
Correction to rates raised		-	7 204	7 204
Correction of SAMRAS not on assets		-	(127 851)	(127 851)
Correction of SAMRAS not on assets		-	255 702	255 702
Change in accounting policy:				
Reversal of PPE incorrectly accounted for in prior periods	27	-	(62 728 424)	(62 728 424)
Accounting for PPE correctly in terms of GRAP	27	-	177 301 099	177 301 099
Restated Balance as at 01 July 2010		348 799	180 638 780	180 987 579
Change in accounting policy - PPE additions	27	-	(27 114 533)	(27 114 533)
Depreciaton for 2011 - separately accounted	27	-	11 444 092	11 444 092
Change in accounting policy - Leases	28.6	-	(119 158)	(119 158)
Correction of prior period error - Bank	28.5	-	(173 584)	(173 584)
Correction of prior period error - PPE movables Fair Value	27	-	325 187	325 187
Correction prior year error - creditors	28.1	-	(4 352)	(4 352)
Prior year adjustments - separately accounted	28.8	-	1 168	1 168
Prior year adjustments - Sundry Debtors	28.2	-	77 197	77 197
Correction of prior period error - Leases Finance costs	28.6	-	6 713	6 713
Correction of pior year error - creditors	28.1	-	83 038	83 038
Change in estimate - correction of journal posting	29	-	(217)	(217)
Interest on Housing Development Fund		24 989		24 989

Surplus / (deficit) for the period - restated	28.8	-	19 630 038	19 630 038
Restated Balance as 30 June 2011		373 787	184 794 369	185 168 157
Rounding		-	(8)	(8)
Surplus / (deficit) for the period		-	20 893 189	20 893 189
Balance at 30 June 2012		373 787	205 687 550	206 061 337

UBUHLEBEZWE MUNICIPALITY			
Annual Financial Statements for the year ended 30 June 2012			
CASH FLOW STATEMENT			
	Note	2012 R	Restated 2011 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		73 416	
		388	63 699 818
		(43 807)	
Cash paid to suppliers and employees		738)	(44 035 122)
Cash generated from operations	26.1	650	19 664 696
		(165)	
Interest paid		591)	(110 451)
		2 539	
Interest received	17	649	2 182 949
		31 982	
Net operating cash flow from operating activities		708	21 737 195
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets	2	(27 430 147)	(28 428 273)
Net cash flows from investing activities		(27 430 147)	(28 428 273)
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance Lease Liability	25	223 093	678 865
Net cash flows from financing activities		223 093	678 865
Net increase / (decrease) in net cash and cash equivalents		4 775 655	(6 012 214)
Cash and cash equivalents at beginning of period		34 042 369	40 054 583

Net cash and cash equivalents at end of period	26.2	024	38 818	34 042 369
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**UBUHLEBEZWE MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2012**

1 Presentation of Annual Financial Statements

Basis of Presentation

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

These annual financial statements have been prepared in accordance with 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).

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 annual financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant policy.

Accounting policies for material transactions, events or conditions not covered by the GRAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board. Related Party Disclosures are in terms of IPSAS 20.

Standards, amendments to standards and interpretations effective for the first time (1 April 2011) in the current year

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

IGRAP 2: Changes in Existing Decommissioning, Restoration and Similar Liabilities

The interpretation applies to changes in the measurement of any existing decommissioning, restoration or similar liability that is both:

- recognised as part of the cost of an item of property, plant and equipment in accordance with the Standard of GRAP on Property,

Plant and Equipment (as revised in 2010); and

- recognised as a liability in accordance with the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets (as revised in 2010).

□

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

IGRAP 3: Determining Whether an Arrangement Contains a Lease

The issues addressed in this Interpretation of the Standards of GRAP are:

- how to determine whether an arrangement is, or contains, a lease as defined in the Standard of GRAP on Leases (as revised in 2010);
- when the assessment or a reassessment of whether an arrangement is, or contains, a lease should be made; and
- if an arrangement is, or contains, a lease, how the payments for the lease should be separated from payments for any other elements in the arrangement.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

1 Presentation of Annual Financial Statements (continued)

Standards, amendments to standards and interpretations effective for the first time (1 April 2011) in the current year

IGRAP 4: Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

This Interpretation of the Standards of GRAP applies to accounting in the financial statements of a contributor for interests arising from decommissioning funds. This interpretation is not applicable to the municipality.

IGRAP 5: Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies

This Interpretation of the Standards of GRAP provides guidance on how to apply the requirements of the Standard of GRAP on Financial Reporting in Hyperinflationary Economies (as revised in 2010).

The municipality does not operate in a hyperinflationary economy.

IGRAP 6: Loyalty Programmes

This Interpretation of the Standards of GRAP is not applicable to the

municipality.

IGRAP 7: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

This Interpretation of the Standards of GRAP applies to all post-employment defined benefits and other long-term employee defined benefits.

The interpretation clarifies minimum funding requirements for a post-employment or other long-term defined benefit plan.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

IGRAP 8: Agreements for the Construction of Assets from Exchange Transactions

This Interpretation applies to the accounting for revenue and associated expenses by municipalities that undertake the construction of assets in exchange transactions directly or through subcontractors.

The standard is not applicable to the municipality.

IGRAP 9: Distributions of Non-cash Assets to Owners

This Interpretation of the Standards of GRAP is not applicable to the municipality.

IGRAP 10: Assets Received from Customers

This Interpretation of the Standards of GRAP applies to the accounting for the receipt of cash or items of property, plant and equipment by municipalities that receive such assets from their customers then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both.

The impact of the interpretation is not material.

1 Presentation of Annual Financial Statements (continued)

Standards, amendments to standards and interpretations effective for the first time (1 April 2011) in the current year

IGRAP 13: Operating Leases – Incentives

This interpretation deals with the issue of how incentives in an operating lease should be recognised in the financial statements of both the lessee and the lessor.

The impact of the interpretation is not material.

IGRAP 14: Evaluating the Substance of Transactions Involving the Legal Form of a Lease

This interpretation deals with complex transactions that could indicate a leasing arrangement.

The impact of the interpretation is not material.

IGRAP 15: Revenue – Barter Transactions Involving Advertising Services

This Interpretation of the Standards of GRAP is not applicable to the municipality.

Standards, amendments to standards and interpretations issued but not yet effective

The following GRAP standards have been approved and are effective at a date later than that of the financial statements have not been early adopted by the municipality. Application of all of the GRAP standards noted below will be effective from the date announced by the Minister of Finance.

GRAP 21	Impairment of Non-cash-generating-assets - issued March 2009 - effective date from 1 July 2012
GRAP 23	Revenue from Non-exchange Transactions - issued February 2008 - effective date from 1 July 2012
GRAP 24	Presentation of Budget Information - issued November 2007 - effective date from 1 July 2012
GRAP 26	Impairment of Cash-generating-assets - issued March 2009 - effective date from 1 July 2012
GRAP 103	Heritage Assets - issued July 2008 - effective date from 1 July 2012

The municipality expects to adopt the above standards for the first time in the 2013 financial statements.

Management have considered all of the above-mentioned GRAP standards and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

The following GRAP standards have been approved but are not yet effective nor available for early adoption and have not been considered in formulating the accounting policies. Application of all of the GRAP standards noted below will be effective from a date to be announced by the Minister of Finance. The date is currently not available.

GRAP 25	Employee Benefits - issued March 2009
GRAP 104	Financial Instruments - issued October 2009
GRAP 105	Transfer of functions between entities under common control - issued November 2010
GRAP 106	Transfer of functions between entities not under common control - issued November 2010
GRAP 107	Mergers - issued November 2010

The municipality expects to adopt the standards for the first time once effective.

Management have considered all of the above-mentioned GRAP standards and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

1 Presentation of Annual Financial Statements (continued)

Standards, amendments to standards and interpretation not yet effective or relevant

The following GRAP standard has been approved but an effective date has not been determined and the standard is not available for use.

GRAP 18

Segment Reporting - issued February 2011

Presentation Currency

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

Going Concern Assumption

These annual financial statements have been prepared on a going concern basis.

Comparative Information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed in a note to the financial statements.

Where accounting errors or a change in accounting policy 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. Refer to Note 2 for details.

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

1.1 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are insignificant to the financial statements are set out below:

Debtors and/or loans receivable

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

Useful lives of property, plant and equipment

Management estimates the remaining useful lives and condition of significant items of property, plant and equipment on an annual basis. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a significant impairment of the respective asset.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in Note 20.

1.1 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Post retirement benefits

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

Long service awards

The present value of the long service award depends on a number of factors that are determined on an actuarial basis using a number of assumptions.

Effective interest rate

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

Allowance for doubtful debt

The provision for impairment is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the effective interest rate computed at initial recognition. An impairment loss is recognised in surplus and deficit when there is objective evidence that an asset is impaired. The impairment is measured with reference to historical data and payment trend analysis per group of consumers.

1.2 Property, plant and equipment

Initial recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost or fair value.

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

The cost of an item of property, plant and equipment comprises purchase price, import duties, non-refundable purchase taxes and directly attributable costs of bringing the asset to working condition for its intended use, such as site preparation, initial delivery, handling, installation and professional fees. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located. Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

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.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item cannot be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

1.2 Property, plant and equipment (continued)

Initial recognition (continued)

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 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.

Items of property, plant and equipment which are acquired for no cost or for a nominal cost are recognised at their fair values.

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

Subsequent measurement

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.

Depreciation and impairment

The cost or fair value of property, plant and equipment is depreciated using the straight line method over the period of the estimated useful lives of the assets. Depreciation on new acquisitions is charged to the Statement of Financial Performance in the financial year that economic benefits accrue to the municipality.

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

Item	
Land	
	● Land
Buildings	
	● Dwellings

Infrastructure	<ul style="list-style-type: none"> ● Non Residential Dwelling ● Cemeteries ● Electricity ● Reservoirs - Water ● Roads ● Solid Waste Disposal
Heritage	<ul style="list-style-type: none"> ● Heritage assets
Other assets	<ul style="list-style-type: none"> ● Furniture and Office equipment ● Computer Equipment ● Machinery and Equipment ● Motor Vehicles
Leased assets	<ul style="list-style-type: none"> ● Finance leased assets

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

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

1.2 Property, plant and equipment (continued)

Derecognition

The carrying amount of items of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

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.

1.3 Investment property

Initial recognition

Investment property includes property (land or a building, or part of a building) held to earn rentals and/or for capital appreciation or both, 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 the 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 at no cost or for 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 the date of completion.

Subsequent measurement

Subsequent to initial measurement investment property is measured at cost.

1.4 Intangible assets**Initial recognition**

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. Intangible assets are initially recognised at cost.

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.

Cost associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique products controlled by the Municipality, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads.

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.

Expenditure that enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software.

Subsequent measurement

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.

1.4 Intangible assets (continued)**Amortisation**

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:

Item

Computer software, other

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.

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 Performance.

1.5 Financial instruments

The municipality has various types of financial instruments and these can be broadly categorised as either *Financial Assets* or *Financial Liabilities*.

Classification

Financial assets

A financial asset is any asset consisting of cash or a contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Unlisted shares
- Long-term receivables
- Consumer debtors
- Other debtors
- Short-term investment deposits
- Bank balances and cash

In accordance with IAS 39.09, the *Financial Assets* of the municipality are classified as follows into the four categories allowed by this standard:

Type of financial asset

Long-term receivables	Loans and receivables
Consumer debtors	Loans and receivables
Other debtors	Loans and receivables
Short-term investment deposits	Loans and receivables

Bank balances and cash Loans and receivables

1.5 Financial instruments (continued)

Classification (continued)

Financial assets

Loans and Receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets

Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

-
-
- Trade and other payables
- Long-term liabilities
- Current portion of long term liabilities

In accordance with IAS 39.09, the *Financial Liabilities* of the municipality are classified into the following category as allowed by this standard

-
- Financial liabilities at amortised cost.
-

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

Initial and subsequent measurement

Financial assets

Loans and Receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the effective interest method, less any accumulated impairment losses.

Financial assets are recognised on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

Financial liabilities

Financial Liabilities at amortised cost are initially measured at fair value net of transaction costs. Subsequently, these liabilities are measured at amortised cost using the effective interest method.

Financial liabilities are recognised on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at reporting date. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39

Initially financial assets are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Amounts receivable within 12 months from the date of reporting are classified as current.

1.5 Financial instruments (continued)

A provision for impairment of financial assets is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The provision is made in accordance with IAS 39.64 whereby the recoverability of financial assets (including indigent debtors) is assessed collectively after grouping the assets in financial assets with similar credit risk characteristics.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets and recognised in the Statement of Financial Performance with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the instruments at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition

Financial assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

1.5 Financial instruments (continued)

Loans and receivables

Trade and other receivables

Consumer and other receivables are categorised as financial assets: loans and receivables and are initially recognised at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

Bad debts are written off during the year in which they are identified.

An impairment or bad debt loss is recognised when it is probable that the municipality will not be able to collect all amounts due (principal and interest) according to the contractual terms of the accounts receivable. The assessment of objective indicators of impairment for accounts receivable is carried out at each balance sheet date.

Cash and cash equivalents

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

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded at the current value of the utilisation of approved facilities from the Municipality's bankers. Finance charges on bank overdrafts are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

Financial liabilities carried at amortised cost

Trade and other payables

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discounts or premiums on settlement. Gains and losses are recognised in net income or loss when liabilities are impaired as well as through the amortisation process.

Accounts payable are stated in the annual financial statements at the amounts due to trade and other creditors for goods or services received. The liabilities are generally settled within a period of 30 days, accordingly impairments, if any, are considered to be immaterial.

1.6 Leases

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

Finance leases - 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 de-recognition 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 - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset/ liability. Any contingent rents are expensed in the period they are incurred.

Operating leases - lessor

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

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

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

1.7 Inventories

Initial recognition

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In general, the basis of allocating cost to inventory items is the weighted average method.

1.7 Inventories (continued)

Subsequent measurement

Inventories, consisting of consumable stores 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. Where inventories are acquired at no cost, or for nominal consideration, their costs shall be their fair value as at the date of the acquisition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses. 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, are 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 the cost qualifies for capitalisation to the cost of another asset.

1.8 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

1.9 Impairment of assets

Cash generating assets

Identification:

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 amount of the asset.

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

The recoverable 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.

Value in use:

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

1.9 Impairment of assets (continued)

Cash generating assets (continued)

Discount rate:

The discount rate is a rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement:

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable 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.

An impairment loss is recognised for cash-generating units if the recoverable 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 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.

Non-cash generating assets

Identification:

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.

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 non-cash-generating unit is the higher of its fair value less costs to sell and its value in use.

1.9 Impairment of assets (continued)

Non-cash generating assets (continued)

Value in use:

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

Depreciated replacement cost approach:

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an oversized or overcapacity asset. Oversized assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement:

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.

An impairment loss is recognised for non-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.

1.10 Employee Benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected costs of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Council employees contribute to the Natal Joint Municipal Pension Fund. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid.

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The municipality and its employees contribute to the Natal Joint Municipal Pension Fund which is a defined contribution fund. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Natal Joint Superannuation & Retirement Funds are defined benefit funds. The Natal Joint Provident Fund is a defined contribution fund.

The schemes are funded through payments to fund administrator or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans.

Defined benefit plans have been accounted for as defined contribution plans in accordance with the requirements on multi-employer plans where sufficient information is not available to account for such plans as defined benefit plans. As the fund administrators do not have sufficient information available to allocate the shortfall on liabilities to individual employers, no liability is recognised for any shortfall of fund asset as compared to fund liabilities. Any surcharges that may be levied by the fund from time to time in order to compensate for shortfalls, are recognised as expenses in the period in which they become payable to the fund. As surcharges are advised long in advance, based on actuarial valuations of the fund as a whole, the necessary provision for the payment thereof is made in the course of the municipality's normal budgeting processes.

For defined contribution plans, the Municipality pays contributions to fund administrators. The Municipality has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

1.10 Employee Benefits (continued)

Post retirement health care benefits

The liability recognised in the Statement of Financial Position is in respect of defined benefit plan for post employment health care benefits. The fund is actuarially valued each year using the discounted cash flow method. Any deficits identified by the actuary are recovered from the municipality in the form of surcharges added to the contributions which are recognised as an expense in the Statement of Financial Performance in the year that they become payable. Valuations of these obligations are carried out every year by independent qualified actuaries.

1.11 Provisions and contingencies

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

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.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as it occurs.

Contingent assets and liabilities are not recognised, however where material contingent liabilities are disclosed by way of note.

