

2012-13

ANNUAL REPORT

EPHRAIM MOGALE



MUNICIPALITY

Contents

CONTENTS

CONTENTS	2
PROPOSED REVISED ANNUAL REPORT TEMPLATE	6
CHAPTER 1 – MAYOR’S FOREWORD AND EXECUTIVE SUMMARY	8
COMPONENT A: MAYOR’S FOREWORD	8
COMPONENT B: EXECUTIVE SUMMARY	9
1.1. MUNICIPAL MANAGER’S OVERVIEW	9
1.2. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW.....	10
1.3. SERVICE DELIVERY OVERVIEW	16
1.4. FINANCIAL HEALTH OVERVIEW	17
1.5. ORGANISATIONAL DEVELOPMENT OVERVIEW	21
1.6. AUDITOR GENERAL REPORT	21
1.7. STATUTORY ANNUAL REPORT PROCESS.....	32
CHAPTER 2 – GOVERNANCE	34
COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE.....	34
2.1 POLITICAL GOVERNANCE.....	34
2.2 ADMINISTRATIVE GOVERNANCE	36
COMPONENT B: INTERGOVERNMENTAL RELATIONS.....	37
2.3 INTERGOVERNMENTAL RELATIONS.....	37
COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION	39
2.4 PUBLIC MEETINGS	39
2.5 IDP PARTICIPATION AND ALIGNMENT.....	42
COMPONENT D: CORPORATE GOVERNANCE	43
2.6 RISK MANAGEMENT	34
2.7 ANTI-CORRUPTION AND FRAUD.....	35
2.8 SUPPLY CHAIN MANAGEMENT.....	44

Contents

2.9	BY-LAWS	44
2.10	WEBSITES.....	45
2.11	PUBLIC SATISFACTION ON MUNICIPAL SERVICES.....	45
CHAPTER 3 – SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART I)		47
COMPONENT A: BASIC SERVICES.....		47
3.1.	WATER PROVISION	48
3.2	WASTE WATER (SANITATION) PROVISION	48
3.3	ELECTRICITY	48
3.4	WASTE MANAGEMENT (THIS SECTION TO INCLUDE: REFUSE COLLECTIONS, WASTE DISPOSAL, STREET CLEANING AND RECYCLING)	55
3.5	HOUSING	62
3.6	FREE BASIC SERVICES AND INDIGENT SUPPORT.....	63
COMPONENT B: ROAD TRANSPORT		<u>54</u>
3.7	ROADS.....	<u>55</u>
3.8	TRANSPORT (INCLUDING VEHICLE LICENSING & PUBLIC BUS OPERATION).....	69
3.9	WASTE WATER (STORMWATER DRAINAGE).....	71
COMPONENT C: PLANNING AND DEVELOPMENT		77
3.10	PLANNING.....	77
3.11	LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES).....	79
COMPONENT D: COMMUNITY & SOCIAL SERVICES		83
3.52	LIBRARIES; ARCHIEVES; MUSEUMS; GALLERIES; COMMUNITY FACILITIES; OTHER (THEATRES, ZOOS, ETC).....	83
3.55	CEMETORIES AND CREMATORIIUMS.....	84
3.56	CHILD CARE; AGED CARE; SOCIAL PROGRAMMES.....	88
COMPONENT E: ENVIRONMENTAL PROTECTION		91
3.59	POLLUTION CONTROL.....	92
3.60	BIO-DIVERSITY; LANDSCAPE (INCL. OPEN SPACES); AND OTHER (EG. COASTAL PROTECTION)	92
COMPONENT F: HEALTH.....		94

Contents

3.62	CLINICS.....	95
3.63	AMBULANCE SERVICES.....	95
3.64	HEALTH INSPECTION; FOOD AND ABBATOIR LICENSING AND INSPECTION; ETC.....	96
	COMPONENT G: SECURITY AND SAFETY	96
3.65	POLICE.....	96
3.66	FIRE	97
3.67	OTHER (DISASTER MANAGEMENT, ANIMAL LICENCING AND CONTROL, CONTROL OF PUBLIC NUISANCES AND OTHER).....	97
	COMPONENT H: SPORT AND RECREATION	97
3.68	SPORT AND RECREATION.....	97
	COMPONENT I: CORPORATE POLICY OFFICES AND OTHER SERVICES.....	101
3.69	EXECUTIVE AND COUNCIL.....	102
3.70	FINANCIAL SERVICES.....	105
3.71	HUMAN RESOURCE SERVICES.....	109
3.72	INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES	111
3.73	PROPERTY; LEGAL; RISK MANAGEMENT AND PROCUREMENT SERVICES	114
	COMPONENT J: MISCELLANEOUS	116
	CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE	168
	(PERFORMANCE REPORT PART II)	168
	COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL.....	168
4.1	EMPLOYEE TOTALS, TURNOVER AND VACANCIES.....	168
	COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE	170
4.2	POLICIES.....	171
4.3	INJURIES, SICKNESS AND SUSPENSIONS.....	
4.4	PERFORMANCE REWARDS.....	175
	COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE	175
4.5	SKILLS DEVELOPMENT AND TRAINING	176

Contents

COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE	178
4.6 EMPLOYEE EXPENDITURE	179
CHAPTER 5 – FINANCIAL PERFORMANCE	181
COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE	181
5.1 STATEMENTS OF FINANCIAL PERFORMANCE	181
5.2 GRANTS	184
5.3 ASSET MANAGEMENT	185
5.4 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS	187
COMPONENT B: SPENDING AGAINST CAPITAL BUDGET	189
5.5 CAPITAL EXPENDITURE	189
5.6 SOURCES OF FINANCE	190
5.7 CAPITAL SPENDING ON 5 LARGEST PROJECTS	191
5.8 BASIC SERVICE AND INFRASTRUCTURE BACKLOGS – OVERVIEW	192
COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS	193
5.9 CASH FLOW	194
5.10 BORROWING AND INVESTMENTS	195
5.11 PUBLIC PRIVATE PARTNERSHIPS	197
COMPONENT D: OTHER FINANCIAL MATTERS	198
5.12 SUPPLY CHAIN MANAGEMENT	198
5.13 GRAP COMPLIANCE	198
CHAPTER 6 – AUDITOR GENERAL AUDIT FINDINGS	199
COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS 2012/13	199
6.1 AUDITOR GENERAL REPORTS 2012/13	199
COMPONENT B: AUDITOR-GENERAL OPINION 2012/13	199
6.2 AUDITOR GENERAL REPORT 2012/13	199
GLOSSARY	201
APPENDICES	206

Contents

APPENDIX A – COUNCILLORS; COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE	206
APPENDIX B – COMMITTEES AND COMMITTEE PURPOSES	208
APPENDIX C –THIRD TIER ADMINISTRATIVE STRUCTURE.....	208
APPENDIX D – FUNCTIONS OF MUNICIPALITY / ENTITY	209
APPENDIX E – WARD REPORTING.....	211
APPENDIX F – WARD INFORMATION.....	213
APPENDIX G – RECOMMENDATIONS OF THE MUNICIPAL AUDIT COMMITTEE 2012/13.....	219
APPENDIX H – LONG TERM CONTRACTS AND PUBLIC PRIVATE PARTNERSHIPS.....	226
APPENDIX I – MUNICIPAL ENTITY/ SERVICE PROVIDER PERFORMANCE SCHEDULE	231
APPENDIX J – DISCLOSURES OF FINANCIAL INTERESTS	232
APPENDIX O – CAPITAL PROGRAMME BY PROJECT BY WARD 2008/09.....	234
APPENDIX P – SERVICE CONNECTION BACKLOGS AT SCHOOLS AND CLINICS.....	234
APPENDIX Q – SERVICE BACKLOGS EXPERIENCED BY THE COMMUNITY WHERE ANOTHER SPHERE OF GOVERNMENT IS RESPONSIBLE FOR SERVICE PROVISION	235
APPENDIX T - PRESIDENTIAL OUTCOME FOR LOCAL GOVERNMENT.....	223
APPENDIX U - PERFORMANCE OF SERVICE PROVIDERS.....	229
VOLUME II: ANNUAL FINANCIAL STATEMENTS.....	241

PROPOSED REVISED ANNUAL REPORT TEMPLATE

The purpose of this revised Annual Report template is to address the need expressed by a number of municipalities for assistance in the preparation and development of improved content and quality of Municipal Annual Reports. It replaces a template dating back to August 2003.

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

Preface

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

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

The revised template provides information on probity, including: anti-corruption strategies; disclosure of financial interests by officials and councillors; disclosure of grants by external parties, disclosure of loans and grants by municipalities. The appendices talk to greater detail including disaggregated information on municipal wards, among others.

Notes are included throughout the format to assist the compiler to understand the various information requirements. Once the draft has been finalised, training will be provided to facilitate the implementation of this initiative, and separate additional guidance may be issued if necessary.

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

MFMA Implementation Unit, National Treasury

Chapter 1

CHAPTER 1 – MAYOR’S FOREWORD AND EXECUTIVE SUMMARY

COMPONENT A: MAYOR’S FOREWORD

MAYOR’S FOREWORD

The Municipality budgeted R180 million during 2012/2013 financial year to address the needs and services to our communities, guided by the manifesto and our vision of: “Viable and sustainable municipality that provides quality services and enhance economic growth” and our commitment “to involve all sectors of the community in the economic and social development whilst improving service delivery thereby becoming a prominent agricultural, business, and mega industrial growth point in Sekhukhune District for the benefit of the residents and province” in our mission.

Infrastructural development remains the cornerstone of the service delivery to our communities that will assist to improve the lives of our people. Our commitment to infrastructural development was in line with the marching order directed by the President Zuma stated during the state of the nation address of 2012, that “infrastructure expansion is identified as one of the key pillars that must be used to improve the living conditions of our communities, whilst at the same time create job opportunities for our people”. In adhering to the marching order this municipality completed phase one of the Moganyaka internal road, Malebitsa and Vaalbank internal roads, rehabilitated the Administration block, revamped the political offices and the Council Chamber, developed the Road and Storm Water Master plan; high mast light installed in Letebejane/Ditholong Villages, constructed Makhutso Low Level bridge, refurbished Elandskraal and Malebitsa Stadiums and the Leeuwfontein Taxi Rank. The Moganyaka internal road phase two project was also completed .

The municipality employed 45 EPWP workers to provide quality cleaning services in central town of Marble Hall, Leeuwfontein and Elandskraal. New cemetery in the Ward 7 are being developed and all necessary soil tests was done. Procurement of the material for the fencing of cemeteries across the municipality was done and communities was engaged as part of EPWP to construct the fencing

The municipality commitment to have skilled and professional nation resulted in the awarding of the bursary to 16 learners at various tertiary institutions. This include the ten continue student and the 6 new ones. The municipality spent over R650 000 that include the bursary offered to the 12 staff members. The municipality has continued awarding the top ten (10) best performed learners and the best performed school within the boundaries of the Ephraim Mogale Local Municipality for 2012 academic year

Conclusion

This municipality has potential of providing and delivering the services to the communities provided that all

Chapter 1

commit to work together as Councilors and officials of the municipality, including the labour movement.

It is acknowledged that the funds allocated to the municipality and income received for service delivery is not enough and will never be to meet the challenges the communities have raised and the municipality is facing. A request is made to all stakeholders, specially the business sector to augment through their social responsibilities in addressing some of the social need of the communities.

Special sincere gratitude is extended to the communities of Ephraim Mogale, whom despite the financial challenges the municipality is faced with which affect the service delivery to their villages, always avail themselves when called for consultations; it can be during the IDP process and any public participation programmes.

Sincere thanks to Exco Members, Hon. Speaker and Chiefwhip for their support during this financial year as they always do, the Portfolio Committees, the Council in general and officials of this municipality.

Signed _____

M Y Mmakola

Mayor

COMPONENT B: EXECUTIVE SUMMARY

1.1. MUNICIPAL MANAGER'S OVERVIEW

MUNICIPAL MANAGER'S OVERVIEW

Improvements were made in service delivery by implementing projects for Moganyaka internal road, both Malebitsa and Vaalbank internal roads, rehabilitation of the Administration block, revamp of the political offices and the Council Chamber, development of the Road and Storm Water Master plan; high mast light installation in Letebejane/Ditholong Villages; Makhutso Low Level bridge, refurbishment of Elandskraal and Malebitsa Stadiums and the Leeuwfontein Taxi Rank.

IDP, Budget and SDBIP for 2012/13 was approved by Council on 31 May 2012 which is aligned with each other

Chapter 1

and is based on the priorities of the community after public consultation process during April 2012

Performance review meetings was held on quarterly basis to measure the performance of each of the 5 departments against the set target indicators in accordance with the SDBIP.

T 1.1.1

1.2. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

INTRODUCTION TO BACKGROUND DATA

The Ephraim Mogale Local Municipality is situated in the western part of Sekhukhune district municipality. The land are is approximately 1911 square kilometres . The Municipality has been incorporated in Limpopo Province in accordance with proclamation no.422 dated 27 December 2005

The municipal area encompasses the towns of Marble Hall, Elandskraal, Leeuwfontein, Regae, Zamenkomst and 65 rural villages

The Municipality has an estimated population of 177440 people.

The Council is made up of 32 councilors, 16 ward councilors and 16 PR councilors.

To satisfy the basic requirements of the community the municipality has organized itself in 5 departments headed by the Municipal Manager with the Chief Internal Auditor and 5 Directors of Corporate Services, Community services, Technical services, Financial services and Strategic Planning reporting directly to the Municipal Manager. Water and sanitation function are handled by Sekhukhune district and Director co-ordinates their operations. Audit committee has been established and meetings were held on regular basis .Performance assessment panel has been established to assess the individual performance of the section 57 Managers.

Chapter 1

Population details

Demographic Analysis

Population density – 91 people per km², Urban rural population – 11.8% urban and 88.2% rural

Age profile – 0-9yrs=90675,20-59yrs=66262,60yrs+= 17438 : Total = 174375

Gender Breakdown – Male = 78796,Female = 95579 : Total = 174375

Education :None =43593,Primary = 45337,Secondary = 38362,Tertiary = 1743,Unspec.= 5231,Population below 5yrs = 20925 – Total = 174375

Population

The table below gives details of the wards, names of villages, population and number of households:

Ward	Name of village	Population	No of households
1	Driefontein	3025	550
1	Malebitsa(Kwamatabana Vlakplaas)	6193	1126
Total		9218	1676
2	Rathoke(Part)	5470	943
2	Uitvluht(Ga-Botha)	7100	1291
Total		12570	2234
3	Metsanangwana(Keerom Makokomane)	3870	704
3	Mmakola(Doornlaagte Klopper)	3400	618
3	Spitspunt	2869	522
Total		10139	1844

4	Zamenkomst(Matlerekeng)	3832	697
4	Rathoke(Part)	3330	666
Total		7162	1363
5	Toitskraal Commercial farming	283	51
5	Other farming areas	3912	809
5	Farming areas	3988	825
5	Matla-a-Ramoshebo(Part)	1056	264
Total		9239	1949

Chapter 1

Ward	Name of village	Population	No of households
6	Matla-a-Ramoshebo(Part)	5896	1000
6	Mokgwaneng(Tweefontein Holdings)	1683	306
6	Mamaneng(Witfontein Holdings)	1457	265
6	Matatadibeng(Mahlakodisea)	280	51
6	Tshikanosi(Leeukuil)	2620	476
6	Ditholong	1343	244
6	Toitskraal Agri Holdings(Matswayaneng Kgomotlou)	397	72
Total		13676	2414
7	Marble Hall	3377	965
7	Farming areas	3687	825
7	Moosrivier	1468	367
Total		8532	2157
8	Leeuwfontein A (Moganyaka)	7590	1380
8	Leeuwfontein A Ext 1 RDP	2175	725
Total		9765	2105
9	Moganyaka North(Brakfontein A Kgosing)	1425	259
9	Moganyaka South(Brakfontein B New Stand	3119	567
9	Manapyane(Leeuwfontein B, Manapsane)	2594	472
Total		7138	1298
10	Makgatle A(Makharankana,Mmakgabe/Klipspruit)	836	152
10	Makgatle B(Makharankana, kgabe/Klipspruit)	1133	206
10	Mamphokgo(Rietvallei)	4015	730
10	Boschoek		
Total		5984	1088

11	Ragaphela(Rakgwadi), Mohlalaotwane (Vooruitsig)	6050	1100
	Ga-Matlala	3296	599
11	Moeding(Welgelegen,Saliesloof)	1203	219
11	Selebaneng(Ramoroke)	314	57
11	Puleng(Paardenzoek)	328	60
11	Puleng B(Masanteng, Paardenzoek)	219	40
11	Matilu(Klipkloof)	469	85
11	Goru(Makhutse)	300	55
11	Makhutso	500	91
Total		12679	2306

Chapter 1

Ward	Name of village	Population	No of households
12	Legolaneng(part)	275	50
12	Mabitsi A(Goedetrouw)	800	145
12	Mabitsi B(Goedetrouw)	1700	309
12	Ngwalemong A(Buffelskloof)	1287	234
12	Ngwalemong B	550	100
12	Mmakgatle(12),(Ga-Hlopa, Klipspruit)	2300	418
12	Mmotwaneng	2611	475
12	Serithing(Goedetrouw)	1613	293
12	Vaalbank(Goedetrouw)	1446	263
Total		12582	2287

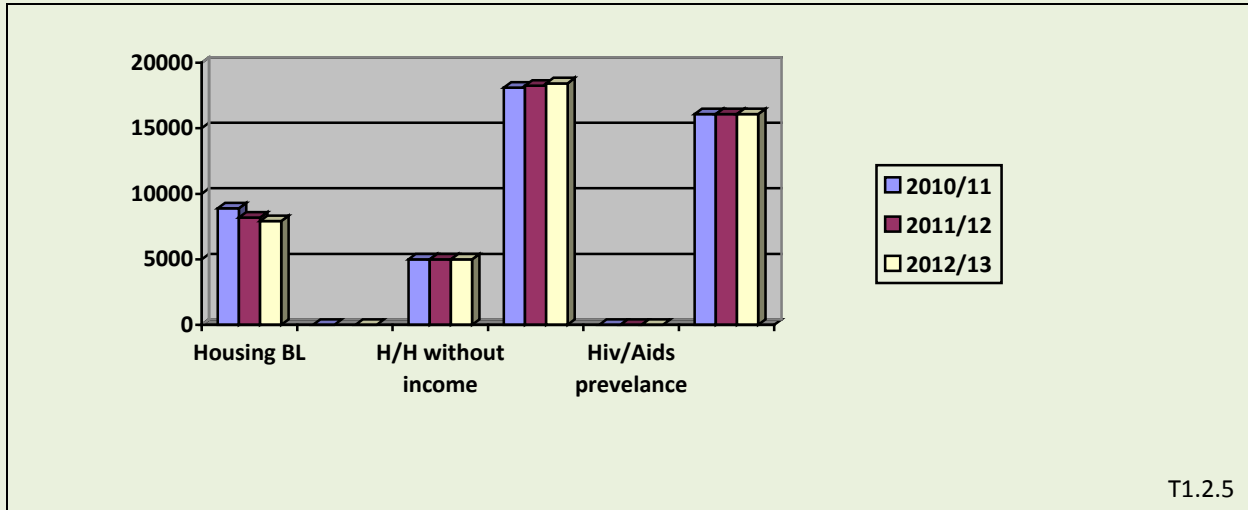
Ward	Name of village	Population	No of households
13	Doornspruit A(Greenside)	2865	521
13	Mohlotsi(Buffelsfontein A)	1100	200
13	Disanyane(Goedgedacht,Motseleope)	2200	400
13	Ga-Masha(Seruleng,Masha)	1305	237
13	Ga-Mmela(Monte Video)	290	53
13	Gareagopola	880	160
13	Manotlwaneng(Ga-Ragopole)	660	120
13	Kgaruththu(Frischgewaagd)	285	52
13	Mathukhuthela A(Goedgedacht)	1177	214
13	Mathukhuthela B(Goedgedacht)	913	166
13	Moomane(Goedehoop)	2833	515
13	Matseding	1584	396
13	Tompi Seleka(Nyakelang, Arabie Agri College)	1173	20
Total		17265	3054
14	Dichoeung(Doornpoort)	4650	845
14	Regae(Van der Merwes Kraal,Tsantsabela)	11000	2000
Total		15650	2845
15	Elandskraal A(Sevenstad)	12000	2182
15	Elandskraal A Ext 1		
15	Weltevreden(Mbuzin)	2488	452
15	Hinlopen(Morarela)	2000	364
Total		16488	2998

Chapter 1

Ward	Name of village	Population	No of households
16	Rooibokkop	242	60
16	Ditholong(Lolamontes)	2420	440
16	Mogalatsana(Coetzeesdraai)	1211	220
16	Phetwane(Hindostan)	889	162
16	Tsimanyane North(Goevertrouwen)	1577	287
16	Tsimanyane South(Mooihoek)	1300	236
16	Tsimanyane Ext(Mashemong)		
16	Letebejane(Kromdraai)	1714	312
16	Schuinsdraai nature reserve		
Total		9083	1717
Grand Total		177440	33326

SOCIO ECONOMIC STATUS						
Year	Housing Backlog as proportion of current demand	Unemployment rate	Proportion of households without income	Proportion of population in low skilled employment	HIV/AIDS prevalence	Illiterate people older than 14 years
2010/11	8895	41.3%	4988	18095	16.7%	16077
2011/12	8195	41.3%	4988	18246	16.7%	16077
2012/13	7910	41.3%	4988	18430	16.7%	16077

Chapter 1



NATURAL RESOURCES	
Major Natural Resource	Relevance to Community
Olifants River	Commercial farms and emerging farmers on the banks of the river to east/north of the municipality

Chapter 1

COMMENT ON BACKGROUND DATA:

The Key challenges on the data provided above is that due to the unemployment rate of 41.3% it is not possible to increase the revenue base from service fees. The opportunities are to update the address data on consumer accounts in order that accounts can be rendered to all property owners in the municipality who are liable for property rates and in so doing increase the revenue base of the municipality.

