

*Chief Albert Luthuli  
Municipality*



*Annual Report  
2013/14  
(MSA 546)*

## *Vision Statement*

**The transparent, innovative and developmental Municipality  
that improves the quality of life of its people**

## *Mission Statement*

**To provide a transparent and accountable government  
by rendering affordable and sustainable services,  
and encouraging economic and social development  
through community participation**

## *Core Values*

**Honesty  
Openness  
Responsiveness  
Nurturing**

## *Key Performance Areas*

**Basic Service Delivery  
Municipal and Institutional Development and Transformation  
Local Economic Development  
Municipal Financial Viability and Management  
Good Governance and Public Participation**

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## VOLUME I

### CHAPTER 1

#### MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

##### COMPONENT A

###### 1.1 EXECUTIVE MAYOR'S FOREWORD

I am once again delighted to report back to the masses of our people on the progress we have registered in the previous financial year through our Annual Report for the 2013/14 financial year. Council presents this annual Report, not only because it is required by law, but as an effective mechanism of accounting to our citizens. This Annual Report, not only because it is required by law, but as effective mechanism of accounting to our citizens. This Annual Report is in terms of the Local Government: System Act, 2000 (Act No 32 of 2000), as amended, and the Local Government: Finance Management Act, 2003 (Act No 56 of 2003), as amended. These prescripts place a responsibility on the Executive Mayor and the Municipality to prepare and table an annual report for each financial year.

The report presents the ground covered in the 2013/14 financial year in accelerating service delivery and development in Chief Albert Luthuli Municipality. It also highlights the important role the Municipality has played in the agenda of real socio-economic transformation. This is a transformation agenda designed to fundamentally change the way our people live, and to liberate them from the clutches of poverty, unemployment, and inequality. The recent Presidential Local Government Summit renewed our spirit and thinking towards radical socio-economic transformation through an important document adopted in the Summit titled *"BACK TO BASICS. SERVING OUR COMMUNITIES BETTER"*.

The document outlines to us what are acceptable standards of performance by municipalities, so, as we are reporting back to our people through this Annual Report, they ought to use these as their rubric to assess us against. It will give our people a picture of how far we are from being a developmental municipality that serves the masses of our people and not an extractive elite.

- Put people and their concerns first and ensure constant contact with communities through effective public participation platforms.
- Create conditions for decent living by consistently delivering municipal services of the right quality and standards. This includes planning for and delivery of infrastructure and amenities, maintenance and upkeep, including budget to do this.
- Be well governed and demonstrate good governance and administration - cut wastage, spend public funds prudently, hire competent staff, ensure transparency and accountability.
- Ensure sound financial management and accounting, and prudently manage resources to sustainably deliver services and bring development to communities.
- Build and maintain sound institutional and administrative capabilities, administered and managed by dedicated and skilled personnel at all levels.

###### Achievements

The Back-to-Basics document, the manifesto of the ruling party, and the millennium development goals are useful guiding tools for our Municipality in rendering services. During the period under review, the Municipality has made great strides towards real socio-economic transformation, and liberating our people from the triple challenges of unemployment, poverty, and inequality. Consistent with the manifesto of the ruling party, which was mandated overwhelmingly in the 2011 local government elections, the following remains our priority:

- Improve local public service and broaden access to them
- Build more united, non-racial, integrated and safer communities
- Ensure more effective, accountable, and clean local government that works together with national and provincial government.

The 2013/14 financial year presented us an opportunity to confront some of our challenges and deliver the following:

- Accelerated basic infrastructural development of roads projects through the MIG and other grants at the following areas within the Municipality - Dundonald, Mooiplaas, Ekulindeni, Nhlazatshe 1, and Mahoxo.
- Provided electricity connections for approximately 900 households in various areas within the Municipality.
- Created approximately 800 job opportunities through the Extended Public Works and Community Works Programme,
- Increased the training of youths and graduates for possible absorption into the mainstream labour market through internships, learnerships, and apprenticeships.
- Improved on the provision of water supply to areas that previously had no access.
- Improved quality management of water by upgrading and revamping water purification plants at Mayflower, and electrified 12 boreholes.
- Provided feedback and public participation to communities through Izimbizo, media statements, notices, and community meetings.
- Extended the provision of free basic services to indigent communities and poor households within the entire Municipality.
- Expanded the provision of the refuse removal service to areas that were previously deprived.
- Supported small business through providing services to the Municipality and capacity building.

While immeasurable progress has been registered in the financial year under review, a lot still needs to be done to improve the quality of life of our people. It is the appreciation of the mammoth task that lies ahead, that Council committed to going back to basics and working together with our communities.

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The Municipality continues to partner with the District Municipality, and Provincial and National Departments through statutory platforms to strengthen intergovernmental relations to achieve both provincial and national imperatives.

I wish to express my sincere gratitude and appreciation for the work done, and the support given by councillors, officials and the community of Chief Albert Luthuli Municipality. I also plead with communities to bear with us as we reverse more than hundred years of planned underdevelopment.

Executive Mayor  
Clr B P Shiba

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**COMPONENT B**

**EXECUTIVE SUMMARY**

**1.2 MUNICIPAL MANAGER'S OVERVIEW**

Chief Albert Luthuli Municipality derives its mandate and existence from the Constitution of the Republic of South Africa (1996).

Section 152 of the Constitution (1996) further elucidated by the Local Government: Municipal Systems Act (2000) Chapter 3, in particular Section 11(3) adopting strategies and programmes, including setting targets for delivery. In pursuance of those goals, the Municipality had explored various means and strategies in order to meet its obligations in terms of making sure that service delivery was brought to the people of the Municipality.

This brief overview sought to give a view in terms of various types of services that were delivered by the Municipality in its different wards, diverse as they were, with their unique challenges.

Before detail is given in terms of services, we hasten to indicate that a main thrust of our strategic direction was the Integrated Development Plan (IDP), which gave sense in what the Municipality needed to pursue for the year in question. The IDP drew its mandate from the community as represented from different ward committees and inputs from some other stakeholders as identified in the IDP were received.

The first task at the beginning of the year was to ensure that there was adequate alignment of the Budget and the IDP.

After that was done, it was then the development of the Service Delivery and Budget Implementation Plan (SDBIP), which was approved by the Executive Mayor before the beginning of the financial year.

That process led to the contracting period in terms of the Performance Regulations of 2006, as amended in 2013.

The above process then gave effect to the service delivery targets by different municipal directorates or departments.

**1.2.1 Functions of the Municipality**

In terms of Section 155 of the Constitution (1996), Chief Albert Luthuli Municipality has classified as a Category B municipality, which means that the Municipality shares municipal executive and legislative authority in its area with the Gert Sibande District Municipality, a Category C municipality; and the provincial government must, by legislative or other measures: 155(6)(a) provide for the monitoring and support of local government in the province; and 155(6)(b) promote the development of local government capacity to enable municipalities to perform their functions and manage their own affairs.

In terms of Section 156 of the Constitution (1996) the powers and functions of municipalities are stipulated as follows:

- A municipality has executive authority in respect of, and has the right to administer specified local government matters, and any other matter assigned to it by national or provincial legislation.
- A municipality may make and administer by-laws for the effective administration of the matters which it has the right to administer, subject to specified prescriptions.
- National and provincial government must assign to a municipality, by agreement and subject to any conditions the administration of specified matters which necessarily relates to local government, if such matter should most effectively be administered locally, and if the municipality has the capacity to administer it.
- A municipality has the right to exercise any power concerning a matter reasonably necessary for, or incidental to, the effective performance of its functions.

In terms of Section 8 of the Local Government: Municipal Systems Act (2000), a municipality has all the functions and powers conferred by or assigned to it in terms of the Constitution (1996), and must exercise them subject to Chapter 5 of the Local Government: Municipal Structures Act (1998); and a municipality has the right to do anything reasonably necessary for, or incidental to, the effective performance of its functions and the exercise of its powers. Chapter 5 of the Local Government: Municipal Structures Act (1998) eludes on the division of functions and powers between district and local municipalities.

**1.2.2 Municipal Entities**

Chief Albert Luthuli Municipality had no municipal entities under its control.

**1.2.3 Sector Departments and Shared Functions**

The Municipality works closely with the following sector departments:

Department: Safety and Security, regarding crime prevention, community safety, and awareness programmes:

Department: Roads and Transport, regarding fraud and corruption, licensing, monitoring of taxis and other related transport, and infrastructure;

Department: Water and Sanitation

Department: Energy

Eskom

Department: Public Works, Roads and Transport

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**1.2.4 Audit Opinion for the 2012/13 Financial Year**

The Auditor-General expressed a qualified opinion for the 2012/13 financial year, based upon Property, Plant and Equipment that did not comply with the requirements of GRAP 17 Standard, Restatement of Corresponding Figures, Electricity Distribution Losses, and Material Impairments.

**1.2.5 Financial Health of the Municipality 2013/14 Financial Year**

- The percentage over-spending of the operation expenditure budget was 20.6%
- The creditor-payment period was 195 days
- The debtor-collection period, before and after impairment, respectively were 383 and 256 days.
- The percentage electricity losses incurred was 75%
- The current liabilities as a percentage of net cash inflows for the year from operating activities was 122%
- The non-current liabilities as a percentage of net cash inflows for the year from operating activities was 21%
- The percentage of PPE and/or intangible assets impaired was 67%
- The percentage under-spending of conditional grants received for the year was 37%
- The percentage by which unspent conditional grants received exceeded cash available at year-end was 1573%

**1.2.6 Revenue Trend by Source**

**1.2.6a Revenue from exchange items**

**Service charges** - Under-collection from Electricity Revenue  
**Rental of facilities and equipment** - Additional rental of Vodacom Tower and review of operating leases  
**Interest received (consumers)** - The majority of Debtors were more than 120 days  
**Licenses and permits** - Budgeted under agency fees  
**Administration and management fees received** - Increase in sale of stands  
**Interest received: investment** - Funds not needed immediately were invested in short-term investments  
**Gains on disposal of assets** - Disposed of redundant assets

**1.2.6b Revenue from non-exchange items**

**Property rates** - Rebates and exemptions on property rates  
**Government grants and subsidies** - The statements of financial performance exclude capital grants that were recognised at year-end after the conditions attached to the grants were met  
**Public contributions and donations** - District constructed assets  
**Fines** - More law enforcement and visibility of Traffic Officers

**1.2.6c Loans and Borrowings**

In terms of the Local Government: Municipal Finance Management Act (2003), a municipality may only borrow funds for the purpose of acquiring assets, improving facilities or infrastructure to provide basic service delivery. The Municipality did not make any borrowings in the 2013/14 financial year.

**1.2.7 Section 54A and Section 57 Managers**

No internal management changes took place during the financial year under review.

**1.2.8 Risk Assessment**

In terms of Section 62(1)(c)(i) and (ii) of the Local Government: Municipal Finance Management Act (2003), a municipality must have and maintain an effective, efficient, and transparent system of risk management; and further that the municipal manager is responsible for managing the municipality's financial administration. For this purpose, the municipal manager must take all responsible steps to ensure, amongst others, that the municipality has and maintains effective, efficient, and transparent systems of financial and risk management, and control of internal audit operating in accordance with any prescribed norms and standards.

In order to give effect to the above, the Municipal Manager established the Risk Management Committee, which comprised the Top Management of the Municipality and an external chairperson. The Committee sat only twice during the 2013/14 financial year ended 30 June 2014, due to the resignation of the chairperson in the second quarter.

Risk Identified / Name	Assignment to	Progress
1. Insufficient revenue collection	<ol style="list-style-type: none"> <li>1. Continue with data cleansing</li> <li>2. Issue demand letters and enforce policy</li> <li>3. Conduct spot checks on illegal connections</li> <li>4. Allocate budget for formalisation of settlements</li> <li>5. Provide budget for procurement and installation of water meters</li> <li>6. Ensure the completeness of the Valuation Roll</li> </ol>	<ol style="list-style-type: none"> <li>1. Budget provision was made for data cleansing</li> <li>2. Demand letters were issued and disconnections made</li> <li>3. Meter Inspectors conducted regular inspections</li> <li>4. Projects were budgeted for but not implemented due to the financial position of the municipality</li> <li>5. Procured prepaid electricity meters</li> <li>6. Implemented Interim Valuation Roll</li> </ol>
2. Inadequate implementation of SCM policies and processes, and other legislation	<ol style="list-style-type: none"> <li>1. Train SCM officials on utilising the SCM System</li> <li>2. Procure vetting system for service providers</li> <li>3. Provide procure plan by departments</li> <li>4. Develop and effectively implement master</li> </ol>	<ol style="list-style-type: none"> <li>1. COGTA to provide training</li> <li>2. No progress</li> <li>3. Departments submitted procurement plans</li> <li>4. Development of Roads and Stormwater Master Plans at 70%</li> </ol>

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Risk Identified / Name	Assignment to	Progress
	<ol style="list-style-type: none"> <li>4. plans (Roads, Stormwater, Energy and Sanitation) Educate employees on SCM legislation related to their field of work</li> <li>5. Capital project for replacement / refurbishment of the aging infrastructure</li> <li>6. Provide procurement plans by departments</li> <li>7.</li> </ol>	<ol style="list-style-type: none"> <li>5. -</li> <li>6. The contractor would be on site</li> <li>7. -</li> </ol>
3. Inadequate management of assets	<ol style="list-style-type: none"> <li>1. Capacitate the current staff on asset management</li> <li>2. Upload the asset register to the financial management system</li> <li>3. Update and reconcile the asset register at year-end</li> <li>4. Appoint a service provider to componentise the asset register</li> <li>5. Develop and implement an Asset Management Strategy</li> </ol>	<ol style="list-style-type: none"> <li>1. Employees attending an MFMA programme</li> <li>2. -</li> <li>3. Asset register updated to 30 June 2014</li> <li>4. -</li> <li>5. -</li> </ol>
4. Illegal dumping	<ol style="list-style-type: none"> <li>1. Engage COGTA to fast track the promulgation of by-laws</li> <li>2. Continue with educational programmes</li> <li>3. Dispose vacant sites</li> <li>4. Extend refuse removal services to other areas</li> <li>5. Procure skip bins</li> <li>6. Implement the Environment Protection Plan</li> </ol>	<ol style="list-style-type: none"> <li>1. Conducted awareness campaigns Cleared illegal dumps</li> <li>2. Erected "No Dumping"-signs</li> <li>3. Item for disposal of sites served before Council in October 2014</li> <li>4. Street Trading By-Laws were approved</li> <li>5. -</li> <li>6. -</li> </ol>
5. Inadequate provision of basic services (water, sanitation, electricity, and roads and stormwater)	<ol style="list-style-type: none"> <li>1. Refurbish infrastructure</li> <li>2. Recruit Process Controllers</li> <li>3. Identify and legalise connections</li> <li>4. Upgrade pumping capacity</li> <li>5. Implement Water Safety Plan</li> <li>6. Build or upgrade water supply tanks (reservoirs)</li> <li>7. Provide training on water purification</li> <li>8. Replace all AC pipes with PVC pipes</li> <li>9. Implement the Abetment Plan</li> <li>10. Fence electrical infrastructure and transformers</li> <li>11. Develop and implement the Roads and Stormwater Master Plan</li> <li>12. Engage other stakeholders to assist with maintenance and upgrading of roads (Eskom. Mines)</li> </ol>	<ol style="list-style-type: none"> <li>1. The contractor would be on site</li> <li>2. Advertised for 8 Process Controllers, awaited finalisation of recruitment processes</li> <li>3. -</li> <li>4. The contractor was on site</li> <li>5. Continued as per plan</li> <li>6. The contractor was on site</li> <li>7. Trained Process Controllers</li> <li>8. The contractor was on site</li> <li>9. Continued as per plan</li> <li>10. Completed</li> <li>11. Development of Roads and Stormwater Master Plan was at 70%</li> <li>12. Engagement with stakeholders on the Roads and Stormwater Master Plan in process</li> </ol>

**1.3 BASIC SERVICE DELIVERY**

**1.3.1a Priority Area : Access to water provision**

The Municipality supplied water to almost 95% of the population for the first time under difficult conditions due to the nature of our Municipality being rural and coupled with the ageing infrastructure, and a vast majority of such areas being in the former kaNgwane areas, which were Empuluzi, Ekulindeni, and Elukwatini, where more than 65% of the population resides.

Some of those areas were surrounded by sparsely populated areas that were outside the bulk water infrastructure, which then necessitated a different approach wherein 11 water tankers were contracted to deliver water to 8.690 households in deep rural areas (18%) to the value of R6 million and boreholes were electrified.

The Elukwatini Water Schemes were upgraded to normalise the rationing crisis, and the capacity of the water pumps were improved as well.

A total of 9.265 households benefitted from the completion of package plants at Methula and Ekulindeni Bulk Systems; however, there was still a problem of raw water source, in particular at Methula, where the water dries up in winter.

The water quality reports had improved from the lowest rating to an improved rating, and various quality reports were submitted to Council on quarterly basis after being monitored at short intervals. The Blue Drop rating was due to improve.

**1.3.1b Priority Area : Access to Sanitation**

New access to sanitation was provided to 750 households. At least 32.796 households benefitted from VIP toilets over the last 5 years, at least 11.000 beneficiaries were connected to the sewer network. After a decision was taken by the Province to do away with VIP toilets, a huge challenge was to find a viable option or alternative systems to VIP toilets.

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**1.3.1c Priority Area : Access to electricity**

In the reporting year, the Municipality provided access to electricity to 952 households to the value of R16.051.308, and that put the Municipality closer to at least 91%. Although that was not an appraisable achievement, in that it worked in favour of Eskom, while the Municipality netted nothing in terms of investment in that infrastructure.

**1.3.1d Priority Area : Access to roads**

The Municipality paved roads or smooth-surfaced kilometers of municipal paved roads measuring 7 kilometers of a road with a hard smooth surface of bitumen or tar-metalled road (surfaced with crushed stone (macadam), where a number of communities benefited from the R18.870.000 which was spent and there were also jobs opportunities created through those projects while gravel roads got reduced.

The Municipality paved roads or smooth-surfaced kilometers of municipal paved roads measuring 7 kilometers of a road with a hard smooth-surface of bitumen or tar-metal road (surfaced with crushed stone [macadam]), to the value of R18.870.000 from which a number of communities benefited. Job opportunities were created through projects reducing gravel roads.

**1.3.1e Priority Area : Operation and maintenance**

The Municipality made efforts to maintain all the water related and electricity infrastructure in order to sustain basic service delivery. Water pumps and motors were also maintained and repaired.

The electrical infrastructure was maintained in line with NERSA regulations and requirements, although the Municipality lacked the requisite equipment, such as a cherry picker.

The Municipality generally experienced a challenge of ageing infrastructure, particularly from the water schemes. Not enough assessments were done in order to determine the cost of maintenance of those schemes, which were received from the Department of Water Affairs. There were a myriad of problems, which were epitomised by bursting of asbestos pipes and the replacement thereof, of which 2000m was repaired and replaced.

The Municipality maintained more than 557 kilometers of gravel roads through regravelling and grading in all the municipal wards, while about 113m<sup>2</sup> of road surfaces were resealed, and a number of storm water drainage systems and bridges were attended.

**1.3.1f Priority Area : Financial viability and sustainability**

The Performance Regulations of 2001 prescribe a number of financial ratios that are used in order to determine the financial position of an institution, which in a way test the ability of an institution to meet its financial obligations. Unfortunately, those ratios were not addressing the poverty index of the population of that particular municipality; instead, it sought to understand the debt coverage of the municipality against its debtors. For a municipality such as Chief Albert Luthuli Municipality, where the employment rate was more than 34%, of which at least 70% were young people between the ages of 16 and 34 years, and at least 29% depended on social grants. Those figures landed an impact on the financial viability of the Municipality that depended heavily on the division of revenue in terms of Division of Revenue Act. That therefore meant that the Municipality depended heavily on big consumers in terms of revenue collection, being government departments and private businesses, which contributed to the average of 65% collection that was achieved by 30 June 2014.

The Municipality performed better in the previous financial year in terms of the Municipal Infrastructure Grant, where 100% was achieved by 30 June 2013. That attracted the attention of National Treasury, who by March 2014 added an additional R56 million to be spend on projects.

The Municipality then worked hard in order to ensure that its creditors were paid within 30 days.

**1.3.1g Priority Area : Good governance and public participation**

In pursuance of good and clean governance, the Municipality ensured that it reported on all the statutory required reports, and submitted them to the relevant stakeholders timeously. Those were the Section 71, Section 52, Section 66, Section 72, and the Section 46 reports, in terms of the Local Government: Municipal Systems Act (2000), and Section 121 and Section 129 in terms of the Local Government: Municipal Finance Management Act (2003).

All unauthorised and irregular expenditure was disclosed and declared to Council, following which they were referred to the Municipal Public Accounts Committee in order to determine steps that needed to be taken in line with legislation as prescribed by the Local Government: Municipal Finance Management Act (2003).

The Municipality approved a number of policies, and a new ICT Policy Framework was developed in order to improve the Municipality's IT governance framework.

Various Ward Committee meetings were held and supported, municipal imbizo's were supported, and at least three Integrated Development Planning Representative Forum (IDPRF) meetings were held, which gave rise to the approved IDP document.

**V N Mpila  
Municipal Manager**

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1.4 MUNICIPAL OVERVIEW

1.4.1 Municipal Population and Environmental Overview

1.4.1a Background

- According to Stats SA (2011 Census), 186.010 people were recorded, representing 17% of the Gert Sibande District population.
- A negative population growth of -0.9% between 2011 and 2012 was recorded, while the annualised population growth rate was measured at -0.1% - the only municipal area with a negative population growth rate.
- The population in the 2007 Community Survey was estimated at 194.088.
- Females represented 53.1% and males 46.9% of the population, of which 97.6% was African.
- Youth up to 34 years represented 72.5% of the population of Chief Albert Luthuli Municipality.
- The 47.705 households (3.9 people per household) of the Municipality, represent 17.4% of the number of households in Gert Sibande District Municipality.



1.4.1b Population Details

Population Details '000			
Age	Male	Female	Total
Age: 0 - 4	11.877	11.537	23.414
Age: 5 - 9	11.183	11.153	22.336
Age: 10 - 19	22.997	22.618	45.615
Age: 20 - 29	11.562	13.283	24.845
Age: 30 - 39	8.596	10.363	18.959
Age: 40 - 49	6.365	9.284	15.649
Age: 50 - 59	4.871	7.433	12.304
Age: 60 - 69	3.097	4.444	7.541
Age: 70+	2.313	4.460	6.773

Source: Statistics SA Census 2011

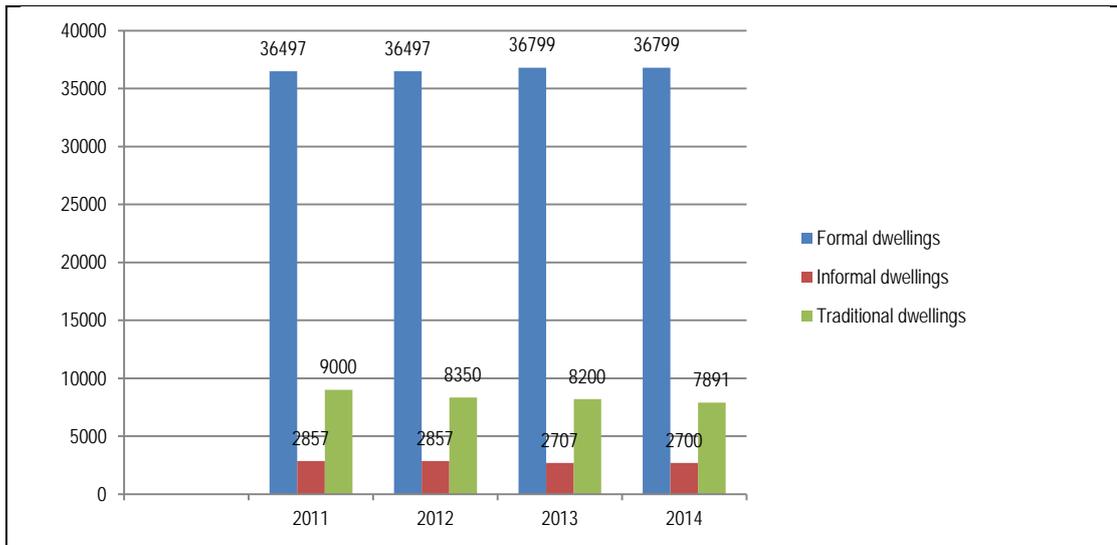
1.4.1c Demographic Indicators

Demographic Indicators	StatsSA Census	StatsSA Census	Share of Gert Sibande District figure	Share of Mpumalanga Province figure	Ranking (Highest - 1) (Lowest - 18)
	2001	2011	2011	2011	
Population	187.751	186.010	17.8%	4.6%	9
Households	41.209	47.705	17.4%	4.4%	9
Area (km <sup>2</sup> )	-	5.559km <sup>2</sup>	17.5%	7.3%	4
Population per km <sup>2</sup>	-	35			

Source: Statistics SA Census 2011

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**1.4.1d Households in terms of types of dwellings**



The above types of dwellings indicate what the Municipality looked like, and reflect on the economical worth of the people of the Municipality.

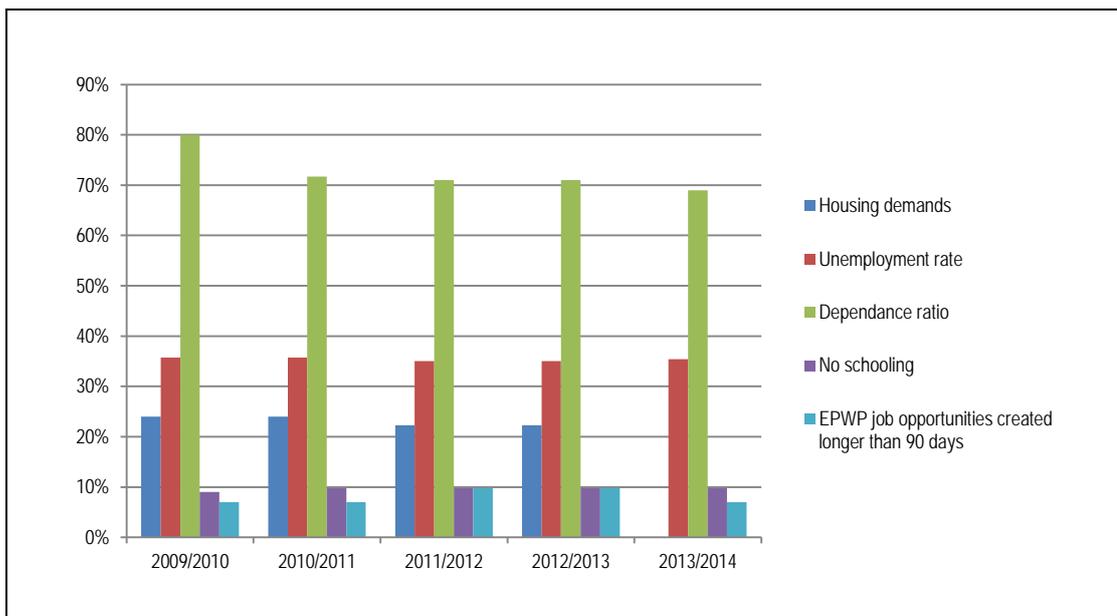
The demands for formal houses, which many rural communities needed in order to eradicate the traditional (mud and sticks in the main) houses, totalled 10.851 units. That represented around 22.7% of the total number of households in the Municipality, which were around 47.705 in terms of the 2011 Statistics SA Census.

**1.4.1e Socio-Economic Status**

Year	Housing backlog as proportion of current demand	Unemployment rate	Proportion of households with no income	Proportion of population in low-skilled employment	HIV/AIDS prevalence	Illiterate people older than 14 years
2011/12	22.7%	34.5 %	26%	48%	15%	37%
2012/13	23%	24%	26%	52%	20%	44%
2013/14	23%	24%	26%	52%	20%	44%

*Source: Stats SA Census 2011*

**1.4.1f Economic information of the population**



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1.4.1g Major resources

Background

The Municipality was endowed with some mineral resources, particularly coal. Most mining operations around were mining coal, but the one challenge was that some of those were small operations that concentrated on open cast mining, and had a short life span.

Another challenge was the ability of our communities to be able to participate, mainly because they did not have the requisite skills; that led to most of our people having ended up employed as general labourers, and very few were able to meet the skill levels required.

Major Natural Resources	Relevance to Community
1. Coal	Provided employment opportunities through the mining operations that took place
2. Nickel	Provided employment opportunities through the mining operations that took place
3. Gold	No operations took place (Kromdraai)

*Comparison of Industries between Chief Albert Luthuli Municipality and neighbouring municipalities in the District*

Industry	Chief Albert Luthuli Municipality	Mkhondo Municipality	Msukaligwa Municipality
Mining	2.8%	21.7%	14.7%
Manufacturing	0.4%	3.0%	10.4%
Utilities	4.8%	1.1%	0.6%
Construction	6.9%	1.4%	8.6%
Trade	7.0%	4.2%	6.7%
Transport	4.7%	7.4%	18.6%
Finance	6.2%	8.0%	28.4%
Community services	15.0%	9.3%	24.7%
<b>Total</b>	<b>5.0%</b>	<b>5.2%</b>	<b>21.3%</b>

1.5 SERVICE DELIVERY OVERVIEW PERFORMANCE HIGHLIGHTS

1.5.1 KPA : MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

1.5.1a Introduction

The main focus in this key performance area was the institutional and organisational capacity of municipalities to perform their functions and fulfil their developmental role as stipulated in the Constitution (1996) and the White Paper on Local Government. Institutional and organisational reform in local government was the key to sustainable municipalities. Having been allocated separate powers and functions entrenched in the Constitution (1996), municipalities had to organise themselves in preparation to fulfil these functions and powers. Organisational transformation in local government was further explicitly prescribed in Section 51 of the Local Government: Municipal Systems Act (2000), which provided as follows:

*"A municipality must, within its administrative and financial capacity, establish and organise its administration in a manner that would enable the Municipality to:-*

- a) *be responsive to the needs of the local community;*
- b) *facilitate a culture of public service and accountability amongst its staff;*
- c) *be performance orientated and focussed on the objects of local government set out in section 152 of the Constitution and its developmental duties as required by section 153 of the Constitution;*
- d) *ensure that its political structures, political office bearers and managers and other staff members align their roles and responsibilities with the priorities and objectives set out in the Municipality's integrated development plan;*
- e) *establish clear relationships, and facilitate co-operation, co-ordination and communication, between -*
  - i) *its political structures, political office bearers and its administration;*
  - ii) *its political structures, political office bearers and administration and the local community;*
- f) *organise its political structures, political office bearers and administration in a flexible way in order to respond to changing priorities and circumstances;*
- g) *perform its functions -*
  - i) *through operationally effective and appropriate administrative units and mechanisms, including departments and other functional or business units; and*
  - ii) *when necessary, on a decentralised basis;*
- h) *assign clear responsibilities for the management and co-ordination of these administrative units and mechanisms;*
- i) *hold the municipal manager accountable for the overall performance of the administration;*
- j) *maximise efficiency of communication and decision-making within the administration;*
- k) *delegate responsibility to the most effective level within the administration;*
- l) *involve staff in management decisions as far as is practicable; and*
- m) *provide an equitable, fair, open and non-discriminatory working environment."*

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This key performance area focused on organisational capacity and included indicators that showed progress on how municipalities had organised themselves in terms of building capacity to deliver, compliance with equity targets, as well as implementation of both the organisational and individual performance management systems.

Municipal performance in this key performance area was assessed in the following six focus areas:

**1.5.1b Performance Management Systems**

The Performance Management System Policy Framework (PMPF) was presented to the Performance Audit Committee in August 2013. Numerous recommendations for changes and improvements in the document were received from members of the Audit Committee, which also acted as a Performance Audit Committee. The Committee was also responsible for the assessment of all the municipal departments.

The review of the Performance Management Policy Framework was sanctioned by the Act, and was also presented at the Municipality's Strategic Planning Session where all critical stakeholders were represented. Based on inputs gathered there, the Performance Management Policy Framework was improved to respond to the needs of Council. What was critical, was the cascading down of the Performance Management System to non- contract and permanent managers of the Municipality, which was in pursuit of a Council Resolution adopted in 2013 that the Performance Management System would be implemented in a phase-by-phase approach.

As a result of that, all the permanent managers below Section 54 managers would also be assessed, starting with Post Level 4 officials in the 2014/15 financial year.

The Performance Management System Unit had also developed a performance plan template to be customised by each non-Section 54A manager upon which performance assessments were based.

To summarise the activities of the past year, Section 57 performance contracts were concluded with the seven Section 54A managers reporting to the municipal manager, and were posted on the official website.

1.5.1c (i) Section 54A and Section 56 Manager Positions

Is the PMS Policy Framework developed or reviewed and adopted by Council? (State date of adoption)	Did the municipality analyse its IDP and engaged with the community?	Has the municipality developed and adopted its IDP linked to SDBIP?	Number of Section 57 performance contracts signed	Number of Section 57 managers with signed performance contracts	Is the municipality with PMS audited by an Internal Auditor for functionality and legal compliance?	Does the municipality have an appointed Performance Audit Committee (PAC)?	Has the municipality submitted council oversight reports and made public?	Has the municipality submitted its quarterly performance reports?	Has the municipality cascaded PMS to lower levels?	State reasons for non-compliance of any of these components
Yes, August 2013	Yes	Yes	7	7	Yes	Yes	Yes	Yes	Yes	None

1.5.1d (ii) Section 54A and Section 56 Manager Performance Contracts

Performance contracts were forwarded to the Provincial Department of Co-operative Governance and Traditional Affairs (CoGTA) as is directed by the Act.

Posts	2010/11			2011/12			2012/13			2013/14			Reasons for vacancies
	Number of posts approved	Number of posts filled	Number of vacancies	Number of posts approved	Number of posts filled	Number of vacancies	Number of posts approved	Number of posts filled	Number of vacancies	Number of posts approved	Number of posts filled	Number of vacancies	
Municipal Manager	1	0	1	1	1	0	1	1	0	1	1	0	Lapse of Contract
Chief Financial Officer	1	1	0	1	0	1	1	1	0	1	1	0	Lapse of Contract
Director: Technical Services	1	1	0	1	1	0	1	0	1	1	0	1	Discharged
Director: Corporate Services	1	1	0	1	1	0	1	1	0	1	1	0	None
Director: Public Safety	1	1	0	1	1	0	1	1	0	1	1	0	None
Director: Community Services	1	1	0	1	1	0	1	1	0	1	1	0	None
Director: PED	1	1	0	1	1	0	1	1	0	1	1	0	None
Manager: PMU	1	1	0	1	1	0	1	1	0	1	1	0	None
<b>TOTAL</b>	<b>8</b>	<b>7</b>	<b>1</b>										

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Further details were provided in Chapter 4 of this report. As indicated earlier, that sought to cast a bird's eye view in relation to the filling of Section 54 managers positions, as this had a direct bearing on the performance of the Municipality in achieving its strategic objectives as indicated in its Integrated Development Plan (IDP) as reflected in the Service Delivery and Budget Implementation Plan (SDBIP) of the reporting year.

No disciplinary actions were instituted against any Section 54 manager during the reporting year. Finer details are provided in Chapter 4 of this report. Any other human resource and development matters are also dealt with in Chapter 4, including details regarding payment of bonuses.

### **1.5.1e Organisational Development Overview**

A number of initiatives were undertaken in this regard with a view to improve the Municipality's efficiency and operations. Those included the review and realignment of the Municipal Organisational Structure in order to realise the objectives as set in the IDP of the Municipality, as expressed in the Budget and implemented through the SDBIP.

That led to a reconfiguration of some of the municipal sections, such as the Performance Management System Unit, which was initially positioned in the Office of the Municipal Manager, and an additional staff member was added in order to increase its efficiency. Other sections or departments were strengthened by adding warm bodies, such as the Office of the Executive Mayor, in order to improve its effectiveness and capacity, and a Senior Town Planner was recruited to improve the planning ability of the Municipality, and to adequately deal with the planning demand requirements of the Municipality. The ICT Section was also capacitated with additional warm bodies in order to ensure efficiency and effectiveness, though much still needed some attention.

A number of connectivity upgrades were done in order to improve intra-communication - to that extent LCD screens were installed to improve communication and access to information by the public; the Municipal Website received attention, and a number of critical documents were posted, such as the Budget, SDBIP, performance contracts, quarterly and annual reports and some other important reports as required by the Local Government: Municipal Systems Act (2000), as well as the Local Government: Municipal Finance Management Act (2003).

#### **Achievements**

Some achievements are highlighted below:

- 1) Extension of the CRDP to all Wards.
- 2) Finalisation of internet, e-mail and telephone connectivity to all Administrative Units.
- 3) Installation of LCD screens in all Administrative Units for communication and transparency.
- 4) Filling of the senior vacant positions of Chief Financial Officer and Director: Technical Services.
- 5) Pursuance of ESKOM assets, ie TED/LET.
- 6) Review and approval of the organisational structure.
- 7) Submission of the WSP and ATR on training of employees.
- 8) Submission of the Employment Equity Plan (in terms of the EEA) to the Department of Labour.
- 9) Promotion of staff with long services.
- 10) Finalisation of the Municipal Website, which was now functional.
- 11) Approved workshops and training for managers, councillors and other staff.
- 12) On the job training and coaching.
- 13) Participation in and ensurance of development and implementation of sector development plans.
- 14) Internships - students were allowed to do their practice in the department.

### **1.5.1fg Employment Equity**

In order to address some critical equity targets, three women were appointed in critical positions in the top management of the Municipality. It was believed that those appointments would pave the way for women to occupy some of the top management positions in the future, particularly Section 54 manager positions, which would serve as a springboard for future prospects of appointment.

### **1.5.1g Skills Development**

This focus area was in response to one of the prescribed key performance indicators in terms of the Municipal Performance Management Regulations (2001). All municipalities were obliged to report on progress in building skills capacity to deliver according to the developmental mandate.

The Municipality offered 28 learnerships ATR for the training of officials in the Water and Sanitation Section (Department Technical Services); 4 bursaries were awarded in this year; 10 Senior Managers completed the MFMP and were awaiting the final results; and the enrolment for and training of 11 officials from Department Finance with a view to attain the MFMP qualification, was in progress.

## **1.5.2 KPA : LOCAL ECONOMIC DEVELOPMENT**

### **1.5.2a Introduction**

This was one of the most important key performance areas that the national government intended using to push back the frontiers of poverty and build a developmental state. The analysis should provide information on achievements per targeted services, capacity and variance for non-achievement. It cannot be doubted that an unemployment rate of 34.5% was quite high, and if all spheres of government did not collectively play a meaningful role in creating conducive environments to attract jobs, more people would end up in the social grant lists, which put a tremendous strain on government. The reports from the various provinces reveal that each sector within municipalities supported this function and there were a lot more indicators that reflected positive outcome, some of which are outlined below. However, local economic development was one of those key performance areas that most municipalities push to the back burner, and do not allocate sufficient attention, planning and resources to it. It was even worse that most municipalities had not reached a level of appreciating the relevance of the principles of the National Spatial

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Development Perspective, the importance of developing their Spatial Development Frameworks and local economic development strategies, and linking these with their IDPs and the Provincial Growth and Development Strategies.

Local economic development had been recognised as a critical approach to pursue within the context of empowered municipalities, pro-active actions by local communities, and the need to ensure that development was pro-poor in its focus and outcomes. However, even though local economic development had been encouraged in South Africa for over sixteen years, it was apparent that it was not without its difficulties. The launch of the National Framework for Local Economic Development by the Department of Co-operative Governance and Traditional Affairs in August 2006 resulted in its initial implementation.

Local economic development strategies were at the centre of efforts by municipalities to create economic growth and development. It was an absolutely vital tool at the disposal of all municipalities and had the potential to radically improve the lives of all municipal constituents by enabling growth and reducing poverty. However, the strategies associated with local economic development were not to be viewed as a quick-fix solution to those problems. There were a myriad of potential challenges and obstacles that needed to be overcome in implementing such a comprehensive strategy - from local political conditions to the impact of globalisation. In essence, the aim of an effective local economic development strategy was to reduce the impact of factors that adversely affected local economic growth, such as the rapid increase in urbanisation (which affected all municipalities in some way), as well as global economic ruptures, such as the financial crisis in our Municipality, which had a significant impact during the year under review. In order to mitigate these risks, local economic development required absolute commitment from the various stakeholders involved in its development and implementation.

A local economic strategy formed part of the IDP for each municipality. In many respects, it was the most crucial aspect of an IDP and played a determining role in the effectiveness of the overall IDP approach. As such, a local economic development ED strategy needed to ensure the following:

- a) Assimilation of socio-economic conditions and needs;
- b) Establishment of the economic profile of the sub region
- c) Selection of priorities;
- d) Development of policy thrusts;
- e) Formulation of strategic interventions;
- f) Formation of implementation plans;
- g) Programme and project development that addresses strategic objectives;
- h) Key performance areas for projects and programmes, including timeframes, targets and reporting mechanisms; and
- i) Indication of budget prioritisation and allocation to deliver on economic priorities.

Local economic development was also not a once-off process. Municipal local economic development strategies needed to be continually revised, with comprehensive reviews taking place at least once every five years. In order for this oversight role to be effective, LED Forums needed to be established. The main reason for establishing such a forum was to expand the scale and scope of local economic development initiatives, by systematically leveraging support from partners in localities. This would then lead to interactions within local communities, the private sector, organised businesses, sector development organisations, educational institutions and other support institutions that were rich in expertise, resources, relational capital and networks. The LED Forum would, in essence, provide the opportunity for regions to achieve enhanced co-operation through the participation of various institutions and contribute towards the economic development of the region in such a way that all parties would benefit.

Ultimately, an effective local economic development strategy had the potential to improve the quality of life of local communities. However, this was dependent upon the genuine prioritisation of the local economic development by all stakeholders, and the active pursuit of its effective implementation. That required significant levels of co-ordination between all stakeholders, as well as effective oversight.

### **1.5.2b Development and implementation of local economic development strategies and plans**

Given the non-implementation of the Municipality's local economic development strategy as a critical strategic document to lead the way in terms of local economic development as envisaged by the Constitution (1996), and also by the manifesto of the ruling party launched in 2010 for the local government elections, the Municipality, within its limited means, attempted and organised various meetings in order to solicit support for our local economic development. A number of meetings/engagements were organised with a view to lobby support for our economic development from various business houses, ranging from mining houses to forestry houses.

The underlying objectives were to gather support for our SMMEs, where a number of projects were earmarked for support, which ended in vain.

This focus area was one of the prescribed general key performance indicators provided in terms of Regulation 10(d) of the Municipal Planning and Performance Management Regulations (2001). The purpose of this indicator was to assess and reveal the extent to which a municipality contributed towards creating jobs through the implementation of capital projects, as well as their own local economic development initiatives. To give a view regarding the attempts made, the following progress was made thus far:

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- i) Number of jobs created through the Municipality's local economic development initiatives, or by other sectors, including capital projects

Posts	Expanded Public Works Programme			Community Works Programme			Comprehensive Rural Development			Phezukomkhono and Siyatentela			MRTT	National Departments	Municipality Funded Projects (PMU)
	2011/12	2012/13	2013/14	2011/12	2012/13	2013/14	2011/12	2012/13	2013/14	2011/12	2012/13 3 months and more	2013/14 3 months and more	2011/12 3 months and more	2012/13 3 months and more	2013/14
Higher skilled	0	0	0	0	0	0	0	0	0	0	0	0	0	2	
Middle skilled	0	0	0	0	0	0	0	0	0	0	0	0	0	4	
Semi-skilled	400	2600	16400	0	0	0			0	0	0	0	0	22	
Casual	0	1600	2400	0	2400	2500	0	2400	2835	0	0	393	90	238	
Total jobs opportunities created funded through other initiatives by all other Departments (National and Provincial)														3806	

It was reckoned that that a lot could have been done in order to reduce the impact of poverty, which was worsened by the lack of employment, which stood at 34,5%, following the strict definition of unemployment according to Statistic South Africa 2011 Census.

The Municipality had not been successful in implementing the earmarked projects, viz the Lemon Project, Terra Wind Projects, and other.

1.5.2c Contribution by the private sector

Mining Houses

A number of projects and programmes were done and funded by the private sector in the municipal area, though the contribution might look insignificant, when in fact a lot was done in the specific community where it took place. Some of the projects were listed below, however, this list was not exhaustive of all projects; had the commitment been strong enough, a lot could have been achieved. This was said against the backdrop that some of the private sector companies had signed SLPs and CSIs [Corporate Social Investment or social responsibility (Forestry Charter)] with the Department of Minerals and Energy, which detailed the nature of the commitment of each mining company.

- i) East Side Coal:

**Implementation of SLP and CSI - Extension of 3 classrooms at Joy Christian School**

Completed in September 2013.

- ii) Shanduka Coal:

**Project 1 : Construction of the Dundonald SMME Business Hub**

Completed

Total value: R850,000

Number of jobs created: 20

**Project 2 : Development of SMMEs**

Sub-contractor roofing: 4 labourers

Sub-contractor Paving: 3 labourers

Sub-contractor Plumbing: 3 labourers

Number of jobs created: 30 (10 labourers [SMMEs], 20 labourers [Shanduka Coal])

- iii) Nkomati Mine

**Project 1 : Upgrading of road into block paving in Manzana (27 Years Robin Island)**

Total value: R4 183 704,15

Number of jobs created: 7 (Adult Male 1; Youth Male 2; Youth Female 4)

**Project 2: Upgrading of road into block paving in Embuleni Hospital (500m) (VDan Construction) (R2.519.781,77)**

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**Project 3: Upgrading of road into block paving in Vuka Primary School (500m) (VDan Construction)**

Total value: R2.918.469,45  
Number of jobs created: 9 (Adult Male 2; Youth Male 3; Youth Female 4)

**iv) Other Coal Mines**

Projects were submitted to the following mines to be included in the SLPs and CSIs - Phembani Coal, Northern Coal, Umsobo Mining, Kusile Mining, Vaalbulb Coal Mining, Coastal Fuel Mining (formerly Sipethe Coal), Muhanga Mine.

**v) All Mines : Implementation of the SLPs and CSIs**

Total value: R9.290.312  
Number of jobs created: 36 (through projects)

**Forestry Houses**

The challenge with the forestry houses was that, in the main, only one company seemed to have done its part, namely Komatiland Forests, while others remained unreachable.

**i) Komatiland Forests**

**Project 1: Bhekifundo Primary School – block of classrooms at ward 6**

Value: R1.337.928,18  
Number of jobs created: 15

**Project 2: Stimulation centre at ward 11 Glenmore**

Value: R167.607,00  
Number of jobs created: 12

**Project 3: Construction of Youth Centre at Diepdal**

Value: R162.470,63  
Number of jobs created: 8

**Total value: R1.668.005,81**  
**Total number of jobs created: 35**

**ii) Other forestry houses : Sappi (Somhlolo), CWK, Emanzana (Badplaas) Forestry**

No projects committed in their Corporate Social Investment or social responsibility (Forestry Charter).

**iii) Total Contribution by forestry and mining**

Total value: R10.958.317  
Total number of jobs created: 70

**Tourism**

**i) Project : Nooitgedacht Nature Reserve (funded by Department of Environmental Affairs)**

Total value: R10 million  
Number of jobs created: 174 (156 workers, 18 workers by SMMEs)

**ii) Total number of jobs created by SMMEs - 18**

JJ Wendy and Log Home Construction:	8 labourers
Sita Consortium - Construction of french drain:	3 labourers
Sim and Sons Transport:	2 bus drivers
Impala Electrical:	2 labourers
Carpenter - Lucky Mazibuko	2 labourers
Mathetha Construction - Catering services:	
Sitamanzi - Installation of Borehole:	3 labourers
Dandavuya Trading - Sign Board:	1 labourer

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**1.5.2d Analysis of the local economic development of the Municipality**

The Municipality's local economic development lacked funding and proper implementation of the Local Economic Development Strategy.

The local economy had a potential to grow and be able to compete with other developing local economies, like Steve Tshwete Local Municipality, Emalaheni Local Municipality, and Msukaligwa Local Municipality.

**1.5.2e Local economic development achievements 2013/14**

- i. Registered 268 on our data base
- ii. Appointed 1 Co-operative for the supply of Toilet Paper to the Municipality for 12 months
- iii. Appointed Sishosho Agricultural Cooperative, Suyanqoba TS7 Cooperative, Farmers and Multi-purpose, and Vukuzenzele for Catering
- iv. Appointed Umlinga Agricultural Cooperative for the supply of Toilet Paper
- v. Appointed Intama Kuphila for the supply of Toilet Paper
- vi. Appointed Qhubeka Mama Bakery for the supply of Toilet Paper (CRDP)
- vii. Appointed Cooperatives (strategic partners were appointed) - 4 Brick making; 4 Welding; 2 Detergents; Paint Making; 2 Bakeries; Sanitary Towels.

**1.5.2f Challenges**

- i. LED Policy still at a draft stage
- ii. Draft Investment Promotion policy
- iii. Local Economic Development Forum not established or formalised
- iv. Weak coordination of Led programmes
- v. Lack of support of led projects

**1.5.3 KPA : PLANNING**

**1.5.3a Fees for approval of building plans, and approval of LUMS (Vote 0701/1703/0000)**

Target: R183.678,00  
Collected: R288.903,49

Income received through the approval of building plans, the application for subdivision, consolidation, rezoning, and the closure of sites increased in the 2013/14 financial year.

**1.5.3b Income collected for application of LUMS**

Consolidation - approved 7 applications; collected: R14.131,60  
Subdivision - approved 1 application; collected: R1.246,30  
Rezoning - approved 1 application; collected: R1.246,30  
**Total collected: R16.624,20**

**1.5.3c Income collected for approval of building plans (Vote 0701/1703/0000)**

First Quarter - approved 17 building plans; collected R51.406,06  
Second Quarter - approved 16 building plans; collected R59.328,59  
Third Quarter - approved 20 building plans; collected R95.750,64  
Fourth Quarter: approved 8 building plans; collected R82.418,20  
**Total collected: R288.903,49**

The Department Planning and Local Economic Development (PED) was responsible for all the planning of the Municipality. The planning process for the next financial year by August of each year; followed by the IDP process, its submission to and approval by Council; and all the reviewing processes, ultimately led to the compilation of the Budget and SDBIP, and the presentation thereof to Council in May 2013.

The Municipality followed all the processes that were required in terms of legislation with regard to the IDP. It also held its planning sessions, where most of its projects and plans were prioritised before seeing their way into the Budget and SDBIP. The SDBIP was signed by the Executive Mayor, and in essence reflected all the projects and plans for the year, and various strategic development agendas were considered and integrated.

The planning process and all the other requirements in relation to planning were taken into consideration, like the Local Government: Municipal Systems Act (2000), the Local Government: Municipal Finance Management Act (2003), the Development Facilitation Act (1995), and various development plans submitted to the Municipality by various communities for approval in line with the relevant municipal policies and by-laws. However, there were challenges in relation to the public not following the building regulations - most housing projects were done without proper approval. The appointment of a Senior Town Planner would resolve the matter, and the Municipality would start generating revenue with regards to planning.

The Department also facilitated housing matters. The Municipality was chosen as a Comprehensive Rural Development (CRDP) site. A number of housing units were built and a summary would be provided at the end of this section.

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1.5.4 KPA : DEVELOPMENT OF INFRASTRUCTURE AND BASIC SERVICE DELIVERY THROUGH THE PROJECT MANAGEMENT UNIT (PMU)

1.5.4a Introduction

This key performance area entailed the assessment of the ability of municipalities to deliver infrastructure and basic services, and also to report on the role played by national and provincial departments in the different sectors in the execution of their functions. Local Government works in partnership with communities to find sustainable ways to meet their needs and improve the quality of lives. As entrenched in the Constitution (1996), the Millennium Development Goals as well as Vision 2014, government had geared itself to achieve targets for universal access to basic services.

Municipalities were at the forefront of attempts to achieve high levels of service delivery. Service delivery had assumed centre stage in South Africa, due to highly publicised events related to widespread protests within various communities. This had put even greater pressure on municipalities to deliver on their mandates, and to ensure effective service delivery. The role of municipalities was crucial in dealing with many of the challenges that had led to such high levels of discontent. A crucial aspect of this process was the provision of basic services such as water, electricity, and sanitation for all communities. The historical backlogs in the provision of basic infrastructure for service delivery required that municipalities established a delicate balance between delivering and improving current services, maintaining existing infrastructure, and extending infrastructure to eradicate the backlog in service delivery. The Department of Co-operative Governance and Traditional Affairs must ensure that municipalities in the Province were fully functional to enable the delivery of infrastructure and municipal services. The Project Management Unit attempted to give an indication of the performance of the municipalities during the municipal financial year ended 30 June 2013.

The report would reflect on service delivery trends and progress achieved over a number of years to enable an informed assessment of improvement or underperformance. The analysis would provide information on achievements per targeted services and variance for non-achievement.

The focus areas that measured the performance of municipalities in this key performance area were the following:

- i) Access to basic services
  - Access to portable water to all households
  - Access to adequate sanitation
  - Universal access to electricity
  - Access to adequate shelter
- ii) Municipal Infrastructure Grant (MIG)
- iii) Free Basic Services (FBS)
  - Indigent policy implementation
  - Free basic water
  - Free basic sanitation
  - Free basic sanitation
  - Refuse removal

1.5.4b Performance Information Analysis and Progress

**Provision of basic services**

Government was committed to providing access to electricity, water, and sanitation as basic services to address the infrastructural backlog. Twenty years into democracy, government's development programmes were beginning to show tangible results, in that access to basic services had improved substantially since 1994. An analysis of progressive trends was provided below on each of the basic services.

**(i) Access to potable water for all households**

In relation to water services, government's goal was for all people of South Africa to have access to potable water by 2014. The Millennium Development Goals were to halve the proportion of people without sustainable access to improved water sources between 1990 and 2015. The basic level of water service was an RDP standard equivalent to a minimum of 25 liters of potable water per day within 200 metres of a household, not interrupted for more than 7 days in any year, and a minimum flow of 10 liters per minute for communal water points. The South African service standard was substantially higher than the one defined by the Millennium Development Goals as 20 liters of potable water per person per day within 1.000 metres of a household. While the RDP standard was 200 meters (radius), which the Municipality strived to achieve through the various means it used to bring potable water to the community. That was, however, not implemented without challenges.

**Water and Sanitation**

**• Challenges**

The Municipality was faced with the challenge of providing water to deep rural areas that were outside the bulk water infrastructure. The Municipality provided water to those areas through boreholes (electrified and manual operation), and water tankers. The provision of water through water tankers was an unaffordable means of supply. Furthermore, the electrification of boreholes resulted in high electricity bills from Eskom. The Municipality was unable to service the bill, as there was no cost recovery on the water supplied from these boreholes. In the Elukwatini (Eerstehoek) Water Scheme area, the Municipality was rationing the supply of water due to the demand exceeding supply. This could be attributed to the inadequate water treatment plant. One other factor that contributed to the demand exceeding supply in the Elukwatini/Eerstehoek Water Scheme area was high unaccounted for water use as a result of ageing infrastructure.

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However, the Municipality had embarked on a multi-year project to replace the old asbestos pipes with alternative pipes.

In the Methula/Fernie Water Scheme area, the Municipality was faced with a challenge of inadequate raw water source, which run dry during the winter season.

As with the electrified boreholes, the Municipality was faced with high escalating electricity bills for the Water Treatment Plant. There were no cost recovery measures in place for the treatment and supply of water in the following water schemes: Ekulindeni, Elukwatini, Methula, Mayflower, and Lusushwane.

In terms of Sanitation, the Municipality was providing waterborne sanitation in urban settlements. However, in some of those areas the Municipality was faced with a challenge of sewer blockages due to inadequate or rationing of water. In Carolina, the Wastewater Treatment Works required urgent refurbishment in order to comply with legislative requirements. There was also a challenge of recurring sewer spillages due to aged infrastructure, including pump stations.

The Municipality had been providing VIP Toilets in an effort to eradicate the sanitation backlog in other areas. However, the Mpumalanga Province had directed municipalities to cease the provision of VIP Toilets as sanitation technology and to consider alternative technologies, preferably waterborne sanitation.

- **Proposed Solutions**

The Municipality applied for RBIG funding to upgrade the Elukwatini/Eerstehoek Water Scheme. The upgrade would provide adequate water to meet the demand. However, this was a phased project, which would take 6 to 10 years to realise the desired outcome. The Department Technical Services : Water and Sanitation Section needed to expedite the implementation of the project. The Municipality utilised a portion of its MIG allocation in the 2013/14 financial year to implement some components of the RBIG project. Furthermore, the Municipality was considering options of augmenting the Methula/Fernie raw water source through the RBIG programme. During the 2013/14 financial year, the Municipality refurbished and electrified 12 boreholes in the deep rural areas.

The Municipality was considering at alternative sanitation technology through the Gert Sibande District Municipality. The estimated cost of providing waterborne sanitation to the rural areas of the Municipality amounted to R2,5 billion.

- **Future Outlook**

In the long term, the Municipality is looking at converting some of the existing Water Schemes into Regional Bulk Water Schemes to be able to supply water to all its communities. In the short term, the Municipality was planning to continue with the refurbishment and electrification of boreholes.

- **Conclusion**

The Municipality supplied water to all its communities, although at different levels of service.

(ii) **Access to Electricity for all households**

- **Challenges**

- a) Theft and Vandalism of electricity infrastructure
- b) Shortage of plant machinery
- c) Shortage of fleet
- d) Financial constrains
- e) Unavailability of Master Plan and O&M
- f) Inadequate customer care
- g) By passing of meters
- h) Ageing of infrastructure

- **Proposed Solutions**

- a) To ensure barricading of infrastructure
- b) To procure own cherry picker and crane truck
- c) To procure an additional bakkie (LDV)
- d) To enforce by-laws
- e) To allocate budget for a Master Plan and O&M Plan for the next financial year
- f) To implement a 24/7 system which could easily be accessed by customers to lodge complaints
- g) To install split metering.

- **Future Outlook**

- a) To ring fence the Electricity Section
- b) To implement a smart system that could monitor theft
- c) To extend our licence to other areas within the municipal area that was supplied by Eskom

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- **Conclusion**

The Electricity Section was committed to ensure the safe continuity of electricity supply to households, and compliance with NERSA.

(iii) **Access to Roads and Stormwater Infrastructure**

- **Achievements**

Regardless of several challenges, the Roads and Stormwater Infrastructure Section attended to a total 557 kilometers of municipal gravel roads, which was a surplus of 10% to the planned annual target of 500 kilometers. Furthermore, the Section achieved more on the repair of potholes in municipal paved roads, as total areas of 133m<sup>2</sup> were attended. In addition, the Section spent 100% of the EPWP grant, and created 109 job opportunities for local unemployed residents. Also, on the utilisation of the grant, the Section rehabilitated the 110m surface structure of Combrink Street, Carolina, and attended to the side structures of Silobela Bridge in mitigating the risks to motorist and pedestrian.

- **Challenges**

In the 2013/14 financial year, the Roads and Stormwater Infrastructure Section was unable to perform all its activities to the limit, such as the maintenance of gravel roads; construction of footbridges; and maintenance of vehicle bridges; which were interrupted by heavy rains. The aforementioned endeavours were unattended because of the challenges of the Section not having tipper trucks for transportation of heavy materials and effective operation; recurring breakdowns of graders; and non-repairing of yellow plant that was damaged during the Empuluzi riot. That made it difficult for the Section to attend to all damaged gravel roads. Furthermore, the ageing infrastructure was a major challenge for the Section, particularly at the Carolina CBD, where most of the paved roads had worn-out, and some road edges were damaged because of the structural pavement failure that was unable to accommodate the abnormal daily traffic on the town streets. Additionally, the financial constraints had a major impact on the operations of the Section because of poor/low revenue collection of the Municipality, hence the Section was unable to procure all the materials required.

- **Proposed Solutions**

The Section anticipated obtaining a tipper truck, which should assist with transportation of materials, and accelerate the service to municipal residents. Furthermore, the Section, with the assistance of the Fleet Section, was planning to repair all the plant and machinery damaged during the Empuluzi riot with the money transferred by the insurance; minimise the breakdown of graders by providing training to operators; and attend to the machinery as soon as it needed attention, with the assistance of the contracted service provider. In addition, the Section intended to establish a forum with the Department Public Safety (Traffic Section), and PED for dealing with the abnormal traffic on the Carolina town streets. Also, to utilise a percentage of the EPWP Grant; and to source funds from the private and public sector using the Roads and Stormwater Master Plan, which was envisaged to be completed in the 2014/15 financial year, in trying to eradicate the backlogs of the Roads and Stormwater Infrastructure Section.

- **Future Outlook**

The Section was considering acquiring all the plant and machinery that was required for the effective maintenance of the road infrastructure, and a well-capacitated team that would be able to maintain paved and unpaved roads in an acceptable manner; and to design and construct minor projects, which were not prioritised as capital project on the IDP.

- **Conclusion**

The Roads and Stormwater Infrastructure Section was committed to ensure that all municipal roads and stormwater infrastructure was at acceptable standards to motorists and pedestrians.

(iv) **Access to Waste Removal Services**

- **Number of households with basic waste collection**

Service provided to households in accordance with national domestic waste collection standards - Waste Act (2008); National Domestic Waste Collection Standard (2011); Waste Classification Regulations (2013); National Policy for the Provision of Refuse Removal to Indigent Households (2011); and National Waste Information Regulations (2012).

- **Approved Integrated Waste Management Plan implemented**

- a) Approved, valid integrated Waste Management Plan in place (projects in the plan were captured in IDP-SDBIP)
- b) All operational/active waste handling facilities were licensed and were complying to license conditions
- c) Waste minimisation projects initiated as per IWMP
- d) Municipality reporting within waste information system

- **Number of household with a growth refuse removal backlog since last Census**

- a) Households without access to refuse removal as per Statistics South Africa 2011 Census
- b) Growth in terms of informal and formal settlements.

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- **Challenges**

Refuse collection remained a critical challenge for the Municipality. In view of global warming, the Municipality was not doing well, which was mainly due to the vastness of the municipal area - there were about 12 villages or semi-towns that this service could be extended to but cannot, due to the high costs associated with that. Only 27% received the service per week.

(v) **Access to basic services**

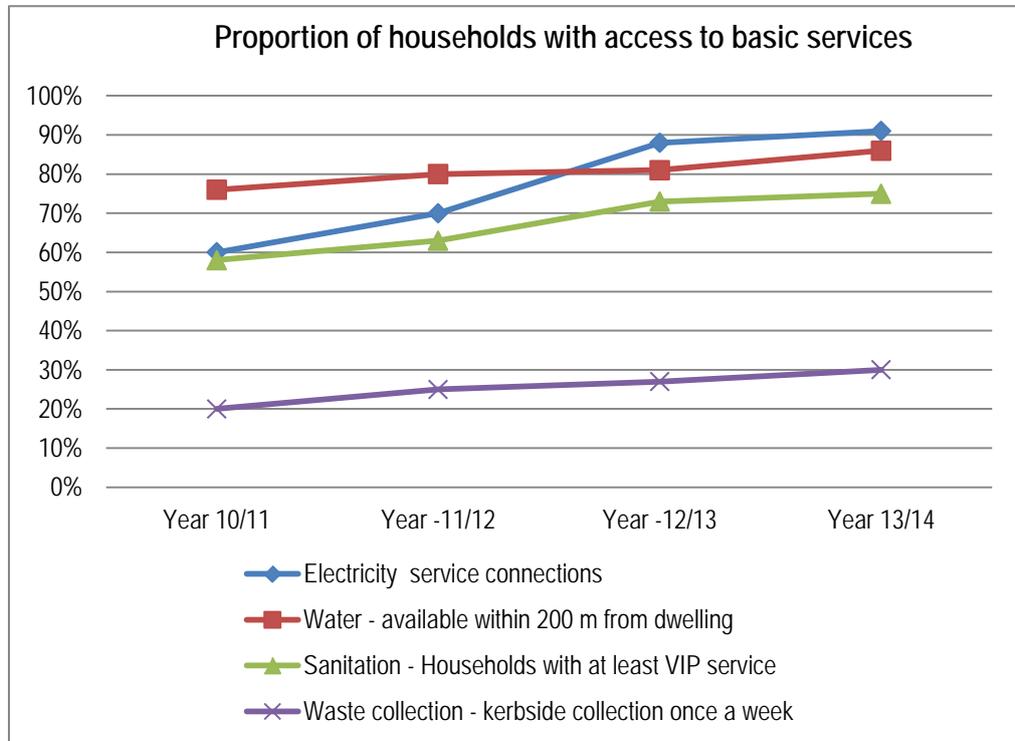
The Municipality had done well in the provision of some of the basic services, and progress was shown in three important basic services, being Water, Sanitation, and Electricity. The three services embraced the Millennium Development Goals. In contrast to that, was the Refuse Collection Services, which contributed badly to global warming, in that the rate of litter that was not collected posed a challenge to the wellbeing of the people of the Municipality and its environment. That being the case, the Municipality was steadily improving towards resolving the matter. The reasons that led to such slow improvement were the financial factor as well as the rural nature of the Municipality.