1.12 Revenue recognition

Revenue from exchange transactions

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

Service charges relating to refuse removal are raised and recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements, the category of property usage and the number of refuse containers on each property regardless of whether or not containers are emptied during the month.

Interest 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 and the fee has been charged or licences and permits have been issued.

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified and once the terms of the agency agreement have been complied with.

Revenue from the sales of goods is recognised when the risk is passed to the consumer.

1.12 Revenue recognition (continued)

Revenue from non-exchange transactions

Revenue from public contributions 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 is brought into use. Where public contributions have been received but the municipality has not met the conditions, a liability is recognised.

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 assessment rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts have been raised and are legally enforceable. Penalty interest is raised on unpaid rates after the due date for payment and is recognised on a time proportion basis.

Revenue from the collection of spot fines and summonses is recognised when payment is received.

Donations are recognised when cash is received or when property, plant and equipment are brought into use.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

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.

1.13 Conditional grants and receipts

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

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder or detailed in the memorandum of agreement it is recorded as part of the liability otherwise it is recognised as interest earned in the Statement of Financial Performance.

1.14 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.

□

1.15 Unauthorised expenditure

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

□

1.16 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.17 Irregular expenditure

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

1.18 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In term sof the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.19 Risk management of financial assets and liabilities

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

Risks and exposure are disclosed as follows:

Credit Risk:

•

Each class of financial instrument is disclosed separately.

- Maximum exposure to credit risk not covered by collateral is specified.
- Financial instruments covered by collateral are specified.

Liquidity Risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities.

- Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.
- A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in the notes to the annual financial statements.

1.19 Risk management of financial assets and liabilities (continued)

Interest Risk

Interest rate risk originates from the uncertainty about the fair value or future cash flows of a financial instrument which fluctuate because of changes in market interest rates.

- Borrowings issued at variable rates expose the municipality to cash flow interest rate risk.
- Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

☐ Management has assessed the impact of interest rate risk on the operations of the municipality and considers the risk to be negligible.

Market Risk

Owing to legislative restrictions the municipality has no exposure to market risk.

1.20 Commitments

Commitments are not recognised. Commitments are disclosed in the notes to the annual financial statements. A commitment is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

1.21 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability directly or

indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

1.22 Budget information

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

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

1.23 Value Added Tax

The municipality accounts for Value Added Tax on the cash basis.

**UBUHLEBEZWE
MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL
STATEMENTS
For the year ended 30
June 2012**

2 Property, plant and equipment

Reconciliation of Carrying Value	Buildings	Infrastructure Assets	Community Assets	Heritage Assets	Work In Progress	Specialised Vehicles	Furniture & Equipment	Computer Equipment	Plant & Equipment	Vehicles	Leases	Total
	R	R	R	R	R	R	R	R	R	R	R	R
as at 1 July 2011	23 521 524	31 675 724	63 643 136	2 849 000	23 807 641	581 859	759 833	345 713	1 144 196	565 082	850 258	149 743 966
Cost/Revaluation	31 206 865	134 701 920	82 598 440	2 849 000	23 807 641	1 030 033	2 677 063	1 117 171	2 511 278	2 246 525	1 019 974	285 765 910
Accumulated depreciation and impairment losses	-7 685 341	-103 026 196	-18 955 304	-	-	-	-1 917 230	-	-1 367 082	-1 681 443	-169 716	-136 021 944
Change in estimate effective prospectively - Accumulated Depreciation	-	-	-	-	-	216 896	734 126	212 701	367 292	789 349	-	2 320 364
Acquisitions	-	-	-	-	25 462 474	43 295	564 676	102 039	-	787 225	470 438	27 430 147
Capital Work in Progress Brought into use	-	17 700 000	7 154 031	-	24 854 031	-	-	-	-	-	-	-
Depreciation	-1 129 509	-7 722 098	-5 962 495	-	-	-69 879	-212 059	-	-	-	-258 972	-15 818 516
Carrying value of disposals	-	-	-	-	-	-	-	-	-	-	-	-

Cost/Revaluation	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-56 252	31 166	-	14 946	-	-	-102 364
as at 30 June 2012	22 392 015	41 653 626	64 834 672	2 849 000	24 416 084	772 171	1 790 324	539 830	332 048	932 103	1 061 724	163 573 597	
Cost	31 206 865	152 401 920	89 752 471	2 849 000	24 416 084	1 073 328	3 241 739	1 219 210	2 511 278	3 033 750	1 490 412	313 196 057	
Accumulated depreciation and impairment losses	-8 814 850	-110 748 294	-24 917 799	-	-	- 301 157	-1 451 415	- 679 380	-1 179 230	-1 101 647	-428 688	-149 622 460	

UBUHLEBEZWE Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, in terms of Directive 4 issued in March 2009, with respect to the measurement of property plant and equipment as set out in paragraphs 73.

UBUHLEBEZWE Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, in terms of Directive 4 issued in March 2009, with respect to the measurement of leases as set out in paragraphs 55 to 60.

The valuation was performed by LENGAA General Trading, registered professional valuers. The effective date of the valuation is 30 June 2012. No assets of the municipality have been ceded. An annual review of useful lives of assets and an impairment test are performed at year end.

**UBUHLEBEZWE
MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL
STATEMENTS
For the year ended 30
June 2012**

2 Property, plant and equipment

Reconciliation of Carrying Value	Buildings	Infrastructure Assets	Community Assets	Heritage Assets	Work In Progress	Specialised Vehicles	Furniture & Equipment	Computer Equipment	Plant & Equipment	Vehicles	Leased Assets	Total
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	R	R	R	R	R	R	R	R	R	R	R	R
as at 30 June 2010	6 788 170	13 812 051	20 329 125	-	-	596 649 573	648 648	280 501	874 685	722 153	222 304	44 275 210
Cost/Revaluation	9 905 787	16 631 250	22 220 804	-	-	1 030 033	2 259 276	897 027	1 945 705	2 248 818	462 930	57 601 630
Accumulated depreciation and impairment losses	-3 117 617	-2 819 199	-1 891 679	-	-	- 380 460	-1 662 628	- 616 526	-1 071 020	-1 526 665	-240 626	-13 326 420
Change in Accounting Policy Costs previously not recognised	20 749 079	116 673 056	59 129 957	2 849 000	-	-	-	-	-	-	-287 677	199 113 415
Change in Accounting Policy Accumulated Depreciation and Impairment Loss	-3 438 216	-92 484 900	-12 061 698	-	-	-	-	-	-	-	193 995	-107 790 818
Reclassification of balances - Costs							-32 516	2 069	32 740	-2 293		-
Reclassification of balances - Accumulated Depreciation	-	-	-	-	-	-	29 635	2 069	29 859	2 293	-	-
Change in Accounting Policy - Fair Value adjustment to Costs	-	-	-	-	-	-	330 973	124 953	166 667	-	-	622 593
Change in Accounting Policy - Fair Value adjustment to Accumulated Depreciation	-	-	-	-	-	-	-104 391	- 73 233	- 120 000	-	-	-297 624
Restated Carrying Value at 30 June 2010	24 099 034	38 000 207	67 397 384	2 849 000	-	820 649 573	349 349	332 221	924 233	722 153	128 622	135 922 776
Cost/Revaluation	30 654 866	133 304 306	81 350 761	2 849 000	-	1 030 033	2 557 733	1 024 049	2 145 112	2 246 525	175 253	257 337 638
Accumulated Depreciation and Amortisation	-6 555 833	-95 304 099	-13 953 377	-	-	- 380 460	-1 737 384	- 691 828	-1 220 879	-1 524 372	-46 631	-121 414 862
Acquisitions	551 999	-	-	-	26 452 935	-	119 330	93 122	366 166	-	844 721	28 428 273
Capital Work In Progress brought into use	-	1 397 614	1 247 680	-	-2 645 294	-	-	-	-	-	-	-
Depreciation	-1 129 509	-7 722 097	-5 001 927	-	-	-67 714	-179	79 630	146 203	157 071	-123 085	-14 607 082

846

Carrying value of disposals	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-	-	-	-	-	-
as at 30 June 2011	23 521 524	31 675 724	63 643 137	2 849 000	23 807 641	581 859	759 833	345 713	144 196	565 082	850 258	149 743 967	
Cost	31 206 865	134 701 920	82 598 441	2 849 000	23 807 641	1 030 033	2 677 063	1 117 171	2 511 278	2 246 525	1 019 974	285 765 911	
Accumulated depreciation and impairment losses	-7 685 341	-103 026 196	-18 955 304	-	-	-	-1 917 230	-	-1 367 082	-1 681 443	-169 716	-136 021 944	

**UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012**

	R	R
3 Investment properties carried at fair value		
Carrying Value Opening Balance - at 30 June	11 866 000	-
Transfer from property, plant and equipment	-	4 343 282
Change in Accounting Policy	-	7 522 718
	<u>11 866</u>	<u> </u>
Restated Carrying Value Opening Balance - at 30 June	000	11 866 000
Revaluation	-	-
	<u>11 866</u>	<u> </u>
Carrying Value Closing Balance - at 30 June	000	11 866 000
3.2 Investment property pledged as security		
No investment property is pledged as security	<u>-</u>	<u>-</u>
3.3 Rental income from investment property		
Direct operating expenses from rental generating property	<u>-</u>	<u>-</u>

3.4 Details of valuation

The effective date of valuation was 30 June 2012. Revaluations were performed by an independent valuer Richard of Spectrum Valuation Services (Pty) Ltd. The valuation was based on open market value for existing use. There was no movement on the fair value during the current financial year.

4 Intangible Assets

Carrying value opening balance	440 253	127 851
Cost	440 253	255 702
Accumulated Amortisation	-	(127 851)
Amortisation	-	(127 851)
Correction of Error - Costs	-	184 551

Correction of Error-Reversal of the accumulated Amortisation	-	255 702
Restated opening balance	440 253	440 253
Cost	440 253	440 253
Accumulated Amortisation	-	-
Additions	-	-
Amortisation	-	-
Carrying value closing balance	440 253	440 253
Cost	440 253	440 253
Accumulated Amortisation	-	-

The carrying value of intangible assets disclosed relate to computer software of R440 253.

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

	2012 R	2011 R
5 HOUSING OPERATING ACCOUNT		
Housing Operating Account	373 787	373 787
The Housing Operating Account is represented by the following assets and liabilities :		
Housing selling schemes	122 298	122 298
Cash and cash equivalents.	251 489	373 787
	373 787	373 787
6 LONG-TERM RECEIVABLES		
Housing selling scheme loans	122 298	122 298
Less : Provision for Bad Debts	(122 298)	(122 298)
Total	-	-

UBUHLEBEZWE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R
7 CONSUMER DEBTORS (TRADE RECEIVABLE FROM EXCHANGE TRANSACTIONS)		
Rates	9 011 780	7 649 867
Electricity	7 574	5 779
Self Help Scheme	129 022	127 370
Refuse	2 415 699	2 329 908
Sundry	75 665	70 060
Rent	373 158	513 680
VAT Debtors	387 844	394 071
	12 400 742	11 090 735
Difference between ledger & ageing		
Total service debtors	12 400 742	11 090 735
Less provision for bad debts	(8 152 368)	(9 957 784)
Total	4 248 374	1 132 951
<u>Rates: Ageing</u>		
Current (0 – 30 days)	203 839	-
31 - 60 Days	218 951	240 916
61 - 90 Days	203 084	202 775
91 - 120 Days	351 796	181 761
Greater than 120 days.	8 034 110	7 018 506
Total	9 011 780	7 643 959
<u>Electricity: Ageing.</u>		
Greater than 120 days.	7 574	4 943
Total	7 574	4 943
<u>Self Help Scheme: Ageing.</u>		
Greater than 120 days.	129 022	129 168
Total	129 022	129 168
<u>Rent: Ageing.</u>		
Current (0 – 30 days)	13 650	57 197
31 - 60 Days	933	12 791
61 - 90 Days	932	12 687
91 - 120 Days	1 114	18 447
Greater than 120 days.	356 529	412 558
Total	373 158	513 680

Refuse: Ageing.

Current (0 – 30 days)	148 283	80 947
31 - 60 Days	38 458	71 155
61 - 90 Days	35 041	54 385
91 - 120 Days	34 011	46 330
Greater than 120 days.	2 159 906	2 074 434
Total	2 415 699	2 327 252

Sundry: Ageing.

Greater than 120 days.	75 665	71 635
Total	75 665	71 635

Vat Debtors

Current (0 – 30 days)	22 796	14 098
31 - 60 Days	5 508	11 795
61 - 90 Days	5 030	9 482
91 - 120 Days	4 922	9 063
Greater than 120 days.	349 588	349 469
Total	387 844	393 907

7 CONSUMER DEBTORS (TRADE RECEIVABLE FROM EXCHANGE TRANSACTIONS) continued

Add back credits included above: Ageing

Current (0 – 30 days)	(640 672)	(464 630)
Total	(640 672)	(464 630)

Included in the consumer debtors balances are the amounts owed by other spheres of Government:

Other spheres of Government: Ageing

Current (0 – 30 days)	10 946	-
31 - 60 Days	18 403	-
61 - 90 Days	18 396	-
91 - 120 Days	102 447	-
Greater than 120 days	2 048 632	-
Total	2 198 824	-

The comparative figures for 2010/11 financial cannot be obtained from the Municipal financial system.

An amount of R6,929,286 was received for the 2011/2012 financial year.

7.1 Reconciliation of the doubtful debt provision

Balance at beginning of the year	(10 080 082)	(6 758 841)
Consumer Debtors	(9 957 784)	(6 636 542)
Other Debtors (note 7.)	(122 298)	(122 298)

Contribution for the year	-	(3 328 152)
Consumer Debtors	-	(3 205 854)
Other Debtors	-	(122 298)
(Release from) Contribution to provision	1 805 416	-
Consumer Debtors	1 805 416	-
Other Debtors	-	-
Bad Debts written of against provision.	-	6 911
Consumer Debtors	(8 152 368)	(9 957 784)
Other Debtors - Self Help Loans.	(122 298)	(122 298)
Balance at end of year.	(8 274 666)	(10 080 082)

8 OTHER DEBTORS (TRADE RECEIVABLE FROM NON-EXCHANGE TRANSACTIONS)

Sundry Debtors	102 812	162 385
Other debtors DOH Low cost housing	573 880	573 880
Nokweja Disaster Fund	8 557	-
Accrued Interest FNB.	163 207	226 832
Deposits paid	113 370	113 370
	-	-
Total Other Debtors	961 826	1 076 466

9 VAT RECEIVABLE

VAT receivable	4 591 020	3 812 079
	4 591 020	3 812 079

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

10 CURRENT INVESTMENTS

Current investments	38 104 678	33 559 583
	38 104 678	33 559 583

Investment Bank account

First National Bank - Ixopo Branch

Account Number 62143895988 Short Term Investment Account

Bank statement balance at the beginning of the year	20 618	5 608 581
Bank statement balance at the end of the year	2 164 854	20 618

Investment Bank account

Nedbank - Ixopo Branch

Account Number 7881076763/001 Fixed Deposit 1 month
(29/06/2012 - 31/07/2012)

Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	<u>4 040 230</u>	<u>-</u>

Investment Bank account

Nedbank - Ixopo Branch

Account Number 7881076763/002 Fixed Deposit 3 months
(14/05/2012 - 13/08/2012)

Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	<u>4 336 030</u>	<u>-</u>

Investment Bank account

Standard Bank Account - Ixopo Branch

Account Number 068730276-004 Short Term Investment
Account

Bank statement balance at the beginning of the year	<u>2 524 512</u>	<u>2 371 779</u>
Bank statement balance at the end of the year	<u>2 660 960</u>	<u>2 524 512</u>

Investment Bank account

Standard Bank Account - Ixopo Branch

Account Number 068730276-005 Short Term Investment
Account

Bank statement balance at the beginning of the year	<u>4 763 105</u>	<u>4 495 446</u>
Bank statement balance at the end of the year	<u>5 061 094</u>	<u>4 763 105</u>

Investment Bank account

First National Bank - Ixopo Branch

Account Number 62248166218 Short Term Investment
Account

Bank statement balance at the beginning of the year	<u>590 630</u>	<u>573 177</u>
Bank statement balance at the end of the year	<u>605 010</u>	<u>590 630</u>

Investment Bank account

Ithala - Ixopo Branch

Account Number 46110293 3 month Investment (22/04/2010 -
22/07/2010)

Bank statement balance at the beginning of the year	<u>-</u>	<u>3 500 000</u>
Bank statement balance at the end of the year	<u>-</u>	<u>-</u>