The major resources of municipality is the equitable share, MIG, income from electricity reticulation in town ,income from property rates and income from refuse removal. Municipal infrastructure grant and council capital fund for current year was utilized to implement the following priority projects emanating from the IDP after community consultation:

Moganyaka internal road, both Malebitsa and Vaalbank internal roads, rehabilitation of the Administration block, revamp of the political offices and the Council Chamber, development of the Road and Storm Water Master plan; high mast light installation in Letebejane/Ditholong Villages; Makhutso Low Level bridge, refurbishment of Elandskraal and Malebitsa Stadiums and the Leeuwfontein Taxi Rank.

T1.2.8

1.3. SERVICE DELIVERY OVERVIEW

SERVICE DELIVERY INTRODUCTION

Service delivery improvement projects that were implemented during the year under review are Moganyaka internal road, both Malebitsa and Vaalbank internal roads, rehabilitation of the Administration block, revamp of the political offices and the Council Chamber, development of the Road and Storm Water Master plan; high

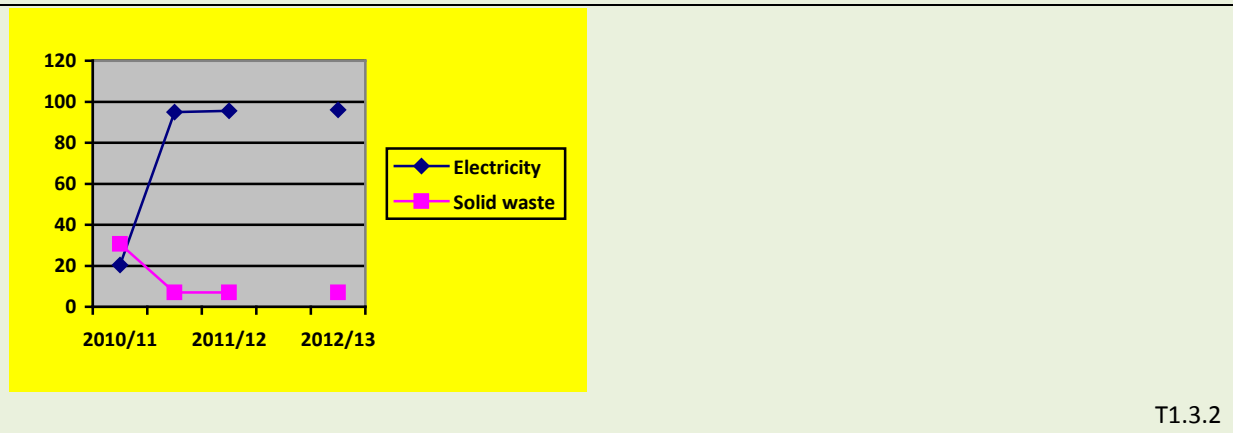
Chapter 1

most light installation in Letebejane/Ditholong Villages; Makhutso Low Level bridge, refurbishment of Elandsdraal and Malebitsa Stadiums and the Leeuwfontein Taxi Rank.

Challenges is that supply chain management process is to slow and that some service providers do not deliver quality work which causes delay in implementation of projects

Free basic services are provided to indigents who are registered in terms of the Indigent policy of council and subject to available budget.

Proportion of households with access to basic services – Electricity and Solid waste



T1.3.2

COMMENT ON ACCESS TO BASIC SERVICES:

31314 (96%) of households have access to electricity and only 2345(7%) of households have access to solid waste. The aim is to expand solid waste service to Elandsdraal and Leeuwfontein RDP

1.4. FINANCIAL HEALTH OVERVIEW

FINANCIAL OVERVIEW

- Revenue from own source represents 35% of total revenue in 2012/2013 staying constant at 35% in 2013/2014. This indicates that the municipality is still dependent on government grants than its own revenue sources.
- Electricity and property rates remain the major source of revenue for the municipality at an average of 31% over the medium term.
- Property rates increases from 17% of own revenue in 2010/11 to 18% in 2011/12. The rate is also at 18% of own revenue in 2012/13. This is mainly due to the implementation of the annual valuation roll.
- Electricity revenue contributes an entire 55% of own revenue over the medium term period.

Chapter 1

Total revenue of R 181 141 327.88 has been budgeted in the 2012/13 financial year which is an average increase of 18% from 2010/2011 so as to enable the municipality to fund all operating and capital expenditure:

Challenges is lack of enough human capital which HR is busy addressing as adverts were placed. Having enough staff will ensure that finance department perform to the level of achieving clean audit.

The financial health of the municipality is sound as can be depicted from the financial ratios in chapter 5

T1.4.1

Financial Overview - 2012/13			
			R000
Details	Original budget	Adjustment Budget	Variance
Income	181 141 328	181 548 503	-0.024%
Salaries	44 453 080	44 453 080	0.000%
Repairs	8 559 977	8 679 276	1.402%
Redemption of loans	3 048 591	501 773	-83.541%
Councillors	8 986 749	8 992 749	0.067%
Operational expenditure	66 182 571	67 060 566	1.327%
Capital	46 795 000	48 295 000	3.205%
Contribution to funds	3 116 060	3 116 060	0.000%
Total expenditure	181 142 028	181 098 504	
Net surplus/deficit	700	449 999	

Chapter 1

Operating ratios	
Detail	%
Employee cost	24.5%
Repairs & Maintenance	4.7%
Finance charges & depreciation	20%

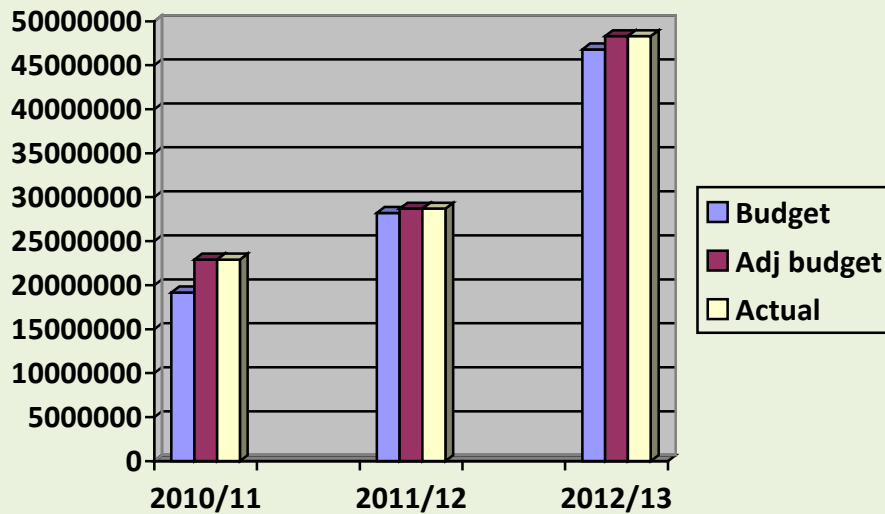
COMMENT ON OPERATING RATIOS:

Employee costs are within the norms on 24.5%. Repairs and maintenance are on 4.7% and will be gradually increased on an annual basis as basic service delivery priorities are implemented. Finance Charges and Depreciation are 20% and will decrease as old assets are phased out.

T1.4.3.

Chapter 1

TOTAL CAPITAL EXPENDITURE 2010/11 – 2012/13			
			R000
Detail	2010/11	2011/12	2012/13
Original Budget	19 178 900	28 210 000	46 795 000
Adjustment budget	22 907 539	28 709 058	48 295 000
Actual	22 907 539	28 709 058	48 295 000



COMMENT ON CAPITAL EXPENDITURE:

Slight adjustments were made on capital budget against actual budgets over the 3 years to cater for increased costs due to delay in procuring services . Actual expenditure was realised against adjusted budgets

Chapter 1

T 1.4.5.1

1.5. ORGANISATIONAL DEVELOPMENT OVERVIEW

ORGANISATIONAL DEVELOPMENT PERFORMANCE

Performance of the organisation was reviewed on quarterly basis and in cases of under performance remedial action was taken to rectify.

1.6. AUDITOR GENERAL REPORT

AUDITOR GENERAL REPORT 12/13

Chapter 1

REPORT OF THE AUDITOR-GENERAL TO THE LIMPOPO PROVINCIAL LEGISLATURE AND THE COUNCIL OF EPHRAIM MOGALE LOCAL MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I was engaged to audit the financial statements of the Ephraim Mogale Local Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2013, the statements of financial performance, changes in net assets and cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

The accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2012 (Act No. 5 of 2012) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer opinion

Accumulation of material uncorrected misstatements

4. The financial statements as a whole are materially misstated due to the cumulative effect of numerous individually immaterial uncorrected misstatements in the following elements making up the statement of financial position, the statement of financial performance and the notes to the financial statements:
 - Inventories reflected as R644 660 is understated by R783 292
 - Accumulated surplus reflected as R890 958 479 is overstated by R1 057 807
 - Repairs and maintenance reflected as R6 245 234 is understated by R318 158
 - Expenditure reflected as R154 231 412 is overstated by R683 470

As a result, I was unable to determine whether any further adjustments to these elements were necessary.

Property, plant and equipment

5. Section 84(1)(f) of the Municipal Structures Act, 1998 (Act No. 117 of 1998) states that the district municipality has the powers and function with regards to municipal roads which form an integral part of a road transport system for the area of the district municipality as a whole. I was unable to obtain sufficient appropriate audit evidence that management has properly accounted for all roads as the municipality did not have systems and procedures in place to assess the rights and ownership thereof. I was unable to confirm the roads infrastructure by alternative means. Consequently, I was unable to determine whether any adjustment to roads infrastructure stated at R712 873 275 (2012: R779 947312) in the financial statements was

Chapter 1

necessary

6. The municipality did not separately depreciate items of property, plant and equipment in accordance with SA Standards of GRAP 17, *Property, plant and equipment*. Included in property plant and equipment of R712 873 275 as disclosed in note 5 to the financial statements, is a balance of R65 831 263 of infrastructure assets that have not been depreciated separately as these assets were not unbundled. Consequently, I was unable to determine whether any adjustment to property, plant and equipment stated at R712 873 275 (2012: R779 947312) in the financial statements was necessary.
7. The municipality did not depreciate items of property, plant and equipment on a systematic basis over its useful life in accordance with SA Standards of GRAP 17, *Property, plant and equipment*. I have identified differences to the amount of R3 579 409 in the depreciation expense per my calculation and the depreciation expense calculated by the municipality. Consequently, depreciation of R37 802 337 (2012: R34 079 216) as disclosed in note 5 to the financial statements is overstated by R3 579 409.
8. I identified projects that were still in progress that was included in the underlying accounting records as completed projects. In addition, depreciation has been incorrectly calculated on these assets. Consequently, I was unable to determine whether any adjustment to property, plant and equipment and depreciation stated at R712 873 275 (2012: R718 987 455) and R37 802 337 (2012: R34 079 216) respectively in the financial statements was necessary.
9. I identified land and buildings that were not recorded in the underlying accounting records of the municipality. I was unable to confirm the land and buildings by alternative means. Consequently I was unable to determine whether any adjustment relating to the land and buildings stated at R32 248 026 (2012: R30 595 088) in the financial statements was necessary.
10. I identified unexplained differences in additions to property, plant and equipment between the fixed asset register and supporting documentation to the amount of R2 498 033. In addition, I was unable to obtain sufficient appropriate audit evidence for additions to property, plant and equipment to the amount of R35 084 161 (2012: R18 476 088). The municipality's records did not permit the application of alternative procedures regarding this amount. Consequently, I was unable to determine whether any adjustments to the additions to property, plant and equipment were necessary.
11. I identified a significant number of assets that were not included in the fixed asset register of the municipality. In addition, the underlying accounting records of the municipality did not in all instances include the location of movable tangible capital assets to enable me to perform a physical verification of these assets. In addition, assets could also not in all cases be found at their recorded locations. Consequently I was unable to determine whether any adjustment relating to the property, plant and equipment stated at R776 725 074 (2012: R779 947 312) in the financial statements was necessary.
12. I was unable to obtain sufficient appropriate audit evidence about property, plant and equipment to the amount of R7 675 322. I was unable to confirm the additions to property, plant and equipment by alternative means. Consequently I was unable to determine whether any adjustment to property, plant and equipment stated at R776 725 074 (2012: R779 947 312) was necessary.

Solid waste disposal site

13. Section 84(1)(e) of the Municipal Structures Act states that the district municipality has the powers and function with regards to solid waste disposal sites. The district municipality has transferred the powers to the local municipality through *Provincial Gazette No 719*. The municipality did not account for the solid waste disposal site in the financial statements. Consequently, I was unable to determine whether any adjustment relating to property, plant and equipment as well as the provision for the rehabilitation of the solid waste disposal site was necessary.

Chapter 1

Investment property

14. I was unable to obtain sufficient appropriate audit evidence for differences identified between the investment property disclosed in the financial statements and the underlying accounting records to the amount of R58 525 000. The municipality's records did not permit the application of alternative procedures regarding this amount. Consequently, I was unable to determine whether any adjustments to the investment property stated at R107 329 000 (2012: R63 917 414) in the financial statements was necessary.
15. I identified land that was not recorded in the underlying accounting records of the municipality. I was unable to confirm the investment property by alternative means. Consequently I was unable to determine whether any adjustment relating to the investment property stated at R107 329 000 (2012: R63 917 414) in the financial statements was necessary.
16. Sufficient appropriate audit evidence for the disposal of investment properties to the amount of R18 758 000 could not be obtained. In addition, I was unable to obtain sufficient appropriate audit evidence for the fair value adjustment on investment properties to the amount of R62 169 585. I was unable to confirm the investment property by alternative means. Consequently I was unable to determine whether any adjustment relating to the investment property stated at R107 329 000 (2012: R63 917 414) in the financial statements was necessary.

Repairs and Maintenance

17. I was unable to obtain sufficient appropriate audit evidence about repairs and maintenance to the amount of R3 352 998. I was unable to confirm the expenditure by alternative means. Consequently I was unable to determine whether any adjustment to repairs and maintenance stated at R6 245 234 (2012: R6 993 698) was necessary.

Contingent liability

18. The municipality has not disclosed a contingent liability in respect of the uncertainties arising from the dispute declared by the unions and the pending litigation regarding the wage curve agreement. I was unable to confirm the contingent liabilities by alternative means. Consequently, I am unable to determine whether any adjustments to contingent liability stated at R2 137 220 (2012 R2 137 220) in the financial statements was necessary.

Cash and cash equivalents

19. The municipality could not provide sufficient appropriate audit evidence to support the reconciling items of R3 000 658 in respect of cash and cash equivalents. Furthermore, records substantiating an unreconciled balance of R2 584 592 could not be provided for audit. There were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance that cash and cash equivalents were properly recorded. Consequently, I was unable to determine whether any adjustments to cash and cash equivalents stated at R32 429 817 (2012: R13 229 714) disclosed in note 13 to the financial statements was necessary.
20. The municipality did not disclose its accounting policy on cash and cash equivalents in the financial statements as required by the SA Statements of GRAP 1: *Presentation of Financial Statements*.

Cash flow statement

21. I was unable to obtain sufficient appropriate audit evidence for the comparative amount of R8 829 725 in the cash flow statement. The municipality's records did not permit the application of alternative procedures regarding this amount. Consequently, I was unable to determine whether any adjustments to the comparative amount on the cash flow statement were necessary.

Chapter 1

Intangible assets

22. The municipality recognise assets meeting the definition of an intangible asset in accordance with SA Standards of GRAP 31, *Intangible assets*. I was unable to obtain sufficient appropriate audit evidence for electricity energising rights that was recognised as intangible assets. Consequently, I was unable to determine whether any adjustment relating to the intangible assets stated at R371 171 in the financial statements was necessary.
23. The municipality did not recognise assets meeting the definition of an intangible asset in accordance with SA Standards of GRAP 31, *Intangible assets*. I identified computer software used by the municipality that were not recognised as intangible assets. Consequently I was unable to determine whether any adjustment relating to the intangible assets stated at R371 171 in the financial statements was necessary.

Value Added Tax

24. The municipality entered into an agency agreement with its district municipality for the provision of water services. As the agent, the municipality has accounted for VAT on the water transactions in contravention with the VAT Act. The municipality also entered in to an agency agreement with the department of roads and transport for the collecting of license fees and issuing licenses and permits on behalf of the provincial government. The municipality did not account for output tax on the commission or agency fees for the services rendered in contravention with the VAT act. The municipality's records did not permit the application of alternative procedures regarding the VAT disclosed in the financial statements. Consequently, I was unable to determine the correct amount of the VAT payable balance of R4 308 571 (2012: R873 785) as disclosed in note 17 to the financial statements.
25. I identified unexplained differences between the VAT returns, the amount disclosed in the financial statements and the amount accounted for in the underlying documents. The municipality's records did not permit the application of alternative procedures regarding the VAT disclosed in the financial statements. Consequently, I was unable to determine the correct amount of the VAT payable balance of R4 308 571(2012: R873 785) as disclosed in note 17 to the financial statements.