Proportion of households with minimum level of basic services				
	2010/11	2011/12	2012/13	2013/14
Electricity service connections	60%	70%	88%	91%
Water - available within 200 m from dwelling	76%	80%	81%	86%
Sanitation - Households with at least VIP service	58%	63%	73%	75%
Waste collection - kerbside collection once a week	20%	25%	27%	30%
Total households receiving basic water services daily	88%	89%	89%	89%

**Challenges**

Refuse collection was what remained a critical challenge for the municipality. In view of global warming, the Municipality was not doing well, mainly due to the vastness of the municipal area - there were about 12 villages or semi-towns from which this service could be extended to, but cannot due to high costs associated with that. Only 27% received the service per week.

The graph below gives a view of the status of delivery and access to all the types of services that were rendered by the Municipality in terms of its functions as assigned to it by the Constitution (1996), and enabling legislation [Local Government : Municipal Systems Act ( 2000).



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**1.5.5 KPA : MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT**

**1.5.5a Introduction**

Profound fiscal efficacy, discipline, prudence, and monitoring all provided a sound basis for the delivery of all the key and fundamental municipal objectives. It was therefore imperative that municipalities not only purported to portray, but to embrace an intrinsic and frugal duty to maximise revenue potential, while transparently managing public finances as set out in the Local Government: Municipal Finance Management Act (2003), and the Local Government: Municipal Property Rates Act (2004), following the proper International Accounting Standards as prescribed in policy and regulation. The guidelines set therein provided for effective accountability, evident financial sustainability and a financial viability conducive to infrastructure investment and service delivery.

**1.5.5b Financial Viability**

Financial viability was one of the five important key performance areas in local government. The financial health and performance of Chief Albert Luthuli Municipality was continuing to show significant improvement from the previous financial year. The sustainability of the Municipality was dependent on expanding its revenue in relation to costs and its financial viability, whilst implementing the mandate, low economic growth, high unemployment, low skills levels, and high levels of poverty within the Municipality.

This was the main prescribed key performance indicator. It was therefore compulsory for all municipalities to submit annual reports on achievements or challenges encountered in achieving, according to ratios set in the 2001 Regulations, which were as follows:

The financial viability of local government was measured using three key performance indicators:

- a) Debt coverage, which denoted the rate at which a municipality met its debt service payments within the financial year from its own sources of revenue. A municipality should have 20% debt coverage.

i) 
$$A = \frac{B - C}{D}$$

Where - 'A' represents debt coverage  
'B' represents total operating revenue received  
'C' represents operating grants  
'D' represents debt service payments (i.e. interest + redemption) due within the financial year

- b) Outstanding service debts to revenue refer to the ability of a municipality to service its debts dependant on the rate at which the Municipality collects amounts owed to it. In other words, it represents the ratio of outstanding debtors to total revenue.

i) 
$$A = \frac{B}{C}$$

Where - 'A' represents service debtors to revenue  
'B' represents total outstanding services debtors  
'C' represents annual revenue actually received for services

- c) Cash flow measured the rate at which municipalities could cover its costs, which was the debtor collection rates that result in sufficient cash to enable the municipalities to meet their day-to-day operational costs. It was mandatory for municipalities to determine cash flow requirements to maintain operations and also have adequate measures to foresee the need to alter operations as required.

iii) 
$$A = \frac{B + C}{D}$$

Where - 'A' represents cost coverage  
'B' represents all available cash at particular time  
'C' represents investments  
'D' represents monthly fixed operating expenditure

**1.5.5c Financial Health Overview**

In line with Section 54 of the Local Government : Municipal Finance Management Act (2003), ... the mayor must -

- (1) (a) ...;  
(b) *check whether the municipality's approved budget is implemented in accordance with the service delivery and budget implementation plan;*  
(c) *consider, and, if necessary make any revisions to the service delivery and budget implementation plan, provided that revisions to the service delivery and budget implementation plan may only be made with the approval of the council following approval of an adjustments budget;*  
(d) ...;  
(e) ...;
- (2) *if the municipality faces any serious financial problems, the mayor must -*
- (a) *promptly respond to and initiate any remedial or corrective steps as proposed by the accounting officer ... which may include -*
- (i) *steps to reduce spending ...;*  
(ii) *the tabling of an adjustments budget; or*  
(iii) *steps in terms of Chapter 13 ...*

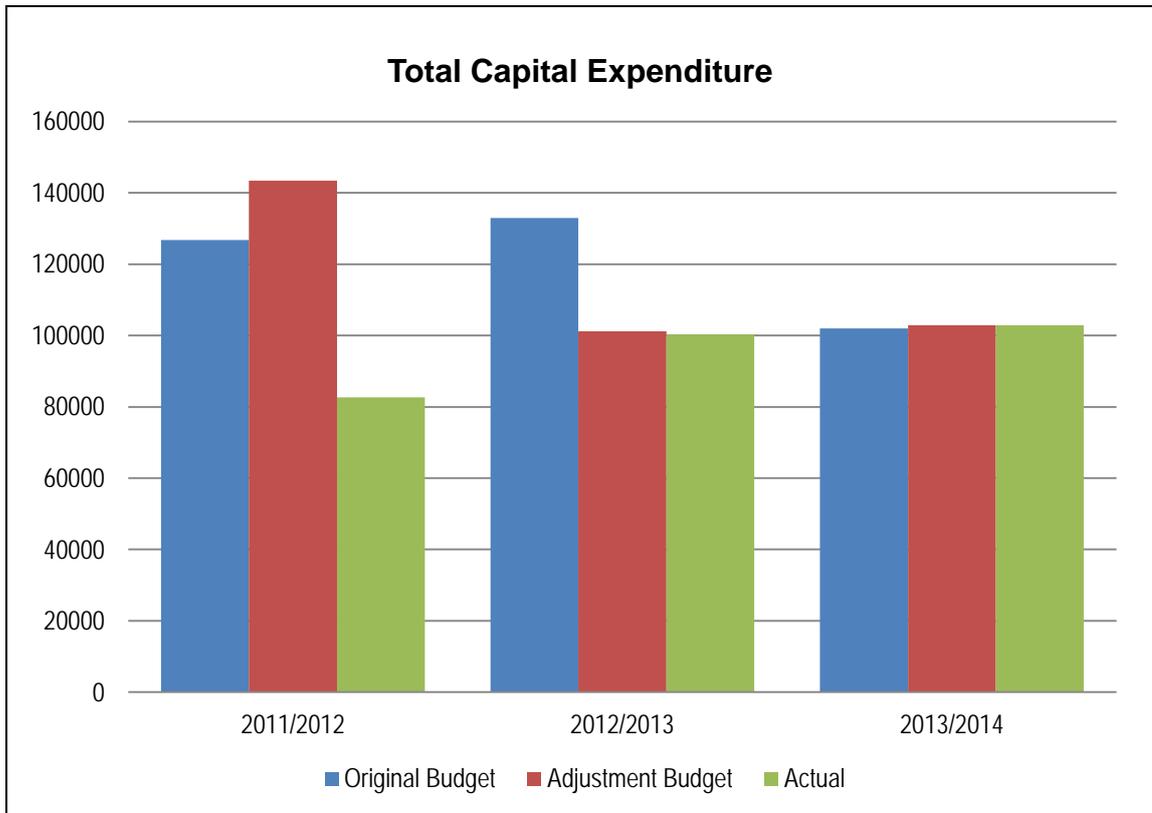
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Due to the higher dependence upon grants, and the low collection of revenue, an adjustments budget was tabled. The approved adjustments were done.

The table below gives details as to how the budget was adjusted to accommodate the financial problems that were experienced. That also led to the revision of the predetermined objectives in the service delivery and budget implementation plan. The objectives were flighted in Chapter 3, and more precisely in the Revised SDBIP as approved by Council together with the Adjusted Budget for the 2013/14 financial year.

1.5.5d Capital Expenditure

Total Capital Expenditure: 2011/12 to 2013/14 R'000			
Detail	2011/12	2012/13	2013/14
Original Budget	126 765	132 916	101 977
Adjustment Budget	143 416	101 719	102 901
Actual	82 673	100 279	102 901



1.5.5e Financial Overview

Financial Overview R'000			
Details	Original Budget	Adjusted Budget	Actual
<b>Income</b>			
Grants	288	205	203
Taxes, Levies and Tariffs	345	355	365
Other	100	80	78
<b>Sub-Total</b>	<b>733</b>	<b>640</b>	<b>646</b>
<b>Less: Expenditure</b>	<b>644</b>	<b>640</b>	<b>645</b>
<b>Net Total - surplus/(deficit)</b>	<b>89</b>	<b>0</b>	<b>1</b>

Under service delivery, a number of indigent households benefitted from free basic services, especially those who received tokens for electricity.

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The payment rate improved to 60% as at 30 June 2013. The desired outcome was achieved through:

- Data cleansing
- Workshopping Ward Committees on the data cleansing project
- Attending community and business meetings and resolving customer queries
- Handing over of outstanding accounts to appointed debt collectors.

As reported in the previous financial year, the data cleaning exercise with the objective of improving the credibility of the billing database was continuing. A number of faulty accounts across the categories of debtors were identified, and the Municipality was in the process of reconciling and correcting the accounts. The data cleansing exercise had to be extended, and an additional target of 7.221 households was visited.

In terms of Schedule 1 and 2 of the Local Government: Municipal Systems Act (2000), councillors and staff may not owe the Municipality for services such as Rates and Taxes, Electricity and Water, for a period of more than three months. Councillors and staff in breach of the Code of Conduct would be disciplined in line with the disciplinary procedures of the Municipality.

Most councillors and staff with accounts in arrears had made the necessary arrangements to settle their accounts. In line with the new Local Government: Municipal Property Rates Act (2004), the Municipality compiled a supplementary valuation roll. The valuation roll was balanced with the financial management system in June 2013.

In order to increase its revenue and deliver on its mandate, the over-arching objective of the Municipality in terms of institutional management was to ensure that effective, efficient, and co-ordinated financial management of all assets under its control took place. The Municipality had challenges with the completeness of the Asset Register, especially assets that the Municipality controlled, but the rights of which were still with Provincial Government. The process to transfer the assets would be finalised before 30 June 2014.

In terms of institutional organisation, the Municipality achieved a number of substantial successes in the key performance areas of assets, financial management, and human resource management. The position of Chief Financial Officer, which was vacant since November 2012, was filled in June 2013, and the management of the Department improved.

Council approved the Draft Budget for the 2013/14 financial year 90 days before the start of the financial year for consultation, all submitted comments were considered, and the Final Budget was approved 30 days before the start of the financial year. The in-year reporting in terms of Section 71 and Section 72 of the Local Government: Municipal Finance Management Act (2003) was submitted to National Treasury.

As the Municipality implemented its reviewed Supply Chain Management Policy, preference was given to businesses within the municipal area, as required by the Policy.

The service providers awarded tenders, were contributing 1% of the tendered amount towards their social contribution.

The Municipality received the audit outcome for the 2012/13 financial year, and an audit implementation plan was developed to address issues raised by Auditor-General. Although not all the identified issues could be addressed 100%, most of the high-risk areas we attended to, such as poor document management that was addressed as work in progress. A qualified opinion was received, based on the incompleteness of the Asset Register.

**Some achievements could be summarised as follows:**

- A stringent approach was implemented where serious disconnection of illegal connections was done to improve revenue collection, and a number of revenue enhancement strategies and initiatives were implemented.
- Jobs were created through maintenance projects to local communities, so that people would have income to pay for municipal services rendered.
- Supply chain processes were utilised properly to ensure transparency, and successful bidders were published on the Municipal Website as required by the Local Government: Municipal Finance Management Act, 2003 and the Local Government: Municipal Systems Act, 2000.
- As many fleet as possible were repaired and serviced internally to minimise costs.

#### **1.5.6 KPA : GOOD GOVERNANCE AND PUBLIC PARTICIPATION**

##### **1.5.6a Corporate Services**

The Department Corporate Services consisted of three Sections, namely Records Management and Administration Services; Legal and Secretariat Services; and Human Resource Services. The Department provided administrative support to Council and handled the compilation and distribution of the Executive Committee and Council agendas and minutes, as well as other Council related committees; correspondence flowing from meetings of those Committees; information and communication needs; and the rental and maintenance of municipal buildings, viz community halls and offices.

The Records Management and Administration Services handled the receipt, recording, and distribution of incoming and outgoing correspondence; and record keeping and archiving matters.

The Legal and Secretariat Services Section handled the legal matters of the Municipality, including the provision of legal advice to the Municipal Manager and Council; the compilation of municipal policies and by-laws and the processes required for the adoption and promulgation thereof; disciplinary actions against staff; litigations; and contract administration.

The Human Resource Section was responsible for human resource matters, which included administrative support to councillors and staff regarding pension fund and medical aid applications, claims for death benefits; and leave administration.

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**Achievements**

Achievements reached in the financial year under review included the following:

**• Good Governance and Public Participation**

- i. All Ward Committees were functional and fully equipped. Departmental Section 80 Committees were established and were functional.
- ii. The Municipal Performance Audit Committee (PAC) was functional.
- iii. A number of by-laws were submitted to Department Co-operative Governance and Traditional Affairs for promulgation.
- iv. The Municipal Public Accounts Committee (MPAC) was established and was functional.
- v. The Performance Management System (PMS) was functional in order to strengthen accountability and promote transparency.
- vi. The 2013/14 IDP document and IDP Process Plan were adopted and approved by Council in time for implementation.
- vii. Over 89% issues raised on the Presidential Hotline were addressed, which was an improvement from 53%.
- viii. Communication about interruption of services took place through notices, hailing, and media briefing.
- ix. Various forms of community engagements and campaigns were held, such as mayoral izimbizo's.
- x. A Ward Committee Summit was held on the induction, roles and responsibilities, and functionality of Ward Committees.

**• Institutional Transformation and Development**

- i. The long outdated furniture in the Council Committee Room at the Civic Centre was replaced.
- ii. Carolina Town Hall and Silobela Community Hall were renovated.
- iii. The LANWAN, reconfiguration of the communication network were completed and were functional.
- iv. The Municipal Website was fully functional.
- v. Fencing of the Constituency Office in Silobela was facilitated.
- vi. The existing infrastructure was maintained to postpone huge infrastructure development due to ageing infrastructure.

**• Economic and Efficiency and Value For Money**

- i. A Contracts Register developed with the view to monitor performance of services providers to ensure value for money for the services and goods rendered in compliance with signed Service Level Agreements.
- ii. A Fleet Management System was installed on all municipal vehicles and was operational with the view to reduce costs on vehicles and plant, the cost benefits would be determined in the next financial year, and all stakeholders and users alike were workshopped.

**1.5.6b AUDITOR-GENERAL REPORT 2012/13**

The Audit Strategy and the Engagement Letter were discussed with Management. The process was fair. The Municipality received the Audit Report on 30 November 2013, with only a few matters that were not necessarily considered for the opinion of the Auditor-General, being the performance information and objectives that were 99 out of 188 that the Municipality did not achieve - a matter that the Municipality must attend to in the future.

The serious issues that were found were highlighted in the Report of the Auditor-General in Chapter 6, particularly Assets, which contributed in leading the Municipality to receive the qualification.

The Municipality developed a programme to deal with the issues raised by the Auditor-General in order to achieve a clean audit in the 2013/14 financial year.

**1.5.6c STATUTORY ANNUAL REPORT PROCESS**

In terms of the Constitution (1996), a municipality must undertake developmentally orientated planning to ensure that it strives to achieve the objects of local government; give effect to its developmental duties and, together with other organs of state, contribute to the progressive realisation of the fundamental rights.

Further, such planning should be aligned with, and complement the development plans and strategies of other stakeholders, viz other affected municipalities and other organs of state, to give effect to the principles of co-operative government, and participate in national and provincial development programs.

In order to meet the deadline for the submission and approval of the Municipality's Draft Budget and IDP in March, the Annual Report Process started in July 2013 with the consideration of the Budget and IDP Process Plan for the 2012/13 financial year, and implementation and monitoring of the approved Budget and IDP through the SDBIP; followed by the auditing, assessing, public participation, approval and adoption processes. The SDBIP confirmed relevant legislative content as well as in-year reporting formats (quarterly reports) to ensure that reporting and monitoring fed seamlessly into the Annual Report Process at the end of the Budget and IDP implementation period.

The Annual Report Process ended in March 2014, when the draft Budget and IDP for the 2013/14 financial year were commenced, using the Annual Report (including the Municipality's Performance Report of the previous financial year), Oversight Reports and other considerations to inform and build the draft Budget and IDP finalisation for the 2013/14 financial year.

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No.	Activity	Timeframe
1	Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period	August
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting)	
3	Finalise Fourth Quarter Report for previous financial year	
4	Submit draft 2013/14 Annual Report to Internal Audit and Auditor-General	
5	Audit/Performance committee considers draft Annual Report of Municipality (where relevant)	
6	Mayor tables the unaudited Annual Report	
7	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor-General	
8	Annual Performance Report as submitted to Auditor-General to be provided as input to the IDP Analysis Phase	
9	Auditor-General assesses draft Annual Report including consolidated Annual Financial Statements and Performance data	September – October
10	Municipalities receive and start to address the Auditor-General's comments	November
11	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	
12	Audited Annual Report made public and representation invited	
13	Oversight Committee assesses Annual Report	
14	Council adopts Oversight report	December
15	Oversight report made public	
16	Oversight report submitted to relevant provincial Councils	
17	Commence with Draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input	January

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**CHAPTER 2**

**GOVERNANCE**

**COMPONENT A**

**GOVERNANCE STRUCTURE**

**2.1 Introduction**

Section 40 of the Constitution (1996) recognises that government was constituted as national, provincial, and local spheres of government that were distinct, interdependent and interrelated. All spheres of government must observe and adhere to the principles in this chapter and must conduct their activities within the parameters that the chapter provides. Section 41 of the Constitution (1996) states that all spheres of government and all organs of state must co-operate with one another.

The mandate of Chief Albert Luthuli Municipality was derived from Section 151 of the Constitution (1996), which stated that the objects of local government were -

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

A municipality must strive, within its financial and administrative capacity, to achieve the objects set out above.

**2.2 POLITICAL GOVERNANCE STRUCTURE**

Section 151(3) of the Constitution (1996) states that the council of a municipality have the right to govern, on its own initiative, the local government affairs of the local community.

Chief Albert Luthuli Municipality adopted executive mayor and executive committee governance arrangements. The Municipality was comprised of a Mayoral Committee, and Section 79 and 80 Committees. The Mayoral Committee and Section 80 Committees dealt with the executive part of administration, and the Section 79 Committees were responsible for oversight. The Municipality furthermore had an Audit Committee, as well as a Municipal Public Accounts Committee.

The Municipality established Ward Committees in its 25 Wards with the view to strengthen public participation and entrench democracy. The Ward Committees were fully functional and their role involved, amongst others, to be the ears and eyes of Council at grassroots level. Inputs from the Ward Committees were discussed in Council meetings so that it received the necessary attention.

**2.2.1 Top Political Leadership**

Designation	Function
<p><b>EXECUTIVE MAYOR</b>  <b>Clr Busisiwe P Shiba</b></p> 	<p>The Executive Mayor -</p> <ul style="list-style-type: none"> <li>• provides general political guidance over the fiscal and financial affairs of the municipality;</li> <li>• identifies, reviews and evaluates the needs of the municipality in order of priority;</li> <li>• recommends to the municipal council strategies, programmes and services to address priority needs;</li> <li>• recommends or determines the best way to deliver those strategies, programmes and services to the maximum benefit to the community;</li> <li>• identifies and develops criteria in terms of which progress in the implementation of the strategies programmes and services can be evaluated;</li> <li>• evaluates progress;</li> <li>• reviews the performance of the municipality in order to improve the economy, efficiency and effectiveness of the municipality, and the efficiency of credit control, and revenue and debt collection services;</li> <li>• monitors the management of the municipality's administration;</li> <li>• oversees the provision of services to communities in a sustainable manner;</li> <li>• performs duties and powers as the council may delegate;</li> <li>• annually reports on the involvement of communities in the affairs of the municipality;</li> <li>• ensures that regard is given to public views and the effect of consultation on the decisions of council;</li> <li>• performs a ceremonial role as determined by council;</li> <li>• reports to the council on all decisions taken by the executive mayor.</li> </ul>

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Designation	Function	
<p><b>SPEAKER OF THE COUNCIL</b> Cir S Mafika Nkosi</p> 	<p>The Speaker of the Council -</p> <ul style="list-style-type: none"> <li>• presides at meetings of the council;</li> <li>• performs the duties and exercises the powers delegated to the speaker ito section 59 of the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000);</li> <li>• ensures that the council meets at least quarterly;</li> <li>• maintains order during meetings;</li> <li>• ensures compliance in the council and council committees with the Code of Conduct for Councillors;</li> <li>• ensures that council meetings are conducted in accordance with the rules and orders of the council.</li> </ul>	
<p><b>COUNCIL WHIP</b> Cir Daniel P Nkosi</p> 	<p>The Council Whip may -</p> <ul style="list-style-type: none"> <li>• provide political management of council meetings and committee meetings;</li> <li>• inform councillors of meetings called by the Speaker and the Executive Mayor and ensure that such meetings quorate;</li> <li>• advise the Speaker and Executive Mayor on the council agenda;</li> <li>• inform councillors on important matters on the relevant agenda;</li> <li>• advise the Speaker on the amount of time to be allocated to speakers and the order of such speakers addressing the council;</li> <li>• ensure that councillors' motions are prepared and timeously tabled in terms of the procedural rules of Council;</li> <li>• assist the Speaker in the counting of votes;</li> <li>• advise the Speaker and the Executive Mayor of urgent motions;</li> <li>• advise the Speaker and Executive Mayor on how to deal with important items not disposed of at a council meeting</li> </ul>	
<p><b>MAYORAL COMMITTEE</b> <b>MEMBERS OF THE MAYORAL COMMITTEE</b></p>	<p>The Mayoral Committee -</p> <ul style="list-style-type: none"> <li>• assists and advises the Executive Mayor;</li> <li>• chairs designated departmental portfolio committee meetings;</li> <li>• performs any Executive Mayor's powers delegated by the Executive Mayor</li> </ul>	
<p>Cir Walter M Mngomezulu MMC for Corporate Services, Technical Services, Project Management Unit (PMU)</p> 	<p>Cir Ntombikayise M Mnisi MMC for Public Safety</p> 	<p>Cir Qondile G Thabethe MMC for Community Services and Planning and Economic Development</p> 
<p><b>MUNICIPAL PUBLIC ACCOUNTS COMMITTEE</b> Cir V S Shabangu Chairperson</p> 	<p>The MPAC -</p> <ul style="list-style-type: none"> <li>• exercises oversight over the executive functionalities of council;</li> <li>• performs functions which is formally delegated to it in accordance with the provisions of section 59 of the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000)</li> <li>• considers and evaluates the content of the annual report and to make recommendations to Council when adopting an oversight report on the annual report;</li> <li>• In order to assist with the conclusion of matters that may not be finalised, reviews information relating to past recommendations made on the Annual Report; this relates to current in-year reports, including the quarterly, mid-year and annual reports;</li> <li>• examines the financial statements and audit reports of the Municipality, and in doing so, the Committee must consider improvements from previous statements and reports and must evaluate the extent to which the Audit Committee's and the Auditor-General's recommendations have been implemented;</li> <li>• promote good governance, transparency and accountability on the use of municipal resources;</li> <li>• recommends or undertakes any investigation in its area of responsibility, after reviewing any investigation report already undertaken by the Municipality or the Audit Committee; and</li> <li>• performs any other functions assigned to it through a resolution of Council within its area of responsibility</li> </ul>	

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**2.2.2 Municipal Councillors**

Chief Albert Luthuli was designated by the Demarcation Board designated as a municipality with 25 wards and 49 councillors.

The then MEC for Co-operative Governance and Traditional Affairs, the Honourable Madala Masuku, designated full-time councillors, being the Executive Mayor, three Members of the Mayoral Committee (MMCs), the Speaker of Council, and the Council Whip. However, the Department Co-operative Governance and Traditional Affairs had given a directive that the Municipality could fill only three vacancies on the Mayoral Committee. The other would be filled after the Municipality's financial viability had been verified.

At the SALGA National Conference held in Durban in 2011, it was resolved that the Chairperson of the Municipal Public Accounts Committee should be designated as a full-time position. That was escalated to the determination of upper limits, and approved as such. The Council of the Municipality then designated the Chairperson of the Municipal Public Accounts Committee as a full-time councillor.

All 25 Wards in Chief Albert Luthuli Municipality had serving Ward Councillors, PR Councillors, and established Ward Committees for the financial year under review.

Further information on Councillors was included herewith under Appendix A, B, E and F.

The Councillors of the Municipality were as follows:

Councillors		
Councillor	Ward	PR Councillor
Clr R G Vilakazi	1 Diepdal	Clr M H Nkosi
Clr E M Maduna	2 Fernie 2	Clr N J Nkabinde
Clr N I Mdluli	3 Fernie 3	Clr J Makene
Clr M L Steenkamp	4 Mayflower, Phola	Clr V S Shabangu
Clr A Ngubeni	5 Slovo, Dundonald 2	Clr S T Q Malaza
Clr J D Simelane	6 Swallowsnest	Clr T J Motha
Clr T W Zulu	7 Mayflower	Clr Z M Dlodlu
Clr S J Nkosi	8 Hartebeeskop	Clr V V Vilakazi
Clr F E Nkosi	9 Mayflower	Clr D P Nkosi
Clr E B Mkhabela	10 Arnheimburg	Clr B P Shiba
Clr P J Soko	11 Glenmore A and B	Clr J Makene
Clr A D Nkosi	12 Ekulindeni	Clr N Mnisi
Clr B M Masuku	13 Top Centre Tjakastad	Clr P P Mhlanga
Clr F J Ntuli	14 Longhomes Elukwatini A	Clr N V Makhubelo
Clr L D Shabangu	15 Carolina Town	Clr J S Nkosi
Clr N G Thomo	16 Nhlazatshe 1 and 3	Clr N R Cindi
Clr J Vilakazi	17 Emanzana (Badplaas) and Town	Clr S M Nkosi
Clr G J Nkosi	18 Phola, Tjakastad	Clr T E Zwane
Clr M J Nkosi	19 Newstand, Mooiplaas	Clr N M Mnisi
Clr J S Mbhele	20 Nhlazatshe 4A and 4B	Clr N M Nkosi
Clr S F Mthombeni	21 Carolina, Patkamp	Clr Q G Thabethe
Clr F D M Phakathi	22 Carolina Crossroads	Clr N B Sikhakhane
Clr E J Lubede	23 Theeboom	Clr V L Nkosi
Clr T W Motha	24 Nhlazatshe 5	Clr F D M Phakathi
Clr S Z Nkosi	25 Part of Nhlazatshe 1	

The functions of the Ward Councillors were as follows:

- To chair all Ward Committee meetings
- To chair community meetings
- To represent the community
- To deal with community needs, the Integrated Development Plan, and Budget. The Proportional Representative Councillors assisted with the above duties.

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**2.2.3 Oversight Committees of Council**

The following Council Committees were established and were fully functional:

- i) **Section 79 Committees [Local Government: Municipal Structures Act, 1998 (Act No 117 of 1998)]**
  - S79 Infrastructure and Economic Development
  - S79 Finance and Administration
  - S80 Technical Services and Corporate Services
  - S79 Community and Public Safety
  - S79 Geographic Naming, Rules, Ethics and Petitions
  - S79 Municipal Public Accounts Committee (MPAC)
  - S79 Policies and By-Laws
- (ii) **Municipal Public Accounts Committee (MPAC) [Local Government: Municipal Structures Act, 1998 (Act No 117 of 1998)]**
- iii) **Policies and By-Laws Committee [Local Government: Municipal Structures Act, 1998 (Act No 117 of 1998)]**
- iv) **Audit Committee [Section 166 - Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003)]**
- iv) **Section 80 Committees [Local Government: Municipal Structures Act, 1998 (Act No 117 of 1998)]**
  - S80 Finance Committee
  - S80 Public Safety Committee
  - S80 Community Services and Planning and Economic Development (PED) Committee
  - S80 Technical Services and Corporate Services Committee

**2.2.4 Political decision-making**

Matters for decision-making were divided into two categories - those that were delegated to the Executive Mayor, and those that were reserved for Council. Resolutions were clearly marked "D" and "R" respectively; "D"-resolutions were finalised by the Mayoral Committee, whereas "R"-resolutions were finalised by the Council.

**2.2.5 Municipal Governance and Intergovernmental Relations**

The Council of Chief Albert Luthuli Municipality comprised the following political parties, namely the African National Congress, the Democratic Alliance, the National Freedom Party, and the Congress of the People. In terms of Section 41 of the Constitution (1996), the Administration and Political Office-bearers participated in various intergovernmental relations structures ranging from the Gert Sibande District Municipality Municipal Managers Forum, Mayors Forum, Speakers Forum, Council Whips Forum, Technical Munmec, Premier Co-ordination Forum, to name but a few.

No significant changes in respect of the composition of the Municipal Council were recorded during the financial year in question. The meetings of those Intergovernmental Relations Structures were normally convened one per month.

**2.3 ADMINISTRATIVE GOVERNANCE STRUCTURE**

In terms of Section 60(b) of the Local Government: Municipal Finance Management Act (2003), the municipal manager of a municipality is the accounting officer of the municipality for the purposes of the Act, and must provide guidance on compliance with the Act to political structures, political office-bearers, and officials of the municipality ...

The Municipality comprised of seven administrative departments, namely Corporate Services, Financial Service, Public Safety, Community Services, Technical Services, Planning and Economic Development Services, and Project Management Services. All the departments were working towards achieving the goals of the Municipality; hence, the day-to-day activities were linked to the Integrated Development Plan.

The IDP on its own was a plan without money; it should be budgeted for in order to be implemented. It was then linked to the Annual Budget in a plan that was called the Service Delivery and Budget Implementation Plan (SDBIP).

Through monthly reports, the Municipal Manager and Audit Committee advised the Municipal Council on the compliance with that Plan.

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2.3.1 Top Administrative Leadership

Designation	Functions
<p><b>MUNICIPAL MANAGER</b> Mr Vusumuzi Nelson Mpila</p> 	<p>The municipal manager is the accounting officer of the Municipality. The Municipal Manager -</p> <ul style="list-style-type: none"> <li>• exercises the functions and powers assigned to an accounting officer in terms of the Local Government: Municipal Finance Management Act (2003);</li> <li>• provides guidance and advice on compliance with the Local Government: Municipal Finance Management Act (2003) to the political structures, political office-bearers and officials of the Municipality;</li> <li>• ensures implementation of the Integrated Development Plan;</li> <li>• provides all administrative responsibilities;</li> <li>• takes responsibility for all human resource matters; financial management; asset management; procurement.</li> </ul>
<p><b>CHIEF FINANCIAL OFFICER</b> Mr Phumuzi Jeremiah Nhlabathi</p> 	<p>The Chief Financial Officer -</p> <ul style="list-style-type: none"> <li>• is responsible for the overall administration of the Finance Department ;</li> <li>• provides strategic leadership in the Finance Department;</li> <li>• develops and continuously evaluates short and long-term strategic financial objectives;</li> <li>• ensures that internal financial targets and budget were fully consistent with the Municipality's Integrated Development Plan, SDBIP and relevant agreements with other sectors of government</li> </ul>
<p><b>DIRECTOR: CORPORATE SERVICES</b> Mr Simon Felani Mndebele</p> 	<p>The Director: Corporate Services -</p> <ul style="list-style-type: none"> <li>• is responsible for the overall administration of the Corporate Services Department;</li> <li>• provides support at support Council meetings;</li> <li>• co-ordinates and controls the activities of Administration, Committees, Registry, Legal Services, Human Resources, Occupational Health and Safety</li> <li>• ensures efficient and functioning of the total administration of the Municipality; employment equity and skills development</li> </ul>
<p><b>DIRECTOR: PUBLIC SAFETY</b> Mr Kokopane Berned Makgopa</p> 	<p>The Director: Public Safety -</p> <ul style="list-style-type: none"> <li>• is responsible for the overall administration of the Public Safety Department;</li> <li>• is responsible for Public Safety, Registering and Licensing of Motor Vehicles; Fire and Rescue Services; and Disaster Management.</li> </ul>

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Designation	Functions
<p><b>DIRECTOR: TECHNICAL SERVICES</b> Mr Dira Macdonald Modimogale</p> 	<p>The Director: Technical Services -</p> <ul style="list-style-type: none"> <li>• is responsible for the overall administration of the Technical Services Department;</li> <li>• manages Electricity, Water, Sanitation, Public Works, Operation and Maintenance; Municipal infrastructure; Fleet Management</li> </ul>
<p><b>DIRECTOR: COMMUNITY SERVICES</b> Mr Zeph Fufu Mkhwanazi</p> 	<p>The Director: Community Services -</p> <ul style="list-style-type: none"> <li>• is responsible for the overall administration of the Community Services Department;</li> <li>• manages community health services; waste management; support to youth/women/ people living with disability;</li> <li>• provides sport and recreational facilities; libraries; cemeteries; parks and gardens; and environmental health.</li> </ul>
<p><b>DIRECTOR: PLANNING AND ECONOMIC DEVELOPMENT</b> Mr Themba Aaron Lukhele</p> 	<p>The Director: Planning and Economic Development -</p> <ul style="list-style-type: none"> <li>• is responsible for the overall administration of the Planning and Economic Development Department;</li> <li>• is responsible for the overall strategic planning of the Municipality, local economic development; Integrated Development Plan planning; strategic planning and management</li> </ul>
<p><b>MANAGER : PROJECT MANAGEMENT UNIT</b> Mr Bongile C Mdutyulwa</p> 	<p>The Manager: Project Management Unit (PMU) -</p> <ul style="list-style-type: none"> <li>• is responsible for the overall administration of the Project Management Unit;</li> <li>• implements, monitors and reports on MIG-funded projects;</li> <li>• designs and implements all other projects.</li> </ul>

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**COMPONENT B**

**INTERGOVERNMENTAL RELATIONS AND  
CO-OPERATIVE GOVERNANCE**

**2.4 Introduction**

In terms of Section 3 of the Local Government: Municipal Systems Act (2000), a municipality must exercise its executive and legislative authority within the constitutional system of co-operative governance envisaged in section 41 of the Constitution (1996).

Section 41 of the Constitution (1996) provides for co-operative governance in the three spheres. At National level, there was the Presidential Co-coordinating Forum and MinMec. At Provincial level, there was the Premier Co-ordinating Forum and the MunMec. At District level, there was the Mayors Forum and Municipal Managers Forum.

**2.4.1 INTERGOVERNMENTAL RELATIONS**

In terms of Section 3 of the Local Government: Municipal Systems Act (2000), municipalities must exercise their executive and legislative authority within the constitutional system of co-operative governance as envisaged in Section 41 of the Constitution (1996).

The Municipality participated in the following Intergovernmental Relations Structures in furtherance of co-operative governance, namely:

**2.4.1a National Intergovernmental Structures**

SALGA sat on the National Intergovernmental Structures on behalf of municipalities and engaged on all other policies deliberations, or legislative amendments, proposed bills, or any other matters that concerned the local sphere of governance.

**2.4.1b Provincial Intergovernmental Structure**

The Executive Mayor and Municipal Manager participated in the Premier Co-ordinating Forum and the MunMec structures.

**2.4.1c District Intergovernmental Structures**

Gert Sibande District Municipality had intergovernmental structures named the Gert Sibande District Municipal Managers Forum and the Executive Mayors Forum.

**COMPONENT C**

**PUBLIC ACCOUNTABILITY AND PARTICIPATION**

**2.5 Introduction**

In terms of Section 15(b) of the Local Government: Municipal Systems Act (2000), a municipality must establish and organise its administration to facilitate a culture of accountability amongst its staff.

In terms of Section 16(i), a municipality must develop a system of municipal governance that complements formal representative governance with a system of participatory governance.

In terms of Section 18(i)(d), a municipality must supply its community with information concerning municipal governance, management and development.

The Municipality provided quarterly reports and conducted bi-monthly Council meetings, which were attended by members of the community and Ward Committees, as well as Community Development Workers from the 25 Wards of the Municipality; mayoral izimbizo and IDP forums were attended by various stakeholders and communities.

**2.5.1a Public Meetings**

Nature and purpose of meeting	Date of Meeting	Number of participating municipal Councillors	Number of participating municipal officials	Number of community members attending	Dates and manner of feedback given to community
Ward Committee Meetings	Monthly	40	12	318	Monthly statutory committee meetings
CDW monthly meetings	Monthly	0	1	38	Monthly statutory committee meetings
Community Consultative Meetings	Bi-monthly	47	9	18 076	Sectional community consultation and feedback meetings in all 25 Wards

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Nature and purpose of meeting	Date of Meeting	Number of participating municipal Councillors	Number of participating municipal officials	Number of community members attending	Dates and manner of feedback given to community
COGTA meeting with Ward Committee members and CDWs	18/08/2013 19/08/2013 20/08/2013 21/08/2013	11	3	189	COGTA Ward Operational Plan Workshop for Ward Committee members
Speaker's visit to Ward Committees	25/02/2014	22	3	238	Speaker's visit to Ward Committees and communities
Mayoral Izimbizo	Bi-monthly Annually	49	20	5500	

**2.5.1b Communication, Participation and Forums**

In terms of Section 18(i)(d) of the Local Government: Municipal Systems Act (2000), a municipality must supply its community with information concerning municipal governance, management and development.

The Municipality used printed and audio media as a way of communication, for example, people were invited by posting notices on the Municipal Website, at shops and at public places. The Municipality also made use of Radio Ligwalagwala, Kwekwezi FM and Radio Alpha broadcasts to invite people to meetings.

Otherwise, the most common method used was loud hailing in areas where a meeting or an imbizo was planned. The community was used to that method of communication.

**2.5.1c Budget Consultative Meetings**

At the Budget Consultative Meetings, Ward Committees were tasked to conduct public meetings and submit reports to the Office of the Speaker.

**2.5.1d Ward Committee Meetings**

Ward Committees reported to the Office of the Speaker. They were required to meet once a month and submit their reports to the Office of the Speaker. Issues raised by them were processed by the Office of the Speaker to the Municipal Manager in order to that the various departments attend to that.

**2.5.2 Effectiveness of public meetings**

The effectiveness of public meetings held were effective and were attended number of stakeholders ranging from sector department, community development workers, and ward committee members from the 25 wards of the Municipality.

The Municipality often arranged transport for all the important stakeholders to attend public meetings of the Municipality. Members of the community were afforded the opportunity to interact with their leaders, and their inputs were taken into cognisance when the Budget and IDP were finalised.

**COMPONENT D**

**CORPORATE GOVERNANCE**

**2.6.1a Risk Management**

In terms of Section 62(1)(c)(i) and (ii) of the Local Government: Municipal Finance Management Act (2003), a municipality must have and maintain an effective, efficient, and transparent system of risk management; and further that the municipal manager is responsible for managing the municipality's financial administration. For this purpose, the municipal manager must take all responsible steps to ensure, amongst others, that the municipality has and maintains effective, efficient, and transparent systems of financial and risk management, and control of internal audit operating in accordance with any prescribed norms and standards.

In order to give effect to the above, the Municipal Manager established the Risk Management Committee, which comprised the Top Management of the Municipality and an external chairperson. The Committee sat only twice during the 2013/14 financial year ended 30 June 2014, due to the resignation of the chairperson in the second quarter.

Risk management is an important aspect of all our lives. The Municipality was exposed to risk both in terms of **threats** to service provision and from the potential of **lost opportunities**. It was essential that the Municipality could demonstrate to its citizens that it was fully considering the implications of risk as it delivered its business for the benefit of its residents.

The risk management process was designed to support councillors and staff in ensuring that the Municipality was able to fully discharge its risk management responsibilities in a consistent manner. The Municipality had a Risk Management Strategy that outlined the objectives, benefits and approach to the process to ensure that risks, both positive and negative, were successfully managed.

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Risk management in the Municipality was about improving its ability to deliver outcomes for the community by managing its threats, enhancing its opportunities, and creating an environment that added value to ongoing activities. The Municipality developed a Risk Management Policy, Strategy and Process to guide and ensure that the Section was functioning as intended, and the Municipality had processes in place to mitigate and manage all the risks that would prevent the Municipality to achieve its goals and objectives.

Risk management is a key part of corporate governance. Corporate governance is the way an organisation manages its business, determines strategy and objectives, and goes about achieving those objectives. Good risk management would help identify and deal with key corporate risks facing the organisation in the pursuit of its goals, and was a key part of good management, not simply a compliance exercise.

The Risk Management Unit operated according to the Risk Management Framework and the King III Report, The Unit perform reasonably well during this period. The Unit conducted a Strategic Risk Assessment for the Municipality and reviewed the Operation Risks for all the municipal departments, and has developed action plans for the mitigation of the identified risks.

The Unit also reviewed its policies and Strategy. An Anti-Fraud and Corruption Policy was communicated to employees by means of e-mail. The Municipality has a functional Risk Management Committee; however, the Committee was lately chaired by an internal member until the appointment processes for a chairperson had been finalised.

**2.6.1b Top 10 Identified Risks**

Risk Identified / Name	Assignment to	Progress
1. Insufficient revenue collection	<ol style="list-style-type: none"> <li>1. Continue with data cleansing</li> <li>2. Issue demand letters and enforce policy</li> <li>3. Conduct spot checks on illegal connections</li> <li>4. Allocate budget for formalisation of settlements</li> <li>5. Provide budget for procurement and installation of water meters</li> <li>6. Ensure the completeness of the Valuation Roll</li> </ol>	<ol style="list-style-type: none"> <li>1. Budget provision was made for data cleansing</li> <li>2. Demand letters issued and disconnections made</li> <li>3. Meter Inspectors conduct regular inspections</li> <li>4. Projects were budgeted for but not implemented due to the financial position of the municipality</li> <li>5. Procured prepaid electricity meters</li> <li>6. Interim Valuation Roll implemented</li> </ol>
2. Inadequate implementation of SCM policies and processes, and other legislation	<ol style="list-style-type: none"> <li>1. Train SCM officials on utilizing the SCM System</li> <li>2. Procure vetting system for service providers</li> <li>3. Provide procure plan by departments</li> <li>4. Develop and effectively implement master plans (Roads, Stormwater, Energy and Sanitation)</li> <li>5. Educate employees on SCM legislation related to their field of work</li> <li>6. Capital project for replacement / refurbishment of the aging infrastructure</li> <li>7. Provide procurement plans by departments</li> </ol>	<ol style="list-style-type: none"> <li>1. COGTA to provide training</li> <li>2. No progress</li> <li>3. Departments submitted procurement plans</li> <li>4. Development of Roads and Stormwater Master Plans at 70%</li> <li>5. -</li> <li>6. The contractor will be on site</li> <li>7. -</li> </ol>
3. Inadequate management of assets	<ol style="list-style-type: none"> <li>1. Capacitate the current staff on asset management</li> <li>2. Upload the asset register to the financial management system</li> <li>3. Update and reconcile the asset register at year-end</li> <li>4. Appoint a service provider to componentise the asset register</li> <li>5. Develop and implement an Asset Management Strategy</li> </ol>	<ol style="list-style-type: none"> <li>1. Employees attending an MFMA programme</li> <li>2. -</li> <li>3. Asset register updated to 30 June 2014</li> </ol>
4. Illegal dumping	<ol style="list-style-type: none"> <li>1. Engage COGTA to fast track the promulgation of by-laws</li> <li>2. Continue with educational programmes</li> <li>3. Dispose vacant sites</li> <li>4. Extend refuse removal services to other areas</li> <li>5. Procure skip bins</li> <li>6. Implement the Environment Protection Plan</li> </ol>	<ol style="list-style-type: none"> <li>1. Awareness campaigns were conducted</li> <li>2. Illegal dumps were cleared</li> <li>3. Erect "No Dumping"-signs</li> <li>4. Item for disposal of sites served before Council in October 2014</li> <li>5. Street Trading By-Laws were approved</li> </ol>
5. Inadequate provision of basic services (water, sanitation, electricity, and roads and stormwater)	<ol style="list-style-type: none"> <li>1. Refurbish infrastructure</li> <li>2. Recruit Process Controllers</li> <li>3. Identify and legalise connections</li> <li>4. Upgrade pumping capacity</li> <li>5. Implement Water Safety Plan</li> <li>6. Build or upgrade water supply tanks (reservoirs)</li> <li>7. Provide training on water purification</li> <li>8. Replace all AC pipes with PVC pipes</li> <li>9. Implement the Abetment Plan</li> <li>10. Fence electrical infrastructure and transformers</li> </ol>	<ol style="list-style-type: none"> <li>1. The contractor will be on site before</li> <li>2. 8 Process Controllers advertised, awaited finalisation of recruitment processes</li> <li>3. -</li> <li>4. The contractor was on site</li> <li>5. Continued as per plan</li> <li>6. The contractor was on site</li> <li>7. Trained Process Controllers</li> <li>8. The contractor was on site for replacement of AC pipes at Elukwatini A</li> <li>9. Continued as per plan</li> <li>10. Completed</li> </ol>

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Risk Identified / Name	Assignment to	Progress
	<ol style="list-style-type: none"> <li>11. Develop and implement the Roads and Stormwater Master Plan</li> <li>12. Engage other stakeholders to assist with maintenance and upgrading of roads (Eskom. Mines)</li> </ol>	<ol style="list-style-type: none"> <li>10. Development of Roads and Stormwater Master Plan was at 70%</li> <li>11. Engagement with stakeholders on the Roads and Stormwater Master Plan in process</li> </ol>
6. Loss of Information	<ol style="list-style-type: none"> <li>1. Develop and implement the disaster recovery plan</li> <li>2. Ensure procurement of hardware and software equipment (off-site server)</li> <li>3. Short-term intervention of procuring off-site backup</li> <li>4. Establish an IT Committee</li> <li>5. Develop and implement an IT Governance Framework</li> <li>6.</li> </ol>	<ol style="list-style-type: none"> <li>1. SCM was requested to advertise for the procurement of a Disaster Recovery Plan</li> <li>2.</li> <li>3.</li> </ol>
7. Fraud and Corruption	<ol style="list-style-type: none"> <li>1. Conduct anti-fraud and corruption awareness</li> <li>2. Review anti-fraud and corruption strategy</li> <li>3. Properly align the duties of officials</li> <li>4. Enforce compulsory leave and forfeit of leave days</li> <li>5. Research standard pricing for procurement (market research)</li> <li>6. Introduce vetting of appointees, SCM staff and Management</li> <li>Engage with Province to utilise the Provincial Hotline and whistle-blowing</li> </ol>	<ol style="list-style-type: none"> <li>1. Anti-fraud and corruption to be done during Quarter 3</li> <li>2.</li> <li>3. Anti-Fraud and Corruption strategy was reviewed by Council</li> </ol>
8. Non-compliant Landfill Sites	<ol style="list-style-type: none"> <li>1. Council to allocate funds</li> <li>2. Engage other stakeholders (GSDM)</li> </ol>	<ol style="list-style-type: none"> <li>1. The SOPA and PCF resolved to fund sanitation projects only for the 2013/14 financial year</li> <li>2. Illegal dumps were removed weekly and a service provider was appointed for the construction of the landfill site</li> <li>3.</li> <li>4.</li> </ol>
9. Inability to respond to or have control over fire in events of emergency	<ol style="list-style-type: none"> <li>1. Develop layout plans from the Town Planning Section</li> <li>2. Enforce compliance with building regulations (NHBRC)</li> <li>3. Establish an Inter-departmental Development Committee</li> <li>4. Conduct analysis to identify the need for fire hydrants</li> <li>5. Provide budget for procurement of fire engines</li> <li>6. Effectively implement a communications strategy</li> <li>Develop and implement a Disaster Management Plan</li> </ol>	<ol style="list-style-type: none"> <li>1. Assistance requested from Town Planning Section</li> <li>2. Section</li> <li>3. Planning for fire hydrants project to be planned and budgeted for; not available at present</li> </ol>
10. Inadequate records management (supporting documents)	<ol style="list-style-type: none"> <li>1. Provide training on implementation of an electronic document management system</li> <li>2. Implement the filing plan</li> <li>3. Advocate compliance with the new National Archives Act</li> <li>4. Centralise filing</li> <li>5. Send a memo to all Heads of Department to submit documents to Registry</li> <li>6. Effectively implement a communications strategy</li> </ol>	<ol style="list-style-type: none"> <li>1. Sebata trained the relevant staff on the EDMS.</li> <li>2. The filing plan was in the process of being uploaded on the system</li> <li>3.</li> </ol>

**2.6.1c Anti-Corruption and Fraud Management - Strategy**

Chief Albert Luthuli Municipality was committed to develop and foster a climate within the Municipality where all employees strived for the ultimate eradication of fraud, corruption, theft and maladministration by means of the application of the full spectrum of both pro-active and re-active measures at their disposal.

The Municipality had a Fraud Prevention Policy, and the Policy set down the stance of the Municipality to fraud as well as enforcing existing regulations aimed at preventing, reacting to, and reducing the impact of fraud, corruption, theft and maladministration where those dishonest acts subsist.

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**The Policy**

- (1) The Policy applied to all fraud, corruption, theft, maladministration or suspected irregularities of similar nature involving the following persons or entities:
- All employees of the Municipality;
  - Councillors, consultants, suppliers, contractors and other providers of goods or service to the Municipality;
  - Communities and other parties receiving benefits from the Municipality; and
  - Employees of donors/clients/stakeholders.
- (a) It was the policy of the Municipality that fraud, corruption, theft, maladministration or any other dishonest activities of a similar nature would not be tolerated. In addition, those would be investigated and followed up by the application of all remedies available within the full extent of the law.
- (b) Appropriate prevention and detection controls would be applied. Those included the existing controls and checking mechanisms as prescribed in existing policies, procedures and other relevant prescripts to the activities of the Municipality, and systems of internal control.
- (c) It was the responsibility of every employee of the Municipality to report all incidents of fraud, corruption, theft, maladministration or any other dishonest activities of a similar nature to his/her Manager. If the employee was not comfortable reporting such matters to his/her Manager, he/she should report the matter to his/her Manager's superior, with final recourse to the Chief Financial Officer, Municipal Manager or the Audit Committee. Employees may also report incidents by using the Municipality or the Provincial Anti-Fraud and Corruption Hot-line reporting facility, if they wished to remain anonymous, or for any other reason.
- (d) All Managers were responsible for the detection, prevention and the initiation of the investigation of fraud, corruption, theft, maladministration or any dishonest activities of a similar nature within their areas of responsibility.
- (e) The Municipality should immediately take appropriate legal recourse to recover losses or damages arising from fraud, corruption, theft or maladministration, provided it was cost effective to do so.
- (f) The three actions involved for the resolution of fraud and corruption related incidents were delegated as follows:
- (i) Labour relation related activities: Human Resources with the assistance of Internal Audit;
  - (ii) Criminal prosecutions: Internal Audit and Legal Services in conjunction with Management; and
  - (iii) Civil litigation: Legal Services.
- (g) Submissions to the Executive Management would only be considered if the Chief Financial Officer had reviewed the proposed program/activity to ensure that the risk implications in terms of the criteria below had been duly considered:
- (i) Compliance with legislation e.g. Local Government: Municipal Finance Management Act (2003), Local Government: Municipal Systems Act (2000), etc;
  - (ii) Compliance with internal policies and procedures.
- (h) Internal Audit and the Risk Management Section should be involved with the implementation of programs by:
- (i) Conducting risk assessments / process analysis prior to the initiation of the projects in order to identify areas of actual and potential loss, the design and implementation of internal controls to prevent such losses;
  - (ii) Monitoring compliance to these internal controls during program implementation; and
  - (iii) Performing risk awareness and training.
- (i) The efficient application of Treasury Regulations instructions contained in the codes, circulars, and manuals of the Municipality.
- (2) **Responsibility to conduct investigations**
- (a) The responsibility to initiate investigations relating to the actions listed in this Policy resided with the Managers within the Municipality by reporting it to the Municipal Manager.
- (b) Furthermore to ensure that an investigation had been conducted, a monthly report detailing the status of existing and new cases to be handed over to the Municipal Manager. The Municipal Manager was responsible to table at every Audit Committee meeting a list of all fraud cases, including processes undertaken to finalise the investigations.
- (3) **Confidentiality**
- (a) All information relating to irregularities that was received and investigated would be treated confidentially. The progression of investigations would be handled in a confidential manner and would not be disclosed or discussed with any other person(s) other than those who had a legitimate right to such information. That was important in order to avoid harming the reputations of suspected persons who were subsequently found innocent of wrongful conduct.
- (b) No person was authorised to supply any information with regard to the issues covered within this Policy to any external person or the media without the express permission of the Municipal Manager.

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**(4) Reporting procedures and resolution of reported incidents**

- (a) It was the responsibility of every employee of the Municipality to report all incidents of fraud, corruption, theft, maladministration, and other suspected irregularities of that nature to his/her Manager. If the employee was not comfortable reporting such matters to his/her Manager, he/she should report the matter to his/her Manager's superior, with final recourse to the Municipal Manager or the Audit and Finance Committee.
- (b) It was the responsibility of Managers to report all incidents of fraud, corruption, theft, maladministration, and other suspected irregularities of that nature to the Head: Internal Audit. This reporting should take place as follows:
- (i) Telephonically immediately after discovery of such an incident;
  - (ii) This telephonic report should be followed by a detailed written report to be submitted within 24 hours of the discovery of such an incident.
- (c) It was the responsibility of the Municipal Manager to ensure that the required investigations were conducted, and to record all reported incidents on a database to ensure that the information was available for measurement and reporting purposes. The Municipal Manager may obtain relevant support in terms of skills and manpower from:
- (i) Internal Audit;
  - (ii) Finance;
  - (iii) Human Resources; and
  - (iv) External service providers.
- (d) The Managers should submit reports in terms of incidents investigated to the Municipal Manager, and the Audit Committee.

**(5) Application of prevention controls and detection mechanisms**

In all instances where incidents of fraud, corruption, theft, maladministration, and other similar irregularities of this nature took place, all Managers were required to immediately review the controls that had been breached within a period of 48 hours after the occurrence of the initial incident, in order to prevent similar irregularities from taking place in future. The Internal Audit Section may be approached for assistance in this regard.

**2.6.1d Supply Chain Management**

The Supply Chain Management Policy was reviewed and approved by Council in May 2013. In terms of the SCM Regulations, the Policy must be reviewed by the Accounting Officer at least annually. The reviewed Policy was submitted to the Committee on Policy and By-Laws. Reporting on the implementation of the Policy was reported quarterly to Council. Irregular expenditure, and fruitless and wasteful expenditure during the 2012/13 and 2013/14 financial years were referred to the Municipal Public Accounts Committee for investigation. All irregular, fruitless and wasteful expenditure was condoned by Council, and each case was treated on its merit. Each Directorate was held accountable and had to provide supporting documents for such expenditure.

No councillors were part of any Supply Chain Management Committee. The Accounting Officer appointed the Bid Specification, Bid Evaluation, and Bid Specification Committees in writing.

**2.6.1e By-Laws introduced during 2013/14**

By-laws Introduced during 2013/14					
Newly Developed	Revised	Public Participation Conducted Prior to Adoption of By-Laws (Yes/No)	Dates of Public Participation	By-Laws Gazetted* (Yes/No)	Date of Publication
Credit Control By-Law	Y	N	-	N	11/2003
Electricity By-Law	N	N	-	N	11/2003
Library By-Law	N	N	-	N	11/2003
Property Rates Draft By-Law	Y	N	-	N	11/2003

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2.6.1f Websites

Municipal Website: Content and Currency of Material		
Documents published on the Municipality's Website	Yes / No	Publishing Date
Current annual and adjustments budgets and all budget-related documents	Y	7/2014
All current budget-related policies	Y	7/2014
The previous annual report ( 2012/13)	Y	4/2014
The annual report (2013/14) published/to be published	Y	2/2014
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (2013/14) and resulting scorecards	Y	7/2014
All service delivery agreements (2013/14)		
All long-term borrowing contracts (2013/14)	Y	11/2014
All supply chain management contracts above a prescribed value (give value) for 2013/14		
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14(2) or (4) during 2012/13		
Contracts agreed in 2013/14 to which MSA S33(1) 33 apply, subject to S33(3)		
Public-private partnership agreements referred to in section 120 made in 2013/14		
All quarterly reports tabled in the Council in terms of section 52(d) during 2013/14	Y	

2.6.1g Public Satisfaction and Municipal Services

No public satisfaction surveys were undertaken during the 2013/14 financial year.

2.6.1h Oversight Committees of Council

Council established the following Committees to assist with its duties:

i) **Section 79 Committees [Local Government: Municipal Structures Act, 1998 (Act No 117 of 1998)]**

S79 Infrastructure and Economic Development Committee  
S79 Finance and Administration Committee  
S80 Technical Services and Corporate Services Committee  
S79 Community and Public Safety Committee  
S79 Geographic Naming, Rules, Ethics and Petitions  
S79 Municipal Public Accounts Committee (MPAC)  
S79 Policies and By-Laws Committee

(ii) **S79 Municipal Public Accounts Committee (MPAC) [Local Government: Municipal Structures Act, 1998 (Act No 117 of 1998)]**

The Municipal Public Accounts Committee is a Section 79 Committee, and was established by Council resolution to serve as an oversight committee over the executive obligations of Council; to assist Council to hold the executive to account, and to ensure the efficient and effective use of municipal resources. By doing so, the MPAC would help to increase Council and public awareness of the financial and performance issues of the Municipality.

The primary functions of the MPAC were as follows:

- (i) To consider and evaluate the content of the annual report and to make recommendations to Council when adopting an oversight report on the annual report;
- (ii) In order to assist with the conclusion of matters that may not be finalised, information relating to past recommendations made on the Annual Report, must also be reviewed. This relates to current in-year reports, including the quarterly, mid-year and annual reports;
- (iii) To examine the financial statements and audit reports of the Municipality, and in doing so, the Committee must consider improvements from previous statements and reports and must evaluate the extent to which the Audit Committee's and the Auditor-General's recommendations have been implemented;
- (iv) To promote good governance, transparency and accountability on the use of municipal resources;
- (v) To recommend or undertake any investigation in its area of responsibility, after reviewing any investigation report already undertaken by the Municipality or the Audit Committee; and
- (vi) To perform any other functions assigned to it through a resolution of Council within its area of responsibility.

The MPAC was supported by officials to coordinate and undertake research activities as required by the Committee's work programme.

The MPAC comprised of solely of councillors as prescribed by the Department: Co-operative Governance and the Department: National Treasury Guidelines for Establishment of Municipal Public Accounts Committees, of which no member was serving as

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Executive Mayor, Speaker, Chief Whip or member of the Mayoral Committee. The Committee reported to Council on a quarterly basis. The Chairperson of the MPAC was appointed by Council Resolution on a full-time basis.

(iii) S79 Policies and By-Laws Committee [Local Government: Municipal Structures Act, 1998 (Act No 117 of 1998)]

(iv) S79 Audit Committee [Section 166 - Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003)]

In terms of the above legislation -

- (1) Each municipality must have an audit committee, subject to subsection 6.
- (2) An audit committee is an independent advisory body which must -
  - (a) advise the municipal council, the political office-bearers, the accounting officer and the management staff of the municipality on matters relating to -
    - (i) internal financial control and internal audits;
    - (ii) risk management;
    - (iii) accounting policies;
    - (iv) the adequacy, reliability and accuracy of financial reporting and information;
    - (v) performance management;
    - (vi) effective governance;
    - (vii) compliance with the Act, the annual Division of Revenue Act (DoRA) and any other applicable legislation;
    - (viii) performance evaluation; and
    - (ix) any other issues referred to it by the municipality;
  - (b) review the annual financial statements to provide the council of the municipality with an authoritative and credible view of the financial position of the municipality, its efficiency and effectiveness and its overall level of compliance with the Act, the, the DoRA and any other applicable legislation;
  - (c) respond to the council on any issues raised by the Auditor-General in the audit report;
  - (d) carry out such investigations into the financial affairs of the municipality as the council of the municipality may request; and
  - (e) perform such other functions as may be prescribed.
- (3) In performing its functions, an audit committee -
  - (a) has access to the financial records and other relevant information of the municipality; and
  - (b) must liaise with -
    - (i) the internal audit unit of the municipality; and
    - (ii) the person designated by the Auditor-General to audit the financial statements of the municipality.
- (4) An audit committee -
  - (a) must consist of at least three persons with appropriate experience, of whom the majority may not be in the employ of the municipality; and
  - (b) meet as often as is required to perform its functions, but at least four times a year.
- (5) The members of an audit committee must be appointed by the council of the municipality. One of the members who is not in the employ of the municipality, must be appointed as the chairperson of the committee. No councillor may be a member of an audit committee.
- (6) A single audit committee may be established for -
  - (a) a district municipality and the local municipalities within that district municipality; and
  - (b) a municipality.

An audit committee was appointed for Chief Albert Luthuli Municipality by Council resolution. The members of the Audit Committee were as follows:

Chairperson - Mr Tebogo Gafane  
Members - Ms Sanele Gumbi  
                  Mr Xolani Khumalo  
                  Ms Mmabatho Sepuru

No councillors were members of the Audit Committee.

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(v) Section 80 Committees [Local Government: Municipal Structures Act, 1998 (Act No 117 of 1998)]

In terms of the above legislation -

- (1) If a municipal council has an executive mayor, it may appoint in terms of section 79, committees of councillors to assist the executive mayor.
- (2) Such committees may not in number exceed the number of members of the mayoral committee.
- (3) The executive mayor -
  - (a) appoints a chairperson for each committee from the mayoral committee;
  - (b) may delegate any powers and duties of the executive mayor to the committee;
  - (c) is not divested of the responsibility concerning the exercise of the power or the performance of the duty;  
and
  - (d) may vary or revoke any decision taken by a committee, subject to any vested rights.
- (4) Such a committee must report to the executive mayor in accordance with the directions of the executive mayor.

The following S80 Committees were established by Council Resolution:

S80 Finance Committee  
S80 Public Safety Committee  
S80 Community Services and Planning and Economic Development (PED) Committee  
S80 Technical Services and Corporate Services Corporate

All the S80 Committees held regular monthly meetings during the 2013/14 financial year.

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CHAPTER 3

SERVICE DELIVERY PERFORMANCE  
(Performance Report Part I)

**Analysis of Municipal Performance Information for the 2013/14 Financial Year**

The analysis of the performance information in this section was based on the most important key performance area, which was basic service delivery. That was based on the fact that in the event there was poor service delivery or a lack thereof, our people would end up in the street.

**3.1 DEPARTMENT TECHNICAL SERVICES AND PROJECT MANAGEMENT UNIT (PMU)**

**3.1.1 WATER**

Chief Albert Luthuli Municipality is a Water Service Authority. The Water and Sanitation Section was mandated to provide water services as per the Water Services Act (1997). The Water Section was responsible for the operation, maintenance and upgrading of water and sanitation infrastructure; and also for issues related to water quality monitoring.

The Municipality had seven water schemes and four package plants. The operation and maintenance of the infrastructure was done internally by the technical team, while other major repair and maintenance services were delegated to contracted service providers. The existing infrastructure did not meet the demand of the current population, which led to limited supply to other areas, particularly in Eerstehoek and Empuluzi where water supply was rationed. Package Plants were installed as an intervention at both areas to augment water supply. Reliable, uninterrupted and constant water supply was further affected by power supply outages and breakdowns of equipment.

The Municipality was strongly pursuing compliance with the Blue and Green Drop Certification Programme. In the 2012/13 financial year the Municipality developed both the Water Safety and Wastewater Risk Abatement Plans. There was also great improvement at the Boesmanspruit Dam in Carolina, which was highly contaminated.

The Municipality provided water services to deep rural communities by means of water tankers, electrified rudimentary boreholes connected to raised tanks and manual pumps.

The Water and Sanitation Section, like other Sections in the Technical Services Department, was faced with the challenge of ageing infrastructure, which resulted in high water losses and disruptions of water supply.

Legislation included the Water Services Act (1997), and the General Enabling Act (2005).

**3.1.1a Backlogs**

**(i) Sanitation**

- **Challenges:** The Municipality provided VIP toilets to eradicate sanitation backlog. However, the Provincial Government since directed municipalities to cease sanitation of that technology, especially in rural areas where there was no infrastructure.
- **Intervention:** The Municipality would require an estimated R2.5 billion to roll out water-borne sanitation.
- **Recommendations:** Department of Co-operative Governance and Traditional Affairs, Department of Water and Sanitation, and Department of Human Settlement should provide clear policy guidelines regarding Water backlogs.

**(ii) Water**

- **Challenges:** The Municipality was faced with the challenge of providing water to deep rural areas through the water distribution network. These areas were provided with water by means of boreholes and water tankers.
- **Intervention:** The Municipality was considering regional bulk water schemes to increase access to piped water to areas that were not supplied through the distribution network. Applications were submitted to and approved by the RBIG.
- **Recommendations:** The Gert Sibande District Municipality and Department of Water and Sanitation needed to expedite the implementation of the RBIG projects.

**(iii) Electricity**

- **Challenges:** The backlog was mostly in the Eskom area of supply. The connection costs were high in the deep rural areas. In some instances, Eskom was delaying the energisation of connected households. Old and under-maintained infrastructure resulted in regular power outages, especially in winter.
- **Intervention:** The Department of Energy approved funding to upgrade the bulk electricity infrastructure.
- **Recommendations:** The Department of Energy needed to look at the cost of connections in deep rural areas.