10 CURRENT INVESTMENTS continued

Investment Bank account

Nedbank - Ixopo Branch

Account Number 7881076763/017 Fixed Deposit (11/04/2011
- 01/07/2011)

Bank statement balance at the beginning of the year	3 782 406	3 610 017
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Bank statement balance at the end of the year	-	3 782 406
Investment Bank account		
<u>Nedbank - Ixopo Branch</u>		
<i>Account Number 7881076763/019 Fixed Deposit 2 months (16/05/2011 - 01/07/2011)</i>		
Bank statement balance at the beginning of the year	4 107 146	3 910 000
Bank statement balance at the end of the year	-	4 107 146
Investment Bank account		
<u>Absa - Ixopo Branch</u>		
<i>Account Number 20-7042-5909 Fixed Deposit 32 days</i>		
Bank statement balance at the beginning of the year	3 117 668	3 000 000
Bank statement balance at the end of the year	3 299 470	3 117 668
Investment Bank account		
<u>Nedbank - Ixopo Branch</u>		
<i>Account Number 7881076763/018</i>		
Bank statement balance at the beginning of the year	6 000 822	-
Bank statement balance at the end of the year	6 338 206	6 000 822
Investment Bank account		
<u>Absa - Ixopo Branch</u>		
<i>Account Number 2070490455 Fixed Deposit 3 months (30/04/2012 - 31/07/2012)</i>		
Bank statement balance at the beginning of the year	3 500 000	-
Bank statement balance at the end of the year	3 547 466	3 500 000
Investment Bank account		
<u>First National Bank - Ixopo Branch</u>		
<i>Account Number 7428280271 6 Short Term Investment Account</i>		
Bank statement balance at the beginning of the year	5 152 676	-
Bank statement balance at the end of the year	2 373 965	5 152 676
Investment Roads Grant		
<u>Standard Bank Account - Ixopo Branch</u>		
<i>Account Number 068730276-006 Fixed Deposit 3 months</i>		
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	3 677 393	-
TOTAL SHORT TERM INVESTMENTS	38 104 678	33 559 583

Cash and cash equivalents consist of the following:

Cash on hand	-	-
Petty Cash	4 249	4 249
	4 249	4 249

The Municipality has the following main bank accounts: -

Primary Bank Account

First National Bank Ixopo - 52552416194

Cash book balance at beginning of year	478 537	12 981 933
Cash book balance at end of year	709 097	478 537

Bank statement balance at beginning of year	478 537	12 881 389
Bank statement balance at end of year	709 097	478 537

Petty cash and cash on hand	4 249	4 249
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Total bank,cash and overdraft balances.	713 346	482 786
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12 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Trade creditors	1 749 719	3 460 858
Deposits Other	67 457	660
Payments received in advance	640 672	464 630
Staff leave accrual	1 862 078	1 444 732
Retentions	334 975	-
Payroll Suspense	83 393	4 533
Provision UIF.	-	424 281
Other creditors	795 342	80 155
Total creditors	5 533 636	5 879 849

Leave provision is calculated on leave due up to 48 days (Over and above 48 days is not provided for in terms of the Bargaining Council agreement)

13 UNSPENT CONDITIONAL GRANTS AND SUBSIDIES

Unspent Conditional Grants from other spheres of Government

Capital Investment Program	9 700	9 700
Financial Management Grant	318 951	-
G I S Grant	8 467	146 712
Hawkers/Taxi Grant	1 033 341	1 033 341
H R Systems Governance	7 170	7 170
Ixopo Sportsfields	346 453	1 302
Internal Roads	1 458 441	-
Kuyasa School Grant	4 302	4 302
Land Use Managent	220 238	220 238
Library Assistant	5 708	5 854
Library Building Grant	213 440	220 966

M I G Grant	1 747 076	2 820 815
Management Assistance	4 632	46 303
Marithal Project	8 197	8 197
Market Stalls	350 877	350 877
Municipal Development Planning Capacity Building	24 973	24 973
Municipal Administrative Development	9 000	9 000
Nokweja Disaster Fund	-	3 324
Project Consolidate	404 766	414 968
Project Management Unit	163 377	163 377
Sangcwaba Grant	673 950	673 950
Waste Disposal Site	118 121	144 621

Total Unspent Conditional Grants and Subsidies

7 131 180

6 309 989

See Note 19 for reconciliation of grants and receipts.

14 PROPERTY RATES

Actual

Residential	1 103 005	143 567
Commercial	1 413 895	235 901
Agriculture	830 677	709 475
Other	272 022	2 872 277
State	1 779 308	1 997 188
Other	1 661 401	-
Total property rates	7 060 308	5 958 408
Property rates - penalties imposed and collection charges	-	-
Total	7 060 308	5 958 408
Adjustments	-	974
Total	7 060 308	5 959 382

Valuations

Residential	181 605 375	181 605 375
Commercial	149 970 000	149 970 000
State	335 161 925	335 161 925
Industrial	22 008 640	22 008 640
Municipal	55 505 345	55 405 345
Agricultural	711 270 000	711 270 000
Donation: Sport & Welfare	83 749 690	83 749 690
Total Property Valuations	1 539 270 975	1 539 170 975

Valuations on land and buildings are performed every five 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 payable by the end of April. alterations.

Rates are levied in ten monthly equal instalments with the first instalment being due at the end of August and the last

instalment unpaid monthly.

Rates outstanding by the last working day of each month will yield penalties of 1.5% per month or part thereof during which such default continues.

Interest at 10% per annum is levied on outstanding rates.

The new general valuation will be implemented on 01 July 2014.

- Residential	0.01264c/R	0.0119c/R
- State owned	0.01264c/R	0.0119c/R
- Agriculture	0.00316c/R	0.02982c/R
- Infrastructure	0.00316c/R	0.02982c/R
- Communal land	0.00316c/R	0.02982c/R
- Commercial	0.01264c/R	0.0119c/R
- Industrial	0.01370c/R	0.0130c/R
- Place of worship	Exempt	0.0119c/R

The municipality does not levy rates on the first R15 000 of the market value of properties assigned to the categories below:

- Residential;
- Agriculture;
- Smallholding (Agriculture);
- Commercial;
- Industrial; and
- Communal land.

The Municipality does not levy rates on the first 30% of the market value of Public service infrastructure and State owned properties.

15 SERVICE CHARGES

Refuse removal	743 254	1 043 916
Total Service Charges	743 254	1 043 916

16 RENTAL OF FACILITIES AND EQUIPMENT

Rental of facilities	17 780	9 280
Rental of equipment	-	-
Other rentals	166 870	414 044
Total rentals	184 650	423 324

17 INTEREST EARNED - EXTERNAL INVESTMENTS

Investment Interest	2 367 272	1 891 259
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Bank Current Account	172 377	291 690
Total interest	2 539 649	2 182 949

18 GOVERNMENT GRANTS AND RECEIPTS

Equitable share	38 394 000	35 479 889
Anti Corruption Grant	-	177
Financial Management Grant	931 049	2 249 350
Municipal Finance Management Act Implementation Grant	-	134 899
Geographical Information Systems Grant	138 245	90 894
Internal Roads Grant	5 261 559	10 617 961
Ixopo Sportsfields Grant	494 849	305 756
Library Assistant Grant	105 946	97 969
Library Building Grant	240 866	-
Municipal Infrastructure Grant	18 482 738	16 362 537
Management Assistance Grant	41 672	242 590
Nokweja Disaster Fund Grant	11 881	10 091
Programme Support Grant	-	16 908
Project Consolidate (Municipal Systems Information Grant)	800 202	930 184
Project Management Unit Grant	-	560 344
Sponya Housing Project Grant	-	591 044
Waste Disposal Site Grant	26 500	268 430

Total Conditional Grants and Receipts	64 929 507	67 959 024
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18.1 Equitable Share

Balance unspent at beginning of year		
Current year receipts	38 394 000	35 479 889
Conditions met - transferred to revenue	(38 394 000)	(35 479 889)
Conditions still to be met - remain liabilities (see note 13)	-	-

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

18.2 Anti Corruption Grant

Balance unspent at beginning of year	-	177
Current year receipts	-	-
Conditions met - transferred to revenue	-	(177)
Conditions still to be met - remain liabilities (see note 13)	-	-

18.3 Capital Investment Programme Grant

Balance unspent at beginning of year	9 700	9 700
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities (see note 13)	9 700	9 700

18	GOVERNMENT GRANTS AND RECEIPTS continued		
18.4	Financial Management Grant		
	Balance unspent at beginning of year	-	749 350
	Current year receipts	1 250 000	1 500 000
	Conditions met - transferred to revenue	(931 049)	(2 249 350)
	Conditions still to be met - remain liabilities (see note 13)	318 951	-
18.5	Geographical Information Systems Grant		
	Balance unspent at beginning of year	146 712	79 856
	Current year receipts (GIS grants consolidated transferred from GIS 07/06)	-	157 750
	Conditions met - transferred to revenue	(138 245)	(90 894)
	Conditions still to be met - remain liabilities (see note 13)	8 467	146 712
18.6	Hawkers/Taxi Grant		
	Balance unspent at beginning of year	1 033 341	1 033 341
	Current year receipts	-	-
	Conditions met - transferred to revenue	-	-
	Conditions still to be met - remain liabilities (see note 13)	1 033 341	1 033 341
18.7	HR Systems Governance		
	Balance unspent at beginning of year	7 170	7 170
	Current year receipts	-	-
	Conditions met - transferred to revenue	-	-
	Conditions still to be met - remain liabilities (see note 13)	7 170	7 170
18.8	Internal Roads		
	Balance unspent at beginning of year	-	10 617 961
	Current year receipts	6 720 000	-
	Conditions met - transferred to revenue	(5 261 559)	(10 617 961)
	Conditions still to be met - remain liabilities (see note 13)	1 458 441	-
18.9	Kuyasa School Grant		
	Balance unspent at beginning of year	4 302	4 302
	Current year receipts	-	-
	Conditions met - transferred to revenue	-	-
	Conditions still to be met - remain liabilities (see note 13)	4 302	4 302
18.10	Land Use Management		
	Balance unspent at beginning of year	220 238	220 238
	Current year receipts	-	-
	Conditions met - transferred to revenue	-	-

	Conditions still to be met - remain liabilities (see note 13)	220 238	220 238
18.11	Library Assistant		
	Balance unspent at beginning of year	5 854	3 023
	Current year receipts	105 800	100 800
	Conditions met - transferred to revenue	(105 946)	(97 969)
	Conditions still to be met - remain liabilities (see note 13)	5 708	5 854
18.12	Library Building Grant		
	Balance unspent at beginning of year	220 966	-
	Current year receipts	233 340	220 966
	Conditions met - transferred to revenue	(240 866)	-
	Conditions still to be met - remain liabilities (see note 13)	213 440	220 966
18	GOVERNMENT GRANTS AND RECEIPTS continued		
18.13	Municipal linfrastructure Grant		
	Balance unspent at beginning of year	2 820 813	6 013 350
	Current year receipts	17 409 000	13 170 000
	Conditions met - transferred to revenue	(18 482 738)	(16 362 537)
	Adjustments - expenditure.	-	-
	Conditions still to be met - remain liabilities (see note 13)	1 747 075	2 820 813
18.14	Management Assistance Grant		
	Balance unspent at beginning of year	46 304	288 894
	Current year receipts	-	-
	Conditions met - transferred to revenue	(41 672)	(242 590)
	Conditions still to be met - remain liabilities (see note 13)	4 632	46 304
18.15	Marlthal Project Grant		
	Balance unspent at beginning of year	8 197	8 197
	Current year receipts	-	-
	Conditions met - transferred to revenue	-	-
	Conditions still to be met - remain liabilities (see note 13)	8 197	8 197
18.16	Market Stalls Grant		
	Balance unspent at beginning of year	350 877	350 877
	Current year receipts	-	-
	Conditions met - transferred to revenue	-	-
	Conditions still to be met - remain liabilities (see note 13)	350 877	350 877
18.17	Municipal Finance Management Act Implementation Grant		

	Balance unspent at beginning of year	-	134 899
	Current year receipts	-	-
	Conditions met - transferred to revenue	-	(134 899)
	Conditions still to be met - remain liabilities (see note 13)	-	-
18.18	Mun Development Planning Capacity Building		
	Balance unspent at beginning of year	24 973	24 973
	Current year receipts	-	-
	Conditions met - transferred to revenue	-	-
	Conditions still to be met - remain liabilities (see note 13)	24 973	24 973
18.19	Municipal administrative Development		
	Balance unspent at beginning of year	9 000	9 000
	Current year receipts	-	-
	Conditions met - transferred to revenue	-	-
	Conditions still to be met - remain liabilities (see note 13)	9 000	9 000
18.20	Nokweja Disaster Fund		
	Balance unspent at beginning of year	3 323	13 414
	Current year receipts	-	-
	Conditions met - transferred to revenue	(11 881)	(10 091)
	Balance owing transferred to debtors (Refer to note 8)	(8 558)	3 323
18.21	Programme Support		
	Balance unspent at beginning of year	-	16 908
	Current year receipts	-	-
	Conditions met - transferred to revenue	-	(16 908)
	Conditions still to be met - remain liabilities (see note 13)	-	-
18	GOVERNMENT GRANTS AND RECEIPTS continued		
18.22	Project Consolidate (Municipal Systems Information Grant)		
	Balance unspent at beginning of year	414 968	595 151
	Current year receipts	790 000	750 000
	Conditions met - transferred to revenue	(800 202)	(930 183)
	Conditions still to be met - remain liabilities (see note 13)	404 766	414 968
18.23	Project Management unit		
	Balance unspent at beginning of year	163 377	-
	Adjustments	-	-
	Current year receipts	-	723 721
	Conditions met - transferred to revenue	-	(560 344)

	Conditions still to be met - remain liabilities (see note 13)	163 377	163 377
18.24 Sangcwaba Grant			
	Balance unspent at beginning of year	673 950	673 950
	Current year receipts	-	-
	Conditions met - transferred to revenue	-	-
	Conditions still to be met - remain liabilities (see note 13)	673 950	673 950
18.25 Sponya Housing Project			
	Balance unspent at beginning of year	-	-
	Current year receipts	-	591 044
	Conditions met - transferred to revenue	-	(591 044)
	Conditions still to be met - remain liabilities (see note 13)	-	-
18.26 Waste Disposal Site			
	Balance unspent at beginning of year	144 621	413 050
	Conditions met - transferred to revenue	(26 500)	(268 429)
	Conditions still to be met - remain liabilities (see note 13)	118 121	144 621
18.27 Ixopo Sportsfield			
	Balance unspent at beginning of year	1 302	-
	Adjustments	-	307 058
	Current year receipts	840 000	-
	Conditions met - transferred to revenue	(494 849)	(305 756)
	Conditions still to be met - remain liabilities (see note 13)	346 453	1 302
19 OTHER INCOME			
	Included in other income are the following:-		
	Sundry income	102 070	70 075
	Licence commission	586 366	485 126
	Burial fees	20 352	22 640
	Building fees	39 340	37 863
	Lost books	1 993	1 993
	Library photostats	13 454	12 465
	Admin fees	13 718	11 946
	Discount received	5 498	173
	Skills development	123 780	35 724
		906 571	678 003
20 EMPLOYEE RELATED COSTS			
	Employee related costs - Salaries and Wages	14 380 764	12 718 356

Employee related costs - Contributions for UIF, pensions and medical aids	2 683 841	2 191 026
Travel, motor car, accommodation, subsistence and other allowances	824 004	563 017
Housing benefits and allowances	33 424	35 179
Overtime payments	339 799	349 303
Other employee related costs	1 392 075	850 130
Total Employee Related Costs	19 653 908	16 707 012

There were no advances to employees.

Remuneration of the Municipal Manager

Annual Remuneration	521 636	-
Performance- and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	85 584	-
Contributions to UIF, Medical and Pension Funds	66 158	-
Total	673 378	-

Remuneration of the Chief Financial Officer

Annual Remuneration	486 361	486 900
Travel, motor car, accommodation, subsistence and other allowances	189 598	93 100
Contributions to UIF, Medical ,Pension Funds and Skills levy	1 373	7 163
Total	677 332	587 163

The Chief Financial Officer was suspended during the 2011/12 financial year. The figures above are for eleven months only.

Annual Remuneration	399 010	-
Travel, motor car, accommodation, subsistence and other allowances	11 328	-
Contributions to UIF, Medical ,Pension Funds and Skills levy	998	-
Total	411 336	-

The remuneration for the Acting Chief Finance Officer is for eight months only.