Unspent conditional grants

26. The municipality did not account for unspent conditional grants for Finance Management Grant Expanded Public Works Programme, Municipal Infrastructure Grant and Municipal System Improvement Program Grant. The municipality could not provide sufficient appropriate evidence to quantify the unspent conditional grants at year end. Consequently, I am unable to determine whether any adjustments to unspent grants stated at Rnil (2012: R5 728 238) as disclosed in note 14 to the financial statements was necessary.

Employee costs

27. The personnel cost of R39 638 076 (2012: R34 189 395), as disclosed in note 28 to the financial statements, does not agree to the balance of R42 016 817 per the underlying accounting records. The entity did not reconcile the difference of R2 378 741 between the financial statements and the underlying accounting records. Consequently, the personnel cost balance is overstated by R2 378 741. I could not determine the effect on the other account balances or classes of transactions contained in the financial statements.
28. Remuneration of councillors of R9 739 948 (2012: R8 867 091), as disclosed in note 29 to the financial statements, does not agree to the balance of R8 916 893 per the underlying accounting records. The entity did not reconcile the difference of R823 055 between the financial statements and the underlying accounting records. Consequently, the personnel cost balance is overstated by R823 055. I could not determine the effect on the other account balances or classes of transactions contained in the financial statements. In addition, remuneration of ordinary councillors was not disclosed in note 29 to the financial statements.

Chapter 1

Payables

29. I identified amounts that were incorrectly accrued at year end to the amount of R1 570 352. In addition, the entity did not account for accruals to the amount of R847 481. The municipality's records did not permit the application of alternative procedures regarding this amount. Consequently I was unable to determine whether any adjustment relating to the payables stated at R12 777 777 (2012: R7 152 829) in the financial statements was necessary.
30. I was unable to obtain sufficient appropriate audit evidence about payables from exchange transactions as the underlying accounting records did not support the amounts disclosed. I was unable to confirm payables from exchange transactions by alternative means. Consequently I was unable to determine whether any adjustments to payables from exchange transactions stated at R20 037 029 (2012: R14 092 491) in the financial statements were necessary.
31. I was unable to obtain sufficient appropriate audit evidence for a journal entry identified in the underlying accounting records amounting to R2 136 145. The municipality's records did not permit the application of alternative procedures regarding this amount. Consequently, I was unable to determine whether any adjustments to the accruals were necessary.

Commitments

32. I was unable to obtain sufficient appropriate audit evidence that the municipality has adequate systems in place to account for all contracts. Consequently, I was unable to determine whether any adjustment to the commitments figure stated at R9 237 944 (2012: R5 278 238) disclosed in note 41 in the financial statements were necessary.
33. I was unable to obtain sufficient appropriate audit evidence for the restatement of the corresponding figure for commitments as disclosed in note 41 to the financial statements. I was unable to confirm the restatement by alternative means. Consequently I was unable to determine whether any adjustment to the commitments corresponding figure stated at R3 537 217 in the financial statements was necessary.

Receivables

34. I was unable to obtain sufficient appropriate audit evidence for credit balances to the amount of R1 081 523 included in receivables from exchange transactions. Consequently, I was unable to determine whether any adjustment to receivables stated at R7 670 857 (2012: R4 436 319) disclosed in note 12 to the financial statements was necessary.

Revenue

35. I was unable to obtain sufficient appropriate audit evidence about fines and licenses received, as internal controls were not established over the collection thereof prior to the initial entry into the financial records. I was unable to confirm whether all fines and licenses were recorded by alternative means. Consequently, I was unable to determine whether any adjustments to fines and licenses stated at R162 321 (2012: R223 424) in the financial statements was necessary.
36. I identified revenue disclosed in the financial statements to the amount of R30 516 286 to recognise expenses relating to grants. Actual expenditure disclosed relating to grant conditions amounted to R24 793 837. The municipality did not reconcile the difference of R5 722 449 between the financial statements and the underlying accounting records. Consequently, the revenue balance is overstated by R5 722 449. I could not determine the effect on the other account balances or classes of transactions contained in the financial statements.

Prior year errors

37. I was unable to obtain sufficient appropriate audit evidence for the correction of prior period errors as described in note 43 to the financial statements. I was unable to confirm the correction of prior period errors by alternative means. Consequently I was unable to determine

Chapter 1

whether any adjustment to the related corresponding figures stated at R2 376 506 in the financial statements was necessary.

Related parties

38. Related parties of R14 738 840 (2012: R16 276 253), as disclosed in note 42 to the financial statements, does not agree to the balance of R19 697 055 per the underlying accounting records. The entity did not reconcile the difference of R4 958 215 between the financial statements and the underlying accounting records. Consequently, the related parties balance is overstated by R4 958 215.

Irregular expenditure

39. The municipality did not include particulars of irregular expenditure in note 49 to the financial statements as required by section 125(2)(d) of the MFMA. The municipality made payments in contravention of the supply chain management requirements which were not included in irregular expenditure, resulting in irregular expenditure being understated by R35 097 856 (2012: R61 892 928). The municipality did not have adequate systems in place to identify and report on all irregular expenditure incurred. Consequently I was unable to determine the full extent of the understatement in irregular expenditure as it was impracticable to do so.

Disclaimer of opinion

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

Emphasis of matter

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

Restatement of corresponding figures

41. As disclosed in note 43 to the financial statements, the corresponding figures for 30 June 2012 have been restated as a result of an error discovered during 2013 in the financial statements of the municipality at, and for the year ended, 30 June 2012.

Additional matters

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

Unaudited supplementary schedules

42. The municipality provided supplementary information in the financial statements on whether resources were obtained and used according to the legally adopted budget, in accordance with SA Standards of GRAP 1, *Presentation of financial statements*. The supplementary budget information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. Accordingly, I do not express an opinion thereon.

Withdrawal from the audit engagement

43. Due to the limitation imposed on the scope of the audit by management, I have disclaimed my opinion on the financial statements. But for the legislated requirement to perform the audit of the municipality I would have withdrawn from the engagement in terms of the ISAs.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Chapter 1

Predetermined objectives

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

Usefulness of information

Presentation

Measures taken to improve performance not disclosed

49. Section 46 of the Municipal Systems Act 2000, (Act No. 32 of 2000) (MSA) requires disclosure in the annual performance report of measures taken to improve performance where planned targets were not achieved. Measures to improve performance for a total of 26% of the planned targets not achieved were not reflected in the annual performance report. This was due to a lack of documented and approved internal policies and procedures to address reporting requirements and lack of review of the presentation of the annual performance report by management.

Consistency

Changes to objectives not approved

50. Section 25(2) of the MSA determines that an integrated development plan adopted by a municipal council may be amended in terms of section 34 and remains in force until an integrated development plan is adopted by the next elected council. Therefore, if the integrated development plan is changed in-year this process has to take place in accordance with the process as prescribed per section 34 of the MSA.
51. A total of 36% of development priorities reported in the annual performance report were changed in-year without following the process as prescribed in section 34 of the MSA and without adoption by the council of the municipality. This was due to a lack of documented and approved internal policies and procedures to address reporting requirements and lack of review of the reported performance information by management.

Reliability of information

52. The National Treasury FMPPi requires that institutions should have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. The information presented with respect to electricity, roads and storm water was not reliable when compared to source information and evidence provided. This was due to lack of monitoring of the completeness of source documentation in support of actual achievements and frequent review of validity of reported achievements against source documentation.

Chapter 1

Compliance with laws and regulations

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

Strategic planning and performance management

54. The municipality did not conduct its affairs in a manner which was consistent with its integrated development plan, as required by section 36 of the MSA, section 21(2)(a) of the MFMA and Municipal planning and performance management regulation 6.

55. The performance management system of the municipality did not provide for taking steps to improve performance with regard to those development priorities and objectives where performance targets are not met, as required by section 41 (1)(d) of the MSA.

Budgets

56. Expenditure was incurred in excess of the limits of the amounts provided for in the votes of the approved budget, in contravention of section 87(8) of the MFMA.

Annual financial statements, performance and annual reports

57. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements identified by the auditors were not adequately corrected, which resulted in the financial statements receiving a disclaimer audit opinion.

Procurement and contract management

58. Goods and services with a transaction value below R200 000 were procured without obtaining the required price quotations as required by Supply Chain Management (SCM) regulation 17(a) and (c).
59. Quotations were accepted from prospective providers who are not registered on the list of accredited prospective providers and do not meet the listing requirements prescribed by the SCM policy in contravention of SCM regulation 16(b) and 17(b).
60. Sufficient appropriate audit evidence could not be obtained that invitations for competitive bidding were advertised for a required minimum period of 14 days, as required by SCM regulation 22(1) and 22(2).
61. Bids were not always evaluated by bid evaluation committees which were composed of officials from the departments requiring the goods or services and at least one SCM practitioner of the municipality as required by SCM regulation 28(2).
62. Contracts were awarded to bidders based on points given for criteria that differed from those stipulated in the original invitation for bidding, in contravention of SCM Regulations 21(b) and 28(1)(a) and the Preferential Procurement Regulations.
63. Bid adjudication was not always done by committees which were composed in accordance with SCM regulation 29(2).
64. The performance of contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.
65. The contract performance and monitoring measures and methods were insufficient to ensure effective contract management, as required by section 116(2)(c) of the MFMA.
66. Construction contracts were awarded to contractors that were not registered with the Construction Industry Development Board (CIDB) in accordance with section 18(1) of the CIDB Act and CIDB regulations 17 and 25(7A).

Chapter 1

67. Contracts and quotations were awarded to providers whose tax matters had not been declared by the South African Revenue Service to be in order, as required by SCM regulation 43.
68. Quotations were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).
69. Awards were made to providers who are in the service of other state institutions, in contravention of MFMA 112(j) and SCM regulation 44. Similar awards were identified in the prior year and no effective steps were taken to prevent the abuse of the SCM process in accordance with SCM regulation 38(1).
70. The prospective providers list for procuring goods and services through quotations was not updated at least quarterly to include new suppliers that qualify for listing, and prospective providers were not invited to apply for such listing at least once a year as per the requirements of SCM regulation 14(1)(a)(ii) and 14(2).
71. The municipality did not implement a SCM policy as required by section 111 of the MFMA.

Human resource management and compensation

72. An acting Senior Manager was appointed for a period exceeding six months, in contravention of section 56(1)(c) of the MSA.

Expenditure management

73. Money owing by the municipality was not always paid within 30 days or an agreed period, as required by section 65(2)(e) of the MFMA.
74. Reasonable steps were not taken to prevent unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.

Revenue management

75. An adequate management, accounting and information system which accounts for revenue and debtors was not in place, as required by section 64(2)(e) and 97(h) of the MFMA.
76. An effective system of internal control for debtors and revenue was not in place, as required by section 64(2)(f) and 97(e) of the MFMA.

Asset management and liability management

77. An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.
78. An effective system of internal control for assets (including an asset register) was not in place, as required by section 63(2)(c) of the MFMA.
79. Capital assets were permanently disposed without the approval of the council, as required by section 14(2)(a) of the MFMA and Municipal asset transfer regulation 5.
80. An effective system of internal control for liabilities was not in place, as required by section 63(2)(c) of the MFMA.

Conditional grant

81. Quarterly reports were not submitted to the transferring national officer and the National Treasury on municipal performance for the quarter against the targets stipulated in the infrastructure performance framework, within 30 days after the end of each quarter, as required by section 11(2)(c)(ii) of the (DoRA).
82. The municipality did not submit the evaluation to the transferring national officer within two months after the end of the financial year, as required by section 12(5) of the DoRA.
83. The municipality did not timeously submit project registration forms, for projects it intends implementing in the financial year 2013-14, to the national department of Cooperative

Chapter 1

Governance and Traditional Affairs (CoGHTA), as required by the Division of Revenue Grant Framework, *Gazette No. 35399*.

84. The municipality did not submit, within 10 days after the end of each month, its monthly expenditure reports to the national department (CoGTA), as required by the Division of Revenue Grant Framework, *Gazette No. 35399*.
85. Unspent conditional grant funds not approved by the National Treasury for retention, were not surrendered to the National Revenue Fund, as required by section 21(1) of the DoRA.

Internal control

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

Leadership

87. The accounting officer does not perform adequate review and monitoring of the financial and performance reporting. This has resulted in the annual financial statements and the annual performance report containing material misstatements.
88. The action plan developed by the municipality to address internal and external audit findings is not adequate to ensure that root causes that resulted in the findings are resolved.

Financial and performance management

89. The municipality did not have a proper record management system to ensure the availability of all financial and performance management information.
90. The accounting officer did not adequately review and monitor compliance with laws and regulations resulting in irregular, fruitless and wasteful and unauthorised expenditure.

Governance

91. The audit committee did not ensure that there is an adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively.

Auditor-General

Polokwane

10 December 2013



Auditing to build public confidence

Chapter 1

1.7. STATUTORY ANNUAL REPORT PROCESS

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

Chapter 1

16	Council adopts Oversight report	December
17	Oversight report is made public	
18	Oversight report is submitted to relevant provincial councils	
19	Commencement of draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input.	January
		T1.7.1

COMMENT ON THE ANNUAL REPORT PROCESS:

Preparation of annual report in terms of the above deadlines was achieved by obtaining information from internal departments. It is important that when preparing the IDP, Budget and SDBIP that it be aligned with each other. Challenges in this regard is changes of the priorities of the community made during community consultation when the draft budget and IDP is presented to the community during April.

Chapter 2

CHAPTER 2 – GOVERNANCE

INTRODUCTION TO GOVERNANCE

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

INTRODUCTION TO POLITICAL AND ADMINISTRATIVE GOVERNANCE

The municipality is a category B municipality with an Executive Committee with 32 Councillors, 16 ward Councillors and 16 PR Councillors.

2.1 POLITICAL GOVERNANCE

INTRODUCTION TO POLITICAL GOVERNANCE

The municipality has 6 full time Councillors ,namely the Mayor who heads the Executive committee, the Speaker who is head of Council, the Chief Whip, and two executive committee members. The Executive Committee has 6 members including the Mayor. The 5 members of the executive committee are head of each of the portfolio committees namely, Finance, Technical Services, Corporate Services, Community Services and Strategic Planning. The Chairperson of each committee form the Chairperson of Chairpersons committee

All items emanating from the 5 departments are submitted to Executive committee and recommendations from executive committee are submitted via the portfolio committees to council for consideration.

The municipality have an Audit committee that provides opinions and recommendations on financial processes and performance and provides comments on the annual report to MPAC.MPAC committee has been established to provide council with an oversight report on the annual report. The oversight will be published separately ounce it has been considered by Council

Chapter 2

POLITICAL STRUCTURE

Photos

MAYOR

M Y Mmakola

Function

Head of Executive committee

SPEAKER

K N Kekana

Head of Council

CHIEF WHIP

M F Ratau

Administer the whipping system

EXECUTIVE COMMITTEE

Photos (optional)

M Y Mmakola, L J Mphahlele, W Mabaso, E Monyamane, L J Shalang, M G Phefadi

T2.1.1

COUNCILLORS

The Council consist of 32 councilors,16 ward councilors and 16 PR councilors

Refer to **Appendix A** where a full list of Councilors can be found (including committee allocations and attendance at council meetings).

Also refer to **Appendix B** which sets out committees and committee purposes.

T2.1.2

POLITICAL DECISION-TAKING

Items are placed on agenda for EXCO to make recommendations to Council. All items dealt with at EXCO are referred to the port folio committees namely, Finance,Technical,Corporate,Community and Strategic planning services where after the items are considered by Council for approval

T2.1.3

Chapter 2

2.2 ADMINISTRATIVE GOVERNANCE

INTRODUCTION TO ADMINISTRATIVE GOVERNANCE

The administration is headed by the Municipal Manager who is the accounting officer and have 5 departments namely Finance, Technical services, Corporate services, Community services and Strategic Planning headed by section 56 Managers who report directly to the Municipal Manager. Internal audit division has been established and Chief Internal Auditor report directly to the Municipal Manager. Senior Management as well as Management meetings are held on a monthly basis to co-ordinate service delivery and evaluate and monitor performance of the administration. Evaluation and Adjudication bid committees are in place to ensure that tenders are dealt with in terms of supply chain management processes to ensure that projects are implemented in accordance with Budget/IDP/SDBIP.

TOP ADMINISTRATIVE STRUCTURE

Photo	TIER 1	Function
	MUNICIPAL MANAGER	
	Mr M Lekola(Acting 1 May – 31 Oct 12)	Accounting officer
	Mr D Rankwe(Acting 1 Nov – 30 Nov 12)	
	Mr B.P. Marais (Acting 1Dec 2012 to 1 Oct.2013)	
Photo Ex Dirs		
	TIERS 2 AND 3	
Dirs Optional	DIRECTOR:	
	Mr C Makgopa(Acting 1 May – 30 Nov 12)	Finance
	Mr R. Mohaudi (Acting 01. 12. 2012 to date)	
	DIRECTOR:	
	Mr D Rankwe resigned 30 Nov 13	Technical services
	Mr T Ramatsalela(Acting 1 Dec 12 to 31 Oct 13)	
	DIRECTOR:	
	Mr L Makopo	Community services
	Director:	
	Mr M Lekola	Corporate Services
	Director:	
	Mr B P Marais(Acting)	Strategic Planning

Chapter 2

COMPONENT B: INTERGOVERNMENTAL RELATIONS

INTRODUCTION TO CO-OPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

Various forums have been established in the district, province and national to address policy and practice matters.

The municipality attended Intergovernmental Forum meetings which include department such as Home Affairs, Agriculture etc., on monthly basis. The municipality has obtained valuable information in regarding the programs and projects which are implemented by various departments within its jurisdictions

2.3 INTERGOVERNMENTAL RELATIONS

NATIONAL INTERGOVERNMENTAL STRUCTURES

The municipality is a member of SALGA and the benefit that is derived is that the association represent , promote and protect the interests of local government, transform local government to enable it to fulfill its developmental role , raise the profile of local government , ensure full participation of women in local government, perform its role as an employer body and develop capacity within municipalities

T2.3.1

PROVINCIAL INTERGOVERNMENTAL STRUCTURE

Meetings attended are SALGA conference and portfolio clusters of SALGA, MEC Mayor's forum, Sector department meetings, COGHSTA M&E forum, Premier planning forum, Municipal Mangers forum and District cluster meetings including IDP,PMS,LED managers forum

RELATIONSHIPS WITH MUNICIPAL ENTITIES

No municipal entities.

Chapter 2

DISTRICT INTERGOVERNMENTAL STRUCTURES

Water and Sanitation are provided by Sekhukhune district municipality and Technical services department coordinates the service provided by the district to ensure that the service delivery needs of the community are met and for this purpose the district have established the infrastructure forum which meet with the 5 municipalities in the district on a monthly basis.

Mayor and Municipal Managers forum of the district and province are in place which meets on a monthly basis

District IDP Managers, LED Managers and PMS forum are in place which meet on a monthly basis

T2.3.4

Chapter 2

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

The Mayor together with councillors and management embarked on public participation meetings to all 16 wards during the year to address the needs of the community for capturing in the budget and IDP.

Benefits derived from this exercise is that the community confirm priorities for service delivery

2.4 PUBLIC MEETINGS

COMMUNICATION, PARTICIPATION AND FORUMS

The Mayor together with councillors and management embarked on public participation meetings to all 16 wards during the year to address the needs of the community for capturing in the budget and IDP.