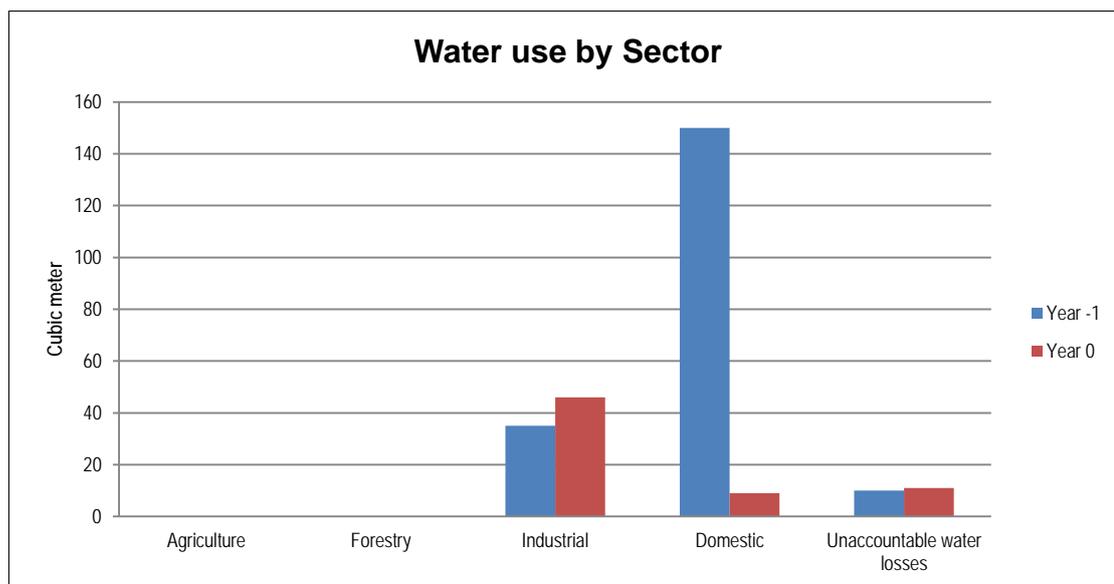
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3.1.1b Water - Number of households

Description	2011/12	2012/13	2013/14
	Actual Number	Actual Number	Actual Number
<b>Water: (above minimum level)</b>			
Piped water inside dwelling	70.2%	10306	10806
Piped water inside yard (but not in dwelling)		23565	22704
Using public tap (within 200m from dwelling)	11.5%	5248	3849
Other water supply (within 200m)	18.2%	8256	10347
<i>Minimum Service Level and Above sub-total</i>	0	39690	47706
<i>Minimum Service Level and Above Percentage</i>		82.00%	100.00%
<b>Water: (below minimum level)</b>			
Using public tap (more than 200m from dwelling)			
Other water supply (more than 200m from dwelling)		14025	10345
<i>Below Minimum Service Level sub-total</i>	0	0	10345
<i>Below Minimum Service Level Percentage</i>	0%	29%	22%
<b>Total number of households (to include informal settlements)</b>	<b>47706</b>	<b>47706</b>	<b>47706</b>

Source Stats SA 2011

3.1.1c Water - Water use by sector

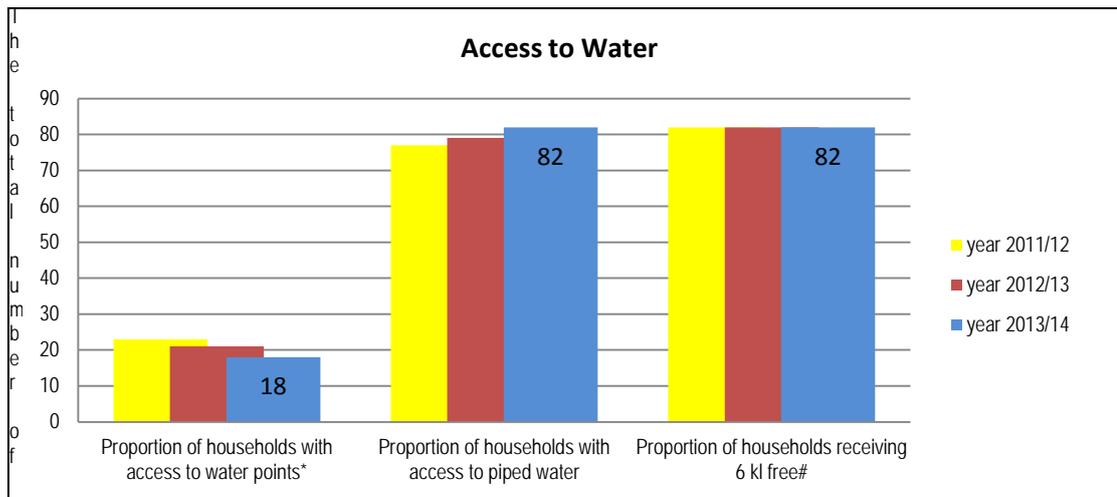


3.1.1d Water - Number of households with service delivery levels below the minimum

Description	2010/11	2011/12	2012/13	2013/14 (R'000)		
	Actual Number	Actual Number	Actual Number	Original Budget	Adjusted Budget	Actual Number
<b>Formal Settlements</b>	47.705	47.705	47.705	47.705	47.705	47.705
Total households	47.705	47.705	47.705	32.595	32.595	47.705
Households below minimum service level	n/a	n/a	n/a	n/a	n/a	10.345
Proportion of households below minimum service level	18.2%	18.2%	18.2%	18.2%	18.2%	18.2%
<b>Informal Settlements</b>	2.857	2.857	Included above	Included above	Included above	Included above
Total households	47.705	47.705	Included above	Included above	Included above	Included above
Households below minimum service level	n/a	n/a	n/a	n/a	n/a	n/a
Proportion of households below minimum service level	18.2%	18.2%	18.2%	18.2%	18.2%	18.2%

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3.1.1e Water - Summary of households with access to basic water service delivery



Access to Water			
Year	Proportion of households with access to water points*	Proportion of households with access to piped water	Proportion of households receiving 6 kl free#
2011/12	23	77	82
2012/13	21	79	82
2013/14	18	82	82

At least 47.700 households received basic water, which translated to 98%; at least 33.394 households received piped water, which translated to about 70%; and at least 29.578 households received free basic water. Those households were earning less than R2.300 per month, and were situated at Empuluzi, Elukwatini and Ekulindeni.

3.1.1f Water - Budget Costs

Details (Vote 0640, 0643, 0650)	2012/13		2013/14		
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
Total Operational Revenue	8.284.718,024	31.018.274,00	10.083.287,00		
<b>Expenditure:</b>					
Employee Related Cost	22.377.148,09	13.705.378,00	14.655.057,00		
Repairs and Maintenance	6.906.243,93	5.916.890,00	5.976.890,00		
Other	14.706.989,60	13.288.645,00	14.382.740,00		
Total Operational Expenditure	43.990.381,62	32.911.273,00	34.834.687,00		
Net Operational Expenditure					

3.1.1g Water - Number of Employees

Job Level	2012/13	2013/14			
	Number of Employees	Number of Posts	Number of Employees	Number of Vacancies (fulltime equivalents)	Vacancies (as % of total posts)
0 - 3	1	1	1	0	0%
4 - 6	10	10	3	0	0%
7 - 9	7	6	5	1	17%
10 - 12	20	15	5	8	53%
13 - 15	36	15	18	6	40%
16 - 18	10	21	46	10	48%
19 - 20	0	0	0	0	0%
<b>Total</b>	<b>84</b>	<b>68</b>	<b>78</b>	<b>25</b>	<b>37%</b>

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The Department would never have sufficient staff to attend to the constant breakages experienced on the network due to the the aging water infrastructure; the constant breakdowns required a lot of manpower, and the Department was working on skeleton staff.

**3.1.1h Water - Financial Performance**

Details	2012/13		2013/14		
	Original Budget	Adjustment Budget	Original Budget	Adjusted Budget	Actual
Total Operational Revenue	R11.891.222	R15.501.993	31.018.274,00	10.083.287,00	
Expenditure					
Employees	R4.452.838	R4.452.838	13.705.378,00	14.655.057,00	
Repairs and Maintenance	R1.872.348	R5.066.948	5.916.890,00	5.976.890,00	
Other	R2.371.605	R3.345.756	13.288.645,00	14.382.740,00	
Total Operational	R8.696.791	R12.865.542	32.911.273,00	34.834.687,00	

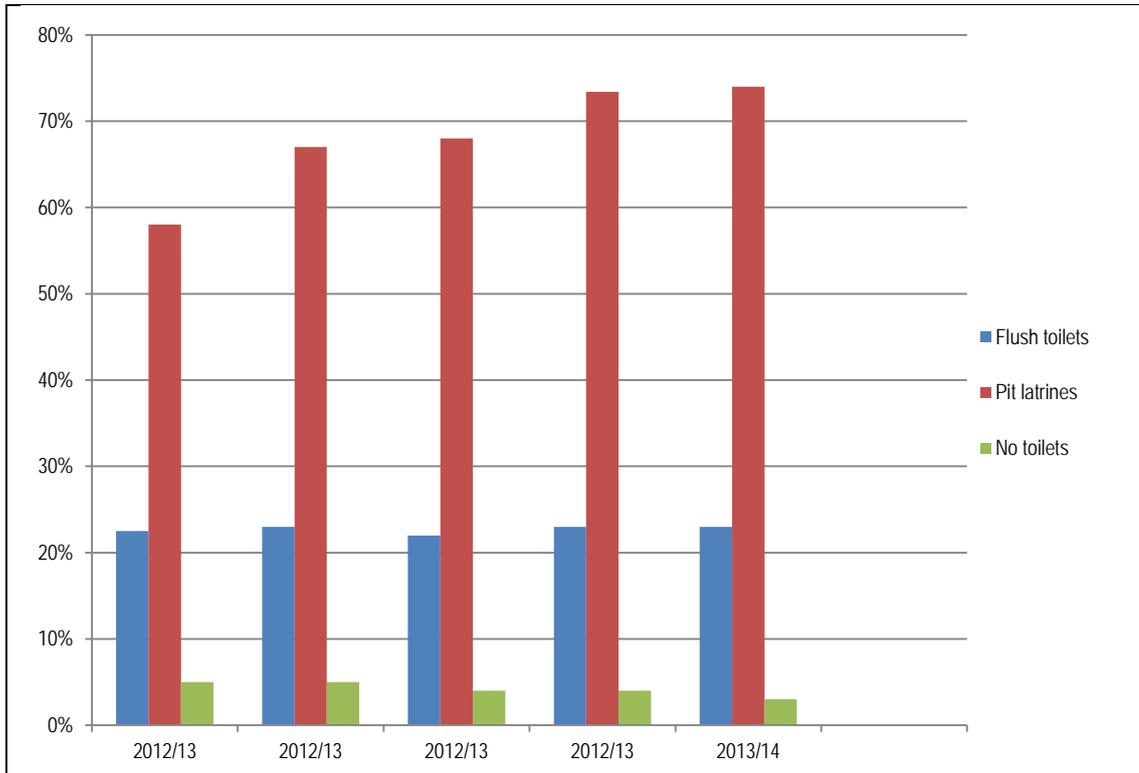
**3.1.2 SANITATION**

**3.1.2a Introduction**

The Municipality tried its best to provide sanitation services. The Municipality made provision for VIP Toilets, owed largely to its rural nature, and most communities were settled in areas that were not properly formalised as townships, or where it was difficult to make provision for wastewater removal. Some settlements occupied areas before planning for the installation of basic services, like sewer lines, was done.

That left the Municipality with only the options of providing VIP Toilets, which was also a challenge because some structures were reaching their carrying capacity, whereas others were full already. The Municipality was therefore presented with the burden of finding a solution to the challenge, or attempt to find a different mechanism of providing sanitation services.

**3.1.2b Sanitation - Availability of toilets**



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3.1.2c Sanitation - Service delivery levels - Number of households with access to sanitation

Description	2010/11	2011/12	2012/13	2013/14
	Outcome Number	Outcome Number	Outcome Number	Actual Number
<b>Sanitation/sewerage: (above minimum level)</b>				
Flush toilet (connected to sewerage)	11147	11147	11147	11147
Flush toilet (with septic tank)	15	15	15	791
Chemical toilet	-	-	0	948
Pit toilet (ventilated)	27000	28000	36559	18196
Other toilet provisions (above minimum service level)	0	0	0	14600
<i>Minimum Service Level and Above sub-total</i>	38.162	39.162	47.721	
<i>Minimum Service Level and Above Percentage</i>	-	-	-	-
<b>Sanitation/sewerage: (below minimum level)</b>				
Bucket toilet	0	0	0	0
Other toilet provisions (below minimum service level)	-	-	0	1688
No toilet provisions	2794	2794	2794	2476
<i>Below Minimum Service Level sub-total</i>	3	3	3	4
<i>Below Minimum Service Level Percentage</i>	6.0%	6.0%	6.0%	6.0%
<b>Total households (including informal settlements)</b>	<b>47706</b>	<b>47706</b>	<b>47706</b>	<b>47706</b>

Source: Stats SA Census 2011

3.1.2d Sanitation - Number of households with service delivery levels below the minimum

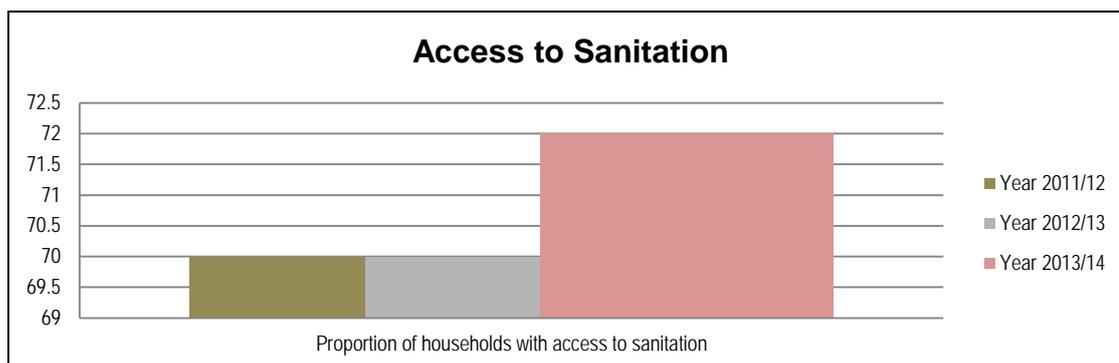
Description	2011/12	2012/13	2013/14			
	Actual Number of Households	Actual Number of Households	Actual Number of Households	Original Budget	Adjustment Budget	Actual
<b>Formal Settlements</b>	36.497	37.327	37.327	R7.471.806	R5.110.423	R5.110.423
Total Households	47.705	47.705	47.705	R7.471.806	R5.110.423	R5.110.423
Households below minimum service level	11.208	11.208	11.208	11.208	11.208	11.208
<b>Informal Settlements</b>	2.497	2.857	2.857	2.857	2.857	2.857
Total Households	47.705	47.705	47.705	47.705	47.705	47.705
Households below minimum service level	11.208	10.972	10.222			
Proportion of households below minimum service level	23.49%	22.99 %	21.43%			

Source: Stats SA Census 2011

3.1.2f Sanitation - Summary of households with access to basic sanitation

The Municipality provided basic sanitation to 34.000 households, which translated to 71% households with access to basic sanitation services through VIP Toilets, whilst 10.222 households received sanitation through flush toilets, which translated to 21%.

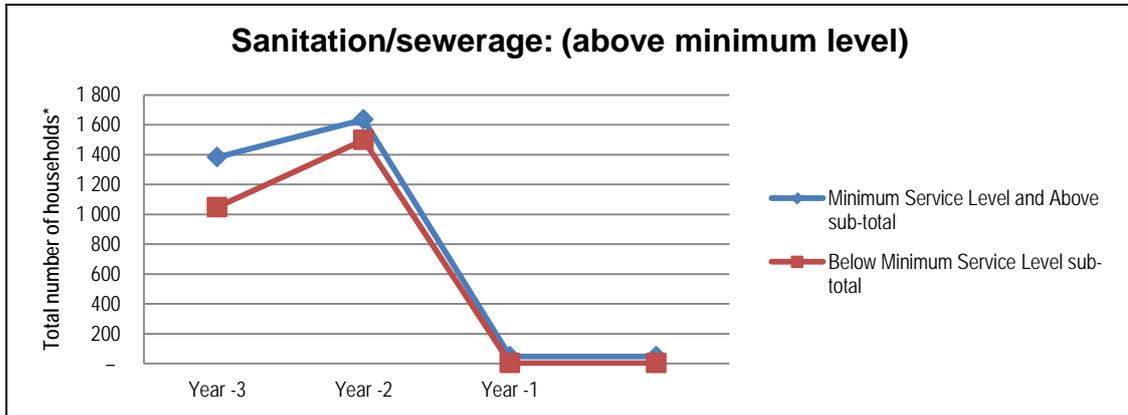
3.1.2g Sanitation - Proportion of households with access to basic sanitation



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Access to Sanitation	
Year	Proportion of households with access to sanitation
2011/12	70
2012/13	70
2013/14	72

3.1.2h Sanitation - Number of households with sanitation service above minimum level



## 3.1.2i Water and Sanitation Services - Performance Report

Priority Area	Strategic Objective	Key Performance Area (KPI)			2013/14 Budget (Vote No)	2013/14 Baseline	Comparisons			Reasons for deviation	Steps taken to improve	Means of verification
		Indicator	Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
<b>KPA : BASIC SERVICE DELIVERY AND MAINTENANCE</b>												
Sanitation	To collect and treat waste-water at Carolina	Number of samples collected	Effluent collected and treated	Safe environment	R140 000 (0650/6015) (0650/4229)	2.5 megaliter/day	2.5 megaliter /day	2.5 megaliter /day	57.5 megaliter		Not required	
	To prevent storm water ingress to Elukwatini, Ekulindeni, and Emanzana (Badplaas) ponds	Create storm water diversion channels	Prevent flooding/sheet flow		Internal	New indicator	<b>New</b>	Elukwatini, Ekulindeni, and Emanzana (Badplaas) ponds	Submitted a request to Public Works, however, due to the unavailability of yellow plant the section could not attend to the request ↓	Implementa-tion deferred to next financial year	Next financial year	
	To maintain sewer distribution network	Km/metres of sewer line maintained	Well maintained sewer infra-structure with increased life span	Reduced sewer spillages resulting in safer environment	R 400 000 (0650/3805)	3500m	Maintained Water network: 40km Sewer network: 3.8km	3500m	4343m	One	None	Job cards
Water	To clean reservoirs	No reservoirs attended	Removed sludge at reservoirs/ sludge - less reservoirs	Reduced turbidity at network	Internal	10 reservoirs	15 reservoirs	15 reservoirs	15 reservoirs	None	None	Job cards
	To maintain water distribution network	Meters of network attended	Well maintained water infra-structure with increased life span	Uninterrupted water supply to the community Reduction of system losses	R 2 567 890 (0640/3805)	2500m	Maintained Water network: 40km Sewer network: 3.8km	2500m	7340m	None	None	Job cards
	To monitor water quality	Number of samples taken	40 samples per month	Compliance with Blue and Green Drop requirements	R 450 000 (0640/4407)	480 samples 2 sets of full SANS tests	312 samples	480 samples 2 sets of full SANS tests	881 samples 2 sets of full SANS tests / samples were taken and analysed	None	None	Monthly analysis reports
	To maintain pumps and motors	% of pumps maintained /operational	Well maintained, functional and efficient pumps and motors	Uninterrupted water and sanitation services to the community	R 2 679 000 (0640/3871)	120 pumps	Maintained 23 water pumps 5 sewer pumps	160 pumps	Attended to 143 pumps Some required routine maintenance and others repairs↓	Reactive maintenance	None	Job cards
	To review Water Services Development Plan (WSDP)	Approved/ Reviewed WSDP by Council	Reviewed and Updated WSDP	Updated WSDP for inclusion in IDP	Internal	O & M Plans	Reviewed and updated WSDP	Reviewed and updated WSDP	Advertised request for Proposal for Panel of Professional Service Providers	Budgetary constraint	Implementa-tion deferred to next financial year	None

Priority Area	Strategic Objective	Key Performance Area (KPI)			2013/14 Budget (Vote No)	2013/14 Baseline	Comparisons			Reasons for deviation	Steps taken to improve	Means of verification
		Indicator	Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
									Appointed Panel in Q2 Submitted the completed Water Services Audit questionnaire to DWA ↓			
Access to free basic service	To provide free basic services to households earning less than R2.300 per month	Number of households receiving free basic water per month	% of households receiving free basic water per month	Improved service	R 4 000 000 (0640/4417)	39016 households	39016 households	39016 households	±2187 megaliter (WTW) and 39016 households were serviced	None	None	Flow records and water tankers records
	To provide water to deep rural communities through other means	Number of deep rural households benefiting	% of deep rural households benefiting	Improved service	R 3 780 000 (0643/4237)	8690 households	Municipal - 30.1 megaliter by municipal trucks Contracted - 92.8 megaliter by contracted tankers	8690 households	8690 households Municipal 6.91 megaliter Contracted 27.34 megaliter	Recurring breakdown of municipal water tanker	Reported to fleet for assistance	Signed delivery log sheets

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### 3.1.3 ELECTRICITY

#### 3.1.3a Introduction

Legislation included the Electricity Amendment Acts (1989; 1994; 1995), and the Electricity Regulation Act (2006).

The Municipality is licensed to distribute electricity in Carolina, Silobela and part of Emanzana (Badplaas). Other areas within the jurisdiction of the Municipality are licensed to Eskom. The Electricity Section was responsible for the provision and maintenance of electricity to all households in its licensed areas; and the maintenance and upgrading of existing electricity infrastructure including streetlights, high-mast lights, network, and substations.

Due to limited capacity, a service provider was appointed to assist with major repair and maintenance work.

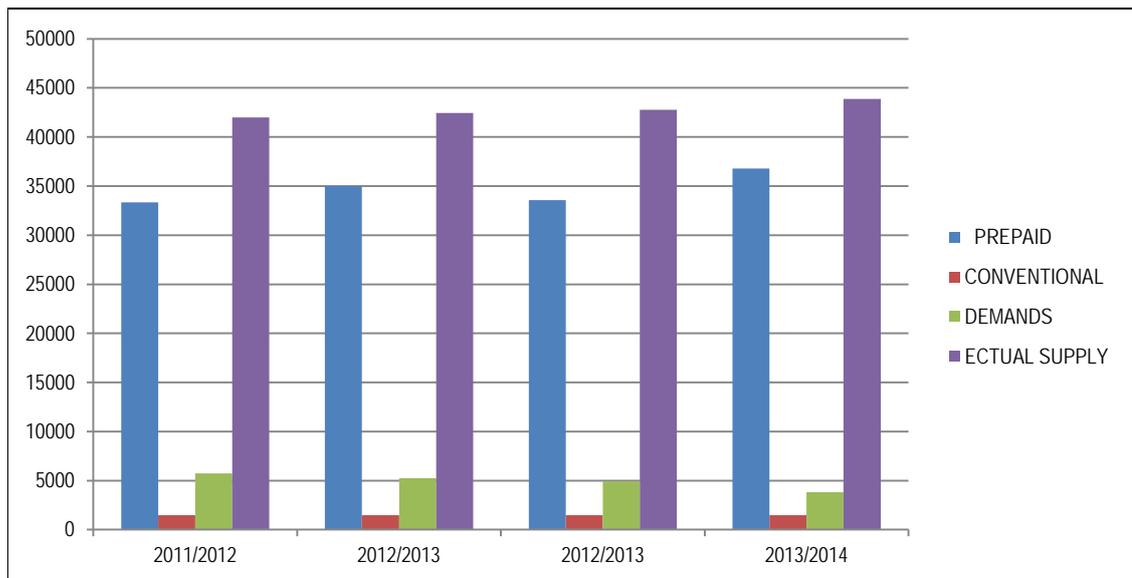
During the 2013/14 financial year, the Section achieved the following:

1. Refurbished and upgraded Silobela substation.
2. Fenced main substations, mini-sub, transformers and all other equipment where access must be authorised in order to comply with NERSA requirements.
3. Ensured compliance with Eskom regulations and requirements.

However, it should be noted with great concern that the Section was faced with some challenges, namely:

1. Ageing infrastructure
2. Vandalism and theft of infrastructure
3. Illegal connections, which included tampering with electricity meters resulting in huge electricity losses.

#### 3.1.3b Electricity - Supply



*Source: Stats SA Census 2011*

#### 3.1.3c Electricity - Summary of households with access to basic electricity

More than 7.500 households were registered as indigent, and 700 households benefited from new connections. This represented 1.4% of the total households within the municipal area.

Although it was estimated that at least 18.400 households were indigent, only a small number was registered in the indigent register held by the Department Finance of the Municipality.

The high number of registered indigent households was due to the high unemployment rate; the Municipality was basically rural, with fewer job opportunities; and most people depended on grants.

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3.1.3d Electricity - Service delivery levels (households)

Description	2009/10	2010/11	2011/12	2012/13	2013/14
	Actual Number of Households				
<b>Energy: (above minimum level)</b>					
Electricity (at least minimum service level)	86%	87%	87%	88%	92%
Electricity - Prepaid (minimum service level)	n/a	n/a	n/a	n/a	n/a
<b>Sub-Total Households with minimum service level and above</b>	86%	87%	87%	88%	92%
<b>Percentage Households with minimum service level and above</b>	86%	87%	87%	88%	92%
<b>Energy (below minimum level)</b>	n/a	n/a	n/a	n/a	n/a
Electricity (below minimum service level)	0	0	0	0	0
Electricity - Prepaid (below minimum service level)	0	0	0	0	0
Other energy sources	0	0	0	0	0
<b>Sub-Total Households below minimum service level</b>	0	0	0	0	0
<b>Percentage Households below minimum service level</b>	n/a	n/a	n/a	n/a	n/a
<b>Total number of households</b>	47.705	47.705	47.705	47.705	47.705

3.1.3e Electricity - Performance Report

Priority Area	Strategic Objective	Key Performance Indicator (KPI)			2013/14 Budget (Vote No)	2013/14 Baseline	Comparison			Reasons for deviation	Steps taken to correct the situation	Means of verification
		Indicator	Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
KPA : BASIC SERVICE DELIVERY												
Access to Electricity	To inspect , repair and maintain transformers	Number of transformers	Fully functional transformers resulting in uninterrupted electricity supply	Reliable and safe supply to prolong life equipment according to NERSA license	R500 000 (0630/6015)	75	New	78	Inspected and maintained 71 transformers ↓	Due to financial constraints the section was unable to replace all the faulty transformers	Procure more transformers and spare in the next financial year	Job cards Inspection sheets
	To inspect , repair and maintain street lights and high-mast lights	Number of street lights, and high-mast lights	Functional lights resulting in improved public lighting	Burning lights at night, reduced crime caused by dark streets	R150 000 (0630/3827)	Streetlights High-mast lights	Repaired and maintained 200 street lights and 35 high-mast lights	1865 street lights 86 high-mast lights	Inspected and maintained 337 street lights 172 high-mast lights ↓	Unavailability of municipal owned cherry picker Unavailability of adequate street light maintenance material due to financial constraints	Service Providers appointed to assist on as and when required basis with the necessary plant. More street lights maintenance to done in the next financial year	Job cards Signed programmed by Councillor
	To maintain and repair traffic lights	Number repaired	Functioning traffic lights all the time	Improved traffic flow and reduced vehicle accidents	R174 060 (0511/6009)	New indicator	New	2	Not required	This was reactive maintenance	Traffic lights to be attended as and when faulty	None
	To inspect , repair and maintain electricity network	Km of net work inspected	Safe and uninterrupted electricity supply	Well maintained electricity infrastructure in compliance with NERSA license	R2 500 000 (0630/3805)	Actual length repaired and maintained	Maintained 2,5kn network lines and 31 network lines	12km	Inspected and maintained 18km HV line and 2.094m LV line	Service provider was appointed to assist and during stand by	Service Providers appointed to assist on as and when required basis with the necessary plant Procure a bakkie in the next financial year	Job cards

Priority Area	Strategic Objective	Key Performance Indicator (KPI)			2013/14 Budget (Vote No)	2013/14 Baseline	Comparison			Reasons for deviation	Steps taken to correct the situation	Means of verification
		Indicator	Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
	To inspect and maintain electrical panels at substation	Number of panels inspected	Safe and uninterrupted electricity supply	Well maintained electricity infrastructure in compliance with NERSA license	R700 000 (0630/6015)	14	Maintained 16 panels	14	35	None	None	Job Cards Inspection forms Maintenance programme
	To maintain lights and other accessories in municipal buildings, switches, lights, plugs	Number of accessories maintained	Fully functional and safe use of electrical accessories	Conductive and safe work environment (Municipal buildings)	Internal	29 buildings	Maintained electrical accessories at 10 municipal buildings 100% functionality of electrical accessories	Number of buildings maintained	Maintained 9 municipal buildings ↓	Shortage of material Due to financial constrains we were unable to maintain all buildings as required	To procure more spares for the next financial year	Job Cards Inspection forms Maintenance programme
	To inspect and maintain Ring Main Units (RMU)	Number of RMU	Safe and reliable operation for continuous supply of electricity	Reduced number of electricity supply interruptions	R600 000 (0630/6015)	24	Maintained 24 RMUs – fully functional	24	Inspected and maintained 16 RMU ↓	Due to financial constrains we were unable to replace the leaking RMU	To procure more RMU and spares in the next financial year	Job cards Inspection sheets
	To inspect and maintain kiosks	Number of kiosks maintained	Safe and reliable operation for continuous supply of electricity	Reduced number of electricity supply interruptions	R300 000 (0630/6015)	25	Repaired 8 kiosks At least 24 kiosks functional	50	Inspected and maintained 61 kiosks	None	Inspection forms Job Cards	Job cards Inspection sheets
	To inspect and maintain standby generators	Number of generators	Reliable functionality of standby generators	Back up supply of electricity in case of electricity power failure	R100 000 (0630/6015)	2	Inspected 1 standby generator weekly and maintained after 160 hour usage	4	Inspected generators 10 times	The generator at fire station needs power upgrade in order to auto start during power failure	The power supply was upgraded by installing new line from the new hospital transformer	Job cards Inspection sheets
	To replace faulty meters	Number of faulty meters replaced	Accurate and reliable billing	Reduce electricity losses	R255 670 (0630)	150	None	200	Replaced 73 faulty meters ↓	Reactive activity	None	Inspection forms Job cards
	To provide new meter connections to households	Number of new connections done	All new application connected and metered within two weeks of receiving the application	Increased revenue base for the Municipality	New meter tariff	80	Per request as and when applications for new household connections were received	120	Made 35 new connections to households within licensed area ↓	n/a	n/a	Inspection forms Job Cards

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**3.1.4 FREE BASIC SERVICES AND INDIGENT SUPPORT**

**3.1.4a Introduction**

The Municipality spent more on free basic service delivery due to the high unemployment rate in the Municipality, which was above 30%, whilst most citizens depended on others. About 70% of the unemployed people were young between the ages 14 to 34 years, while the employed earned an average of less than R50.000 per annum.

**3.1.4b Minimum Standards for Free Basic Services (FBS)**

- (i) **Water** - 25 liters per person per day or 6 kiloliter (kl) per household per month within 200m of a household (legislated in regulations published in terms of the Water Services Act (see section 3.1.4c below);
- (ii) **Sanitation** - A safe, clean, hygienic, and reliable toilet facility, eg a Ventilated Improved Pit (VIP) latrine, or waterborne sanitation. If a household was connected to the sewer network, then 3 to 4 kiloliter extra FBW per month should be provided for flushing (see section 3.1.4c below);
- (iii) **Electricity** - 50 kWh per household per month for grid connected households, and up to 80% subsidy on the monthly operating fee for non-grid systems, eg home solar systems (see section 3.1.4c below);
- (iv) **Refuse Removal** - Most appropriate level of waste removal service based on site specific circumstances (see section 3.1.4c below).

**3.1.4c Legal and Policy Framework**

The following subsections outline the legal and policy framework for FBW, FBSan, FBE and BRR in more detail, including legislative and policy requirements relating to cross-subsidisation and funding for the specific free basic service:

**(i) Free Basic Water (FBW)**

In 2001, the Free Basic Water Policy was implemented in South Africa, based on the right to water contained in Section 27 of the Constitution (1996), as well as the Water Services Act (1997). The Water Services Act (1997) was the primary law governing the provision of water and sanitation services to households in South Africa. One of the main aims of the Act was to provide for *"the right of access to basic water supply and the right to basic sanitation necessary to secure sufficient water and an environment not harmful to human health or well-being."*

- (1) Section 2(a) of the Water Services Act (1997)
- (2) Section 3 of the Water Services Act (1997) states that:
  - (a) Everyone had a right of access to basic water supply and basic sanitation.
  - (b) Every water services institution must take reasonable measures to realise these rights.
  - (c) Every water services authority must, in its water services development plan, provide for measures to realise these rights.
- (3) DWAF "Free Basic Sanitation Implementation Strategy" (April 2009).
- (4) DME "Electricity Basic Services Support Tariff (Free Basic Electricity) Policy" (1 April 2003, p 14).
- (5) DEA "National Policy for the Provision of Basic Refuse Removal Services to Indigent Households" (October 2010).

Based on the above legislative requirements on Free Basic Services, the Municipality, as a Water Service Authority, firstly attempted, within its limited resources, to bring water to deep rural communities through various means, of which the most common was to contract 11 water tankers to bring water within a radius of 200 meters of a household to the more than 8.000 households in the deep rural communities.

The second approach was to improve existing boreholes by electrifying them in order to reduce the number of water tankers.

The Municipality was also guided by its own policy with regards to free basic services - the Indigent Policy of the Municipality provided a detailed view on the procedure for identification and application for such a services.

**(ii) Free Basic Sanitation (FBSan)**

Section 3 of the Water Services Act (1997) states that everyone has a right of access to basic sanitation, and the Act defines basic sanitation as *"The prescribed minimum standard of services necessary for the safe, hygienic and adequate collection, removal, disposal or purification of human excreta, domestic waste water and sewage from households, including informal households."*

According to the Regulations Relating to Compulsory National Standards and Measures to Conserve Water (Compulsory National Standards), the minimum standard for basic sanitation services is *"The provision of appropriate education; and a toilet which is safe, reliable, environmentally sound, easy to keep clean, provides privacy and protection against the weather, well ventilated, keeps smells to a minimum, and prevents the entry and exit of flies and other disease-carrying pests."*

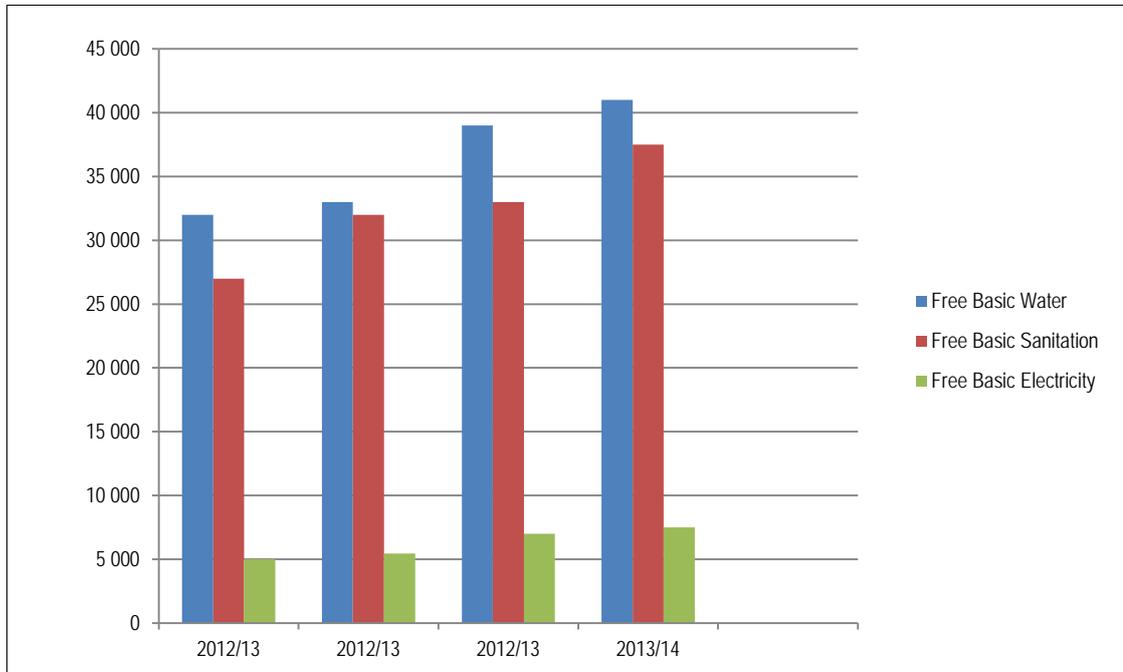
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(iii) Free Basic Electricity (FBE)

While the provision of electricity was a local government mandate, in practice the responsibility for the distribution of electricity was shared between Eskom and the Municipality. In the Eskom supply areas, the Municipality was expected to pay Eskom for any FBE provided to residents. Free allocation of electricity to qualifying households was set at 50kWh per month.

The percentage of households earning less than R2.300 per month with access to free basic services, was made possible through various means.

3.1.4d Free Basic Services - Number of households earning less than R2,300 per month



Year	Total number of households	Free Basic Water		Free Basic Sanitation		Free Basic Electricity		Free Basic Refuse	
		Access	%	Access	%	Access	%	Access	%
2011/12	47 705	32 000	67%	7 000	15%	5 000	10%	7 000	15%
2012/13	47 705	33 000	69%	9 000	19%	5 450	11%	8 000	17%
2013/14	47 705	39 000	82%	9 800	21%	7 000	15%	9 000	19%

3.1.4e Free Basic Services - Performance Report

Priority Area	Strategic Objectives	Key Performance Indicator (KPI)			2013/14 Budget (Vote No)	2013/14 Baseline	Comparison			Reasons for deviation	Steps taken to improve	Means of verification Budget
		Performance Indicator	Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
<b>KPA : BASIC SERVICE DELIVERY</b>												
Access to free basic service	To provide free basic services to households earning less than R2.300 per month	Number of households receiving free basic water per month	Percentage of households receiving free basic water per month	Improved service	R4 000 000 (0640/4417)	39016 households	39016 households	39016 households	Served 39016 households ±2187 megaliter (WTW)	None	None	Flow records and water tankers records
	To provide water to deep rural communities through other means	Number of deep rural households benefiting	Percentage of deep rural households benefiting	Improved service	R3 780 000 (0643/4237)	8690 households	30.1 megaliter by municipal trucks 92.8 megaliter by contractor tankers	8690 households	8960 households Municipal = 6.91 megaliter Contracted = 27.34 megaliter	Recurring breakdown of municipal water tanker	Reported to fleet for assistance	Signed delivery log sheets
Free Basic Services	To provide free basic services to indigent community	Number of indigent community registered	3%	Register of indigents	5787 indigents	7500 indigents	7500 indigents	6584 registered indigents were benefitting Continued with registration in-house	Registered 8136 indigents as at June 2014	None	Target exceeded	Indigents Register

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**3.1.5 ROADS, STORMWATER INFRASTRUCTURE AND PUBLIC WORKS SERVICE**

**3.1.5a Introduction**

The Roads, Stormwater Infrastructure and Public Works Section was responsible for the maintenance and upgrading of existing roads (gravel and paved), bridges, and stormwater drainage in the 25 Wards of the Municipality. The maintenance involved activities such as blading and re-graveling of roads, patching of potholes, construction of concrete water channels, and laying of kerbs. The Municipality had a backlog in terms of upgrading gravel roads to paved roads. The total length of gravel roads was ± 900km, and most of those gravel roads were not in a good condition; some were bladed to pipeline and some were eroded due to heavy rainfall. About 50% of gravel roads was based in the rural areas of the Municipality.

The Municipality appointed service providers to perform 1km re-graveling of roads in 12 identified Wards in trying to reduce the backlog. On the mountainous gravel roads the Section overlaid the boulders with concrete paving, the latest was 22m<sup>2</sup> at Khuphukani.

The Section spent 99.6% of the EPWP incentive grant on the construction of water channels at Elukwatini, and unblocking of most silted stormwater pipes in the municipal area. That project created more than 100 job opportunities. A total of 4.2km gravel roads was upgraded to paved roads.

The main challenge of the Section was the unavailability of a roads and stormwater master plan, that would assist the Section in terms of quantification of backlogs, the status of roads, and possible solutions for challenges. Ageing of road infrastructure was one of the challenges faced by the Municipality. The Section spent R1.000.000 on the repair of potholes within the municipal area. The Section constructed side structures at Silobela Bridge, and attended partly to Uitgevonde Bridge.

**3.1.5b Roads and Stormwater Service - Number of Employees**

Job Level	2011/12	2012/13	2013/14			
	Number of Employees	Number of Employees	Number of Posts	Number of Employees	Number of Vacancies (fulltime equivalents)	Number of Vacancies (as % of total posts)
0 - 3	1	1	1	1	0	0%
4 - 6	4	4	5	4	1	20%
7 - 9	1	1	1	1	0	0%
10 - 12	7	7	7	7	0	0%
13 - 15	0	0	0	0	0	0%
16 - 18	10	14	14	14	0	0%
19 - 20	0	0	0	0	0	0%
<b>Total</b>	<b>23</b>	<b>27</b>	<b>28</b>	<b>27</b>	<b>1</b>	<b>4%</b>

**3.1.5c Roads and Stormwater Service - Financial Performance**

Details	2011/12	2012/13	2013/14		
	Actual	Actual	Original Budget	Adjustment Budget	Actual
<b>Total Operational Revenue</b>	0	n/a	R14.456.912	R13.541.912	
<b>Expenditure:</b>					
Employees	R5.204.086	n/a	R 4.382.233	R 4.282.233	
Repairs and Maintenance	R6.192.414	n/a	R 7.189.000	R 7.189.000	
Other	R 476.307	n/a	R 685.679	R 670.679	
<b>Total Operational Expenditure</b>	n/a	n/a	R12.256.912	R12.141.912	
<b>Net Operational Expenditure</b>					

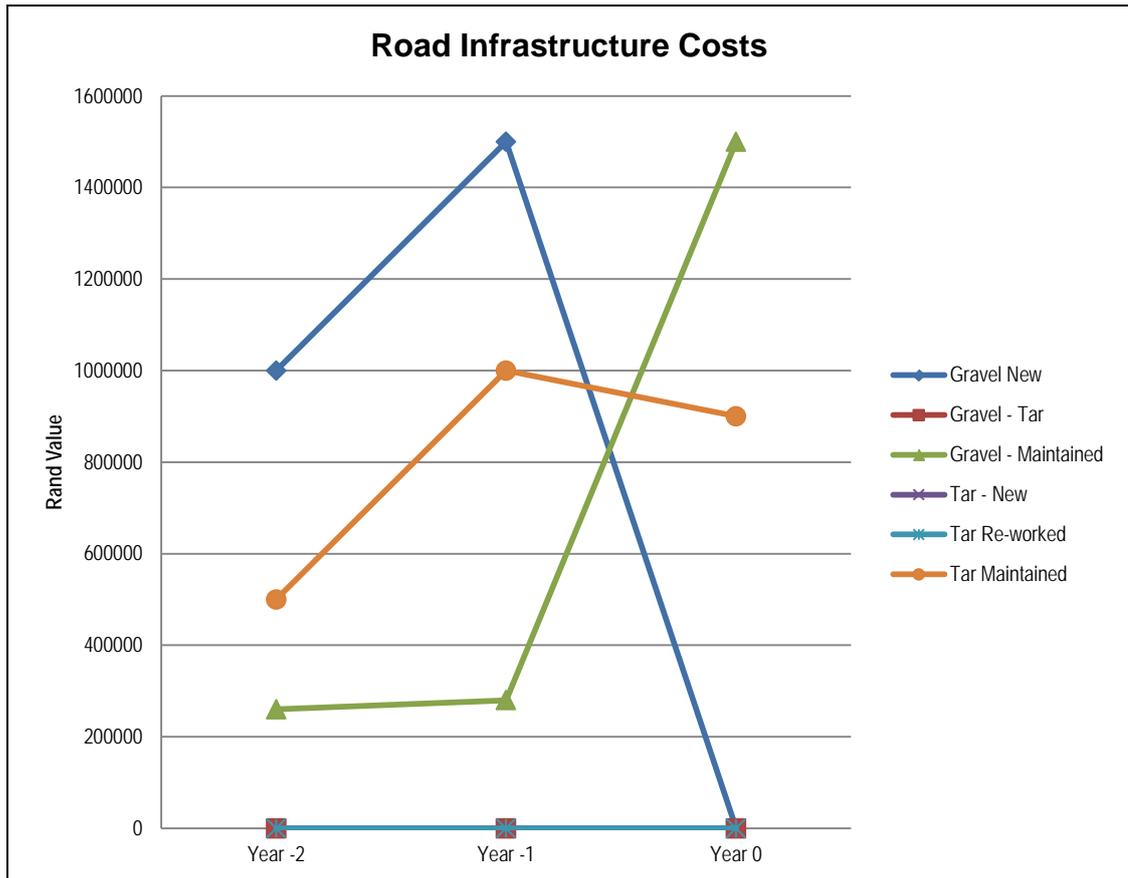
Note - The columns marked with n/a were also reflected elsewhere in this Report, or provided for in the Annual Financial Statements attached hereto as annexure at the end.

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3.1.5d Roads and Stormwater Infrastructure (kilometers)

Year	Total stormwater drainage	New stormwater drainage	Upgraded stormwater drainage	Maintained stormwater drainage
2010/11	145	15	10	100
2011/12	160	20	12	120
2012/13	160	25	14	140
2013/14	160	2	2	144

3.1.5e Roads Infrastructure - Cost



3.1.5f Roads Infrastructure - Cost of Construction/Maintenance

Year	Gravel			Tar		
	New	Gravel/Tar	Maintained	New	Re-worked	Maintained
2010/11	R450.000	R1.700.000	R250.000	R1.950.000	R1.050.000	R400.000
2011/12	R475.000	R1.800.000	R260.000	R2.020.000	R1.220.000	R500.000
2012/13	R490.000	R1.900.000	R280.000	R2.300.000	R1.300.000	R550.000
2013/14	R1,500,000					

3.1.5g Roads, Storm Water Infrastructure and Public Works Services - Performance Report

Priority Area	Strategic Objective	Key Performance Indicator (KPI)			2013/14 Budget (Vote No)	2013/14 Baseline	Comparison			Reasons for deviation	Steps taken to improve	Means of verification
		Performance Indicator	Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
KPA : BASIC SERVICE DELIVERY												
Roads and Stormwater Infrastructure												
Access to Roads	To maintain all gravel roads	Number of kilometers of roads gravelled and graded / bladed	Well maintained roads for smooth and safe riding	Improve the structure of gravel roads and safety of road users	Internal	800km	Gravelled 675.3km roads	500km	Attended to 557km in various ward of the Municipality 17% below target	Gert Sibande District Municipality deployed 2 graders to the Municipality in assisting on maintenance of Municipality gravel roads	None	Graders Programme of action signed by ward councillors
	To maintain paved and surfaced roads	m <sup>2</sup> paved roads resealed or patched	80m <sup>2</sup> of paved roads resealed / patched	Usable roads	R500 000 (0620/3829)	80m <sup>2</sup> patched	Resealed / patched 41.8m <sup>2</sup> paved roads in Ward 1, 2, 10, 13, 14, 15, 16, 17, 21, 25	80m <sup>2</sup>	Resealed / patched 21.3m <sup>2</sup> paved roads in Ward 1, 2, 3, 4, 7, 10, 14, 15, 17, 21 58.7% below target	All Mpuluzi and Elukwatini tarred roads were attended to except Dundonald, Julius Mkhonto and Barcelona road	Outstanding work to be done in Q1 of the 2014/15 financial year	Weekly progress report signed by Councillors
	To reseal roads surfaces.	Number of meters attended / resealed	Safe road infrastructure	Usable roads	R784 000 (0620/3800) (EPWP)	22m <sup>2</sup> attended in Khuphukani road	Attended to 22m <sup>2</sup> in Khuphukani road	Reseal 110m of Combrink Street, Carolina and Embhuleni Hospital Entrance, Elukwatini	Completed 110m resealing of Combrink Street, Carolina	The Embhuleni Hospital Entrance was attended by a service provider as a capital project funded by Nkomati Mine	None	Combrink Street project report and letter from Embhuleni Hospital Management
	To maintain bridges	Number of bridges Maintained	Percentage of maintained bridges/ usable	Improved services	R1 036 000 (0620/3800) (EPWP)	4 bridges	1. Maintained Ngondlomezi Bridge internally	4 bridges	Constructed side structures of Silobela bridge Partially attended Uitgevonden bridge 50% below target	Experienced recurring breakdown of GSDM yellow plant	Make provision for procurement of tipper truck and unattended bridges were deferred to the 2014/15 financial year	Pictures(Before and After) and Copy of VAM report

Priority Area	Strategic Objective	Key Performance Indicator (KPI)			2013/14 Budget (Vote No)	2013/14 Baseline	Comparison			Reasons for deviation	Steps taken to improve	Means of verification
		Performance Indicator	Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
<b>KPA : LOCAL ECONOMIC DEVELOPMENT AND EMPOWERMENT</b>												
Job Creation	To promote employment through EPWP	Number of temporal jobs created	Percentage of budget spent on EPWP	Reduced unemployment	R1 300 000 (0620/3800) (EPWP)	100 jobs	Created 100 jobs	Create at least 100 job opportunities	Appointed 112 casual workers on the 2013/14 EPWP Achieved	The department had to increase the number of employment to comply with the incentive grant agreement	On the planning phases of EPWP, the target figure of jobs created on the incentive grant agreement should be comply with	Copies of Employment Contracts
<b>KPA : GOOD GOVERNANCE AND PUBLIC PARTICIPATION</b>												
Accountability in terms of Batho Pele Principles	To provide a platform for customer feedback on services	Able to measure turnaround time to resolve complaints	Internal	Improve call centre services		Percentage of complaints resolve Complaint resolved within times given in the service charter over received	Internal	(95%) Percentage of complaints resolve Complaint resolved within times given in the service charter over received	Resolved 93% community complaints within time ↓	Unavailability of Plant, eg Cherry picker and TLB	Ensure that all yellow plant were kept on good condition	Complaints register and job cards
Regulations and Guidelines	To comply to eg Blue and Green Drop standards, AG, NERSA	Render the Municipality progressive	Internal	Percent improvement		Actual performance as per regulatory reports	Internal	Actual performance as per regulatory reports	Submitted 4 reports	None	None	Yearly Audits/ Assessments results
<b>KPA : MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT</b>												
Roads and Stormwater Master Plan	To compile and adopt a Roads and Stormwater Master Plan	Internal	Improved service delivery	Actual plan adopted	R800 000	New KPI	None	Have a credible Roads and Storm water Master Plan	Presented the draft document of the 25% scope of work ↓	Professional service providers were appointed late, and budget constraints	The project shall be carried over to 2014/15	Copy of Draft document
<b>KPA : FINANCIAL VIABILITY AND MANAGEMENT</b>												
Financial Management	To provide for municipal financial growth	Achieve financial viability	Sustainable and viable service driven Municipality	Expenditure kept within budget	Internal	Actual expenditure kept within budget without compromising services	Kept actual expenditure within budget without compromising services	Actual expenditure kept within budget without compromising	Spent EPWP conditional grant 100%	None	Actual expenditure kept within budget without compromising	EPWP Expenditure report

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3.2 PROJECT MANAGEMENT UNIT (PMU)

3.2.1a Introduction

The total budget of R73,665,850 represented % of the total budget for MIG projects.

The PMU was one of the best performing Sections within the Municipality, possibly also within the province and the country, in that almost all the MIG funded projects that were planned in the 2013/14 financial year, as well as the budget thereto, was used to 100%. With that excellent performance, the Municipality's MIG allocation for the 2013/14 financial year was revised upward by R56,714,000, as indicated in Government Gazette No 37502 of 31 March 2014 *Stopping and Re-Allocation of Transfers, Allocation of Municipal and Provincial Disaster Grant in terms of the Division of Revenue Act (2013)*, which was the highest in the country. The Municipality received the following awards at the Mpumalanga 2013 Kamoso Awards rewarding excellence in the implementation of Expanded Public Works Programme (EPWP):

- i. Best Construction Project: Construction of Ventilated Improved Pit (VIP) Toilets;
- ii. Best Siyatentela Project;
- iii. Special Category: Best Performing Institution on Infrastructure; and
- iv. Runners up in Best Construction Project: Upgrading of Ekulindeni Bulk Water System.

The Municipality utilised this Section to deliver basic infrastructure projects in the Municipality, and it was charged with the responsibility of implementing and monitoring all projects. The following were examples of those projects:

- Basic water infrastructure projects
- Roads construction projects
- Electricity projects.

None of the above projects were abandoned due to poor control or management. All projects were successfully completed and a report was submitted to all the important stakeholders, which were Province, and National Treasury. The Unit was also charged with the EPWP projects, and constantly reported to DPRW&T in relation to EPWP projects, and through that programme, the Municipality obtained additional funding for EPWP reporting.

▪ **Construction of Carolina Landfill Site**

The status of the project was at 90% designs completed, awaiting Record of Decision (ROD) from the Department of Water and Sanitation (DWS) and Department of Economic Development, Environment and Tourism (DEDET) which was promised to be issued before end of August 2014.

▪ **Construction of Carolina Taxi Rank**

The Designs were completed and the construction would be slightly delayed due to Provincial priorities, which were water and sanitation provision.

▪ **Construction of Tjakastad Taxi Rank**

The status of the project was at 65% complete for Phase 1, scheduled to be completed in November 2014.

▪ **Refurbishment of Carolina Stadium**

During the 2013/14 financial year, Council approved a budget of R5,000,000 for the Phase 1 construction, which was scheduled for completion in December 2014.

▪ **Construction of Elukwatini Landfill Site**

This project was completed and operational.

3.2.1b Capital Projects

The percentage of the Municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the Municipality's IDP was R73,665,850, which represented about % of the total budget for the 2013/14 financial year.

The table below showed detailed breakdowns of those projects that were approved for implementation during the 2013/14 financial year.

## 3.2.1c Management of Capital Projects 2013/14

Ward	Project Name	Final Budget 2013/14	1st Quarter 2013/14	2nd Quarter 2013/14	3rd Quarter 2013/14	4th Quarter 2013/14	Funding Agent
<b>WATER</b>							
10, 13, 14, part 16, 18, 20, 24, 25	Upgrading of pumping capacity and retrofitting of Eerstehoek Water Scheme	9.700.000	0	1.000.000	5.700.000	3.000.000	MIG
10, 13, 14, part 16, 18, 20, 24, 25	Replacement of AC pipelines on the Eerstehoek Water Scheme	4.000.000	0	0	1.000.000	3.000.000	MIG
15, part of 21, 22	Upgrading pumping capacity and retrofitting of Carolina Water Scheme	11.584.800	0	1.758.480	7.033.920	2.792.400	MIG
17, 23	Upgrading of Emanzana (Badplaas) Water Scheme	3.000.000	0	0	500.000	2.500.000	MIG
4, 5, 7, 9, 11	Upgrading of Empuluzi Water Scheme.	0	0	0	0	0	MIG
15, part of 21, 22	Replacement of AC pipes in Carolina	0	0	0	0	0	MIG
1, 3, 5, 6, 7, 8, 9, 12, 13, 16, 18, 19, 21, 23, 24, 25	<b>Water Services Operating Subsidy (drilling, equipping boreholes) at following areas:</b> Lochiel, Oshoek, The Brook, Phaphama, Houtbos, Syde, Dewet, Dumberton, KaJim, Mashonamini, Engelsedraai, Teenline, Biyane, Schoeman, Mbejeka, Thubelisha, Enkanini, Nhlazatshe 7A, Bosville, Uitgevonden, Vlakplaas, Witklip, Kamboyi, Part of Nhlaba, Julius Mkhondo, Sebentani, Kranspan, Moedig, Lusthof, Redhill and Ema-Eighteen	12.260.000	1.226.000	3.678.000	4.904.000	2.452.000	DWA
<b>SUB TOTAL WATER</b>		<b>40.544.800</b>	<b>1.226.000</b>	<b>6.436.480</b>	<b>19.137.920</b>	<b>13.744.400</b>	
<b>SUB TOTAL WATER - MIG</b>		<b>28.284.800</b>	<b>0</b>	<b>2.758.480</b>	<b>14.233.920</b>	<b>11.292.400</b>	
<b>SANITATION</b>							
15, 22	Construction of Silobela Ext 2 and 3 - 750 toilets top structure	11.377.000	1.324.700	3.974.100	3.974.100	779.400	MIG
<b>SUB TOTAL SANITATION - MIG</b>		<b>11.377.000</b>	<b>1.324.700</b>	<b>3.974.100</b>	<b>3.974.100</b>	<b>779.400</b>	
<b>ROADS</b>							
14, 16, 25	Tarring of Nhlazatshe 3 Road	18.870.000	1.100.000	7.300.000	9.400.000	8.070.000	MIG
16, 25	Tarring of Nhlazatshe 1 Ring Road						
5, 6	Construction of tarring from Dundonald to Slovo						
12	Construction of Ekulindeni Ring Road						
17, 23	Construction of Emanzana (Badplaas) Ring Road						
4, 9	Construction of Mayflower Ring Road						
2, 3	Construction of Mahoxo Road						
19	Construction of Mooiplaas Road						
<b>SUB TOTAL ROADS -MIG</b>		<b>21.870.000</b>	<b>1.100.000</b>	<b>7.300.000</b>	<b>9.400.000</b>	<b>8.070.000</b>	

Ward	Project Name	Final Budget 2013/14	1st Quarter 2013/14	2nd Quarter 2013/14	3rd Quarter 2013/14	4th Quarter 2013/14	Funding Agent
<b>ELECTRICITY</b>							
1, 2, 6, 7 (Solomon, Suncity), 8, 9, 10, 11, 12, 18, 21	Construction of 18 high-mast lights / Replacing of two high-masts (W1, 12)	5.265.550	526.555	1.579.665	2.106.220	1.053.110	MIG
4, 5, 6, 7, 8, 9, 13, 15, 16, 21, 22, 23, 24	Electrification of 861 households	14.544.000	1.454.400	4.363.200	5.817.600	2.908.800	INEP - DOE/ OWN FUNDS
1, 11, 21 and 23	Completion of Households Electrification Programme	1.507.308	150.731	452.192	602.923	301.462	OWN FUNDS
<b>SUB TOTAL ELECTRICITY</b>		<b>21.316.858</b>	<b>2.865.416</b>	<b>8.596.248</b>	<b>11.461.665</b>	<b>5.730.832</b>	
<b>SUB TOTAL ELECTRICITY - MIG</b>		<b>5.265.550</b>	<b>526.555</b>	<b>1.579.665</b>	<b>2.106.220</b>	<b>1.053.110</b>	
<b>COMMUNITY ASSETS</b>							
15, 21, 22	Construction of Carolina Landfill site	3.000.000	300.000	900.000	1.200.000	600.000	MIG
10, 13, 14, part of 16, 18, 20, 24, 25	Construction of Tjakastad Taxi Rank	1.868.500	186.850	560.550	747.400	373.700	MIG
15, 22	Construction of Silobela Sport Fields	5.000.000	0	0	1.500.000	3.500.000	MIG/DCSR
<b>SUBTOTAL COMMUNITY ASSETS - MIG</b>		<b>9.868.500</b>	<b>486.850</b>	<b>1.460.550</b>	<b>1.947.400</b>	<b>973.700</b>	
<b>TOTAL INFRASTRUCTURE BUDGET</b>		<b>92.217.158</b>	<b>7.002.966</b>	<b>34.767.378</b>	<b>45.421.085</b>	<b>5.025.729</b>	
<b>TOTAL MIG BUDGET</b>		<b>73.665.850</b>	<b>3.438.105</b>	<b>24.072.795</b>	<b>30.161.640</b>	<b>15.993.310</b>	

### 3.2.1d Allocation of Operational Costs

Details	2012/13	2013/14			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
Total Operational Revenue	77.236.000,00	0,00	3.877.150,00	not applicable	not applicable
Expenditure:					
Employee Related Cost	2.352.221,72	2.810.353,00	2.810.353,00	not applicable	not applicable
Repairs and Maintenance	0,00	0,00	0,00	not applicable	not applicable
Other	739.877,01	1.067.297,00	1.066.797,00	not applicable	not applicable
Total Operational Expenditure	3.092.098,73	3.877.650,00	3.877.150,00	not applicable	not applicable
Net Operational Expenditure				not applicable	not applicable

## 3.2.1e Project Management Unit (PMU) - Performance Report

Priority Area	Strategy Objective	Key Performance Indicator (KPI)		2012/13 Budget	2012/13 Baseline	Comparison			Reasons for deviation	Steps taken to improve	Means of verification
		Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
<b>KPA : BASIC SERVICE DELIVERY</b>											
Infrastructure development and service delivery	To submit reports on projects implemented	Number of meetings to be held	For efficiency on the department	R3,057,150 Vote 0603 PMU	8	Held 5 formal meetings	12	12 meetings held	None		Minutes and attendance register
		Quarterly progress report to be submitted to Council	To enable the Council to oversee the department		4	Submitted 4 quarterly progress report to Performance Management System and Internal Audit	4	4 quarterly report submitted	None		Minutes and attendance register
		Monthly Progress Reports to be submitted to relevant stakeholders	For updating the progress for DWA, DOE, MIG and EPWP		12	Submitted 12 progress reports to all relevant stakeholders, eg MIG, DOE, EPWP	12	4 monthly reports submitted	None		Signed reports submitted to all stakeholders
	To eradicate backlogs	Number of households benefiting from new access to water	New access to water	R40,544,800 Vote 9805/5030 Vote 9805/5094	3,845	1200 house-holds benefitted from completion of Package Plants at Methula and Ekulindeni Bulk Systems	750	750 households benefitted	None		Completion certificates for GSDM manual boreholes, Package Plant at Eerstehoek
		Number of households benefiting from new access to sanitation	New access to sanitation	R11,377,000 Vote 9805/5116	3,949	1350 households benefitted	750	750 households benefitted	None		Completion Certificates for GSDM VIP toilets and top structures at Silobela Ext 2, 3
		Kilometers of road to be constructed	Smooth ridding surface	R18,870,000 Vote 9805/5015 Vote 9805/5073	7km	Completed 6.1km road construction	4km	4km roads constructed	None		Monthly progress reports Completion Certificates
	To improve existing systems	Number of plants and boreholes benefiting from improved bulk water systems	restoration of design capacity	R12,260,000 vote 9805/5134)	5	9265 households benefitted from the completion of package plants at Methula and Ekulindeni bulk systems	5	5 plants	None		Completion Certificate of Refurbishment Programme
	To provide public facilities	Number of street lighting and high-mast lights	Improved safe environment	5,265,550 (Vote 9805/5014)	16	2011 households benefitted from the completion of streetlights	18	18 street lights and high-mast lights	The two that were added in April 2014 would be completed by	In future it would be attempted to assist with procurement of	Completion Certificate

Priority Area	Strategy Objective	Key Performance Indicator (KPI)		2012/13 Budget	2012/13 Baseline	Comparison			Reasons for deviation	Steps taken to improve	Means of verification
		Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
									August 2014 due to current strike	material through cession before the strike season	
Creation of job opportunities	To empower of local emerging contractors	Number of local emerging contractors	Improved CIDB grading of local contractors		31 SMMEs	31 SMMEs	12	20 local emerging contractors were empowered	Due to the magnitude of work and need for special professional services the appointed service providers were not local	The appointed contractors must subcontract to local SMMEs	Supply Chain Management Report
	To Implement the EPWP	Number of jobs created for semi-skilled individuals	Alleviate poverty and EPWP incentives		2,240	Created 1000 jobs	1,500	1522 jobs created	Reporting to EPWP on a monthly basis		Report
Public Participation	To ensure community participation and support for all projects	formulation of the PSC	Common understanding and ownership of the projects	420,000	49	Established PSCs for all 38 projects	15	15 PSC	Formulated PSCs for all projects and the chairperson signs off payment certificates		Minutes of meetings
		Number of Site Technical meetings to be held	Satisfactory quality of work		49	Held 34 PSC/Site meetings	15	15 meetings	None		Minutes
Developments	To empower staff	Skills development	Better performance	400,000	5	7 staff members attended different courses	7	7 staff members attended different courses	None		Completion Certificate or course programme
Financial Management	To properly manage the departmental finance	100 % expenditure	Clean Audit	101,977,000 (Vote 9805 Municipal Infrastructure)	AG action Plan	Managed funds well, on track towards a clean audit	Unqualified / Clean Audit	Managed funds well, on track towards a clean audit			Project cash flow was managed together by paying service providers within 30 days All records were kept for backup to the Finance Department, ie copies of

Priority Area	Strategy Objective	Key Performance Indicator (KPI)		2012/13 Budget	2012/13 Baseline	Comparison			Reasons for deviation	Steps taken to improve	Means of verification
		Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
											payment certificates, schedules of transfer, confirmations of transfer, and the BOQ and As built for the Asset Register

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3.3 DEPARTMENT PLANNING AND ECONOMIC DEVELOPMENT

3.3.1 PLANNING

The four largest capital projects of the Department were:

**Town Planning:**

- GIS - The Municipality required the GIS system to be able to implement the LUMS.
- Silobela Cemetery - The existing cemetery reached capacity.
- Carolina Industrial Extension - A need for serviced industrial sites to promote economic growth.
- LED Programs - A vibrant local economy was one of the Municipality's IDP.