Remuneration of Individual Executive Directors:

Technical Services

Annual Remuneration	439 758	334 167
Travel, motor car, accommodation, subsistence and other allowances	218 143	195 833
Contributions to UIF, Medical and Pension Funds	1 497	6 458
Total	659 398	536 458

Corporate Services

Annual Remuneration	472 697	528 500
Travel, motor car, accommodation, subsistence and other allowances	4 929	1 500
Contributions to UIF, Medical and Pension Funds	1 248	6 847

Total	478 874	536 847
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The remuneration for the Director: Corporate Services post is for the full financial year.

Community Services

Annual Remuneration	500 148	434 900
Travel, motor car, accommodation, subsistence and other allowances	91 496	95 100
Contributions to UIF, Medical and Pension Funds	1 373	6 659

Total	593 017	536 659
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21 REMUNERATION OF COUNCILLORS

Mayor	383 361	509 545
Deputy Mayor	191 393	248 680
Speaker	190 809	198 449
Executive Committee Members	306 759	564 727
Councillors' allowances	3 921 744	2 865 376
Cellular Allowance	294 213	265 947

Total Councillors' Remuneration	5 288 280	4 652 724
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In-kind Benefits

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

The Mayor has use of the Council owned vehicle plus one driver for official duties.

22 CONTRACTED SERVICES

Contracted services for:		
Steiner Hygiene	14 424	18 420
PMB Security	12 825	9 789
Zincume Security	596 600	319 200
Brokersure (Insurance)	388 734	333 549
Trade Page	32 719	35 291
Fintech	312 088	-
Autopage	169 674	-
Telkom	201 565	-
Nashua	27 215	-

Internal Audit	-	428 575
Netstar	-	2 068
Tracker	-	6 244
	1 755 844	1 153 136

23 GRANTS AND SUBSIDIES PAID

Grant Expenditure	3 098 997	5 693 095
Grant in aid	-	-
	3 098 997	5 693 095

24 GENERAL EXPENSES

Included in general expenses are the following:-

Advertisements	336 551	212 159
Assets under R5000.	8 751	127 393
Audit-External	803 791	871 791
Audit - Internal	289 232	-
Bank Charges	89 617	101 170
Breakdown Services	-	650
Chemicals,Cleaning,First Aid	16 847	4 588
Cleaning Office	73 116	33 092
Communication Costs	27 925	612 630
Community Awareness	50 188	95 278
Compensation Commissioner	-	90 220
Computer & IT Support Natis	208 049	75 328
Contract Employees	-	52 781
Destitute Support	-	66 487
Electricity	333 532	140 563
Employment Creation	80 694	129 648
Entertainment	78 999	90 807
Free Basic Electricity.	771 149	798 482
Freight Costs/Hire Costs	429 880	443 626
Fuel& Oil	541 730	530 244
Gender Development	159 594	13 665
Grant-in-aid.	175 400	88 480
IDP Small Projects.	246 983	689 493
Landfill Site	299 850	279 032
LED Small Projects	1 668 646	-
Legal Fees	703 553	517 637
Licences & Permits	52 900	54 094
Marketing & Tourism	84 894	16 356
Moral Regeneration	10 700	68 000
Occupational Safety	33 090	93 784
Paupers - Indigents	45 131	-
Postage	83 684	87 015
Printing & Stationery	430 656	403 046
Public Paticipation	259 504	486 172

Refreshments	80 947	63 259
Refuse Bags	103 872	216 970
Reimburive Travel	393 752	231 569
Rental of Hardware/Software	-	266 471
S & T Accommodation.	753 821	476 763
Security.	559 621	148 641
Skills Levy	42 547	164 620
Software Licence Fees	42 255	46 685
Special Project	101 486	157 891
Sports & Recreational.	938 693	545 312
Councillor Support Clerk	67 986	-
Strategic Plan.	292 129	202 511
Subs Membership & Publication.	163 350	180 723
Subsiised Vehicles	-	5 800
Sundry.	2 254	90 302
Town Planning Inniatives	-	52 909
Training	655 990	392 953
Valuation Roll.	204 105	129 924
Ward Committee	926 496	490 045
Youth Upliftment	99 933	548 384
	13 823 873	11 685 443

25 FINANCE LEASE LIABILITY

The present of finance lease liabilities is as follows:

Within one year	328 306	237 925
In the second to fifth year inclusive	1 036 582	903 870
After five years		
Total	1 364 888	1 141 795

26.1 CASH GENERATED BY OPERATIONS

Surplus/(deficit) for the year	20 893 189	19 630 038
Adjustment for:-		
Interest earned	(2 539 649)	(2 182 949)
Interest expense	165 591	110 451
Depreciation and amortisation	13 498 151	14 607 082
Impairment of property, plant and equipment	102 364	-
Increase in provisions - bad debts	-	3 820 164
Increase in contribution to post retirement benefits	793 757	573 688
Sundry	(6)	-
Working Capital Movements		
(Increase)in trade receivables from exchange transactions.	(3 115 423)	(1 878 881)
Decrease in trade receivables from non-exchange transactions.	114 640	45 528
(Decrease)/Increase in VAT receivable	(778 941)	(913 639)
Increase /(Decrease) in trade payables	(346 213)	6 138 961
Increase /(Decrease) in Unspent Grants	821 191	(15 422 603)

Housing Development fund.	-	24 989
Prior Year Adjustments.	-	(4 888 131)
Cash generated by operations	29 608 650	19 664 696

26.2 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Call investment deposits	38 104 678	33 559 583
Bank balances and cash	713 346	482 786
Net cash and cash equivalents (net of bank overdrafts)	38 818 024	34 042 369

27 CHANGE IN ACCOUNTING POLICY

The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the change in accounting policy relating to transitional provisions with regards to the implementation of GRAP as per Directive 4.

27.1 Property Plant and equipment (Cost)

Balance previously reported	90 373 187
Transfer of investment properties to separate note 3	(4 343 282)
GRAP Transitional Provisions : Assets previously not recognised - immovables	199 401 092
GRAP Transitional Provisions : Fair Value adjustment - movables	622 593
GRAP Transitional Provisions : Assets previously not recognised - leases	(287 677)
Restated balance at 30 June 2011	285 765 913

27.2 Property Plant and equipment (Accumulated Depreciation and Impairment Loss)

Balance previously reported	(16 069 839)
GRAP Transitional Provisions : Assets previously not recognised	(107 984 813)
GRAP Transitional Provisions : Additional Depreciation for 2011	(11 863 663)
GRAP Transitional Provisions : Fair Value adjustment - movables	(297 624)
GRAP Transitional Provisions : Assets previously not recognised - leases	193 995
Restated balance at 30 June 2011	(136 021 944)

27.3 Investment properties

	Balance previously reported	-	
	Transfer of investment properties from PPE to separate note 3	4 343 282	
	Adjustments related to transitional provisions relating to the implementation of GRAP		718
	Restated balance at 30 June 2011	11 866 000	
27.4	Intangible assets (Cost)		
	Balance previously reported	127 851	
	GRAP Transitional Provisions : Assets previously not recognised	312 402	
	Restated balance at 30 June 2011	440 253	
27.5	Intangible assets (Accumulated Amortisation)		
	Balance previously reported	(127 851)	
	GRAP Transitional Provisions : Assets previously not recognised	127 851	
	Restated balance at 30 June 2011	-	
28	CORRECTION OF ERROR		
	The comparatives for 2011/2012 have been restated in respect of the following errors:		
28.1	Trade and other payables from exchange transactions		
	Balance previously reported	5 958 354	
	Orders cancelled and paid relating to 2011	(83 038)	
	Late processing of entries in 2011	4 533	
	Restated balance at 30 June 2011	5 879 849	
28	CORRECTION OF ERROR continued		
28.2	Trade receivables from non exchange transactions (Other debtors)		
	Balance previously reported	1 003 802	
	Late processing of entries in 2011	(4 533)	
	Prior year adjustments	77 197	
	Restated balance at 30 June 2011	1 076 466	
28.3	Trade receivables from exchange transactions (Consumer debtors)		

	Balance previously reported	1 128 226.00
	Late processing of entries in 2011	4 725
	Restated balance at 30 June 2011	1 132 951
28.4	Value added taxation receivable from exchange transactions	
	Balance previously reported	3 813 183
	Late processing of entries in 2011	(1 104)
	Restated balance at 30 June 2011	3 812 079
28.5	Bank balances and cash	
	Balance previously reported	648 930
	Late processing of entries in 2011	7 440
	Correction of journals incorrectly posted for 2011 transactions	(177 329)
	Correction of journals incorrectly posted for 2011 transactions	3 745
	Restated balance at 30 June 2011	482 786
28.6	Finance Lease Liability	
	Balance previously reported	1 077 361
	Recognition of previously not recognised finance lease	64 434
	Restated balance at 30 June 2011	1 141 795
28.7	Cash generated by operations	
	Balance previously reported	19 888 562
	Recognition of previously not recognised finance lease	(228 115)
	Restated balance at 30 June 2011	19 660 447
28.8	Surplus / (Deficit) for the year	
	Balance previously reported	31 057 180
	Correction of prior year entry to other income	3 313
	Correction of prior year entry to general expenses	(4 850)
	Correction of finance costs to finance lease liability	18 487
	Depreciation and Amortisation due to transitional provisions for GRAP 17	(11 444 092)
		19 630 038
29	CHANGE IN ESTIMATE	

The useful lives of movable property, plant and equipment were reassessed at year end due to new information which came to light during the final accounting for the transitional provisions related to GRAP.

The change in estimate resulted in a prospective adjustment to the accumulated depreciation and a reduction against the current years depreciation charge on the statement of financial performance. Refer to note 2.

The effect on future periods is a reduction in the depreciation expense related to these assets. The amounts have not been quantified for disclosure as they will form part of the budgeted expenses going forward.

**29.1 Property Plant and equipment
(Accumulated Depreciation and Impairment Loss)**

Opening balance as at 1 July 2011	(136 021 944)
Change in estimate - Accumulated Depreciation	2 320 364
Depreciation 2012	(15 818 516)
Impairment 2012	(102 364)
Closing balance at 30 June 2012	(149 622 460)

30. FRUITLESS AND WASTEFUL EXPENDITURE

Reconciliation of fruitless and wasteful expenditure

Opening balance	-	-
- South African Revenue Service	149 404	-
Interest and penalties were charged for late payment of PAYE, Skills development levy, UIF.		
- Natal Joint Municipal Pension Fund	642	-
Interest was charged for late payment of member contributions		
- Municipal Councillor's Pension Fund	121	-
Interest was charged for late payment of member contributions		
Closing balance	150 167	-

31 IRREGULAR EXPENDITURE

31.1 IRREGULAR EXPENDITURE

Reconciliation of irregular expenditure:

Opening balance	-	-
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Section 36 - condoned or written off by Council	6 868 555	10 872 593
Closing balance	6 868 555	10 872 593

These deviations were caused mainly caused by nature of the service where it is impossible to obtain a minimum of 3 quotations and the cases where the services and goods were required urgently.

Some of these deviations will be eliminated by the appointment of staff and others will be eliminated by the appointment of annual contracts.

Reported to and ratified by Council:

A & E Printers	2 764	-
Adcocks Travel	40 969	-
Alpha office furniture	95 611	-
Arch actuarial Consulting	37 050	-
Ashley's Towing service	3 628	-
B&B Transport and plant Hire	16 758	-
Barloworld equipment	100 844	-
Bright Pictures and production	4 400	-
Build it	19 740	-
Claire Du Plesis (Twisted Sister)	350	-
De la Rue Auto Electrical	3 838	-
Derek's Electrical	15 011	-
Emini Emnandi General Construction	50 571	-
Impelwini Management Solutions	10 400	-
Futurenet	8 357	-
Fynn's Construction	13 338	-
Government Printing Works	1 236	-
Gracan Communications	67 543	-
H&B Equipment	69 080	-
Human Communications	4 754	-
HIS Electrical	9 147	-
Ixopo Primary school	9 550	-
Ixopo superspar	20 490	-
Ixopo Towing service	530	-
Khoza KS	4 250	-
KZN Midlands Training Academy	8 550	-
Lithotech	7 377	-
Lusted and Johnson	502 758	-
Mageza Project Manager	341 160	-
Makhaotse, Narasimulu and associates	4 000 000	-
Manyathi Trading	450	-
Mccarthy Toyota	395 976	-
Mdledle Incorporated	94 782	-
Meteor Office furniture	65 391	-
MG Hoddy's engineering	456	-
Nashua PMB	922	-
Natal Park Homes	8 664	-

Neffcon Roadtech	2 565	-
Nix Matters	2 370	-
Post office	3 822	-
RDS Mechanical Services	14 884	-
Service unlimited	3 561	-
Sky blue media	820	-
Southern Sun Hotel International	34 851	-
Sparks Electrical and Hardware	1 160	-
Supa Quick Ixopo	3 470	-

31.1 IRREGULAR EXPENDITURE continued
Reported to and ratified by Council: continued

Tradepage	2 150	-
Trentyre	2 335	-
Tri circle Hardware	23 969	-
Truvelo Manufacturers	2 290	-
VIP Payroll	16 233	-
Winners Trading	21 495	-

Not Reported to Council:

Inkonka Civils	442 016	
Makhaoste Narasimulu & Associates	253 869	

Previously reported to Council

Multi-Finance Solutions.	-	99 050
Multi-Finance Solutions.	-	179 000
Multi-Finance Solutions.	-	124 780
Multi-Finance Solutions.	-	112 860
Multi-Finance Solutions.	-	41 040
Multi-Finance Solutions.	-	135 432
Gabhisa Planning and Investments	-	100 320
The Horizon	-	39 000
Skip Truck Traders (PTY) LTD.	-	196 725
Umsizi Skills Academy	-	123 120
Bongis Catering	-	2 550
Event Mania	-	35 368
Masakhe Promotions	-	18 525
Uleda Consultants	-	75 000

Not Reported to Council:

Multi-Finance Solutions.	-	143 224
B & B Transport	-	199 694
Trevwest Investments	-	61 200
Uleda consultants	-	128 640
KPMG	-	180 134
Royal Tent and Tarp	-	40 210
Atlantic Plastics	-	93 942
Mkhabela Consulting Business Accountants	-	71 136
Poobie Naidoo Sportman Warehouse	-	31 200

Masedamoi Marketing and Projects	-	51 985
Fana Manufacturing CC	-	63 270
XM Designers	-	45 000
Makhawini Trading Enterprise	-	30 500
Willies Trading	-	57 456
Bytes Systems Technology.	-	104 479
Zamandla Business Enterprises	-	20 450
Boxer Stores	-	26 392
Ben Booysen	-	18 913
Sew & Knit Centre	-	22 615
Bongis Catering	-	10 500
Mlatti Trading	-	12 000
Atlast Plastics	-	15 341
Imperial Armour	-	12 312
Mangwadleni Trading	-	29 100
Menopix	-	27 000
Veluno JV -KwaMpondo Skills centre	-	832 447
Inkonka Civils -Mkhalwane gravel road	-	1 123 427
DNA Structures- Koshange community hall	-	143 890
PMPZ Construction cc- Carrisbrook community hall	-	899 394
B & B Transport- Plant hire contract	-	1 532 954
Zeedo Trading- Labour suply contract	-	1 584 022
Debbies Hardware- Materials supply	-	1 789 149
Amazizi cc	-	128 821
Amazizi cc	-	52 625
Amazizi cc	-	6 400

6 868 555

10 872 593

32 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

32.1 Contributions to organised local government

Opening balance		
Council subscriptions	110 000	100 000
Amount paid - current	(110 000)	(100 000)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	-	-

32.2 Audit fees

Opening balance		
Current year audit fee	793 227	871 791
Amount paid - current year	(793 227)	(871 791)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	-	-

32.3 VAT

Vat received for the year	(4 500 598)	5 036 376
VAT paid for the year	-	-

(4 500 598)	5 036 376
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Vat input receivable and VAT output payable are shown in note 9.