Benefits derived from this exercise for the community inter alia ishigh mast light installed in Letebejane/Ditholong Villages, constructed Makhutso Low Level bridge, refurbished Elandskraal and Malebitsa Stadiums and the Leeuwfontein Taxi Rank.

The municipality on quarterly basis produces the newsletter which is distributed across the municipality through the Ward Committees and Councillors.

Chapter 2

WARD COMMITTEES

The 16 wards are visited by the IDP Manger during August/September to establish the priorities of the community and to present the performance of implementation of projects for previous and current year. The attendance by the community vary from 20 to 150 per ward depending on how good the message was conveyed by the ward councillor. IDP representative forum meetings were held during September 11 to discuss the analysis phase and during March 12 to discuss draft IDP and performance management. The attendance at IDP representative meetings average 's at 60 persons which include sector departments

Key area Wards Committees has been focusing on during the past financial year identify the service delivery challenges and advice the Ward Councillors and the municipality on the implementation of IDP in addressing the challenges.

Website have been established and IDP/Budget and all relevant documents are included on the website

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

Public Meetings					
Nature and purpose of the meeting	Date of events	Number of participating Councillors	Number of participating Municipal Administrator	Number of Community Members attending	Dates & manner of feedback
Mayor's public participation programme – IDP Community Consultation	18/04/2013	31	8	300	
Mayor's public participation programme – IDP Community Consultation	18/04/2013	23	5	110	
Mayor's public participation programme – IDP Community Consultation	21/04/2013	19	4	60	
Mayor's public participation programme – IDP Community Consultation	23/04/2013	18	4	140	
Mayor's public participation programme – IDP Community Consultation	24/04/2013	30	10	440	
Mayor's public participation programme	29/04/2013	20	6	240	

Chapter 2

– IDP Community Consultation					
<i>Mayor’s public participation programme – IDP Community Consultation</i>	<i>30/04/2013</i>	<i>27</i>	<i>8</i>	<i>200</i>	
<i>Mayor’s public participation programme – IDP Community Consultation</i>	<i>02/05/2013</i>	<i>20</i>	<i>6</i>	<i>90</i>	
<i>Mayor’s public participation programme – IDP Community Consultation</i>	<i>02/05/2013</i>	<i>19</i>	<i>6</i>	<i>60</i>	
Budget Day (State of the Municipality Address – SOMA)	<i>30/05/2013</i>	<i>22</i>	<i>7</i>	<i>195</i>	

Chapter 2

COMMENT ON THE EFFECTIVENESS OF THE PUBLIC MEETINGS HELD:

The public participation has been effective and assisting the municipality in prioritizing the implementation of the service delivery program. During those meetings the public raised service delivery projects that need to be implemented as matter of urgency. For example during the public participation meeting in Ward 11, communities raised concerned about the building of low-bed bridge and the municipality reprioritizes the bridge after visiting the area, bridge was directed to the project and the bridge is now completed.

2.5 IDP PARTICIPATION AND ALIGNMENT

IDP Participation and Alignment Criteria*	Yes/No
Does the municipality have impact, outcome, input, output indicators?	Yes
Does the IDP have priorities, objectives, KPIs, development strategies?	Yes
Does the IDP have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	Yes
Does the budget align directly to the KPIs in the strategic plan?	Yes
Do the IDP KPIs align to the Section 57 Managers	Yes
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	Yes
Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes	Yes
Were the indicators communicated to the public?	Yes
Were the four quarter aligned reports submitted within stipulated time frames?	Yes
* Section 26 Municipal Systems Act 2000	
T2.5.1	

Chapter 2

COMPONENT D: CORPORATE GOVERNANCE

OVERVIEW OF CORPORATE GOVERNANCE

To render administration, Information Technology, Records Management and Legal Services through:

Development of by-laws, Records keeping and management, Acquisition of office furniture and equipment

Provision of Legal Services that include legal opinions, and advises, Information Technology Systems

2.6 RISK MANAGEMENT

RISK MANAGEMENT

Internal audit facilitate risk assessment and review of Risk management Strategy, Risk management policy, Fraud Prevention Plan, Fraud Response Plan and Whistle-blowing policy. Also help management to prioritise the identified risks. This enables management to spend more time, effort and resources to manage risks of higher priority than risks with a lower priority.

2.7 ANTI-CORRUPTION AND FRAUD

FRAUD AND ANTI-CORRUPTION STRATEGY

The municipality has developed Antifraud and corruption policy, Fraud Prevention Strategy, Fraud Response Plan, Fraud Risk Management Strategy. The municipality use National and Provincial hotline for reported cases on fraud and corruption. Monthly reports on reported cases are received from Presidential and Premiers Hotline.

The Municipality has Internal Audit unit and has appointed Audit Committee which holds quarterly meetings and reports to Council regularly. No politician or Councilor is a member of the audit Committee or SCM Committees.

T2.7.1

Chapter 2

2.8 SUPPLY CHAIN MANAGEMENT

OVERVIEW SUPPLY CHAIN MANAGEMENT

Supply Chain Management division has been established in the Finance departments headed by Supply Chain Manager . Supply Chain Management policy have been approved by the council and is reviewed every year when budget is approved. Evaluation and Adjudication bid committees has been established. Head of department together with divisional Managers forms part of specification committee appointed by Municipal Manager for compilation of specifications for projects on the budget for specific department for submission to supply chain division to prepare tender documents and adverts.

Refer to information on long term contracts which is set out in **Appendix H**. Refer also to further comments set out under Financial Performance – Chapter 5, Component D.

2.9 BY-LAWS

By-Law Introduce During 2012/2013					
Newly Developed	Revised	Public Participation Conducted	Date of Public Participations	By-Laws Gazetted	Date of publication
Street Trading	New	Yes		Yes	
Property Rate	Revised	Yes		no	

COMMENT ON BY-LAWS:

Both where publish in the local newspaper and on the notice board. Property rate, if not paid, the municipality will disconnect services to the property

Chapter 2

2.10 WEBSITES

Municipal Website: Content and Currency of Material	
Documents Published on the Municipality /Entity Website	Yes/No
Current annual and adjustment budget and all budget related document report	Yes
All current budget related policies	Yes
Previous annual report (2011/2012)	Yes
All current performance agreement required in terms of section 57(1)(b) of the Municipal System Act (2012/13) an resulting scorecards	No
All service delivery agreement (2012/2013)	No
All long term borrowing contract (2012/2013)	No
All supply chain management contract above a prescribed value (give value) for 2012/2013	
An information containing a list of assets over a prescribed value that have been disposed of in term of Section 14(2) or (4) during 2012/2013	No
Contain agreement in 2012/2013 to which subsection (1) of Section (33) apply, subject to subsection (3) of that section	No
Public –Private Partnership agreements referred to in Section 120 made in 2012/2013	No
All quarterly report tabled in the Council in terms of section 52(d) during 2012/2013	

COMMENT MUNICIPAL WEBSITE CONTENT AND ACCESS:

The municipal websites was developed during 2011/2012 financial year. Not all document are published on the website. The municipality is now on monthly basis publish document and update the wensite as required

The municipality is expanding its office space to include the internet accesability to the public which will be included in the next financial year after the expansion of the offices

T2.10.1.1

2.11 PUBLIC SATISFACTION ON MUNICIPAL SERVICES

PUBLIC SATISFCATION LEVELS

The research on Public Satisfaction Levels was not done during the financial year under review. the research was only done during the 2011

Chapter 2

NB no survey performed during 2012/2013

Satisfaction Surveys Undertaken during 2011/12 and 2012/13				
Subject matter of survey	Survey method	Survey date	No of people included in survey	Survey results indicating satisfaction or better (%)*
Overall satisfaction with:				19%
(a) Municipality				
(b) Municipal Service Delivery				
(c) Mayor				
Satisfaction with:				
(a) Refuse Collection				
(b) Road Maintenance				
(c) Electricity Supply				
(d) Water Supply				
(e) Sanitation				
(f) Information supplied by municipality to the public				
(g) Opportunities for consultation on municipal affairs				
* The percentage indicates the proportion of those surveyed that believed that relevant performance was at least satisfactory				T2.11.2

COMMENT ON SATISFACTION LEVELS:

Secured boxes intending to mount for communities to give suggestions and complains, most of the matters raised are addressed during the mayoral outreach, Imbizo and IDP and Budget Consultations
 The municipality has also created a position which is filled at the reception to speed-up services provided to communities while visiting the municipality

Chapter 3

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

INTRODUCTION

The following key service achievements came to fruition in terms of deliverables achieved compared to the key performance objective and indicators in the IDP:

Moganyaka internal road, Malebitsa and Vaalbank internal roads, rehabilitation of the Administration block, revamp of the political offices and the Council Chamber, development of the Road and Storm Water Master plan; high mast light installation in Letebejane/Ditholong Villages which Eskom is working or reenergizing the lights, Makhutso Low Level bridge, the refurbishment of Elandskraal and Malebitsa Stadiums and the Leeuwfontein Taxi Rank. LED projects include organic farming project where 8 farms were established with 128 beneficiaries with R25m grant from DTI and 1000 beneficiaries with community work program

Wards where above service achievements came to fruition are wards 1(2 projects),all (2 projects),5(1 project)7 (4 projects), 8 (3 projects), 9 (1 project), 11 (1 project), 12 (1 project), 14 (1 project), 15 (1 project) and 16 (2 projects)

COMPONENT A: BASIC SERVICES

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

INTRODUCTION TO BASIC SERVICES

Water and sanitation is a district function. The municipality have a licence to distribute Electricity in Marble Hall town .The electricity division are also responsible for community lights in the entire municipality as well as the maintenance thereof. The municipality is responsible for waste management and have a licenced solid waste disposal site in Marble Hall town. Refuse are removed from all households and businesses in Marble Hall town twice a week and the service has been expanded to Leeuwfontein and Elandskraal, The department of CooperativeGovernance Human Settlements & Traditional Affairs (COGHSTA) are responsible for the provision of housing

T3.1.0

Chapter 3

3.1. WATER PROVISION

INTRODUCTION TO WATER PROVISION

Sekhukhune district municipality is the water authority

3.2 WASTE WATER (SANITATION) PROVISION

INTRODUCTION TO SANITATION PROVISION

Sekhukhune District Function

3.3 ELECTRICITY

INTRODUCTION TO ELECTRICITY

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

Background

Since the establishment of the Municipality the electrification of households was a priority. Because of the fact that ESKOM was providing electricity in 90% of the Municipal area the electrification program was tackled with the close co-ordination of ESKOM. The backlog was established and submitted to all relevant parties (ESKOM, DoE, Cogesta, NERSA etc). The municipality implemented some projects and ESKOM also started with projects. The last village was electrified in 2006/07. The program then continued to electrify even small farms which have been completed with the exception of 10 at Toitskraal agri-holdings due to high cost, low occupation and capacity constraints. A backlog list is being kept which basically covers new developments or extension to existing villages. The "backlog" is being addressed through the DoE funding with ESKOM as the implementing agent as ESKOM is already distributing electricity in all the villages. The current backlog is less than 5%. All customers have been grid-connected. Currently the INEP allocation is around 580 connections per year. The biggest part of this is fairly new houses. With a slight increase in the allocation the "backlog" will be erased and only new houses will remain on the yearly program.

The Municipality distribute electricity in the town of Marble Hall according to our NERSA license and all households have been electrified. Services rendered and quality of supply is within the requirements. Current NMD is 7.5MVA.

The Municipality provide and maintain public lighting in its whole area. Currently we provide lighting in 15 areas. The plan is to expand this service and to add another 6 areas.

Chapter 3

The municipality has a mandate to:

Provide every household with electricity – INEP/ESKOM programme

Ensure access to free basic electricity – Implimented by ESKOM and managed by Corporate Services

Ensure dependable quality supply to customers – Electrical Services

Provide public lighting – Electrical Services.

The strategic objectives of this function for it distribution area are to:

Properly and cost effectively maintain the electrical networks. Strengthen and expand network where necessary. Connect new customers. Accurate measurement of consumption

Top 3 priorities:

- 1.Public lighting maintenance and expansion
- 2.Distribution network maintenance
3. Accurate metering

Public Lighting

We maintained all lighting and will improve in the new year as we purchased a new aerial platform and we will be doing an energy efficiency project. We expanded our public lighting by installing mast lights in two villages.

Distribution network maintenance

We serviced all our transformers. We replaced 10 meter kiosks with new 3CR12 kiosks. We started to upgrade our main substation by replacing 3 x 11kV oil circuit breakers with remote operated vacuum units.

Accurate metering

We replaced 20 meters at high consumption customers. We are now also remotely verifying the readings of our top ten customers.

Success and challenges

Success

We did a mast light project and the budget allowed 5 masts but we did the project internally and installed 8.

Challenges

Several projects were delayed because of poor performance by Supply Chain Management.

ESKOM complete electrification projects late and we are not always informed on the status.

No FBE customers have been added for the last 5 years.T3.3.1

Chapter 3

Households - Electricity Service Delivery - Outside license area			
Description	2010/11	2011/12	2012/13
	Actual	Actual	Actual
	No.	No.	No
Formal Settlements	4	4	4
Total households	6915	7088	7252
Households below minimum service level	521	590	220
Proportion of households below minimum service level	7.53%	8.32%	3.03%
Informal Settlements	54	54	54
Total households	24428	25196	26074
Households that is below minimum service level	662	803	862
Proportion of households that is below minimum service level	2.71%	3.19%	3.31%
Total no of households	31343	32284	33326

Chapter 3

ELECTRICITY SERVICE POLICY OBJECTIVES TAKEN FROM IDP							
SERVICE OBJECTIVES /SERVICE INDICATORS	OUTLINE SERVICE TARGETS	2010/11		2011/12		2012/13	
		TARGET	ACTUAL	TARGET	ACTUAL	TARGET	ACTUAL
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)
Maintain public lighting	Purchase new aerial platform	0	0	1	0	1	1
Maintain public lighting	Do quarterly maintenance on all public lighting	1110	1110	1113	1113	1113	1113
Expand public lighting to other areas	Install 25m scissor masts	3	3	0	0	5	8
Ensure reliable supply	Transformer maintenance	48	0	48	55	55	55
Ensure reliable supply	Upgrading of switchgear	0	0	0	0	3	3
Ensure reliable supply	Replace damaged meter kiosks	10	10	10	10	10	10
Ensure reliable supply	Upgrade minisubstation	0	0	1	1	1	1
Ensure reliable supply	Upgrade LT network in Ext 2,3 & 5- install new cables	0	0	0	0	2035	1900

Note: This statement should include no more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators. MSA 2000 chapter 5 sets out the purpose and character of Integrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangement by municipalities in which IDPs play a key role.

Chapter 3

Employees: Electricity Services					
Task Level	2011/12	2012/13			
	Employees (No)	Posts (No)	Employees (No)	Vacancies - fulltime equivalents (No)	Vacancies (% of total posts)
0 - 3	1	4	4	0	0%
4 - 6	4	4	4	0	0%
7 - 9	0	0	0	0	0%
10 - 12	3	3	3	0	0%
13 - 15	1	1	1	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	9	12	12	0	0%

Chapter 3

Financial Performance 2012/13: Electricity Services					
R'000					
Details	2011/12	2012/13			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue (excluding tariffs)	32723208	36250645	36250645	32952161	90%
Expenditure:					
Employees	2272872	2386516	2386516	2491683	104%
Repairs and Maintenance	2240100	2533506	2533506	2526976	99%
Other	20388800	24141328	24141328	25388638	105%
Total Operational Expenditure	24901772	29027350	29027350	30407297	104%
Net Operational (Service) Expenditure	7821436	7223295	7223295	2544864	28%
<p>Net expenditure to be consistent with summary table T5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</p>					

Chapter 3

Capital Expenditure 2012/13: Electricity Services					
R' 000					
Capital Projects	2012/13				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	2400	2450	2350	2.08%	
Ditholong Letebejane mast lights	1800	1800	1729	3.9%	1729
Aerial Platform	600	650	621	3.5%	621
Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).					T3.3.8

COMMENT ON ELECTRICITY SERVICES PERFORMANCE OVERALL:

Public lighting have been maintained and expanded. Metering accuracy have been improved. Reliability have been maintained and improved through proper maintenance and upgrading. All villages have grid connected electrical supply and the backlog are being reduced.

The largest projects was for public lighting. Public lighting have become more of a safety feature than a road safety issue. This means we are doing it to improve the safety of our people and hopefully by improving safety it will also allow small business to establish

ESKOM is implimenting FBE on behalf of the Municipality and currently we don't experience a problem with their implimentation.ESKOM is implimenting the national electrifaction program on behalf of the Municipality but they are behind schedule and we don't get good feedback on challenges and delays.

ESKOM provise supplies for our projects based on quotations and the service is very bad with very long delays and no communication.

Chapter 3

3.4 WASTE MANAGEMENT (THIS SECTION TO INCLUDE: REFUSE COLLECTIONS, WASTE DISPOSAL, STREET CLEANING AND RECYCLING)

The Municipality are currently providing a weekly refuse collection service to the towns of Marble Hall , Leeufontein ,Leeufontein RDP, and Elandskraal. There is also a container service for Matlala Hospital and Mokganyaka. Due to the extensive rural areas of the Municipality and the only registered landfill situated in Marble Hall , there is huge challenges of extending services to all the households in the Municipal area. Waste disposal is done at the only registered site which is situated in Marble Hall. The only street cleaning or litter picking servcie is also only doen in Marble Halal town on a daily basis including weekends and some public hoildays. Recycling in done at the landfill site by reclaimers and they sell their material to other more organised organisations. A recycling process at source at business premises is also done by private individuals.

Service delivery priorities were sustainable collection servcies , extended service to Elandskraal ,and clean environments. The impact was not as expexcted but we are getting there slowly. Major challenge are non payments in rural areas , vast distances , illegal dumping because of no service rendered.

No other enitivity exept the municipality is providing a refuse collection servcie.