The variations from the budget were caused by the approved budget not being funded due to low revenue collection.

3.3.1a Planning - Land Use Development

Applications for Land Use Development	Formalisation of Townships		Rezoning/Subdivision/Consolidation		Building Inspections	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
Planning applications received	0	1		10		61
Determination made in year of receipt	0	0		10		61
Determination made the following year	0	0		0		0
Applications withdrawn	0	1		0		0
Applications outstanding at year end	0	1		0		0

3.3.1b Planning - Number of Employees

Job Level	2012/13	2013/14			
	Number of Employees	Number of Posts	Number of Employees	Number of Vacancies (fulltime equivalents)	Vacancies (as % of total posts) %
0-3	4	4	4	0	0
4-6	3	3	3	0	0
7-9	2	2	6	0	0
10-12	0	0	0	0	0
<b>Total</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>2</b>	<b>0</b>

3.3.1c Planning - Capital Projects

Capital Projects	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
GIS	R 350.000	R 100.000	R	R 118.345	R 318.345
Silobela Cemetery	R 800.000	R 800.000	0	0	R 800.000
Carolina Industrial Extension	R1.000.000	R1.000.000	0	0	R1.000.000
IDP	R 300.000	R 300.000	R 300.000	0	R 300.000
LED Programs	R 800.000	R 800.000	0	0	R 800.000
Marketing	R 50.000	R 50.000	0	0	R 50.000

3.3.1d Planning - Allocation of Operational Costs

Details (Vote 0701, 0702)	2012/13	2013/14			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
Total Operational Revenue	171.767,45	135.000,00	193.678,00	282 330.13	(88 652.13)
<b>Expenditure:</b>					
Employee Related Cost	4.762.213,33	6.890.368,00	5.462.599,00	5 395 066.02	67 532 .98
Repairs and Maintenance	628,91	5.000,00	-	1 895.00	3 105.00
Other	3.544.478,26	3.328.638,00	1.706.680,00	785 787.68	920 892.32
<b>Total Operational Expenditure</b>	<b>8.307.320,50</b>	<b>10.224.006,00</b>	<b>7.169.279,00</b>	<b>6 182 748.70</b>	<b>986 530.30</b>
<b>Net Operational Expenditure</b>					

3.3.1e Planning - Capital Expenditure

Priority	Project Name	IDP Code	Vote Number	Project Outcome	Original Budget	Adjusted Budget	Start Date	End Date	Ward	Source Of Funding	Project Number	Total Cost
Formalise an informal Settlement	Formalise Empuluzi Ext C2	4.7.5	0701/4371	Improved living conditions Enhanced revenue collection	R300,000	R190,000	31/01/14	30/06/14	ward 9	Municipal budget	ALM 04/2013	R300,000 No expenditure, and the project was moved to next financial year
Provide a framework development in the Municipality	Nodal Development Framework	4.7.5	0701/4371	Institutional direction, development guided by SDF, LUMS	R300,000	R10,000	31/01/14	30/06/14	All wards	Municipal budget	ALMP 04/2013	R300,000 No expenditure, and the project was moved to next financial year
Create a fully equipped GIS centre for the Municipality	Geographic Information System	4.7.5	0701/4223	Technologically Town Planning , location, size, status, lay-out, land-use, revenue, correct land	R350,000	R100,000	31/01/14	30/06/14	All wards	Municipal budget	ALM 16/2012	R350,000 budgeted, but adjusted to R100,000 GIS ESRI South Africa was appointed to install the software or licence Expenditure: GIS project expenditure on hardware R98.811,44
Improve a cemetery facility	Silobela Cemetery	4.7.5	0701/4371	New cemetery facility for the community of Silobela	R900,000	R100,000	31/01/14	30/06/14	Ward 15	Municipal budget	ALMP 04/2013	R900,000 No expenditure, and the project was moved to next financial year
Increase industrial activities in the Municipality	Extension of Carolina Industrial Sites	4.7.5	0701/4371	Continue with the township establishment process of increasing industrial activities in the area	R900,000	R100,000	31/01/14	30/06/14	Ward 21	Municipal budget	ALMP 04/2013	R900,000 No expenditure, and the project was moved to next financial year

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**3.3.2 HOUSING**

**3.3.2a Introduction**

The Municipality facilitated the housing allocations received from Province. Council allocated the housing units to different wards, based on the number of units received from the Department of Human Settlements. For 2013/14, the 500 housing units received from the Department of Human Settlements were allocated by the Municipality for the following Wards: 4, 8, 9, 10, 11, 13, 16, 19, 20, 20, 24, and 25.

**3.3.2b Challenges**

- No contractor yet appointed for the implementation of the 500 housing units
- The capturing of application forms submitted to Department of Human Settlements was not yet finalised
- The capturing of pool application forms submitted to Department of Human Settlements was not yet captured on the Housing Subsidy System
- Disaster and asbestos houses submitted to Department of Human Settlements was not yet considered by the Department
- Staff and resources shortages within the Housing Section

The Municipality was doing its level best to engage the Department of Human Settlements regarding housing matters and the abovementioned challenges.

**3.3.2c Housing - Number of households with access to basic housing**

Year	Total number of households	Total number of households (including informal and traditional settlements)	Number of households in informal settlements (traditional)	Percentage of households (informal settlements)
2009/10	47.705	23.164	13.747	35%
2010/11	47.705	36.497	13.994	27%
2011/12	47.705	36.497	7.994	23%
2012/13	47.705	36.497	7.994	23%
2013/14	47.705	36.497	7.994	23%

Source: Stats SA 2011

**3.3.2d Housing - Percentage of households with access to basic housing**

Year	Total households (including informal settlements)	Number of Households (informal settlements - Traditional)	Percentage of households (informal settlements)
2012/13	47.705	36.497	5%
2013/14	47.705	36.497	5%

Source: Stats SA 2011

**3.3.2e Housing - Number of Employees**

Job Level	2012/13	2013/14			
	Number of Employees	Number of Posts	Number of Employees	Number of Vacancies (fulltime equivalents)	Number of Vacancies (as % of total posts)
0 - 3	1	1	1	1	0%
4 - 6	1	1	1	1	67%
10 - 12	0	0	0	0	0
<b>Total</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>40%</b>

3.3.2f Planning and Development - Performance Report

Priority Area	Strategic Objective	Key Performance Indicator (KPI)			2013/14 Budget	2013/14 Baseline	Comparison			Reasons for deviation	Steps taken to improve	Means of verification
		Performance Indicator	Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
<b>KPA : BASIC SERVICE DELIVERY</b>												
Town Planning	To facilitate and monitor the development of 592 sites for mixed land uses in Pieter de Bruin Park	Four engagements facilitated	Facilitate development of 592 sites in Pieter de Bruin Park	Improved living conditions by provision of houses, basic amenities Enhanced revenue collection by the Municipality by selling 592 sites	Operational budget	Draft layout plan in place	Coordinated engagements for the purpose of discussing and finalising the required documents for the project such as Conditions of Establishment, Road designs, electricity infrastructure plan, and water infrastructure plan through meetings, emails and letters	Submission of final layout plan	Coordinated 13 engagements - eg 2 engagements meetings, 5 follow-up engagements 6 formal letters for the developer (Ukhozi Consultants) to finalise the development of Pieter De Bruin Park	No deviation	None	Letter to Ukhozi consultants Minutes of meeting e-mails (5)
	To facilitate and monitor the development of mixed land uses	Four engagements facilitated	Facilitate the development of 150 sites in Carolina Ext 3	Improved living conditions by allocating approximately 150 sites to potential bidders Enhanced revenue collection by Municipality for 150 sites	Operational budget	Briefing session taken place		Submission of final layout plan Report of the final community resolution	Coordinated 4 engagement meetings Appointed a developer (CSM Consortium) to develop 150 sites at Carolina Ext 3	No deviation	None	Draft Land Availability Agreement. Appointment letter. Minutes of meeting emails
			Facilitate development of 33 sites in Erf 500 Carolina	Improved living conditions by allocating 36 sites to bidders Enhanced revenue collection by Municipality for 33 sites	Operational budget	Erf 500 not fully developed	Advertised Erf 500 Carolina Project for the development of 33 sites	Facilitate the construction of 33 middle-income houses	Coordinated 1 meeting for site inspection Requested the required documents from the appointed developer (Mafulela Architects and Projects Manager)	The developer did not attend meetings coordinated	The project was moved to the next financial year 2014/2015 Established the program of meetings.	Appointment letter. Draft Land Availability Agreement signed Deed of Sale Meetings minutes Emails

Priority Area	Strategic Objective	Key Performance Indicator (KPI)			2013/14 Budget	2013/14 Baseline	Comparison			Reasons for deviation	Steps taken to improve	Means of verification
		Performance Indicator	Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
<b>Town Planning</b>	Facilitate and monitor the development of 500 sites at Elukwatini BA	Four engagements facilitated	Facilitate development of 500 sites at Elukwatini BA	Improved living conditions by allocating 500 sites to bidders Enhanced revenue collection by Municipality for 500 sites	Operational budget	Draft lay-out plans existing Land was pegged by Sisonke Development Planners	Advertised Appointed a developer for Elukwatini BA Project to develop 500 sites	Facilitate development of 500 sites at Elukwatini BA Facilitate the development of infrastructure plans	Coordinated 2 engagements with the developer. Sent 1 formal letter Coordinated 1 meeting for site Requested the required documents from the appointed developer (Sisonke Development Planners) 50% below target	The Sisonke Development Planners and Plan 2 Survey Africa were on loggerheads regarding the Plans of Elukwatini BA, as the matter was referred to the Public Protector and later resolved	Facilitate the development of infrastructure plans Facilitate the submission of the final lay out from the Surveyor General. The project was moved to the next financial year 2014/2015	Letters from Sisonke, and Municipality. Draft lay out.
<b>Human Settlement</b>	To facilitate and coordinate of Human Settlements Data capturing of 150 beneficiaries for CRDP PHP)	Four engagements coordination/facilitations held for identification, registration, and capturing of 150 beneficiaries	Implementation of Human Settlement programs in the municipal area	Improved service delivery and living conditions for beneficiaries	Department of Human Settlement (DHS)	150 Housing units allocated by DHS	Coordinated 3 meetings for the purpose of identifications of 960 beneficiaries, registration and capturing of forms in the database	Hold 4 meetings, facilitations for 150 application forms captured in the Housing Subsidy System	Coordinated 4 meetings for the purpose of identifications of 150 beneficiaries, registration and capturing of forms in the database	None	No deviation	Appointment Letter Meetings minutes
	To facilitate and coordinate 660 housing units for the following projects: 504 CRDP PHP Housing Units 45 Project Linked Subsidy Housing Units 50 Child Headed Household Units 60 Emergency Housing Units	4 projects monitored (CRDP PHP, Project Linked Subsidy, Child Headed Household Project, Emergency House Project)	Implementation of Human Settlement projects in the municipal area	Improved service delivery and living conditions for beneficiaries	Department of Human Settlement (DHS)	660 housing units allocated by DHS	Received allocation of 960 housing unit; monitored and facilitated construction of 960 housing units at Ward 11, 9, 18,13, 5, 6, 8, 20, 16, 24, and 1 Continued monitoring and facilitation of rollover CRDP PHP housing units, 45 Project Linked Subsidy housing units, 50 Child Headed Household Units 60 Emergency Housing Units	660 roll-over units completed	Monitored and facilitated of the 4 housing projects: CRDP PHP 2013/14 Rollover CRDP PHP 2012 Project Linked Subsidy	none	No deviation	Printout summary

Priority Area	Strategic Objective	Key Performance Indicator (KPI)			2013/14 Budget	2013/14 Baseline	Comparison			Reasons for deviation	Steps taken to improve	Means of verification
		Performance Indicator	Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
								<p><b>Project 1.1</b>  <b>CRDP/PHP 2013/2014 (150 units)</b>            131 housing units for Ward 7 and 19 were allocated to Ward 15, 19, 6</p> <p><b>Progress:</b>            Appointed 2 contractors (Mageba Projects, and Mathonsi Construction) to construct the 150 units;            150 units allocated            37 units completed            113 units foundation stage</p> <p><b>Project 1.2</b>  <b>ROLL OVER CRDP PHP 2012 (660 units)</b>            390 units completed            270 units foundation stage</p> <p><b>Project 2</b>  <b>Project Linked Subsidy RDP (45 units)</b>            45 units allocated            20 units completed            25 units foundation stage</p> <p><b>Project 3</b>  <b>Child Headed RDP (50 units)</b>            50 units allocated            8 units completed            42 units at foundation stage</p> <p><b>Project 4</b>  <b>Emergency Houses (56 units)</b>            56 units allocated            56 units completed</p>				

Priority Area	Strategic Objective	Key Performance Indicator (KPI)			2013/14 Budget	2013/14 Baseline	Comparison			Reasons for deviation	Steps taken to improve	Means of verification
		Performance Indicator	Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
	To facilitate and coordinate of all Human Settlements activities(Data Capturing for 2014/15 allocation)	1000 data forms captured/ linked	1000 Data forms linked to Housing Needs Register	Accurate data for housing allocation	Operational Budget- PED	Housing Needs Register in place	Captured and linked 1000 data forms on the Housing Needs Register Identified and registered beneficiaries Submitted housing subsidy forms Corrected returned application forms and captured Facilitate the appointment of contractors for the commencement of the projects	1000 data forms captured and linked to Housing Needs Register	Captured 1551 forms to the database	None	None	Print summary

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**3.3.3 LOCAL ECONOMIC DEVELOPMENT (LED) (including Tourism and Market Places)**

**3.3.3a LED Strategic Objectives**

- i. To promote a shared understanding of the LED concept, use of sound LED practices and the LED process flow;
- ii. To promote private-public sector collaboration, support and funding of municipal LED Programs and projects;
- iii. To identify key economic sectors that contributes to the growth of the CALM economy;
- iv. To ensure alignment of the strategy to the existing policies and strategies such as Integrated Development Plan, Spatial Development Framework, Environmental Management Framework and Housing plan;
- v. To develop a tourism development plan and a tourism marketing strategy;
- vi. To align the strategy with the 2030 vision (long-term) for Chief Albert Luthuli Municipality.

**3.3.3b Local Economic Development - Capital Expenditure**

The LED Section developed the LED Strategy in-house with anchor projects to be implemented in the financial year. The anchor projects were shown in the following table:

Capital Projects	Budget	Adjustment Budget	Actual Expenditure	Variance from Original Budget	Total Project Value
LED Program	R800.000	R800.000	0	0	0
Marketing	R 50.000	R 50.000	0	0	0

**3.3.3c Local Job Opportunities**

The Municipality offered tourists a very wide range of tourism activities that were available within the municipal area and in its immediate areas. Tourism and agricultural opportunities were still underdeveloped and had a huge potential to contribute to the economic development of the Municipality.

There were a vast number of street traders in the municipal key areas such as the Oshoek Border Post, N17, and business centres. Street traders contributed to the economy on a small scale and created income for themselves, but a big challenge was the lack of supporting facilities such as toilet facilities and formalised trading areas.

**3.3.3d Job Creation (EPWP Projects)**

Job creation through the Extended Public Works Program (EPWP) projects	
Year	Number of jobs created
2013/14	16.450

**3.3.3e Local Economic Development - Number of employees**

Job Level	Number of Posts	Number of Employees	Number of Vacancies
0-3	1	1	0
4-6	2	2	0
<b>Total</b>	<b>3</b>	<b>3</b>	<b>0</b>

3.3.3f Local Economic Development - Performance Report

Priority Area	Strategic Objective	Key Performance Indicator (KPI)			2013/14 Budget	2013/14 Baseline	Comparison			Reasons for Deviation	Steps taken to improve performance	Means of Verification
		Performance Indicator	Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
<b>KPA : LOCAL ECONOMIC DEVELOPMENT</b>												
Local Economic Development (LED)	To review the approved LED strategy 2012/13 for 2014/15 financial year	Review process for LED Strategy programmes implemented annually.	Implement the 2013/14 LED Strategy for 2014/15 reviewed	Improve implementation of the LED Strategy.	Operational Budget	Approved LED Strategy for 2013/14	Council adopted the reviewed LED Strategy for 2014/15	Council adopt the reviewed LED Strategy for 2014/15	LED Strategy was approved the draft LED Strategy for public participation for 2014/15 review	The LED Strategy was not approved by Council as per the SDBIP target	The LED Strategy moved to September 2014 as per the SDBIP for 2014/15	SDBIP 2014/15
	To promote participation, and strengthen the relationship of public-private partnerships	2 Local Economic Development Forum meetings held/convened	Promote and strengthen public-private partnerships	Share information and experiences, pool resources and solve problems which come up in the course of implementing LED projects	Operational Budget	Ineffective Interim LED Forum	Coordinated the formation of the LEDF through invitations letters and emails, hence few economic sector's representatives attended the meetings	Two LED forum meetings conducted.	The LED Forum was established on 30 April 2014, and the Chairperson of the Forum was elected by using the terms of reference established by the Forum	The representative of the economic sectors did not attend the meeting	Establish the working group of the Local Economic Development Forum. Created the program of meetings	Attendance register and minutes for LED Forum meeting 30/4/2014. Attendance register – Corporate Forum
							Created jobs and experience - Plumbing assisted the municipality	Others work with the contractors appointed by Human Settlement.	Service Seta trained Cooperatives in bookkeeping and financial management SARS workshopped all Phezu Komkhono project beneficiaries on 25 April 2014 MRTT Artisans Skilling coordinated a workshop for carpentry, bricklaying and plumbing Recruited 90 learners			
To ensure the implementation of 4 SLP/CSI by mines, 1 charter by forestry house, and other economic sectors	5 engagements or facilitation with economic sectors	Enforce implementation of SLP/CSI, Forestry charter and other economic sectors	CSI and SLP projects implemented to benefit the community by improving local economic opportunities	Operational Budget	8 Mining Houses 4 Forestry Houses, and other economic sectors			Implemented 4 CSI / SLP projects, Forestry Charter	No deviation	None	Articles of Hand-over MOU Advert Invitations Letters PMU documents Minutes	

Priority Area	Strategic Objective	Key Performance Indicator (KPI)			2013/14 Budget	2013/14 Baseline	Comparison			Reasons for Deviation	Steps taken to improve performance	Means of Verification
		Performance Indicator	Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
								Coordinated 9 engagements with mines and forestry companies for the implemented of SLP projects, for job opportunities and development of SMMEs and Cooperatives, and skills development.				
								<b>All Forestry companies</b> Coordinated 1 engagement meeting				
								<b>NKK Coal Mine</b> Coordinated 1 engagement meeting				
								<b>Vaalbult Coal Mine</b> Coordinated 1 engagement meeting				
							<b>East Side Coal:</b> Construction of extension of 3 classrooms at Joy Christian School in September 2013	<b>Implementation of SLP and CSI</b> <b>East Side Coal:</b> Completed extension of 3 classrooms at Joy Christian School in September 2013				
							<b>Shanduka Coal</b> Provision of baking equipment for Glenmore Bakery Total Value: R350,000 Development of SMMEs Sub-contractor roofing : 4 Labourers	<b>Shanduka Coal</b> Coordinated 2 engagement meetings Appointed contractor (Sokza Construction) Sub-contractor Paving 3 Labourers Sub-contractor Plumbing 3 Labourers Jobs created: 10 Labourers Job created: 5 males				
							<b>Nkomati Mine</b> Project: Water Package Plant-Nhlazatshe Total value: R5 million	<b>Nkomati Mine</b> Coordinated 2 engagement meetings <b>Project 1</b> Upgrade road to block paving in Emanzana				

Priority Area	Strategic Objective	Key Performance Indicator (KPI)			2013/14 Budget	2013/14 Baseline	Comparison			Reasons for Deviation	Steps taken to improve performance	Means of Verification
		Performance Indicator	Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
								(27 Years Robin Island) Total value: R4 183 704,15 Jobs created: 7 1 Adult Male 2 Youth Male 4 Youth Female				
						<b>Muhanga Mine</b> Project identification yet to be finalised by all stakeholders (DMR, CALM and Muhanga)		<b>Muhanga Mine</b> Coordinated 2 engagement meetings Submitted 5 projects to the mine to be included in the SLP: <b>Project 1:</b> Upgrade Goebram School (additional classes) Rehabilitate and reseal Kerk Street 3km Erect concrete palisade fencing at Carolina Cemetery Construct clinic in Carolina <b>Project 2:</b> Upgrade road to block paving at Embhuleni Hospital (500m) (V Dan Construction) Total value: R2.918.469,45 Job created: 9 2 Adult Male 3 Youth Male 4 Youth Female <b>Project 3:</b> Upgrade road o block paving Vuka Primary School (500m) (V Dan Construction)	No deviation	None	Letters Minutes	
						<b>Other mines</b> Phembani Coal Northern Coal Umsobo Coal					None	Letters Minutes

Priority Area	Strategic Objective	Key Performance Indicator (KPI)			2013/14 Budget	2013/14 Baseline	Comparison			Reasons for Deviation	Steps taken to improve performance	Means of Verification	
		Performance Indicator	Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance				
							Kusile Mining Vaalbult Coal Mining Coastal Fuel Mining (formerly Siphethe Coal) Muhanga Mine			Identified SLP projects submitted but were not implemented by mines			
							Forestry economic sector : Forestry Chapter			Forestry economic sector : Forestry Chapter	No deviation	None	Letters Minutes
							<b>Komatiland Forests</b> <b>Project 1:</b> Construction Car wash project at ward 7 Mayflower Total value: R90,000 Job created: 05  <b>Project 2:</b> Renovation of Khanya Primary School at ward 7 Total value: R 800,000 Job created: 13			<b>Komatiland Forests</b> <b>Project 1 :</b> Bhekimfundo Primary School – block of classrooms at ward 6 Total value: R1,337,928.18 Job created:15  <b>Project 2:</b> Stimulation centre at ward 11 Glenmore Total value: R167,607.08 Job created: 12  <b>Project 3:</b> Construction of Youth Centre at Diepdal Total value: R162470,.63 Job created:8 Forestry Total value:R1668005,81 Job creation: 35			
							<b>Other job created project funded by government</b> Tourism: Project Nooitgedacht nature reserve funded by Department of Environmental Affairs at the planning stage			<b>Other job created project funded by government</b> Tourism: Project Nooitgedacht nature reserve funded by Department of Environmental Affairs Total value: R10 million Job created: 156 workers Jobs created through SMMEs development Job created: 18 workers	No deviation	None	Letters Minutes

Priority Area	Strategic Objective	Key Performance Indicator (KPI)			2013/14 Budget	2013/14 Baseline	Comparison			Reasons for Deviation	Steps taken to improve performance	Means of Verification
		Performance Indicator	Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
	To promote investment in the municipal area	Investment promotion policy	Develop an investment promotion policy	Attract investors to the Municipality	Operational Budget	No investment promotion	Development and data collection of the draft policy Draft investment promotion policy adopted by Council A draft document was developed		Invited inputs from other departments was handed over to the Committee on Policy and By-Laws	The By-Laws and Policy Committee could not sit because lack of human resource (Legal Manager)	The project moved to the next financial year	Draft policy, Emails sent for inputs.
<b>Integrated Development Plan (IDP)</b>	To implement the approved Process Plan	Number of IDP REP Forum meetings coordinated to implement the IDP Process Plan	Comply with legislation (Local Government Systems Act, Chapter 5 Section 34 a-b)	No audit queries and comments from MEC for Department Co-operative Governance and Traditional Affairs	R300,000 for all IDP processes	IDP Process Plan for 2013/14 financial year adopted by Council	Development of the Draft process plan, public participation Serve the Mayoral Committee, and the council approve the process plan.		Implementation of IDP 3 forums Process Plan IDP approved process plan implemented	No deviation	None	Attendance registers for 3 IDP Rep forum meetings and Approved Process Plan 2013/14
<b>Integrated Development Plan (IDP)</b>	To implement the approved 2012/13 Integrated Development Plan	Implementation of the approved 2013/14 Integrated Development Plan	Co-ordinated implementation of projects in the municipal area Buy-in from stakeholders and ownership of projects	•Integrated development in the municipal area •Improved service delivery to communities •Needs of community addressed	R300,000 for all IDP processes	Approved IDP document for 2013/14	Development of the Draft IDP, Serve the Mayoral Committee, and the council approve for the public participations, input made the Council approve the final IDP. Reviewed IDP document for 2014/15 approved by Council		Conducted Public Participation on the IDP Process Plan, which was adopted by Council on 29 August 2013 First IDP Rep Forum meeting was held on 31 October 2013 at Tjakastad, in accordance with the IDP Process Plan Second IDP Rep Forum did not sit in December Draft IDP document adopted by Council on 5 March 2014 for public participation Notice for 21 day period advertised to invite inputs and comments	No deviation	None	Attendance registers, Draft IDP, Approved IDP
							Public Consultation process under way Draft IDP document adopted by Council on 5 March 2014 for public participation		Final IDP review for 2014/15 adopted by Council on 28 May 2104 (Council Resolution CL1.139, Item No C02/05/14/R)	No deviation	None	Copy of program for Public Participation and minutes & council

Priority Area	Strategic Objective	Key Performance Indicator (KPI)			2013/14 Budget	2013/14 Baseline	Comparison			Reasons for Deviation	Steps taken to improve performance	Means of Verification
		Performance Indicator	Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
							Notice of adoption of 2014/15 IDP Printing and distribution of final approved document		Notice of adoption of 2014/15 IDP Printing and distribution of final approved document			resolution Attendance Register Council resolutions Notices
<b>KPA : MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT</b>												
<b>Empowerment and motivation</b>	To facilitate the skills development for 5 departmental officials to enhance competency	Number of training in skills development and mentoring and coaching for 3 officials	Increased performance	Enhanced competency	Operational Budget	The Director: PED trained in mentoring and coaching Attending the MFMP with Kgolo Institute - LED Officer, 9 permanent employees and 1 contract employee	Request from Corporate Services for Skills Work Place as skills identified		10 employees received training One officials underwent Municipal Finance Management Program training with Kgolo Institute in the fourth quarter for the Director to be competent of finance. Mentoring and caching training NOF5 with Siyakhula Trust	Two officials underwent training in the fourth quarter due to financial constraints.	Re-apply for the training from Corporate Services.	Program from service Provider for training
<b>Skills Development</b>	To provide training for the geographical information system (GIS)	3 officials from Town Planning trained in GIS by Gert Sibande District Municipality	Increased performance	Enhanced competency	Operational Budget	Number of officials trained in GIS	Request from Corporate Services for Skills Work Place as skills identified 3 Town Planning officials trained in Geographical Information System (GIS)		No training was conducted	Deviation due to financial constraints	Re-apply for the training from Corporate Services.	Letters or memorandum.
<b>KPA : MUNICIPAL FINANCIAL VIABILITY</b>												
<b>Financial Management</b>	To properly manage the departmental finance in line with the Budget, MFMA (2003) Chapter 8 S 77(1), (2) S78(1), ()	Maintain lower % of deviations to total budget control expenditure on departmental budget	Control expenditure on departmental budget	Ensure compliance with the approved budget and Local Government: Municipal Finance Management Act (2003)	R 12 333 000	Departmental budget	Spending was done according to the Local Government: Municipal Finance Management Act (2003) act no 56 of 2003 Chapter 8 part 2 Financial administration section 77-79		Approved budget for the department Spending was done according to the Local Government: Municipal Finance Management Act (2003) act no 56 of 2003 Chapter 8 part 2 Financial administration section 77-79	1 of 2 town planning ,LED project were not cash backed	Plan and budget for the project for 14/15 Formal letter to CFO	Budget for PED

Priority Area	Strategic Objective	Key Performance Indicator (KPI)			2013/14 Budget	2013/14 Baseline	Comparison			Reasons for Deviation	Steps taken to improve performance	Means of Verification
		Performance Indicator	Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
	Income Revenue enhancement	Approved 100% of the building plans submitted	100% payment of all building plan fees Create income through approval of building plans (residential and business)	Buildings comply with building regulations Revenue enhancement	R 150 000	Council approved building plan fees R150 000 collected during previous financial year	<b>Building Plans</b> All building plans received were inspected. 78 building plans were approved Revenue R131 843,74		<b>Building Inspections</b> 240 building inspections were conducted 100% of all submitted building plans approved <b>Building Plans</b> All building plans received were inspected. Revenue: R273,750.29	No deviation	None	List of approved building plans
	<u>Income</u> Revenue enhancement	Ensure Council approved 100% of the subdivision and rezoning submitted	100% payment of fees Create income through subdivisions, consolidations, rezoning	<ul style="list-style-type: none"> <li>Controlled Town Planning</li> <li>Revenue enhancement</li> </ul>	Operational Budget	Council approved subdivision and rezoning fees	<b>Consolidations</b> <b>Vygeboom Country Estate</b> Erf 24, 25 Erf 40, 41 & 42 Erf 36 & 37 <b>Elukwatini A</b> Erf 1080, 1081, 1082 Erf 1/1091 Total: R10,094.00 <b>Subdivision</b> <b>Elukwatini A</b> Erf 2337, <b>Carolindia Ext 1</b> Erf 178, Erf 172, Erf 335 <b>Carolina</b> Erf 5 Ptn 1, Erf 335 Ptn 1		100% of all submitted subdivision, rezoning and consolidation applications approved <b>Consolidation Carolina</b> Erf 66, 67 & 68 Portion 1 of 101 and 102 Total: R2018.80 <b>Rezoning Carolina</b> Portion 1 of erf 108 Erf 5 Ptn 1 Voortrekker Street Portion 24 of Carolina Farm <b>Subdivision</b> Remainder of Portion Dundonald farm Total: R9.347,25	No deviation	None	List of approved rezoning and subdivision
	<u>Income</u> Reposes and Disposal of vacant sites	Reposessed and disposed 380 undeveloped sites in the Municipality	100% of reposessed sites disposed.	Revenue enhancement Improved living conditions	Operational Budget	54 Vacant sites were disposed in Silobela Ext 4	Coordination of meeting to collect data or information. Sites verification whether developed or not		Assessment regarding the ownership and debt Dispose all reposessed and Council owned vacant sites 54 Vacant sites were disposed in Silobela Ext 4 Re-verify sites for other sites that were not developed for more than 3 years	Undeveloped sites were not disposed and reposess as planned.	Re-verification, separate those with title deed form the municipal owned sites, and disposed	Minutes and attendance register, advertisement.

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**3.4 COMMUNITY SERVICES**

**3.4.1a Introduction**

The core objectives of this Department included the provision of waste management and cleaning services; horticulture and maintenance of parks; cemetery services; library services; development of sport and culture, and recreational facilities; empowerment of youth, women and people with disability; HIV/AIDS; environmental health, and the general community development activities.

**3.4.1b Community Services - Operational Cost Allocation 2013/14**

Details (Vote 0401, 0403, 0405, 0411, 0450)	2012/13	2013/14			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
Total Operational Revenue	4,317,845.98	4,505,358.00	4,518,632.00		
Expenditure:					
Employee Related Cost	12,473,030.57	14,511,086.00	12,948,373.00		
Repairs and Maintenance	295,599.00	152,608.00	5,819,887.00		
Other	1,3431,958.46	6,914,268.00	83,149.00		
Total Operational Expenditure	13,822,745.25	21,577,962.00	18,851,419.00		
Net Operational Expenditure					

**3.4.2 WASTE MANAGEMENT**

**3.4.2a** This Section included refuse collection, waste disposal, street cleaning and illegal dumping control.

Environmental and Waste Management were constitutional obligations in terms of Section 24 of the National Environmental Management Act (2000), and obliged a municipality to provide and manage their waste disposal according to certain standards.

The Municipality was faced with the challenge of providing waste management services in such that it had to deal with the legacy of unpermitted, unclosed, and unrehabilitated landfill sites. The mounting operational expenses coupled with huge negative environmental risks and challenges posed by those sites, as well as other challenges to manage the generation of increased waste due to increased economic development, and mining and industrial activities within the Municipality, remained a big challenge.

The present households in the Municipality amounted to 47.705 in both formal and informal settlements. The number of households that received waste collection amounted to 12.853. The Municipality was able to provide this service in spite of limited resources.

Refuse was collected according to a schedule, once a week.

**(i) Major achievements included:**

- Provision of the kerb-side waste removal to 12.853 households weekly
- Finalisation of the Integrated waste Management Plan
- Installation of 'No Dumping' signs
- Awareness campaigns for the illegal dumping control

**(ii) Major challenges included:**

- Lack of household dustbins at informal settlements
- No access roads to informal settlements
- Inadequate maintenance of equipment for waste collection
- Unrehabilitated disposal sites and dongas that led to dumping spot
- Uncontrollable illegal dumping spots.

**(iii) Progress made with waste disposal, street cleaning, and recycling:**

- Waste disposal: Emanzana (Badplaas) Disposal Site was licensed as a Transfer Station
- Carolina Disposal Site: funded for license/permit application, EIA studies were conducted
- Street Cleaning: 4.2km streets and main roads were swept daily
- Recycling: currently no recycling process, only monitoring of informal recyclers.

**(iv) Top 3 Service Delivery Priorities related to Waste Management and the impact on them during the year were as follows:**

- Ensured that the refuse removal and street cleaning services were properly operated and managed
- Minimised illegal dumping and littering
- Ensured that the refuse removal service in peri-urban and rural areas was rendered.

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(v) Measures taken to improve performance and the major efficiencies achieved during the year:

- The finalisation of the IWMP
- Erected "No Dumping" signs
- Carolina Landfill Site and Empuluzi Cemeteries were still in progress for licensing.

Identification and response to those communities who were living in poverty and were deficient in this basic service

Skip bins were placed at strategic places for communal use in areas like informal settlements.

**3.4.2b Waste Management - Summary of households with access to basic solid waste removal**

The total number of households that received basic solid waste collection on a weekly basis was 12.853, which was around 27%. This service was also offered to households who earned not more than R2.300 per month at a discounted rate.

**3.4.2c Waste Management - Number of Employees**

Job level	2011/12	2012/13		2013/14		
	Number of Employees	Number of Posts	Number of Employees	Number of Employees	Number of Vacancies (fulltime equivalents)	Vacancies (as % of total posts) %
0-3	1	2	2	2	0	0
4-6	0	0	0	0	0	0
7-9	4	4	4	4	1	0
10-12	5	5	5	5	2	0
12-17	46	47	47	47	3	0

3.4.2d Waste Management - Capital Expenditure

Priority	Project Name	IDP Code	Vote Number	Project Outcome	Budget	Budget Adjusted	Start Date	End Date	Ward	Source Of Funding	Project Number	Total Cost
Landfill Site	Construction and licensing of the Carolina landfill site (Phase 1)			Licensed and compliant landfill					15, 21, 22	MIG GSDM		R3.000.000
Library	Construction of the Glenmore Library			Library service at Glenmore					5, 9	DCSR		R5.000.000
Sport facilities	Construction of the Silobela Stadium			Usable sport facility					All units	MIG GSDM		R6.500.000

3.4.2e Waste Management - Performance Report

Priority Area	Strategic Objective	Key Performance Indicator (KPI)			2012/13 Budget	2012/13 Baseline	Comparisons			Reason for Deviation	Steps to correct the situation	Means of Verification
		Performance Indicator	Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
<b>KPA : BASIC SERVICE DELIVERY</b>												
<b>Waste Management</b>	To provide refuse removal services per week	Household refuse bins/bags/ skip bins removed weekly	Refuse removal service provided	Clean environment	R6 397 490 Vote 0450	Weekly removal of 12853 refuse bins/bags	Increased refuse collection from 12289 to 12853 households	12853 households per week	Provided refuse service to 12853 households once a week in the following areas: Emanzana (Badplaas), Elukwatini, Ekulindeni, Empuluzi, Carolina and Silobela The Municipality rendered the service at Empuluzi from December 2013 Emptied all skip bins effectively Collected waste weekly at Doornkop Revenue collected: <b>R70 388.04.</b> Collected waste weekly at Rainbow Farm Revenue collected: <b>R28 432.74.</b> Special Waste Collection Revenue collected: <b>R2 531.05</b> Total revenue collected: <b>R101 351.83</b>	None	None	Reports

Priority Area	Strategic Objective	Key Performance Indicator (KPI)			2012/13 Budget	2012/13 Baseline	Comparisons			Reason for Deviation	Steps to correct the situation	Means of Verification
		Performance Indicator	Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
	To clean main and adjacent streets in business centres daily	Clean streets in business centres	Clean business areas	Clean environment		4.2km streets in business areas cleaned daily	4.2km streets in business areas cleaned daily	Swept 4.2km of streets in business centres controlled litter daily in Nhlazatshe Crossing, Empuluzi Complex and Carolina Town Deweeded and cleaned Tjakastad, and streets in Carolina	<b>Swept 4.2km streets daily and performed litter control at the following business areas:</b> <b>Carolina:</b> Kerk Street, Voortrekker Street and the adjacent streets, Silobela Community Hall, Constituency Office, Caropark First Avenue, Second Avenue, Third Avenue, Mosque Street <b>Emanzana (Badplaas):</b> Nkomo, pension pay point, Wallach Street, Faure Street, Goodman Street, Tjakastad Community Hall, Manzana Cultural Centre, Post Office surroundings, Tjakastad Enkomo crossing street, Elukwatini main road and around town, Tjakastad pension pay point <b>Elukwatini:</b> Crossing, Elukwatini Complex, main road from Nhlazatshe to Mavela Complex, Long Homes, Nhlazatshe 6, Hospital Road, pension pay point, Emanzana road up to Build It <b>Empuluzi:</b> Complex and pension pay points (Glenmore, Swallownest, Bettysgoed), Community Halls, Dundonald Post Office, Redhill, Dundonald Taxi Rank,	None	None	Record

Priority Area	Strategic Objective	Key Performance Indicator (KPI)			2012/13 Budget	2012/13 Baseline	Comparisons			Reason for Deviation	Steps to correct the situation	Means of Verification
		Performance Indicator	Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
									Fernie 1, Fernie 2, Mayflower, Diepdal			
	To clear all illegal dumps	Reduction and elimination of illegal dumping	No illegal dumps	Clean environment		Per need	Removed and monitored several illegal dumps with the assistance of the CWP. Conducted environmental education in areas surrounding illegal dumping areas. Erected "No Dumping" signs at hot spots. Attended to complaint of illegal dumping	Per need	<p><b>Cleared illegal dumps at the following places:</b></p> <p><b>Empuluzi:</b> Next to Roman Church, Post Office, Red Hill Post Office and next to Police Station, next to Library behind Stadium, Section C, Section 4 next to Ngwenya Store, Goba (next to Siyakhula Crèche, next to Joys Moya open space, Section B3 next to the Church, B2 Section (next to Mpuluzi High School), Solomon next to Library, Dundonald Post Office, next to St John Church, Dundonald Taxi rank, Malinga, Tshanibezwe Store and Methodist Church</p> <p><b>Elukwatini:</b> Club 2000, main road next to Embhuleni Hospital, Nhlazatshe 6, Julius Mkhonto, Elukwatini A (next to Complex) and B (next to Stadium), Long Homes and Police Station road and Shiba Village.</p> <p><b>Carolina/Silobela:</b> Illegal dumps at Silobela Ext 3 and the surroundings, Padkamp, next to mine houses, Old Cemetery, Nogiya Section, Guduza Road, next to Ezenzeleni School, Steyn Street</p>	None	None	Records

Priority Area	Strategic Objective	Key Performance Indicator (KPI)			2012/13 Budget	2012/13 Baseline	Comparisons			Reason for Deviation	Steps to correct the situation	Means of Verification
		Performance Indicator	Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
									next to Carolina Cemetery and erection of 'No dumping' signs, Patkamp Emptied all skip bins and cleaned around them			
	To expand the refuse service	Increase the service by 600 bins	Refuse removal service provided	Clean environment		18.853 bins	12.853 households	13.453 bins	Not achieved	The extension of the refuse service was not achieved	Breakdown of 3 trucks affected this service	Reports
Disposal sites	To maintain disposal sites	Number of disposal sites maintained		Clean environment		5 weekly	5 disposal sites were partially maintained	5 disposal sites maintained	Did general maintenance of disposal sites by digging dumping cells at Ekulindeni, Empuluzi, Elukwatini and Silobela Did litter control around the dumping sites	This service was not effectively achieved	Shortage and breakdown of equipment affected this service	Activity plans/reports

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3.4.3 CEMETERY AND PARKS

3.4.3a Introduction

The Department was responsible for the provision of graves to the communities for burials in 6 municipal cemeteries. Maintenance of these cemeteries was also done by the Department.

The lack of fencing, toilets and water were some of the challenges that were faced in relation to cemeteries. Where those were installed, it was vandalised and stolen in no time. There was also a challenge with the maintenance of the cemeteries in tribal authorities.

However, graves were availed to needy community members in all municipal cemeteries to bury their loved ones.

3.4.3b Cemetery and Parks - Number of Employees

Job Level	2011/12	2012/13	2013/14			
	Number of Employees	Number of Employees	Number of Posts	Number of Employees	Number of Vacancies (fulltime equivalents)	Number of Vacancies (as % of total posts)
7-9	1	1	1	1	0	0
10-12	1	1	1	1	0	0
12-17	10	11	11	11	0	0
Total	12	13	13	13	0	0

3.4.3c Cemetery and Parks - Performance Report

Priority Area	Strategic Objective	Key Performance Indicator (KPI)			2013/14 Budget (Vote No)	2013/14 Baseline	Comparisons			Reasons for deviation	Steps to Improve	Means of Verification
		Performance Indicator	Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
<b>KPA : MUNICIPAL AND INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION</b>												
Cemeteries and Parks	Clearing of grass in hall yards, cemeteries	Number of yards cleared	Cleared parks and municipal yards	Clean and safe environment	Cemetery R2 986 720 (0405) Parks R4 671 118 (0411)	Grass cleared in specified yards	Provided graves in municipal cemeteries weekly The remaining space at Silobela Cemetery was too rocky. 491 burials were facilitated	164 premises/streets/cemeteries	Did 221 grass cutting and deweeding at the following areas: Carolina/Silobela: 91 Emanzana (Badplaas): 47 Mpuluzi: 41 Elukwatini: 24 Ekulindeni: 18	None	None	Reports
	To provide graves in municipal cemeteries	Number of available graves for burials	Available graves	Respectable burials		Per need (average of 60 per month)	Maintained and monitored all 6 municipal cemeteries Granted permission for the exhumation and re-interment of the mortal remains of Barend Jacobus v d Merwe from Carolina Cemetery	Per need (average of 60 per month)	<b>Availed graves for burials as follows:</b> <b>Elukwatini:</b> 76 adults; 1 child <b>Ekulindeni:</b> 52 adults; 3 children <b>Emanzana (Badplaas):</b> 3 adults; 0 children <b>Carolina:</b> 21 adults; 2 children <b>Silobela:</b> 120 adults; 24 children <b>Empuluzi:</b> 98 adults; 24 children <b>Revenue collected for burial: R 65 333.98 (Total 421 burials)</b>	None	None	Records
	To provide burial support to paupers	Number of pauper burials	Paupers buried	Paupers buried		Per need	All qualifying paupers	Facilitated 2 pauper burials	Provided six (6) pauper burials	None	None	Records

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**3.4.4 ENVIRONMENTAL HEALTH**

**3.4.4a Introduction**

This service was performed by the seconded staff from the Gert Sibande District Municipality. The Municipality only dealt with ensuring that applicable regulations and policies were complied with. The environmental health inspections were done by the staff seconded to the Municipality by the Gert Sibande District Municipality. There were challenges in dealing with all the environmental hazards, particularly littering, the disposal of waste, and fewer complying dumping sites.

The other challenge was the control and monitoring of water pollution, and air pollution, which the District Municipality dealt with.

The Municipality also conducted awareness campaigns in order to inform the community about the dangers of degrading, and challenges posed by global warming and the effects that it posed, particularly to the poor communities and the poor regions of the world (Sub-Saharan Africa).

Communities were taught ways through which they could contribute to ensuring that the environment was given care and the fact that every effort and contribution counted in terms of making the environment better.

3.4.4b Environmental Health - Performance Report

Priority Area	Strategic Objective	Key Performance Indicator (KPI)			2013/14 Budget	2013/15 Baseline	Comparison			Reasons for Deviation	Steps taken to improve	Means of Verification
		Performance Indicator	Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
KPA : BASIC SERVICE DELIVERY												
Environmental Health	To enforce environmental health	Number of inspections conducted	Health compliant	Clean environment		60 inspections	Conducted 143 inspections of food premises, day care centres, hair salons, shops and disposal sites in Carolina, Silobela, Caropark, Elukwatini, Dundonald, Mayflower, Nhlazatshe	250 inspections	282 environmental health inspections was conducted throughout the Municipality to enforce health compliance	None	None	Records

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**3.4.5 LIBRARY**

The Department was responsible for the provision of library services to the community. This service was achieved through 6 operational libraries stationed at Carolina, Ekulindeni, Elukwatini, Emanzana (Badplaas), Empuluzi and Silobela. The libraries were open from Monday to Friday from 08:00 to 16:00, and had books for most tastes and ages. The libraries were all connected to the internet.

Whilst the majority of schools were rural, the Department was also responsible for the promotion of the few libraries that were available nearer to those schools. The Department promoted a culture of reading around the communities where libraries were situated, so that there was a good use of the few existing libraries. A number of campaigns were therefore conducted.

**3.4.5a Library - Number of Employees**

Job Level	2011/12	2012/13	2013/14			
	Number of Employees	Number of Employees	Number of Posts	Number of Employees	Vacancies (fulltime equivalents)	Vacancies (as % of total posts)
4-6	1	1	1	1	0	0%
10-12	5	5	5	4	0	0%
Total	2	2	6	5	0	0%

3.4.5b Library - Performance Report

Priority Area	Strategic Objective	Key Performance Indicator (KPI)			2013/14 Budget (Vote No)	2013/14 Baseline	Comparisons			Reasons for Deviation	Steps taken to improve	Means of Verification
		Performance Indicator	Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
KPA : BASIC SERVICE DELIVERY												
Library	To provide library services daily	Library services available from Monday to Friday	Available library service	Literate community	R1 404 725 Vote 0403	Service available from 8:00 to 16:00	Service available from 8:00 to 16:00	Service available for the expended period	Service available from 8:00 to 16:00 <b>Book circulation / Membership / Returns</b> Carolina: 1054 / 93 / 546 Zenzeleni: 879 / 352 / 453 Elukwatini: 596 / 431 / 678 Emanzana (Badplaas): 254 / 167 / 104 Ekulindeni: 316 / 207 / 334 Khululwazi: 1194 / 204 / 586	None	Extension of operating hours to be implemented in Q4	Records
	To promote a culture of reading in the community	Number of library awareness campaigns conducted	Increase use of the library services	Literate community		18 campaigns conducted	Conducted 21 <i>Walk To Your Library</i> campaigns. <b>Book Circulation</b> Adults - 636 Juniors - 533	72 library awareness campaigns conducted	44 Library promotions were done in various schools in the community. Each of the 6 libraries engaged local schools for the library promotion and awareness. The 6 libraries were: Emanzana (Badplaas) Carolina Ekulindeni Elukwatini Khululwazi Zenzeleni	Trial exams and school closures affected this objective There was a vacancy in 1 library	Appointment of the assistant librarian	Records

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**3.4.6 COMMUNITY DEVELOPMENT AND TRANSVERSAL ISSUES**

**3.4.6a Introduction**

The Department was also responsible for community development and transversal issues in the Municipality. Those included programs for women, youth and people living with disability; moral development; HIV/AIDS programmes, and religious activities.

Empowerment activities for women, youth and people living with disability were conducted, including awareness campaigns against women and child abuse.

Religious groups such as pastors and traditional healers were also organised and supported. They formed key stakeholders during the moral regeneration activities.

The Department was also tasked with HIV/AIDS programmes. Various awareness campaigns were conducted to minimise the infection rate and to encourage voluntary testing. Condoms were distributed throughout the Municipality for infection control.

The Local AIDS Council (LAC), to which the Municipality was a key stakeholder, was supported in the establishment of its business plan and the execution thereof. Programmes such as HCT, Zazi and Voluntary Medical Male Circumcision were core to the LACs activities.

**3.4.6b Community Development and Transversal Issues - Number of Employees**

Job Level	2011/12	2012/13	2013/14			
	Number of Employees	Number of Employees	Number of Posts	Number of Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
4-6	2	2	3	2	0	33%
Total	2	2	3	2	0	33%

3.4.6c Community Development and Transversal Issues - Performance Report

Priority Area	Strategic Objective	Key Performance Indicator (KPI)			2013/14 Budget (Vote No)	2013/14 Baseline	Comparisons			Reasons for Deviation	Steps to correct the situation	Means of Verification
		Performance Indicator	Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
<b>KPA : GOOD GOVERNANCE AND PUBLIC PARTICIPATION</b>												
HIV/AIDS Coordination	To provide support to groups in the fight against HIV/AIDS	Number of HIV/AIDS groups supported	Improved HIV awareness in communities	Reduced HIV infections	R70 000 (0401/4503)	6 groups	10 groups were supported with logistics	24 groups	<b>19 HIV/Aids groups were supported as follows:</b> 6 Consortiums from 6 Villages, Siyakhula Home Based Care Community dialogue on HIV/AIDS and Violence against Women and Children at Elukwatini Community Hall Nkomati Mine and CALM trained HBC and Peer Educators on TB and HIV at Elukwatini Community Hall. Red Ribbon Awareness was done at the Ekulindeni HBC, Mpuluzi HBC and Siyaqubeka HBC Traditional Healers registration with their council coordinated Red Ribbon awareness was done to Bambanani Community Care Givers Silobela Youth Centre was supported with pamphlets and the HIV/AIDS material Formulation of WACs at Ward 10, 22 and 24 was done	None	None	Report
	To conduct HIV/AIDS awareness campaigns	Number of awareness campaigns conducted in communities	Improved HIV awareness in communities	Reduced HIV infections		12 campaigns	6 organisations assisted during World AIDS Day celebrations 2 organisations assisted during a HIV/AIDS awareness campaign;	28 campaigns	PMTCT awareness was done in conjunction with AIDS Consortium Group. Community Dialogue was co-ordinated at Silobela Community Hall	Health care teams were controlled by the Department of Health	None	Records and attendance register

Priority Area	Strategic Objective	Key Performance Indicator (KPI)			2013/14 Budget (Vote No)	2013/14 Baseline	Comparisons			Reasons for Deviation	Steps to correct the situation	Means of Verification
		Performance Indicator	Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
							Revived Local AIDS Council		Women's Dialogue on HIV prevention Mobilisation on VMMC was done around Silobela Schools Candle light memorial was commemorated at Baadjiesbult School			
							MTN SA Foundation conducted training on HIV/AIDS for 40 Local AIDS Council members at Emanzana (Badplaas) from 20-21 November 2013 Distributed 6000 condoms at Head Office		Awareness campaigns were conducted for employees in all units DAC was attended whereat the District business plan was adopted Community Dialogue on HIV was conducted at Etinkulungwane, Carolina VMMC and PMTC was conducted at Mooiplaas, Carolina Red Ribbon awareness was done to Bambanani Community Care Givers			
	To commemorate World AIDS Day	World AIDS Day commemorated	Improved HIV awareness in communities	Reduced HIV infections		1 event	The provincial World AIDS Day was commemorated at Chief Albert Luthuli Municipality	1 event	Preparations for the National World AIDS Day celebration were done with the Gert Sibande District Municipality Build up campaign for World AIDS Day was done through ZAZI awareness at Driefontein The National World AIDS Day was commemorated at Piet Retief	None	None	None
<b>Moral Regeneration</b>	To provide support to the Moral Regeneration Movement	Number of Moral Regeneration Movement structures supported	Improved awareness in communities		R50.000	3		5	Supported 6 moral regeneration movements were supported	None	None	Attendance registers

Priority Area	Strategic Objective	Key Performance Indicator (KPI)			2013/14 Budget (Vote No)	2013/14 Baseline	Comparisons			Reasons for Deviation	Steps to correct the situation	Means of Verification
		Performance Indicator	Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
	To conduct "Back-to-School" campaigns	Number of "Back-to-School" campaigns conducted	High enrolment	Improve literacy		6	6	12	Visited 13 schools	None	None	List of schools
	To conduct prayer sessions for matrics	Number of prayer sessions conducted	Improved morals			10	0	10	Conducted 13 prayer sessions	None	None	Attendance registers
	To conduct campaigns against drug abuse and teenage pregnancy	Number of campaigns against drug abuse and teenage pregnancy conducted	Improved drugs awareness	Less drugs		4		16	Conducted 2 campaigns	Only few schools allowed us to conduct campaigns due to tight schedules	Submit timetable for future programs	None
	To coordinate the "16 days of Activism of No Violence against Women and Children" campaign	Coordinate the "16 days of Activism of No Violence against Women and Children" campaign	Less violence against victims			1	4	6	Conducted 6 campaigns	None	None	Programs

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3.4.7 SPORT AND RECREATION SERVICE

3.4.7a Introduction

The Department was also responsible for sport, art, culture and recreation in the Municipality.

The strategic objectives included the promotion of sport and culture development in communities; coordination of sport and cultural events; mobilisation of and canvassing support for sport and culture from the private sector; and the provision and maintenance of the sport facilities.

Various sport activities were co-ordinated by the Municipality. Those included Art and Culture Festivals, regional boxing tournament, Workers' Day and the Youth Day games. Local sport development structures were co-ordinated and supported.

The provision of sport facilities remained a challenge, mainly due to the fact that there were few sport grounds in the Municipality that were in a good condition.

3.4.7b Sport and Recreation - Number of Employees

Job Level	2011/12	2012/13	2013/14			
	Number of Employees	Number of Employees	Number of Posts	Number of Employees	Number of Vacancies (fulltime equivalents)	Number of Vacancies (as % of total posts)
0-3	1	1	0	0	1	0
4-6	1	0	1	0	1	100%
<b>Total</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>2</b>	<b>100%</b>

3.4.7c Sport and Recreation - Performance Report

Priority Area	Strategic Objective	Key Performance Indicator (KPI)			2013/14 Budget (Vote No)	2013/14 Baseline	Comparisons			Reasons for Deviation	Steps to correct the situation	Means of Verification
		Performance Indicator	Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
<b>KPA : GOOD GOVERNANCE AND PUBLIC PARTICIPATION</b>												
<b>Culture, Sport and Recreation</b>	To promote sports and culture development in the community	Number of sports and cultural events organised for the community	Sport structures supported	Physically active youth	R57 500 (0401/4507)	2 promotions	Played 2012 Mayoral Cup Finals at Elukwatini on 14 July 2012 The GSDM Mayoral Cup Games was hosted by Mkhondo Municipality on 11 May 2013 and CALM participated in the following codes: Soccer, women soccer. Volleyball, Basketball, Netball, Umrabaraba CALM Choral choir participated in the Mpumalanga Choral Music Competition and achieved 3 <sup>rd</sup> position	2 promotions	DCSR and CALM conducted an Arts and Culture Music Festival at Tjakastad Community Hall. The following groups performed: Maskadi, Scathamiya, Sishemeni, Indlamu, Lutshango, Sibhaca, Imbali. Five cultural groups represented CALM in the GSDM Traditional Music Festival on 16 November 2013. Boxing tournament was conducted at Silobela Community Hall June 16 celebrated through sports at Silobela Mooiplaas, Elukwatini, Glenmore and Diepdal Two boxers were selected to represent CALM in East London (Mdantsane) Eastern Cape for boxing tournament CALM participated in seven sporting (7) codes: Soccer, Ladies Soccer, Volleyball, Ladies Volleyball, Basketball, Netball, Mrabaraba In the District Mayoral Cup tournament held at Pixley Isaka kaSeme Municipality Workers Day celebration	CALM participated in the Indigenous games at Msukaligwa Swanepoel stadium. 20 players were elected to form a CALM team to participate in the regional indigenous game.  Lochiel Netball team represented the Municipality club developments games at Pixley Ka Seme. Empuluzi: African traditional Music Dance competition was conducted.	None	Records

Priority Area	Strategic Objective	Key Performance Indicator (KPI)			2013/14 Budget (Vote No)	2013/14 Baseline	Comparisons			Reasons for Deviation	Steps to correct the situation	Means of Verification
		Performance Indicator	Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
									tournament was conducted at Carolina, sister departments participated in the games			
	To support sports and culture bodies	Number of sports and culture bodies supported	Sport structures supported	Physically active youth		3 bodies	Held Sports Council meeting at Elukwatini on 20 November 2012. Held an Art and Culture Festival at Ekulindeni on 28 September 2012 Organised 1 big cultural event in the first quarter. Conducted workshop for youth performing arts groups at Siphumelele Teachers Centre, Elukwatini	6 bodies	<b>9 Sport and Culture bodies were supported as follows:</b> The Boxing Federation was supported by transported and logistics to participate in a boxing games at Mjindi Municipality under Mpumalanga Boxing Federation to represent CALM. Units Art and Culture Forums were re-launched at Silobela, Ekulindeni, Elukwatini and Emanzana (Badplaas). Sport Confederation Committee conducted a review on utilising Sports Council funds. Boxing coaches were supported through transportation to attend the workshop at Govan Mbeki Municipality. Volleyball participants were supported by transport to attend workshop in Ermelo. Choral and traditional festival: Silobela and Empuluzi were successful: Silobela: Battle of the DJ, Gospel Competition and Kisephuka tidzindzi. Revival of Volleyball	None	None	Records

Priority Area	Strategic Objective	Key Performance Indicator (KPI)			2013/14 Budget (Vote No)	2013/14 Baseline	Comparisons			Reasons for Deviation	Steps to correct the situation	Means of Verification
		Performance Indicator	Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
									<p>federation was conducted at Thusong centre (Empuluzi Unit). Correctional Services was supported in establishing inmates boxing team. Carolina hospital was supported during their wellness programme Healthy life Style by providing Jojo tank and cutting grass on soccer field</p> <p>Lutsango Video Shoot done at Emanzana (Badplaas) with Arts and Culture Forum</p> <p>Two boxers were selected to represent CALM in East London (Mdantsane) Eastern Cape for boxing tournament</p>			
<b>Youth, Women, and People with Disability</b>	To provide support to youth development centres	Number of youth development centres supported	Functional Youth Development Centres	Properly informed and assisted youth	R70 000 (0401/4501)	7 centres	Drafted Integral Plan with the Mpuluzi Local Football Association at a meeting 29 January 2013 Attended Mpumalanga Boxing Promotion meeting at Graceland Secunda	7 centres	5 Youth Centres supported through visits for admin and co-ordination. Gert Sibande FET College Outreach Programme with Youth Centres was conducted	Not all youth centres were visited. Office of the Premier with CALM launched the Disability Month at Dundonald Department of Arts and Culture hosted a Women in Arts workshop at Manzana Cultural Centre Disability awareness and service delivery	Planned to fill the vacancy of the youth officer	Records

Priority Area	Strategic Objective	Key Performance Indicator (KPI)			2013/14 Budget (Vote No)	2013/14 Baseline	Comparisons			Reasons for Deviation	Steps to correct the situation	Means of Verification
		Performance Indicator	Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
										campaign was conducted at Ekulindeni Community Hall Presentations were made by the SASSA, Home Affairs, Public Protector, IEC, DoH, DSD, DPSA, SAPS 6 youth were support to attend the Youth Parliament 2014 at Gert Sibande District Municipality		
	To provide support to youth program of sector departments	100% support to youth development programs of other departments	Successful Youth Development Programmes	Properly informed and assisted youth		4 programs		All programs supported	Career exhibition held at Empuluzi and Emanzana (Badplaas) (Manzana) for grade 12 learners Grade 8 & 9 career awareness programme was conducted in conjunction Department of Education in the following circuits: Mayflower, Glenmore, Elukwatini, Carolina, Tjakastad. Booklets were also distributed	None	None	Records
	To support women empowerment programs	Number of women empowerment programs supported	Women Empowerment programmes	Empowered women				8 programs	Three of the thirty women mobilised to attend the Women Day Celebration at GSDM were women living with disability	Not all programmes were conducted due to cash-flow challenges	Planned to fill the vacancy of the youth officer and budgeting	Records
	To support programs for people with	Number of disability groups or	Disability groups supported	Proper functioning of disability				7 programs	3 of the thirty women mobilised to attend the Women Day Celebration	None	None	Records

Priority Area	Strategic Objective	Key Performance Indicator (KPI)			2013/14 Budget (Vote No)	2013/14 Baseline	Comparisons			Reasons for Deviation	Steps to correct the situation	Means of Verification
		Performance Indicator	Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
	disability	centres supported		groups					at GSDM were women living with disability. 11 People living with disability were coordinated to attend the Premier's dialogue at Gert Sibande District Municipality 24 people living with disability were supported to attend Disability Games at Govan Mbeki			
<b>KPA : LOCAL ECONOMIC DEVELOPMENT</b>												
Job Creation	To create jobs through provision of basic service delivery	Number of jobs created	Available job opportunities	Working community	0	10	10	10	Created 53 jobs through EPWP	Not required	None	List of employees
	To create jobs through outsourced services	Number of jobs created	Available part-time jobs	Working community	0	6	8	8	Awarded job opportunities to 10 contractors to provide services	Not required	None	List of contractors (SCM)
<b>KPA : MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT (10%)</b>												
Financial Management	To properly manage the departmental finance	Manage departmental finance in line with the budget	Proper management of finances	Health finances	R25.134.503		Sound financial management	Sound financial management	Procurements were done in line with the Local Government: Municipal Finance Management Act (2003) and supply chain procedures	Not required	None	Statements Finance
	To review tariffs for rendered services	Reviewed tariffs for services	Revenue management	Liquid Municipality			5% increase on revenue collection		2013/14 tariffs were implemented accordingly Tariffs were reviewed and adopted for 2014/15	None	None	Tariffs

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**3.5 PUBLIC SAFETY**

**3.5.1a Introduction**

The department was responsible for the following services:

**(i) Safety and Security Service**

The main function of this Section was to ensure, promote and sustain the safety and protection of municipal buildings; and dealt with various guarding and monitoring the access control in all the Municipal buildings and offices. Security guards were deployed at strategic Municipal properties and were monitored by the Department.

**(ii) Traffic Management Service**

The main function of this Section was to ensure safety for all road users through traffic control; and dealt with various patrol-and court duties, and traffic law enforcement. The Traffic Law Administration Sub-Section rendered administrative support to traffic control by collecting traffic fines, and administering the execution of warrants and traffic summonses.

The Traffic Technical Sub-Section was responsible for the maintenance and erection of road traffic signs and markings.

**Achievements**

- Issued 3624 summonses n respect of various traffic violations
- Sent 3 Traffic Wardens for training
- Held 7 road blocks
- 55 scholar patrols
- Provided 26 road markings
- Erected 54 signs
- Provided 10 Traffic Officers with subsidy vehicles
- Procured 8 blue lights for subsidy vehicles
- Erected 13 speed humps
- Approved 2 sites for taxi ranks (Carolina and Tjakastad)
- Facilitated 4 local transport meetings

**The strategic objectives of the Section were as follows:**

- To improve the quality of the service by providing more vehicles and manpower.
- To ensure that Traffic Officers were operating in all areas in order to reduce overloading and reckless driving.
- To assist with the provision of scholar patrols at strategic points to ensure the safety of children.
- To acquire specialised traffic control oriented vehicles and equipment.
- To reduce speed violations and promote traffic safety.