32.4 PAYE and UIF and Skills

Opening balance	-	-
Current year payroll deductions	2 573 221.53	2 566 554
Amount paid - current year	-2 573 221.53	(2 566 554)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	-	-

32.5 Pension and Medical Aid Deductions

Opening balance	-	-
Current year payroll deductions and Council Contributions	4 158 776.70	3 651 777
Amount paid - current year	-4 158 776.70	(3 651 777)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	-	-

32.6 Councillor's arrear consumer accounts

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

Councillor D Ram (Acc No 104881)	12 316	-
Total Councillor Arrear Consumer Accounts	12 316	-

33 CAPITAL COMMITMENTS

33.1 Commitments in respect of capital expenditure

Total commitments	45 437 493	25 579 399
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- Contract costs to complete	6 390 163	7 474 566
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Infrastructure	1 041 452	876 748
Community	4 264 599	6 597 818
	1 084 112	-

- Approved but not yet contracted for	39 047 330	18 104 833
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Infrastructure	17 290 330	6 438 393
Community	15 955 000	11 666 440
Other	5 802 000	-

Total	45 437 493	25 579 399
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This expenditure will be financed from:

- External Loans	-	-
- Government Grants	35 512 790	5 422 031
- Own resources	9 924 703	2 052 536
	<u>45 437 493</u>	<u>7 474 566</u>

Refer to note 25 for the finance lease commitments.

34 RETIREMENT BENEFIT INFORMATION

34.1 Retirement benefits

The Municipality’s personnel are members of one of the Natal Joint Municipal Pension retirement funds, namely the Superannuation, Retirement and Provident Funds. As the aforementioned funds are multi-employer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined. Furthermore disclosure of further details such as actuarial assumptions, cannot be attributed to any specific municipality and is of no relevance to users of the municipality’s financial statements. As the required disclosure information cannot be obtained the funds are all treated as defined contribution plans.

34.2 Post-employment medical benefits

The municipality operates on 3 accredited medical aid schemes, namely Bonitas, Keyhealth, and Samwumed. Pensioners continue on the option they belonged to on the day of their retirement. Independent valuers, ARCH actuarial consulting, carried out a statutory valuation as at 30 June 2012.

The post-retirement medical obligations at 30 June 2012 quantified the present value of unfunded obligations at R3,644,673. The Current-service costs for the year ending 30 June 2012 is estimated at R158,206. The principal actuarial assumptions used included a discount rate of 7.73% , and a health care cost inflation rate of 7.04 % . The movement in the liability recognised in the balance sheet is as follows:

The principal actuarial assumptions used were as follows:

Balance at beginning of the year	3 077 107	2 607 587
Current service cost	158 206	139 590
Interest cost	260 752	225 158
Benefit payments	(110 880)	(101 292)
Actuarial (gains)/losses	259 488	206 064
Expected Employer Benefit Payments	(110 880)	(101 292)
Closing Accrued Liability	<u>3 644 673</u>	<u>3 077 107</u>

The figures as at 30 June 2012 have been included and the financials restated.

34 RETIREMENT BENEFIT INFORMATION continued

34.2 Post-employment medical benefits continued

The amounts recognised in the Statement of Financial Position were as follows:

Current service cost	158 206	139 590
Interest cost	260 752	225 158
Actuarial (gains)/losses	3 198 590	206 064
	<u>3 617 548</u>	<u>570 812</u>
Benefit payments	(110 880)	(101 292)
Transitional Liability	138 005	2 607 587
	<u>3 644 673</u>	<u>3 077 107</u>

The amounts recognised in the Statement of Financial Performance were as follows:

Current service cost	158 206	139 590
Interest cost	260 752	225 158
Benefit payments	(110 880)	(101 292)
Actuarial (gains)/losses	259 488	206 064
	<u>567 566</u>	<u>469 520</u>

Key Assumptions

Discount rate per annum	7.73%	8.63%
Health care cost inflation rate	7.04%	7.34%
Net effective discount rate	0.64%	1.2%
Benchmark inflation (equal to salary inflation)	0%	0%
Average retirement age	63	63
Proportion continuing membership at retirement	100%	100%
Proportion of retiring members who are married	90%	90%
Mortality during employment	SA 85-90 ultimate	SA 85-90 ultimate
Mortality post-retirement	PA90-1 ultimate	PA90-1 ultimate

(No explicit assumption was made about additional mortality or health care costs due to AIDS).

Percentage of in-service members withdrawing before retirement:

Age 20	40%	40%
Age 30	25%	25%
Age 40	12%	12%
Age 50	4%	4%
Age 55+	0%	0%

The amounts recognised in the Statement of Financial Position	<u>3 644 673</u>	<u>3 077 107</u>
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34.3 Long Service Awards.

Independent valuers, ARCH actuarial consulting, carried out a statutory valuation as at 30 June 2012.

The principal actuarial assumptions used were as follows:

Discount rate per annum	7%	8%
General Salary Inflation (Long term)	6%	6%
Net effective discount rate	9%	2%

Examples of mortality rates used were as follows:

Average retirement age	63	63
Mortality during employment	SA85-90	SA85-90

Members withdrawn from services:

Age 20	40%	40%
Age 30	25%	25%
Age 40	12%	12%
Age 50	4%	4%
Age 55+	0%	0%

34 RETIREMENT BENEFIT INFORMATION continued
34.3 Long Service Awards continued

The amounts recognised in the Statement of Financial Position were determined as follows:

Present value of funded obligations	763 379	537 188
Fair value of plan assets	-	-
Liability in the Statement of Financial Position	763 379	537 188

Movements in the defined benefit obligation is as follows:

Balance at beginning of the year	537 188	433 020
Current service cost	102 685	83 587
Interest cost	42 426	33 856
Benefit payments	(20 835)	(36 964)
Actuarial (gains)/losses	101 915	23 689
Balance at end of year	763 379	537 188

The amounts recognised in the Statement of Financial Performance were as follows:

Current service cost	102 685	83 587
Interest cost	42 426	33 856
Benefit payments	(20 835)	(36 964)
Actuarial (gains)/losses	101 915	23 689
Total, included in employee benefits expense	226 191	104 168

In conclusion the retirement benefits were:

Statement of Financial Position obligation for:

Post-employment medical benefits	3 644 673	3 077 107
Long Services Award.	763 379	537 188
	<u>4 408 052</u>	<u>3 614 295</u>

Statement of Financial performance obligation for:

Post-employment medical benefits loss	567 566	469 520
Long Service Award loss	226 191	104 168
	<u>793 757</u>	<u>573 688</u>
Additional retirement costs.	-	-
	<u>793 757</u>	<u>573 688</u>
Long service award gain	-	-

35 CONTINGENT LIABILITY

35.1 Claim for damages

1 AH Mansoor Family Trust.	60 000	65 000
2 Mr H Ramsunder - eviction Municipal property.	50 000	4 120 000
3 Investigation by KPMG of Municipal Property Lot 427 (Gym equipment/Operation)	80 000	80 000
4 Ixopo Taxi Rank - eviction orders against illegal squatters	150 000	60 000
5 Tresso Trading/Showdown Investments cede right for building on Lot 175	50 000	50 000
6 KPMG investigate fraudulent cheques	40 000	40 000
7 Hampton college	15 000	-
8 Zanuse Trading	350 000	-
9 Mnguni Well	60 000	-
10 Fairview Housing project	12 000	-
11 Disciplinary hearing: Mrs D Mohapi	140 400	-
12 SN Chili	90 000	-
	<u>1 097 400</u>	<u>4 415 000</u>

36 CONTINGENT ASSET

No contingent assets were identified for the year ended 30 June 2012 or for the year ended 30 June 2011.

37 RELATED PARTIES

Joint Ventures	-	-
Associates	-	-
Members of key management	-	-
Close family member of key management	-	-
Post employment benefit plan for employees of municipality and/or other related parties	-	-
Other related party relationships	-	-

- Umzimkulu Municipality (Land fill site usage)	235 721	279 032
Related party balances	235 721	279 032

38 EVENTS AFTER THE REPORTING DATE

No events after the reporting date were identified for the year ended 30 June 2012 or for the year ended 30 June 2011.

39 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
- Present value of defined benefit obligation
- Provision for doubtful debts

40 FINANCIAL RISK MANAGEMENT

Financial Risk Management Objectives

Due to the largely non-trading nature of the activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities.

The municipality's finance function monitors and manages the financial risks relating to the operations of the municipality. These risks include credit risk, liquidity risk, market risk relating to interest rate risk.

40.1 Maximum credit risk exposure

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

Except as detailed below, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

The maximum credit risk exposure in respect of the relevant financial instruments is as follows:

Cash and Cash Equivalents	38 818 024	34 042 369
Trade and other receivables	5 210 200	2 209 417
Maximum Credit Exposure	44 028 224	36 251 786

40 FINANCIAL RISK MANAGEMENT continued

40.2 Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Unspent Grants are cash backed. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities into amounts due within the 12 months after financial year end. The amounts disclosed in the table are the contractual undiscounted cash flows.

Trade and other payables	5 533 636	5 879 849
Other: Lease obligations	1 364 888	1 141 795
Maximum Liquidity Exposure	6 898 524	7 021 644

40.3 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:

Bank Balances and Cash	38 818 024	34 042 369
Maximum Interest Exposure	38 818 024	34 042 369

40.4 Other price risk

Due to legislative restrictions, the municipality does not trade these investments.

As at 30 June 2012	Cost / Revaluation					Accumulated Depreciation						Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Change in estimate	Impairment loss/R reversal of impairment loss	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	
Investment Property	11 866 000	-	-	-	11 866 000	-	-	-	-	-	-	11 866 000
Intangible Assets	440 253	-	-	-	440 253	-	-	-	-	-	-	440 253
Buildings	31 206 865	-	-	-	31 206 865	7 685 341	1 129 509	-	-	-	8 814 850	22 392 015
Infrastructure Assets	134 701 920	-	-	17 700 000	152 401 920	103 026	7 722 098	-	-	-	110 748 294	41 653 626
Community Assets	82 598 441	-	-	7 154 031	89 752 472	196	5 962 495	-	-	-	24 917 799	64 834 673
Heritage Assets	2 849 000	-	-	-	2 849 000	18 955	-	-	-	-	-	2 849 000
Work in Progress	23 807 641	25 462 474	-	(24 854 031)	24 416 084	304	-	-	-	-	-	24 416 084
Specialised Vehicles	1 030 033	43 295	-	-	1 073 328	-	69 879	-	(216 896)	-	301 157	772 171
Furniture & Equipment	2 677 063	564 676	-	-	3 241 739	448 174	212 059	-	(734 126)	56 252	1 451 415	1 790 324
Computer Equipment	1 117 171	102 039	-	-	1 219 210	771 458	89 457	-	(212 701)	31 166	679 380	539 830
Plant & Equipment	2 511 278	-	-	-	2 511 278	1 367 082	164 494	-	(367 292)	14 946	1 179 230	1 332 048
Vehicles	2 246 525	787 225	-	-	3 033 750	1 681 443	209 553	-	(789 349)	-	1 101 647	1 932 103
Leased Assets	1 019 974	470 438	-	-	1 490 412	169 716	258 972	-	-	-	428 688	1 061 724
Total	298 072 164	27 430 147	-	-	325 502 311	136 021 944	15 818 516	-	(2 320 364)	102 364	149 622 460	175 879 851

As at 30 June 2011	Cost / Revaluation					Accumulated Depreciation						Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Change in estimate	Impairment loss/R reversal of impairment loss	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	

Investment Property	11 866 000	-	-	-	11 866 000	-	-	-	-	-	-	11 866 000
Intangible Assets	440 253	-	-	-	440 253	-	-	-	-	-	-	440 253
Buildings	30 654 866	551 999	-	-	31 206 865	6 555 832	1 129 509	-	-	-	7 685 341	23 521 524
Infrastructure Assets	133 304 306	-	-	1 397 614	134 701 920	95 304	7 722 097	-	-	-	103 026 196	31 675 724
Community Assets	81 350 761	-	-	1 247 680	82 598 441	13 953	5 001 927	-	-	-	18 955 304	63 643 137
Heritage Assets	2 849 000	-	-	-	2 849 000	-	-	-	-	-	-	2 849 000
Work in Progress	-	26 452 935	-	(2 645 294)	23 807 641	-	-	-	-	-	-	23 807 641
Specialised Vehicles	1 030 033	-	-	-	1 030 033	380 460	67 714	-	-	-	448 174	581 859
Furniture & Equipment	2 557 733	119 330	-	-	2 677 063	1 737 384	179 846	-	-	-	1 917 230	759 833
Computer Equipment	1 024 049	93 122	-	-	1 117 171	691 828	79 630	-	-	-	771 458	345 713
Plant & Equipment	2 145 112	366 166	-	-	2 511 278	1 220 879	146 203	-	-	-	1 367 082	1 144 196
Vehicles	2 246 525	-	-	-	2 246 525	1 524 372	157 071	-	-	-	1 681 443	565 082
Leased Assets	175 253	844 721	-	-	1 019 974	46 631	123 085	-	-	-	169 716	850 258
Total	269 643 891	28 428 273	-	-	298 072 164	121 414 862	14 607 082	-	-	-	136 021 944	162 050 220

APPENDIX B

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

As at 30 June 2012	Cost / Revaluation					Accumulated Depreciation					Carrying value
	Opening Balance	Additions	Work in Progress brought into use	Disposals	Closing Balance	Opening Balance	Additions	Change in estimate	Impairment	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	
Budget & Treasury	17 516 168	78 439	-	-	17 594 607	4 655 249	717 933	186 170	46 967	5 233 979	12 360 628
Community Services	86 388 606	73 535	7 154 031	-	93 616 172	19 638 550	6 042 782	281 927	18 146	25 417 551	68 198 621
Corporate Services	508 578	156 968	-	-	665 546	298 242	34 430	80 384	29 848	282 136	383 410
Executive & Council	16 147 411	98 828	-	-	16 246 238	4 787 911	593 465	322 417	2 980	5 061 939	11 184 299
Housing	72 657	15 228	-	-	87 885	30 228	3 869	7 616	-	26 481	61 404

Planning & Development	259 565	243 717	-	-	503 282	231 922	19 740	78 473	-	173 189	330 093
Public Safety	1 404 861	-	-	-	1 404 861	779 586	114 335	295 262	3 851	602 510	802 351
Roads	136 883 628	-	17 700 000	-	154 583 628	104 121 940	7 866 432	789 190	572	111 199 754	43 383 874
Solid Waste	2 584 455	1 300 958	-	-	3 885 413	1 386 593	409 593	252 120	-	1 544 066	2 341 347
Sports & Recreation	192 340	-	-	-	192 340	91 723	15 937	26 805	-	80 855	111 485
Work in progress	23 807 641	25 462 474	-24 854 031	-	24 416 084	-	-	-	-	-	24 416 084
Total	285 765 910	27 430 147	-	-	313 196 057	136 021 944	15 818 516	2 320 364	102 364	149 622 460	163 573 597

Restated opening balances

**UBUHLEBEZWE MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

41. COMPARISON TO BUDGET

41.1 ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)

	Actual 2012	Budget 2012	Variance 2012	Variance 2012
	R	R	R	%
REVENUE				
Property rates	7 060 308	11 374 200	(4 313 892)	-38%
Property rates- penalties imposed and collection charges	598	200 000	(199 402)	-99.7%

	743 254	1 102 746	(359 492)	-33%
Service charges				
Rental of facilities and equipment	184 650	478 773	(294 123)	-61%
Interest earned- external investments	2 539 649	2 000 000	539 649	27%
Fines	528 720	37 637	491 083	1305%
Licences and permits	2 842 502	2 550 050	292 452	11%
Government grants and subsidies	64 929 510	71 773 058	(6 843 548)	-10%
Other income	906 570	731 696	174 874	24%
Total Revenue	79 735 762	90 248 160	(10 512 398)	
EXPENDITURE				
Corporate Services	10 191 418	7 348 218	2 843 200	39%
Financial Services	21 962 355	23 531 784	(1 569 429)	-7%
Municipal Manager	7 310 330	7 727 131	(416 801)	-5%
Community Services	10 280 301	10 611 118	(330 817)	-3%
Technical Services	9 098 169	5 151 365	3 946 804	77%
Total Expenditure	58 842 573	54 369 616	4 472 957	
NET (DEFICIT) / SURPLUS FOR THE YEAR	20 893 189	35 878 544	(14 985 355)	

APPENDIX C: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

2011 Actual Revenue R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R		2012 Actual Revenue R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R
(438 398)	7 000 894	(6 562 496)	Corporate Services	(329 772)	10 191 418	(9 861 646)
(47 281 466)	26 217 033	21 064 433	Financial Services	(53 809 293)	21 962 355	31 846 938
-	6 690 581	(6 690 581)	Municipal Manager	-	7 310 330	(7 310 330)
(3 805 367)	9 915 935	(6 110 568)	Community Services	(1 025 780)	10 280 301	(9 254 521)
(29 475 108)	11 545 858	17 929 250	Technical Services	(24 570 917)	9 098 169	15 472 748
(81 000 339)	61 370 301	19 630 038	Total	(79 735 762)	58 842 573	20 893 189

The inter-departmental charges have been allocated per segment for the current and prior years.