T3.4.1

Chapter 3

Solid Waste Service Delivery Levels				
Description	Households			
	2009/10	2010/11	2011/12	2012/13
	Actual	Actual	Actual	Actual
	No.	No.	No.	No.
<u>Solid Waste Removal: (Minimum level)</u>				
Removed at least once a week	2345	2345	2345	4786
<i>Minimum Service Level and Above percentage</i>				
<u>Solid Waste Removal: (Below minimum level)</u>				
Removed less frequently than once a week				0
Using communal refuse dump				Not known
Using own refuse dump				Not known
Other rubbish disposal				
No rubbish disposal from Municipal service – households 33326				28540 Backlog
Total number of households	2345	2345	2345	4786

Chapter 3

Households – Solid waste service delivery levels below the minimum

Description	2009/10	2010/11	2011/12	2012/13		
	Actual	Actual	Actual	Original Budget	Adjusted Budget	Actual
	No.	No.	No.	No.	No.	No.
Formal Settlements	0	0	0	0	0	0
Total households						33326
Households below minimum service level						28540
Proportion of households below minimum service level						85.6%

Chapter 3

Employees: Solid Waste Management Services					
Job Level	2011/12	2012/13			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies(as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	16	18	18	0	0
4 - 6	7	7	7	0	0
7 - 9	1	1	1	0	0
10 - 12					
13 - 15					
16 - 18					
19 - 20					
Total	24	26	28	0	0
<p>Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.</p>					

Chapter 3

Priority Issue/Programme 6: Waste Management and Refuse Disposal									
Programme Objective: Provide a safe, effective and economical waste management and refuse disposal system Target for the Year: 10% increase in the households satisfaction index									
Project ID	Project Name	Project Location	Project Beneficiaries	Project Objective	Key Performance Indicator	Period	Budget Allocation	Source of Funding	Implementing Agency
1269	Solid Waste	<input type="checkbox"/> EPMLM	EPMLM	To upgrade and Rehabilitate the Marble Hall landfill site (every six months)	% Rehabilitated site in compliance to maintenance progrm and permit	30 June 2013	R 160 000	Council Vote no 60/235221	EMLM
					To support cleaning of Marble Hall , Leeufontein Elandskraal towns EPWP PROJECT	Number of programmes Number of jobs created	R 240 000	EPMLM Vote no 360 / 260010	EPMLM
					To purchase replacement vehicle and new equipment	Number of vehicles	R700 000	EPMLM Vote no 360/305070	EPMLM
					To finalize refuse removal services to Elandskraal	Number of extended service points	R 150 000	EPMLM Vote no 360/305071	EPMLM

Chapter 3

Financial Performance 2012/13: Waste Disposal and Other Services						
Details	2011/12 Actual	2012/13				R'000
		Original budget	Adjustment	Budget	Actual	Variance to budget
Total operational revenue	3405617	3530585	3427937		2940519	85%
Expenditure:						
Employess	2882564	3015593	3015593		3175880	105%
Repairs and maintenance	1061973	1162605	1162605		1305263	112%
Other	771044	983357	1436234		1194357	83%
Total operational expenditure	4715581	5161555	5614432		5675500	101%
Net operational(service)expenditure	1309964	-1630970	-2186495		-2734981	80%
Net expenditure to be consistent with summary table T5.1.2 in chapter 5.Variance are calculated by dividing the difference between the actual and original budget by the actual						

Chapter 3

Capital Expenditure 2012/13: Solid Waste					
R' 000					
Capital Projects	2012/13				
	Budget	Adjustment Budget	Actual Expenditure	Total % from original budget	Total Project Value
Total All	860	860	768	89.3	
Tractor	510	510	446	87.5	
Waste bulk Containers	350	350	321	91.7	
Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).					T3.3.8

COMMENT ON WASTE MANGEMENT SERVICE PERFORMANCE OVERALL:

The Waste Management section can contribute more with proper revenue collection from Leeufontein and Elandskraal . The tariffs are increasing due the fact that there is no additional revenue that can help with a sustainable, economical service.

Chapter 3

3.5 HOUSING

INTRODUCTION TO HOUSING

Housing function is with Limpopo department of housing under COGHSTA

T3.5.1

Chapter 3

3.6 FREE BASIC SERVICES AND INDIGENT SUPPORT

Comment on Free Basic Services and Indigent Support

All registered indigents will receive 50 units of electricity per month free of charge. Unused free electricity units shall not be carried over to the next month. Any meter tampering or dishonesty shall result in the termination of the free service.

NB: during the 2012/2013 financial year and total of **1452 community members** benefited from Free Basic Electricity from the budget of **R1.3m**

INTRODUCTION TO FREE BASIC SERVICES AND INDIGENT SUPPORT

Indigent policy was reviewed by Council on 31 May 2011 which makes provision that an indigent is defined as the total income of all occupants is not more than equal than the amount received by one state pensioner. Indigent register in process of compilation and completed during 2012

COMPONENT B: ROAD TRANSPORT

This component includes: roads; transport; and waste water (storm-water drainage).

INTRODUCTION TO ROAD TRANSPORT

The only major route running through the municipal area is the N11 which links Marble Hall with Groblersdal to the south, and Mokopane via Roedtan and with the N1 between Polokwane and Pretoria to the west and north. Provincial roads links Marble Hall with the villages to the west and north. Maintenance of these roads by the relevant authorities is inadequate due to lack of manpower and equipment.

The internal roads in the villages are the responsibility of the Municipality. Information regarding exact status of the roads, namely public versus local roads, is lacking. Internal streets within the settlements are generally low quality gravel roads that were never properly planned and constructed. Basically no provision was made for storm-water drainage. Some of the formal towns have a few tar roads such as Leeuw-fontein main roads that are partly tarred, but are deteriorating very quickly.

Chapter 3

3.7 ROADS

INTRODUCTION TO ROADS

The municipality has fully equipped roads divisions that deal with mainly roads and storm water maintenance with the following machinery

TLB * 3

Grader Machinery * 4

Tipper Trucks * 3

Low bed Truck * 1

Water Tanker * 1

The division does not deal with the construction of the new roads, but we do plans for controlling the storm-water runoffs within the villages. The unit also presents a conceptual framework of current and future interventions needed to achieve acceptable levels and standards of service delivery.

In the year under review the divisions has graded 497.82 km of gravel roads and 97.7 km of storm water channels has cleaned and de silted. This helped in improving the living standard of the Community .The Condition of roads in the Municipality it is generally gravel/dirt and rocky, in some villages the main roads are tarred.

Replace the word "Tarred" with "Asphalt".

Asphalted Road Infrastructure					Kilometers
	Total asphalted roads	New asphalt roads	Existing asphalt roads re-asphalted	Existing asphalt roads re-sheeted	Asphalt roads maintained
2010/11	0	5	0	5.5	0
2011/12	2.2	2.2	0	0	0
2012/13	0	4.7	0	0	0

Chapter 3

Cost of Construction/Maintenance						
				R' 000		
	Gravel			Tar		
	New	Gravel - Tar	Maintained	New	Re-worked	Maintained
2010/11	0		1 391 000	21 000 000		
2011/12	0		2 250 000	18 000 000		
2012/13	0		2 288 000	31 000 000		

Employees: Roads Services

Job Level	2011/12		2012/13		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	17	18	17		94.4%
4 - 6	9	15	9		0.60%
7 - 9	1	1	1		0
10 - 12	0	0	0		0
13 - 15	1	1	1		0
16 - 18					
19 - 20					
Total	28	0	28	0	0

Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

Financial Performance 2012/13: Roads Services

R'000

Chapter 3

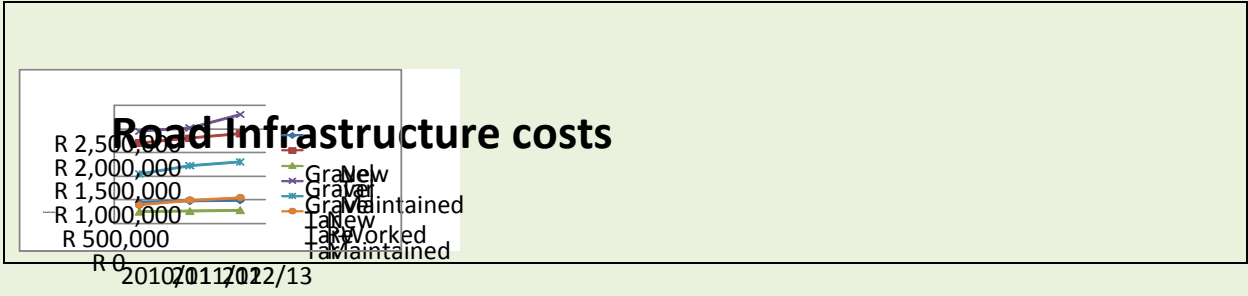
Details	2011/12	2012/13			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue (excluding tariffs)	0	0	0	0	0
Expenditure:					
Employees		3 245	3 245	3 506	-261
Repairs and Maintenance		3 225	3 225	2 803	422
Other		797	797	1 232	-435
Total Operational Expenditure		7 267	7 267	7 541	-274
Net Operational (Service) Expenditure		7 267	7 267	7 541	-274

Net expenditure to be consistent with summary table T5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.

Capital Expenditure 2012/13: Roads Services						R' 000
Capital Projects	2012/13					
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value	
Moganyaka Internal Street	R7 000 000.00		R7 000 000.00		R7 000 000.00	
Malebitsa internal street	R6 400 000.00		R6 400 000.00		R6 400 000.00	
Vaalbank internal street	R6 400 000.00		R6 400 000.00		R6 400 000.00	

Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).

Chapter 3



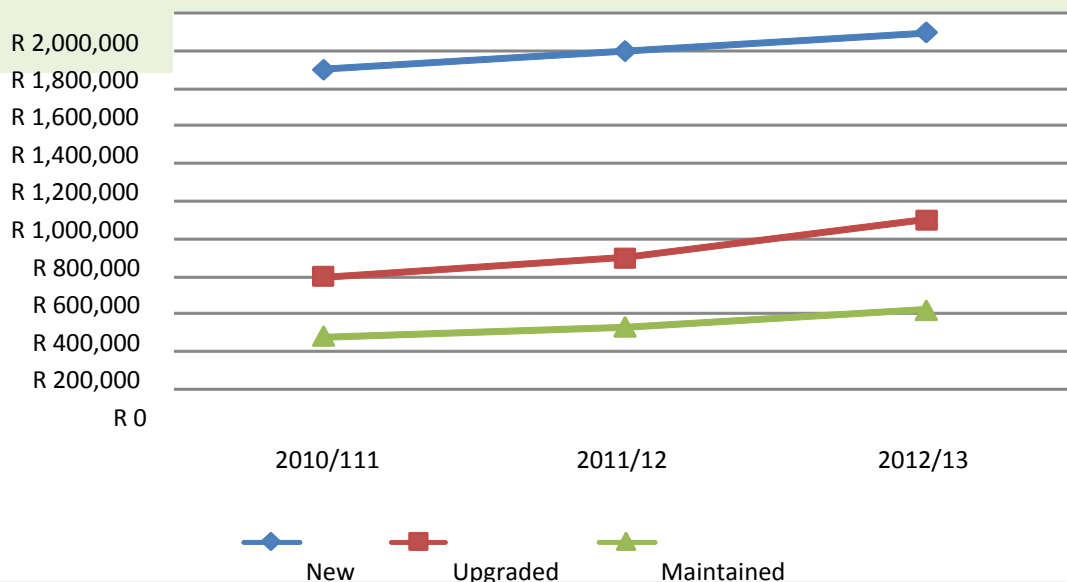
Chapter 3

INTRODUCTION TO STORMWATER DRAINAGE

The municipality has developed roads and stormwater master plan which identifies, analyses, and quantifies stormwater problems within Ephraim Mogale local Municipality boundaries. The plan provides preliminary solutions and cost estimates for identified problems, and also gives guidelines regarding stormwater drainage, in all the villages and in residential areas.

The study found that there is proper control of stormwater or formal constructed stormwater drainage except in R32 towns even the town the stormwater in place is not adequate. The slow progress in addressing the stormwater backlog was attributed to the financial limitations in both financial years. A proposal has been made by the roads and stormwater section, to align the stormwater project to the MIG plan, in order to mitigate the restrictions in budget allocations.

Stormwater infrastructure costs



Chapter 3

(km)				
	Total Stormwater measures	New stormwater measures	Stormwater measures upgraded	Stormwater measures maintained
2010/11	63	0.4km	0	63
2011/12	63	0	0	0
2011/12	63	0	0	0

Cost of Construction/Maintenance			
R' 000			
	Stormwater Measures		
	New	Upgraded	Maintained
2010/11	R 2 803 400.00	R 0.00	R 0.00
2011/12	R 4 000 000.00	R 0.00	R 0.00
2012/13	R 0.00	R 0.00	R 0.00

Chapter 3

3.8 TRANSPORT (INCLUDING VEHICLE LICENSING & PUBLIC BUS OPERATION)

INTRODUCTION TO TRANSPORT

The only major route running through the municipal area is the N11 which links Marble Hall with Groblersdal to the south, and Mokopane via Roedtan and with the N1 between Polokwane and Pretoria to the west and north. Provincial roads links Marble Hall with the villages to the west and north .Maintenance of these roads by the relevant authorities is inadequate due to lack of manpower and equipment.

The internal roads in the villages are the responsibility of the Municipality. Information regarding exact status of the roads, namely public versus local roads, is lacking. Internal streets within the settlements are generally low quality gravel roads that were never properly planned and constructed. Basically no provision was made for stormwater drainage. Some of the formal towns have a few tar roads such as Leeuwfontein main roads that are partly tarred, but are deteriorating very quickly.

Chapter 3

3.9 WASTE WATER (STORMWATER DRAINAGE)

INTRODUCTION TO STORMWATER DRAINAGE

The municipality has developed roads and stormwater master plan which identifies, analyses, and quantifies stormwater problems within Ephraim Mogale local Municipality boundaries. The plan provides preliminary solutions and cost estimates for identified problems, and also gives guidelines regarding stormwater drainage, in all the villages and in residential areas.

The study found that there is proper control of stormwater or formal constructed stormwater drainage except in R32 towns even the town the stormwater in place is not adequate. The slow progress in addressing the stormwater backlog was attributed to the financial limitations in both financial years. A proposal has been made by the roads and stormwater section, to align the stormwater project to the MIG plan, in order to mitigate the restrictions in budget allocations.

Stormwater policy objectives taken from IDP

Service objectives	Outline service targets					
	2010/11		2011/12		2012/13	
	Target	Actual	Target	Actual	Target	Actual
To improve the condition of existing storm water drainage system	20km of storm water pipes cleaned	21km	40km of storm water pipes cleaned	41.8km	40km of storm water pipes cleaned	97.7km

Chapter 3

Employees: stormwater measures					
Job Level	2011/12	2012/13			
	Employee s	Post s	Employee s	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	17	18	17		94.4%
4 - 6	9	15	9		60%
7 - 9	1	1	1		0
10 - 12	0	0	0		0
13 - 15	1	1	1		0
16 - 18					
19 - 20					
Total	28	0	28	0	0
<p>Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the</p>					

Chapter 3

accumulated days.

Financial Performance 2012/13: stormwater services					
R'000					
Details	2011/12	2012/13			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue (excluding tarrifs)	0	0	0	0	0
Expenditure:					
Employees		3 245	3 245	3 506	-261
Repairs and Maintenance		3 225	3 225	2 803	422
Other		797	797	1 232	-435
Total Operational Expenditure		7 267	7 267	7 541	-274

Chapter 3

Net Operational (Service) Expenditure		7 267	7 267	7 541	-274
Net expenditure to be consistent with summary table T5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.					

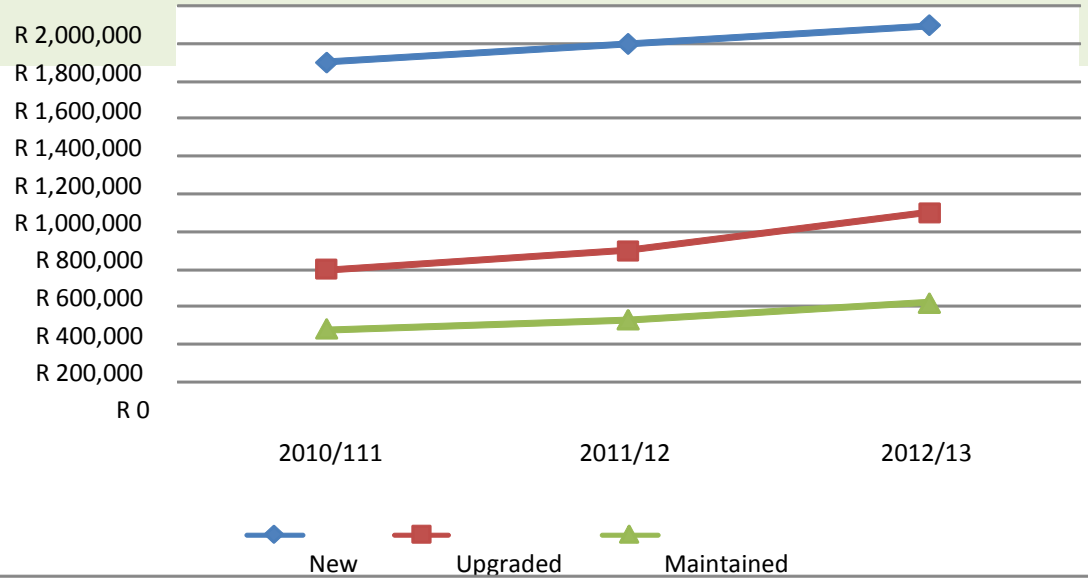
Cost of Construction/Maintenance			
R' 000			
	Stormwater Measures		
	New	Upgraded	Maintained
2010/11	R 2 803 400.00	R 0.00	R 0.00
2011/12	R 4 000 000.00	R 0.00	R 0.00
2012/13	R 0.00	R 0.00	R 0.00

Chapter 3

(km)				
	Total Stormwater measures	New stormwater measures	Stormwater measures upgraded	Stormwater measures maintained
2010/11	63	0.4km	0	63
2011/12	63	0	0	0
2011/12	63	0	0	0

Chapter 3

Stormwater infrastructure costs



Chapter 3

COMMENT ON THE PERFORMANCE OF STORMWATER DRAINAGE OVERALL:

No capital projects for year under review

COMPONENT C: PLANNING AND DEVELOPMENT

This component includes: planning; and local economic development.

INTRODUCTION TO PLANNING AND DEVELOPMENT

The municipality remains dependent on fiscal allocations from outside the province. The municipality's annual budget is R 185 million, of which R 83 million is raised within the municipality. Within the municipality 18350 economically active people are required to support over 100,000 economically un-active people (2011 figures), a statistic that exposes the extent of under-development and dependency.

Land ownership is the single biggest constraint to economic growth in the rural areas. The land issue permeates as a constraint through all sectors - from commercial level investment to undermining the scale and viability of emerging farmers and capital appreciation of property values for everyone living in the area. The current regulatory system creates investment uncertainty and slows or blocks the process of investment.

T3.10.0

3.10 PLANNING

INTRODUCTION TO PLANNING

The Planning and economic development department is committed to improving the quality of life of the community by being accountable to the community, providing services in a sustainable manner, promoting social and economic development, promoting a safe and healthy environment, encouraging public participation and ensuring the efficient and effective utilization of all available resources.

Chapter 3

Detail	Application for land use development					
	Formalising of townships		Rezoning		Built environment	
	2011/2012	2012/13	2011/2012	2012/13	2011/2012	2012/13
Planning applications received	2	2	20	7	0	2
Determination made in year of receipt						
Determination made in following year						
Applications withdrawn			0	0	0	0
Applications outstanding at year end			8	6	0	2

Employees planning

Employees 2012/13 - Acting Director Strategic Planning, Manager Town Planning ,Town Planner and Land Use officer

Employee Expenditure 2012/13 - R 1.5m

Chapter 3

3.11 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES)

The strategic objectives of this function are to:

Operationalising the LED strategy, implementing competitive action plan for the horticulture cluster

The key issues for 2012/13 are:

1.Organic farming project – Establish 9 farms and create 165 permanent job opportunities.R25m grant received in 2010 paid over 3 years ending October 2013

2.Promote economic growth by implementing the action plans of the four approved clusters namely tourism, meat ,informal sector and horticulture.

3.LED strategy communication INTRODUCTION TO ECONOMIC DEVELOPMENT

Ephraim Mogale L M is a relatively small economy with a predominantly rural character. The general impression is that physical and social infrastructure, as well as service delivery standards, are inadequate to provide the platform that is required for accelerated economic growth and job creation.

LED strategy was approved on 25 June 2008 and proposals to improve the rate of economic development and the quality of life of the citizens of Marble Hall Municipality is Service Delivery Improvements, Horticulture Cluster Promotion, Meat Cluster Promotion ,Tourism Cluster Development and Informal Economy Support.