**3.5.1b Traffic Officers Service Data**

Details	2011/12		2012/13	2013//14	
	Estimated Number	Actual Number	Actual Number	Estimated Number	Actual Number
Number of road traffic accidents	80	80	155	200	200
Number of by-law infringements attended	0	0	10	8	8
Number of traffic officers in the field on an average day	8	8	10	11	11
Number of police officers on duty on an average day	n/a	n/a	n/a	n/a	n/a

**3.5.1c Traffic Management Service - Number of Employees**

Job Level	2011/12	2012/13	2013/14			
	Number of Employees	Number of Employees	Number of Employees	Number of Posts	Number of Vacancies (fulltime equivalent)	Number of Vacancies (as % of total posts)
0-3	0	0	2	0	1	0%
4-6	2	2	7	4	4	50%
7-9	11	11	22	22	11	50%
10-12	4	4	6	8	4	50%
<b>Total</b>	<b>17</b>	<b>17</b>	<b>35</b>	<b>34</b>	<b>20</b>	<b>-</b>

3.5.1d Traffic Management Service - Capital Expenditure 2013/14

Capital Projects	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Erect speed humps	R450.000	R300.000	None		R300.000

3.5.1e Public Safety - Performance Report

Priority Area	Strategic Objective	Key Performance Indicator (KPI)			2013/14 Budget (Vote No)	2013/14 Baseline	Comparisons			Reasons for Deviation	Steps to correct the situation	Means of Verification
		Performance Indicator	Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
<b>KPA : GOOD GOVERNANCE AND PUBLIC PARTICIPATION</b>												
Community Safety Forum (CSF)	To coordinate and facilitate CSF	Number of meetings held	Reduce crime	Reduce crime	R0	4 meetings	4 meetings	4 meetings	4 meetings held	None	More awareness	Minutes
Disaster Management	To review risk to various wards	Number of awareness conducted	Control over risk	Reduce risk	R676 553 (0503/4423) (0503/4429) (0503/4515) (0503/6037)	Disaster Plan	Risk review	Risk review	Advisory Forum meeting held on 25/6/2014 Received 5 calls Distributed 10 blankets, 2 tents	None	Appoint disaster officer and volunteers	Reports
Local Transport Forum (LTF)	To coordinate and facilitate LTF	Number of meetings held	Minimise transport challenges	One meeting per quarter	R0	4 meetings	4 meetings	4 meetings	4 meetings held	None	None	Minutes
<b>KPA : LOCAL ECONOMIC DEVELOPMENT</b>												
Local Economic Development	To support local economic initiatives	Local suppliers were recommended through supply chain process	Support SMME initiatives	Number of projects through which LED was promoted	Number of projects procured locally	80% local suppliers	12% suppliers	80% local suppliers	12 suppliers	Some items not found locally	Data base	Reports

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3.5.2 LICENSING AND REGISTRATION

3.5.2a Introduction

The main function of this Section was to register and license motor vehicles, examination of drivers and examination of vehicles ensuring adequate service delivery to the community through licensing.

**Strategic Objectives**

- To conduct learners license tests
- To conduct drivers license tests
- To conduct drivers license renewals
- To conduct registration and licensing of vehicles
- To conduct vehicle tests
- To perform eye tests and issue public driving permits
- To receive billboards permit payments.

**Achievements**

- Learners - 2358
- Vehicle registered - 6119
- Drivers license - 1200
- Appointed two Licensing Officers and two Examiners

3.5.2b Licensing and Registration - Performance Report

Priority Area	Strategic Objective	Key Performance Indicator (KPI)			2013/14 Budget (Vote No)	2013/14 Baseline	Comparison			Deviation	Steps to Improve	Means of Verification
		Performance Indicator	Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
<b>KPA : MUNICIPAL AND INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION</b>												
Signage and Street Naming	To renew signs and street names	Number of renewed signs and street names	Renovation of signs and street names	Clear directions			12	12 signs and street names	12 street names procured	None	Budget	
Registration and Licensing	To register and license through eNatis system	Number of registrations completed	Compliance with the Act	Adherence to law /regulation	R219.182 (0509/4485) (0509/4429) (0509/4431) (0509/4515)	eNatis	6119	Registration/ licensing	Registration =6119	None	Additional staff	Proof documents
Learners Test	Two days a week	Daily booking	Compliance	Reduce fraud	R156.150	1248 learners	2000	2160 learners	Learners = 2358	None	Additional staff	Proof documents
Drivers Tests	Four days a week	Daily booking	Compliance	Reduce fraud	R156.150	1140 drivers	1200	1740 drivers	Drivers = 1200	Additional examiners	Additional staff	Reports
Vehicles Test	Three days road-worthy test	Compliance	Roadworthiness	Process all applications	R156.150	No testing due to defective brake roller	60	Effective and efficient vehicle testing	60 applications for road worthy tests	None	Additional staff	Reports
<b>KPA : MUNICIPAL FINANCIAL VIABILITY MANAGEMENT</b>												
Financial Management	To manage departmental finance as per the Local Government: Municipal Finance Management Act (2003) policies	Procurement process as per the Local Government: Municipal Finance Management Act (2003)	Manage departmental finance	Procurement according to the provision of SDBIP	R29.000.000 budget to manage	R29 000 000		Budget management	Budget management	None	All departments to link with SEBATA	Reports
		Contribution to revenue enhancement		5% increase	R14.000.000	R0	5%	1%	R2.161.484,25	None	Additional staff and resource	Reports
	To transfer Province fees	Ensure adequate payments	Good relations with province	Ensure compliance	Number of payments	12 transfers annually	12 transfers annually	12 transfers annually	Monthly reports	R5.245.322,96	None	Increase percentage

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**3.5.3 FIRE AND RESCUE**

**3.5.3a Introduction**

The main function of this Section was to save lives and property by providing fire fighting and rescue services to the residents of the Municipality.

**(i) Functions of the Section**

- To extinguish fires
- To extricate trapped victims from vehicles
- To stabilise incident scenes
- To clean spillages at incident scenes
- To perform rescue operations
- To enforcement of fire brigade by-laws
- To conduct fire prevention inspections, building plan inspections, risk assessments, public awareness campaigns, registration and inspection of hazardous installations and premises.

**(ii) Strategic Objectives**

- To protect lives and property and minimise the impact of incidents
- To ensure mitigation and emergency response to incidents.

**3.5.3b Fire and Rescue Data**

Details	2011/12		2012/13		2013/14	
	Estimated Number	Actual Number	Estimated Number	Actual Number	Estimated Number	Actual Number
Number of fires attended in the year	232	308	155	274	502	502
Number of incidents attended in the year	20	35	90	155	1000	1000
Average turn-out time (urban areas)	15 minutes	15 minutes	30 minutes	15 minutes	15 minutes	15 minutes
Average turn-out time (rural areas)	45 minutes	45 minutes	10-15 minutes	10-15 minutes	15 minutes	15 minutes
Number of fire fighters posts in the year	7	11	9	9	9	9
Number of fire appliances at year end	7	21	7	21	21	21
Average number of appliances off the road during the year	10	15	10	15	15	15

**3.5.3c Fire and Rescue - Number of Employees**

Job Level	2011/12	2012/13	2013/14			
	Number of Employees	Number of Employees	Number of Posts	Number of Employees	Number of Vacancies (fulltime equivalents)	Number of Vacancies (as % of total posts)
0-3	0	0	0	1	1	100%
4-6	2	2	6	1	4	67%
7-9	9	6	21	6	11	52%
					4	
<b>Total</b>	<b>11</b>	<b>8</b>	<b>27</b>	<b>8</b>	<b>20</b>	<b>28</b>

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3.5.4 DISASTER MANAGEMENT

3.5.4a Introduction

The main function of this Section was to save lives and property by providing fire fighting and rescue services to the citizens of the Municipality.

Disaster Management was aimed at effective and economical utilisation of all material and personnel for the greatest benefit of and protection for citizens and their property during major incidents.

(i) Strategic objectives:

- Disaster planning
- Risk assessment
- Awareness programs
- Consultation with stakeholders
- Disaster framework
- Mitigation process.

(ii) Achievements

- 400 disaster calls
- 550 blankets distributed
- 200 tents distributed
- Disaster Forum meeting held
- Provincial Disaster Forum and District

(iii) Challenges

- Functional Disaster Centre
- Staff and equipment
- Vehicles
- Control room
- Communication System

3.5.4b Fire and Rescue Service / Disaster Management - Performance Report

Priority Area	Strategic Objective	Key Performance Indicator (KPI)			2012/13 Budget	2012/13 Baseline	Comparison			Deviation	Steps to Improve	Means of Verification
		Performance Indicator	Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
KPA : BASIC SERVICE DELIVERY												
<b>FIRE AND RESCUE</b>												
Fire and Rescue	To provide rescue services	Number of rescue services provided	Management of reported incidents	Safe lives		Respond to calls	27 house fires 14 veld fires 2 business fires 6 vehicle fires 2 tree fires 2 rubbish fires 1 spillage fire 2 electrical fires 2 office building fires 104 MVA calls 9 false calls	Respond within maximum of 15 minutes	5027 Calls	None	Employ more staff and procurement of equipment	Attached
Safety and Security	To safeguard council property	Number of security guards deployed	Secured property	Safe property	R14 000 000 0507/3807		179 guards	179 guards	194 security deployed No incidents reported	N/A	None	Report
	To monitor illegal sand mining	Number of areas protected	Identification of affected areas	Control over land	R0	No control	n/a	Monitoring	Affected areas identified	None	Control over illegal sand mining	Reports
<b>ROAD SAFETY</b>												
Road Safety Management	To promote road safety	Number of law enforcement	Visible policing and law enforcement	Road safety	R461 898 0511/4485 0511/4429 0511/4487 0511/4517 0511/4525	1900 summonses	3400 summonses	1900 summonses	3624 summonses	None	Additional staff	Proof
	To provide scholar patrol	Number of scholar patrols	Ensure safety at schools	Manage safety to schools		10 schools	12 schools	10 schools	55 patrols	None	More visible policing	Report
Traffic Calming Measures	To control speeding at hot spots	Number of speed calming measures	Hot spot at strategic points	Improve road safety	R455 000 0511/6015	Reduce speeding	8 speed humps erected through Technical Services	6	13 erected	None	More staff for Traffic Technical	Report

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**3.6 CORPORATE SERVICES**

**3.6.1a Introduction**

**(i) Municipal Transformation and Organisational Development**

This Department played a crucial role in so far as coordination of Municipal Departments was concerned.

The Department included:

- Corporate policies, Executive and Council
- Human resource services
- ICT services
- Legal services, and
- /Administration and Records Services

Other functions of the Department were as follows:

- Provided secretariat to all Committees of Council;
- Advised Administration and its Political Structures on legal matters;
- Responsible for all HR matters for both councillors and staff;
- Responsible for the safekeeping of all records, and
- Information Communication and Technology

**(ii) Council and Executive**

This Section included the Office of the Executive (Executive Mayor, Councillors, and Municipal Manager), and dealt with Council support, organising and management of council business, and rendering necessary support in terms of what Council needed in order to transact its business.

This Section also dealt with general administration of all Council business.

Measures were taken to improve performance and the major efficiencies achieved during the year.

Service statistics for and performance of the Executive and Council:

- Four largest capital projects were prioritised
- Variations from the Budget for net operating and capital expenditure.
- Likely variation, if any, from the total approved budget value (arising from 2011/12 and/or previous year actual, or expected future variations).
- Confirmed that the 5-Year Targets set out in the IDP Schedule could be attained within approved budget provision, and if not, state how it was intended to rectify the matter.

**(iii) Skills Development**

This focus area was in response to one of the prescribed key performance indicators in terms of the Municipal Performance Management Regulations (2001). All municipalities were obliged to report on progress in building skills capacity to deliver according to the developmental mandate.

The Municipality offered 28 learnerships to the Department Technical Services: Water and Sanitation Section, and 4 bursaries. 10 Senior Managers completed the MFMP training and were awaiting the final results. The MFMP training of 11 staff members from the Department Finance was in progress.

**(iv) Workplace Skills Plans**

More staff members trained during the year under review, and a percentage of the Budget was spent to implement the Municipality's Skills Development Plans.

3.6.1b Corporate Services - Performance Report

Priority Area	Strategic Objective	Key Performance Indicator (KPI)			2012/13 Budget	2012/13 Baseline	Comparisons			Reasons for Deviation	Steps to Improve	Source of Evidence
		Performance Indicator	Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
<b>KPA : MUNICIPAL AND INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION</b>												
Human Resource	To provide for employment in line with the Act	Number of employees employed in accordance with the EEP targets	2% disabled employees versus the total staff complement, at least 50% female employees, % target set by Province At least 20% of employees were aged 35 and younger	Advancement of designated groups	R0	TBD		Target the recruitment of people with a view to attain the numerical goals as per the EEA Plan	Three (3) women were appointed in management positions to advance the EEA numerical goals, e.g. Manager: Budget and Treasury, Chief Licensing Officer and Manager Community, Environmental, and Waste Management Services.	n/a	n/a	Report
Local Labour Forum (LLF)	To regularly hold LLF meetings	Number of Local Labour Forum meetings held	Agenda should be in line with organisational rights agreement	Sound labour relations between labour and management	R0	8 LLF meetings	8 LLF meetings	Enforce discipline in the workplace	4 LLF meetings held.	4 postponements of LLF meetings	This was largely attributable to the lack of a quorum	Attendance Registers
Customer Care Management	To conduct a customer care survey	Number of complaints received	Promotion of Batho Pele principles	Service delivery		Response time to complains At least five days	Response time to complains At least five days	Issue survey questionnaires to community members and analyse the results	1241 complaints/customer surveys were received for the entire year.	n/a	n/a	Report
Workplace Skills Plan (WSP) Training	To provide for effective institutional capacity	Number of officials capacitated in terms of the WSP	Approved WSP informed by the skills audit	Report on the WSP submitted to LGSETA annually	R300.000 0301/4532	2012/2013 WSP; Bursaries awarded in 2012/2013 20 for officials	2012/2013 WSP; Bursaries awarded in 2012/2013 20 for officials	Award 20 bursaries to employees	WSP and ATR were submitted to LGSETA. Work integrated learners were offered two students. 28 Learnership were offered for the Department Technical Services: Water and Sanitation Section 4 bursaries were awarded 10 Senior Managers completed the MFMP and final results were awaited	n/a	n/a	Report

Priority Area	Strategic Objective	Key Performance Indicator (KPI)			2012/13 Budget	2012/13 Baseline	Comparisons			Reasons for Deviation	Steps to Improve	Source of Evidence
		Performance Indicator	Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
									11 Finance staff was enrolled with a view to attain the MFMP Training in progress			
		Number of councillors capacitated in terms of the workplace Skills Plan and Number trained	Capacitated against staff establishment capacity building informed by Workplace Skills Plan (WSP and ATR)	Report on the workplace skills plan submitted to LGSETA annually		29 councillors	29 councillors	Train councillors	We received progress report from Mahube regarding the competency of the learners for Water and Wastewater process controllers at NQF Level 2, 3 and 4. Still awaiting the graduation date Registered 25 18.1 (permanent) officials on the Water and Wastewater Process Controllers and Supervision training NQF Level 3 and 4.	n/a	n/a	Report
<b>Reduction of Vacancy Rate</b>	To fill all vacant, funded prioritised positions 100%	Number of vacant post filled	Enhanced service delivery and reduce unemployment poverty and creation of sustainable jobs		R150.000 0301/4405	Number of critical and funded positions filled	June 2014	Conduct short listing and interviews Comply with regulations in terms of recruitment and appointment	33 positions were filled during this financial year.	n/a	n/a	Report
<b>Skills Retention Strategy</b>	To implement the Skills Retention Strategy	Strategy in place	Assistance in lowering of labour turnover and retention of skilled employees	Continuity in service delivery	R50.000 MSIG	No skills retention strategy		Skills retention strategy workshopped to senior managers	Developed and table in Council the Skills Retention Strategy. It was subsequently referred to the Committee on Policy and By-laws, who made comments and inputs. The Skills Retention Strategy was approved by Council at its meeting in July 2014, for the purpose of implementation.	Approval of the strategy and implementation	Approval of the strategy and implementation	Attendance register

Priority Area	Strategic Objective	Key Performance Indicator (KPI)			2012/13 Budget	2012/13 Baseline	Comparisons			Reasons for Deviation	Steps to Improve	Source of Evidence
		Performance Indicator	Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
Employment Equity	To submit the EEA report to DoL	EEA report to submitted	Employment of people from previously disadvantaged groups	Promote affirmative action	R0	EEA report submitted	None	Approval by Council	Submitted the EEA2 and EEA4 for the 2013/14 year to Department of Labour (DoL)	n/a	n/a	Council resolution
Occupational Health and Safety (OHS)	To comply with the OHS Act	Number of employees vaccinated and screened	Promotion of occupational health and safety	Promotion of occupational health and safety	R250.000 0301/4473	OHS Policy in place	OHS Policy in place	Meeting of the OHS Committee	Four (4) employees assisted - EAP Submitted the 2012/13 Return Of Earnings (ROE) to Compensation Commissioner. OHS meeting convened for the quarter as per the requirements of the OHS Act. The section also attended to an injury on duty for an employee in Ekulindeni Unit	n/a	n/a	Attendance register
<b>KPA : BASIC SERVICE DELIVERY</b>												
Renovation of Halls	To improve condition of halls	Number of halls renovated			R0	8	Prioritised for next financial year	2	Forwarded a request for the scope of work to PMU Installed a gate at Technical/PMU The renovation of municipal halls was prioritised for the 2014/15 budget year Installed a burglar door at the Reception area – Head Office at Community Services and Patio Area Painted offices at Community Services Department Installed new door locks at an office in Elukwatini – Internet Kiosk Renovated house number 51 Duvenhage Street where the Director: Technical Services resides	Interacted with the SCM Manager to expedite the process	Budgetary constraints	Payment certificates.

Priority Area	Strategic Objective	Key Performance Indicator (KPI)			2012/13 Budget	2012/13 Baseline	Comparisons			Reasons for Deviation	Steps to Improve	Source of Evidence
		Performance Indicator	Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
									An amount of R20 442.40 was used for the renovations mentioned above			
<b>KPA : LOCAL ECONOMIC DEVELOPMENT</b>												
<b>Local Economic Development (LED)</b>	To ensure that LED was promoted through preferential procurement practices	Number of SMMES benefitting from SCM process	To eradicate poverty and unemployment	To eradicate poverty and unemployment	R0	10	Appointed local contractors to provide goods and services	At least 1 tender/ contract awarded per quarter	Awarded tenders to 18 service providers to supply and deliver certain items to Council Tenders were awarded to local contractors Awarded catering services for Council functions to local service providers; and to 7 service providers to supply and deliver various items	n/a	n/a	Report
<b>Sustainable Job Creation</b>	To provide 10% of all projects in CALM linked to EPWP	Number of jobs created for youth, women and people with disabilities	Reduction of unemployment poverty and inequality	Reduction of unemployment poverty and inequality	R0	2% projects linked to EPWP	Creation of job opportunities through EPWP and MIG projects	Monthly report	Appointed 3 casual labourers to relieve permanent staff who went on annual leave. Created 2169 jobs through the EPWP (Project Management Unit) Received a request for 167 jobs from Department Technical Services; the process was finalised and employees appointed. Created 510 jobs through the EPWP Created 2050 jobs through the CWP Appointed 2 interns were to assist at Carolina Water Treatment Plant	n/a	n/a	Report

Priority Area	Strategic Objective	Key Performance Indicator (KPI)			2012/13 Budget	2012/13 Baseline	Comparisons			Reasons for Deviation	Steps to Improve	Source of Evidence
		Performance Indicator	Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
<b>KPA : GOOD GOVERNANCE AND PUBLIC PARTICIPATION</b>												
Batho Pele	To institutionalise Batho Pele principles in the operations of the Municipality	Number of Batho Pele Workshops held/communication devised used	Improved service delivery to all stakeholders	Happy and informed public/ stakeholders as well as good relationship	R0	Draft Batho Pele Service Charter	Stakeholders consultation	100% compliance with Batho Pele principles	Conducted a workshop for officials on the usage of the Name Tags	n/a	n/a	Invitation and attendance register
Council and Executive	To ensure regular Portfolio and Mayoral Committee engagements	Number of meetings held	Number of meetings held	-Resolutions implemented. -Promotion of good governance through implementation of council resolutions	R200 000 0101/4445	At least one Portfolio and one Mayoral Committee meeting per month	At least one Portfolio and one Mayoral Committee meeting per month	At least one meeting per month as per the agreed schedule of meetings	<i>Portfolio Committee</i> 12 meetings <i>Mayoral Committee</i> 12 Ordinary Meetings 5 Special Meetings 1 Extra-Ordinary Meeting <i>Council</i> 6 Ordinary Council meetings 7 Special Council meetings	n/a	n/a	Schedule of meetings and attendance registers
Term of Office of Ward Committee Members	To comply with regulations on establishment and functionality of ward committees		Number of meetings held by Ward Committees	Informed community and promotion of public participation	R1.850.000 Ward Committee costs – Finance	Ward Committee were launched in all wards Administrative support provided	One meeting per ward and provide the administrative assistance	May/June 2014	Held 300 Ward Committee meetings in CALM area of jurisdiction.	n/a	n/a	Notice of meeting and attendance registers
Section 79 Committees	To ensure regular Section 79 and 80 Committee engagements		Number of Meetings held	Resolution implemented and promoting good governance to improve service delivery	R0	At least one Section 79 and 80 committee meeting per month.	Prepare an agenda and distribute to all members. Keep minutes and implement the resolutions	At least one Section 79 and 80 committee meeting per month as per the agreed schedule of meetings	No Section 79 Ward Committee meetings held during this quarter. 52 Community meetings held.	n/a	n/a	Notice of meeting and attendance register
<b>KPA : MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT</b>												
Budget, Tariffs and Capital	To manage departmental budget in accordance with MFMA (2003)		To avoid irregular, wasteful and fruitless expenditure	Minimise audit queries	R26.692 Vote number available from Finance	Approved draft budget for 2013/14	Prepare mid-year report and draft Adjusted Budget	1 June 2014	No expenditure was approved in excess of the budgeted amount. A proof of availability of funds was requested before expenditure was approved A list of all Departmental votes was requested from Finance on a monthly basis to track expenditure			

Priority Area	Strategic Objective	Key Performance Indicator (KPI)			2012/13 Budget	2012/13 Baseline	Comparisons			Reasons for Deviation	Steps to Improve	Source of Evidence
		Performance Indicator	Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
									Requests for a virement were done in an instance where a particular vote was overspent and had insufficient funds	n/a	n/a	Report
Revenue Enhancement	Contribute to revenue collection by leasing of halls and tariffs		Financial viability	Sustainability	R175.000 Vote number available from Finance		R43.750	6.4%	Generated an income of R70 852.36 through the leasing of municipal halls	n/a	n/a	Report

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**3.6.2 HUMAN RESOURCES SERVICE**

**3.5.2a Introduction**

This Section dealt with the general administration of all human resource issues and matters, including administration of human resource leave and the transaction of all the labour relation legislation and laws. It also oversaw the implementation of all the basic conditions of employment and the monitoring compliance thereof.

This Section was also charged with the responsibility of ensuring employee wellness as well as the implementation of employee discipline. Corrective steps were instituted against unacceptable behaviour; various disciplinary procedures were instituted against a few of the employees who were delinquent.

The number of people from employment equity target groups employed in the three highest levels of management in compliance with a Municipality's approved employment equity plan. The three highest positions were 100% occupied by the previously disadvantaged group. The total number of employees was 499, and 331 posts were occupied by people over the 35 years of age, whilst 156 posts were occupied by people below the age of 35 years.

**3.6.2b Human Resources Service - Number of Employees**

Job Level	2011/12	2012/13	2013/14			
	Number of Employees	Number of Employees	Number of Posts	Number of Employees	Number of Vacancies (fulltime equivalents)	Number of Vacancies (as % of total posts)
0-3	0	1	1	1	0	0
<b>Total</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>

**3.6.2c Human Resources Service - Capital Expenditure 2013/14**

Capital Projects	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
None	0	0	0	0	0

**3.6.3 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICE**

**3.6.3a Introduction**

This Section was for Information and Communication Technology as well as for IT Governance in order to ensure that the IT wellbeing of the Municipality was secured and that the integrity of the information was also protected.

**3.6.3b Information and Communication Technology Service - Number of Employees**

Job Level	2012/13	2013/14			
	Number of Employees	Number of Posts	Number of Employees	Number of Vacancies (fulltime equivalents)	Number of Vacancies (as % of total posts)
0-3	0	1	0	1	100%
4-6	3	3	3	0	0
<b>Total</b>	<b>3</b>	<b>4</b>	<b>3</b>	<b>1</b>	<b>25%</b>

**3.6.3c Information and Community Technology Service - Capital Expenditure**

Capital Projects	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
None	0	0	0	0	0

**3.6.4 LEGAL SERVICE**

**3.6.4a Introduction**

The Legal Services Section dealt with the legal guidance of the Municipality; the interpretation of all contract agreements, and all litigations; and advised the Accounting Officer and Council accordingly.

The Section also offered advice on other administrative issues of the Municipality; and also by-laws and policies, and supported the Policies and By-laws Committee administratively.

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(i) **Drafting of By-laws and policies**

The Section drafted more than 13 By-Laws, and 5 of those were out on public participation.

(ii) **Drafting of contracts and contracts management**

The Section drafted more than 40 SLAs on all tenders awarded during the 2012/13 financial year.

(iii) **Handling legal matters in case of litigation**

The Section dealt with pleadings in litigation matters like the Grand Valley Estate, LRC or Silobela Concerned Group, and Erf 333 Emanzana (Badplaas), to mention but a few.

(iv) **Ensuring compliance with the Property Rates Act of 2003 with regard to the implementation of the valuation roll**

The Section ensured that the supplementary valuation roll for 2012/13 was publicised in the newspaper for public comments.

(v) **Providing legal advice to Council, Council Committees, the Executive Mayor, Municipal Manager and the departments**

(vi) **Handling disciplinary cases**

**3.6.4b Legal Service - Number of Employees**

Job Level	2012/13	2012/14			
	Number of Employees	Number of Posts	Number of Employees	Number of Vacancies (fulltime equivalents)	Number of Vacancies (as % of total posts)
3	1	1	1	0	0
4-6	0	0	0	1	100%
7-9	1	1	1	0	0
<b>Total</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>100%</b>

**3.6.4c Legal Service - Capital Expenditure**

Capital Projects	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
None	0	0	0	0	0

3.6.4d Legal Service - Performance Report

Priority Area	Strategic Objective	Key Performance Indicator (KPI)			2012/13 Budget	2012/13 Baseline	Comparison			Reasons for Deviation	Steps taken to improve	Source of Evidence
		Performance Indicator	Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
<b>KPA : GOOD GOVERNANCE AND PUBLIC PARTICIPATION</b>												
<b>Legal Guidance and Opinions</b>	To provide high quality legal services and guidance to Council, Municipal Manager and departments	Number of legal cases against Council	Defend Council against litigants	Reduction of litigations against Council	R1.500.000 0301/4215	Monthly reports and register	50% of all legal activities performed internally June 2013	Provide legal opinion and assistance	19 litigation claims against Council	n/a	n/a	Monthly Reports Register
<b>Delegation Register and Standing Orders</b>	To review the delegations register and Council Standing Orders	Number of sections reviewed and Council resolution	Adopted delegation register in order to maximise operational efficiency	Maximise operation between the administration and political office bearers	R0	Approved delegations register	Reviewed 1 Delegation Register, 7 Finance Policies, 1 Standing Orders of Council, and 17 Human Resource Policies. The Policies and By-laws Committee considered/reviewed the Council Standing Orders	Table a report to Council for adoption	The Section prepared and submitted the Standing Orders to Council. It was resolved that this matter be referred to the Committee on Policy and By-Laws for comments and inputs.	n/a	n/a	Council Resolution
<b>By- Laws</b>	To review, draft and promulgate new by-laws	Number of by-laws, reviewed, adopted and gazetted	Enforcement and compliance with By-Laws	Enforcement and compliance with By-Laws	R200.000 0301/4491	14 draft by-laws in place	By-laws were reviewed and approved by Council, Awaiting Department Co-Operative Governance And Traditional Affairs to promulgate them. Department Co-Operative Governance And Traditional Affairs provided 14 generic bylaws through the MWASA Program with a view to customise them to suit our needs, 13 Draft by-laws reviewed.	Table by-laws to Committee on Policy and By-Laws	Reviewed the 14 generic by-laws during this quarter. Two policies were prepared during the under review	n/a	n/a	Report and attendance register

Priority Area	Strategic Objective	Key Performance Indicator (KPI)			2012/13 Budget	2012/13 Baseline	Comparison			Reasons for Deviation	Steps taken to improve	Source of Evidence
		Performance Indicator	Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
Contracts and Contract Management	To oversee processes of drafting of contracts and agreements	Number of agreements/ contracts concluded and signed	Contracts/ service level agreements (SLAs) in place	Contracts/ service level agreements (SLAs) in place	R0	SLAs in place	95 SLAs were entered into by Council and service providers. 1 SLA for robots was signed. 20 VIP SLAs were done Drafted and signed the SLA for the delivery and installation of LCDs 6 Water Tanker contracts were done. Certain contracts extended for a month to finalise the bidding process Updated the contract register Attended to the requirements of the radio phones All lease contracts on Municipal buildings were reviewed	Monitor SLAs	Concluded 44 SLAs	n/a	n/a	Contract register.

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**3.7 FINANCIAL SERVICE**

**3.7.1a Introduction**

The year under review was challenging in terms of revenue collection. The Municipality was only able to enforce the Debt Collection and Credit Control Policy in Carolina, Silobela and Emanzana (Badplaas) where all the services were provided. Electricity to all mines around Carolina was supplied by Eskom. Government and Businesses were the focus area in terms of payment for municipal services. The average collection rate as at 30 June 2014 was 69%. Strategies were implemented that targeted Businesses within the jurisdiction of the Municipality.

The Municipality had challenges in terms of liquidity. Also, the accruals from the previous financial year negatively affected the financial viability for 2013/14 financial year. The Municipality had a Revenue Enhancement Team chaired by a Member of the Mayoral Committee. Meetings were held bi-weekly.

Irregular, unauthorised and fruitless, and wasteful irregular expenditure was reported promptly to Council and referred to MPAC for further investigation. Irregular expenditure is expenditure that is contrary to the Local Government: Municipal Finance Management Act (2003), the Municipal Systems Act (2000), and the Public Office Bearers Act (1998), or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

**3.7.1b Structure of the Department**

**(i) Core Functions of the Department**

- Accounting
- Budgeting
- Revenue Collection and Debt Management
- Financial Management
- Treasury
- Supply Chain Management

**(ii) Services offered by the Department**

- Identify and pursue opportunities in order to increase the revenue base
- Develop a set of specific performance measurements to ensure that budgets were spent effectively within the limits
- Develop, implement and monitor all budgetary processes, being capital and operational
- Develop and review procedures, by-laws and policies for the Department
- Review the tariffs for all services rendered by the Municipality
- Maintain debt reduction and financial stabilisation
- Ensure the rolling out of Free Basic Services
- Monitor the cash flow of the Municipality

**(iii) Services provided by the Department**

- Amongst other functions, the Department was responsible for the management of all the financial affairs of the Municipality, advice to the Municipal Manager and the Municipal Council on financial management decisions, and to promote and monitor good financial government for the Municipality

**(iv) Services provided by the Sections**

***Budget and Treasury Section***

- Responsible for monthly, quarterly reporting, and monitoring of the Budget

***Income and Revenue Management Section***

- Provide a high quality and cost effective customer care service by reading meters in a cost-effective, accurate and timely manner
- Provide pay points in all Units and areas to enable easy access for the community to be able to pay for services
- Develop, monitor and distribute accurate and timely bills, thereby ensuring that all customers receive bills on time to ensure that the revenue base was improved through the payment of municipal services
- Review and implement the Credit Control, Debt Collection, Indigent, and Free Basic Services Policies of the Municipality

***Budget and Treasury (Internal Services) Section***

- Ensure fiscal and financial responsibility
- Ensure that the Municipality had a sound fiscal plan to meet the current and future service delivery by budgeting for resources identified in the approved and adopted Integrated Development Plan (IDP)
- Provide for affordable tariffs for all services
- Review and implement the Budget, Payment, Creditors, Tariffs, and Investment Policies of the Municipality
- Ensure prudent and sound cash and investment management of public finances to ensure that adequate financial resources were maintained to meet the Municipality's long-term financial needs

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**Supply Chain Management Section**

- Provide for demand management, acquisition management, logistical management, disposal management and risk management services for the Municipality
- Provide an effective, efficient, accurate and cost-effective store management system
- Provide a supplier and vendor data base
- Review and implement the Supply Chain Management Policy of the Municipality

**3.7.2 FINANCIAL OVERVIEW**

**3.7.2a Statement of Financial Performance**

Description	2013/14		
	Original Budget R'000	Adjusted Budget R'000	Actuals R'000
<b>Revenue By Source</b>			
Property rates	32,107	32,170	29,131
Service charges - electricity revenue	25,979	25,979	16,287
Service charges - water revenue	5,038	5,038	4,905
Service charges - sanitation revenue	5,039	5,045	5,008
Service charges - refuse revenue	4,402	4,415	4,507
Rental of facilities and equipment	175	118	785
Interest earned - external investments	756	756	1,238
Interest earned - outstanding debtors	16,896	16,896	18,256
Fines	346	253	495
Agency services	1,061	1,061	2,307
Transfers recognised - operational	181,564	181,564	293,362
Other revenue	359	1,669	16,284
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>273,721</b>	<b>274,964</b>	<b>392,565</b>
Description	2013/14		
	Original Budget R'000	Adjusted Budget R'000	Actuals R'000
<b>Expenditure By Type</b>			
Employee related costs	90,733	92,055	105,908
Remuneration of councillors	14,288	14,288	13,350
Debt impairment	18,891	18,891	29,682
Depreciation and asset impairment	7,500	96,584	60,886
Bulk purchases	32,351	39,140	34,282
Other materials	15,603	15,603	11,688
Contracted services	24,085	23,223	40,450
Other expenditure	78,437	56,079	60,951
<b>Total Expenditure</b>	<b>281,888</b>	<b>355,864</b>	<b>357,198</b>
<b>Surplus/(Deficit)</b>	<b>(8,168)</b>	<b>(80,899)</b>	<b>35,367</b>

**3.7.2b Financial Service - Capital Expenditure**

Detail	2012/13	2013/14
Original Budget	R132,916	R101,977
Adjustment Budget	R1	R102,901
Actual		

**3.7.2c Financial Service - Capital Expenditure**

Capital Projects	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
None	None	None	None	None	None

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3.7.2d Financial Services - Number of Employees

Job Level	2011/12	2012/13			
	Number of Employees	Number of Posts	Number of Employees	Number of Vacancies (fulltime equivalents)	Number of Vacancies (as % of total posts)
0-3	4	4	4	0	0
4-6	17	17	17	0	0
7-9	6	6	6	0	0
10-12	15	15	15	0	0
<b>Total</b>	<b>42</b>	<b>42</b>	<b>42</b>	<b>0</b>	<b>0</b>

3.7.2e Financial Service - Performance Report

Priority Area	Strategic Objective	Key Performance Indicator (KPI)			2012/13 Budget	2012/13 Baseline	Comparison			Reasons for Deviation	Steps taken to Improve	Means of Verification
		Performance Indicator	Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
<b>KPA : MUNICIPAL AND INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION</b>												
Budget Related Policies	To formulate, review, adopt and implement the budget related policies	Number of policies reviewed through budget process	5	Council resolution		5	All financial related policies were approved	3 policies reviewed: •SCM Policy •Credit Control and Debt Collection Policy •Indigent Policy	Council approved the Supply Chain Management Policy, Credit Control and Debt Collection Policy, Subsistence and Travel Allowance Policy, and Indigent Policy with the Budget in May 2013 (3 policies )	Financial policies referred to Committee on Policy and By-Laws	None	Council Resolution
<b>KPA : BASIC SERVICE DELIVERY</b>												
Free Basic Services	To provide free basic services to indigent community	Number of indigent community registered	3%	Register of indigents		5787 indigents	6584 registered indigents were benefiting Continued with registration in-house	7500 indigents	Registered 8136 indigents as at June 2014		Target exceeded	Indigents Register
<b>KPA : LOCAL ECONOMIC DEVELOPMENT</b>												
Local Economic Development	To ensure the promotion of LED through preferential procurement practices	Number of contracts and tenders awarded to Broad Based Black Economic Empowerment (BBBEEs)	3%	Contracts and tenders awarded in support of BBBEE		None	Facilitated LED Workshop on tendering for SMMEs/BBBEEs	At least 20 contractors	Made 114 awards through supply chain management policy	None	None	Council Resolution
<b>KPA : GOOD GOVERNANCE AND PUBLIC PARTICIPATION</b>												
IDP/Budget Process	To engage government departments, other sectors and the District in the IDP	Adopted and approved IDP Process Plan and Programme	2%	IDP Attendance Register		Approved and adopted IDP Process Plan 2011/2012 and Public Participation	Approved and adopted IDP Process Plan 2013/14 Public Participation	3 IDP Rep Forum Meeting	Attended 3 budget consultations in Ward 15 Attended 3 IDP Rep Forum meetings	None	None	Attendance Register

Priority Area	Strategic Objective	Key Performance Indicator (KPI)			2012/13 Budget	2012/13 Baseline	Comparison			Reasons for Deviation	Steps taken to Improve	Means of Verification
		Performance Indicator	Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
Monthly Financial Reporting	To submit monthly Section 71 report	Number of monthly S71 reports submitted	10%	12 reports from the Financial Management System submitted to Council, Provincial and National Treasury		Done on monthly basis	Submitted S71 reports from July to June 2013 Submitted MFMA (2003) Implementation Priority, Long Term Contracts, Borrowing Monitoring and Municipal Entity to National Treasury Ensured accuracy in terms of the information submitted to National Treasury	12 monthly S71 submitted to National Treasury	Submitted 12 monthly S71 reports to Council, National Treasury Submitted 4 Quarterly MFMA (2003) Implementation Priority, Long Term Contracts, Borrowing Monitoring and Municipal Entity to National Treasury	None	None	•Email to National Treasury •Council resolution
<b>KPA : MUNICIPAL FINANCIAL VIABILITY MANAGEMENT</b>												
Bank Account: Opening and maintenance in terms of S11 of the MFMA (2003)	To adhere to the legislative requirements by reporting to Council on cash withdrawals - quarterly cash withdrawals reported to Mayoral Committee	Number of quarterly reports	4%			Send letter to Provincial Treasury and AG		4 quarterly reports	Submitted 4 quarterly investment withdrawals reports to Council	None	None	None
Revenue collection	To fully implement the credit control and debt collection policies	% Increased in revenue collection	6%	Report of actual collection (BILL Report)		65%	Revenue collected by 30 <sup>th</sup> June 2013 ,65%	•Revenue collection increased to 75% •12 monthly reports	Average revenue collection rate as at 30 June 2014 was 69%	The collection rate was below the target of 75%	Continue to enforce credit control and debt collection policies to improve revenue collection	Monthly reports

Priority Area	Strategic Objective	Key Performance Indicator (KPI)			2012/13 Budget	2012/13 Baseline	Comparison			Reasons for Deviation	Steps taken to Improve	Means of Verification
		Performance Indicator	Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
Increased Payment Rate on Services	To monitor and report performance of appointed external service providers in line with agreed performance targets	Number of monthly reports submitted to Mayoral Committee and Council	2%	Reports submitted to Mayoral Committee		12 monthly Reports	Ensured that revenue collection was improved by enforcing the Credit Control and Debt Collection Policy Handed over accounts to the appointed legal firm for collection Average 64% for Q1 (Jul 74%; Aug 80%; Sep 59%) Average 63.67% for Q2 (Oct 60%; Nov 70%; Dec 61%) Average 63.33% for Q3 (Jan 70% ; Feb 55%; Mar 65%) Average 81.67% for Q4 (Apr 74%; May 77%; Jun 94%)	3 monthly reports	Submitted 12 monthly reports reflecting collection rate per month to Council	No performance target on SLAs	Review SLAs to have performance targets	Council Resolution
	To ensure that all money collected by appointed Prepaid Electricity Vendors was deposited in the municipal bank account	Number of monthly reports submitted to Mayoral Committee and Council	2%	Reports of actual collection		12 monthly reports	Ensured that revenue collection was improved by enforcing the Credit Control and Debt Collection Policy Handed over accounts to the appointed legal firm for collection Average 64% for Q1 (Jul 74%; Aug 80%; Sep 2012 59%) Average 63.67% for Q2 (Oct 60%; Nov 70%; Dec 61%) Average 63.33% for Q3 (Jan 70%; Feb 55%; Mar 65%) Average 81.67% for Q4 (Apr 74%; May 77%; Jun 94%)	3 monthly reports	Submitted 12 monthly reports to Council with the Finance activity plan	None	None	Council resolution

Priority Area	Strategic Objective	Key Performance Indicator (KPI)			2012/13 Budget	2012/13 Baseline	Comparison			Reasons for Deviation	Steps taken to Improve	Means of Verification
		Performance Indicator	Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
Supply Chain Management	To ensure transparent, fair, equitable, competitive and cost effective SCM process	Number of awards made through SCM processes	5%	Quarterly	SCM reports	4 quarterly reports	4 quarterly supply chain reports submitted to the Accounting officer, reviewed the following policies credit control and debt collection policy, supply chain management policy, indigent policy and S&T policy	4 quarterly SCM reports	Submitted 4 quarterly reports to Council	Irregular expenditure incurred	All irregular expenditure be referred to S79 Committee as per the Council resolution	Council resolution
Management of Fixed Assets	To ensure maintenance and safe-keeping of municipal assets	<ul style="list-style-type: none"> <li>•Number of quarterly Inventory Stock counts</li> <li>•Updated Asset Register</li> </ul>	10%	GRAP compliant asset register		GRAP asset register in place but still needs corrections	Appointed service provider to update assets register	<ul style="list-style-type: none"> <li>•4 quarterly Inventory Stock Counts</li> <li>•Updated fixed asset register ready in August 2014</li> </ul>	Appointed service provider to update the Asset Register	None  Reasons for deviations	None	Updated Asset Register as at 31 August 2014
Clean Audit 2014	To achieve total compliance with requirements of the Local Government: Municipal Finance Management Act (2003)	Number of Audit Queries resolved	5%	<ul style="list-style-type: none"> <li>•Improved audit reports progressively leading to clean audit report by 2014 Effective and efficient operation of the Municipality</li> </ul>		Qualified Opinion	Submitted IDP/Budget Process Plan to Council and Treasury Finalised Draft Mid-Year Performance in January 2013 Council approved the Adjustment Budget on 30 January 2013 Council approved the Draft Budget for 2013/16 on 30 March 2013 Council approved the Budget for 2013/16 financial year approved on 30 May 2013 Conducted Budget consultation meetings for 2013/14 financial year	Unqualified Opinion	Developed and submitted Audit Action Plan to Audit Committee and Council	Asset management issues and performance information	Reduction in number of Audit Findings	Audit Report in November 2014

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3.8 OFFICE OF THE MUNICIPAL MANAGER

3.8.1 INTERNAL AUDIT SERVICE

3.8.1a Introduction

In terms of Section 165 of the Local Government: Municipal Finance Management Act (2003), Internal Audit must submit a functionally report to the Audit Committee on the implementation of the Risk Based Internal Audit Plan. Furthermore, in terms of Section 166 of the Act, the Audit Committee must at least meet four times a year, which required at least one meeting per quarter. It followed then that the Internal Audit Unit reported to the Audit Committee quarterly regarding its performance against the annual Internal Audit Plan, to allow effective monitoring and possible intervention.

Standard 1100 required the Chief Audit Executive to have a dual reporting relationship to the Audit Committee and the Municipal Manager in order to achieve organisational independency.

Section 7.1.2.3 and 7.1.2.4 of the King III Report on the Code of Governance requires Internal Audit to systematically analyse and evaluate business processes and associated controls; and provide a source of information as appropriate, regarding instances of fraud, corruption, unethical behaviour and irregularities.

**Areas covered by the report:**

- Planned audits according to the operational plan
- Budgeted hours
- Actual hours
- Audit planning and reporting
- Actual audits and reporting dates
- Challenges and remedial action

3.8.1b Internal Audit - Capital Projects

Capital Projects	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Project A - None	None	None	None	None	None
Project B - None	None	None	None	None	None
Project C - None	None	None	None	None	None
Project D - None	None	None	None	None	None

3.8.1c Internal Audit - Performance Report

Priority Area	Strategic Objective	Key Performance Indicator (KPI)		2012/13 Budget	2012/13 Baseline	Comparison			Reasons for Deviation	Steps taken to Improve	Means of verification
		Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
<b>KPA : GOOD GOVERNANCE AND PUBLIC PARTICIPATION</b>											
Risk Based Projects	To execute the plans and report progress to the Audit Committee	Production of value adding reports	Improved internal controls and governance	R650 000	16 Audit Projects	11	13 Audit Projects	11	Certain audit areas could not produce information such as Annual and Interim Financial statements	Management should produce information as required	n/a
Compilation of Risk Based Plans	To have operational and three year rolling plans by 1 July 2013 Compliance with ISPPIA 2010 A1, A2, C1	Plan approved by Audit Committee by 1 July 2013	Add value and improve control effectiveness	R287 993	Previous year's operational and three year rolling plans	2	Flexible approved risk based audit plan implemented	11	n/a		
	To have three year rolling plans by 1 July 2013	Plan approved by Audit Committee by 1 July 2013	Add value and improve control effectiveness	R130 000	Previous year's operational and three year rolling plans	1	Flexible approved risk based audit plan implemented	1	n/a		
<b>KPA : MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT</b>											
Financial Management	To properly manage the sectional finance as per the MFMA (2003)	Sound financial management to avoid irregular expenditure	Proper management of finances	R3 774 140	R2 015 900	All spending was within budgetary provisions	R3 774 140 efficient spending	All spending was within budgetary provisions	n/a		
<b>KPA : LOCAL ECONOMIC DEVELOPMENT</b>											
Job Opportunities	To enhance employability of graduates	3 internal auditors interns trained	Provision of practical experience on professional practice	R88 800 externally funded	IMFO and LGSETA agreement for 2 interns	R29 600	Training and skills transfer to graduates	Renewed Agreement			
<b>KPA : GOOD GOVERNANCE AND PUBLIC PARTICIPATION</b>											
Audit Committee Operations	To have a functional audit committee	Four meetings	Value add recommendations	R500 000	R500 000	Seven meetings held	Efficient spending	Held 7 meetings	3 more meetings were held as need necessitated		

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**3.8.2 PERFORMANCE MANAGEMENT SYSTEM**

**3.8.2a Introduction**

The Chief Albert Luthuli Municipal Performance Management System (PMS) entailed a policy framework that described and represented how the Municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting, and improvement would be conducted, organised and managed, including determining the roles of the different role players (Municipal Planning and Performance Management Regulations 2001, Chapter 3, Section 7).

The annual process of managing the performance of the Municipality involved the following components:

- Performance Planning, which included development of the SDBIP and signing of performance contracts;
- Monitoring, Measurement and Review;
- Auditing of Performance;
- Performance Reporting.

The Council resolved in 2011/12 to place and establish a Performance Management System Section. The Section was established in terms of the Local Government: Municipal System Act (2000).

**3.8.2b Purpose of the Performance Management Policy Framework (PMPF)**

The Local Government: Municipal Systems Act (2000) and the Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers (2006) provided for the establishment and implementation of a performance management system for every municipality in South Africa. In order to comply with legislation, and to improve on good governance and service delivery, it was essential for the Municipality to adopt a policy framework on the performance management system, to fulfil the following objectives:

- To manage accountability and achieve desired results.
- To learn about and improve performance.
- To take an informed decision on the allocation of resources.
- To alert decision-makers timeously to risks threatening the attainment and fulfilment of the Council's objectives in the Integrated Development Plan and Strategic Plan.

Based on the above, the Performance Management System of the Municipality conducted performance assessments quarterly. The performance assessment panel was constituted in terms of the policy framework and in line with the performance regulations and the Action Performance Management.

The different Heads of Department signed performance contracts with the Municipal Manager on time and the Accounting Officer signed his performance agreement with the Executive Mayor on time.

These performance contracts were then made public by being posting on the Municipal Website, and by submitting copies thereof to the Department of Cooperative Governance and Traditional Affairs. Those agreements were based on the Municipal Service Delivery and Budget Implementation Plan (SDBIP), which was based on the adopted Integrated Development Plan (IDP) of the Municipality.

**3.8.2c Performance Management System - Number of Employees**

Job Level	2011/12	2012/13	2013/14			
	Number of Employees	Number of Employees	Number of Posts	Number of Employees	Number of Vacancies (fulltime equivalents)	Number of Vacancies (as % of total posts)
0-3	1	1	1	1	0	0
4-5	0	0	1	1	0	0
<b>Total</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>0</b>

**3.8.2d Performance Management System - Capital Expenditure**

Capital Projects	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
None	None	None	None	None	None

**3.8.2e Performance by Various Municipal Departments**

This Section provided for a summary of performance by different municipal departments in terms of their plans with regard to the Intergrated Developments Plan (IDP) as reflected by various municipal departments in the Services Delivery and Budget Implementation Plan (SDBIP).

The SDBIP objectives were above 188, which almost posed a challenge to deal with, as the majority were operational in nature.

The above scenario could be rectified by reducing the number of objectives by way of segregating the SDBIP into levels or layers as recommended by National Treasury Circular 13. When the SDBIP was published, it included all the layers, being heads of department and sectional managers together (sectional managers like water and sanitation, electricity, and roads and stormwater infrastructure).

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The fact that the SDBIP was not multi-layered was due to most of the other managers reporting to the MSA S56 managers were not being assessed.

The other reason that contributed, was that the alignment of the SDBIP with all the other documents was a bit of a challenge; and also that the Performance Management System Section was still working on adjusting the SDBIP objectives, and tried to align it with the rest of what was happening in the Province.

The Department of Provincial Treasury assisted by supplying a template of the SDBIP after a workshop was conducted, which managers copied. The same template proved to be very long with many objectives, which were the result of the above having been minimised from 204 objectives to 188. This matter would be addressed properly in time.

3.8.2f Performance Management System - Performance Report

Priority Area	Strategic Objective	Key Performance Indicator (KPI)			2012/13 Budget	2012/13 Baseline	Comparisons\			Reasons for Deviation	Steps taken to Improve	Means of Verification
		Performance Indicator	Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
Performance Management System (PMS)	To have an approved Performance Management Policy Framework (PMPF)	An approved PMPF	100% compliance with Chapter 6 of the Local Government: Municipal Systems Act (2000)	Compliance with the Act	Not required	Approved PMPF	Council adopted the PMS Policy Framework	1 PMPF	Finalised in Q1	n/a	n/a	Council resolution
	To have an approved SDBIP aligned to the IDP and Budget	An SDBIP aligned to the IDP and the Budget SDBIP approved by the Executive Mayor within 28 days after the approval of the Budget	Individual performance contracts aligned to the SDBIP	Compliance with the Act	Not required	Not aligned	Submitted by 25/06/2013	Approved SDBIP aligned to the IDP and Budget	Finalised performance contracts by 28 Jun 2013 The Executive Mayor and Municipal Manager signed the reviewed SDBIP aligned with the Adjustment Budget Submitted to Council and Department Co-Operative Governance And Traditional Affairs	Due to changes recommended by Executive Mayor before signing	Submit draft SDBIP earlier	Council resolution Proof of submission
Performance contracts	To conclude performance contracts on time and submit them, and Plans	Number of signed performance contracts	Performance contracts for newly appointees signed within 60 days from appointment Performance contracts for existing S54 and S56 signed within 30 days in terms of S57 of the MSA (2000)	Compliance with the Act	Not required	Concluded timely Complied with Acts	Submitted by 25/06/2013	Submitted by 25/06/2013	The Municipal Manager signed a Performance Agreement in line with the reviewed SDBIP and Submitted to Council and Department Co-Operative Governance And Traditional Affairs	Changes on the content of SDBIP necessitated the delays	Submit draft SDBIP earlier	Council resolution Proof of submission
Performance contracts		Number of signed performance contracts	Number of individual (S54/S56 managers) performance reviews conducted	Compliance with the Act		7 signed performance contracts	Applied	7 performance contracts signed by 25/06/2014	Finalised in Q1	n/a	n/a	Council resolution

Priority Area	Strategic Objective	Key Performance Indicator (KPI)			2012/13 Budget	2012/13 Baseline	Comparisons\			Reasons for Deviation	Steps taken to Improve	Means of Verification
		Performance Indicator	Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
Performance Plans		Number of performance plans	Not required	Copies in place	Not required	Assessment based on the performance plans 10 performance plans	Applied	All 10 permanent managers	All 10 permanent managers finalised their plans	n/a	n/a	Council resolution
Monitoring	To monitor / visit sites / work stations	Number of sites / work stations visited	Promotion of a culture of performance and accountability	Culture of work inculcated	R25 000 (S&T)	5 units	One visit	3 visits/units	Visited 3 sites - at Ekulindeni, Tjakastad, Elukwatini, Emanzana (Badplaas) Water and Sewer Works; and Carolina Water and Sewer Works on 14 March 2014	n/a	n/a	Report
Reporting	To ensure that all statutory reports were submitted on time	One Annual Report and Municipal Performance in compliance with S46 compiled on time	Compliance to the MSA (2000) S38-46, and the MFMA (2003) Chapter 12		Not required	Complied annually	Submitted Annual Report and Oversight Report to Council	Draft Annual Report submitted to Auditor-General on time by 30/09/2014	Submitted the final 2012/13 Annual Report to Department Co-Operative Governance And Traditional Affairs, Oversight Committee and Website	n/a	n/a	Council resolution Proof of submission Oversight report council resolution
		Number of quarterly performance reviews conducted	Quarterly reports aligned to SDBIP with early warning on performance produced		Not required		Submitted 4 quarterly reports	4 quarterly reports	Submitted 4 quarterly reports to Council	None	n/a	Council resolutions on quarterly reports
		Municipal Council oversight report submitted to MEC for Local Government	MSA (2000) S46 report, and MFMA (2003) S121 report adopted by council and submitted to MEC and Provincial Legislature by 31 March 2014		Not required	Oversight Report	Submitted by March 2013	Oversight Report submitted to MEC	Submitted to Department Co-operative Governance and Traditional Affairs as required	None	n/a	Report & Proof of submission

Priority Area	Strategic Objective	Key Performance Indicator (KPI)			2012/13 Budget	2012/13 Baseline	Comparisons\			Reasons for Deviation	Steps taken to Improve	Means of Verification
		Performance Indicator	Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
Reporting	To promote transparency and public participation	Number of participation meetings held	Improved service delivery satisfaction/transparency		Operational budget	3 meetings	Held 3 meetings	4 meetings /participation	Held 2 community consultation meetings on the 2012/13 Annual Report	The other two meetings were cancelled after advises were advance regarding possible disruptions at Empuluzi and Emanzana (Badplaas)	Matters that need to be considered in the next financial year	Attendance Registers
		Number of reports /notices made			Operational budget	3 notices	Issued 3 Public Notices	4 notices	Issued 4 Public Notices for the 2012/13 Annual Report, the 2013/14 reviewed SDBIP, S52 report, meetings made public	n/a	n/a	Copies of notices
	To conduct quarterly assessments	Number of quarterly performance assessments conducted	Promotion of accountability Quarterly reports aligned to SDBIP with early warning on performance produced		Operational budget	4 assessments	Conducted 4 assessments	4 assessments	Assessed all departments up to Q3 Q4 assessments were outstanding Q3 and 4 assessments of the Internal Auditor and Manager: Risk were outstanding Submitted Portfolios of Evidence to Internal Audit	The Q4 performance review of the Municipal Manager was still outstanding due to busy schedules of external observers, ie municipal manager and executive mayor of another Municipality and official from Department Co-operative Governance and Traditional Affairs	The schedule was submitted for allocation of Audit Committee chairpersons in the third week of July 2014	Copies of schedule and invitations

Priority Area	Strategic Objective	Key Performance Indicator (KPI)			2012/13 Budget	2012/13 Baseline	Comparisons\			Reasons for Deviation	Steps taken to Improve	Means of Verification
		Performance Indicator	Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
Local Economic Development	To procure goods and services	Number of locally procured services and goods			R100 000 0002/4485	R30 000	Procured 3 catering services		No procurements were made	Austerity measures were introduced by National Treasury during the MTEF to cut all catering for meetings	n/a	n/a
Financial Management	To properly manage the Unit's budget	Well managed budget	No overspending of votes	None	Good controls	Per task	No deviations were incurred	Per the Local Government: Municipal Finance Management Act (2003)	Remata Printers Midrand printed the 2012/13 Annual Report	Austerity measures were introduced by National Treasury during the MTEF to cut all catering for meetings	n/a	n/a
	To ensure good finance management	Invoices filed	None	None	Jun 2014	Keep signed invoices	Complied with budget	Comply with Local Government: Municipal Finance Management Act (2003)	Filed all invoices for procurements	All invoices were filed	n/a	n/a

### 3.8.3 RISK MANAGEMENT

#### 3.8.3a Introduction

In terms of section 62(i)(c) of the Local Government: Municipal Finance Management Act (2003), a municipality must have and maintain an effective, efficient, and transparent system of risk management; and the municipal manager is responsible for managing the municipality's financial administration. For this purpose, the municipal manager must take all responsible steps to ensure, amongst others, that the municipality has and maintains effective, efficient, and transparent systems of financial and risk management, and control of internal audit operating in accordance with any prescribed norms and standards.

In order to give effect to the above, the Municipal Manager had established the Risk Management Committee of the Municipality.

Risk management was an important aspect of all our lives. We are exposed to risk both in terms of **threats** to service provision and from the potential of **lost opportunities**. It is essential that we could demonstrate to our citizens that we were fully considering the implications of risk, as we deliver our business for the benefit of the residents of our community.

The risk management process was designed to support members and officers in ensuring that the Municipality was able to fully discharge its risk management responsibilities in a consistent manner. The Municipality had a Risk Management Strategy that outlined the objectives, benefits and approach to the process to ensure that risks, both positive and negative, were successfully managed.

Risk management in Chief Albert Luthuli Municipality was about improving our ability to deliver outcomes for the community by managing our threats, enhancing our opportunities and creating an environment that added value to ongoing activities; and was a key part of corporate governance.

Corporate governance was the way an organisation manages its business, determines strategy and objectives and goes about achieving these objectives. Good risk management would help to identify and deal with key corporate risks facing the organisation in the pursuit of its goals, key to good governance and not simply a compliance exercise.

#### 3.8.3b Risk Management Service - Number of Employees

Job Level	2011/12	2012/13			
	Number of Employees	Number of Posts	Number of Employees	Number of Vacancies (fulltime equivalents)	Number of Vacancies (as % of total posts)
0-3	1	1	1	0	0
Total	1	1	1	0	0

#### 3.8.3b Risk Management Service - Capital Projects

Capital Projects	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
None	None	None	None	None	None

3.8.3c Risk Management - Performance Report

Priority Area	Strategic Objective	Key Performance Indicator (KPI)		2012/13 Budget	2012/13 Baseline	Comparisons			Reasons for Deviation	Steps taken to Improve	Means of verification
		Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
<b>KPA : GOOD GOVERNANCE AND PUBLIC PARTICIPATION</b>											
Risk Committee Operations	To have an effective and efficient enterprise risk management function	Coordinate Risk Management Committee meetings	Effective and efficient risk management function	R120 000 0007/4203	Coordinate 4 Risk Management Committee meetings and act as secretariat of those meetings	Held Risk Management Committee meetings on 11 October 2012, 1 March 2013 and 20 June 2013 as per the Risk Management Committee Charter	4 Risk Management Committee meetings	4 meetings Risk Management Committee sat on 30 June 2014, an acting risk management chairperson was appointed internally	n/a	Requested for re-advertisement to replace the risk chairperson	Minutes of the meeting Ref: AB
Risk Management Regulations	To have an effective and efficient enterprise risk management function	Review Risk Management Committee Charter	Effective and efficient risk management function	R10 000	Review the Risk Management Committee Charter yearly	Reviewed Risk Management Committee Charter	Approved Risk Management Committee Charter	The Charter was implemented	n/a	Ensure the replacement of the chairperson by the end of the second quarter in the new financial year	Copy of the Charter was available
		Risk Management Policy	Effective and efficient risk management function		Review the Risk Management Policy yearly	Submitted the Risk Management Policy, Strategy and Process to the Mayoral Committee and approved by Council	Approved Risk Management Policy	The Policy was implemented and was forwarded to the Committee on Policy and By-Laws, who sat on 3 July 2014	n/a	n/a	Copy of the Policy was available
	To establish a Fraud Management Framework	Review the Fraud Prevention Policy and Strategy	Detection and prevention of fraud and corruption	R50 000 (Corporate Services)	Review the Fraud Prevention Policy and Strategy yearly	Implemented Fraud and Corruption Policy	Approved Fraud Prevention Policy and Strategy	The Policy was presented to the Risk Management Committee on 30 June 2014 and submitted to the Committee on Policy and By-Laws on 03 July 2014	R15 000		Reviewed Anti-Fraud and Corruption Policy was available
	To have an effective and efficient enterprise risk management function	Risk Management Strategy (Risk Identification and Assessment Methodologies, Risk Appetite and Tolerance)	Effective and efficient risk management function		Review the Risk Management Strategy yearly		Approved Risk Management Strategy		n/a	n/a	Risk Management Strategy was available

Priority Area	Strategic Objective	Key Performance Indicator (KPI)		2012/13 Budget	2012/13 Baseline	Comparisons			Reasons for Deviation	Steps taken to Improve	Means of verification
		Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
<b>KPA : MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT</b>											
Financial Management	To contribute to safeguarding of municipal assets	Loss Control Policy	Minimum losses on municipal assets		Review the Loss Control Policy		Approved Loss Control Policy	The Policy was still under review	n/a	None	Draft Loss Control Policy
	To properly manage the departmental finance as per the Local Government: Municipal Finance Management Act (2003)	Sound financial management to avoid irregular expenditure	Proper management of finances		Proper financial management			Monitoring and implementation of the departmental budget was done effectively	n/a	None	Expenditure report Ref: CD
<b>KPA : INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION</b>											
Risk Management Function	Effective and efficient enterprise risk management in function	To appoint risk champions	Risk management would be implemented on a day to day business of all employees	R12 000 0007/4203	Appointment of risk champions and meet on quarterly basis	Submitted the Risk Management Policy, Strategy and Process to Mayoral Committee, recommended approval by Council Submitted policies to Council and they were approved	Appointment of risk champions	Risk Management Committee sat on the 30 June 2014 Risk champions were invited to attend Risk Management Committee meetings	None	Ensure the replacement of the chairperson before end second quarter on the new financial year	n/a
		To develop key performance indicators to measure the effectiveness of the risk management activity	Effective and efficient risk management activities		Preparation of the annual Risk Management Plan	The loss control policy was in the consultation stage for additional comments from management and committees	Annual Risk Management Plan	Implemented effectively	n/a	None	-
		To develop a detailed risk management implementation plan	Effective and efficient risk management activities		Preparation of the annual risk management plan		Approved Risk Management Implementation Plan for the 2013/14 financial year	Implemented effectively	n/a	None	-
Delegations	To perform ad hoc assignments	Responsibilities			Formal delegation of responsibilities	<u>Insurance claim - Ekulindeni Offices</u> Made a follow up,	Formal delegation of responsibilities to existing	No new delegations were received	n/a	n/a	-

Priority Area	Strategic Objective	Key Performance Indicator (KPI)		2012/13 Budget	2012/13 Baseline	Comparisons			Reasons for Deviation	Steps taken to Improve	Means of verification
		Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
					to existing personnel	awaiting payment	personnel				
		Structures	Effective and efficient risk management activities		Appointment of the approved budgeted vacant positions and structures	<u>Insurance claim – Empuluzi</u> Made a follow up was made, awaiting payment Contacted the broker and inspection was done Awaiting updated register and requested a building plan from GSDM The broker conducted a second inspection Forwarded requested documents, except a correctly updated asset register Awaited last inspection on the vehicles and the report from the insurance	Appointment of the approved vacant positions and structures	A Risk Clerk was appointed from 3 February 2014	n/a	n/a	Expenditure report Ref: CD
<b>KPA : LOCAL ECONOMIC DEVELOPMENT</b>											
<b>Risk Orientation and Training</b>	To mitigate risk and fraud at all levels	Risk orientation, training and fraud awareness	Detection and prevention of fraud and corruption	R50 000 (Corporate Services)	Coordination of the orientation risk awareness programme developed for new employees Training for existing employees Training for risk champions	The training on Risk Orientation and Fraud Awareness Workshop not provided due to unavailability of funds	Orientation risk awareness programme developed for new employees Training plan for existing employees Training for risk champions	Re-requested funds from the Office of the Premier and Department Co-operative Governance and Traditional Affairs	Unavailability of funds	Follow-up would be made	Copies letters were available Annual Plans
<b>KPA : GOOD GOVERNANCE AND PUBLIC PARTICIPATION</b>											
<b>Risk Assessment</b>	To mitigate risk and fraud at all levels	Annual strategic risk assessment	Effective and efficient risk management function		Preparing the annual strategic risk report	An approved Risk Management Implementation Plan for the 2012/13 financial year	Approved strategic risk register	An annual risk assessment was conducted on 23 April 2014	n/a	n/a	Strategic risk assessment report attached Ref: EF
		Operational risk assessments	Effective and efficient risk		Preparing and coordinating all	An approved Risk Management	Approved operational risk	Monitoring was done	n/a	None	Operational risk register

Priority Area	Strategic Objective	Key Performance Indicator (KPI)		2012/13 Budget	2012/13 Baseline	Comparisons			Reasons for Deviation	Steps taken to Improve	Means of verification
		Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
		per department: -Fraud Risk Assessment 23 Aug-24 Sep -Community Services 14 Aug-30 Sep -Finance Services 1-30 Oct -Technical Services 1-29 Nov -Corporate Services 2-30 Dec -Public Safety 6-28 Jan -PED 28 Jan-18 Feb -PMU 19 Feb-14 Mar (incl project risk management)	management function		departmental operational risk registers	Implementation Plan for the 2012/13 financial year	registers (as per the agreed cycle)				attached REF:GH
Risk Response	To mitigate risk and fraud at all levels	Draft action plans for all gaps identified for top risks			Assist management in drafting of action plans	The Accounting Officer approved a report The Risk Management Committee recommended that a Strategic Risk Register be reviewed from 3 to 5 December 2012 Presented the reviewed Register to the Risk Management Committee and the Audit Committee Conducted a follow-up on the mitigation of risk Conducted an IT, fraud and corruption as well as strategic risk assessment on 15 to 16 May 2013 Presented the strategic	Action plans implemented per agreed milestones	Made a follow-up on the old strategic risk register	n/a	None	Old Strategic risk register available

Priority Area	Strategic Objective	Key Performance Indicator (KPI)		2012/13 Budget	2012/13 Baseline	Comparisons			Reasons for Deviation	Steps taken to Improve	Means of verification
		Outcome	Impact			2012/13 Actual Performance	2013/14 Performance Target	2013/14 Actual Performance			
						risk assessment report to the Risk Management Committee on 20 June 2013					
Risk Monitoring	To have effective and efficient risk monitoring	Evaluate the effectiveness of mitigating strategies for 2013/14	Detection and prevention of fraud and corruption		Assist implementation of the mitigating measures and fraud prevention policy	Monitoring was done Requested province to assist	Report to the Accounting Officer on the status of implementing mitigating measures and the fraud prevention policy	Submitted Anti-fraud and Corruption Policy to the Risk Management Committee Submitted Policy to the Committee on Policy and By-Laws on 3 July 2014	n/a	A follow-up to Department Co-Operative Governance And Traditional Affairs and the Office of the Premier would be conducted	
		Evaluate the effectiveness of the implementation of the fraud prevention policy						Requested funds from Department Co-Operative Governance And Traditional Affairs and the Office of the Premier			
Risk Management Reporting	To effectively and efficiently report on risk management	Quarterly reports	Effective and efficient risk management function		Preparing quarterly reports	Submitted 4 quarterly reports to the Accounting Officer	Report on quarterly risk management progress	Reported accordingly	n/a	None	
		Annual report disclosure	Effective and efficient risk management function		Preparing annual report	Submitted 4 quarterly reports to the Accounting Officer	Disclosure in annual Risk Management The Accounting Officer approved the Implementation Plan	Due by next financial year	n/a	None	

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CHAPTER 4

ORGANISATIONAL DEVELOPMENT PERFORMANCE  
(Performance Report Part II)

COMPONENT A

INTRODUCTION TO THE MUNICIPAL WORKFORCE

4.1 Introduction to the Municipal Workforce

4.1.1 Employee Totals, Turnover and Vacancies

4.1.1a Number of Employees

Description	2011/12	2012/13				2013/14			
	Number of Employees	Number of Approved Posts	Number of Employees	Number of Vacancies	Vacancies (%)	Number of Approved Posts	Number of Employees	Number of Vacancies	Vacancies (%)
Water and Wastewater (Sanitation)	147	151	147	4	3%	151	150	1	0.7%
Electricity	9	11	9	2	20%	11	11	0	0
Waste Management	35	35	35	0	0%	35	35	0	0
Project Management	5	5	7	0	0%	7	7	0	0
Housing	3	3	3	0	0%	3	2	1	33%
Wastewater and Roads (Stormwater)	29	29	29	0	0%	29	28	0	0
Finance	45	48	45	3	6%	48	48	0	0
Fleet and Transport Management	9	6	4	2	33%	8	6	2	25%
Planning	3	4	3	1	25%	4	3	1	25%
Local Economic Development	3	3	3	0	0%	3	3	0	0
Planning (Strategic and Regulatory)	7	8	7	1	13%	8	7	1	13%
Community Services	6	6	6	0	0%	7	6	1	14%
Environmental Protection	31	31	31	0	0%	31	31	0	0
Security and Safety	35	41	35	6	15%	41	37	4	10%
Sport and Recreation	0	0	0	0	0%	1	1	0	0
Corporate Policy Offices and Other	71	73	73	2	3%	73	70	3	4%
<b>Total</b>	<b>435</b>	<b>454</b>	<b>437</b>	<b>21</b>	<b>5%</b>	<b>459</b>	<b>446</b>	<b>14</b>	<b>3%</b>

4.1.1b Vacancy rate

Designations	Total Approved Posts	Variations (Total time that vacancies exist using fulltime equivalents)	Variations (as a proportion of total posts in each category)
Municipal Manager	1	0	0
Chief Financial Officer	1	0	0
S56 Managers (excluding Finance Posts)	8	0	0
Other Section 57 Managers (Finance Posts)	1	0	0
Senior Management (Levels 2-3 excl Finance Posts)	7	0	0
Senior Management (Levels 2-3 Finance Posts)	6	0	0
Highly Skilled Supervision (Levels 4-6 excl Finance Posts)	35	0	0
Highly Skilled Supervision (Levels 4-6 Finance Posts)	8	0	0
Municipal Traffic	8	0	0
Fire Fighters	8	0	0
<b>Total</b>	<b>83</b>	<b>0</b>	<b>0</b>

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**COMPONENT B**

**MANAGING THE MUNICIPAL WORKFORCE**

**4.2 Managing the Municipal Workforce**

**4.2.1a Introduction**

In terms of section 67 of the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000) a municipality must develop and adopt appropriate systems and procedures to ensure fair, efficient, effective, and transparent personnel administration in accordance with the Employment Equity Act, 1998.