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MUNICIPAL FINANCE MANAGEMENT ACT, 56 OF 2003

Name of Grants	Name of organ of state or municipal entity	Unspent portion 2010/2011 financial statements	Quarterly Receipts				Total Receipts	Quarterly Expenditure				Total Expenditure	Unspent portion 2011/2012 financial statements	Grants and Subsidies delayed/ withheld	Reason for delay withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
			July to Sept	Oct to Dec	Jan to Mar	April to June		July to Sept	Oct to Dec	Jan to Mar	April to June						
			1	2	3	4		1	2	3	4						
Equitable Share	National Treasury	-	18 928 000	7 061 000	12 405 000	-	38 394 000	9 598 500	9 598 500	9 598 500	9 598 500	38 394 000	-	No	N/a	Yes	N/a
Anti Corruption Grant	Digta	-	-	-	-	-	-	-	-	-	-	-	-	No	N/a	Yes	N/a
Capital Investment Program	Digta	9 700	-	-	-	-	-	-	-	-	-	-	9 700	No	N/a	Yes	N/a
Financial Management Grant	National Treasury	-	1 250 000	-	-	-	1 250 000	494 254	362 614	111 382	37 201	931 049	318 951	No	N/a	Yes	N/a
M F M A Implementation Plan	Digta	-	-	-	-	-	-	-	-	-	-	-	-	No	N/a	Yes	N/a
G I S Grant	Digta	146 712	-	-	-	-	-	74 379	39 336	12 830	11 700	138 245	8 467	No	N/a	Yes	N/a
Hawkers/Taxi Grant	Digta	033 341 ¹	-	-	-	-	-	-	-	-	-	-	033 341 ¹	No	N/a	Yes	N/a
H R Systems Governance	Digta	7 170	-	-	-	-	-	-	-	-	-	-	7 170	No	N/a	Yes	N/a
Internal Roads	Digta	-	6 720 000	-	-	-	6 720 000	1 305 973	-	821 957	133 630	5 261 559	458 441 ¹	No	N/a	Yes	N/a
Ixopo Sportfields	Digta	1 302	420 000	-	420 000	-	840 000	-	-	-	494 849	494 849	346 453	No	N/a	Yes	N/a
Kuyasa School Grant	Digta	4 302	-	-	-	-	-	-	-	-	-	-	4 302	No	N/a	Yes	N/a
Land Use Management	Digta	220 238	-	-	-	-	-	-	-	-	-	-	220 238	No	N/a	Yes	N/a

Unspent grants at 30 June 2011	<u>5</u> <u>162 229</u>	Unspent grants at 30 June 2012 - Note 14	<u>7</u> <u>131 179</u>				
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ANNEXURE B : AUDITOR GENERAL'S REPORT

**REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL
LEGISLATURE AND THE COUNCIL ON UBHLEBEZWE MUNICIPALITY
REPORT ON THE FINANCIAL STATEMENTS**

Introduction

1. I have audited the financial statements of the Ubhlebezwe Municipality set out on pages ... to ..., 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 the 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 the 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 audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Ubuhlebezwe Municipality as at 30 June 2012 and its financial performance and cash flows for the year then ended in accordance with the SA Standards of GRAP and the requirements of the MFMA and DoRA.

Emphasis of matters

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

Restatement of corresponding figures

8. As disclosed in note 28 to the financial statements, the corresponding figures for 30 June 2011 have been restated as a result of errors discovered during 2012 in the financial statements of the Ubuhlebezwe Municipality at, and for the year ended, 30 June 2011.

Irregular expenditure

9. As disclosed in note 31.1 to the financial statements, irregular expenditure to the amount of R6,9 million was incurred during the year, mainly as a result of contracts awarded in contravention of the Local Government: Municipal Supply Chain Management Regulations (GNR 868 of 30 May 2005). (Municipal SCM Regulations).

Additional matter

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

Supplementary information

11. 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 the schedules and, accordingly, I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. 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

13. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages ... to ... of the annual report.
14. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to

whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information* (FMPPI).

15. The reliability of the information in respect of the selected objective is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).
16. The material findings are as follows:

Usefulness of information

Presentation

Measures taken to improve performance not disclosed

17. Improvement measures in the annual performance report for a total of 33% of the planned targets not achieved were not disclosed, as required by section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000). This was due to inadequate internal policies and procedures over the processes pertaining to the reporting of performance information.

Reliability of information

Reported performance not valid

18. The FMPPI requires that processes and systems which produce the indicator should be verifiable. A total of 42% of the actual reported performance relevant to the selected objectives of basic service delivery and infrastructure development, local economic development and financial viability differed materially when compared to the source information and/or evidence provided. This was due to a lack of monitoring and review for the recording of actual achievement due to absence of an Integrated Development Plan (IDP) manager.

Reported performance not accurate

19. The FMPPI requires that the indicator be accurate enough for its intended use and respond to changes in the level of performance. A total of 47% of the actual reported indicators relevant to basic service delivery and infrastructure development, local economic development and financial viability were not accurate when compared to source information. This was due to a lack of monitoring review of the recording of actual achievements due to the absence of an IDP manager.

Reported performance not complete

20. The FMPPI requires that documentation addressing the systems and processes for identifying, collecting, collating, verifying and storing information be properly maintained. Source information for 47% of the actual reported performance for the selected objectives of basic service delivery and infrastructure development, local economic development and financial viability, was not completely recorded. This was due to the absence of a document management system with regard to actual performance achievements.

Additional matter

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

Achievement of planned targets

22. Of the total number of planned targets only 119 were achieved during the year under review. This represents 43% of the total planned targets for the year that was not achieved during the year under review. This was mainly due to the fact that indicators and targets were not suitably developed during the strategic planning process, the municipality not considering relevant systems and evidential requirements during the annual strategic planning process and due to under spending of the capital budget relevant to the objective: basic service delivery and infrastructure development.

Compliance with laws and regulations

23. 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:

Annual financial statements

24. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 (1) of the MFMA. Material misstatements of property, plant and equipment, revenue, expenditure and irregular expenditure identified by the auditors were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Procurement and contract management

25. Awards were made to service providers who are persons in the service of other state institutions or whose directors/ principal shareholders are persons in service of other state institutions, in contravention of regulation 44 of the Municipal SCM Regulations.

Expenditure management

26. The accounting officer did not take reasonable steps to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA.

Asset management

27. An effective system of internal control for assets was not in place, as required by section 63(2)(c) of the MFMA.

Internal control

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

Leadership

29. The accounting officer did not exercise effective oversight responsibility regarding financial and performance reporting, compliance with laws and regulations and related internal controls.

Financial and performance management

- 30. Management did not ensure that proper record keeping and monthly reconciliations were available to support complete, reliable and accurate financial and performance reporting. Adequate review and monitoring over compliance with the MFMA and Municipal SCM Regulations were not undertaken.

auditor-general

Pietermaritzburg

30 November 2012



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNEXURE C : AUDIT & PERFORMANCE AUDIT COMMITTEE REPORT

Audit Committee Report for the Financial Year ending 30 June 2012

Background

The uBuhlebezwe Local Municipality has an Audit Committee as prescribed Section (166) of the Municipal Finance Management Act 56 of 2003. The Audit Committee serves the purpose of being an independent advisory body to the Council, the Political Office Bearers and the Accounting Officer thereby assisting Council in its oversight role.

Membership of the Audit Committee

There are three (3) members of the Audit Committee, namely:-

- Mrs T.C. Ndlela (Chairperson)
- Mr J. P. Myakayaka
- Mr R Bowyer

Attendance of the Audit Committee Meetings.

The Audit Committee consist of independent members who by virtue of the requirement of the Municipal Finance Management Act 56 of 2003 and in terms of its approved Terms of Reference, is required to meet at least four times a year.

Name of Member	Number of Meetings Scheduled	Number of Meetings Attended
Mrs T.C. Ndlela	6	5
Mr J.P. Myakayaka	6	6
Mr R. Bowyer	6	5

Audit Committee Responsibility

We report that we have performed our responsibilities in terms of the Municipal Finance Management Act No 56 of 2006, Section 166. We further report that we conducted our affairs in compliance with the Audit Committee Terms of Reference.

The Effectiveness of Internal Control

The municipality's system of internal controls is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are effectively managed. In line with the Municipal Finance Management Act and the Kind II and III reports on Corporate Governance requirements, Internal Audit and the Auditor General reports provide the Audit Committee and Management with assurance that the internal controls of the Municipality are appropriate and effective. This is achieved by means of a risk assessment and review process, testing of controls, as well as identification of corrective actions and suggested enhancements to controls and processes. We have reviewed various reports from the Internal and External Auditors, which highlighted the adequacy and effectiveness of internal control system within the Municipality. We have also reviewed the External

Auditors report on the annual financial statement which highlighted certain serious deficiencies in the system of internal control. The Audit Committee has advised management to improve in the implementation of both the Internal and External Audit recommendations and to take all reasonable steps to ensure that internal control weaknesses identified are resolved timeously.

Internal Audit

The Committee is satisfied that the Internal Audit Activity (Activity) work was conducted in accordance with the approved Internal Audit Plan. Quarterly reports from the Activity were reviewed and findings were discussed and agreed upon with management. Management has committed to continuously support the Internal Audit Activity in order for the Municipality to improve the effectiveness of internal controls and realise its value.

Performance Management

The Municipality has appointed the Manager who will manage the Performance Management System of the Municipality. There has not been any progress in-terms of performance reporting due to the fact that a person responsible for this function left the organisation before the end of the financial year. However, the Audit Committee has highlighted areas of improvement which management has adopted and implemented. Plans have been put in place to enhance the system, this will be realised in the reporting period ending 30 June 2013.

Risk Management and Compliance

The Municipality does not have a dedicated individual who monitors and report on issues relating to Risk and Compliance. However the Municipality Internal Audit Unit plays as an advisory body in this regard. It should also be noted that structures i.e. Risk Committee has been established to fast track the monitoring and reporting on issues relating to Risk and Compliance Management

Evaluation of the Financial Statements

The Financial Statements for the period under review were reviewed by the Audit Committee and a number of deficiencies were identified. It should be noted that due to time constraints the Audit Committee did not have a chance to review the last set of Financial Statements which were forwarded to the Office of the Auditor General.

However, the Audit Committee concurs and accepts the Auditor General's conclusions on the Annual Financial Statements and is of the opinion that the Audited Financial Statement's be accepted and read together with the Auditor General's Report

The Audit Committee wishes to express its appreciation to the Senior Management of the Municipality for its assistance and co-operation.



Ms TC Ndlela
For the Audit Committee

ANNEXURE D: ACTION PLAN TO ADDRESS AUDITOR GENERAL'S FINDINGS/QUIRIES

Nature of the Query	Management Response	Responsible Official	Target Date
<p>1. Restatement of corresponding figures As disclosed in note 38 to the financial statements, the corresponding figures for 30 June 2011 have been restated as a result of errors discovered during 2012 in the financial statements of the Ubuhlebezwe Municipality at, and for the year ended, 30 June 2011.</p>	<p>CFO will monitor the financial records on a monthly basis through section 71 reports` to minimise errors on the AFS.</p>	<p>CFO</p>	<p>Monthly</p>
<p>2. Irregular expenditure As disclosed in note 31.1 to the financial statements, irregular expenditure to the amount of R6, 9 million was incurred during the year, mainly as a result of contracts awarded in contravention of the Local Government: Supply Chain Management Regulations (GNR 868 of 30 May 2005). (Municipal SCM Regulations).</p>	<p>Implementation of the procurement plan. The Municipality will also enter into annual contracts with the service providers that we transact with on a regular basis. Departments will be discouraged to bring orders which are outside the procurement plan. The deviations are reported monthly to Council and will be disclosed in the AFS.</p>	<p>CFO</p>	<p>Ongoing</p>
<p>3. Measures taken to improve performance not disclosed. Improvement measures in the annual performance report for a total of 33% of the planned targets not achieved were not disclosed, as required by section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000). This was due to inadequate internal policies and procedures over the processes pertaining to the reporting of performance information.</p>	<p>The Municipality has started an effective implementation of the PMS where quarterly reports are prepared with all the necessary information including the measures taken to improve performance which will inform the annual performance report.</p>	<p>IDP/Manager</p>	<p>Monthly</p>

Nature of the Query	Management Response	Responsible Official	Target Date
<p>4. Reported performance not valid</p> <p>The FMPPI requires that processes and systems which produce the indicators should be verifiable. A total of 42% of the actual reported performance relevant to the selected objectives of basic service delivery and infrastructure development, local economic development and financial viability differed materially when compared to the source information and/or evidence provided. This was due to the lack of monitoring and review for the recording of actual achievement due to absence of an Integrated Development Planning (IDP) manager.</p>	<p>IDP/PMS Manager has been appointed to monitor POE so as to avoid recurrence of the audit finding, the organisational scorecard also has a column which reflects the expected POE which will guide managers when compiling actual POE.</p>	<p>IDP/PMS Manager</p>	<p>Quarterly</p>
<p>5. Reported performance not accurate</p> <p>The FMPPI requires that the indicators be accurate enough for its intended use and respond to changes in the level of performance. A total of 47% of the actual reported indicators relevant to basic service delivery and infrastructure development, local economic development and financial viability were no accurate when compared to source information. This was due to the lack of monitoring and review of the recording of actual achievements due to the absence of the IDP manager.</p>	<p>The Municipality has started an effective implementation of the PMS and has reviewed annual targets for 2012/13 to ensure accuracy, completeness, validity that can be supported by evidence.</p>	<p>IDP/PMS Manager</p>	<p>Quarterly</p>
<p>6. Reported performance not complete</p> <p>The MPPI requires that documentation addressing the system and processes for identifying, collecting, collating, verifying and storing information be properly maintained. Source information for 47% of the actual reported performance for the selected objectives of basic service delivery and infrastructure development, local economic development and financial viability, was not completely recorded. This was due to the absence of a document management system with regards to actual performance achieved.</p>	<p>The Municipality has started an effective implementation of the PMS and has reviewed annual targets for 2012/13 to ensure accuracy, completeness, validity that can be supported by evidence.</p>	<p>IDP/PMS Manager</p>	<p>31 March 2013</p>
<p>7. Achievement of planned targets.</p> <p>Of the total number of planned targets only 119 were achieved during the year under review. This represents 43% of the total planned targets for the year that was not achieved during the year under review. This was mainly due to the fact that indicators and targets were not suitably developed during the strategic planning process, the municipality not considering relevant systems and evidential requirements during the annual strategic planning process and due to under spending of the capital budget relevant to</p>	<p>The Municipality has started an effective implementation of the PMS and has reviewed annual targets for 2012/13 to ensure that indicators and targets set are realistic so that the targets can be achieved timely.</p>	<p>IDP/PMS Manager</p>	<p>Quarterly</p>

Nature of the Query	Management Response	Responsible Official	Target Date
<p>the objective: basic service delivery and infrastructure development.</p>			
<p>8. Annual financial statements.</p> <p>The financial statements submitted for auditing were not prepared in all material respect in accordance with the requirements of section 122(1) of the MFMA. Material misstatement of property, plant and equipment, revenue, expenditure and irregular expenditure identified by auditors were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.</p>	<p>CFO will monitor the financial records on a monthly basis to minimise errors on the AFS.</p>	<p>CFO</p>	<p>Monthly</p>
<p>9. Procurement and contract management.</p> <p>Awards were made to the service providers who are persons in the service of other state institutions or whose directors/principal shareholders are persons in service of other state institutions, in contravention of regulation 44 of the Municipal SCM Regulations</p>	<p>We were not aware as we had issued a form of declaration which was not honestly adhered to by respondents. In order to comply with the SCM regulations, the Municipality has a declaration form which all suppliers are requested to fill in and sign, confirming whether they are in the service of the state or not. To also enhance controls the suppliers will be required to sign an affidavit to confirm that they are not in the service of the state. If the supplier has subcontracted some services it will be the suppliers responsibility to ensure that the subcontractor is not in the service of the state. The Municipality will also engage AG to review the suppliers database during the half yearly audit to check the</p>	<p>CFO</p>	<p>Ongoing</p>