Chapter 3

GGP per Sector for Ephraim Mogale L M at current prices for 2006 R'000

Sector	Year 2005	Year 2006	Sector % 2006	Growth 05-06
1 Agriculture	59,506	72,107	5.8	21.2
2 Mining	130,618	155,817	12.5	19.3
3 Manufacturing	50,637	56,811	4.6	12.2
4 Electricity	32,955	38,976	3.1	18.3
5 Construction	13,437	16,639	1.3	23.8
6 Trade	139,259	157,007	12.6	12.7
7 Transport	93,223	103,611	8.3	11.1
8 Finance	225,444	272,885	21.9	21.0
9 Community services	336,396	370,560	29.8	10.2
Total Industries	1,081,474	1,244,414	100.0	15.1
Taxes less Subsidies on products	171,372	202,254		
Total (Gross Domestic Product - GDP)	1,252,846	1,446,668		

Chapter 3

COMMENT ON LOCAL JOB OPPORTUNITIES:

Jobs were created as per table below

Following table indicates jobs created in the municipalities through EPWP and LED initiatives from 2007.

Project	Jobs created		
	Men	Woman	Youth
Water reticulation	303	321	426
Mast lights	30	40	55
SLASH(fertilizer)	3	5	2
Brick paving manufacturing	7	8	5
Sports stadiums /community halls	38	45	17
Bakery and piggery	2	8	
Beadmaking jewelery		8	7
Tar roads and storm water	305	335	369
Egg production		20	5
Organic farming	48	90	
Cleaning campaign	10	7	3
Community work program	250	250	500

The state of the local skills is indicated in the table below:

Labour: Employment by skill level and industry 1995 - 2010 (23 industries)

Concept	2008	2009	2010
Formal and informal employment - Total (Number)	14767	14375	13597
Formal employment by skill: Total (Number)	10496	10004	9003
Formal employment by skill: Highly skilled - Total (Number)	1057	1038	1001
Formal employment by skill: Skilled - Total (Number)	3660	3517	3302
Formal employment by skill: Semi- and unskilled (Number)	5779	5449	4700
Informal employment - Total (Number)	4272	4371	4594

Source: Quantec, 2011

Chapter 3

COMMENT ON LOCAL ECONOMIC DEVELOPMENT PERFORMANCE OVERALL:

The Strategic Planning department is committed to improving the quality of life of the community by being accountable to the community, providing services in a sustainable manner, promoting social and economic development, promoting a safe and healthy environment, encouraging public participation and ensuring the efficient and effective utilization of all available resources.

Chapter 3

COMPONENT D: COMMUNITY & SOCIAL SERVICES

This component includes: libraries and archives; museums arts and galleries; community halls; cemeteries and crematoria; child care; aged care; social programmes, theatres.

INTRODUCTION TO COMMUNITY AND SOCIAL SERVICES

There is only one municipal library in the Municipality situated in Marble Hall town

3.52 LIBRARIES; ARCHIEVES; MUSEUMS; GALLERIES; COMMUNITY FACILITIES; OTHER (THEATRES, ZOOS, ETC)

INTRODUCTION TO LIBRARIES; ARCHIEVES; MUSEUMS; GALLERIES; COMMUNITY FACILITIES

There is only one municipal library in the Municipality situated in Marble Hall town. The library was issued with blind reading system donated for the community by Public works. There was also a project introduces by Provincial SAC and Public Works departments to refurbish the building two years back , but due to challenges with contractor the project was never completed. Several letters of concern was written and even aknowledge during the monthly inspections by the SAC department. The rotation of books and the provision of new books in all languages is a huge challenge . not much new books are introduced. No archive s, museums ,galleries zoo's and theatres s are part of the municipality.

SERVICE STATISTICS FOR LIBRARIES; ARCHIVES; MUSEUMS; GALLERIES; COMMUNITY FACILITIES; OTHER (THEATRES, ZOOS, ETC)

Employees: Library

Job Level	2011/12	2012/13			
	Employee No.	Posts no.	Employee No.	Vacancies (Fulltime equivalent) no.	Vacancies(as a % of total post) %
0-3					
4-6	1	1	1	0	0
7-9					
10-12	1	1	1	0	0
13-15					
16-18					
19-29					

Chapter 3

Total	2	2	2	0	
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Capital Expenditure 2012/13: Library Services					
Capital Projects	2012/13				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
None					
Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).					

COMMENT ON THE PERFORMANCE OF LIBRARIES; ARCHIVES; MUSEUMS; GALLERIES; COMMUNITY FACILITIES; OTHER (THEATRES, ZOOS, ETC) OVERALL:

Capital Expenditure 2012/13: Library Services - None

3.55 CEMETORIES AND CREMATORIUMS

INTRODUCTION TO CEMETORIES & CREMATORIUMS

There is 55 cemeteries in the Municipal area of which the municipality is currently servicing only Marble Hall, Regae, Leeufontein and Elandskraal As part of community commitment the municipality also do fencing projects. Six cemeteries were fenced and extended during the 2012'13 financial year which is Driefontein , Spitspunt, Mathukutela, Matilu, Leeufontein and Regae . The Marble Hall cemetery is nearly full and a project to identify suitable land as well as a proper Environment basic assessment studies were done. The final approval from Provincial department was received.

There is no crematorium in the municipal area.

SERVICE STATISTICS FOR CEMETORIES & CREMATORIUMS

Chapter 3

Employees: Cemeteries					
Job Level	2011/12	2012/13			
	Employee No.	Posts no.	Employee No.	Vacancies (Fulltime equivalents) no.	Vacancies(as a % of total post) %
0-3	5	6	5	1	16.6%
4-6					
7-9					
10-12					
13-15					
16-18					
19-29					
Total	5	6	5	1	16.6%

Chapter 3

Priority Issue/Programme 9: Cemeteries Programme Objective: <i>Provide safe, appropriate and accessible burial space/cemetery space in the municipal area</i>									
Project ID	Project Name	Project Location	Project Beneficiaries	Project Objective	Key Performance Indicator	Period	Budget Allocation	Source of Funding	Implementing Agency
9001	Cemetery	EPMLM	EPMLM Community	To finalize new cemetery – Marble Hall	New functional cemetery in Marble Hall	30 June 2013	500 000	EPMLM vote 425/305111	EPMLM `
				To Fence cemeteries	Number of cemeteries fenced		583 000	EPMLM vote 425/260799	EPMLM `

Chapter 3

Capital Expenditure 2012/13: Cemeteries					
Capital Projects	2012/13				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
New Cemetery MARBLE HALL	500	0	220		
Fencing of cemeteries	583	0			
Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).					

COMMENT ON THE PERFORMANCE OF CEMETORIES & CREMATORIUMS F OVERALL:

The targets were achieved. Target for cemetery fencing were 5 cemeteries but we managed to fence as identified in the opening comment. The identification of land for a new cemetery in Marble Hall were done , soil tests done to single out the ideal land for development. The relevant environmental assessment and studies were done and also a Basic assessment report submitted.. Approval from Provincial department for establishment received. All the necessary town planning processes were also followed.

Chapter 3

3.56 CHILD CARE; AGED CARE; SOCIAL PROGRAMMES

INTRODUCTION TO CHILD CARE; AGED CARE; SOCIAL PROGRAMMES

Delete Directive note once comment is complete – Provide brief introductory comments. Set out your top 3 service delivery priorities and the impact you have had on them during the year. Explain the measures taken to improve performance and the major efficiencies achieved by your service during the year. Refer to support given to those communities that are living in poverty. T3.56.1

SERVICE STATISTICS FOR CHILD CARE

Employees: Child Care, Aged Social Program

Job Level	2011/12	2012/13			
	Employee No.	Posts no.	Employee No.	Vacancies (Fulltime equivalents) no.	Vacancies(as a % of total post) %
0-3	0	0	0	0	
4-6	0	0	0	0	
7-9	0	0	0	0	
10-12	0	0	0	1	100%
13-15	0	0	0	0	
16-18	0	0	0	0	
19-29	0	0	0	0	
Total	0	0	0	1	100%

Chapter 3

Financial Performance 2012/13: Employees: Child Care, Aged Social Program					
Details	2011/12	2012/13			
	Actual Budget	Original Budget	Adjustment Budget	Actual	Variance to budget
Total Operational Revenue(Excluding Tariffs)					
Expenditure:					
Employees	0.00				
Repairs & Maintenance	0.00				
Other					
Total Operation Expenditure					
Net Operational (Service) Expenditure					

Chapter 3

Child Care, Aged Care, Social Programmes Policy Objectives Taken from IDP							
Service Objectives (i)	Outline Service Targets (ii)	2010/11		2011/12		2012/13	
		Target	Actual	Target	Actual	Target	Actual
		Previous Year (iii)	Current Year (iv)	Current year (v)	Current Year (vii)	Current Year (viii)	Following Year (ix)
Aged Care - To formulate integrated partnership with relevant structures - Supporting and Strengthening Aged projects - Integrating Aged projects into a human resource development strategy - Governance and monitoring of the equalization of opportunities within the municipality.	Assist with Integration of the Aged Care activities into municipality programmes	4	3	4	1	4	0
Early Childhood Development. - To afford children & stakeholders with an opportunity for developing children from early stages	Coordinate the Early Child Development institutions within the municipality	06	5	4	0	4	3

Chapter 3

COMMENT ON THE PERFORMANCE OF CHILD CARE; AGED CARE; SOCIAL PROGRAMMES OVERALL:

A Coordinate the Early Child Development institutions within the municipality

Assist with Integration of the Aged Care activities into municipality programmes

COMPONENT E: ENVIRONMENTAL PROTECTION

This component includes: pollution control; biodiversity and landscape; and costal protection.

INTRODUCTION TO ENVIRONMENTAL PROTECTION

The Municipal function is merely a facilitation function on activities by other stakeholder in the area of the Municipality. Comments are made when there might be any possible effects on the environment and information is distributed to other stakeholders such as department, councillor's ext. There is not a separate unit for the specific tasks.

Chapter 3

3.59 POLLUTION CONTROL

INTRODUCTION TO POLLUTION CONTROL

No Pollution control as the Health function moved to District Municipality

3.60 BIO-DIVERSITY; LANDSCAPE (INCL. OPEN SPACES); AND OTHER (EG. COASTAL PROTECTION)

INTRODUCTION BIO-DIVERSITY AND LANDSCAPE

The Municipality manage open spaces in the town of Marble Hall and recently a park was developed in ext. 6 Marble Hall. All open spaces are also maintained by cutting grass, debushing and removing of debris. New equipment were bought to deal with new development in Marble Hall. At the stadium in Elandskraal and satellite offices , Community halls grass are also cut and maintained.

SERVICE STATISTICS FOR BIO-DIVERSITY AND LANDSCAPE

Chapter 3

Priority Issue/Programme 15: Sports ,Parks and Recreation Programme Objective: <i>Ensure accessibility to Sport ,Parks and Recreation facilities for all the inhabitants of the municipal area</i>									
					Target for the Year: <i>30000 inhabitants attending major sporting and recreational events</i>				
Project ID	Project Name	Project Location	Project Beneficiaries	Project Objective	Key Performance Indicator	Period	Budget Allocation	Source of Funding	Implementing Agency
17010	Parks	EPMLM	EPMLM communities	Greening of the Municipality – biodiversity conservation	Number of trees planted	30 June 2013	200 000	Council Vote 425/260170	EPMLM
				Number of projects To support maintenance and clean all open spaces, EPWP PROJECT	Number of jobs created Number of areas debushed and cleaned	30 June 2013	140 000	Council Vote 425/235300	EPMLM
				To purchase vehicles	Number of vehicles	30 June 2013	510 000	Council Vote	EPMLM

Chapter 3

Capital Expenditure 2012/13: Parks					
Capital Projects	2012/13				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Tractor	510	0	446		
Other projects were operational budget					

Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).

COMMENT ON THE PERFORMANCE OF BIO-DIVERSITY; LANDSCAPE AND OTHER OVERALL:

Greening of the Municipality – biodiversity conservation and maintenance and clean all open spaces, EPWP PROJECT

COMPONENT F: HEALTH

This component includes: clinics; ambulance services; and health inspections.

INTRODUCTION TO HEALTH

The functions of health services including Clinics and Ambulance Services is the function of the Provincial departments. Environmental Health Services is the function of the District Municipality

Chapter 3

3.62 CLINICS

INTRODUCTION TO CLINICS

The functions of health services including Clinics and Ambulance Services is the function of the Provincial departments. Environmental Health Services is the function of the District Municipality

3.63 AMBULANCE SERVICES

INTRODUCTION TO AMBULANCE SERVICES

Ambulances Services is a district function

Chapter 3

3.64 HEALTH INSPECTION; FOOD AND ABBATOIR LICENSING AND INSPECTION; ETC

INTRODUCTION TO HEALTH INSPECTIONS; FOOD AND ABATTOIR LICENCING AND INSPECTIONS, ETC

Health is a district function

T3.64.1

COMPONENT G: SECURITY AND SAFETY

This component includes: police; fire; disaster management, licensing and control of animals, and control of public nuisances, etc.

INTRODUCTION TO SECURITY & SAFETY

T3.65.0

3.65 POLICE

INTRODUCTION TO POLICE

Municipality do not have municipal police officers function and the grading thereof does not allow to have the function

Chapter 3

3.66 FIRE

INTRODUCTION TO FIRE SERVICES

Fire services is a district function

T3.66.1

3.67 OTHER (DISASTER MANAGEMENT, ANIMAL LICENCING AND CONTROL, CONTROL OF PUBLIC NUISANCES AND OTHER)

INTRODUCTION TO DISASTER MANAGEMENT, ANIMAL LICENCING AND CONTROL, CONTROL OF PUBLIC NUISANCES, ETC

Disaster Management is a district function, animal licensing and control has been abolished and control of public nuisance is a SAPS function.

T3.67.1

COMPONENT H: SPORT AND RECREATION

This component includes: community parks; sports fields; sports halls; stadiums; swimming pools; and camp sites.

INTRODUCTION TO SPORT AND RECREATION

All parks and stadium were maintained . There is no sport hall, swimming pool and camp sites as assets of the Municipality. There is however a two sport, arts and culture officers which coordinate sport activities in the Municipality and align programs to district – and provincial activities .

3.68 SPORT AND RECREATION

SERVICE STATISTICS FOR SPORT AND RECREATION

Chapter 3

Employees: Sport and recreation parks included					
Job Level	2011/12	2012/13			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies(as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	18	22	21	1	4.5%
4 - 6	2	2	2	0	0
7 - 9	2	2	2	0	0
10 - 12	1	1	1	0	0
13 - 15					
16 - 18					
19 - 20					
Total	23	27	26	1	0

Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

Sport and recreation policy objectives taken from IDP			
Service objective	Outline service Targets	KPI	2012/13 Target
Sports and Recreation	Ensure accessibility to Sport and Recreation facilities for all the inhabitants of the municipal area	Number of inhabitants having access to sports and recreation events at the municipal area facilities	4 events

Chapter 3

Capital Expenditure 2012/13: Parks					
R' 000					
Capital Projects	2012/13				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Tractor	510	510	446		

Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).

Chapter 3

Financial performance 2012/13 sports parks cemeteries and recreation					
		R'000			
Details	2011/12 actual	2012/13			
		Original budget	Adjustment budget	Actual	Variance to budget
Total operational revenue	28762	30487	30487	9067	29%
Expenditure:					
Employees	3134386	3267851	3267851	3254543	99%
Repairs and maintenance	484629	484629	484629	510716	105%
Other	707831	790649	790649	981579	124%
Total operational expenditure	4326846	4543129	4543129	4746838	104%

Chapter 3

Net operational(service)expenditure	-4298084	-4512642	-4512642	-4737771	
Net expenditure to be consistent with summary table T5.1.2 in chapter 5.Variance are calculated by dividing the difference between the actual and original budget by the actual					

COMMENT ON THE PERFORMANCE OF SPORT AND RECREATION OVERALL:

The only capital project were the purchase of a new tractor for the parks maintenance teams. As part of greening 200 trees were also bought and distribute for planting in villages.

T3.68.6

COMPONENT I: CORPORATE POLICY OFFICES AND OTHER SERVICES

This component includes: corporate policy offices, financial services, human resource services, ICT services, property services.

Chapter 3

INTRODUCTION TO CORPORATE POLICY OFFICES, Etc

To provide adequate and professional Council , Support Services to the work of the Political Leadership, Provide Human Resources Services to the Councilors, Staff, and Community members ,To render Administration, Information Technology, Records Management and Legal Services including Satellites Offices

T3.69.0

3.69 EXECUTIVE AND COUNCIL

This component includes: Executive office (mayor; councilors; and municipal manager).

INTRODUCTION TO EXECUTIVE AND COUNCIL

The executive committee has no executive powers and is chaired by the Mayor and members consist of heads of the 5 Portfolio committees and meet once a month. The Exco make recommendations to Council via the Portfolio committees The Council meeting is chaired by the Speaker and consist of 32 councilors

SERVICE STATISTICS FOR THE EXECUTIVE AND COUNCIL

Chapter 3

The Executive and Council policy objectives taken from IDP							
Service objectives		Outline service targets					
		2010/11		2011/12		2012/13	
		Target	Actual	Target	Actual	Target	Actual
To ensure optimum functionality of Council and its committees	Exco	12 meetings	14	12 meetings	14	12 meetings	11
	Council	4 meetings	5	4 meetings	10	4 meetings	15

Chapter 3

Job Level	Employees: The Executive and Council				
	2011/12 Employees	Posts	Employees 2012/13	Vacancies(fulltime equivalents)	Vacancies(as a % of total posts)
	No.	No.	No.	No.	%
0-3					
4-6					
7-9	2	3	2	3	1
10-12	3	4	3	4	1
13-15	2	2	2	2	1
16-18					
19-20					

Financial Performance 2012/13: Executive and Council Support					
Details	2011/12	2012/13			
	Actual Budget	Original Budget	Adjustment Budget	Actual	Variance to budget
Total Operational Revenue(Excluding Tariffs)					
Expenditure:	R48 543.76	R51 456. 39	R54 543. 77		
Employees					
Repairs & Maintenance	0.00	0.00	0.00		
Other					
Total Operation Expenditure					
Net Operational (Service) Expenditure					

Chapter 3

Capital; Expenditure 2012/2013: The Executive and Council					
2012/2013					
Capital Project	Budget	Annual Adjustment	Actual Expenditure	Variance from original budget	Total Project Value
Furniture	R800 000.00	R1 000 000.00	R1 000000	R732 780.00	R267 219.00

COMMENT ON THE PERFORMANCE OF THE EXECUTIVE AND COUNCIL:

During 2012/13 financial year eleven ordinary and 10 special Exco meetings were held. And 5 Council and 17 special council meetings held

The 5 largest projects implemented are Moganyaka , Malebitsa and Vaalbank internal roads and refurbishment of Elandskraal and Malebitsa Stadiums

T3.69.7

3.70 FINANCIAL SERVICES

Chapter 3

INTRODUCTION FINANCIAL SERVICES

The function of finance within the municipality is administered as follows and includes:

Collect revenue (revenue enhancement),

Manage debts (minimise debtors),

Management of expenditure (expenditure to be according to the budget and no over expenditure) and supply chain process

Manage and control the approved budget

Properly account on all transactions undertaken

Give support to other Council's departments

The strategic objectives of these functions are to:

To ensure that the municipality is financially viable to ensure proper provision of services to the community

Three top priority projects implemented are Moganyaka Access Road for R8.2m, Malibitsa internal streets for R6.4m and Vaalbank access road R6.4m.