**4.2.1b Policies**

Human Resources Policies and Plans				2012/13	2013/14
	Name of Policy	Completed (%)	Reviewed (%)	Date adopted by Council or comment on failure to adopt	Date adopted by Council or comment on failure to adopt
1	Attraction and Retention	100%	n/a	25/09/2012	2012
2	Bereavement Policy	100%		n/a	
3	Code of Conduct for employees	100%	n/a	25/09/2012	2012
4	Delegations, Authorisation and Responsibility	100%	100%	n/a	
5	Disciplinary Code and Procedures	100%	n/a	SALGBC	SALGBC
6	Essential Services	100%	n/a	LLF	LLF
7	Employee Assistance / Wellness	100%	n/a	25/09/2012	2012
8	Employment Equity Plan	100%	n/a	2011	2012
9	Exit Management	100%	n/a	Jan 2013	2013
10	Grievance Procedures	100%	n/a	SALGBC	SALGBC
11	HIV/AIDS	100%	n/a	25/09/2012	2012
12	Human Resource and Development	100%	n/a	25/09/2012	2012
13	Information Technology	100%	n/a	n/a	N/A
14	Leave	100%	n/a	11/2013	2013
15	Occupational Health and Safety	100%	n/a	11/2013	2013
16	Official Working Hours and Overtime	100%	n/a	BCEA	BCEA
17	Organisational Rights	100%	n/a	SALGBC	SALGBC
18	Payroll Deductions	100%	n/a	BCEA	BCEA
19	Performance Management System	100%	n/a	11/2012	2012
20	Recruitment, Selection and Appointments	100%	n/a	25/09/2012	2012
21	Relocation	100%	n/a	25/09/2012	2012
22	Sexual Harassment	100%	n/a	25/09/2012	2012
23	Skills Development	100%	n/a	25/09/2012	2012
24	Smoking	100%	n/a	25/09/2012	2012
25	Subsistence and Travelling	100%	n/a	25/05/2012	2012
26	Other	0	0	0	0

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4.3 Injuries, Sickness and Suspensions

4.3.1a Injury and Sick Leave

Number and Cost of Injuries on Duty					
Description	Injury Leave Taken (Days)	Employees using injury leave (Number)	Proportion employees using sick leave (%)	Average Injury Leave per employee (Days)	Total Estimated Cost (R'000)
Required basic medical attention only	26	7	2%	4	
Temporary total disablement	0	0	0%	0	
Permanent disablement	0	0	0%	0	
Fatal	0	0	0%	0	
<b>Total</b>	<b>26</b>	<b>7</b>	<b>27%</b>	<b>5</b>	

4.3.1b Suspensions and Cases of Misconduct

Number and Period of Suspensions				
Position	Nature of Alleged Misconduct	Date of Suspension	Details of Disciplinary Action taken or Status of Case and Reasons why not Finalised	Date Finalised
Electrician	Unlawful Installation of Electricity Meters and Cables	Nil	Finalised	10/2012
Process Controller	Abscondment	Nil	Finalised	08/2012
Snr Admin Clerk	Failure to attend work regularly and punctuality	Nil	Finalised	10/2012
Water Plant Operator	Abscondment	Nil	Finalised	09/2012
Driver	Failure to declare business interest	Nil	Finalised	04/2013
Water Plant Operator	Insubordination	19/01/2012	Not finalised, still proceeding	
General Worker	Driving municipal vehicle without permission	Nil	Not finalised, still proceeding	
General Worker X7	Insubordination	Nil	not finalised, still proceeding	
Cleaner	Insubordination	Nil	Not finalised, still proceeding	
Pit Assistant	Abscondment	Nil	Finalised	06/2013

4.4 Performance Rewards

4.4.1a Introduction

By the time the Annual Report was being compiled, the performance evaluations were being conducted by the Performance Audit Committee. As a result, it was not possible to establish as to who would be able to qualify for a performance bonus, and the results of the performance assessments needed to be communicated to the officials concerned, and an opportunity for them be afforded in accordance with the Performance Regulations (2006), and in line with the Performance Management System Policy Framework, as well as the Performance Management Policy of Council.

4.4.1b Results with regard to Basic Services

The departmental results were reflected by the average scores of each directorate. Those scores do not necessarily reflect that of the Director concerned - the reflection of the scores on basic services range from an average of three months across all municipal departments.

**Challenges**

- (i) The municipal departments were not keeping a portfolio of evidence.
- (ii) Follow-ups were not made with regard to tasks that were done by other departments or sectors.
- (iii) Poor filing of evidence to support steps taken on any action or *ad hoc* tasks assigned.

**Recommendations**

- (i) The above reports should be used as a method to resolve challenges, particularly where shortcomings were identified.
- (ii) Sections that performed low, needed serious intervention by the Heads of Department and the accounting officer.
- (iii) The reports should be taken as a step forward to improve the Performance Management System Unit, and to capacitate the Unit to deliver effectively.
- (iv) The mechanism provided for above for disputes to be followed where needed.

*Chief Albert Lutfuli Municipality*  
2013/14 Annual Report

COMPONENT C

CAPACITATING THE MUNICIPAL WORKFORCE

4.5 Workforce Capacity Development

4.5.1a Introduction

In terms of Section 68(1) of the Local Government: Municipal Systems Act (2000), a municipality must develop their human resource capacity to a level that enables them to perform their functions and exercise their powers in an economical, effective, efficient and accountable way.

4.5.1b Financial Competency Development

Description	A Total number of officials employed by Municipality	B Total number of officials employed by municipal entities	Consolidated: Total of A and B	Consolidated: Competency assessments completed for A and B	Consolidated: Total number of officials whose performance contracts comply with Regulation 16 Regulation 14(4)(f)	Consolidated: Total number of officials that meet prescribed competency levels
	Regulation 14(4)(a) and (c)	Regulation 14(4)(a) and (c)		Regulation 14(4)(b) and (d)	Regulation 14(4)(f)	Regulation 14(4)(e)
<b>Financial Officials</b>						
Accounting officer	1	0	1	0	1	1
Chief financial officer	1	0	1	1	0	1
Senior managers	6	0	6	6	6	6
Any other financial officials	20	0	20	6	0	6
<b>Supply Chain Management Officials</b>						
Supply chain management senior managers	1	0	1	0	0	0
<b>Total</b>	<b>29</b>	<b>0</b>	<b>29</b>	<b>8</b>	<b>0</b>	<b>7</b>

4.5.1c Training and development

Skills Matrix														
Management level	Gender	Number of Employees in post as at 30 June 2013	Number of skilled employees required and actual as at 30 June 2012/13											
			Learnerships			Skills Programs and other short courses			Other forms of training			Total		
			Actual End 2012	Target 2013	Actual End 2013	Actual End 2012	Target 2013	Actual End 2013	Actual End 2012	Target 2013	Actual End 2013	Actual End 2012	Target 2013	Actual End 2013
Municipal Manager MSA S57 Managers	Female	0	0	0	0	0	0	0	0	0	0	0	0	0
	Male	7	0	5	0	5	5	5	5	0	5	5	5	5
Councillors, senior officials and managers	Female	26	0	16	0	16	16	16	16	0	16	16	16	16
	Male	45	1	26	0	26	26	26	26	0	26	26	26	26
Technicians and associate professionals*	Female	2	4	0	0	0	0	0	4	0	0	4	0	0
	Male	25	6	0	0	0	0	0	10	0	0	10	0	0
Professionals	Female	10	0	3	0	3	3	3	3	0	3	3	3	3
	Male	20	0	6	0	6	6	6	6	0	6	6	6	6
Sub total	Female	0	14	0	0	0	0	0	14	0	0	14	0	0
	Male	0	25	0	0	0	0	0	0	0	0	25	0	50
Total		135	50	56	53	47	56	56	109	0	0	109	61	544

## CHAPTER 5

### FINANCIAL PERFORMANCE

#### 5. Financial Health Overview

#### 5.1 Financial Overview

In order to provide a financial overview of Chief Albert Luthuli Municipality, it was imperative to compare the Budget, the actual financial results, the actual cash inflows and outflows, and the actual spending and revenue trends for the period July 2013 to June 2014. The Municipality received a qualified audit opinion from the Auditor-General.

#### 5.1.1 Financial Performance

Actual operating revenue amounted to R392.6 million, whilst actual operating expenditure amounted to R357.2 million, resulting in an operating surplus of R35.6 million. The 2013/14 Adjustment Budget for operating revenue amounted to R275 million, whilst operating expenditure amounted to R355.9 million, resulting in a budgeted deficit of R80.9 million. Although the Municipality was reflecting an operating deficit, it performed much better than anticipated in the 2013/14 Adjustment Budget.

#### 5.1.2 Operating Revenue Highlights

##### 5.1.2a Property Rates

The Municipality under-collected in property rates due to exemptions and rebates. The budgeted income was R32.2 million, and the actual was R29.1 million resulting in a deficit of R3 million.

##### 5.1.2b Electricity Revenue

Electricity revenue raised amounted to R16.3 million, which was lower than the previous financial year by R1 million. That was attributable to high level of commercial and technical losses, which was mainly ascribed to electricity theft, and own consumption not accounted. The Municipality procured electricity bulk meters to monitor distribution losses.

##### 5.1.2c Operating Grants

The Municipality budgeted to receive R181.6 million. The actual was R293.4 million due to capital grants spent on Municipal Infrastructure Grant (MIG), Department of Water and Sanitation, and Department of Energy. The Municipality spent 100% of the MIG allocation, and was allocated a further R56.7 million as MIG due to good performance, which mainly contributed to increase operating revenue. Revenue from capital grants was recognised in the Statement of Financial Performance if the condition attached to the grant was met.

##### 5.1.2d Other Revenue

The Municipality budgeted R1.7 million, and the actual was R16.3 million. The increase in actual was due to the donation of assets by Gert Sibande District Municipality.

#### 5.1.3 Operating Expenditure highlights

##### 5.1.3a Employee related costs

Actual expenditure was R106 million, compared to the budgeted amount of R92 million, resulting in underspending of R78.2 million. The overspending was largely attributable to the provision for post-retirement benefits in terms of GRAP, provision for accumulated leave and overtime.

##### 5.1.3b Depreciation and asset impairment

Actual expenditure was R60.9 million, compared to the budgeted amount of R96.6million, resulting in an underspending of R35.7 million. Expenditure was lower than anticipated, due to assets that were fully depreciated and were still used by the Municipality, whilst not reviewing their useful life.

##### 5.1.3c Contracted Services

Actual expenditure was R40.6 million, compared to the budgeted amount of R23.2 million, resulting in overspending of R17.2 million. The overspending was due to electricity capital projects implemented in the Eskom licence areas that were not capitalised. Those projects were budgeted for in the capital budget. Service providers were appointed on risk basis, so their payment depended on actual collections in revenue.

## 5.1.4 Statement of Financial Performance

### 5.1.4a Introduction

Chief Albert Luthuli Municipality received revenue from Exchange and Non-Exchange Transactions.

Exchange transactions were transactions in which one entity receives assets or services, or had liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services or use of assets) to another entity in exchange, examples were electricity, water, sanitation, and refuse removal.

Non-exchange transactions arise where an entity receives value from another entity without giving approximately equal value in exchange examples were government grants, donations, traffic fines, and property rates.

Revenue from the sale of goods should be recognised when the below conditions were met:-

- The entity transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The entity retained neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.
- The amount of revenue could be measured reliably.
- It was probable that the economic benefits or service potential associated with the transaction would flow to the entity.
- The costs incurred or to be incurred in respect of the transaction could be measured reliably.

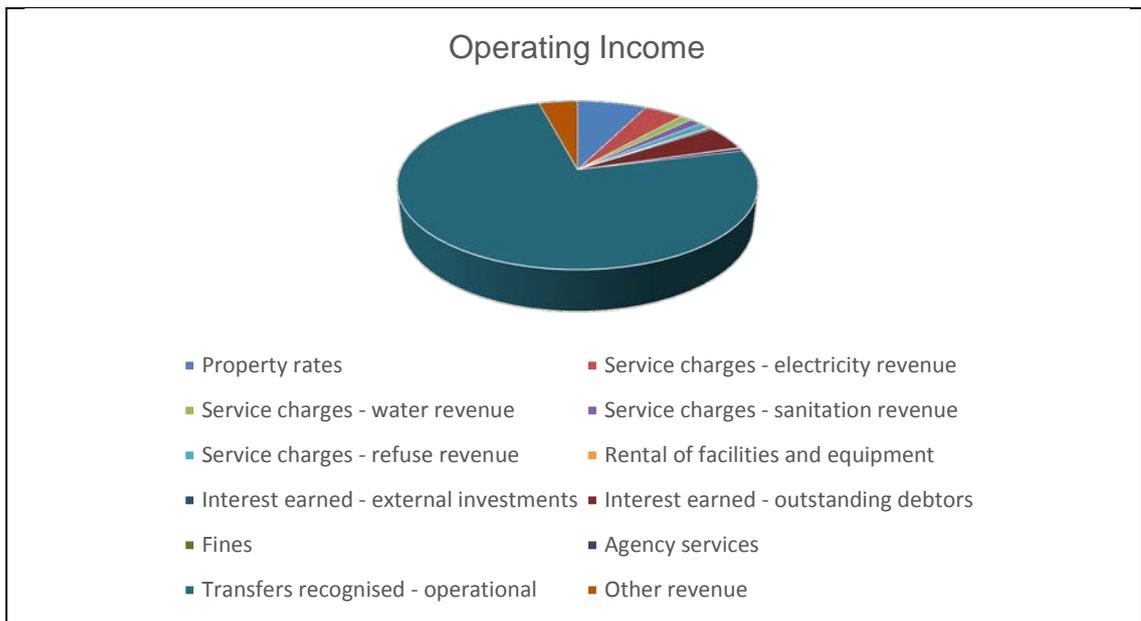
The Statement of Financial Performance was funded by service charges, property rates, rental of office equipment, interest earned, agency fees, and grants. The Municipality spent 100% on Financial Management Grant (FMG), the Municipal System Improvement Grant (MSIG), Department of Energy (DOE), and Department of Water and Sanitation. In addition, the Municipality spent 100% of the Municipal Infrastructure Grant (MIG) on initial allocation. The MIG allocation was increased by R56 million in the 2013/14 due to good performance in prior years. That amount had great impact in terms of revenue from grants. Revenue from grants was recognised as revenue if all the conditions attached to the grants were met.

The financial performance of the Municipality related to its ability to use the economic resources available in a profitable manner and how well it managed to generate considerable cash flows by consuming such resources.

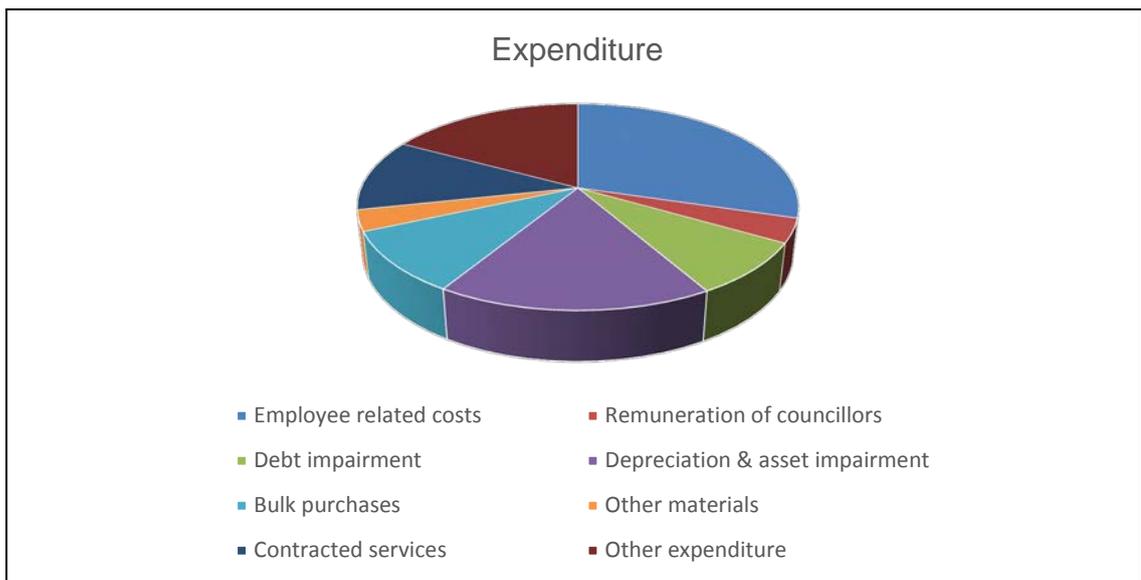
### 5.1.4b Budget Summary

MP301 Albert Luthuli - Table A1 Budget Summary			
Description	Current Year 2013/14 R'000		
	Original Budget	Adjusted Budget	Actual
<b>Financial Performance</b>			
Property rates	32,107	32,107	29,131
Service charges	40,458	40,477	30,707
Investment revenue	756	756	1,238
Transfers recognised - operational	181,564	181,564	293,362
Other own revenue	18,836	19,997	38,127
	<b>273,721</b>	<b>274,964</b>	<b>392,565</b>
<b>Total Revenue (excluding capital transfers and contributions)</b>			
Employee costs	90,733	92,055	105,908
Remuneration of councillors	14,288	14,288	13,350
Depreciation and asset impairment	7,500	96,584	60,886
Finance charges	-	-	762
Materials and bulk purchases	47,954	54,743	45,970
Transfers and grants	-	-	
Other expenditure	121,413	98,193	130,322
<b>Total Expenditure</b>	<b>281,888</b>	<b>355,864</b>	<b>357,198</b>
<b>Surplus/(Deficit)</b>	<b>(8,168)</b>	<b>(80,899)</b>	<b>35,367</b>

5.1.4c Operating Income



5.1.4d Operating Expenditure



5.1.4d Statement of Financial Performance

Statement of Financial Performance			
Description R'000	Current Year 2013/14		
	Original Budget	Adjusted Budget	Actual
<b>Revenue by Source</b>			
Property rates	32,107	32,170	29,131
Service charges - electricity revenue	25,979	25,979	16,287
Service charges - water revenue	4,038	4,038	4,905
Service charges - sanitation revenue	5,039	5,045	5,008
Service charges - refuse revenue	4,402	4,415	4,507
Rental of facilities and equipment	175	118	785
Interest earned - external investments	756	756	1,238
Interest earned - outstanding debtors	16,896	16,896	18,256
Fines	346	253	495
Agency services	1,061	1,061	2,307
Transfers recognised - operational	181,564	181,564	293,362
Other revenue	359	1,669	16,284
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>273,721</b>	<b>274,964</b>	<b>392,565</b>
Description R'000	Current Year 2013/14		
	Original Budget	Adjusted Budget	Actual
<b>Expenditure By Type</b>			
Employee related costs	90,733	92,055	105,908
Remuneration of councillors	14,288	14,288	13,350
Debt impairment	18,891	18,891	29,682
Depreciation and asset impairment	7,500	96,584	60,886
Bulk purchases	32,351	39,140	34,282
Other materials	15,603	15,603	11,688
Contracted services	24,085	23,223	40,450
Other expenditure	78,437	56,079	60,951
<b>Total Expenditure</b>	<b>281,888</b>	<b>355,864</b>	<b>357,198</b>
<b>Surplus/(Deficit)</b>	<b>(8,168)</b>	<b>(80,899)</b>	<b>35,367</b>

5.1.5 Oversight Committee

The Financial Statements were reviewed by the Audit Committee as per S166(2)(b) of the Local Government: Financial Management Act (2003) before submission to the Auditor-General.

5.1.6 Accurate Billing

The Municipality had challenges with the information captured on the financial management system, incorrect addresses, invalid identity numbers, and wrong owners. The Municipality was in the process to update the information.

## 5.2 Grants

### 5.2.1a Introduction

The Municipality received a conditional grant in terms of the Division of Revenue Act (2013). The grant was spent as per the intended purpose.

Description	Opening balance 1/07/2013	Annual Financial Statements 2013	Prior period error	Restated opening balance 1/07/2013	Receipts 2013/14	Expenditure limited to grant received	Balance 30/06/2014
DWA	-	354,472.64	-	354,472.64	12,260,000.00	12,614,472.64	-
MIG	-	-	-	-	134,257,000.00	93,941,140.60	40,315,859.40
DLGT	-	228,831.39	-	228,831.39	-	-	228,831.39
MSIG	-	-	-	-	890,000.00	890,000.00	-
DSCR	-	199,666.00	-	199,666.00	-	-	199,666.00
INEG	-	568,836.00	-	568,836.00	10,500,000.00	11,068,835.00	-
LGFMG	-	-	-	-	1,550,000.00	1,533,990.30	16,009.70
LGSeta	-	-	-	-	160,392.72	146,888.53	13,505.19
EPWP	-	34,019.00	-	34,019.00	3,785,000.00	3,785,000.00	34,019.00
<b>Total</b>	-	<b>1,385,824.03</b>	-	<b>1,385,824.03</b>	<b>163,402,393.72</b>	<b>123,980,327.07</b>	<b>40,807,890.68</b>

The Municipality spent 100% of the MSIG, DOE, FMG, EPWP and DWA grants. Also, the Municipality spent 100% of the MIG initial allocation. The Municipality received an additional MIG allocation of R56 million. The conditional grants were recognised as liability in the Statement of Financial Position, and recognised as revenue in the Statement of Financial Performance once the conditions attached to the grants were satisfied.

### 5.2.1b Grants performance

The Municipality received a conditional grant in terms of the Division of Revenue Act (2013). The grants were spent as per the intended purposes.

Conditional grants were conditional allocations made to municipalities from the national government's share of revenue raised nationally, which were provided for, and its purpose was specified in the annual Division of Revenue Act referred to in section 214(1)(c) of the Constitution (1996). Conditional grants were monies transferred for a specific purpose that may not be used for any other project.

The Municipality also received unconditional grants in terms of the Division of Revenue Act.

## 5.3 Asset Management

Asset of the Municipality were managed in terms of S63 of the Local Government: Municipal Finance Management Act (2003). The Municipality reviewed the Asset Management Policy to ensure that it complied with the standard of GRAP17. The policy provides guidance on the roles and responsibilities of directorates in the management and safekeeping of assets under their control. The Policy also provides depreciation methods of municipal assets. Redundant Assets were disposed in terms of the SCM policy. All the disposed assets were publicised on the municipal website.

The population growth within the Municipality and the development of businesses in Elukwatini Unit had a direct impact in terms of service delivery. The upgrade of infrastructure projects was implemented. Asset management was crucial for the sustainability of the Municipality, and to ensure sustainability of service delivery. The objective was to upgrade the infrastructure to improve capacity. Repairs and maintenance expenditure was the costs incurred to bring an asset back to an earlier condition, or to keep the asset operating at its present condition. Ordinary maintenance and repairs of fixed assets were activities that owners or users of fixed assets were obliged to undertake periodically in order to be able to utilise assets over their expected service lives (they were current costs that could not be avoided if the fixed assets were to continue to be used). Maintenance and repairs did not change the fixed asset or its performance, but simply maintained it in good working order or restored it to its previous condition in the event of a breakdown.

In the 2013/14 financial year assets were upgraded, and new assets were created.

## 5.4 Financial Ratios And Operating Ratios

### 5.4.1a Liquidity Ratios

Current Assets	Current Liabilities
R114.000.000	R164.000.000
0.69	1.43

The current liabilities were more than the current assets due to provision for receivables that were more than 120 days. The Municipality focused on outstanding Businesses and Government accounts to improve the financial viability.

#### 5.4.1b Operating Ratios

The operating ratios were indicated in the table below.

Details	Percentage
Employee Cost	29%
Repairs and Maintenance	3%
Finance Charges and Depreciation	17%

#### 5.5 Capital Expenditure

##### 5.5.1a Introduction

The Municipality spent 100% of the MIG initial allocation, 96.6% on DWA, and 96.5% on DME, which had an impact on capital projects funded through grants. The Municipality received an additional allocation of R56 million from the MIG due to 100% spending in the two previous financial years and the backlogs in terms of infrastructure.

##### 5.5.1b Capital Budget

Details	2012/13	2013/14
Original Budget	R132.916	R101.977
Adjustment Budget	R101.719	R158.901
Actual	R100.279	R118.901

##### 5.5.1c SOURCES OF FINANCE

There were various sources of income that could be used by municipality to finance their expenditure. This section outlined the various sources of municipal income, and looked at ways of deciding which would be best for a municipality's needs.

Main sources of capital budget financing:

- External loans
- Contributions from revenue
- Government grants
- Donations and public contributions
- Public/Private Partnerships

Main sources of operational budget financing:

- Property Rates
- Service Charges
- Fines
- Equitable Share

The capital budget was funded by the Municipal Infrastructure Grant, Department of Water Affairs, Department of Energy, and revenue generated from own sources.

## COMPONENT B

### SPENDING AGAINST CAPITAL BUDGET

#### 5.6 Capital Expenditure

Capital expenditure was funded through grants. The Municipality received the following grants to fund capital expenditure:

Description	Receipts	Expenditure
DWA	R 12,260,000	R 12,614,472.64
MIG	R134,257,000	R 93,941,140.60
INEG	R 10,500,000	R 11,068,835.00
EPWP	R 3,785,000	R 3,785,000.00
<b>Total</b>	<b>R160,802,000</b>	<b>R121,409,448.24</b>

## COMPONENT C

### CASH FLOW MANAGEMENT AND INVESTMENTS

#### 5.7 Cash Flow Management and Investments

##### 5.7.1a Introduction

In terms of the Local Government: Municipal Finance Management Act (2003), a municipality must establish an appropriate and effective cash management and investment policy. Within this policy, a municipality must:

- Conduct its cash management and investments; and
- Invest money not immediately required.

Surplus cash referred to money that was not immediately required for expenditure; this surplus could include income from rates and services, rents, fines, grants, subsidies, levies, and interest earned on investments. The Finance Department reported quarterly to the Executive Mayor, the Finance Portfolio Committee in terms of S11 of the Local Government: Municipal Finance Management Act (2003), in order to assess the performance of the investment portfolio, and to ensure that the investments complied with policy objectives, guidelines, applicable laws, and regulations.

##### 5.7.1b Cash Flow

The Municipality experienced cash flow challenges during the 2013/14 financial year, and introduced stringent daily cash flow management. Cash outflows were influenced by unpaid commitments from the previous financial year, and commitments payable in the current year. The Municipality forecasted only expenditures that had impact in terms of services delivery only based on each expenditure categories. The Municipality had a positive cash flow balance at year-end.

All available cash was invested in accordance with the Municipality's Cash and Investments Policy. Surplus cash not needed immediately was invested in short-term investment. Money was withdrawn from the Investment Portfolio to ensure sustainable service delivery. The cash flow of the Municipality was monitored and reported on monthly basis.

The Auditor-General found that the annual financial statements fairly presented the Municipality's financial position, financial performance and cash flow for the 2013/14 financial year in all material respects, and were in accordance with the South African Standards of Generally Recognised Accounting practice (GRAP).

##### 5.7.1c Borrowings and Investments

In terms of the Municipal Finance Management Act (2003), a municipality may only borrow funds for the purpose of acquiring assets, improving facilities or infrastructure to provide basic service delivery.

The Municipality did not make any borrowings in the 2013/14 financial year.

#### 5.8 Public-Private Partnerships

A public-private partnership (PPP) was a contract between a government institution and a private party, where the private party performed an institutional function and/or used state property in terms of output specifications. Substantial project risk (financial, technical, and operational) was transferred to the private party, and the private party benefitted through unitary payments from government budgets and/or user fees.

At year-end, the Municipality had no public-private partnerships.

#### 5.9 Other Financial Matters

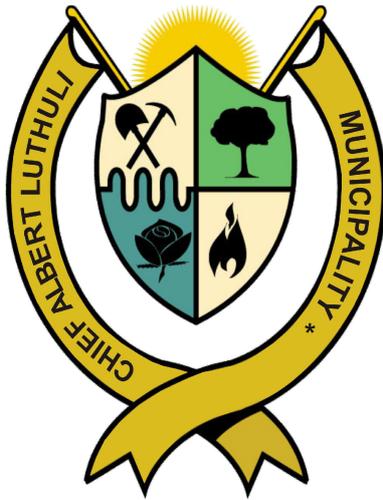
##### 5.9.1 Supply Chain Management

The Supply Chain Management Policy was reviewed and approved by Council in May 2013. In terms of the SCM Regulations, the Policy had to be reviewed at least annually by the Accounting Officer. The reviewed Policy was submitted to the Committee on Policy and By-Laws. Reporting on the implementation of the Policy was reported quarterly to Council. Irregular expenditure, and fruitless and wasteful expenditure during the 2012/13 and 2013/14 financial years were referred to the Municipal Public Accounts Committee for investigation. All irregular, fruitless and wasteful expenditure was condoned by Council, and each case was treated on its merit. Each Directorate was held accountable and had to provide supporting documents for such expenditure.

No councillors were part of any Supply Chain Management Committee. The Accounting Officer appointed the Bid Specification, Bid Evaluation, and Bid Specification Committees in writing.

##### 5.9.2 GRAP Compliance

The Annual Financial Statements of the Municipality for the 2013/14 financial year complied in all material respects in terms General Recognised Accounting Practice (GRAP).



**CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY**  
Annual Financial Statements  
for the year ended 30 June 2014

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## General Information

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<b>Legal form of entity</b>	Local municipality
<b>Municipal demarcation code</b>	MP301
<b>Nature of business and principal activities</b>	Service delivery
<b>Executive Mayor</b>	Shiba BP
<b>Speaker</b>	Nkosi SM
<b>Chief Whip</b>	Nkosi DP
<b>Mayoral Committee</b>	Mngomezulu MW Mnisi NM Thabethe QG
<b>Councillors</b>	Cindi NR Dludlu ZM Lubede EJ Maduna ME Makene J Makhubela EB Makhubela NV Malaza STQ Masuku BM Mbhele JS Mdluli NI Mhlanga PP Mnisi N Mnisi NM Mngomezulu MW Motha TJ Motha TW Mthombeni SF Neethling M Ngubeni A Nkabinde NJ Nkosi AD Nkosi DP Nkosi FE Nkosi GJ Nkosi JS Nkosi JM Nkosi MH Nkosi MJ Nkosi NM Nkosi SM Nkosi SZ Nkosi SJ Nkosi VL Ntuli FJ

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## General Information

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	Phakathi FDM Shabangu LD Shabangu VS Shiba BP Sikhakhane NB Simelani JD Soko JP Steenkamp ML Thabethe QG Thomo NG Vilakazi J Vilakazi RG Vilakazi VV Zwane TE Zulu TW
<b>Grading of local authority</b>	Grade 3 Medium capacity
<b>Accounting Officer</b>	Mpila VN
<b>Chief Finance Officer (CFO)</b>	Mphumuzi Nhlabathi
<b>Registered office</b>	28 Kerk Street Carolina Mpumalanga 1185
<b>Business address</b>	28 Kerk Street Carolina Mpumalanga 1185
<b>Postal address</b>	Private Bag X719 Carolina 1185
<b>Bankers</b>	Standard Bank of South Africa Limited
<b>Auditors</b>	Auditor General
<b>Attorneys</b>	Guzana Attorneys Macbeth Ncongwane Attorneys Ramathe MJ Attorneys TMN Kgomo Attorneys

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Index

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The reports and statements set out below comprise the annual financial statements presented to the to the council:

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### Abbreviations

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously Common Management Information Protocol)

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Accounting Officer's Responsibilities and Approval

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

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and the Municipal Finance Management Act (Act 56 of 2003) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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

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

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

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

The external auditors are responsible for auditing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 6.

The annual financial statements set out on pages 6 to 82, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2014 and were signed on his behalf by:

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**Accounting Officer**  
**Mpila VN**

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Audit Committee Report

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We are pleased to present our report for the financial year ended 30 June 2014.

### Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year the following number of meetings were held.

<b>Name of member</b>	<b>Number of meetings attended</b>
Tebogo Gafane (Chairperson)	8
Xholani Khumalo	5
Sanele Gumbi	6
Mmabatho Sepuru	8

### Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

### The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer of the municipality during the year under review.

### Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices (delete if not applicable);
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

### Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

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**Chairperson of the Audit Committee**

**Date:** \_\_\_\_\_

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Statement of Financial Position as at 30 June 2014

Figures in Rand	Note(s)	2014	2013
<b>Assets</b>			
Current Assets			
Cash and cash equivalents	3	18 634 055	1 195 124
Receivables from exchange transactions	4	32 449 749	24 100 523
Receivables from non-exchange transactions	5	57 138 990	40 662 138
Inventories	6	2 577 294	1 715 111
Investments	7	2 910 485	1 198 777
Operating lease asset	8	261 864	24 244
VAT receivable	9	-	1 567 137
		<b>113 972 437</b>	<b>70 463 054</b>
Non-Current Assets			
Investment property	10	19 142 500	18 345 000
Property, plant and equipment	11	788 370 996	720 414 927
Investments	7	270 963	252 348
		<b>807 784 459</b>	<b>739 012 275</b>
Non-current assets held for sale	12	2 738 000	2 738 000
<b>Total Assets</b>		<b>924 494 896</b>	<b>812 213 329</b>
<b>Liabilities</b>			
Current Liabilities			
Payables from exchange transactions	13	112 748 099	86 873 338
Finance lease obligation	14	396 919	267 600
VAT payable	9	1 333 974	-
Movement in unspent conditional grants and receipts	15	40 791 880	1 385 824
Provisions	16	9 035 187	7 061 896
		<b>164 306 059</b>	<b>95 588 658</b>
Non-Current Liabilities			
Finance lease obligation	14	228 789	384 084
Employee benefit obligation	17	11 243 000	10 988 000
Provisions	16	12 381 881	4 992 503
Long service award accrual	19	4 031 000	3 811 000
		<b>27 884 670</b>	<b>20 175 587</b>
<b>Total Liabilities</b>		<b>192 190 729</b>	<b>115 764 245</b>
<b>Net Assets</b>		<b>732 304 167</b>	<b>696 449 084</b>
Reserves			
Revaluation reserve	18	24 046 763	24 046 763
Accumulated surplus		708 257 404	672 402 321
<b>Total net assets</b>		<b>732 304 167</b>	<b>696 449 084</b>

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013
<b>Revenue</b>			
Revenue from exchange transactions		-	-
Dividends received - investments	24	-	6 884
Donations	25	13 809 529	10 732 760
Fines	40	495 161	194 214
Gain on disposal of assets	27	668 843	-
Interest received - consumers	28	18 256 310	16 058 562
Interest received - investment	24	1 238 360	1 758 010
Licences and permits	35	2 307 245	1 863 030
Other Income	27	1 805 692	1 257 078
Rental of facilities and equipment	26	784 644	427 476
Service charges	21	30 706 540	29 442 567
Revenue from non-exchange transactions		-	-
Government grants & subsidies	23	293 361 741	268 343 473
Property rates	22	29 131 077	31 158 134
<b>Total revenue</b>		<b>392 565 142</b>	<b>361 242 188</b>
<b>Expenditure</b>			
Employee related cost	30	(105 908 495)	(95 987 050)
Remuneration of councillors	31	(13 349 906)	(12 602 909)
Depreciation	11	(60 885 989)	(97 453 773)
Rehabilitation cost	29	(2 351 868)	(647 042)
Finance costs	34	(761 712)	(878 432)
Allowance for debt impairment	32	(29 681 939)	(34 216 243)
Repairs and maintenance	33	(11 687 953)	(24 099 497)
Bulk purchases	36	(34 282 175)	(31 362 755)
Contracted services	37	(40 450 415)	(27 263 801)
Loss on disposal of assets	39	(112 509)	(4 867 700)
General expenses	39	(57 724 958)	(69 478 683)
<b>Total expenditure</b>		<b>(357 197 919)</b>	<b>(398 857 885)</b>
<b>Operating surplus (deficit)</b>		<b>35 367 223</b>	<b>(37 615 697)</b>
Fair value adjustment	41	208 562	196 080
<b>Surplus (deficit) for the year</b>		<b>35 575 785</b>	<b>(37 419 617)</b>

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
<b>Balance at 01 July 2012</b>	<b>24 046 763</b>	<b>709 821 938</b>	<b>733 868 701</b>
Changes in net assets			
Deficit for the year	-	(37 419 617)	(37 419 617)
Total changes	-	(37 419 617)	(37 419 617)
Adjustments			
Prior year adjustments - see note 47	-	(7 764 152)	(7 764 152)
<b>Restated Balance at 01 July 2013</b>	<b>24 046 763</b>	<b>672 654 883</b>	<b>696 701 646</b>
Changes in net assets			
Surplus for the year	-	35 575 785	35 575 785
Total changes	-	35 575 785	35 575 785
<b>Balance at 30 June 2014</b>	<b>24 046 763</b>	<b>708 257 404</b>	<b>732 304 167</b>
Note(s)	18		

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Cash Flow Statement

Figures in Rand	Note(s)	2014	2013
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Services		5 329 600	10 615 622
Grants		332 767 797	265 610 731
Interest income from investing activities		1 238 360	1 758 010
Interest income from trading activities		18 256 310	16 058 562
Other receipts		5 392 742	3 748 682
		<u>362 984 809</u>	<u>297 791 607</u>
<b>Payments</b>			
Employee costs		(119 258 401)	(108 589 959)
Suppliers		(67 822 291)	(112 087 670)
Finance costs		(430 536)	(502 912)
Other payments		(40 450 415)	(27 263 801)
		<u>(227 961 643)</u>	<u>(248 444 342)</u>
<b>Net cash flows from operating activities</b>	43	<b><u>135 023 166</u></b>	<b><u>75 814 137</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	11	(115 705 322)	(89 546 530)
Movement on investments		(1 521 761)	12 827 290
<b>Net cash flows from investing activities</b>		<b><u>(117 227 083)</u></b>	<b><u>(76 719 392)</u></b>
<b>Cash flows from financing activities</b>			
Finance lease payments		(357 152)	(230 592)
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b><u>17 438 931</u></b>	<b><u>(1 135 847)</u></b>
Cash and cash equivalents at the beginning of the year		1 195 124	2 330 972
<b>Cash and cash equivalents at the end of the year</b>	3	<b><u>18 634 055</u></b>	<b><u>1 195 125</u></b>

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (note 55)
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	40 457 918	19 531	<b>40 477 449</b>	30 706 540	<b>(9 770 909)</b>	
Rental of facilities and equipment	175 000	(56 722)	<b>118 278</b>	784 644	<b>666 366</b>	
Interest received (consumers)	16 895 690	-	<b>16 895 690</b>	18 256 310	<b>1 360 620</b>	
Licences and permits	1 060 795	-	<b>1 060 795</b>	2 307 245	<b>1 246 450</b>	
Administration and management fees received	359 000	1 310 516	<b>1 669 516</b>	1 805 692	<b>136 176</b>	
Interest received - investment	755 670	-	<b>755 670</b>	1 238 360	<b>482 690</b>	
Gains on disposal of assets	-	-	-	668 843	<b>668 843</b>	
<b>Total revenue from exchange transactions</b>	<b>59 704 073</b>	<b>1 273 325</b>	<b>60 977 398</b>	<b>55 767 634</b>	<b>(5 209 764)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	32 106 882	63 483	<b>32 170 365</b>	29 131 077	<b>(3 039 288)</b>	
Government grants & subsidies	181 564 150	-	<b>181 564 150</b>	293 361 741	<b>111 797 591</b>	
<b>Transfer revenue</b>						
Public contributions and donations	-	-	-	13 809 529	<b>13 809 529</b>	
Fines	345 667	(93 007)	<b>252 660</b>	495 161	<b>242 501</b>	
<b>Total revenue from non-exchange transactions</b>	<b>214 016 699</b>	<b>(29 524)</b>	<b>213 987 175</b>	<b>336 797 508</b>	<b>122 810 333</b>	
<b>Total revenue</b>	<b>273 720 772</b>	<b>1 243 801</b>	<b>274 964 573</b>	<b>392 565 142</b>	<b>117 600 569</b>	
<b>Expenditure</b>						
Personnel	(90 733 241)	(1 322 095)	<b>(92 055 336)</b>	(105 908 495)	<b>(13 853 159)</b>	
Remuneration of councillors	(14 288 147)	-	<b>(14 288 147)</b>	(13 349 906)	<b>938 241</b>	
Depreciation and amortisation	(7 500 000)	(89 084 300)	<b>(96 584 300)</b>	(60 885 989)	<b>35 698 311</b>	
Finance costs	-	-	-	(761 712)	<b>(761 712)</b>	
Debt impairment	(18 891 200)	-	<b>(18 891 200)</b>	(29 681 939)	<b>(10 790 739)</b>	
Repairs and maintenance	(15 603 000)	-	<b>(15 603 000)</b>	(11 687 953)	<b>3 915 047</b>	
Bulk purchases	(32 350 897)	(6 789 034)	<b>(39 139 931)</b>	(34 282 175)	<b>4 857 756</b>	
Contracted Services	(24 085 000)	862 000	<b>(23 223 000)</b>	(40 450 415)	<b>(17 227 415)</b>	
General expenses	(78 437 000)	22 358 000	<b>(56 079 000)</b>	(57 724 958)	<b>(1 645 958)</b>	
<b>Total expenditure</b>	<b>(281 888 485)</b>	<b>(73 975 429)</b>	<b>(355 863 914)</b>	<b>(357 085 410)</b>	<b>(1 221 496)</b>	
<b>Operating surplus</b>	<b>(8 167 713)</b>	<b>(72 731 628)</b>	<b>(80 899 341)</b>	<b>35 479 732</b>	<b>116 379 073</b>	
Capital expenditure	-	-	-	(112 509)	<b>(112 509)</b>	
<b>Surplus/(Deficit)</b>	<b>(8 167 713)</b>	<b>(72 731 628)</b>	<b>(80 899 341)</b>	<b>35 367 223</b>	<b>116 266 564</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>(8 167 713)</b>	<b>(72 731 628)</b>	<b>(80 899 341)</b>	<b>35 367 223</b>	<b>116 266 564</b>	

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (note 55)
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	400 000	-	400 000	2 577 294	2 177 294	
Investments	15 534 999	(114 000)	15 420 999	2 910 485	(12 510 514)	
Operating lease asset	-	-	-	261 864	261 864	
Consumer debtors	18 809 576	32 427 000	51 236 576	89 588 739	38 352 163	
Cash and cash equivalents	35 735 669	(16 595 000)	19 140 669	18 634 055	(506 614)	
	<b>70 480 244</b>	<b>15 718 000</b>	<b>86 198 244</b>	<b>113 972 437</b>	<b>27 774 193</b>	
<b>Non-Current Assets</b>						
Investment property	20 179 500	-	20 179 500	19 142 500	(1 037 000)	
Property, plant and equipment	816 932 934	6 316 204	823 249 138	788 370 996	(34 878 142)	
Other asset	18 857 457	48 276 765	67 134 222	270 963	(66 863 259)	
	<b>855 969 891</b>	<b>54 592 969</b>	<b>910 562 860</b>	<b>807 784 459</b>	<b>(102 778 401)</b>	
Non-current assets held for sale and assets of disposal groups	-	-	-	2 738 000	2 738 000	
<b>Total Assets</b>	<b>926 450 135</b>	<b>70 310 969</b>	<b>996 761 104</b>	<b>924 494 896</b>	<b>(72 266 208)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Borrowings	-	-	-	396 919	396 919	
Payables from exchange transactions	31 008 497	(13 364 000)	17 644 497	112 748 100	95 103 603	
VAT payable	-	-	-	1 333 978	1 333 978	
Movement in unspent conditional grants and receipts	-	-	-	40 791 880	40 791 880	
Provisions	-	-	-	9 035 187	9 035 187	
	<b>31 008 497</b>	<b>(13 364 000)</b>	<b>17 644 497</b>	<b>164 306 064</b>	<b>146 661 567</b>	
<b>Non-Current Liabilities</b>						
Borrowings	101 000	-	101 000	228 789	127 789	
Employee benefit obligation	-	-	-	11 243 000	11 243 000	
Provisions	12 562 293	-	12 562 293	12 381 881	(180 412)	
Long service award accrual	-	-	-	4 031 000	4 031 000	
	<b>12 663 293</b>	<b>-</b>	<b>12 663 293</b>	<b>27 884 670</b>	<b>15 221 377</b>	
<b>Net Assets</b>	<b>882 778 345</b>	<b>83 674 969</b>	<b>966 453 314</b>	<b>732 304 162</b>	<b>(234 149 152)</b>	
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Revaluation reserve	26 181 087	-	26 181 087	24 046 763	(2 134 324)	
Accumulated surplus	856 597 257	89 084 300	945 681 557	708 257 401	(237 424 156)	
<b>Total Net Assets</b>	<b>882 778 344</b>	<b>89 084 300</b>	<b>971 862 644</b>	<b>732 304 164</b>	<b>(239 558 480)</b>	

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (note 55)
Figures in Rand						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Sale of goods and services	56 363 879	18 118 000	<b>74 481 879</b>	5 329 600	<b>(69 152 279)</b>	
Grants	277 990 000	-	<b>277 990 000</b>	332 767 797	<b>54 777 797</b>	
Interest income	755 670	-	<b>755 670</b>	19 494 670	<b>18 739 000</b>	
Other receipts	-	-	-	5 392 742	<b>5 392 742</b>	
	<b>335 109 549</b>	<b>18 118 000</b>	<b>353 227 549</b>	<b>362 984 809</b>	<b>9 757 260</b>	
<b>Payments</b>						
Employee costs	(254 497 117)	14 108 000	<b>(240 389 117)</b>	(119 258 401)	<b>121 130 716</b>	
Suppliers	-	-	-	(67 822 291)	<b>(67 822 291)</b>	
Finance costs	-	-	-	(430 536)	<b>(430 536)</b>	
Other payments	-	-	-	(40 450 415)	<b>(40 450 415)</b>	
	<b>(254 497 117)</b>	<b>14 108 000</b>	<b>(240 389 117)</b>	<b>(227 961 643)</b>	<b>12 427 474</b>	
<b>Net cash flows from operating activities</b>	<b>80 612 432</b>	<b>32 226 000</b>	<b>112 838 432</b>	<b>135 023 166</b>	<b>22 184 734</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(101 977 158)	(924 000)	<b>(102 901 158)</b>	(115 705 322)	<b>(12 804 164)</b>	
Movement in investments	47 897 000	(47 897 000)	-	(1 521 761)	<b>(1 521 761)</b>	
<b>Net cash flows from investing activities</b>	<b>(54 080 158)</b>	<b>(48 821 000)</b>	<b>(102 901 158)</b>	<b>(117 227 083)</b>	<b>(14 325 925)</b>	
<b>Cash flows from financing activities</b>						
Finance lease payments	-	-	-	(357 152)	<b>(357 152)</b>	
Net increase / (decrease) in cash and cash equivalents	26 532 274	(16 595 000)	<b>9 937 274</b>	17 438 931	<b>7 501 657</b>	
Cash and cash equivalents at the beginning of the year	9 203 396	-	<b>9 203 396</b>	1 195 124	<b>(8 008 272)</b>	
<b>Cash and cash equivalents at the end of the year</b>	<b>35 735 670</b>	<b>(16 595 000)</b>	<b>19 140 670</b>	<b>18 634 055</b>	<b>(506 615)</b>	
<b>Reconciliation</b>						

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. All figures have been rounded to the nearest Rand.

Assets, liabilities, revenue and expenditure have not been offset except when offsetting is permitted or required by a GRAP standard.

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

These accounting policies are consistent with the previous period.

#### 1.1 Going concern assumption

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

#### 1.2 Significant judgements and sources of estimation uncertainty

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

##### Trade receivables

The municipality assesses its receivables 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 a financial asset.

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

##### Impairment testing

The recoverable amounts or recoverable service amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

##### Value in use of cash generating assets

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

##### Value in use of non-cash generating assets

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. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependant on the availability of data and the nature of the impairment.

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.2 Significant judgements and sources of estimation uncertainty (continued)

#### 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 16 Provisions.

#### Useful lives of property, plant and equipment and intangible assets

The municipality's management determines the estimated useful lives and related depreciation and amortisation charges for property, plant and equipment and intangible assets. This estimate is based on industry norm. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

#### Post retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. The most appropriate discount rate that reflects the time value of money is with reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

#### Effective interest rate

The municipality used the government bond rate to discount future cash flows except where stated otherwise.

#### Allowance for impairment

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

### 1.3 Investment property

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

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

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

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

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

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

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### 1.3 Investment property (continued)

#### Fair value

Subsequent to initial measurement investment property is measured at fair value every 4 years, refer to notes to the annual financial statements on investment property.

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

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

If the municipality determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

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

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

The gain or loss arising from the derecognition of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset. Such difference is recognised in surplus or deficit when the asset is derecognised.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

### 1.4 Property, plant and equipment

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

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

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

Property, plant and equipment are initially recognised at cost.

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

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost), unless the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at fair value, its cost is measured at the carrying amount of the asset(s) given up.

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

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

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### 1.4 Property, plant and equipment (continued)

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

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

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

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

Subsequent to initial measurement property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except land which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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

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

The revaluation surplus in net assets related to a specific item of property, plant and equipment is transferred directly to accumulated surplus when the asset is derecognised.

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

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

<b>Item</b>	<b>Average useful life</b>
Land	Indefinite
Buildings	10 - 50 years
Community Infrastructure	10 - 50 years
Landfill site	15 - 80 years
Other property, plant and equipment	20 years
• Vehicles	2 - 35 years
• Furniture	
• Leased assets	

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

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

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

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### 1.4 Property, plant and equipment (continued)

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

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

### 1.5 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

### 1.6 Financial instruments

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

#### Classification

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

<b>Class</b>	<b>Category</b>
Cash and cash equivalents	Financial asset measured at amortised cost
Long-term receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Investments	Financial asset measured at fair value

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

<b>Class</b>	<b>Category</b>
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost

#### Initial recognition

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

The municipality recognises financial assets using trade date accounting.

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### 1.6 Financial instruments (continued)

#### Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability, other than those subsequently measures at fair value, initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures all other financial assets and financial liabilities initially at fair value.

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

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

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### 1.6 Financial instruments (continued)

#### Subsequent measurement of financial assets and financial liabilities

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

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

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

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

#### Fair value measurement considerations

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

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

#### Gains and losses

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

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

#### Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.6 Financial instruments (continued)

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 by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at cost:

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

### Derecognition

#### Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

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

#### Financial liabilities

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

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

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

### 1.7 Leases

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

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### 1.7 Leases (continued)

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

#### Finance leases - lessor

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

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

#### Finance leases - lessee

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

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

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

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

#### Operating leases - lessor

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

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

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

Any contingent rents are recognised separately as revenue in the period in which they are received.

#### Operating leases - lessee

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

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

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

### 1.8 Inventories

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

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

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

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

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

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

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### 1.8 Inventories (continued)

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

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

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

Water is regarded as inventories when the municipality purchases water in bulk with the intention to resell it to consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc). However, water in water dams under the control of the municipality, that are filled by natural resources and that has not yet been treated, can not be measured reliably as there is no cost attached to the water, and it is therefore not recognised as inventories.

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

### 1.9 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 principally 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 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.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

### 1.10 Impairment of cash-generating assets

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

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

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

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

#### Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### 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.

#### Discount rate

The discount rate is a pre-tax 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 (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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

#### Cash-generating units

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 municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

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

#### Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. 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 (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

### 1.11 Impairment of non-cash-generating assets

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

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

#### Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.11 Impairment of non-cash-generating assets (continued)

#### Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating 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 overdesigned or overcapacity asset. Overdesigned 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 a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. 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 (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.12 Employee benefits

#### Short-term employee benefits

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

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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 municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

#### Post-employment benefits

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

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

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

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.12 Employee benefits (continued)

#### Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the municipality recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.12 Employee benefits (continued)

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the municipality attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the municipality attributes benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.12 Employee benefits (continued)

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

#### Long-term service awards

The municipality has an obligation to provide long-term service allowance benefits to all its employees. According to the rules of the long-term service allowance scheme, which the municipality instituted and operates, an employee (who is in current condition of service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for long-term service awards is the net total of the following amounts:  
the present value of the defined benefit obligation at the reporting date;

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately; and
- the effect of any curtailments or settlements.

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.12 Employee benefits (continued)

#### Termination benefits

The municipality recognises termination benefits as a liability and an expense when the municipality is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the municipality has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than twelve months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer.

### 1.13 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating expenditure.

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

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.13 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when the municipality:

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

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

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

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

After their initial recognition contingent liabilities recognised in a transfer of functions that are recognised separately are subsequently measured at the higher of:

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- a present obligation that arises from past events but is not recognised because:
  - it is not probable than an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
  - the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 45.

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.13 Provisions and contingencies (continued)

#### Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit;
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and accounts for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.10 and 1.11.
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

### 1.14 Revenue from exchange transactions

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

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

#### Measurement

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

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.14 Revenue from exchange transactions (continued)

#### Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

#### Interest

Revenue arising from the use by others of municipality assets yielding interest is recognised when:

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

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

### 1.15 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.15 Revenue from non-exchange transactions (continued)

#### Recognition

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

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

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

#### Measurement

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

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

#### Property rates

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources.

Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

#### Transfers

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

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

#### Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset, it also recognises the revenue equivalent to the amount of the asset measured at its fair value.

The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by debtors.

Where the municipality collects fines in the capacity of an agent, 20% of the fine's value will be recognised as revenue for the municipality.

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.15 Revenue from non-exchange transactions (continued)

#### Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- It is probable that economic benefits or service potential associated with the transaction will flow to the municipality
- the amount of revenue can be reliably measured
- to the extent that there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

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

#### Gifts and donations, including goods in-kind

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

#### Services in-kind

Services in-kind are not recognised.

### 1.16 Borrowing costs

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

### 1.17 Value Added Tax (VAT)

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payments basis, in accordance with Section 15(2) of the VAT Act (Act No.89 of 1991).

### 1.18 Comparative figures

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

### 1.19 Unauthorised expenditure

Unauthorised expenditure means:

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

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

### 1.20 Fruitless and wasteful expenditure

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

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

### 1.21 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.21 Irregular expenditure (continued)

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

### 1.22 Grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving rise to the transfer occurred.

### 1.23 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.

### 1.24 Budget information

The approved budget is prepared on the accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2013/07/01 to 2014/06/30.

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

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

### 1.25 Related parties

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

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

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

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

### 1.26 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.26 Commitments (continued)

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
  - where disclosure is required by a specific standard of GRAP

### 1.27 Events after the reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

Two types of events can be identified:

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

Adjusting events after the reporting date have been accounted for in the annual financial statements and non-adjusting events after the reporting date have been disclosed in the notes to the annual financial statements. Refer to note 49.

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

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

##### **GRAP 25: Employee Benefits**

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The standard requires the municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when the municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

The standard states the recognition, measurement and disclosure requirements of:

- short-term employee benefits;
  - all short-term employee benefits;
  - short-term compensated absences;
  - bonus, incentive and performance related payments;
- post-employment benefits: Defined contribution plans;
- other long-term employee benefits; and
- termination benefits.

The major difference between this standard (GRAP 25) and IAS 19(R) is with regards to the treatment of actuarial gains and losses and past service costs. This standard requires the municipality to recognise all actuarial gains and losses and past service costs immediately in the statement of financial performance once occurred.

All amendments to be applied retrospectively.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality has adopted the standard for the first time in the 2014 annual financial statements.

The impact of the standard is not material.

##### **GRAP 1 (as revised 2012): Presentation of Financial Statements**

Minor amendments were made to the statement of financial performance as well as the statement of changes in net assets.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

##### **GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors**

Amendments were made to changes in accounting policies. A change to the cost model when a reliable measure of fair value is no longer available (or vice versa) for an asset that a standard of GRAP would otherwise require or permit to be measured at fair value is no longer considered to be a change in an accounting policy in terms of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010).

The effective date of the amendment is for years beginning on or after 01 April 2013

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

#### **GRAP 7 (as revised 2012): Investments in Associates**

Amendments were made to definitions and a requirement to include transaction costs on initial recognition of an investment in an associate under the equity method has been included.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

#### **GRAP 9 (as revised 2012): Revenue from Exchange Transactions**

Amendments were made to the scope and definitions.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality expects to adopt the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

#### **GRAP 12 (as revised 2012): Inventories**

Amendments were made to measurement after recognition.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

#### **GRAP 13 (as revised 2012): Leases**

Amendments were made to disclosures.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

#### **GRAP 16 (as revised 2012): Investment Property**

Amendments were made to definitions, measurement at recognition, disposals and disclosure. Changes were made to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the assessment of significant use of an investment property has been clarified.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

#### **GRAP 17 (as revised 2012): Property, Plant and Equipment**

Amendments were made to measurement at recognition, disposals and disclosure. Changes were made to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the requirement to disclose property, plant and equipment that were temporarily idle has been clarified.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

#### **GRAP 27 and GRAP 31 (as revised 2012)**

These Standards of GRAP replace the previous Standard of GRAP on Agriculture (GRAP 101) and Standard of GRAP on Intangible Assets due to the International Public Sector Accounting Standards Board (IPSASB) that has issued an IPSAS on Agriculture (IPSAS 27) and Intangible Assets (IPSAS 31) respectively.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

#### **IGRAP 1 (as revised 2012): Applying the Probability Test on Initial Recognition of Revenue**

This interpretation now addresses the manner in which the municipality applies the probability test on initial recognition of both:

- (a) exchange revenue (GRAP 9); and
- (b) non-exchange revenue (GRAP 23).

All amendments to be applied prospectively.

The effective date of the interpretation is for years beginning on or after 01 April 2013.

The municipality has adopted the interpretation for the first time in the 2014 annual financial statements.

The implementation of IGRAP 1 has been effected in the 2014 financial period as disclosed in note 38.

#### **IGRAP 16: Intangible Assets - Website Costs**

The interpretation deals with the treatment of the municipality's own website. It concludes that the municipality's own website that arises from development and is for internal or external access is an internally generated intangible asset that is subject to the requirements of the Standard of GRAP on Intangible Assets.

A website arising from development will be recognised as an intangible asset if, and only if, in addition to complying with the general requirements described in the Standard of GRAP on Intangible Assets for recognition and initial measurement, the municipality can satisfy the requirements in paragraph .54, which in particular requires the municipality to be able to demonstrate how its website will generate probable future economic benefits or service potential.

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

If the municipality is not able to demonstrate how a website developed solely and primarily for providing information about its own products and services will generate probable future economic benefits or service potential, all expenditure on developing such a website will be recognised as an expense when incurred.

A website that is recognised as an intangible asset under this interpretation will be measured after initial recognition by applying the requirements in the Standard of GRAP on Intangible Assets.

Interpretation to be applied retrospectively.

The effective date of the interpretation is for years beginning on or after 01 April 2013.

The municipality has early adopted the interpretation for the first time in the 2014 annual financial statements.

The impact of the interpretation is not material.

#### 2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods:

##### **GRAP 105: Transfers of functions between entities under common control**

The objective of this standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.

A transfer of functions between entities under common control is a reorganisation and / or reallocation of functions between entities that are ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities under common control, the assets and liabilities should be recognised (by the acquirer) at their carrying amounts and should be derecognised (by the transferor) at their carrying amounts.

The difference between the amount of consideration paid or received, if any, and the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

The effective date of this standard is for the years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

##### **GRAP 106: Transfers of Functions Between Entities not Under Common Control**

The objective of this standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.

A transfer of functions between entities not under common control is a reorganisation and / or reallocation of functions between entities that are not ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition date fair values.

The difference between the amount of consideration paid, if any, and the carrying amounts of assets acquired and liabilities assumed should be recognised in accumulated surplus / (deficit).

For a transfer of functions between entities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

The effective date of this standard is for the years beginning on or after 01 April 2015.

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

The municipality expects to adopt the standard for the first time in the 2016 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

#### **GRAP 107: Mergers**

The objective of this standard is to establish accounting principles for the combined entity and combining entities in a merger.

A merger is where a new combined entity is started, acquirer can be identified and the combining entities do not have any control over the combined entity.

In the event of a merger, the assets and liabilities should be recognised (by the combined entity) at their carrying amounts and should be derecognised (by the combining entities) at their carrying amounts.