Nature of the Query	Management Response	Responsible Official	Target Date
	suppliers in the service of the state.		
<p>10. Expenditure management.</p> <p>The Accounting Officer did not take reasonable steps to prevent irregular expenditure, as required by section 63(2)(d) of the MFMA</p>	<p>We now monitor expenditure on a monthly basis and the AO undertakes to enhance monitoring monthly during MANCO meetings.</p>	<p>CFO</p>	<p>Monthly</p>
<p>11. Asset management.</p> <p>An effective system of internal control for assets was not in place, as required by section 63(2)(c) of the MFMA.</p>	<p>Appointment of Asset Mgt Officer to enhance internal controls over management of assets.</p>	<p>CFO</p>	<p>Monthly</p>
<p>12. Leadership</p> <p>The Accounting Officer did not exercise oversight responsibility regarding financial and performance reporting, compliance with laws and regulations and related internal controls.</p>	<p>This was due to a lack of staff which has now been looked into.</p>	<p>MM</p>	<p>Ongoing</p>
<p>13. Financial and performance management.</p> <p>Management did not ensure that proper record keeping and monthly reconciliations were available to support complete, reliable and accurate financial and performance reporting. Adequate review and monitoring over compliance with the MFMA and Municipal SCM Regulations were not undertaken.</p>	<p>Lack of capacity by officials using the system. Training has been conducted on the financial system. Reconciliations are now done monthly.</p>	<p>CFO</p>	<p>Monthly</p>

ANNEXURE E: ANNUAL PERFORMANCE FOR EXTERNAL SERVICE PROVIDERS

ANNUAL PERFORMANCE FOR THE EXTERNAL SERVICE PROVIDERS
2011/2012 FINANCIAL YEAR

Name of the Service Provider	Type of Service	Performance Rating	Corrective Measure	Comment	Portfolio of Evidence
Steiner	PROVISION OF HYGIENE AND AUXILLARY SERVICES	2	Various meetings have been made with the service provider to address shortcomings with the services provided. However, there has not been any improvement.	Provision of hygiene and auxiliary equipment was advertised in May 2012, however bids were not competitive enough and the successful bidder was in the name of Steiner hygiene once again. Manco then took a decision that a cost analysis be conducted to determine whether it would be more viable to purchase our own equip. Cost analysis is underway and should be complete by end on Jan 2013.	Appointment letter
Zincume	PROVISION OF SECURITY AND ACCESS CONTROL	3	Various meetings have been made with the service provider to address shortcomings with the services provided. However, there has not been any improvement.	The contract for the provision of security and access control was advertised in April 2011 and then again in May 2012 with there being no successful appointment being made. Such will be re-advertised on the 24 th January 2013.	Appointment letter
Xerox	PROVISION OF PHOTOCOPIERS AND FAX MACHINES	4	n/a	n/a	Appointment letter
Nashua	PROVISION OF PHOTOCOPIER	4	n/a	n/a	Appointment letter
PMB Security	PROVISION OF ALARM SYSTEM IN COUNCIL PROPERTY	4	n/a	n/a	Appointment letter

ANNEXURE F: AN OVERSIGHT REPORT 2011/12**UBUHLEBEZWE MUNICIPALITY****OVERSIGHT REPORT**

Staff	GM Sineke	Municipal Manager
	NNF Buthelezi	Director: Social Development
	UP Mahlasela	Chief Financial Officer
	ME Mkhize	Director: Corporate Services
	SM Buthelezi	Director: Infrastructure Planning and Development
	NF Nxaba	Manager: IDP/PMS
	TN Mthlane	Manager: Internal Audit

Councillors:	HC Jili	Councillor: MPAC Chairperson
	CN Ntabeni	Councillor
	SC Shezi	Councillor
	WS Ntenza	Councillor
	D Ram	Councillor

Audit Committee and Performance Audit Committee Members:

TC Ndlela	Chairperson
JP Myakayaka	Member
R Bowyer	Member

Others : Stakeholders

Auditor-General's Office
Provincial COGTA

CONTENT

1. Terms of Reference of the MPAC / Oversight Committee (Appendix A)
2. Annual report Check list (Appendix C)
3. Auditor-General's Report 2011/2012
4. Audit and Performance Audit Committee's Report 2011/2012
5. 2011/2012 External Audit Findings Action Plan
6. Comments by the public
7. Comments by the MPAC / Oversight Committee
8. Recommendation/s of the MPAC / Oversight Committee

APPENDIX A

1. TERMS OF REFERENCE: OVERSIGHT COMMITTEE

All political parties are represented on the MPAC / Oversight Committee, and the Performance and Audit Committees members act as advisory members of the committee.

That the following seven (7) non-executive members Councillors were elected to serve on the MPAC / Municipal Oversight Committee to develop a program to address the queries raised in the Auditor-General’s Report:

- 1. ANC: HC Jili
CN Ntabeni
SC Shezi
- 2. NFP: WS Ntenza
- 3. DA D Ram

- 4. That the elected MPAC / Municipal Oversight Committee will submit a report addressing the queries raised by the Auditor General to Council for deliberations.
- 5. That the Committee will table the Oversight Report to Council as per the following programme:

STRUCTURE	DATE	ACTIVITY
Distribution of the Annual Report	23 January 2013	Document circulated to all parties and AG office
Draft report submitted to Auditor-general and Invitation to attend the Tabling of the Report to Council	23 January 2013	Hand-Delivered the Annual Report to AG office
Notice to Local Papers inviting the Public to attend the tabling of the Annual Report	21 January 2013	Advert on Local and Provincial News Papers
Council	24 January 2013	Tabling of the Annual Report
Auditor-General, COGTA and Treasury	23 January 2013	Submission of report
Public	21 January 2013	Invite public to make comments on the report

Oversight meeting	06 February 2013	Formulation of the draft Oversight Report
Ward Committee	15 February 2013	Public Consultation
MPAC / Oversight Committee	21 February 2013	Oversight Report table to council

The functions of the MPAC / Oversight Committee are to:

- Undertake a review and analysis of the Annual Report going forward
- Invite, receive and consider inputs from Councillors and Portfolio Committees, on the Annual Report.
- Conduct Public Hearing(s) to allow the local community or any organs of state to make representations on the Annual Report
- Receive and consider Councils' Audit Committee views and comments on the annual financial statements and the performance report.
- Prepare the Oversight Report taking into consideration, the views and inputs of the public, representative(s) of the Auditor General, Organs of State, Councils' audit committee and Councillors.

The Oversight report is the final major step in the annual reporting process of a municipality. Section 129 of the MFMA requires the council to consider the annual reports of its Municipality and Municipal entities and to adopt an oversight report containing the council's comments on annual report, which must include a statement whether the council-

- (a) has approved the annual report with or without reservations;
- (b) has rejected the annual report; or
- (c) has referred the annual report back for revision of those components that can be revised.

The MPAC / Oversight Committee may use the attached checklist to organize its Report and to Manage request for additional information. The questions suggested may be used by all councillors to gain clarification on contents of reports and also to verify compliance with the MFMA and MSA. Responses to many of these questions should be provided by the Accounting Officer of the Municipality.

ANNEXURE: B

PROCESS PLAN AND TIMEFRAME FOR THE ADOPTION OF THE OVERSIGHT REPORT AND THE ANNUAL REPORT

ACTIVITY	RESPONSIBILITY	TARGET DATE
Council Establishes the MPAC / Oversight Committee	Council	Done
Advertise the availability of the Annual Report for Comments	Accounting Officer	Done
Submit a copy to Provincial Department responsible for Local Government and the Office of the Auditor General	Accounting Officer/IDP/PMS Manager	Done
1 st Meeting of the MPAC / Oversight Committee	Members	06-02-2013
Last date for the submission of Comments and Public Participation Process	Accounting Officer/IDP/PMS Manager	04-02-2013
Submission of Recommendations by the Accounting Officer	Accounting Officer	21-02-2013
2 nd Meeting of the MPAC / Oversight Committee: Discussion of the Draft Oversight Report	Members	15-02-2013
Recommendation for the Adoption of the MPAC / Oversight Committee Report by Council	EXCO	21-02-2013
Adoption of the MPAC / Oversight Committee Report	Council	21-02-2013
Make Oversight Report Public	Accounting Officer/IDP/PMS Manager	25th February 2013
Submit minutes of the meeting to the Auditor-General	Accounting Officer/IDP/PMS Manager	
Submit Oversight Report to Provincial and National Treasury	Accounting Officer/IDP/PMS Manager	
Submit Oversight Report to Provincial Department responsible for Local Government	Accounting Officer/IDP/PMS Manager	

APPENDIX C

2. ANNUAL REPORT CHECKLIST

1. Annual Financial Statements - Section 121 (3) & (4) MFMA	For Consideration	Questions	Response	Recommended Corrective Action
<p>121 (3)(a) The annual financial statements (AFS) for the municipality and, if applicable, consolidated statements (with all entities) as submitted to the Auditor-General</p>	<p>Where the municipality has sole or effective control of a municipal entity, consolidated financial statements are required. The AFS are to be in the form as required by the applicable accounting standards. MFMA Circular 18 with annexure, 23 June 2005, provides guidelines on the new accounting standards for municipalities.</p>	<p>1. Have the financial statements been included? 2. Are the financial statements audited? 3. Have the financial statements been prepared in compliance with applicable accounting standards.</p>	<p>1. The Audited Financial Statements have been included in the Annual report, Chapter 06, Annexure A, page 112-190) 2. The financial statements have been audited (AG's report as Annexure B, Chapter 06, page 191-196) 3. The Financial Statements are prepared in terms of GRAP compliance</p>	<p>The Report was submitted on time (31 August 2012).</p>

121 (3)(a)	The above applies to the AFS of municipal entities.	N/A	N/A	N/A
121 (3)(b) The Auditor-General's reports on the financial statements of the municipality.		1. Is the audit report included in the tabled Annual Report? 2. If not, when will the audit report be tabled? 3. What are causes of the delays?	1. The Audit Report is included is attached in the Annual Report (Annexure C, Chapter 06, page 197-199) 2. N/A 3. The Audit Report was tabled along with the Annual report	N/A
121 (4)(b)	The above applies to the AFS of municipal entities.	N/A	N/A	N/A
121 (3)(h) Any explanations that may be necessary to clarify issues in connection with the financial statements	The accounting standards require that notes accompany the statements to provide explanations of issues and matters reported. Refer also points below on information in notes to AFS.	1. Taking into consideration the audit report and the audit committee comments, is sufficient explanation of financial issues contained in the notes to the statements?	1. The Auditor-General Report has been attached along with the Annual Report (Annexure A, Chapter 06, page 191-196).	N/A
121 (4)	The above applies also to the AFS of municipal entities.	N/A	N/A	N/A
2. Annual Financial Statements - Section 121 (3) & (4) MFMA cont.	For Consideration	Questions		
121 (3)(e) An assessment by the accounting officer on any arrears on municipal taxes and service charges, including municipal entities		1. Has an adequate assessment been included? 2. Is there sufficient explanation of the causes of the arrears and of actions to be taken to remedy the situation? 3. Is any other action needed?	The Report is included in the Annual report, Chapter 02, page 54; Chapter 04, page 60-61) <ul style="list-style-type: none"> Debtors Age Analysis is captured in the Financial Statement (page 152-153). 	All municipal debts that are 90+ days are now handed over
121 (4)(c)	Above applies to AFS of municipal entities.	N/A	N/A	N/A
121 (3)(g) Particulars of any corrective action	The conclusions of the annual audit may be either –	1. Taking into account the audit report, audit opinion and the	The Audit opinion is an unqualified one, however, issues	An action plan addressing auditor-

<p>taken or to be taken in response to issues raised in the audit reports</p>	<p>- An unqualified audit opinion with or without management issues, which means that the financial statements are acceptable; - A qualified audit opinion setting out reasons for qualification, which means that certain issues need to be addressed before an unqualified opinion can be achieved; or - The auditor will disclaim the statements and not offer an opinion. In this case there may be serious financial issues to be addressed. The objective of the municipality should be to achieve an unqualified audit opinion.</p>	<p>views of the audit committee, council should consider:</p> <ul style="list-style-type: none"> ▪ To what extent does the report indicate serious or minor financial issues? ▪ To what extent are the same issues repeated from previous audits? ▪ Is the action proposed considered to be adequate to effectively address the issues raised in the audit report? <p>2. Has a schedule of action to be taken been included in the annual report with appropriate dates? 3. Has the municipality taken steps to address the issues raised in the Audit Report? 4. Has the Audit Report been forwarded to the MEC?</p>	<p>were raised still under consideration by management.</p> <p>An action plan addressing queries raised by auditor-general has been developed and included in the annual report submitted to the MEC COGTA, Provincial Treasury and Auditor-General.</p> <p>The Audit report and the Annual report has been submitted to the office of the MEC in LGTA on the 23rd January 2013.</p>	<p>general queries has been developed and attached on the annual report as annexure D, Chapter 06, page 200-204</p>
<p>121 (4)(e)</p>	<p>Above applies to AFS of municipal entities.</p>	<p>N/A</p>	<p>N/A</p>	<p>N/A</p>
<p>121 (3)(i)&(k) Any information as determined by the municipality, entity or its parent municipality</p>	<p>Review all other information contained in the Annual Report.</p>	<p>1. Is the other information contained in the Annual Report, relevant and accurate?</p>	<p>The Annual Report has been tabled in Council as well as the public for comments of which none were received.</p> <p>The Annual Report is approved by council</p>	<p>Council did not raise any matter in this regard.</p>
<p>121 (4)(h)</p>	<p>Applies to municipal entities.</p>	<p>N/A</p>	<p>N/A</p>	<p>N/A</p>
<p>3. Annual Financial Statements - Section 121 (3) & (4) MFMA continued</p>	<p>For Consideration</p>	<p>Questions</p>		
<p>121 (4)(d) An assessment by the municipal entity's Accounting officer of the entity's</p>	<p>Agreements between the municipality and its entities for service delivery are to include measurable performance</p>	<p>1. Has the performance met the Expectations of council and the</p>	<p>The Municipality does not have an entity, thus any Performance Agreements with entity is</p>	<p>N/A</p>

<p>performance against any measurable performance objectives set in terms of the service delivery agreement or other agreement between the entity and the Municipality</p>	<p>objectives. This will include measures of services delivered to the community, financial targets, expenditure targets etc. The entity's annual report must include an assessment by the accounting officer, of performance against these objectives. In order to show the linkage between the entity and the municipality, the report of the municipality should also include the performance of entities. Council should comment and draw conclusions on performance and explanations provided.</p>	<p>community? 2. Have the performance objectives been met? 3. What explanations have been provided for any non-achievement? 4. What was the impact on the service delivery and expenditure objectives in the budget?</p>	<p>irrelevant.</p>	
<p>121 (3)(j) and 121 (4)(g) Recommendations of the audit committee in relation to the AFS and audit reports of the municipality and its entities</p>	<p>Conclusions on these recommendations and the actions required should be incorporated in the oversight report.</p>	<p>1. Have the recommendations of the audit committee in regard to the AFS been adequately addressed by the municipality and/or the entity? 2. What actions need to be taken in terms of these recommendations?</p>	<p>1. The Audit Committee Reports have been attached (Annexure C, Chapter 06, page 197-199). 2. As an action plan is developed with time frames, the municipal official will adhere to it and progress monitoring is ongoing.</p>	<p>Refer to the Reports</p>
<p>4. Disclosures – Allocations received and made – S 123 & 125 MFMA</p>	<p>For Consideration</p>	<p>Questions</p>	<p>Response</p>	<p>Corrective Action</p>
<p>123 (1)(a) Allocations received by the municipality from an organ or state, a municipal entity or another municipality.</p>	<p>The annual financial statements must disclose: 2. Details of allocations received from another organ of state in the national or provincial sphere, municipal entity or another municipality 2. Any other allocation made to the municipality under Section 214(1)(C) of the Constitution.</p>	<p>Have allocations received by an organ of state, a municipal entity or another municipality been disclosed? Does the audit report confirm the correctness of the allocations received in terms of DORA and provincial budgets?</p>	<p>The disclosure of grants and subsidies in terms of section 123 of MFMA, 56 of 2003, the report is captured in the Financial Statement (Chapter 06, Annexure A, page 188). No actions were recommended</p>	<p>N/A</p>

	Council should comment and draw conclusions on information and explanations provided.	Does the audit report or the audit committee recommend any action?		
123 (1)(b) Allocations made by the municipality to an organ of state, a municipal entity or another municipality.	The report should disclose: 2. Details of allocations made to an organisation of state, a municipal entity or another municipality. 2. Other information as may be prescribed. Council should comment and draw conclusions on information and explanations provided.	Have allocations made to an organ of state, a municipal entity or another municipality been disclosed?	No allocations made/ Not applicable. No action necessary.	N/A
125 Other compulsory disclosures and information in relation to outstanding debtors and creditors of the municipality and entities	Municipalities and entities are reminded of the requirement to include, in their annual financial statements, amounts owed to them and persistently delayed beyond 30 days, by national or provincial departments and public entities. Other disclosures required; Contributions to organised local labour and amount outstanding at year end Total amounts paid in audit fees, taxes, levies, duties and pensions and medical aid contributions and whether there where amounts outstanding at year end Name of bank where accounts held and year end balances Summary of investments held Contingent Liabilities Material irregular, fruitless or	Are all the compulsory disclosures contained in the notes to the Annual Financial Statements? Does the audit report confirm that the disclosures have been made?	Details on other compulsory disclosures are captured in the AFS, this relates to the total disclosure of unauthorized expenditure, irregular expenditure, fruitless and wasteful expenditure (Chapter 06, Annexure A, page 172). Total amounts paid in audit fees, taxes, medical aid, pension contribution were paid in full, no outstanding amounts reported, in the financial statement Summary of investments held is captured on the financial	Measures are being taken to remedy such in the future.