T3.70.1

Chapter 3

Financial service policy objectives taken from IDP						
Service objectives	Outline service targets					
	2010/11		2011/12		2012/13	
	Target	Actual	Target	Actual	Target	Actual
To ensure proper accounting and reconciliation of transactions and records	12	12	12	12	12	12
To maximize the collection of revenue	20%	20%	20%	20%	20%	20%
To compile a supplementary valuation roll in compliance with the MPRA	100%	100%	100%	100%	1	1

Chapter 3

Statement of Financial Performance

Figures in Rand	2013	2012
Revenue		
Revenue from exchange transactions		
Service charges	38,606,685	33,149,311
Rendering of services	1,884,172	1,789,351
Rental of facilities and equipments	107,456	155,437
Licences and permits	3,803,419	4,331,498
Recoveries	-	31,961
Other revenue	742,132	1,058,333
Interest received	5,432,876	4,115,578
Total revenue from exchange transactions	50,576,740	44,631,469
Revenue from non-exchange transactions		
Taxation revenue		
Property rates	12,251,691	11,215,705
Transfer revenue		
Government grants & subsidies	103,456,286	80,291,425
Fines	162,321	223,424
Total revenue from non-exchange transactions	115,960,298	91,730,554
Total revenue	166,537,038	136,362,023
Expenditure		
Personnel	-41,721,140	-37,787,558
Remuneration of councillors	-9,739,948	-8,867,091
Administration	-97,596	-94,486
Depreciation and Amortisation	-37,802,336	-34,079,216
Finance Costs	-	-1,012,062
Debt Impairment	-1,803,120	-2,612,637
Repairs and maintenance	-6,245,234	-6,993,698
Bulk purchases	-20,234,237	-17,671,187
Grants and subsidies paid	-825,267	-624,409
General Expenses	-35,672,534	-34,159,727
Total expenditure	-154,231,412	-143,902,071
Operating surplus/(deficit)	12,305,626	-7,540,048
Loss on disposal of assets and liabilities	-18,758,000	-461,561
Actuarial gains/(losses)	-2,716,000	-1,336,000
Fair value adjustment on investment properties	62,169,586	-
	40,695,586	-1,797,561
Surplus(deficit) for the year	53,001,212	-9,337,609

Chapter 3

3.71 HUMAN RESOURCE SERVICES

INTRODUCTION TO HUMAN RESOURCE SERVICES

One of the key service delivery provided by the Human Resources to the Community is the provision of the Community Bursary to learners who has pass matric (Grade 12). The municipality has spent over R480 000 on the project

SERVICE STATISTICS FOR HUMAN RESOURCE SERVICES

Human Resource service policy objectives taken from IDP

Service objectives	Outline service targets					
	2010/11		2011/12		2012/13	
	Target	Actual	Target	Actual	Target	Actual
To develop Job Descriptions developed	45	45	60	60	40	40
To afford staff members with an opportunity for further learning & self-development.	8	8	20	5	20	12
To award bursaries to qualifying community members, especially youth in order to equip them with skills & qualifications	9	9	15	6	15	6

Chapter 3

Job Level	Employees: Human Resource				
	2011/12 Employees	Posts	Employees 2012/13	Vacancies(fulltime equivalents)	Vacancies(as a % of total posts)
	No.	No.	No.	No.	%
0-3					
4-6					
7-9	5	5	5	5	0
10-12	8	8	8	8	0
13-15	4	4	4	4	0
16-18					
19-20					

Financial Performance 2012/13: Human Resource					
Details	2011/12	2012/13			
	Actual Budget	Original Budget	Adjustment Budget	Actual	Variance to budget
Total Operational Revenue(Excluding Tariffs)					
Expenditure:					
Employees	R1 844 168	R1 936 377	R1 936 377	R1 936 377	
Repairs & Maintenance	0.00	0.00	0.00		
Other					
Total Operation Expenditure					
Net Operational (Service) Expenditure					

Capital Expenditure 2012/13: Human Resource					
Details	2011/12	2012/13			
	Actual Budget	Original Budget	Adjustment Budget	Actual	Variance to budget
No capital expenditure					
Net Operational					

Chapter 3

(Service) Expenditure					
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COMMENT ON THE PERFORMANCE OF HUMAN RESOURCE SERVICES OVERALL:

The largest project is the Community Bursary, bursary scheme targeting members of the community who cannot afford the payment for the tertiary education. The initial budget was R500 000.00 per annum which was over underspend by R6 334.23

3.72 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

This component includes: Information and Communication Technology (ICT) services.

INTRODUCTION TO INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

Services implemented as per the table below

T3.72.1

SERVICE STATISTICS FOR ICT SERVICES

T3.72.2

Chapter 3

ICT services policy objectives taken from IDP						
Service objectives	Outline service targets					
	2010/11		2011/12		2012/13	
	Target	Actual	Target	Actual	Target	Actual
Backup and complete approved Disaster Recovery Plan.	100%	100%	100%	100%	100%	100%
Network and Infrastructure maintenance	100%	100%	100%	100%	100%	100%
To update Website	100%	100%	100%	100%	100%	100%

Employees: ICT Services					
Job Level	2011/12	2012/13			
	Employee No.	Posts no.	Employee No.	Vacancies (Fulltime equivalents) no.	Vacancies(as a % of total post) %
0-3					
4-6					
7-9					
10-12	1	3	3	0	
13-15					
16-18					
19-29					
Total	1	3	3	0	

Chapter 3

Financial Performance 2012/13: ICT Services					
Details	2011/12	2012/13			
	Actual Budget	Original Budget	Adjustment Budget	Actual	Variance to budget
Total Operational Revenue(Excluding Tariffs)	0	0	0	0	0
Expenditure:					
Employees	R	R			
Repairs & Maintenance	R1017856.00	R1017856.00	0	R1017856.00	0
Other					
Total Operation Expenditure					
Net Operational (Service) Expenditure					

Chapter 3

Capital Expenditure 2012/13: ICT Services

Capital Projects	2012/13			
	Budget	Adjustment Budget	Actual Expenditure	Variance From original Budget
Total All	R1333281.84	0	R1241874.86	0
CSI Thabile	R91 407.00	0	R91 407.00	0
SITA	R101 650.00	0	R101 650.00	0
HCIT	R511 954.62	0	R511 954.62	0
DITIRO IT	R280 590.14	0	R280 590.14	0
BASIC BLUE TRADING	R235 001.00	0	R235 001.00	0
FIST TO FAST IT	R16 220.00	0	R16 220.00	0
TEM TEK	R41 374.20	0	R41 374.20	0
IT PRO COMPUTERS	R32 085.00	0	R32 085.00	0
INCREDIBLE CONNECTION	R22 999.90	0	R22 999.90	0

COMMENT ON THE PERFORMANCE OF ICT SERVICES OVERALL:

Maintenance of wireless Network connectivity is major project implemented at a cost of R451 440 to enhance service delivery

3.73 PROPERTY; LEGAL; RISK MANAGEMENT AND PROCUREMENT SERVICES

This component includes: property; legal; risk management and procurement services.

INTRODUCTION TO PROPERTY; LEGAL; RISK MANAGEMENT AND PROCUREMENT SERVICES

To give effect to the provision of the constitution, MFMA, PPPFA and other procurement legislations

To transform outdated procurement and provisioning practices into an integrated SCM function.

To ensure that SCM forms an integral part of the financial management system of the municipality.

Promote consistency in respect of supply chain management policy and other related policy initiatives in the municipality.

Chapter 3

SERVICE STATISTICS FOR PROPERTY; LEGAL; RISK MANAGEMENT AND PROCUREMENT SERVICES2

Property,Legal,Risk Management and Procurement services policy objectives taken from IDP						
Service objectives	Outline service targets					
	2010/11		2011/12		2012/13	
	Target	Actual	Target	Actual	Target	Actual
Review risk management strategy	100%	100%	100%	100%	100%	100%
Review Risk Management Policy	100%	100%	100%	100%	100%	100%
Disposal of obsolete stock items	100%	100%	100%	100%	100%	100%
Implementation of SCM policy	4 reports	4 reports	4 reports	4 reports	4 reports	4 reports

Chapter 3

COMMENT ON THE PERFORMANCE OF PROPERTY SERVICES OVERALL:

No Capital expenditure for Property, Legal, Risk Management and Procurement services

T3.73.7

COMPONENT J: MISCELLANEOUS

This component includes: the provision of Airports, Abattoirs, and Forestry as municipal enterprises.

INTRODUCTION TO MISCELLANEOUS

No airports, abattoirs and forestry as municipal enterprises.

Chapter 3

COMPONENT K: ORGANISATIONAL PERFORMANCE SCORECARD

Annual SDBIP are as follows:

MUNICIPAL MANAGER INTERNAL AUDIT

Quarterly projections of service delivery targets and performance indicators 2012/13

KPA	Projects	Objectives	Base line	KPI	Annual Target	Q1	Q2	Q3	Q4	Budget Vote no Ward
Municipal Transformation and organizational development Internal Audit	Quarterly Internal Audit Engagements	Provide an independent objective assurance and consulting service.	2011/2012 Internal Audits Reports	No. of reports on Assessment of controls and the Audit recommendations	4 internal Audit Reports	1	1	1	1	None
Municipal Transformation and organizational development Performance Management	Quarterly SDBIP Performance Reports and AC Progress reports	Ensure accountability	2011/2012 Annual Performance Report	No. of performance reports compiled	4 performance reports compiled	1	1	1	1	None
Municipal Transformation and organizational development Internal Audit Charter	2011/2012 Internal Audit Charter	Development of the internal audit charter	Approved Internal Audit Charter	% Approval and review of internal Audit Charter	100% Review and approval of the Internal Audit Charter	25%	25%	25%	25%	None

Chapter 3

KPA	Projects	Objectives	Base line	KPI	Annual Target	Q1	Q2	Q3	Q4	Budget Vote no Ward
Municipal Transformation and organizational development Risk Management	To facilitate risk assessment and review : - Risk management Strategy - Risk management policy - Fraud Prevention Plan - Fraud Response Plan - Whistle-blowing policy	Help management to prioritize the identified risks.	2011/2012 risk Register and risk policies	% 2012/2013 Risk Assessment Report Approved: -Risk management Strategy - Risk management policy - Fraud Prevention Plan - Fraud Response Plan - Whistle-blowing policy	100%	25%	25%	25%	25%	None
Municipal Transformation and organizational development Audit committee	Reporting to Audit Committee quarterly.	Report to Audit Committee on Activities of Internal Audit.	2011/2012 Audit committee minutes	No. of Audit committee reports	4 Audit committee reports	1	1	1	1	R 50 000
Municipal Transformation and organizational development	Appoint internal auditor	Appoint Internal Auditor	Chief Internal Auditor Only	% appointment of internal auditor	100% appointment of internal auditor	25%	25%	25%	25%	R167 000

Chapter 3

Appoint Internal Auditor										
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Chapter 3

2.2 STRATEGIC PLANNING

Quarterly projections of service delivery targets and performance indicators for 2012/13

KPA	Project	Objective	KPI	Baseline	Annual Target	Q1	Q2	Q3	Q4	Budget Vote no Ward
Local Economic Development	1.Special Projects	Implement projects emanating from EU/Urban renewal strategies	Number of projects implemented	2	2			2		R212 000 760/260150
	2.Organic farming cluster	Create 10 organic farms	Number of organic farms established	7	3	1	1		1	R4 301 000 760/260154
	3. Eco tourism Flag Boshielo Schuinsdraai nature reserve development	Develop a unique eco-tourism destination	Number of investors secured	1	1			1		R424 000 760/260380
	4.Horticulture cluster	Improve the competitiveness of horticulture cluster by obtaining funds to assist viable emerging businesses	Number of businesses assisted	4	4		2		2	
	5.Red meat cluster	Improve the competitiveness of red meat cluster by obtaining funds to assist emerging businesses	Number of businesses assisted	4	4	1	1	1	1	
	6.Tourism cluster	Promote economic growth in the tourism industry by establishing information centre	% establishment of Information centres	100%	100%	20%	50%	30%		

Chapter 3

	7.Informal economic cluster	Promote economic growth in the informal industry by training traders	Number of trainings for informal economy traders	10	10	2	3	3	2	
Local Economic Development	8.Logistic Hub	Establish logistic hub	No. of contract on performance and remuneration with Implementing agent	1	1		1			
	9. Coordinate effective use of the local business support center	Access to information, advice and assistance regarding LED related matters	Number of businesses linked with LIBSA	10	10	2	2	3	3	
	10.Fundraising	Increase available funds by 5% for implementation of projects	% Increase of available funds by 5% for implementation of projects	5%	5%	0	3%		2%	
	11.Coordination of the drafting of sector plans	Review SDF and LED strategy	Number of sector plans reviewed	2	2	0	1	0	1	
	12. Urban renewal strategy	Promote economic growth by market linkages	Number of SMME,'s linked to markets	7	3	1	1		1	
	13.Review LED strategy	To review LED strategy	Number of strategy review	1	1			1		

Quarterly projections of service delivery targets and performance indicators for 2012/13

Chapter 3

KPA	Project	Objective	KPI	Baseline	Annual Target	Q1	Q2	Q3	Q4	Budget Vote no Ward
Good Governance	1.IDP Review	To review the IDP for 2012/13	% Annual review of the IDP for 2012/13	Reviewed IDP document	100%	25%	25%	25%	25%	R112 360 760/260025 All wards
	2.PMS	To implement the performance management system	Number of Organisational performance reports submitted	4	4	1	1	1	1	No funds required
			Number of performance evidence verified	Performance evidence	12	3	3	3	3	No funds required
			Number of performance plan of organization	1	1	1				No funds required
			Number of performance agreements and plans compiled for section 57 Managers, Divisional Managers and Supervisors	5 sec 57 managers	5	5				
	7 divisional managers	7			7				No funds required	
	Intergovernmental relations	To promote cooperative governance	Number of IDP representative forum and LED forum meetings	Meetings convened	2 IDP rep forum		1	1		R20 000 760/260150
					1 LED forum		1			R10 000 760/260150

Chapter 3

Land Use Management system	To promulgate management system	% Promulgation of land use management system	100%	100%	50%	50%				R10 000 760/260150
Spatial Development framework	To revise SDF	% Revision of SDF	100%	100%						R10 000 760/260150

2.3. CORPORATE SERVICES:

2.3.1. HUMAN RESOURCES DIVISION

Quarterly projections of service delivery targets and performance indicators for 2012/13

KPA	Project	Objective	KPI	Baseline	Annual Target	Q1	Q2	Q3	Q4	Budget Vote no Ward
Municipal Transformation and organizational development	1. Job Descriptions	To have functions & responsibilities attached to specific posts in order to expedite service delivery	-Number of Job Descriptions developed, -Number of post-titles aligned to TASK Final Outcome Results (FOR). -Number of progress reports submitted.		100% (about 40 Job Descriptions)	50% (20 Job Descriptions)	50% (Remaining 20 Job Descriptions)	Pursuing external process of Job Evaluation with designated SALGBC committee/s	Pursuing external process of Job Evaluation with designated SALGBC committee/s	510/26037 1

Chapter 3

	Employment Equity	Compliance with Employment Equity Act 55/1998	Appointed EE Manager, EE data on VIP software system, Existence of EE Plan, Completed EE Report, Number of EE Committee meetings held.		100%	25% (Appointment of EE Manager, Holding of 3 EE Committee meetings, Completion of Quarterly EE Report, Compliance with EE Act & EE Plan on appointment of new staff).	25% (Compliance with EE Act & EE Plan on appointment of new staff, Holding of 3 EE Committee meetings, Quarterly EE report).	25% (Loading of EE data on VIP software system, Holding of 3 EE Committee meetings, Compliance with EE Act & EE Plan on appointment of new staff).	25% (Holding of 3 EE Committee meetings, Quarterly EE report, Compliance with EE Act & EE Plan on appointment of new staff).	
Employee Wellness	Employee Assistance Programme (EAP)	To promote and maintain employees' wellness and assist staff members who are having challenges in order to enable them to	-Number of resolved staff challenges. -Established & functional EAP Committee. -Number of meetings held by EAP Committee -Number of reports submitted		100% (About 50 employees)	-Holding of 3 EAP Committee meetings. -Assisting of 10 employees & referral where a need arise, -Quarterly report.	-Holding of 3 EAP Committee meetings. -Assisting of 20 employees & referral where a need arise, -Quarterly report.	-Holding of 3 EAP Committee meetings. -Assisting of 20 employees & referral where a need arise, -Quarterly report.	-Quarterly report on progress made. - Holding of 3 EAP Committee meetings.	