The difference between the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

The effective date of this standard is for the years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

#### **GRAP 20: Related Parties**

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The municipality (in this standard referred to as the reporting entity) applies this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between the municipality and its related parties;
- identifying the circumstances in which disclosure of the items in bullet one and two is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

The standard states that a related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard sets out the requirements, inter alia, for the disclosure of:

- control;
- related party transactions; and
- remuneration of management.

Only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another entity or person are disclosed.

The standard requires that remuneration of management must be disclosed per person and in aggregate.

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

#### **GRAP 32: Service Concession Arrangements: Grantor**

The standard applies to a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator providing the mandated function on behalf of the grantor can either be a private party or another public sector entity. The standard applies to the grantor only.

PPP agreements that are governed and regulated in terms of the PFMA and MFMA, are some of the arrangements that fall within the scope of GRAP 32. For any other arrangements that meet the control criteria as set out in paragraph .07 of GRAP 32 the principles in the standard on accounting for such arrangements will apply.

An asset provided by the operator, or an upgrade to an existing asset, is recognised as a service concession asset with a corresponding liability, being the performance obligation, if certain criteria and conditions are met.

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

#### **GRAP 108: Statutory Receivables**

GRAP 108 only deals with those receivables that arise from legislation or an equivalent means, such as regulations, by-laws or other documents issued in terms of legislation, such as ministerial orders and cabinet or municipal council decisions. Therefore in order to be statutory in nature specific legislation should require the municipality to undertake the transactions, such as outlining who should be taxed and at what rates and amounts.

Statutory receivables are not contractual receivables, the latter of which would normally meet the definition of a financial asset and will be within the scope of the Standard of GRAP on Financial Instruments. Statutory receivables are not voluntarily entered into as with contractual receivables because they arise as a result of specific legislative requirements.

Statutory receivables are initially measured at their transaction amount and subsequently using the cost method.

Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

The expected impact of the standard is disclosed under the notes to the financial statements.

#### **IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset**

This interpretation provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this interpretation need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

This interpretation concludes on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The interpretation has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time once it becomes effective.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

#### **GRAP 5 (revised 2013): Borrowing Costs**

Benchmark treatment is to recognise borrowing costs as an expense.

Allowed alternative is to capitalise borrowing costs if it is attributable to the acquisition, construction or production of a qualifying asset. All other instances, expense borrowing costs.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2014.

The municipality expects to adopt the amendment for the first time in the 2015 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

#### **GRAP 100 (revised 2013): Discontinued Operations**

All accounting, presentation and disclosure requirements with regards to non-current assets held for sale (or disposal groups) have been deleted. The impact of the amendments is:

- Will no longer be required to reclassify assets as held for sale. GRAP 100 now only deals with discontinued operations.
- Certain disclosure must be made if, at the reporting date, management has taken a decision to dispose of a significant asset or a group of assets and liabilities. Will fall under the Standard of GRAP on Presentation of Financial Statements.

Measurement requirements are to be applied prospectively and presentation and disclosure requirements are to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2014.

The municipality expects to adopt the amendment for the first time in the 2015 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

#### GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance and will be adopted once it becomes effective.

The municipality expects to adopt the standard for the first time in the year that it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand 2014 2013

### 3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand		1 117	1 117
Bank balances		2 436 341	1 194 007
Call account		16 196 597	-
		<b>18 634 055</b>	<b>1 195 124</b>

#### Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

#### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2014	30 June 2013	30 June 2012	30 June 2014	30 June 2013	30 June 2012
Standard Bank - Current account - 033255954	2 437 458	1 215 545	2 568 446	2 437 458	1 195 124	2 330 971

### 4. Receivables from exchange transactions

#### Gross balances

Water	9 580 962	7 767 121
Refuse	39 259 543	34 070 959
Sewerage	40 329 960	35 077 096
Electricity	15 862 090	14 943 823
Other	15 599 633	15 446 456
	<b>120 632 188</b>	<b>107 305 455</b>

#### Less: Allowance for impairment

Water	(6 828 294)	(4 982 028)
Refuse	(29 083 818)	(27 067 440)
Sewerage	(29 816 236)	(27 729 936)
Electricity	(10 697 436)	(11 781 693)
Other	(11 756 653)	(11 643 834)
	<b>(88 182 437)</b>	<b>(83 204 931)</b>

#### Net balance

Water	2 752 668	2 785 094
Refuse	10 175 724	7 003 518
Sewerage	10 513 724	7 347 160
Electricity	5 164 654	3 162 130
Other	3 842 979	3 802 621
	<b>32 449 749</b>	<b>24 100 523</b>

#### Electricity

Current (0 -30 days)	1 201 280	743 256
31 - 60 days	644 794	255 394
61 - 90 days	436 732	228 858
> 90 days	13 579 285	13 716 315
Less : Allowance for impairment	(10 697 437)	(11 781 693)
	<b>5 164 654</b>	<b>3 162 130</b>

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>4. Receivables from exchange transactions (continued)</b>		
<b>Water</b>		
Current (0 -30 days)	334 289	1 695 536
31 - 60 days	357 187	162 976
61 - 90 days	254 916	169 479
> 90 days	8 732 353	5 739 131
Less : Allowance for impairment	(6 828 295)	(4 982 028)
	<b>2 850 450</b>	<b>2 785 094</b>
<b>Sewerage</b>		
Current (0 -30 days)	668 918	716 177
31 - 60 days	595 151	488 359
61 - 90 days	549 373	476 012
> 90 days	38 516 518	33 396 547
Less: Allowance for impairment	(29 816 236)	(27 086 761)
	<b>10 513 724</b>	<b>7 990 334</b>
<b>Refuse</b>		
Current (0 -30 days)	604 791	508 189
31 - 60 days	548 491	460 506
61 - 90 days	516 191	451 287
> 90 days	37 590 070	32 650 976
Less : Allowance for impairment	(29 083 818)	(27 067 440)
	<b>10 175 725</b>	<b>7 003 518</b>
<b>Other</b>		
Current (0 -30 days)	99 147	1 012 854
31 - 60 days	96 659	74 137
61 - 90 days	87 583	72 975
> 90 days	15 316 245	14 286 489
Less : Allowance for impairment	(11 756 653)	(11 643 834)
	<b>3 842 981</b>	<b>3 802 621</b>

### Consumer receivables pledged as security

None of the consumer receivables were pledged as security

None of the financial assets that are fully performing have been renegotiated in the prior year.

### Credit quality of receivables from exchange and non exchange transactions

The credit quality of receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

The municipality does not hold any collateral as security.

### Receivables from exchange transactions past due but not impaired

Trade and other receivables from exchange transactions in respect of government debtors are not considered to be impaired for 2014 . At 30 June 2014, R 20 504 599 (2013: R 5 616 402) were past due but not impaired.

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

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### 4. Receivables from exchange transactions (continued)

#### Receivables from exchange transactions impaired

As of 30 June 2014, receivables from exchange transactions of R 101 877 434 (2013: R 101 689 053) were impaired and provided for.

The amount of the allowance was R 85 975 122 as of 30 June 2014 (2013: R 83 204 931).

The ageing of these receivables is as follows:

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>5. Receivables from non-exchange transactions</b>		
Property rates	218 507 104	189 951 620
Traffic fines	252 562	-
Staff debtors	-	8 282
Less: Allowance for impairment	(161 620 676)	(149 297 764)
	<b>57 138 990</b>	<b>40 662 138</b>
<b>Gross balance</b>		
Property rates	218 507 104	189 951 620
Staff debtors	-	8 282
	<b>218 507 104</b>	<b>189 959 902</b>
<b>Less: Allowance for impairment</b>		
Property rates	(161 620 676)	(149 289 482)
Staff debtors	-	(8 282)
	<b>(161 620 676)</b>	<b>(149 297 764)</b>
<b>Net balance</b>		
Property rates	56 886 427	40 662 138
Fines	252 562	-
	<b>57 138 989</b>	<b>40 662 138</b>
<b>Property Rates</b>		
Current (0-30 days)	3 445 133	6 188 323
31 - 60 days	3 302 995	3 023 367
61 - 90 days	3 182 286	3 009 699
> 90 days	208 576 690	177 738 513
Less: Allowance for impairment	(161 620 676)	(149 297 764)
	<b>56 886 428</b>	<b>40 662 138</b>
<b>Staff Debtors</b>		
> 90 days	-	8 282
Less: Allowance for impairment	-	(8 282)
	-	-
<b>Traffic fines</b>		
Current (0-30 days)	23 207	-
31 - 61 days	26 650	-
61 - 90 days	22 443	-
> 90 days	180 260	-
	<b>252 560</b>	-
<b>Total</b>		
Current (0-30 days)	3 469 340	6 188 323
31 - 61 days	3 329 646	3 023 367
61 - 90 days	3 204 729	3 009 699
> 90 days	208 756 950	177 738 514
Less: Allowance for impairment	(161 620 676)	(147 399 287)
	<b>57 139 989</b>	<b>42 560 616</b>

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>5. Receivables from non-exchange transactions (continued)</b>		
<b>Consumer receivables pledged as security</b>		
None of the consumer receivables were pledged as security		
None of the financial assets that are fully performing have been renegotiated in the prior year.		
<b>Credit quality of receivables from exchange and non exchange transactions</b>		
The credit quality of receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.		
The municipality does not hold any collateral as security.		
<b>Receivables from non-exchange transactions impaired</b>		
As of 30 June 2014, receivables from non-exchange transactions of R 218 507 104 (2013: R 189 959 902) were impaired and provided for.		
The amount of the allowance for impairment was R 161 620 676 as of 30 June 2014 (2013: R 149 297 764).		
<b>6. Inventories</b>		
Consumables	2 487 622	1 620 846
Water	89 672	94 265
	<b>2 577 294</b>	<b>1 715 111</b>
<b>Reconciliation of inventory movement:</b>		
Opening balance	1 715 111	130 684
Purchases	862 183	1 584 427
<b>Closing balance</b>	<b>2 577 294</b>	<b>1 715 111</b>
<b>Inventory pledged as security</b>		
At year-end no assets have been pledged as security.		
<b>7. Investments</b>		
<b>Unlisted investments at amortised cost</b>		
RMB Momentum - Account number RU 500434741	194 572	179 679
End date indefinite		
Sanlam: Guarantee Capital Fund - Policy number 9921774X7	76 391	72 669
End date: cover at death		
Stanlib classic investment plan - Account number IP0006247	477 907	448 347
End date indefinite		
Standard Bank Call Account - Account Number 38478668002	-	19 028
End date indefinite		
Stanlib extra income fund - Account number IP0006247	1 614 884	-
End date indefinite		
Standard Bank Call Account - Account number 308654552	-	122 270
End date indefinite		
	<b>2 363 754</b>	<b>841 993</b>
<b>Listed investments at fair value</b>		
Listed shares	817 694	609 132

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>7. Investments (continued)</b>		
<b>Non-current assets</b>		
At amortised cost	270 963	252 348
<b>Current assets</b>		
At amortised cost	2 092 791	589 645
Listed investment at fair value	817 694	609 132
	<b>2 910 485</b>	<b>1 198 777</b>

### Fair value information

The following classes of financial assets are carried at fair value:

- Listed shares

The municipality owns 13,242 shares in Sanlam Limited which was trading at R 61.75 (2013: R 46,00) per share at each reporting period.

Renegotiated terms

None of the financial assets that are fully performing have been renegotiated in the last year.

The municipality has not reclassified any financial asset from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

### Credit quality of investments

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

### 8. Operating lease asset

#### Operating lease asset

Straight lining of operating lease	261 864	24 244
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Operating lease asset represent rentals receivable by the municipality for premises/properties rented out. The lease was negotiated for periods ranging from 36 months to 119 months. The rentals escalate on average between 5% and 10% per annum.

#### Operating lease as lessor

	2014	2013
Within one year	280 245	58 915
In the second to fifth year inclusive	209 640	215 759
After five years	-	6 205
	<b>489 885</b>	<b>280 879</b>

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand 2014 2013

### 9. VAT receivable (payable)

VAT (1 333 974) 1 567 137

VAT is payable on the cash basis. VAT is paid over to the SARS only once payment is received from receivables. All VAT returns were submitted throughout the year.

### 10. Investment property

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Industrial and residential units	19 142 500	-	19 142 500	18 345 000	-	18 345 000

#### Reconciliation of investment property - 2014

	Opening balance	Transfers	Total
Industrial and residential units	18 345 000	797 500	19 142 500

#### Reconciliation of investment property - 2013

	Opening balance	Total
Industrial and residential units	18 345 000	18 345 000

#### Pledged as security

At year end no assets have been pledged as security.

#### Details of property

Investment properties mainly consists of industrial and residential units.

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

#### Details of valuation

Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2012. The first supplementary was implemented on 1 May 2013. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations. The valuation were performed by an independent valuer, Sechele Property Developers and Valuers are not connected to the municipality. The valuation was based on open market value for existing use.

No interim valuations were performed during the current financial year.

Amounts recognised in surplus and deficit for the year.

Rental revenue from investment property 575 379 424 276

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand

2014

2013

### 11. Property, plant and equipment

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	51 924 500	-	51 924 500	52 722 000	-	52 722 000
Buildings	17 149 909	(2 936 589)	14 213 320	17 149 909	(2 272 560)	14 877 349
Infrastructure	1 063 091 088	(510 157 213)	552 933 875	956 370 763	(452 971 188)	503 399 575
Community	25 904 160	(7 496 977)	18 407 183	23 472 490	(5 997 918)	17 474 572
Infrastructure work in progress	123 109 469	-	123 109 469	103 024 008	-	103 024 008
Landfill site	14 195 693	(1 459 941)	12 735 752	14 549 560	(1 224 445)	13 325 115
Other property, plant and equipment	21 319 937	(6 273 040)	15 046 897	21 039 701	(5 447 393)	15 592 308
<b>Total</b>	<b>1 316 694 756</b>	<b>(528 323 760)</b>	<b>788 370 996</b>	<b>1 188 328 431</b>	<b>(467 913 504)</b>	<b>720 414 927</b>

### Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Total
Land	52 722 000	-	-	(797 500)	-	-	51 924 500
Buildings	14 877 349	-	-	-	-	(664 029)	14 213 320
Infrastructure	503 399 575	9 356 380	-	97 363 947	-	(57 186 027)	552 933 875
Community	17 474 572	2 431 670	-	-	-	(1 499 059)	18 407 183
Infrastructure work in progress	103 024 008	117 449 408	-	(97 363 947)	-	-	123 109 469
Landfill site	13 325 115	-	-	-	(353 867)	(235 496)	12 735 752
Other property, plant and equipment	15 592 308	1 541 438	(672 793)	-	(112 509)	(1 301 547)	15 046 897
	<b>720 414 927</b>	<b>130 778 896</b>	<b>(672 793)</b>	<b>(797 500)</b>	<b>(466 376)</b>	<b>(60 885 989)</b>	<b>788 370 996</b>

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand 2014 2013

### 11. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Transfers	Depreciation & Impairment	Total
Land	57 589 700	-	(4 867 700)	-	-	52 722 000
Buildings	15 541 378	-	-	-	(664 029)	14 877 349
Infrastructure	556 299 240	13 138 408	-	25 001 512	(91 039 585)	503 399 575
Community	20 991 318	-	-	-	(3 516 746)	17 474 572
Infrastructure work in progress	46 441 186	86 210 794	-	(29 627 972)	-	103 024 008
Landfill site	9 321 470	-	-	4 626 462	(622 817)	13 325 115
Other property, plant and equipment	16 272 818	930 088	-	-	(1 610 598)	15 592 308
	<b>722 457 110</b>	<b>100 279 290</b>	<b>(4 867 700)</b>	<b>-</b>	<b>(97 453 775)</b>	<b>720 414 927</b>

#### Pledged as security

At year-end no assets have been pledged as security.

#### Revaluations

The effective date of the revaluations of land was 30 June 2012. Revaluations were performed by an independent valuer, Valuers Arica (Pty) Ltd. Valuers Africa (Pty) Ltd are not connected to the municipality.

These assumptions were based on current market conditions

#### Assets subject to finance lease (Net carrying amount)

IT equipment	255 849	532 149
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#### Details of Property, plant and equipment

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

#### Transfers of Property, plant and equipment

Infrastructure Work-in-Progress was completed and capitalised to Infrastructure and Community via a transfer. Land which met the recognition criteria of Investment Property was transferred as such during the 2014 financial year.

### 12. Non-current assets held for sale

Property, plant and equipment	2 738 000	2 738 000
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The municipality decided to dispose of some stands. At year end these disposals were not completed.

The disposal are expected to be completed by 30 June 2015.

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>13. Payables from exchange transactions</b>		
1 % social responsibility	4 067 286	2 331 098
Accrual - thirteenth cheque	2 258 299	2 127 233
Consumer deposits	560 750	570 295
Retentions	12 619 659	8 881 091
Closure cost liability	-	5 120 131
Suspense accounts	161 029	191 906
Trade payables	76 680 632	61 293 297
Income received in advance	15 405 013	5 922 868
Unallocated deposits	995 431	435 419
	<b>112 748 099</b>	<b>86 873 338</b>

### Consumer deposits

Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account. No interest is paid on consumer deposits held.

### Closure cost liability

Badplaas, Carolina and Mpuluzi landfill sites are operating without a license and by law are obligated to be closed and restored to its original state within the following year.

Badplaas	-	2 312 013
Carolina	-	1 140 621
Mpuluzi	-	1 667 497
	-	<b>5 120 131</b>

### 14. Finance lease obligation

#### Minimum lease payments due

- within one year	622 331	571 316
- in second to fifth year inclusive	155 712	481 200
- later than five years	16 298	59 758
	794 341	1 112 274
less: future finance charges	(168 633)	(460 590)
<b>Present value of minimum lease payments</b>	<b>625 708</b>	<b>651 684</b>

#### Present value of minimum lease payments due

- within one year	496 390	267 600
- in second to fifth year inclusive	113 963	335 044
- later than five years	15 355	49 040
	<b>625 708</b>	<b>651 684</b>
Non-current liabilities	228 789	384 084
Current liabilities	396 919	267 600
	<b>625 708</b>	<b>651 684</b>

The average lease term is 3 years and the average effective borrowing rate is 9%. Interest rates are fixed at the contract date. Some leases have fixed repayment terms and other escalate. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

Refer to note 11 for the carrying value of assets held under a finance lease.

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>15. Movement in unspent conditional grants and receipts</b>		
Please also refer note 23.		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
Department of Arts and Culture	199 666	199 666
Department of Energy	-	568 835
Department of Local Government	228 831	228 831
Department of Water Affairs	-	354 473
Expanded Public Work Program	34 019	34 019
LG SETA Grants	13 505	-
Municipal Infrastructure Grant	40 315 859	-
	<b>40 791 880</b>	<b>1 385 824</b>
<b>Movement during the year</b>		
Balance at the beginning of the year	1 385 824	4 118 566
Additions during the year	163 402 394	106 500 731
Income recognition during the year	(123 996 338)	(109 233 473)
	<b>40 791 880</b>	<b>1 385 824</b>

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>15. Movement in unspent conditional grants and receipts (continued)</b>		
Current liabilities	40 791 880	1 385 824
<b>Financial management grant</b>		
Balance unspent at the beginning of the year	-	708 434
Current year receipts	1 550 000	1 250 000
Conditions met - transferred to revenue	(1 550 000)	(1 958 434)
	-	-
The grant is intended to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.		
<b>Expanded Public Work Program</b>		
Balance unspent at the beginning of the year	34 019	-
Current year receipts	3 785 000	1 386 000
Conditions met - transferred to revenue	(3 785 000)	(1 351 981)
	<b>34 019</b>	<b>34 019</b>
The grant is intended to fund bulk, connector and internal infrastructure of water services at a basic level of service.		
<b>Department of Local Government</b>		
Balance unspent at the beginning of the year	228 832	228 832
The grant is intended for the construction of the ring in Silobela which by the funded by the department of Local government and Traditional Affairs		
<b>Department of Water Affairs</b>		
Balance unspent at the beginning of the year	354 473	-
Current year receipts	12 260 000	8 145 000
Conditions met - transferred to revenue	(12 614 473)	(7 790 527)
	-	<b>354 473</b>
The grant is intended to fund bulk, connector and internal infrastructure of water services at a basic level of service.		
<b>Department of Arts and Culture</b>		
Balance unspent at the beginning of the year	199 666	199 666
The grant is intended to improve the social economic situation		
<b>Department of Energy</b>		
Balance unspent at the beginning of the year	568 835	-
Current year receipts	10 500 000	16 200 000
Conditions met - transferred to revenue	(11 068 835)	(15 631 165)
	-	<b>568 835</b>
The grant is intended to fund Energy efficient lighting technologies in municipal building, street and traffic lighting infrastructure.		
<b>Municipal Infrastrasture Grant</b>		
Current year receipts	134 257 000	77 236 000
Conditions met - transferred to revenue	(93 941 141)	(77 236 000)
	<b>40 315 859</b>	-
<b>LG SETA Grants</b>		
Current year receipts	160 394	-

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>15. Movement in unspent conditional grants and receipts (continued)</b>		
Conditions met - transferred to revenue	(146 889)	-
	<b>13 505</b>	-
<p>The grant is intended for sending the staff of municipality for training by the corporate service</p> <p><b>Department of Human Settlement</b></p>		
Balance unspent at the beginning of the year	-	1 423 731
Current year receipts	-	(1 423 731)
	-	-
<p>The grant is intended to fund the project of upgrading and refurbishing of existing water treatment plant at Eesterhoek.</p> <p><b>Development bank of South Africa</b></p>		
Balance unspent at the beginning of the year	-	173 157
Conditions met - transferred to revenue	-	(173 157)
	-	-
<p><b>Municipal system improvement grant</b></p>		
Current year receipts	890 000	860 000
Conditions met - transferred to revenue	(890 000)	(860 000)
	-	-
<p>The grant intended to assist the Municipality in building in house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal systems Act and related legislation, policies and local government turnaround strategy</p> <p><b>Accelerated Community infrastructure programme</b></p>		
Current year receipts	-	2 808 477
Conditions met - transferred to revenue	-	(2 808 477)
	-	-

The grant is intended to fund the development of the package plant and AC pipes for Silobela.

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand 2014 2013

### 16. Provisions

#### Reconciliation of provisions - 2014

	Opening Balance	Additions	Reversed during the year	Total
Provision for rehabilitation	4 992 503	7 769 947	(380 569)	12 381 881
Legal proceedings	30 000	225 487	(30 000)	225 487
Leave	7 031 896	1 777 804	-	8 809 700
	<b>12 054 399</b>	<b>9 773 238</b>	<b>(410 569)</b>	<b>21 417 068</b>

#### Reconciliation of provisions - 2013

	Opening Balance	Additions	Total
Provision for rehabilitation	4 709 909	282 594	4 992 503
Legal proceedings	-	30 000	30 000
Leave	5 871 420	1 160 476	7 031 896
	<b>10 581 329</b>	<b>1 473 070</b>	<b>12 054 399</b>
Non-current liabilities		12 381 881	4 992 503
Current liabilities		9 035 187	7 061 896
		<b>21 417 068</b>	<b>12 054 399</b>

#### Provision for rehabilitation:

The municipality engages in waste disposal operations from residential and business areas within the following area:

- Ekukwatini landfill

Elukwatini landfill site is required from the entity to execute an environmental management program to restore the landfill sites after its useful life.

The expected cash flows will be over the next 20 years entailing three components

- Pre closure costs
- Rehabilitation and closure costs
- Post-closure monitoring and maintenance costs (aftercare)

The Elukwatini waste disposal facility is permitted and its classification is G:C:B-

#### Provision for legal proceeds

Magagula - claim against the municipality on damaged property amounting to R 13 648

Sifiso - claim against the municipality for damages to motor vehicles amounting to R 150 000

LC Van Aswegen - judgement against the municipality amounting to R 61 839.

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand 2014 2013

### 17. Employee benefit obligations

#### Defined benefit plan

#### Post retirement medical aid plan

#### Medical scheme arrangements

The municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

#### Contribution rate structure

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income.

#### Subsidy arrangements

There are no current subsidy policy used. Therefore the guidelines as set by the South African Local Government Association (SALGA) in Resolution 8 (Post-retirement Medical Aid Subsidies) were applied for valuation purposes

The municipality has agreed to subsidise the medical aid contributions of retired members in the following way:

- All new pensioners will receive a 60% subsidy subject to the maximum of R 3,618.04 for the 2014 (R3,557.65 in 2013)
- Continuation members that were retired prior to the introduction of the current policy will continue to receive a 70% subsidy.
- The maximum subsidy is expected to increase at 50% of inflation.

However, pensioners that are currently receiving a PRMA benefit do not match the SALGA policy in terms of the subsidy percentage. Therefore, it was decided that the current pensioners will be valued based on the actual subsidy that they are currently receiving, which is either a 70% or 100% subsidy of their total monthly medical aid contribution, based on the data provided. In addition, the subsidy payable is not limited to a maximum for pensioners.

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

#### Carrying value

Present value of the defined benefit obligation-wholly unfunded (11 243 000) (10 988 000)

#### Changes in the present value of the defined benefit obligation are as follows:

Opening balance	10 988 000	10 606 168
Service cost	40 000	51 841
Interest cost	842 000	558 745
Benefits paid	(698 745)	(644 108)
Actuarial (gains) losses	71 745	415 354
	<b>11 243 000</b>	<b>10 988 000</b>

#### Net expense of the defined benefit obligation recognised in the statement of financial performance

Current service cost	40 000	51 841
Interest cost	842 000	558 745
Actuarial (gains) losses	71 745	415 354
	<b>953 745</b>	<b>1 025 940</b>

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

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Figures in Rand	2014	2013
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### 17. Employee benefit obligations (continued)

#### Key assumptions used

Assumptions used at the reporting date:

Real discount rate	8,94 %	7,89 %
Consumer price inflation	7,05 %	6,14 %
Expected increase in salaries	- %	- %
Net effective discount rate	0,82 %	0,70 %
Medical aid contribution inflation	8,05 %	7,14 %

#### Discount Rate

GRAP 25 defines the determination of the discount rate assumption to be used as the rate that can be determined by reference to market yields at the financial position date on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields (at financial position date) on government bonds should be used. The currency and term of the corporate bonds or government bonds should be consistent with the currency and term of the corporate bonds or government bonds should be consistent with the currency and estimated term of the post-employment benefit obligations.

The discount rate was therefore set as the yield of the R 209.00 South African government bond as the valuation date. In the event that the valuation is performed prior to the effective valuation date. In the event that the valuation is performed prior to the effective valuation date, we use the prevailing yield at the time of performing our calculations. The actual yield on the R209.00 bond was sourced from the RMB Global Markets website on the 30th of June 2014.

#### Medical Aid Inflation

The medical aid inflation rate was reference to the past relationship between CPI and medical aid contribution rate inflation. We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between current conventional bond yields (R 209.00) and current index-linked yields (R 202.00).

South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical schemes contribution inflation outstripped general CPI by almost 3% year on year. We do not think that these increases are sustainable and have assumed that medical aid contribution increases would out-strip general inflation by 1%.

#### Average Retirement Age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements.

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand 2014 2013

### 17. Employee benefit obligations (continued)

#### Other assumptions

The increase of 1% p.a. change in the normal salary inflation assumption is as follow:

	One percentage point increase	Current valuation percentage	One percentage point decrease
Defined benefit obligation	12 337 000	11 243 000	10 274 000
Interest cost	1 071 000	974 000	887 000
Service cost	14 000	14 000	13 000
	<b>13 422 000</b>	<b>12 231 000</b>	<b>11 174 000</b>

The service cost in the above table represents the increase in the liability due to the additional years of service accrued by the active members. For the base cost, where the assumption is made that the "gap" ("real discount rate") was 1 %, it is projected that service cost of R51 841 will be incurred. It should be noted that pensioners are not included in this figure since they do not accrue any extra years of service.

The interest cost is based on the discount rate assumption for the current valuation which is based on one point on the curve.

The amounts for the current annual reporting period and previous three reporting periods:

	2014	2013	2012	2011
Present value of obligation	11 243 000	10 988 000	10 606 168	10 580 607

### 18. Revaluation reserve

The effective date of the revaluations were 30 June 2012. Revaluations were performed by an independent valuer, Valuers Africa (Pty) Ltd. Valuers Africa (Pty) Ltd are not connected to the municipality

The assumptions were based on current market conditions

A register containing the information required by section 63 of the Municipal finance management act is available for inspection at the registered office of the municipality.

Opening balance	24 046 763	24 046 763
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### 19. Long service award liability

As per government gazette an employee shall qualify for long service rewards in terms of leave days credits for the various periods of continuous service completed at the same employer as follows:

All new pensioners will receive a 60% subsidy subject to the maximum of R 3,618.04 (R3,557.65 in 2013)

- After 10 years of service - 10 working days
- After 15 years of service - 20 working days
- After 20 years of service - 30 working days
- After 25 years of service - 30 working days
- After 30 years of service - 30 working days
- After 35 years of service - 30 working days
- After 40 years of service - 30 working days
- After 45 years of service - 30 working days

The leave mentioned may be wholly or partially converted on the date on which an employee qualified or at any stage thereafter.

Long service benefits are awarded in the form of a number of leave days awarded once the employee completes a certain number of years in service.

#### Valuation of assets

The long service leave award liability of the municipality is unfunded. No dedicated assets had been set aside to meet this liability.

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013	
<b>19. Long service award liability (continued)</b>			
<b>Valuation of assets</b>			
<b>Carrying value</b>			
Present value	4 031 000	3 811 000	
<b>Changes in present value</b>			
Opening balance	3 811 000	2 972 000	
Current service cost	503 000	372 000	
Interest cost	292 000	245 000	
Benefits paid	(224 701)	(122 908)	
Actuarial loss/(gain)	(350 299)	344 908	
	<b>4 031 000</b>	<b>3 811 000</b>	
<b>Net expense recognised in the statement of financial performance</b>			
Current service cost	503 000	372 000	
Interest cost	292 000	245 000	
Actuarial gain/(loss)	(350 299)	344 908	
	<b>444 701</b>	<b>961 908</b>	
<b>Key assumptions</b>			
Discount rate	7,96 %	7,40	
Consumer price inflation	6,33 %	5,66 %	
Salary increase rate	7,33 %	6,66 %	
Net effective discount rate	0,59 %	0,69 %	
	-	-	
<b>The effect of 1% p.a. change in the normal salary inflation assumption is as follow:</b>			
	<b>One percentage point increase</b>	<b>Current valuation percentage</b>	<b>One percentage point decrease</b>
Total accrued liability	4 400 000	4 031 000	3 704 000
Current service cost	572 000	513 000	462 000
Interest cost	358 000	327 000	299 000
	<b>5 330 000</b>	<b>4 871 000</b>	<b>4 465 000</b>
The cost of the long service awards is dependant on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the liability of future retirees.			
The interest cost is based on the discount rate assumption for the current valuation which is based on one point on the curve.			
<b>The amounts for the current annual reporting period and previous reporting period:</b>			
Present value of obligation	4 031 000	3 811 000	

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>20. Revenue</b>		
Donations	13 809 529	10 732 760
Fines	495 161	194 214
Government grants & subsidies	293 361 741	268 343 473
Interest received	18 256 310	16 058 562
Interest received - investment	1 238 360	1 758 010
Administration and management fees received	1 805 692	1 257 078
Licences and permits	2 307 245	1 863 030
Dividends received	-	6 884
Property rates	29 131 077	31 158 134
Rental of facilities and equipment	784 644	427 476
Service charges	30 706 540	29 442 567
Disposal of assets	668 843	-
	<b>392 565 142</b>	<b>361 242 188</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Interest received - investment	1 238 360	1 758 010
Interest received	18 256 310	16 058 562
Licences and permits	2 307 245	1 863 030
Administration and management fees received	1 805 692	1 257 078
Rental of facilities and equipment	784 644	427 476
Service charges	30 706 540	29 442 567
Disposal of assets	668 843	-
Dividends received	-	6 884
	<b>55 767 634</b>	<b>50 813 607</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	29 131 077	31 158 134
<b>Transfer revenue</b>		
Government grant and subsidies	293 361 741	268 343 473
Donations	13 809 529	10 732 760
Fines	495 161	194 214
	<b>336 797 508</b>	<b>310 428 581</b>
<b>21. Service charges</b>		
Sale of electricity	16 286 890	17 076 703
Sale of water	4 905 024	2 892 026
Sewerage and sanitation charges	5 007 999	5 257 546
Refuse removal	4 506 627	4 216 292
	<b>30 706 540</b>	<b>29 442 567</b>

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand 2014 2013

### 22. Property rates

#### Rates received

Residential	6 679 351	6 058 563
Commercial	22 451 726	25 099 571
	<b>29 131 077</b>	<b>31 158 134</b>

#### Valuations

Residential	729 418 800	729 418 800
Commercial	115 055 500	115 055 500
State	143 476 400	143 476 400
Municipal	8 251 370	8 251 370
Agriculture	1 293 547 500	1 293 547 500
Other	285 015 900	285 015 900
	<b>2 574 765 470</b>	<b>2 574 765 470</b>

Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2012. The first supplementary was implemented on 1 May 2013. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations. The valuations were performed by an independent valuer, Sechele property developers and Valuers are not connected to the municipality.

There were no valuations performed in the current year.

The new general valuation will be implemented on 01 July 2016.

### 23. Government grants and subsidies

Please also refer note 15.

#### Operating grants

Department of Water and Forestry Affairs	12 614 473	7 790 527
Equitable share	169 365 000	159 110 000
	<b>181 979 473</b>	<b>159 110 000</b>

#### Capital grants

Accelerated community infrastructure programme	-	2 808 477
Development Bank of South Africa	-	173 157
Department of Energy	11 068 835	15 631 165
Expanded Public Works program	3 785 000	1 351 981
Municipal Infrastructure Grant	93 941 141	77 236 001
Financial Management Grant	1 550 000	1 958 434
Municipal Systems Improvement Grant	890 000	860 000
Department of Human Settlements	-	1 423 731
LG SETA	146 889	-
	<b>111 381 865</b>	<b>2 283 731</b>
	<b>293 361 338</b>	<b>268 343 473</b>

#### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. Please also refer note 15.

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>24. Investment revenue</b>		
<b>Dividend revenue</b>		
Unlisted investments designated at fair value	-	6 884
<b>Interest revenue</b>		
Unlisted Investments at amortised cost	1 238 360	1 758 010
<b>25. Donations received</b>		
Donations	13 809 529	10 732 760
Infrastructure Work-in-Progress was completed and donated to Infrastructure and Community assets.		
<b>26. Rental of facilities and equipment</b>		
Facilities	784 644	427 476
<b>27. Other income</b>		
Building plan fees	263 538	162 167
Burial fees	71 800	77 097
Certificate clearance	10 294	11 062
Connection services	114 934	212 713
Fire brigade fees	26 710	31 812
Sale of stands	700 255	163 133
Sundry income	215 109	259 882
Tampering of meters	110 223	115 632
Tender deposit	292 829	223 580
Disposal of assets	668 843	-
	<b>2 474 535</b>	<b>1 257 078</b>
<b>28. Interest received</b>		
Interest - consumers	18 256 310	16 058 562
<b>29. Rehabilitation costs</b>		
<b>Heading</b>		
Badplaas	126 077	-
Carolina	2 124 922	-
Mpuluzi	100 869	647 042
	<b>2 351 868</b>	<b>647 042</b>

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>30. Employee related costs</b>		
Basic	63 936 528	58 074 999
Bonus	4 809 053	4 721 195
Medical aid	5 030 299	4 013 896
UIF	599 983	543 681
Bargaining council	31 068	28 488
SDL	834 053	780 802
Leave pay accrual	1 777 804	1 856 085
Pension Fund	12 016 097	10 647 843
Provident fund	185 043	107 303
Travel allowances	5 372 802	4 496 149
Overtime payments	5 506 415	4 864 123
Acting allowances	1 752 703	1 862 672
Housing benefits and allowances	719 994	670 912
Actuarial loss/(gain)	(278 554)	760 262
Standby allowances	1 933 407	1 279 933
Telephone allowances	4 800	51 121
Interest	795 000	803 745
Service Cost	882 000	423 841
	<b>105 908 495</b>	<b>95 987 050</b>

### Remuneration of Municipal Manager: Mpila VN

Annual remuneration	795 865	736 380
Travel allowance	84 421	89 054
Contributions to UIF, medical and pension funds	228 140	212 877
	<b>1 108 426</b>	<b>1 038 311</b>

### Remuneration of Chief Finance Officer: Mphumuzi Nhlabathi

Annual remuneration	647 431	430 555
Travel allowance	144 805	194 278
Contributions to UIF, medical and pension funds	55 424	91 742
	<b>847 659</b>	<b>716 575</b>

### Remuneration of Director: Technical Services: MD Mogimogale (2014) GM Matlala (2013)

Annual Remuneration	648 600	357 178
Travel allowance	144 000	80 000
Contributions to UIF, Medical and Pension Funds	54 255	86 930
	<b>846 855</b>	<b>524 108</b>

Remuneration as reflected for 2014 for Mr MD Mogimogale which was appointed on 8 July 2013.

Remuneration as reflected for 2013 is for a period of 5 months due to being discharged in November 2012. Manager of Electrical acted for 7 months from December 2012 to June 2013 and received total remuneration of R206 223

### Remuneration of Director: Corporate services: Mndebele SF

Annual Remuneration	622 772	576 601
Travel allowance	79 134	91 605
Contributions to UIF, Medical and Pension Funds	145 195	133 808
	<b>847 101</b>	<b>802 014</b>

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand 2014 2013

### 30. Employee related costs (continued)

#### Remuneration of Director: Public Safety: Makgopa KB

Annual Remuneration	613 615	570 327
Travel allowance	52 728	52 728
Contributions to UIF, Medical and Pension Funds	179 690	165 708
	<b>846 034</b>	<b>788 763</b>

#### Remuneration of Director: Community Services: Mkhwanazi ZF

Annual Remuneration	667 458	614 940
Travel allowance	117 600	117 600
Contributions to UIF, Medical and Pension Funds	61 824	56 606
	<b>846 034</b>	<b>789 146</b>

#### Remuneration of Director: Planning and Economic Development: Lukhele TA

Annual Remuneration	709 640	657 979
Travel allowance	60 000	60 000
Contributions to UIF, Medical and Pension Funds	77 302	71 226
	<b>846 942</b>	<b>789 205</b>

### 31. Remuneration of councillors

Executive mayor	702 564	671 112
Speaker	566 280	540 966
Chief whip	532 157	508 319
Mayoral committee members	1 596 608	1 525 269
Councillors	9 952 297	9 357 243
	<b>13 349 906</b>	<b>12 602 909</b>

#### In-kind benefits

The Executive mayor is provided with a vehicle, driver, secretary and personal assistant at the cost of the Council.

The Chief whip is provided with a personal assistant

The Speaker is provided with secretarial support and a personal assistant

All the full time Mayoral committee members are provided with one secretary.

Members of municipal council should be remunerated within the upper limits as determined by the Department of Cooperative Governance and Traditional Affairs. Any deviations are disclosed as irregular expenditure.

#### Remuneration of Employees:

The remuneration of the employees and section 57 managers are within the upper limits as determined by the framework envisaged section 219 of the Constitution.

#### Remuneration of Councillors:

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

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand

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2013

### 31. Remuneration of councillors (continued)

<b>Executive Mayor</b>	Basic	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	SDL	Total
Shiba BP	421 535	169 457	20 868	84 992	5 712	702 564
<b>Total</b>	<b>421 535</b>	<b>169 457</b>	<b>20 868</b>	<b>84 992</b>	<b>5 712</b>	<b>702 564</b>
<b>Speaker</b>	Basic	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	SDL	Total
Nkosi SM	331 475	135 565	20 868	73 748	4 624	566 280
<b>Total</b>	<b>331 475</b>	<b>135 565</b>	<b>20 868</b>	<b>73 748</b>	<b>4 624</b>	<b>566 280</b>
<b>Chief Whip</b>	Basic	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	SDL	Total
Nkosi DP	331 546	127 092	20 868	48 350	4 300	532 156
<b>Total</b>	<b>331 546</b>	<b>127 092</b>	<b>20 868</b>	<b>48 350</b>	<b>4 300</b>	<b>532 156</b>
<b>Mayoral Committee</b>	Basic	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	SDL	Total
Mngomezulu MW	302 979	127 092	20 868	76 917	4 366	532 222
Mnisi NM	318 039	127 092	20 868	61 857	4 332	532 188
QG Thabethe	313 559	127 092	20 868	66 337	4 342	532 198
<b>Total</b>	<b>934 577</b>	<b>381 276</b>	<b>62 604</b>	<b>205 111</b>	<b>13 040</b>	<b>1 596 608</b>

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand

2014

2013

### 31. Remuneration of councillors (continued)

Councillors	Basic	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	SDL	Total
NR Cindi	132 618	50 837	20 868	19 340	1 845	225 508
ZM Dludlu	132 618	50 837	20 868	19 340	1 845	225 508
EJ Lubede	132 618	50 837	20 868	19 340	1 845	225 508
ME Maduna	112 671	50 837	20 868	39 287	1 891	225 554
J Makene	132 618	50 837	20 868	19 340	1 845	225 508
NV Makhubelo	132 618	50 837	20 868	19 340	1 845	225 508
STQ Malaza	132 618	50 837	20 868	19 340	1 845	225 508
BM Masuku	132 618	50 837	20 868	19 340	1 845	225 508
JS Mbhele	132 618	50 837	20 868	19 340	1 845	225 508
NI Mdhuli	115 022	50 837	20 868	37 326	1 891	225 944
PP Mhlanga	132 618	50 837	20 868	19 340	1 845	225 508
EB Mkhabela	132 618	50 837	20 868	19 340	1 845	225 508
N Mnisi	132 618	50 837	20 868	19 340	1 845	225 508
TW Motha	132 618	50 837	20 868	19 340	1 845	225 508
JT Motha	132 618	50 837	20 868	19 340	1 845	225 508
SF Mthombeni	132 618	50 837	20 868	19 340	1 845	225 508
A Ngubeni	132 618	50 837	20 868	19 340	1 845	225 508
HG McGinn	88 412	33 891	13 912	12 709	1 231	150 155
NJ Nkabinde	114 344	50 837	20 868	37 614	1 887	225 550
AD Nkosi	132 618	50 837	20 868	19 340	1 845	225 508
FE Nkosi	132 618	50 837	20 868	19 340	1 845	225 508
GJ Nkosi	132 618	50 837	20 868	19 340	1 845	225 508
JS Nkosi	132 618	50 837	20 868	19 340	1 845	225 508
MH Nkosi	132 618	50 837	20 868	19 340	1 845	225 508
MJ Nkosi	132 618	50 837	20 868	19 340	1 845	225 508
NM Nkosi	132 618	50 837	20 868	19 340	1 845	225 508
SJ Nkosi	132 618	50 837	20 868	19 340	1 845	225 508
SZ Nkosi	132 618	50 837	20 868	19 340	1 845	225 508
VL Nkosi	113 923	50 837	20 868	38 035	1 888	225 551
FJ Ntuli	132 618	50 837	20 868	19 340	1 845	225 508
FDM Phakathi	132 618	50 837	20 868	19 340	4 081	227 744
VS Shabangu	286 976	118 620	20 868	67 593	1 845	495 902
NB Sikhakhane	132 618	50 837	20 868	19 340	1 845	225 508
JD Simelani	132 618	50 837	20 868	19 340	1 863	225 526
JP Soko	124 411	50 837	20 868	27 547	1 845	225 508
ML Steenkamp	132 618	50 837	20 868	19 340	1 845	225 508
NG Thomo	132 618	50 837	20 868	19 340	1 845	225 508
J Vilakazi	132 618	50 837	20 868	19 340	1 845	225 508
RG Vilakazi	132 618	50 837	20 868	19 340	1 845	225 508
VV Vilakazi	126 371	50 837	20 868	25 587	1 860	225 523
T E Zwane	132 618	50 837	20 868	19 340	1 845	225 508
TW Zulu	132 618	50 837	20 868	19 340	1 845	225 508
Shabangu LD	139 802	46 601	19 129	-	1 962	207 494
Neethling NE	50 837	16 946	6 956	-	714	75 453
<b>5 781 789</b>	<b>2 249 537</b>	<b>895 585</b>	<b>943 268</b>	<b>82 008</b>	<b>9 952 297</b>	

### 32. Debt impairment

Allowance for impairment	22 652 531	34 216 243
Bad debts written off	7 029 408	-
	<b>29 681 939</b>	<b>34 216 243</b>

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>33. Repairs and maintenance</b>		
Office , furniture, equipment and tools	730 914	2 869 858
Infrastructure assets	10 866 077	12 103 544
Computers	90 962	619 178
Other	-	8 506 918
	<b>11 687 953</b>	<b>24 099 498</b>
<b>34. Finance costs</b>		
Provisions	271 246	282 595
Trade and other payables	159 290	220 317
Finance leases	331 176	375 520
	<b>761 712</b>	<b>878 432</b>
<b>35. Licenses and permits</b>		
Business applications	3 117	17 692
Traffic	808 907	804 986
Licenses	1 495 221	1 040 352
	<b>2 307 245</b>	<b>1 863 030</b>
<b>36. Bulk purchases</b>		
Electricity	34 135 895	31 354 537
Water	146 280	8 218
	<b>34 282 175</b>	<b>31 362 755</b>
<p>Electricity distribution losses are based on units purchased per invoices received from Eskom and units sold per prepaid reports and debtors system. It was determined to be R 19,061,658,51 ( 75 29202.94 units) for the financial year ending 30 June 2014.</p>		
<p>Water distribution losses are estimated per scheme for the financial year ended 2014. Carolina and Badplaas are approximately 5-10% due to leakages as the plants are closely monitored. For the rest of the plants listed below the losses ranges between 20-30%</p>		
<ul style="list-style-type: none"><li>• Eerstehoek</li><li>• Ekulindeni</li><li>• Empuluzi</li><li>• Methula</li><li>• Lusushwana</li></ul>		
<b>37. Contracted services</b>		
Professional fees	20 710 212	8 842 847
Security services	13 088 844	10 410 434
Water tank services	5 530 821	6 190 329
Standby contractors	892 538	1 204 592
Valuation costs	228 000	615 599
	<b>40 450 415</b>	<b>27 263 801</b>

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>38. Depreciation</b>		
Buildings	664 029	664 029
Infrastructure	57 186 027	91 039 585
Community	1 499 059	3 516 746
Landfill site	235 496	622 817
Other property, plant and equipment	1 301 547	1 610 598
	<b>60 885 989</b>	<b>97 453 775</b>
<b>39. General expenses</b>		
Audit committee fees	418 514	604 201
Advertising	460 191	542 922
External audit fees	3 352 177	3 411 659
Bank charges	361 095	435 562
Cleaning	-	377
Commission paid	19 593	3 886 956
Legal expenses	1 805 813	1 869 542
Consumables	121 545	194 878
Stock adjustment: Water	4 593	(28 664)
Entertainment	365 902	1 450 490
Insurance	1 339 435	964 497
Lease rentals on operating lease	808 316	1 161 582
Magazines, books and periodicals	791 891	682 807
Motor vehicle expenses	7 705 325	8 888 882
Committee cost	3 588 342	2 696 222
MSIG salaries	-	813 147
Spatial Planning	376 092	1 595 295
VIP Toilets not capitalised	11 330 907	9 518 434
Local economic development	205 200	1 012 840
Interview cost	92 682	139 142
Fuel and oil	45 740	159 831
Hostel charges	1 077 444	1 140 964
Other expenses	4 034 434	4 893 524
Postage and courier	1 406 515	1 420 172
Printing and stationery	837 966	1 036 139
Capacity building	1 760 226	1 836 487
License fees	1 531 143	846 301
Staff welfare	16 876	66 570
Subscriptions and publications	422 344	543 295
Chemicals	3 987 754	5 003 633
Telephone and fax	2 380 802	2 428 482
Title deed search fees	-	1 958 434
Training	324 713	1 100 789
Convention bureau	1 245 661	1 338 774
Transport and freight	4 382 976	5 113 166
Uniforms and overalls	1 122 751	751 351
Loss on disposal of assets	112 509	4 867 700
	<b>57 837 467</b>	<b>74 346 383</b>
<b>40. Fines</b>		
Court fines	495 161	194 214

The implementation of IGRAP 1 on Traffic Fines has been effected in the 2014 financial period.

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>41. Fair value adjustments</b>		
Non-current assets held for sale	-	171 000
Investments		
• Investments	208 562	25 080
	<b>208 562</b>	<b>196 080</b>
<b>42. Auditors' remuneration</b>		
Fees	3 352 177	3 411 659
<b>43. Cash generated from operations</b>		
Surplus (deficit)	35 575 785	(37 419 617)
<b>Adjustments for:</b>		
Depreciation and amortisation	60 885 989	97 453 773
Loss on sale of assets and liabilities	(556 334)	4 867 700
Fair value adjustment	(208 562)	(196 080)
Finance costs - finance leases	331 176	375 520
Debt impairment	29 681 939	34 216 243
Movement accumulated surplus and expenditure	279 298	-
Movements in retirement benefit assets and liabilities	255 000	381 832
Movements in provisions	271 246	282 595
Movement Long service awards	220 000	839 000
Donations	(13 809 529)	(10 732 760)
<b>Changes in working capital:</b>		
Inventories	(862 183)	(1 584 427)
Receivables	(38 031 165)	(39 532 209)
Other receivables from non exchange	(16 476 852)	(10 452 870)
Payables from exchange transactions	25 706 955	36 047 586
VAT	2 901 115	(3 061 303)
Provisions movement	9 091 423	7 061 895
Movements in unspent grants	39 406 056	(2 732 742)
	<b>135 023 166</b>	<b>75 814 137</b>
<b>44. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Capital	162 444 513	149 990 895

This committed expenditure relates to infrastructure and community assets and will be financed by retained surpluses and external funding. Opening balance was adjusted due to negative amounts that were included in the commitments register.

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>45. Contingent liabilities</b>		
<b>Litigations in the process against the Municipality relating to civil claims include the following:</b>	<b>Potential liability</b>	
Grand Valley Estates (Pty) Ltd	10 000 000	-
Lebea & Maduna	1 200 000	-
Germiston West CC	500 000	-
Bigen Africa	5 000 000	-
Gelani Properties	200 000	-
Embuleni Swazi Traditional Council	50 000	-
IFJ Properties	300 000	-
Mathebula	100 000	-
Gristina Mathlala	1 500 000	-
	<b>18 850 000</b>	<b>-</b>

Litigation in the process against the Municipality relating to civil claims including the following:

### **Grand Valley Estates (Pty) Ltd:**

As a Municipality, being the organ of state, non-assistance was provided to the plaintiffs in terms of a business opportunity in the form of operating a game reserve and non-assistance in terms of nature conservation protection. There are 25 defendants of which Albert Luthuli is the 8th defendant. The defendants are jointly and severally liable. The probability of the claim being successful is less than 50%. The total potential liability is estimated at R10 000 000 for the municipality only.

### **Lebea and Maduna Consulting Engineering:**

A contractor was appointed to perform consulting work on the water project. Proposals made by the consultant to the Department of Water Affairs were not passed and hence the project was terminated. The probability of the claim being successful is less than 50%. The potential liability is estimated at R1 200 000.

In this matter the service provider was appointed to assist with the revenue collection. It is alleged that at the briefing session they were told that a successful bidder will be the only service provider. Hence when they were told that they will be working with other two service providers they felt that the Municipality is moving away from the initial scope of contract.

### **Germiston West CC**

On this matter the order was granted against municipality on the following groups and the other things to which 7 days was given

### **Bigen Africa:**

Debt Collection

### **Gelani Properties:**

Dispute against the municipality over the land surveyor.

### **Embuleni Swazi Traditional Council:**

Chuch conviction case.

### **IFJ Properties:**

The municipality is in the process of drafting an opposing affidavit.

### **JM Mathebula:**

The plaintiff's electricity was cut-off due to non-payment and resulted in the plaintiff tampering with the connection to get access to electricity for health reasons. The probability of the claim being successful is less than 50%. The potential liability estimated at R100 000.

### **Gristina Matlala:**

Employee from the Municipality was charged and finale dismissed on various charges and CCMA case against the Municipality.

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand 2014 2013

### 46. Related parties

Accounting Officer	Refer to note 29
Key management	Refer to note 29
Executive Mayor	Refer to note 30
Speaker	Refer to note 30
Chief Whip	Refer to note 30
Mayoral Committee	Refer to note 30
Councillors	Refer to note 30

No transactions were entered into with related parties to the municipality and close family members during the year.

### 47. Prior period errors

The prior year has been amended to account for prior period errors.

#### 1. Disposal of Land

Derogation of land properties not identifiable through any verification process and with affected the accumulated surplus.

Adjustment against the opening accumulated surplus / (deficit) - (4 867 700)

#### Adjustments affecting the statement of financial position

Decrease in land - (4 867 700)

#### Adjustments affecting the statement of financial performance

Increase in disposal of assets - 4 867 700

#### 2. Depreciation correction of prior year from which was not accounted for on the addition of fixed asset.

The effect of these adjustments on the prior year are as follows:

#### Adjustments affecting the statement of financial position

Decrease in property, plant and equipment 1 July 2013	- (724 113)
Decrease in property, plant and equipment 2009/10, 2010/11 and 2011/12	- (2 172 339)
	<u>- (2 896 452)</u>

#### Adjustments affecting the statement of financial performance

Increase in depreciation 2013/14	- 724 113
Increase in depreciation 2009/10, 2010/11 and 2011/12	- 2 172 339
	<u>- 2 896 452</u>

### 48. Risk management

#### Liquidity risk

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

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

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

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand 2014 2013

### 48. Risk management (continued)

#### Credit risk

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

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

Financial instrument	2014	2013
Receivables from exchange transactions	34 754 849	24 100 523
Receivables from non-exchange transactions	60 931 997	40 662 138
Cash and cash equivalents	2 437 458	1 195 124
Investments	19 107 082	1 198 777

### 49. Going concern

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is continued funding by national government for operational and capital activities.

### 50. Events after the reporting date

The accounting officer is not aware of any matter or event arising since the end of the reporting period and the date of this report, which will significantly affect the financial position and results of the municipality's operations

The accounting officer declared that all Irregular, fruitless and wasteful expenditure was condoned by a Council Resolution dated 31 July 2014.

### 51. Unauthorised expenditure

Unauthorised expenditure	-	9 058 778
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### 52. Fruitless and wasteful expenditure

Opening balance	894 472	674 155
Eskom - interest	561 006	170 173
Auditor General - interest	13 177	48 590
Trade and other payables - interest	5 745	1 554
Department of Labour	59 706	-
SARS	1 185 487	-
Telkom	1 495	-
MCPF	166	-
SALAPF	41 556	-
	<b>2 762 810</b>	<b>894 472</b>

The total fruitless and wasteful expenditure relates to prior period and current year was condoned by council 31 July 2014.

### 53. Irregular expenditure

Opening balance	80 701 085	63 789 505
Add: Irregular Expenditure - current year	59 182 681	16 911 580
	<b>139 883 766</b>	<b>80 701 085</b>

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand 2014 2013

### 53. Irregular expenditure (continued)

#### Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceeding	
Advert for less than prescribed period	None	22 045 539
Procured without completion of MBD4 declaration and other requirements	None	17 093 799
Bid adjudication Committee not complying with Regulation 29(2)	None	20 043 343
		<b>59 182 681</b>

#### Details of irregular expenditure investigated on 31 July 2014

	Investigated by MPAC as per section 32(2)(b)	
Opening balance 2013/2014	Council	80 701 085
Nanathi Construction	Council	4 372 349
Vuka Magagula Trading and Projects (Pty) Ltd - Construction of Nhlazatshe Road (2.5km)	Council	3 668 515
GPTN Trading (Pty) Ltd - Construction of Mpuluzi Council Water Scheme		1 677 408
		<b>90 419 357</b>

The municipality is investigating possible instances of irregular expenditure which has not been included in the amount disclosed above. The full extent of irregularity would only be known at the conclusion of these investigations. The amount disclosed above may change based on the outcome of these investigations.

### 54. Additional disclosure in terms of Municipal Finance Management Act

#### PAYE and UIF

Opening balance	918 231	778 456
Current year subscription / fee	12 947 586	11 147 066
Amount paid - current year	(599 983)	(10 228 835)
Amount paid - previous years	(918 231)	(778 456)
	<b>12 347 603</b>	<b>918 231</b>

The balance represents PAYE and UIF deducted from the June 2014 payroll. These amounts were paid throughout the year

#### Audit fees

Opening balance	2 807 275	184 336
Current year subscription / fee	2 649 186	3 411 659
Amount paid - current year	(3 289 513)	(788 720)
	<b>2 166 948</b>	<b>2 807 275</b>

#### Contributions to SALGA

Opening balance	116 255	155 662
Current year subscription / fee	56 640	160 755
Amount paid - current year	(31 267)	(44 500)
Amount paid - previous years	(116 255)	(155 662)
	<b>25 373</b>	<b>116 255</b>

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand 2014 2013

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

#### Pension and medical aid deductions

Opening balance	1 892 394	1 768 593
Current year subscription / fee	8 884 598	21 524 658
Amount paid - current year	(19 115 672)	(19 632 264)
Amount paid - previous years	(1 892 394)	(1 768 593)
	<b>(10 231 074)</b>	<b>1 892 394</b>

#### VAT

VAT receivable	-	1 567 137
VAT payable	1 333 978	-
	<b>1 333 978</b>	<b>1 567 137</b>

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2014:

30 June 2014	Outstanding less than 90 days	Outstanding more than 90 days	Total
Shabangu, LD	9 000	39 119	48 119
Malaza, STQ	-	2 681	2 681
	<b>9 000</b>	<b>41 800</b>	<b>50 800</b>
30 June 2013	Outstanding less than 90 days	Outstanding more than 90 days	Total
Vilakazi, J	-	2 916	2 916

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

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Figures in Rand	2014	2013
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### 54. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Supply chain management regulations

##### Deviation from supply chain management regulations

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

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

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been written of in terms of section 32(2) (b).

##### Deviation

Sole service provide	472 462	-
Emergency	2 585 455	-
Impractical	536 538	-
	<hr/>	
	<b>3 594 455</b>	<b>-</b>

### 55. Budget differences

#### Material differences between budget and actual amounts

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

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2014

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### 55. Budget differences (continued)

#### Revenue By Source

##### **Revenue from exchange**

##### **Service charges**

Under collection from the Electricity Revenue

##### **Rental of facilities and equipment**

Additional rental of Vodacom Tower and reviewal of operating leases

##### **Interest received (consumers)**

Majority of Debtors are more than 120 days

##### **Licenses and permits**

Budgeted under agency fees

##### **Administration and management fees received**

Increase in sale of stands

##### **Interest received -investment**

Funds not needed immediately were invested to short term investments

##### **Gains on disposl of assets**

Disposed of redundant assets

##### **Revenue from non-exchange**

##### **Property rates :**

Rebates & exemptions on property rates.

##### **Government grants & subsidies**

The statements of financial performance exclude capital grants that are recognized at year end after the condtions attached to the grant are met

##### **Public contributions and donations**

District Constructed assets

##### **Fines:**

More Law enforcement and visibility of Traffic Officers

#### Expenditure By Type

##### **Employee related costs:**

Overtime & Define employee benefits, leave accruals.

##### **Remuneration of councillors:**

SARSA not implemented in 2013/14 financial year.

##### **Debt impairment:**

Based on risk assement methodology.

##### **Depreciation & asset impairment :**

Provision for Assets in terms of GRAP standards.

##### **Finance cost**

Budget under genaral expenses

##### **Repair and Maintenance**

Implemented cost curtailment

##### **Bulk purchases:**

# CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

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2013

### 55. Budget differences (continued)

Energy saving strategies implemented.

#### Contracted services:

Service Providers appointed on risk basis & Capital expenditures not capitalised.