	<p>Wasteful expenditure Details of unauthorised Expenditure Particulars of non compliance with the MFMA</p> <p>The comments of the Auditor-General and the views of the audit committee should be used to determine the accuracy and appropriateness of this information.</p>		<p>statements (page 154-157, Chapter 06, Annexure A)</p>	
<p>123 (1)© – (f) Information in relation to the use of allocations received</p>	<p>Section 123 of the MFMA and MFMA guidance circular 11, require that the municipality provide information per allocation received per vote and include:</p> <ol style="list-style-type: none"> 1. The current year and details of spending on all previous conditional grants, for the previous two financial years. Information is to be provided per vote. (For example, municipalities must report on all transfers received from provincial housing departments for housing subsidy grants for three financial years, and indicate how such funds were spent, and for what projects. 2. Information stating whether the municipality has complied with the conditions of the 	<ol style="list-style-type: none"> 1. Disclosure on how allocations received have been spent per vote 2. Has the Municipality complied with the conditions of the grants received? 3. Has the Municipality had any allocation per DORA, delayed or withheld? 4. Does the Audit report or Audit Committee recommend any action? 	<p>Allocation received per vote are captured on the Financial Statements (page 157-164). Expenditure has not been classified by vote.</p> <p>All grants conditions have been complied with.</p> <p>No allocations in terms of DORA were withheld.</p> <p>No action necessary</p>	<p>N/A</p>

	<p>grants, allocations in terms of section 214(1)© of the Constitution and allocations received from other than another organ of state. Where there is non-compliance, details of the reasons for non-compliance are to be provided.</p> <p>3. Information on whether allocations under the DORA were delayed or withheld and the reasons advanced for this.</p> <p>The Auditor-General will ensure that the audit process includes a proper assessment (and reconciliation) on all national grants received by a municipality. Council should consider this aspect of the audit report and comments by the audit committee on the use of allocations received. The comments of the Auditor-General and the views of the audit committee should be used to determine the accuracy and appropriateness of this Information.</p>			
<p>5. Disclosures Councillors, Directors and Officials in the notes to the Annual Financial Statements. Section 124 MFMA</p>	<p>For Consideration</p>	<p>Questions</p>	<p>Response</p>	<p>Recommended Corrective Action</p>
<p>124 (1) & (2) Information relating to benefits paid by municipality and entity to councillors, directors and officials</p>	<p>Information on the following items is to be included in the notes to the annual report and AFS:</p> <p>1. Salaries, allowances and benefits of political office</p>	<p>1. Have the salaries, allowances and benefits paid to Councillors and the Municipal Manager, CFO and Senior Managers been disclosed?</p> <p>2. Is there a statement by the Accounting Officer, stating that salaries, allowances and benefits</p>	<p>1.Council Salaries and Allowances are disclosed (Chapter 06, Annexure A, page 166), for Managers on page 164-166) 2.All Salaries and allowances of Councillors are within the upper limit</p>	<p>N/A</p>

	<p>bearers, councillors and boards of directors, whether financial or in kind;</p> <p>2. Any arrears owed by individual councillors to the municipality or entity for rates and services, which at any time were outstanding for more than 90 days, including the names of councillors;</p> <p>3. Salaries allowances and benefits of the municipal manager, CEO of a municipal entity, CFO and every senior manager;</p> <p>The comments of the Auditor-General and the views of the audit committee should be used to determine the accuracy and appropriateness of this information.</p>	<p>Paid to Councillors are within the upper limits of the framework envisaged in section 219 of the Constitution.</p> <p>3. Have arrears for rates and services owed by Councillors, in which the arrears was for more than 90 days been disclosed including the name of the Councillor?</p> <p>4. Have the salaries, allowances and benefits paid to members of the board of directors, CEO and senior managers of the entity been disclosed?</p>	<p>3.Councillors areas for rates are disclosed on the Financial Statement page 176</p> <p>4. The Salary and allowances of the MM and Senior Managers is captured on the Financial Statement page 164-166.</p>	
6. Municipal Performance	For Consideration	Questions	Response	Recommended Corrective Action
The annual performance reports of the municipality and entities	<p>Section 46, MSA requires municipalities to submit a performance report reflecting the performance of the municipality and each service provider, a comparison of the performance with targets set for the previous year and measures taken to improve performance. The report must form part of the annual report.</p> <p>In terms of key functions or services, how has each performed? E.g. have backlogs for water, sanitation and electricity been reduced? What are the refuse collection volumes, library usage statistics etc?</p>	<p>1. Has the performance report been included in the annual report?</p> <p>2. Have all the performance targets set in the budgets, SDBIP, service agreements etc, been included in the report?</p> <p>3. Does the performance evaluation in the annual report compare actual performance with targets expressed in the budgets and SDBIP approved for the financial year? What actions have been taken</p>	<p>1. The Annual Performance Report has been included in the Annual Report as Chapter 05, page 62-111</p> <p>2. Performance Targets has been set in the SDBIP and Section 57 Performance Agreements</p> <p>3. The SDBIP is directly linked to the Performance Agreements of Section 57 and evaluated against targets and the budget.</p> <p>4. The Performance Evaluation of</p>	N/A

	<p>To what extent has performance achieved targets set by council? Is the council satisfied with the performance levels achieved? Is the community satisfied with performance? Has a customer satisfaction survey been undertaken and, if so, how do the results align with the annual report contents? What were the outcomes of public consultation and public hearings?</p> <p>To what extent have actions planned for the previous year been carried over to the financial year reported upon? Have any actions planned in the reported year been carried over to the current or future years? If so are any explanations been provided by the municipal manager and are these satisfactory?</p>	<p>and planned to improve performance?</p> <p>4. Is the council satisfied with actions to improve performance?</p> <p>5. Did the targets set in the budgets, SDBIP agree with the targets set in the performance contracts of the municipal manager and each senior manager?</p> <p>6. Does the report evaluate the efficiency of mechanisms applied to deliver the performance outcomes?</p> <p>7. Taking into account the audit Report and opinion and the views of the audit committee, is performance considered to be efficient and effective</p>	<p>Service Providers is included in the annual report as annexure E, Chapter 06, page 205-206.</p> <p>5. Targets set in the Performance Agreements are directly linked to the SDBIP and the Budget.</p>	
<p>Audit reports on performance</p>	<p>Section 45, MSA requires that the Auditor-General must audit the results of performance measurements, as part of the internal auditing processes and annually.</p>	<p>1 Have the recommendations of internal audit been acted on during the financial year?</p> <p>2. Have recommendations by the auditor-general been included in action plans to improve performance in the following year?</p>	<p>1. Yes the Recommendation of the Audit Committee were acted upon, for example, Council had adopted the Audit Plan and Charter. The independence of the Auditors reporting directly to the MM has been strengthen</p>	<p>N/A</p>
<p>Performance of municipal entities and municipal service providers</p>	<p>The annual report of the municipality should provide an assessment of the performance of the municipal entities and all contracted service providers. This is in addition to the separate</p>	<p>1. Has an assessment been included in the Annual Report on the performance of the municipal entities?</p>	<p>N/A</p>	<p>N/A</p>

	<p>annual reports of the entities. The report should evaluate the effectiveness of these services and whether alternative mechanisms should be considered.</p> <p>Is the council satisfied with the evaluation and conclusions of the municipality?</p> <p>What other actions are considered necessary to be taken by the accounting officers?</p>	<p>2. Has an assessment been included in the Annual Report on the performance of all contracted service providers?</p>	<p>Chapter 06, Annexure E, page 205-206</p>	
<p>For municipal entities – an assessment of the entity’s performance against any measurable performance objectives set in terms of the service delivery agreement or other agreement between the entity and municipality</p>	<p>This is the separate report of the municipal entity and should contain details of service delivery agreements with the municipality and the performance measures therein. Council should consider similar issues to that outlined above for municipal performance to determine a view on the performance of municipal entities. To what extent were the objectives and performance measures of the entity aligned to the overall strategic objectives of the municipality and its IDP?</p> <p>Is the report of the municipal entity consistent with the conclusions on performance evaluation by the municipality?</p> <p>What specific actions should be taken by the entity and the municipality to improve performance?</p>	<p>1. Has the entity performed in line with its service delivery agreements?</p> <p>2. Have the objectives and performance measures of the entity been aligned to the overall strategy of the municipality?</p>	<p>N/A</p>	<p>N/A</p>
<p>Relevant information on municipal entities</p>	<p>The municipality should disclose all information relating to the municipal entities under the sole or effective control of the municipality. Information to be disclosed includes names and types of entities, members of the board,</p>	<p>1. Does the Annual Report include detailed information on all municipal entities?</p>	<p>N/A</p>	<p>N/A</p>

	addresses and contact details for entities, the purpose of the entity, the functions and services provided, the type and term of service level agreements with the entities.			
Service delivery performance on key services provided	This may be a high level summary, in addition to detailed information on performance, which sets out overall performance under the strategic objectives of the municipality. Overall results on the strategic functions and services should be summarised. This should cover all services whether provided by the municipality, entities or external mechanisms. Council may draw conclusions on the overall performance of the municipality. This information may be found in an executive summary section of the annual report or in statistical tables.	1. Is there a high level summary detailing the overall performance of the municipality against its strategic objectives?	1. Chapter 02, page 20-57.	N/A
Information on long-term contracts	Details of all long-term contracts including levels of liability to the municipality should be included. Council should ensure all information is correctly supplied.	1. Have all long-term contracts been disclosed?	1. All long-term contracts with service providers have been disclosed.	N/A
Information technology and systems purchases and the effectiveness of these systems in the delivery of services and for ensuring compliance with statutory obligations	Details of significant IT activities should be outlined indicating the effectiveness of the IT projects and the quality of IT services. Council should consider how effectively the IT services support and facilitate performance of the municipality and whether value for money has been obtained. Details of any future IT proposals should be summarised. Council should comment and draw conclusions on the information provided.	1. Have significant IT activities been disclosed?	1. Disclosure of IT has been made.	N/A

<p>Three year capital plan for addressing infrastructure backlogs in terms of the Municipal Infrastructure Grant (MIG) framework</p>	<p>A summary of the long-term capital plans and how these address the backlogs of services in the municipality should be provided. This should include details of types and scale of backlogs, projected cost implications, strategies to address the backlogs and plans proposed and/or approved. The summary here should cross reference to the performance reports in the annual report and also will be highlighted in the coming budgets. Council should consider whether the plans appropriately address the backlogs and are consistent with the strategic policy directions of council and needs of the community.</p>	<p>1. Has a summary of the long-term capital plans been disclosed?</p>	<p>1. The Long-Term Capital Plans have been disclosed, especially in the Engineering Section. However, a more detail plan would be included in future to capture Backlogs in terms of (MIG) and Department of Minerals and Energy (DME).</p>	<p>A more detail plan would be included in future to capture Backlogs in terms of (MIG) and Department of Minerals and Energy (DME).</p>
<p>Supply Chain Management Regulations and Policy</p>	<p>Certain disclosures on Supply Chain matters are required to be included in the Annual Report.</p>	<p>Have the Supply Chain matters been disclosed in the AFS?</p>	<p>Disclosures in the Financial Statement has been made</p>	<p>The vendor registration from shall disclose the persons in the service of the state</p>
<p>Timing of reports</p>		<p>1. Was the Annual Report tabled by 31 January, as per legislative requirements? 2. Has a schedule for consideration of the report been adopted?</p>	<p>1. The Annual Report was tabled to Council 24th January 2013 2. Council approved the Annual Report.</p>	<p>N/A</p>
<p>Oversight committee or other mechanism</p>		<p>1. What mechanisms have been put in place to prepare the oversight report? 2. Has a schedule for its completion and tabling been adopted?</p>	<p>1. A schedule for the adoption of the Oversight Report has been tabled before the Oversight Committee Annexure F, Chapter 06, page 207.</p>	<p>N/A</p>
<p>Payment of performance bonuses to municipal officials</p>	<p>Refer to Section 57 MSA as amended. Bonuses based on performance may be awarded to a municipal manager or</p>	<p>1. Have bonuses been paid based on achievements of agreed outputs and after</p>	<p>1. The payment of performance bonuses is subject to the overall performance.</p>	<p>N/A</p>

	<p>a manager directly accountable to the municipal manager after the end of the financial year and only after an evaluation of performance and approval of such evaluation by the municipal council. Preferably such evaluation should be considered along with the annual report. The basis upon which performance is evaluated for payment of bonuses should be reconciled with the municipal performance reported in the annual report.</p> <p>Conclusions and comments on the evaluation and payment of performance bonuses of council should be included in the oversight report.</p>	<p>consideration of the annual report by council?</p> <p>2. If so has a proper evaluation of performance been undertaken?</p> <p>3. Was the evaluation approved by council?</p> <p>4. Does the performance evaluation align and reconcile with the performance reported in the annual report? If not, what reasons have been given for non-reporting of the basis of evaluation in the annual report?</p> <p>5. Are the payments justified in terms of performance reported in the annual report?</p>		
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3. AUDITOR-GENERAL'S REPORT 2011/2012

ANNEXURE B OF THE ANNUAL REPORT, CHAPTER 06, PAGE 191-196

4. ANNUAL AUDIT AND PERFORMANCE AUDIT COMMITTEE REPORT 2011/2012

ANNEXURE C OF THE ANNUAL REPORT, CHAPTER 06, PAGE 197-199

5. ACTION PLAN TO ADDRESS ISSUES RAISED BY THE AUDITOR – GENERAL IN THE AUDIT REPORT FOR THE 2011/12 FINANCIAL YEAR

ANNEXURE D OF THE ANNUAL REPORT, CHAPTER 06, PAGE 200-204

6.COMMENTS BY THE PUBLIC

A notice was published on the newspapers (Local and Provincial Newspapers) on the 23 January 2013 advising the public that the Annual Report was available for their viewing and comments, we are happy to inform the Council that there were no comments received, even after constant reminders in the corridors and the streets of Ubuhlebezwe jurisdiction.

7. COMMENTS BY THE OVERSIGHT COMMITTEE

7.1 That the duplication of the Auditor-Generals report be removed from Chapter 4 of the Annual Report to Chapter 6 as annexure B, which has now been corrected;

7.2 That the page numbering be improved, which has now been corrected.

8.RECOMMENDATIONS BY THE OVERSIGHT COMMITTEE

8.1 That the report be noted.

8.2 That the report be adopted without any reservations.

CONCLUSIONS

The office of the municipal manager maintains a Portfolio of Evidence to support the achievements recorded in this Annual Performance Report, and Internal Audit has performed a verification of credibility of evidence for validity of the reported achievements.

Furthermore, in areas where performance was not achieved, we have provided reasons and remedial actions to ensure that performance is improved in the 2012/13 financial year. We have also ensured that these are incorporated in the organisational scorecard and operational plans of the municipality as part of the service delivery road-map for the 2012/13 financial year.

Lastly but not least, the municipality will prioritise performance management in the 2012/13 financial and this will entail establishment of a dedicated Monitoring and Evaluation unit within the office of the municipal manager. The unit will be entrusted with coordination of all performance management activities i.e. from planning to reporting.

Municipal Manager

Mr. GM Sineke

UBUHLEBEZWE



MUNICIPALITY

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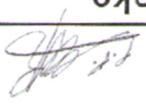
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UBUHLEBEZWE ANNUAL REPORT 2010/2011

This is to certify that at the Council meeting held on 20th January 2012 when this matter was discussed, with Councillors HC Jili and ZV Shange proposing and seconding respectively, it was

RESOLVED

THAT the Ubuhlebezwe Municipal Annual Report for 2010/2011 be noted.


GM Sineke
Municipal Manager

25/01/2012
Date

"CERTIFIED AS TRUE COPY OF RESOLUTION"

All Communication to be addressed to the Municipal Manager