#### General expenditure

VIP toilet not capitalised

#### Inventory

Inventory on the budget excluding electricity and water inventory

#### Investments

Interest earned on funds invested that are not needed immediately

#### Consumer deposits

Increase in outstanding debtors

#### Cash and cash equivalents

Cash and Cash equivalent included call account in the budget

#### Investment property

Over provision in the budget

#### Property, plant and equipment

Unspent MIG at year end

#### Payables from exchange transactions

Payables in the budget excluded retentions, accruals and unspent conditional grants

#### Borrowings

Finance leases

#### Provisions

Budget included the Post Retirement benefits and disclosed separate in the statement of financial position

#### Revaluation reserve

Anticipated increase in land value

*Appendices*

*to*

*Annual Report*

*2013/14*

*(MSA S46)*

**APPENDIX A**

**Councillors, Committee Allocations and Council Attendance**

Councillors, Committees Allocated and Council Attendance							
	Council Members	Full Time / Part Time (FT/PT)	Committees Allocated	*Ward Represented	Party Represented	Council Meetings Attendance	Apologies for non-attendance
1.	Clr R G Vilakazi	PT	S79 Infrastructure and Economic Development Committee	1	ANC	83%	17%
2.	Clr E M Maduna	PT	S80 Technical Services and Corporate Services	2	ANC	100%	0%
3.	Clr N I Mdluli	PT	S79 Finance and Administration Committee	3	ANC	92%	8%
4.	Clr M L Steenkamp	PT	S80 Technical Services and Corporate Services	4	ANC	100%	0%
5.	Clr A Ngubeni	PT	S80 Finance Committee	5	ANC	100%	0%
6.	Clr J D Simelane	PT	S80 Public Safety Committee	6	ANC	75%	25%
7.	Clr T W Zulu	PT	S79 Geographic Naming, Rules, Ethics and Petitions Committee	7	IFP	83%	17%
8.	Clr S J Nkosi	PT	S79 Finance and Administration Committee	8	ANC	75%	25%
9.	Clr F E Nkosi	PT	S80 Finance Committee	9	ANC	100%	0%
10.	Clr E B Mkhabela	PT	S80 Public Safety Committee	10	ANC	83%	17%
11.	Clr J P Soko	PT	S79 Finance and Administration Committee	11	ANC	100%	0%
12.	Clr A D Nkosi	PT	S80 Public Safety Committee	12	ANC	92%	8%
13.	Clr B M Masuku	PT	S79 Community and Public Safety Committee	13	ANC	100%	0%
14.	Clr F J Ntuli	PT	S80 Public Safety Committee	14	ANC	100%	0%
15.	Clr L D Shabangu	PT	S80 Public Safety Committee	15	ANC	92%	8%
16.	Clr N G Thomo	PT	S79 Municipal Public Accounts Committee (MPAC)	16	ANC	92%	8%
17.	Clr J Vilakazi	PT	S79 Geographic Naming, Rules, Ethics and Petitions Committee	17	ANC	83%	17%
18.	Clr G J Nkosi	PT	S80 Technical Services and Corporate Services	18	ANC	92%	8%
19.	Clr M J Nkosi	PT	S79 Infrastructure and Economic Development Committee	19	ANC	92%	8%
20.	Clr J S Mbhele	PT	S79 Municipal Public Accounts Committee (MPAC)	20	ANC	83%	17%
21.	Clr W M Mngomezulu	FT	Mayoral Committee / S80 Technical Services and Corporate Services Committee	PR	ANC	92%	8%
22.	Clr S F Mthombeni	PT	S80 Finance Committee	21	ANC	100%	0%
23.	Clr F D M Phakathi	PT	S79 Municipal Public Accounts Committee (MPAC)	22	ANC	100%	0%
24.	Clr E J Lubede	PT	S80 Public Safety Committee	23	ANC	83%	17%
25.	Clr T W Motha	PT	S79 Finance and Administration Committee	24	ANC	58%	42%
26.	Clr S Z Nkosi	PT	S79 Infrastructure and Economic Development Committee	25	ANC	100%	0%

Councillors, Committees Allocated and Council Attendance							
	Council Members	Full Time / Part Time (FT/PT)	Committees Allocated	*Ward Represented	Party Represented	Council Meetings Attendance	Apologies for non-attendance
27.	Clr B P Shiba	PT	Executive Mayor; Mayoral Committee; S80 Finance Committee	PR	ANC	75%	25%
28.	Clr D P Nkosi	PT	Council Whip / S79 Geographic Naming, Rules, Ethics and Petitions Committee	PR	ANC	100%	0%
29.	Clr J Makene	PT	S79 Community and Public Safety Committee	PR	ANC	100%	0%
30.	Clr J S Nkosi	PT	S80 Public Safety Committee	PR	ANC	100%	0%
31.	Clr M H Nkosi	PT	S79 Municipal Public Accounts Committee (MPAC)	PR	ANC	92%	8%
32.	Clr N B Sikhakhane	PT	S79 Infrastructure and Economic Development Committee	PR	ANC	92%	8%
33.	Clr N J Nkabinde	PT	S79 Community and Public Safety Committee	PR	ANC	92%	8%
34.	Clr N M Mnisi	FT	Mayoral Committee; S80 Public Safety Committee	PR	ANC	100%	0%
35.	Clr N M Nkosi	PT	S80 Public Safety Committee	PR	ANC	100%	0%
36.	Clr N Mnisi	PT	S79 Geographic Naming, Rules, Ethics and Petitions Committee	PR	ANC	100%	0%
37.	Clr N R Cindi	PT	S79 Community and Public Safety Committee	PR	ANC	83%	17%
38.	Clr Z M Dlodlu	PT	S80 Technical Services and Corporate Services Committee	PR	ANC	100%	0%
39.	Clr N V Makhubelo	PT	S79 Community and Public Safety Committee	PR	ANC	100%	0%
40.	Clr P P Mhlanga	PT	S79 Infrastructure and Economic Development Committee	PR	ANC	92%	8%
41.	Clr Q G Thabethe	PT	Mayoral Committee; S80 Community Services and PED	PR	ANC	92%	8%
42.	Clr S M Nkosi	FT	Speaker of Council; S79 Policies and By-Laws	PR	ANC	92%	8%
43.	Clr T J Motha	PT	S80 Finance Committee	PR	ANC	75%	25%
44.	Clr V L Nkosi	PT	S79 Finance and Administration Committee	PR	ANC	100%	0%
45.	Clr V S Shabangu	PT	S79 Municipal Public Accounts Committee (MPAC)	PR	ANC	92%	8%
46.	Clr T E Zwane	PT	S79 Finance and Administration Committee	PR	DA	83%	17%
47.	Clr V V Vilakazi	PT	S79 Geographic Naming, Rules, Ethics and Petitions Committee	PR	DA	100%	0%
48.	Clr H J McGinn	PT	Resigned	PR	DA	50%	50%
49.	Clr M L Neethling (H J McGinn)	PT	S79 Geographic Naming, Rules, Ethics and Petitions Committee	PR	DA	100%	0%
50.	Clr S T Q Malaza	PT	S79 Community and Public Safety Committee	PR	COPE	92%	8%

Note: \* Councillors appointed on a proportional basis do not have wards allocated to them

## APPENDIX B

### Committees and Committee Purpose

Committees (other than Mayoral / Executive Committee) and Purposes of Committees	
Municipal Committees	Purpose of Committee
i) <b>S79 Committees [Local Government: Municipal Structures Act, 1998 (Act No 117 of 1998)]</b> - S79 Infrastructure and Economic Development Committee - S79 Finance and Administration Committee - S80 Technical Services and Corporate Services Committee - S79 Community and Public Safety Committee - S79 Geographic Naming, Rules, Ethics and Petitions - S79 Municipal Public Accounts Committee (MPAC) - S79 Policies and By-Laws Committee	To perform oversight over municipal departmental activities and performance.
ii) <b>S79 Municipal Public Accounts Committee (MPAC) [Local Government: Municipal Structures Act, 1998 (Act No 117 of 1998)]</b>	(i) To consider and evaluate the content of the annual report and to make recommendations to Council when adopting an oversight report on the annual report; (ii) In order to assist with the conclusion of matters that may not be finalised, information relating to past recommendations made on the Annual Report, must also be reviewed. This relates to current in-year reports, including the quarterly, mid-year and annual reports; (iii) To examine the financial statements and audit reports of the Municipality, and in doing so, the Committee must consider improvements from previous statements and reports and must evaluate the extent to which the Audit Committee's and the Auditor-General's recommendations have been implemented; (iv) To promote good governance, transparency and accountability on the use of municipal resources; (v) To recommend or undertake any investigation in its area of responsibility, after reviewing any investigation report already undertaken by the Municipality or the Audit Committee; and (vi) To perform any other functions assigned to it through a resolution of Council within its area of responsibility.
iii) <b>S79 Policies and By-Laws Committee [Local Government: Municipal Structures Act, 1998 (Act No 117 of 1998)]</b>	To consider all Council policies and by-laws, and make inputs and recommendations to Council
iv) <b>S79 Audit Committee [Section 166 - Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003)]</b>	(a) To advise the municipal council, the political office-bearers, the accounting officer and the management staff of the municipality on matters relating to internal financial control and internal audits; risk management; accounting policies; the adequacy, reliability and accuracy of financial reporting and information; performance management; effective governance; compliance with the Act, the annual Division of Revenue Act (DoRA) and any other applicable legislation; performance evaluation; and any other issues referred to it by the municipality; (b) To review the annual financial statements to provide the council of the municipality with an authoritative and credible view of the financial position of the municipality, its efficiency and effectiveness and its overall level of compliance with the Act, the DoRA and any other applicable legislation; (c) To respond to the council on any issues raised by the Auditor-General in the audit report; (d) To carry out such investigations into the financial affairs of the municipality as the council of the municipality may request; and (e) To perform such other functions as may be prescribed.
v) <b>Section 80 Committees [Local Government: Municipal Structures Act, 1998 (Act No 117 of 1998)]</b> - Finance Committee - Public Safety Committee - Community Services and Planning and Economic Development (PED) Committee - Technical Services and Corporate Services Committee	To assist the Executive Mayor in performing her oversight duties over administration on a day-to-day basis
vi) <b>Ward Committees</b>	To link the community with the Council and the Council with the community

## APPENDIX C

### Third Tier Administrative Structure

Third Tier Structure		
Directorate	Designation	Name
Office of the Executive Mayor	Manager: Office of the Executive Mayor	Mr J W Shabangu
Office of the Speaker	Manager: Office of the Speaker	Mr N E Mthombeni
Office of the Municipal Manager	Manager: Internal Audit Unit	Mr B A Maseko
	Manager: Internal Risk Unit	Ms S K Mavimbela
	Manager: Performance Management System Unit	Mr P A Nkosi
	Manager: Project Management Unit (PMU)	Mr B C Mdutyulwa
Corporate Services	Manager: Legal and Administrative Services	Mr C F Dlamini
	Manager: Registry and Administration	Mr T M Nhlapo
	Manager: Human Resources	Mr M S Nkosi
Financial Services	Manager: Income	Mr D M Gininda
	Manager: Expenditure	Mr O G Hlophe
	Manager: Supply Chain	Mr N S Mlangeni
Public Safety	Chief Licensing Officer	Ms R S Nkosi
Community Services	Manager: Environmental Health and Waste Management	Ms N P Thabethe
Technical Series	Manager: Water and Sanitation Services	Mr M E Gumede
	Manager: Electricity Services	Ms M A Vilakazi
	Manager: Roads and Stormwater Services	Mr M Magubane
Planning and Economic Development (PED)	Manager: Local Economic Development (LED)	Ms W M Mkhwanazi
	Manager: Integrated Development Planning (IDP) (Acting)	Mr H P Maluleke
	Manager: Housing Services	Mr J A Mndawe

## APPENDIX D

### Functions of the Municipality

Municipal Functions Constitution (1996) Schedule 4, Part B functions	Function Applicable to Municipality (Yes / No)*	Function Applicable to Entity (Yes / No)
Air pollution	Yes	No municipal entities
Building regulations	Yes	
Child care facilities	n/a	
Electricity and gas reticulation	Yes	
Fire fighting services	Yes	
Local tourism	Yes	
Municipal airports	n/a	
Municipal planning	Yes	
Municipal health services	Yes	
Municipal public transport	n/a	
Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law	Yes	
Pontoons, ferries, jetties, piers and harbours, excluding the regulation of international and national shipping and matters related thereto	n/a	
Stormwater management systems in built-up areas	Yes	
Trading regulations	Yes	
Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems	Yes	
Beaches and amusement facilities	n/a	
Billboards and the display of advertisements in public places	Yes	
Cemeteries, funeral parlours and crematoria	Yes	
Cleansing	Yes	
Control of public nuisances	Yes	
Control of undertakings that sell liquor to the public	Yes	
Facilities for the accommodation, care and burial of animals	n/a	
Fencing and fences	Yes	
Licensing of dogs	n/a	
Licensing and control of undertakings that sell food to the public	Yes	
Local amenities	Yes	
Local sport facilities	Yes	
Markets	Yes	
Municipal abattoirs	Yes	
Municipal parks and recreation	Yes	
Municipal roads	Yes	
Noise pollution	Yes	
Pounds	n/a	
Public places	Yes	
Refuse removal, refuse dumps and solid waste disposal	Yes	
Street trading	Yes	
Street lighting	Yes	
Traffic and parking	Yes	

APPENDIX E

WARD REPORTING

Functionality of Ward Committees						
Ward Name (Number)	Name of Ward Councillor	Elected Ward Committee Members	Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to the Office of the Speaker on time	Number of quarterly public ward meetings held during the year
1	Clr R G Vilakazi	10	Yes	12	12	3
2	Clr M E Maduna	10	Yes	12	12	4
3	Clr N I Mdluli	10	Yes	12	12	6
4	Clr M L Steenkamp	10	Yes	11	11	3
5	Clr A Ngubeni	10	Yes	12	12	6
6	Clr J D Simelane	10	Yes	12	12	4
7	Clr T W Zulu	10	Yes	09	09	2
8	Clr S J Nkosi	10	Yes	12	12	4
9	Clr F E Nkosi	10	Yes	09	09	2
10	Clr E B Mkhabela	10	Yes	12	12	6
11	Clr J P Soko	10	Yes	12	12	6
12	Clr A D Nkosi	10	Yes	12	12	4
13	Clr B M Masuku	10	Yes	12	12	5
14	Clr F J Ntuli	10	Yes	12	12	5
15	Clr L D Shabangu	10	Yes	10	10	6
16	Clr N G Thomo	10	Yes	12	12	4
17	Clr J Vilakazi	10	Yes	09	09	1
18	Clr G J Nkosi	10	Yes	12	12	4
19	Clr M J Nkosi	10	Yes	12	12	8
20	Clr J S Mbhele	10	Yes	12	12	5
21	Clr W M Mngomezulu	10	Yes	12	12	4
22	Clr S F Mthombeni	10	Yes	12	12	2
23	Clr E J Lubede	10	Yes	10	10	3
24	Clr T W Motha	10	Yes	09	09	3
25	Clr S Z Nkosi	10	Yes	12	12	6

**APPENDIX F1**

**WARD INFORMATION**

Ward Title: 1, 3, 5, 6, 7, 8, 9, 12, 13, 16, 18, 19, 21, 23, 24, 25				
Capital Projects: Seven Largest in 2013/14 (Full List at Appendix O) R'000				
No.	Project Name and detail	Start Date	End Date	Total Value
	Water - Water Services Operating Subsidy (drilling, equipping boreholes) at the following areas: Lochiel, Oshoek, The Brook, Phaphama, Houtbos, Syde, Dewet, Dumberton, KaJim, Mashonamini, Engelsedraai, Teenline, Biyane, Schoeman, Mbejeka, Thubelisha, Enkanini, Nhlazatshe 7A, Bosville, Uitgevonden, Vlakplaas, Witklip, Kamboyl, part of Nhlaba, Julius Mkhondo, Sebentani, Kranspan, Moedig, Lusthof, Redhill and Ema-Eighteen (Ward 1, 2, 6, 7 (Solomon, Suncity), 8, 9, 10, 11, 12, 18, 21)	n/a	n/a	n/a
	Electricity - Construction of 18 High Mast Lights (Ward 4, 5, 6, 7, 8, 8, 13, 15, 16, 21, 22, 23, 24)	n/a	n/a	n/a
	Electricity - Replacing of 2 High Mast Lights (Ward 1, 12)	n/a	n/a	n/a
	Electricity - Completion of Household Electrification Programme (Ward 1, 11, 21, 23)	n/a	n/a	n/a

Ward Title: 2,3				
Capital Projects: Seven Largest in 2013/14 (Full List at Appendix O) R'000				
No.	Project Name and detail	Start Date	End Date	Total Value
	Roads - Construction of Mahoxo Road (Ward 2, 3)	n/a	n/a	n/a

Ward Title: 4, 5, 7, 9, 11				
Capital Projects: Seven Largest in 2013/14 (Full List at Appendix O) R'000				
No.	Project Name and detail	Start Date	End Date	Total Value
	Water - Upgrading of Empuluzi Water Scheme (Ward 4, 5, 7, 9, 11)	n/a	n/a	n/a
	Roads - Construction of Mayflower Ring Road (Ward 4, 9)	n/a	n/a	n/a

Ward Title: 5, 6				
Capital Projects: Seven Largest in 2013/14 (Full List at Appendix O) R'000				
No.	Project Name and detail	Start Date	End Date	Total Value
	Roads - Construction of tarring from Dundonald to Slovo (Ward 5, 6)	n/a	n/a	n/a

Ward Title: 10, 13, 14, part of 16, 18, 20, 24, 25				
Capital Projects: Seven Largest in 2013/14 (Full List at Appendix O) R'000				
No.	Project Name and detail	Start Date	End Date	Total Value
	Water - Upgrading of pumping capacity and retrofitting of Eerstehoek Water Scheme (Ward 10, 13, 14, part of 16, 18, 20, 24, 25)	n/a	n/a	n/a
	Water - Replacement of AC pipelines on the Eerstehoek Water Scheme (Ward 10, 13, 14, part of 16, 18, 20, 24, 25)	n/a	n/a	n/a
	Community Assets - Construction of Tjakastad Taxi Rank (Ward 10, 13, 14, part of 16, 18, 20, 24, 25)	n/a	n/a	n/a

Ward Title: 12				
Capital Projects: Seven Largest in 2013/14 (Full List at Appendix O) R'000				
No.	Project Name and detail	Start Date	End Date	Total Value
	Roads - Construction of Ekulindeni Ring Road (Ward 12)	n/a	n/a	n/a

Ward Title: 14, 16, 25				
Capital Projects: Seven Largest in 2013/14 (Full List at Appendix O) R'000				
No.	Project Name and detail	Start Date	End Date	Total Value
	Roads - Tarring of Nhlazatshe 3 Road (Ward 14, 16, 25)	n/a	n/a	n/a
	Roads - Tarring of Nhlazatshe 1 Ring Road (Ward 16, 25)	n/a	n/a	n/a

Ward Title: 15, part of 21, 22				
Capital Projects: Seven Largest in 2013/14 (Full List at Appendix O) R'000				
No.	Project Name and detail	Start Date	End Date	Total Value
	Water - Upgrading pumping capacity and retrofitting of Carolina Water Scheme (Ward 15, part of 21, 22)	n/a	n/a	n/a
	Water - Replacement of AC Pipes in Carolina (Ward 15, part of 21, 22)	n/a	n/a	n/a
	Sanitation - Construction of Silobela Ext 2 and 3 (750 toilet top structures) (Ward 15, 22)	n/a	n/a	n/a
	Community Assets - Construction of Carolina Landfill Site (Ward 15, 21, 22)	n/a	n/a	n/a
	Community Assets - Construction of Silobela Sport Fields (Ward 15, 22)	n/a	n/a	n/a

Ward Title: 17, 23				
Capital Projects: Seven Largest in 2013/14 (Full List at Appendix O) R'000				
No.	Project Name and detail	Start Date	End Date	Total Value
	Water - Upgrading of Badplaas Water Scheme (Ward 17, 23)	n/a	n/a	n/a
	Roads - Construction of Badplaas Ring Road (Ward 17, 23)	n/a	n/a	n/a

Ward Title: 19				
Capital Projects: Seven Largest in 2013/14 (Full List at Appendix O) R'000				
No.	Project Name and detail	Start Date	End Date	Total Value
	Roads - Construction of Mooiplaas Road (Ward 19)	n/a	n/a	n/a

## APPENDIX F2

### BASIC SERVICE PROVISION

Basic Service Provision					
Detail	Water	Sanitation	Electricity	Refuse	Housing
Households with minimum service delivery	39,690	45,682	42,935	12,853	36,497
Households without minimum service delivery	8,015	2,023	4,770	34,852	11,208
Total households*	47,705	47,705	47,705	47,705	47,705
Houses completed in year					474
Shortfall in housing units					11,208
<i>*Including informal settlements</i>					

## APPENDIX F3

### SERVICE DELIVERY PRIORITIES

Top Four Service Delivery Priorities for All Wards (Highest Priority First)		
No.	Priority Name and Detail	Progress During 2013/14
1.	Financial Services - Operation Clean Audit	An Audit Action Plan developed and submitted to the Audit Committee and Council
2.	Roads and Stormwater Infrastructure - Maintain stormwater drainage systems	The project was deferred to the 2014/15 financial year
3.	Roads and Stormwater Infrastructure - Construct new stormwater drainage systems	No report
4.	Roads and Stormwater Infrastructure - Reseal paved roads	Completed 110m resealing of Combrink Street, Carolina The Embhuleni Hospital Entrance was attended by a service provider as a capital project funded by Nkomati Mine Resealed / patched 21.3m <sup>2</sup> paved roads in Ward 1, 2, 3, 4, 7, 10, 14, 15, 17, 21 (58.7% below target) All Mpuluzi and Elukwatini tarred roads were attended to except Dundonald, Julius Mkhonto and Barcelona road Outstanding work was deferred to the 1 <sup>st</sup> quarter of the 2014/15 financial year.
5.	Roads and Stormwater Infrastructure - Maintain bridges (EPWP)	Constructed side structures of Silobela bridge Partially attended Uitgevonden bridge 50% below target Unattended bridges were deferred to the 2014/15 financial year
6.	Roads and Stormwater Infrastructure - Develop Roads and Stormwater Master Plan	Presented the draft document of the 25% scope of work Professional service providers were appointed late Budget constraints The project was deferred to the 2014/15 financial year
7.	Electricity - Street Lights and High Mast Lights	Inspected and maintained 337 street lights and 172 high mast lights Unavailable cherry picker and adequate street light maintenance materials due to financial constraints Service providers were appointed to assist on an as-and-when-required basis with the necessary plant More streetlights to be maintained in the 2014/15 financial year
8.	Electricity - Traffic Lights	Maintenance not required
9.	Electricity - Standby Generators	4 generators were inspected 10 times The power supply to the generator at the Fire Station was upgraded by installing a new line from the Carolina Hospital transformer
10.	Electricity - Monitor Vehicles and Comply with Fleet Management Policy	Ongoing process
11.	Electricity - Develop Master Plans and other Sector Plans	No report
12.	Safety and Security - Safeguard Council Assets and Properties	194 security guards were deployed; no incidents were reported
13.	Fire and Rescue - Respond to all reported incidents	5,027 calls were received and responded to
14.	Road Safety Management - Provide visible policing and law enforcement	3,624 summonses were issued
15.	Traffic Calming Measures - Identify hot spots at strategic points	13 speed humps were erected at strategic points
16.	Signage and Street Naming - Renovate signs and street names	12 street name boards were procured and erected
17.	Registration and Licensing - Registration and licensing through e-Natis system	6,119 applications for registration and licensing were processed
18.	Performance Management System - Prepare 2012/13 Annual Report	Submitted the final 2012/13 Annual Report to Department Co-Operative Governance and Traditional Affairs (CoGTA), Oversight Committee and Website
19.	Performance Management System - Print 2012.13 Annual Report	The 2012/13 Annual Report was printed by Remata Printers and distributed to CoGTA, Provincial Legislature and strategic points within the Municipality

Top Four Service Delivery Priorities for Ward 4, 7 (Highest Priority First)		
No.	Priority Name and Detail	Progress During 2013/14
	Fencing of Mayflower Cemetery	The project was not done due to financial constraints

Top Four Service Delivery Priorities for Ward 5, 9 (Highest Priority First)		
No.	Priority Name and Detail	Progress During 2013/14
	Library - Construction of Glenmore Library (Ward 5, 9)	The project was not done due to financial constraints
	Spatial/Town Planning - Formalise Empuluzi Ext C2 informal settlement	The project was not done due to financial constraints

Top Four Service Delivery Priorities for Ward 15, 21, 22 (Highest Priority First)		
No.	Priority Name and Detail	Progress During 2013/14
	Landfill Site - Construction and licensing of Carolina Landfill Site (Phase 1) (Ward 15, 21, 22)	The project was not done due to financial constraints
	Community Services - Fence Silobela Cemetery (Ward 15)	The project was not done due to financial constraints
	Sport Facilities - Construct Silobela Stadium (Ward 15)	The project was not done due to financial constraints
	Spatial Planning - Improve Silobela Cemetery (Ward 15)	The project was not done due to financial constraints
	Spatial Planning - Extend Carolina Industrial Area (Ward 21)	The project was not done due to financial constraints

## APPENDIX G

### MUNICIPAL AUDIT COMMITTEE

Municipal Audit Committee Recommendations		
Date of Committee Meeting	Committee recommendations during 2013/14	Recommendations adopted (enter Yes) If not adopted (provide explanation)
4 July 2013	<ul style="list-style-type: none"> <li>• The Internal Audit Charter was adopted by the AC and will be presented to Council</li> <li>• Internal Audit Revised Plan be sent AC by 9 of July 2013</li> <li>• Submit a detailed report for SCM to the next AC meeting</li> <li>• AC recommended that a narrative be given on the financial report and also that the current budget has estimates that are 30% less than the previous budget in order to spend within</li> <li>• AC recommended that a standard letter be issued stating that the Municipality was unable to pay due to cash flow, that a cash flow committee be established to determine which payments to be paid, and low amounts be paid in order to avoid unnecessary increase</li> </ul>	Yes
8 August 2013	<ul style="list-style-type: none"> <li>• Internal Plans approved</li> <li>• AC recommended that the Municipality complied with S75 of the MFMA (2003) and stated that all documents were on the website</li> <li>• AC noted the report on AFS and resolved that a meeting to review AFS be held on 22 August 2013, after internal auditing of the AFS</li> <li>• AC recommended that overtime be properly managed and the supervisor and the manager explained why those officials worked overtime, because some officials treated overtime as a compulsory incentive</li> </ul>	Yes
23 August 2014	<ul style="list-style-type: none"> <li>• AC recommended that the Annual Report had a table of content, also that the Executive Mayor gave a statement on what was done, what the challenges were, and whether the Municipality intended to address those challenges; also that the Municipal Manager Overview be reworked and compliment the Executive Mayor Overview administratively</li> <li>• AC indicated that after the first quarter assessment the SDBIP be revised, based on the performance report</li> <li>• AC also stated that the PMS Unit ensured that measurements be specific, measurable either outcome or impact, that management not used reports as measures rather the impact of it, and also that directors signed their performance agreements, which should in line with the current year SDBIP</li> </ul>	Yes
27 August 2013	<p><b>AFS recommendations:</b></p> <ul style="list-style-type: none"> <li>• The Assets for the Municipality were more than the liability, therefore the going concern be corrected on the statement by the Accounting Officer</li> <li>• On note 21 the unspent conditional grant for EPWP be corrected to agree with the disclosure, the unspent amount was R34,019</li> <li>• Note 15 on Finance lease obligation be corrected</li> <li>• The VAT receivable be corrected to agree to VAT201 that was outstanding as at 30 June 2013</li> <li>• The journals for PPE be processed as soon as possible to ensure that note 4 was accurate and complete</li> <li>• On Note 5 the totals seemed incorrect, and should be reviewed and corrected</li> <li>• Note 9 water stock be verified whether it was correct as compared to the last financial year</li> <li>• Note for contingent liability and contingent assets be included</li> <li>• No provision was made for performance bonus - was that correct?</li> <li>• The accuracy of the leave accruals be verified when compared to the last financial year</li> <li>• The number of months for acting for all HOD's be disclosed correctly in the AFS</li> <li>• On note 28 the debt impairment to agree with the amount disclosed in the on the face of statement of financial performance</li> <li>• On note 29 the investment revenue note be completed</li> <li>• On Investment properties no movement is indicated, whilst on note 30 a fair value was indicated, to be corrected</li> <li>• Confirm bulk purchases from ESKOM</li> <li>• Note 40 the credit risk was not applicable to municipalities</li> <li>• Ensure that all the irregular expenditure was complete, and also to include all deviations in terms of the SCM; and on the opening balance, verify whether Council condoned if to whom it will be recovered</li> <li>• Verify outstanding Councillor municipal services accounts to be disclosed correctly, as such matter should be reported to the MEC</li> <li>• On note 11 on Industrial/Commercial, the increase from R18.462.386 to R90.975.717 to be verified</li> <li>• On Note 24 the two Audit Committee costs to be rectified, the other costs related to Audit Fees, other expenses of R21.003.549 to have an additional note on the movement from R7 million to R21 million, the VIP note capitalised also be corrected, and the water stock adjustment be verified</li> <li>• Note 27 Debt Impairment to verify accuracy of the figures disclosed</li> </ul>	Yes

Municipal Audit Committee Recommendations		
Date of Committee Meeting	Committee recommendations during 2013/14	Recommendations adopted (enter Yes) If not adopted (provide explanation)
	<ul style="list-style-type: none"> <li>On note 5 to show recon of opening balance to closing balance to indicate disposals during the year</li> <li>On note 11 to verify big increase in Rates debtors and in Industrial/commercial debtors</li> <li>On note 32 to include finance cost relating to finance leases, as per note 15</li> <li>On note 36 to verify that big difference between bulk purchases and revenue (note 22) was correct and related to indigent services and distribution losses</li> <li>To correct/clarity debtors impairment in note 28 to agree to what was shown in note 11 and agreed to face of Income Statement</li> <li>Cash on hand and unspent conditional grant indicated an unauthorised expenditure as it was not cash backed</li> <li>The consultant to still check retention against the PPE additions</li> <li>Contingent liability report to be given to consultant with the final analysis, and Manager: Legal to assist with that.</li> <li>Deviation report to be analysed to identify deviations, and submitted to consultants for disclosure purposes</li> <li>CFO to perform interim AFS</li> </ul>	
11 October 2013	<ul style="list-style-type: none"> <li>AC requested that the minutes of the steering committee to be emailed to them</li> <li>AC requested that a procurement report be sent to them</li> <li>AC requested the HoIA to perform analysis of the overtime, then communicate with them, and also the IT Section to develop an IT framework, and take into account the new IT Framework, the HoIA to only consult on an advisory capacity</li> <li>AC requested PMS to provide reports for assessments for those that were assessed and forward it to the AC</li> <li>AC requested that three positions for internal auditors be filled using the budget of the CAE within three months because the performance of the IA was not satisfactory</li> <li>AC indicated that the AC chairperson to attend meetings and Risk Management reports be forwarded to AC, not policies</li> <li>AC recommended that the External PMU be sued</li> </ul>	Yes
28 November 2013	<ul style="list-style-type: none"> <li>AC recommended the service provider did deed search because based on the issues raised by AG it was clear that the service provided did not perform its duties</li> <li>AC recommended that the CFO engaged with AG on issues that were not raised formally, and to arrange a meeting for the AC to meet and discuss the AG final management letter and draft report</li> <li>AC Chairperson indicated that he would send an email to the senior manager of AG expressing concern on how the audit was conducted</li> <li>AC recommended that the CFO went to the Office of the AG at Nelspruit on 23 November 2013 to clear all issues which were not supposed to be on the Audit Report</li> </ul>	Yes
07 March 2014	<ul style="list-style-type: none"> <li>AC recommended that a special meeting be arranged with the following service providers, AFS, debt collectors to determine way out of the SLA, and management to classify debtors in terms of group, indigent, business, and provincial department</li> <li>Detailed S71 report be submitted</li> <li>AC recommended that two action plans be developed - 2012/13 Action Plan, investigate and amend; and 2013/14 Action Plan to deal with prevention within the current year; and proposed that issues be addressed by 30 April 2014, and to ensure that the AG management letter was obtained</li> <li>AC recommended that the Manager: Legal Services to provide a detailed report on litigations</li> </ul>	Yes

**APPENDIX H1-H2**

**LONG TERM CONTRACTS AND PUBLIC-PRIVATE PARTNERSHIPS**

Long Term Contracts (20 Largest Contracts Entered into during 2013/14 R'000					
Name of Service Provider (Entity or Municipal Department)	Description of Services Rendered by the Service Provider	Start Date of Contract	Expiry date of Contract	Project Manager	Contract Value
Varitek cc	Request for Planning, Design and Project Management program for installation and commissioning of electrical connection in various wards around Chief Albert Luthuli Municipality	16/07/2013	Multi-year	PMU	R4,321,820.57
Omphile Electrical & Construction	Design, Installation and Commissioning of 18 High Mast Lights and Replacement of existing 2 High Mast Lights	07/10/2013	Multi-year	PMU	R5,575,688.80
Nontji JV Dotliner	Refurbishment of Bulk Internal Water Supply Infrastructure in Mpuluzi Water Scheme (Phase 5)	07/10/2013	07/04/2014	PMU	R1,969,920.00
Matheya Manzizij JV	Refurbishment of Bulk Internal Water Supply Infrastructure CALM Boreholes (Phase 5)	07/10/2013	07/04/2014	PMU	R1,825,140.00
GPTN Trading	Refurbishment of Bulk Internal Water Supply Infrastructure in Eerstehoek Water Scheme (Phase 5)	07/10/2013	07/04/2014	PMU	R1,981,431.72
Letswamotse Civil Engineering cc	Refurbishment of Bulk Internal Water Supply Infrastructure in Ekulindeni Water Scheme (Phase 5)	07/10/2013	07/04/2014	PMU	R1,987,590.00
VDan Construction	Construction of Tjakastad Taxi Rank	13/11/2013	Multi-year	PMU	R1,987,590.00
AVN Construction	Electrification of Households Cluster One	19/12/2013	Multi-year	PMU	R10,868,245.49
Alpheus Electrical Building & Civil Construction	Electrification of Households Cluster Two	19/12/2013	Multi-year	PMU	R8,073,481.79
Mbodvula Civils and Electrical	Electrification of Households Cluster Three	19/12/2013	Multi-year	PMU	R11,928,419.69
Professional Services for Construction of Mooiplaas Road	Mafahleni Project Managers	02/04/2014	Multi-year	PMU	R2,597,321.10
Professional Services for Construction of Mahoxo Road	MK Dube Consulting Engineers	02/04/2014	Multi-year	PMU	R4,817,039.50
Easy Way Construction	Construction of Badplaas Water Scheme Raw Water Abstraction (Phase 1)	23/04/2014	Multi-year	PMU	R3,004,408.44
Uyapo Engineering Projects	Construction of Silobela Stadium	23/04/2014	Multi-year	PMU	R6,942,052.66
PLS Construction	Replacement of AC pipes at Eerstehoek Water Scheme Elukwatini A	23/04/2014	Multi-year	PMU	R13,798,511.92
Nanati Civil Works	Construction of Mahoxo Road (6.5km)	23/04/2014	Multi-year	PMU	R34,407,425.05
Vuka Magagula Trading & Projects	Construction of Nhlazatshe Road (2.5km)	23/04/2014	Multi-year	PMU	R7,427,241.36
Zondle Trading	Construction of Mooiplaas Road (5.5km)	23/04/2014	Multi-year	PMU	R18,552,293.60
GPTN Trading	Construction of Mpuluzi Water Scheme	23/04/2014	Multi-year	PMU	R4,436,319.83
i@Consulting	Updating of the Asset Register	30/04/2014	30/11/2014	Finance	R2,750,131.00

Public Private Partnerships Entered into during 2013/14 R'000					
Name and Description of Project	Name of Partner(s)	Initiation Date	Expiry date	Project Manager	Value 2013/14

APPENDIX I

SERVICE PROVIDER PERFORMANCE

Service Provider Performance Schedule										
Name of Service Provider and Purpose  (i)	(a) Service Indicators	2011/12			2012/13			2013/14		
	(b) Service Targets  (ii)	Performance Target		Actual Performance	Performance Target		Actual Performance	Performance Target		Actual Performance
		2010/11 (iii)	2011/12 (iv)	2011/12 (v)	2012/13 (vi)	2012/13 (vii)	2012/13 (viii)	2012/13 (ix)	2013/14 (x)	2013/14 (xi)
Eastrand Document Solutions - Replacement of Photocopier Machines	Delivery of photocopier machines as per specification and maintenance thereof			Satisfactory			Satisfactory			Satisfactory
Bay city Trading 337 - Supply and Delivery of Water Treatment Chemicals and Maintenance of the Dosing System	Delivery of water treatment chemicals as and when required Ensuring delivery in time at all required points			Satisfactory			Satisfactory			Satisfactory
ETM Manufacturing & components - Service and Maintenance of Graders, TLB and Compactor	Service and maintenance of yellow plants Ensuring continuous performance on the plants			Satisfactory			Satisfactory			Satisfactory
EPH's Security Services - Provision of Unarmed Grade D Security Guards	Safeguarding of municipal assets 24/7			Satisfactory			Satisfactory			Satisfactory
Instant Communication Solutions (PTY) LTD - Supply and Delivery of Radio Phones	Provision of radio phones with PTT service for all essential services employees in Technical and Public Safety			Satisfactory			Satisfactory			Satisfactory
Makgoka Development Facilitation (PTY) LTD - LED Fundraising Strategy	Development of LED fundraising strategy for the municipality			Satisfactory			Satisfactory			Satisfactory
Vuka Asset Management - Installation of Fleet Management System	Provision of fleet tracking system for all vehicles and providing reports on vehicle usage			Satisfactory			Satisfactory			Satisfactory
Allimax Training Academy - Compilation of Financial Statements and Updating of the Asset Register	Compilation of assets register and AFS Transfer of skills			Satisfactory			Satisfactory			Satisfactory
G4S Cash Solution - Provision of Cash in Transit	Collection of cash from all municipal cash offices as per schedule			Satisfactory			Satisfactory			Satisfactory
Sankofa Insurance Brokers - Provision of Short-Term Insurance	Insuring of all municipal assets			Satisfactory			Satisfactory			Satisfactory

*Note: This statement should include no more than the top four priority indicators. \* 'Previous Year' refers to the targets that were set in the Year -1 Budget/IDP round; \*\*Current Year' refers to the targets set in the Year 0 Budget/IDP round. \*\*\*Following Year' refers to the targets set in the Year 1 Budget/IDP round. Note that all targets must be fundable within approved budget provision. In column (ii) set out the Service Indicator (In bold italics) then the Service Target underneath (not in bold - standard typeface) to denote the difference.*

**APPENDIX J**

**DISCLOSURE OF FINANCIAL INTERESTS**

Disclosures of Financial Interests		
Period 1 July to 30 June of Year 0 (Current Year)		
Position	Name	Description of Financial interests* (Nil / Or details)
Executive Mayor	Clr B P Shiba	Investment with Old Mutual and Clientele Life
Member of MayCo	Clr W M Mngomezulu W21	None
Member of MayCo	Clr N M Mnisi	None
Member of MayCo	Clr Q G Thabethe	None
Speaker of Council	Clr S M Nkosi	Samkethe Property Trust and Family Trust (Trustee)
Council Whip	Clr D P Nkosi	None
Chairperson: MPAC	Clr V S Shabangu	None
Ward Councillor	Clr R G Vilakazi W1	None
Ward Councillor	Clr M E Maduna W2	None
Ward Councillor	Clr N I Mdluli W3	None
Ward Councillor	Clr T E Zwane W4	None
Ward Councillor	Clr N J Nkabinde W5	None
Ward Councillor	Clr J D Simelane	None
Ward Councillor	Clr J P Soko	None
Ward Councillor	Clr T W Zulu W7	None
Ward Councillor	Clr S J Nkosi W8	None
Ward Councillor	Clr F E Nkosi W9	Ukukhula Komnotho Investment / Somhlolo Trust )Trustee)
Ward Councillor	Clr E B Mkhabela W10	None
Ward Councillor	Clr M L Steenkamp W11	None
Ward Councillor	Clr A D Nkosi W12	Luvo Business Enterprise Oxy Trading cc (Director)
Ward Councillor	Clr B M Masuku W13	None
Ward Councillor	Clr F J Ntuli W14	None
Ward Councillor	Clr N G Thomo W16	None
Ward Councillor	Clr J Vilakazi W17	None
Ward Councillor	Clr G J Nkosi W18	None
Ward Councillor	Clr M J Nkosi W19	None
Ward Councillor	Clr J S Mbhele W20	Juks and Thebs Construction / Ingongoni Security Services and Financial Valuer
Ward Councillor	Clr S F Mthombeni W22	None
Ward Councillor	Clr E J Lubede W23	Act of Grace (Board Member)
Ward Councillor	Clr T W Motha W24	None
Ward Councillor	Clr S Z Nkosi W25	None
Proportional Representative	Clr A Ngubeni	None
Proportional Representative	Clr L D Shabangu	None
Proportional Representative	Clr J Makene	None
Proportional Representative	Clr J S Nkosi	C J Nkosi and Son Transport / KYP Construction and Projects
Proportional Representative	Clr M H Nkosi	None
Proportional Representative	Clr N B Sikhakhane	None
Proportional Representative	Clr N R Cindi	None (Owner of Airtime Vendor)
Proportional Representative	Clr Z M Dlodlu	None
Proportional Representative	Clr N V Makhubelo	None

Disclosures of Financial Interests		
Period 1 July to 30 June of Year 0 (Current Year)		
Position	Name	Description of Financial interests* (Nil / Or details)
Proportional Representative	Clr P P Mhlanga	None
Proportional Representative	Clr T J Motha	None
Proportional Representative	Clr V L Nkosi	None
Proportional Representative	Clr V V Vilakazi	None
Proportional Representative	Clr S T Q Malaza	Buhle Buyeza Trading and Mabonkosi Plant Hire
Proportional Representative	Clr F D M Phakathi	None
Proportional Representative	Clr M L Neethling	
Proportional Representative	Clr N M Nkosi	
Proportional Representative	Clr N Mnisi	
Municipal Manager	Mr V N Mpila	Nelson Holinhlahl Business Development Services / Mayflower Filling Station / Mpila 2 Driving School (Spouse)
Chief Financial Officer	Mr P J Nhlabathi	None
Director	Mr S F Mndebele	Mndebs Trading cc (Director) / Kangezi General Trading cc Spouse) / Siyakha-Isizwe General Trading 179 cc (Spouse)
Director	Mr K B Makgopa	None
Director	Mr Z F Mkhwanazi	Shares with SASOL Inzalo
Director	Mr D M Modimogale	None
Director	Mr T A Lukhele	Ikululeko Yesize T&N Trading cc (Spouse)
Director	Mr B C Mdutyulwa	Imhotep Consulting Engineers and Property Developers cc (Member)

APPENDIX K1

REVENUE COLLECTION PERFORMANCE BY VOTE

Revenue Collection Performance by Vote R'000						
Vote Description	2012/13	2013/14			2013/14 Variance	
	Actual	Original Budget	Adjustment Budget	Actual	Original Budget	Adjustment Budget
Vote 1 - Planning and Economic Development	172	144	216	135	7%	1%
Vote 2 - Corporate Services	977	492	756	175	1%	3%
Vote 3 - Community Services	4 318	4 871	4 956	4 505	8%	10%
Vote 4 - Finance	250 149	245 880	248 568	224 967	9%	10%
Vote 5 - Public Safety	2 304	1 356	1 404	1 463	7%	4%
Vote 6 - Technical Services	103 078	43 740	43 836	43 718	0%	0%
Vote 7 - Municipal Manager	-	-	-	-	-	-
Vote 8 - Council General and Executive	245	-	-	-	-	-
<b>Total Revenue by Vote</b>	<b>361 242</b>	<b>296 474</b>	<b>299 748</b>		<b>8%</b>	<b>6%</b>
<i>Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual. This table is aligned to MBRR table A3</i>						

APPENDIX K2

REVENUE COLLECTION BY SOURCE

Revenue Collection Performance by Source R'000						
Description	2012/13	2013/14		2013/14 Variance		
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
<b>Revenue by Source</b>						
Property rates	31 158	32 107	32 170	29 131	-10%	10%
Property rates - penalties & collection charges	-	-	-	-	-	-
Service Charges - electricity revenue	17 077	25 979	25 979	16 287	-60%	60%
Service Charges - water revenue	2 892	5 038	5 038	4 905	-3%	3%
Service Charges - sanitation revenue	5 258	5 039	5 045	5 008	-1%	1%
Service Charges - refuse revenue	4 216	4 402	4 415	4 507	2%	-2%
Service Charges - other	-	-	-	-	-	-
Rentals of facilities and equipment	427	175	118	785	85%	-79%
Interest earned - external investments	1 758	756	756	1 238	39%	-39%
Interest earned - outstanding debtors	16 059	16 896	16 896	18 256	7%	-7%
Dividends received	7	-	-	-	-	-
Fines	194	346	253	495	49%	-30%
Licences and permits	1 863	-	-	-	-	-
Agency services	-	1 061	1 061	2 307	54%	-54%
Transfers recognised - operational	268 343	181 564	181 564	293 362	38%	-38%
Other revenue	11 990	359	1 669	16 284	90%	-98%
Gains on disposal of PPE	-	-	-	-	-	-
Environmental Protection	-	-	-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>361 242</b>	<b>273 721</b>	<b>274 964</b>	<b>392 565</b>	<b>30%</b>	<b>30%</b>
<i>Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual. This table is aligned to MBRR table A4.</i>						

APPENDIX L

CONDITIONAL GRANTS

Refer to 2013/14 Annual Financial Statements

Conditional Grants: excluding MIG R'000						
Details	Original Budget	Adjustment Budget	Actual	Variance		Major conditions applied by donor (continue below if necessary)
				Original Budget	Adjustment Budget	
Neighbourhood Development Partnership Grant						
Public Transport Infrastructure and Systems Grant						
<i>Other Specify:</i>						
<b>Total</b>						

*\* This includes Neighbourhood Development Partnership Grant, Public Transport Infrastructure and Systems Grant and any other grant excluding Municipal Infrastructure Grant (MIG) which is dealt with in the main report, see T 5.8.3. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual. Obtain a list of grants from national and provincial government.*

APPENDIX CAPITAL M1-M2

CAPITAL EXPENDITURE - NEW ASSETS PROGRAMME

Capital Expenditure - New Assets Programme*							
R'000							
Description	2012/13	2013/14		Planned Capital expenditure			
	Audited Outcome	Original Budget	Adjustment Budget	Actual	FY + 1	FY + 2	FY + 3
<b>Capital expenditure by Asset Class</b>							
<b>Infrastructure - Total</b>	90 644	100 109	96 032	96 032	53400	68 665	58 328
<b>Infrastructure: Road transport - Total</b>	29 096	11 000	18 870	18 870	15 000	20 000	20 000
<i>Roads, Pavements and Bridges</i>	29 096	11 000	18 870	18 870	15 000	20 000	20 000
<i>Storm water</i>	-	-	-	-	-	-	-
<b>Infrastructure: Electricity - Total</b>	27 619	21 317	21 886	21 886	10 400	16 500	20 000
<i>Generation</i>	-	-	-	-	-	-	-
<i>Transmission and Reticulation</i>	27 619	21 317	21 886	21 886	10 400	16 500	20 000
<i>Street Lighting</i>	-	-	-	-	-	-	-
<b>Infrastructure: Water - Total</b>	24 330	51 545	40 899	40 899	15 000	15 000	-
<i>Dams and Reservoirs</i>	-	-	-	-	-	-	-
<i>Water purification</i>	-	-	-	-	-	-	-
<i>Reticulation</i>	24 330	51 545	40 899	40 899	15 000	15 000	-
<b>Infrastructure: Sanitation - Total</b>	9 598	13 247	11 377	11 377	10 000	15 000	15 000
<i>Reticulation</i>	9 598	13 247	11 377	11 377	10 000	15 000	15 000
<i>Sewerage purification</i>	-	-	-	-	-	-	-
<b>Infrastructure: Other - Total</b>	-	3 000	3 000	3 000	3 000	2 165	3 328
<i>Waste Management</i>	-	3 000	3 000	3 000	3 000	2 165	3 328
<i>Transportation</i>	-	-	-	-	-	-	-
<i>Other</i>	-	-	-	-	-	-	-
<b>Community - Total</b>	6 235	1 869	6 869	6 869	19 837	15 000	8 000
Parks and gardens	-	-	-	-	-	-	-
Sports fields and stadia	-	-	5 000	5 000	4 337	4 000	3 000
Community halls	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-
Other	6 235	1 869	1 869	1 869	15 500	11 000	5 000
<b>Heritage assets - Total</b>	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Investment properties - Total</b>	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Other assets</b>	-	-	-	-	-	-	-
General vehicles	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-
Plant & equipment	-	-	-	-	-	-	-
Computers - hardware/equipment	-	-	-	-	-	-	-
Furniture and other office equipment	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-
Civic Land and Buildings	-	-	-	-	-	-	-
Other Buildings	-	-	-	-	-	-	-
Other Land	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-

Capital Expenditure - New Assets Programme*							
R'000							
Description	2012/13	2013/14		Planned Capital expenditure			
	Audited Outcome	Original Budget	Adjustment Budget	Actual	FY + 1	FY + 2	FY + 3
<b>Agricultural assets</b>	-	-	-	-	-	-	-
<i>List sub-class</i>	-	-	-	-	-	-	-
<b>Biological assets</b>	-	-	-	-	-	-	-
<i>List sub-class</i>	-	-	-	-	-	-	-
<b>Intangibles</b>	-	-	-	-	-	-	-
Computers - software & programming	-	-	-	-	-	-	-
Other ( <i>list sub-class</i> )	-	-	-	-	-	-	-
<b>Total Capital Expenditure on new assets</b>	<b>96 878</b>	<b>101 977</b>	<b>102 91</b>	<b>102 901</b>	<b>73 237</b>	<b>83 665</b>	<b>66 328</b>
<b>Specialised vehicles</b>	-	-	-	-	-	-	-
Refuse	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-

MP301 SA34a

Capital expenditure by Asset Class							
<b>Infrastructure - Total</b>							
Infrastructure: Road transport - Total							
<i>Roads, Pavements and Bridges</i>							
<i>Storm water</i>							
Infrastructure: Electricity - Total							
<i>Generation</i>							
<i>Transmission and Reticulation</i>							
<i>Street Lighting</i>							
Infrastructure: Water - Total							
<i>Dams and Reservoirs</i>							
<i>Water purification</i>							
<i>Reticulation</i>							
Infrastructure: Sanitation - Total							
<i>Reticulation</i>							
<i>Sewerage purification</i>							
Infrastructure: Other - Total							
<i>Waste Management</i>							
<i>Transportation</i>							
<i>Gas</i>							
<i>Other</i>							
<b>Community</b>							
Parks and gardens							
Sports fields and stadia							
Community halls							
Libraries							
Recreational facilities							
Fire, safety & emergency							
Security and policing							
Cemeteries							
Social rental housing							
Other							
<b>Heritage assets</b>							
Buildings							
Other							

Capital Expenditure - New Assets Programme*							
R'000							
Description	2012/13	2013/14		Planned Capital expenditure			
	Audited Outcome	Original Budget	Adjustment Budget	Actual	FY + 1	FY + 2	FY + 3
<b>Capital expenditure by Asset Class</b>							
<b><u>Investment properties</u></b>							
Housing development							
Other							
<b><u>Other assets</u></b>							
General vehicles							
Specialised vehicles							
Plant and equipment							
Computers - hardware/equipment							
Furniture and other office equipment							
Abattoirs							
Markets							
Civic Land and Buildings							
Other Buildings							
Other Land							
Surplus Assets - (Investment or Inventory)							
Other							
<b><u>Agricultural assets</u></b>							
<i>List sub-class</i>							
<b><u>Biological assets</u></b>							
<i>List sub-class</i>							
<b><u>Intangibles</u></b>							
Computers - software and programming							
Other ( <i>list sub-class</i> )							
<b>Total Capital Expenditure on renewal of existing assets</b>							
<b><u>Specialised vehicles</u></b>							
Refuse							
Fire							
Conservancy							
Ambulances							

\* Note: Information for this table may be sourced from MBRR (2013: Table SA34b)

MP301 SA34b

APPENDIX N

CAPITAL PROGRAMME BY PROJECT

Capital Programme by Project: Year 2013/14 R'000					
Capital Project	Original Budget	Adjustment Budget	Actual	Variance (Act - AB) %	Variance (Act - OB) %
<b>Water</b>					
Upgrade Lusushwane Water Scheme (Ward 6, 8, part 16) (RBIG GSDM)	-	-	-	-	-
Upgrade Eerstehoek Water Treatment Works (Ward 10, 13, 14, part 16, 18, 20, 24, 25) (MIG)	-	-	-	-	-
Upgrade pumping capacity and retrofit Eerstehoek Water Scheme (Ward 10, 13, 14, part 16, 18, 20, 24, 25) (MIG)	9,700,000	9,700,000	19,700,000	203%	203%
Replace AC Pipelines on Eerstehoek Water Scheme (Ward 10, 13, 14, part 16, 18, 20, 24, 25) (MIG)	4,000,000	4,000,000	14,000,000	350%	350%
Install package plants (5Ml) at Eerstehoek Water Treatment Works (Ward 10, 13, 14, part 16, 18, 20, 24, 25) (MIG)	-	-	-	-	-
Upgrade pumping capacity and retrofit Carolina Water Scheme (Ward 15, part 21, 22) (MIG)	17,584,800	11,584,800	11,584,800	-	66%
Upgrade Badplaas Water Scheme (Ward 17, 23) (MIG)	-	3,000,000	10,000,000	333%	0%
Upgrade Empuluzi Water Scheme (Ward 4, 5, 7, 9, 11) (MIG)	-	-	5,000,000		
Replace AC Pipes in Carolina (Ward 15, part 21, 22) (MIG)	-	-	-	-	-
Water Services Operating Subsidy (drill, equip boreholes) at the following areas: Lochiel, Oshoek, The Brook, Phaphama, Houtbos, Syde, Dewet, Dumberton, KaJim, Mashonamini, Engelsedraai, Teenline, Biyane, Schoeman, Mbejeka, Thugelisha, Enkanini, Nhlazatshe 7A, Bosville, Uitgevonden, Vlakplaas, Witklip, Kamboyi, part Nhlaba, Julius Mkhonto, Sebantani, Kranspan, Moedlig, Lusthof, Redhill, Ema-Eighteen (Ward 1, 3, 5, 6, 7, 8, 9, 12, 13, 16, 18, 19, 21, 23, 24, 25) (DWA)	12,260,000	12,260,000	12,260,000	-	-
<b>Sanitation/Sewerage</b>					
Provide VIP Toilets (MIG)	-	-	-	-	-
Construct 750 toilet top structures Silobela Ext 2 and 3 (Ward 15, 22) (MIG)	8,247,000	11,377,000	11,377,000	-	138%
<b>Electricity</b>					
Construct 18 high-mast lights / Replace 2 high-mast lights (Ward 1, 2, 6, 7 (Solomon and Suncity), 8, 9, 10, 11, 12, 18, 21) (MIG)	5,265,550	5,265,550	5,965,550	113%	113%
Electrify 861 households (Ward 4, 5, 6, 7, 8, 9, 13, 15, 16, 21, 22, 23, 24) (INEP - DOE/Own Funds)	14,544,000	14,544,000	14,544,000	-	-
Complete Household Electrification Programme (Ward 1, 11, 21, 23) (Own Funds)	1,507,308	1,507,308	1,507,308	-	-
Electrify households (Ward 6 Swallowsnest: Ward 12 Josefsdal Ekulindeni: Ward 19 (Witklip/Steynsdorp/Uitgevonden Mooiplaas); Ward 21 Kromkrans, Leliefontein; Ward 23, kaNgodosi/Grootkop/Engelsedraai/ Weergevonden Badplaas) (INEP - ESKOM)	-	-	-	-	-
Infills (all Wards) (INEP - ESKOM)	-	-	-	-	-
<b>Refuse removal</b>					
Construct Carolina Landfill Site (Ward 15, 21, 22) (MIG)	3,000,000	3,000,000	1,800,000	-54%	-54%
<b>Sports, Arts &amp; Culture</b>					
Construct Silobela Sport Fields (Ward 15, 22) (MIG/DCSR)	-	5,000,000	5,000,000	100%	-
<b>Other - Roads</b>					
Tar Roads (MIG/GSDM) - Nhlazatshe 3 Road (Ward 14, 16, 25) Nhlazatshe 1 Ring Road (Ward 16, 25) Construct tarring from Dundonald to Slovo (Ward 5, 6) Construct Ekulindeni Ring Road (Ward 12) Construct Badplaas Ring Road (Ward 17, 23) Construct Mayflower Ring Road (Ward 4, 9) Construct Mahoxo Road (Ward 2, 3) Construct Mooiplaas Road (Ward 19) Sixth Street Silobela (Ward 15)	11,000,000	18,870,000	44,000,000	233%	400%

Capital Programme by Project: Year 2013/14 R'000					
Capital Project	Original Budget	Adjustment Budget	Actual	Variance (Act - AB) %	Variance (Act - OB) %
<b>Other - Taxi Ranks</b>					
Construct Carolina Taxi Rank (Ward 15, 21, 22) (MIG)	0	0	0	0	0
Construct Tjakastad Taxi Rank (Ward 10, 13, 14, part 16, 18, 20, 25, 25) (MIG)	1,868,500	1,868,500	3,868,500	723%	723%
<b>Housing</b>					
Stormwater	0	0	0	0	0
Economic development	0	0	0	0	0
Environment	0	0	0	0	0
Health	0	0	0	0	0
Safety and Security	0	0	0	0	0
ICT	0	0	0	0	0

**APPENDIX O**

**CAPITAL PROGRAMME BY WARD**

Capital Programme by Project by Ward: 2013/14 R'000		
Capital Project	Ward(s) affected	Works completed (Yes/No)
<b>Water</b>		
Upgrading of Lusushwane Water Scheme	Ward 6, 8, part 16	No
Upgrading of Eerstehoek Water Treatment Works	Ward 10, 13, 14, part 16, 18, 20, 24, 25	No
Upgrading of pumping capacity and retrofitting of Eerstehoek Water Scheme	Ward 10, 13, 14, part 16, 18, 20, 24, 25	No
Replacement of AC Pipelines on Eerstehoek Water Scheme	Ward 10, 13, 14, part 16, 18, 20, 24, 25	No
Installation of package plants (5M <sup>3</sup> ) at Eerstehoek Water Treatment Works	Ward 10, 13, 14, part 16, 18, 20, 24, 25	Yes
Upgrading of pumping capacity and retrofitting of Carolina Water Scheme	Ward 15, part 21, 22	No
Upgrading of Badplaas Water Scheme	Ward 17, 23	No
Upgrading of Empuluzi Water Scheme	Ward 4, 5, 7, 9, 11	No
Replacement of AC Pipes in Carolina	Ward 15, part 21, 22	No
Water Services Operating Subsidy	Ward 1, 3, 5, 6, 7, 8, 9, 12, 13, 16, 18, 19, 21, 23, 24, 25	Yes
<b>Sanitation/Sewerage</b>		
Provision of VIP Toilets	-	No
Construction of 750 toilet top structure Silobela Ext 2 and 3	Ward 15, 22	Yes
<b>Electricity</b>		
Construction of 18 high-mast lights Replacing of 2 high-mast lights	Ward 1, 2, 6, 7 (Solomon and Suncity), 8, 9, 10, 11, 12, 18, 21	Yes
Electrification of 861 households	Ward 4, 5, 6, 7, 8, 9, 13, 15, 16, 21, 22, 23, 24	No
Completion of Household Electrification Programme	Ward 1, 11, 21, 23	Yes
Electrification of households	Ward 6 Swallowsnest Ward 12 Josefsdal (Ekulindeni) Ward 19 Witklip/Steynsdorp/Uitgevonden (Mooiplaas) Ward 21 Kromkrans, Leliefontein Ward 23 kaNgodosi/Grootkop/Engelsedraai/Weergevonden (Badplaas)	Yes
Infills	All Wards	No
<b>Refuse removal</b>		
Construction of Carolina Landfill Site	(Ward 15, 21, 22) (MIG)	No
<b>Sports, Arts &amp; Culture</b>		
Construction of Silobela Sport Fields	(Ward 15, 22) (MIG/DCSR)	No
<b>Other - Roads</b>		
<b>Tarring of Roads (MIG/GSDM) -</b> Nhlazatshe 3 Road Nhlazatshe 1 Ring Road Construction of tarring from Dundonald to Slovo Construction of Ekulindeni Ring Road Construction of Badplaas Ring Road Construction of Mayflower Ring Road Construction of Mahoxo Road Construction of Mooiplaas Road Sixth Street Silobela	Ward 14, 16, 25 Ward 16, 25 Ward 5, 6 Ward 12 Ward 4, 9 Ward 17, 23 Ward 2, 3 Ward 19 Ward 15	No
<b>Other - Taxi Ranks</b>		
Construction of Carolina Taxi Rank	Ward 15, 21, 22	No
Construction of Tjakastad Taxi Rank	Ward 10, 13, 14, part 16, 18, 20, 25, 25	No
<b>Housing</b>	-	
<b>Stormwater</b>	-	
<b>Economic development</b>	-	
<b>Environment</b>	-	
<b>Health</b>	-	
<b>Safety and Security</b>	-	
<b>ICT</b>	-	

APPENDIX P

SERVICE BACKLOGS : SCHOOLS AND CLINICS

Service Backlogs: Schools and Clinics				
Establishments lacking basic services	Water	Sanitation	Electricity	Solid Waste Collection
<b>Schools (NAMES, LOCATIONS)</b>				
None				
<b>Clinics (NAMES, LOCATIONS)</b>				
None				

APPENDIX Q

SERVICE BACKLOGS EXPERIENCED BY THE COMMUNITY  
WHERE ANOTHER SPHERE OF GOVERNMENT IS THE SERVICE PROVIDER

Service Backlogs Experienced by the Community where another Sphere of Government is the Service Provider (where the municipality whether or not act on agency basis)		
Services and Locations	Scale of backlogs	Impact of backlogs
Clinics		
Housing		
Licensing and Testing Centre		
Reservoirs		
Schools (Primary and High)		
Sports Fields		

APPENDIX R

DECLARATION OF LOANS AND GRANTS

Declaration of Loans and Grants made by the municipality: 2013/14				
All Organisations or Persons in receipt of Loans*/Grants* provided by the Municipality	Nature of project	Conditions attached to funding	Value 2013/14 R' 000	Total Amount committed over previous and future years
No loans or grants were made by the Municipality in the 2013/14 financial year				

## APPENDIX S

### NATIONAL AND PROVINCIAL OUTCOMES FOR LOCAL GOVERNMENT

National and Provincial Outcomes for Local Government 2013/14		
Outcome/Output	Progress to date	Number or Percentage Achieved
<b>Output: Improving access to basic services</b>		
Total 47,705 households	Number of households with access to FBW = 39,900	82%
	Number of households with access to FBS = 9,800	21%
	Number of households with access to FBE = 7,000	15%
	Number of households with access to FBRR = 9,000	19%
<b>Output: Implementation of the Community Work Programme</b>		
<b>Output: Deepen democracy through a refined Ward Committee model</b>	All Ward Committees members were elected and committees were fully functional. The Administration provided administrative assistance during ward committee meetings. Ward committees had monthly meetings	100%
<b>Output: Administrative and financial capability</b>		

*\* Note: Some of the outputs detailed on this table might have been reported for in other chapters, the information thereof should correspond with previously reported information.*

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**Web Address : [www.albertluthuli.gov.za](http://www.albertluthuli.gov.za)**



# Chief Albert Luthuli Municipality

*The transparent, innovative and developmental municipality that improves the quality of life of its people*

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Empuluzi +27 (0) 17 297 1562

Elukwatini +27 (0) 17 298 1542

Ekulindeni +27 (0) 17 299 1522



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All correspondence to be addressed to  
THE MUNICIPAL MANAGER

Your Ref:

Our Ref: 2/1/8; 9/1

Enquiries: P A Nkosi

Contact No: 017 843 4058

## TO WHOM IT MAY CONCERN

EXCERPT FROM THE MINUTES OF A MEETING OF THE CHIEF ALBERT LUTHULI MUNICIPAL COUNCIL  
HELD ON 21 JANUARY 2015

OFFICE OF THE MUNICIPAL MANAGER : PERFORMANCE MANAGEMENT SYSTEM : SUBMISSION AND  
TABLING OF THE ANNUAL REPORT FOR THE 2013/14 FINANCIAL YEAR

Resolved

That

1. The Annual Report for the 2013/14 financial year as submitted in terms of Section 127(2) of the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003), be approved without reservations.
2. In terms of Section 127 of the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003) read with Section 21 of the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000), the Annual Report for the 2013/14 financial year be made public for comment by the local communities.
3. The Annual Report for the 2013/14 financial year also be submitted to the Municipal Public Accounts Committee for recommendations when the Oversight Report on the Annual Report be considered.

SIGNED AT CAROLINA ON THIS 7<sup>TH</sup> DAY OF MARCH 2015.



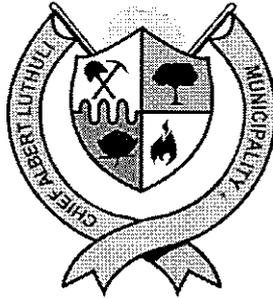
V N MPILA  
MUNICIPAL MANAGER

CL1.002/21012015

-/es

# Chief Albert Luthuli Municipality

*The transparent, innovative and developmental municipality that improves the quality of life of its people*



## MUNICIPAL PUBLIC ACCOUNTS COMMITTEE OVERSIGHT REPORT ON THE ANNUAL REPORT FOR THE 2013/14 FINANCIAL YEAR

Honourable Speaker, Clr S M Nkosi  
Honourable Executive Mayor, Clr B P Shiba  
Honourable Chief Whip, Clr D P Nkosi  
Members of the Mayoral Committee  
Members of the Municipal Public Accounts Committee  
Chairpersons of Section 79 Committees  
Honourable Councillors  
Chairperson of the Audit Committee, Mr T Gafane  
Representatives of the Office of the Auditor-General  
The Accounting Officer, Mr V N Mpila  
Officials of Chief Albert Luthuli Municipality  
Members of the community

Thank you for the opportunity to present the Oversight Report of the Municipal Public Accounts Committee on the Annual Report for the 2013/14 financial year.

The Oversight Committee is a Section 79 Committee established in terms of the Local Government: Municipal Structures Act and performs an oversight function on behalf of the Council.

### THE REPORT

Section 129(1) of the Local Government: Municipal Finance Management Act (MFMA), Act 56 of 2003, requires and orders that the council of a municipality must consider the annual report of the municipality and any municipal entity under its sole or shared **control**, and must adopt an oversight report containing the council's comments/inputs on the annual report, which must include a statement whether the council -

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

Council resolved at its meeting held on 21 January 2015 under Resolution Number CL1.002, among others :

- That in terms of Section 127 of the MFMA read with Section 21 of the MSA, the Annual Report for the 2013/14 financial year be made available for comments by the local communities.

- That the Annual Report also be submitted to the MPAC for recommendations when the oversight report on the Annual Report is considered.

Public hearings on the 2013/14 Annual Report were planned and held at different communities, including Fernie, Mayflower and Elukwatini. Carolina and Manzana meetings were reviewed and cancelled. Communities made their comments for consideration by the MPAC when drafting the Oversight Report.

The Annual Report for the 2013/14 financial year was also made available for public information and comments on the Council's website, at Council buildings, Unit Offices and other identified public places.

The report process required information-sharing with the Executive, Management, and other entities or bodies specified, to enable MPAC to scrutinize and make fair and effective recommendations, based on common understanding of the balance information acquired.

The number of meetings held to interrogate the Annual Report included:

- MPAC Study Group;
- Auditor-General's Office with the Executive and Administration (and MPAC);
- Auditor-General's Office with MPAC;
- MPAC with Audit Committee (Chairperson) and Internal Audit (Manager);
- PMS Manager and MPAC;
- Communities with MPAC (and PMS).

### **Summary of Comments and Findings on the 2013/14 Annual Report**

No improvement on Audit Opinion History since 2011/12 till 2013/14 on Property, Plants and Equipments; Predetermined Objectives, and Compliance with Applicable Laws and Regulations (basis of Audit Opinion).

Material losses (electricity): The extent of actual losses versus free basic service was not determined by the municipality and no control to minimize the actual losses implemented.

Debtors accounts were not properly followed to minimize the write-off of irrecoverable debtors.

Material impairments were incurred as the result of the provision of doubtful debts.

Material under-spending of the conditional grant (MIG) due to late receipt of the grant.

The Auditor-General also pointed out six other material findings and **root causes**, such as:

#### **1. Supply Chain Management**

-Management did not monitor and review the compliance with SCM legislation.

#### **2. Predetermined Objectives**

-Lack of monitoring and reviewing of the completeness and source documentation to support actual performance as reported (Community Services).

-Lack of understanding or/and implementation of SMART principles (Targets on Technical Services).

### 3. Human Resource

-Training of Performance Information Section is lacking (shortage of skills).

### 4. Information Technology Controls

-Management did not prioritize the development and implementation of application change control policies and procedures.

-Lack of implementation of service continuity policies and procedures (IT Service Continuity).

### 5. Quality of the Submitted Financial Statements

-Lack of continuous monitoring and review of financial statements submitted for auditing.

### 6. Financial Health Status

-Lack of monitoring and review of financial indicators (collections, spending losses).

### Commitments

The Management and Executive made commitments to improve corrective measures on matters raised in the Auditor-General Action Plan.

### Recommendations

- That the Oversight Report on the Annual Report for the 2013/14 financial year **be adopted by Council** in terms of Section 129(1), MFMA Act 56 of 2003.
- That it **be noted that Council approved** the Annual Report for the 2013/14 financial year without reservations in terms of Section 129(1)(a) of the MFMA, 2003 (Act No 56 of 2003)
- That the Oversight Report on the Annual Report for the 2013/14 financial year **be made available** to the public within seven days of its adoption by Council in terms of Section 129(3),MFMA, Act 56 of 2003.
- That the monthly progress report on the implementation of Auditor-General Action Plan on the issues raised by the Auditor-General as drafted by Management **be tabled** to both the Chairpersons of MPAC and Audit Committee respectively.

Thank you all.



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CLR R G VILAKAZI  
CHAIRPERSON  
MUNICIPAL PUBLIC ACCOUNTS COMMITTEE