Chapter 3

		work productively.								
	Occupational Health and Safety (OHS)	Compliance with OHS Act.	<ul style="list-style-type: none"> -Number of meetings held by OHS Committee, -Number of appointed OHS representatives, -Number of First Aid Boxes provided, -Number of displayed Safety signs, -Developed OHS Memorandum of Agreement for Contractors, -Number of Fire Extinguishers refilled/provided, -Developed 		100%	Investigate & report on OHS incidents, Appointment of OHS Representatives, Holding of 3 OHS Committee meetings, Display Safety signs & copies of OHS Act, Quarterly OHS report.	Inspect & provide First Aid boxes contents, Inspect & refill Fire Extinguishers, Staff medical examination i.t.o. OHS Act, Maintain and update Incident Statistical register, Holding of 3 OHS Committee meetings, Quarterly OHS report.	Holding of 3 OHS Committee meetings, Quarterly OHS progress report.	Staff medical examination i.t.o. OHS Act, Maintain & update OHS Memorandum of Agreement for Contractors, Holding of 3 OHS Committee meetings, Quarterly OHS report.	510/260721

Chapter 3

	Identifica tion and mitigatio n of risks/haz ards		Incident Statistics register, -Number of medical examination s for hazardous- work staff, -Number of developed & reviewed OHS policies, -Number of OHS Act copies & charts displayed on municipal buildings. Number of risks identified & mitigated							
	Skills Develop ment	To enhance skills, performan ce & productivit y of municipal officials.	-Number of meetings held by Training Committee, -Number of staff trained, -Number of		100%	Sustainabilit y of Training Committee & Holding of 3 Committee meetings, Ensuring payment for	Ensuring payment for SETA levies, Holding of 3 Committee meetings, Pursue SETA grants due to municipality,	Engage municipal department s & get inputs on draft WSP, Update training data on VIP &	Develop & finalize WSP, Update data on VIP & Skills Gap software systems, Holding of 3	510/26072 0

Chapter 3

			<p>reports developed, -Existence of ABET Training & Number of staff attending such training, -Payment for SETA levies, -Receipt of SETA grants, -Developed WSP, -Developed Skills Gap Plan & number of Personal Development Plans (PDP's), -Number of Graduation Ceremonies held, -Number of trained staff & data on VIP & Gapskill Webtool software</p>			<p>SETA levies, Revive ABET Training, Develop Skills Gap Plan & PDP's, Quarterly SETA & training report.</p>	<p>Loading data of trained staff on VIP & Skills Gap Webtool software systems, Prepare for & hold Graduation Ceremony for all trained staff, Quarterly SETA & training report.</p>	<p>Skills Gap Webtool software systems, Holding of 3 Committee meetings, Quarterly SETA & training report.</p>	<p>Committee meetings, Update & complete Annual Training Report (ATR), Submission of WSP & ATR to LGSETA.</p>	
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Chapter 3

			<p>systems, -Availability of Skills Gap Report on Skills Gap software system, -Number of developed Quarterly SETA & training Reports, -Developed ATR report.</p>							
	<p>Recognition of Prior Learning (RPL),</p>	<p>To enable staff with skills & capabilities to acquire RPL certificates.</p>	<p>-Number of portfolio of evidence files, -Number of staff having acquired RPL certificates.</p>		<p>100% (about 60 staff members)</p>	<p>Identification of relevant institutions, Identification & testing (portfolio of evidence) of 15 staff members, Quarterly RPL report.</p>	<p>Portfolio of evidence for additional 15 staff members, Quarterly RPL progress report.</p>	<p>Portfolio of evidence for additional 15 staff members, Quarterly RPL progress report.</p>	<p>Portfolio of evidence for last group of 15 staff members, Quarterly RPL report.</p>	<p>510/260720</p>

Chapter 3

	Bursary Fund for Staff	To afford staff members with an opportunity for further learning & self-development.	-Number of staff benefiting from the bursary, -Number of reports developed, -Approved reviewed staff Bursary Fund policy.		100% (about 30 Staff members)	Hold 3 Training Committee meetings & review the policy, Prepare and finalize Notice for applications, Update data of beneficiaries , Quarterly progress report.	Hold 3 Training Committee meetings, Council approval of the reviewed policy, Publish Notice for applications, Identify qualifying applications, Quarterly progress report.	Hold 3 Training Committee meetings & verify academic records and exam results, Short listing of applications, Make payment for successful applicants at respective institutions, Update data of beneficiaries , Quarterly progress report.	Hold Training Committee meetings, Quarterly progress report.	510/306021
	Bursary Fund for Community members	To award bursaries to qualifying community members, especially youth in order to equip them with skills	Number of bursary beneficiaries , Approved reviewed Community Bursary Fund policy, Number of related		100% (15 Community members including 13 for continuation of training).	Hold Training Committee meetings & review the policy, Prepare and finalize Notice for applications, Update data	Hold Training Committee meetings, Council approval of the reviewed policy, Publish Notice for applications, Identify	Hold Training Committee meetings & verify academic records and exam results, Short listing of	Hold 3 Training Committee meetings, Quarterly progress report.	510/306020

Chapter 3

		& qualifications.	meetings held by Training/Bursary Committee. Number of reports developed.			of beneficiaries , Quarterly progress report.	qualifying applications, Quarterly progress report.	applications, Make payment for successful applicants at respective institutions, Update data of beneficiaries , Quarterly progress report.		
	Experiential training/learnerships/ Internship	To afford community members with an opportunity of having practical work-experience.	Number of community members trained, Approved Experiential Training policy.		Training of about 10 community members p.a.)	Review the policy, Holding of 3 Training Committee meetings & prepare and finalize Notice for applications, Draft and publish Notice for applications for internship or learnership, if any, Quarterly progress report.	Council approval of the the policy, Identify qualifying applications, short listing, appointment, opening file & assigning supervisor/mentor, Quarterly progress report.	Update data of trainees, Holding of 3 Training Committee meetings, Quarterly progress report.	Hold 3 Training Committee meetings, Quarterly progress report.	

Chapter 3

	Compute rize HR and skills-gap program mes on VIP & Gapskill webtool software systems.	To migrate from manual recordkeep ing to software recordkeep ing for enhanced data & recordkeep ing.	Number of staff's Leave Administrati on data on VIP software system, Number of staff's Loaded Personnel history on VIP & Gapskill webtool systems, Data of EE on VIP,		100% (To have all personnel data on EE, Personnel history & Leave Administrati on on VIP & Gapskill webtool systems).	Load & update leave administrati on data on VIP, Commence with EE data loading on VIP, Continue with Personnel History data loading on VIP & Gapskill webtool software systems, Quarterly progress report.	Update data on VIP & Gapskill webtool systems, Quarterly progress report.	Update data on VIP & Gapskill webtool systems, Quarterly progress report.	Update data on VIP & Gapskill webtool systems, , Quarterly progress report.	
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Chapter 3

	Human Resource Development, Induction, Exit & Succession programmes	To have the policy approved by the council in order to provide for staff development and succession & to execute related programmes.	Approved policy, Number of staff developed i.t.o PDP's, Number of staff inducted, Number of staff on Succession programme & number of staff interviewed on their Exit, .		100% (As per the previous Skills Audit).	Council approval of draft policy, Commence with staff development i.t.o. PDP'S, Induct appointed staff, Identify staff for Succession programme, Staff interviews on their Exit, Quarterly progress report.	Develop identified staff i.t.o. policy, PDP's & J.D.'s, Induct appointed staff, developing staff for Succession programme, Staff interviews on their Exit, Quarterly progress report.	Develop identified staff i.t.o. policy & J.D.'s, Induct appointed staff, developing staff for Succession programme. Staff interviews on their Exit, Quarterly progress report.	Develop identified staff i.t.o. policy, PDP's & J.D.'s, Induct appointed staff, developing staff for Succession programme, Staff interviews on their Exit, Quarterly progress report.	
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Chapter 3

	Completion of Disclosure Forms by municipal officials	Compliance with relevant legislation & regulations	Number of officials having completed Disclosure Forms.		100% (about 50 officials, i.e. 18 staff members & 32 councilors).	Completion of forms as per legislation, Quarterly progress report.	Completion of forms as per legislation, Quarterly progress report.	Completion of forms as per legislation, Quarterly progress report.	Completion of forms as per legislation, Quarterly progress report.	
	Taking of Clocking data	Correlation of worked days & leave data of employees	Availability of clocking and leave data		100%	Taking of clocking data, Capturing clocking data & leave days taken in VIP & IDU software system, Quarterly progress report.	Taking of clocking data, Capturing clocking data & leave days taken in VIP & IDU software system, Quarterly progress report.	Taking of clocking data, Capturing clocking data & leave days taken in VIP & IDU software system, Quarterly progress report.	Taking of clocking data, Capturing clocking data & leave days taken in VIP & IDU software system, Quarterly progress report.	

Chapter 3

	Sustainability of the Training Committee & all other Committees	To ensure the functionality of Training Committee and effective training of municipal officials.	Number of meetings held by Training Committee, Number of officials trained, Number of training reports developed.		100%	Holding of 3 Committee meetings, Ensure that training of officials takes place according to WSP, Monthly & quarterly progress report.	Holding of 3 Committee meetings, Ensure that training of officials takes place according to WSP, Monthly & quarterly progress report.	Holding of 3 Committee meetings, Ensure that training of officials takes place according to WSP, Monthly & quarterly progress report.	Holding of 3 Committee meetings, Ensure that training of officials takes place according to WSP, Monthly & quarterly progress report.	510/260720
	Updating of staff & councilors files in line with NARSA Act No. 43/1996. Probation program me	To ensure compliance with NARSA Act and related regulations. To ensure the appointment of competent employees.	Number of files opened i.t.o. NARSA Act, Number of files updated i.t.o. NARSA Act, Number of files having Index sheets & numbered folios. Number of employees undergone the probation programme,		100% (271 officials' files inclusive of councilors files). 100% (All the new employees)	Open files as per NARSA Act requirements, Inserting File-indexes & numbering file-documents/ contents, Quarterly progress report. Coordinate the programme	Continue to open files as per NARSA Act requirements, Inserting File-indexes & numbering file-documents/ contents, Quarterly progress report. Coordinate for receipt of final probationary report from host department,	Continue to open files as per NARSA Act requirements, Insetting File-indexes & numbering file-documents/ contents, Coordinate for receipt of final probationary report	Finalize Insertion of File-indexes & numbering of file-documents/ contents, Quarterly progress report. Coordinate for receipt of final probationary report from host department,	

Chapter 3

			Number & quality of reports generated.			with new employee's host department, Remind host department to generate employee's monthly progress report, Quarterly progress report.	Coordinate the programme with new employee's host department, Remind host department to generate employee's monthly progress report, Quarterly progress report.	from host department, Coordinate the programme with new employee's host department, Remind host department to generate employee's monthly progress report, Quarterly progress report.	Coordinate the programme with new employee's host department, Remind host department to generate employee's monthly progress report, Quarterly progress report.	
	Reviewal of existing policy documents	Re-align the policies with legislation & with new strategies.	Approved reviewed policies.		100%	Reviewal of various policy documents & submission thereof to LLF and Committees' meetings, Quarterly progress report.	Submission of reviewed policies for council approval, Quarterly progress report.	Implementa tion of reviewed approved policies, Quarterly progress report.	Implementa tion of reviewed approved policies, Quarterly progress report.	

Chapter 3

	Reviewal of Organogram	To align the organogram with the new strategies in order to expedite service delivery.	Approved reviewed organogram .		100%	Implementa tion of newly approved organogram & discussion of possible challenges thereof in LLF and Committees' meetings, Quarterly progress report.	Continuation of implementation of approved organogram & addressing possible challenges thereof in LLF and Committees' meetings, Quarterly progress report.	Seek for department al inputs on existing organogram based on their forward planning for subsequent year, Quarterly progress report.	Consolidatio n of the organogram inputs, Submission of organogram to LLF, Committees & council meetings, Quarterly progress report.	
	Staff Exit programme.	To update the council about views of exiting staff members about this municipality.	Number of exit questionnaires completed, Availability of Staff Exit policy.		100%	Give Exit Questionnaires to exiting staff for completion, Reviewal of Exit policy, Quarterly progress report.	Give Exit Questionnaire s to exiting staff for completion, Submission of reviewed draft policy to departments for comments, Quarterly progress report.	Give Exit Questionnaires to exiting staff for completion, Submission of draft policy to LLF, Committees' & council meetings,, Quarterly progress report.	Give Exit Questionnaires to exiting staff for completion, Implementation of reviewed approved policy, Quarterly progress report.	

Chapter 3

	Filling of (critical) posts	To enhance & expedite service delivery.	Approved common Format (Template) for capturing of applications across the municipal departments, Number & names of filled posts.		100% Filling of posts budgeted for.	Identification of posts to be advertised, Benchmarking of unevaluated posts, Quarterly progress report.	Advertisement of evaluated & benchmarked posts, Filling of advertised posts and induction of new staff members Quarterly progress report.	Continuation of filling of advertised posts and induction of new staff members, Quarterly progress report.	Continuation of filling of advertised posts and induction of new staff members, Quarterly progress report.	
	Prospective staff Vetting & Confirmation of NQF levels of acquired certificates/qualifications	To confirm conduct & authenticity of certificates & qualifications of appointees with relevant institutions , To confirm NQF levels of acquired certificates /qualifications with SAQA.	Number of confirmed appointees & certificates, Number of certificates/ qualifications aligned to NQF levels.		100% (All prospective appointees & confirmation of NQF levels of certificates obtained by staff members as well as councilors who attended skills development programmes)	Vetting of prospective staff, Confirmation and alignment of councilors & staff members' certificates/ qualifications, Quarterly progress report.	Vetting of prospective staff, Confirmation and alignment of councilors & staff members' certificates/ qualifications, Quarterly progress report.	Vetting of prospective staff, Confirmation and alignment of councilors & staff members' certificates/ qualifications, Quarterly progress report.	Confirmation and alignment of councilors & staff members' certificates/ qualifications, Quarterly progress report.	

Chapter 3

	Labour Relations	To have sound labour relations between the employer and its staff.	Number of Local Labour Forum meetings held, Number of staff grievances handled, Concluded Essential Services Agreement, Number of reports developed, Number of workshops held on Collective Agreements, Approved Grievance & Case Management policy.		100%	Holding of 3 LLF meetings, Develop draft Grievance and Case management policy & submit it for comments, Review Essential Services Agreement, Quarterly progress report.	Submit draft policy for council approval, Submit reviewed Essential Services Agreement for comments by the parties, Departmental workshops on the policy and implementation thereof, Quarterly progress report.	Submit Essential Services Agreement for council approval & signing by the parties, Holding of workshops on Collective Agreements, Quarterly progress report.	Continuation of holding of workshops on Collective Agreements & approved policies and implementation thereof, Quarterly progress report.	
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Chapter 3

2.3.2 COUNCIL SUPPORT

Quarterly projections of service delivery targets and performance indicators for 2012/13

KPA	Project	Objective	KPI	Baseline	Annual Target	Q1	Q2	Q3	Q4	Budget Vote no Ward
Good governance & Public Participation	Corporate newsletter and related publications	Ensure publication of Municipal events	Number of newsletters issued	4	4	1	1	1	1	R160 286 Vote 450/260021
	Intergovernmental relations	To have good relations with other government bodies.	Number of IGR meetings held		4 IGR meetings per annum and	1	1	1	1	
	Public Participation	To afford the community with an opportunity of taking part in municipal programmes and giving inputs.	Number of consultative meetings held,		4 meetings per year	1	1	1	1	R313 461 505/260725
			Number of mayoral outreach programmes held,		4 meetings per year	1	1	1	1	
			Number of ward & Ward Committee meetings held.		4 meetings per year	1	1	1	1	
Good governance & Public Participation	Communication, Media Relations and Reporting.	To have a well coordinated communication and good	% Approval of revised Communication policy,		100%	25%	25%	25%	25%	

Chapter 3

ation		relations with the public.	Number of reports developed.		4	1	1	1	1	
	Handling Presidential Hotline queries	To expedite service delivery and enhance customer care.	Number of community members assisted,							
			Number of queries handled.		100% Handling of issues raised.	100%	100%	100%	100%	
	Record of articles and press releases.	To keep record of articles & press releases pertaining to the municipality for future references.	Number of articles & press releases kept in record,		24 articles	6	6	6	6	
			Number of record files opened.							

Chapter 3

KPA	Project	Objective	KPI	Baseline	Annual Target	Q1	Q2	Q3	Q4	Budget Vote no Ward
Municipal Transformation and organizational development	Council & Committee Schedule of meetings.	To ensure optimum functionality of Council and its committees	Number of portfolio meetings held	1 Portfolio per month per department.	30	3	6	9	12	
			Number of Exco meetings held	1 Exco per month.		3	6	9	12	
			Number of council meetings held	1 Council per quarter		1	2	3	4	
	Council Resolution monitoring	To ensure optimum functionality of Council and its committees	Number of Council resolution implementation reports	4 reports prepared on implementation of Council resolutions	6 reports	1	2	2	1	
	Reviewal of Delegation of Powers between political and	To ensure optimum functionality of Council, its committees	% Approval of reviewed Delegation of Powers document.	Systems of Delegations adopted	100%	25%	25%	25%	25%	

Chapter 3

KPA	Project	Objective	KPI	Baseline	Annual Target	Q1	Q2	Q3	Q4	Budget Vote no Ward
Municipal Transformation and organizational development	administration functionality	and staff		in 2005						
	Revival of HIV/AIDS Council	To give special attention to HIV/AIDS programmes in order to alleviate the pandemic's impact on communities.	Number of meetings held by the council,		4 Meetings	1	1	1	1	
			Number of awareness campaigns conducted.		4 campaigns	1	1	1	1	
	Revival of the Aged & Disability council		Number of meetings held by the council.		4 Meetings	1	1	1	1	
	Revival of Youth, Sport & Recreation council		Number of meetings held by the council.		4 Meetings per year	1	1	1	1	
Municipal Transformation and organizational development	Traditional Leaders	To enhance municipal relations with Traditional leaders & to encourage	Number of consultative meetings held		4 Meetings per year	1	1	1	1	

Chapter 3

		their participation in municipal programmes .								
			Number of council meetings they attended		1	1	1	1	1	
Traditional Healers	To enhance municipal relations with Traditional healers & to encourage their participation in municipal programmes .	Number of consultative meetings held with them.		4 Meetings per year	1	1	1	1	1	
Early Child Development (ECD)	To afford children & stakeholders with an opportunity for developing children from early stages.	Number of consultative meetings held,		Target of 40 ECD centres within the area	10	10	10	10	10	
			Number of children taking part in the programme,							

Chapter 3

Municipal Transformation and organizational development			Number of established ECD centres.							
	Gender-based programmes & Moral Regeneration	To develop a Framework & to discourage gender-based conflicts & violence, and to establish a committee.	Number of consultative meetings held, Approved Framework,		4 Meetings per year	1	1	1	1	

2.3.3 ADMINISTRATION & LEGAL SERVICES

2.3.3.1 INFORMATION TECHNOLOGY

Quarterly projections of service delivery targets and performance indicators for 2021/13

KPA	Project	Objective	KPI	Baseline	Annual Target	Q1	Q2	Q3	Q4	Budget
Municipal Transformation and organizational development	End-user support.	To enhance virtual interactive organization.	Number of queries handled.	100% response to queries raised	100% attendance to queries raised	100%	100%	100%	100%	R1.244662.07 vote 500/260450
	Back-up services (Business	To enhance virtual	% approval of Disaster Recovery	Finance Information saved	100%	25%	25%	25%	25%	

Chapter 3

	Continuity Plan)	interactive organization.	Plan.	Office Site with ITNA.						
	Develop a new SLA for IT Network Support.	To enhance virtual interactive organization.	% Conclusion of ICT Network Support contract.	SLA expired	100%	25%	25%	25%	25%	
	Maintenance of Wireless Network Connectivity .	To enhance virtual interactive organization.	100% availability of the network	Network redundancy established. Downtimes reduced to at least 1 (one) hour.	100%	100%	100%	100%	100%	

KPA	Project	Objective	KPI	Baseline	Annual Target	Q1	Q2	Q3	Q4	Budget
	Software rentals and licensing.	To enhance virtual interactive organization	% payment of rentals and licenses	Audit on software licenses completed.	100%	25%	25%	25%	25%	Funded from vote 500/260450
	ICT Policies and procedures.	To enhance virtual interactive organization	% Implementation of IT policies and procedures.	% of IT Policy developed.	100%	100%	100%	100%	100%	None

Chapter 3

	Website	To enhance virtual interactive organization.	% functionality of the website.	80% functional website infrastructure.	100% functional website.	100%	100%	100%	100%	Funded from vote 500/260450
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2.3.3.2 LEGAL SERVICES

KPA	Project	Objective	KPI	Baseline	Annual Target	Q1	Q2	Q3	Q4	Budget
Municipal Transformation and organizational development	Contract Management	Ensure legally compliant institution.	Number of concluded and signed SLAs.	Estimated at 80% availability of SLAs	100% complete database of SLAs	25%	25%	25%	25%	None
	Legislative update	Ensure legally compliant institution.	% legislative update done	Done on an Ad-hoc basis, through to Sabinet online.	100% legislative updates done	100%	100%	100%	100%	R48 000.00 Vote 500/260020
	By-laws	Ensure legally compliant institution.	Number of By-laws developed and perused	50% of draft by-laws developed, comments received from the public.	100% of by-laws to be perused and processed for gazetting	25%	25%	25%	25%	R41573.20 Vote 750/260145

Chapter 3

2.3.3.3 RECORDS MANAGEMENT

KPA	Project	Objective	KPI	Baseline	Annual Target	Q1	Q2	Q3	Q4	Budget
Municipal Transformation and organizational development	Filing of records	To safeguard records and related data for future reference i.t.o. NARSA Act.	Number of documents filed,	Filing backlog at 20%	100 % Filing of new correspondence documents,	100 %	100 %	100 %	100 %	None
			Number of reduced record queries.		100%.	100%.	100%.	100%.	100%.	
			% Approval of Compliance Requirements policy and Register.	Estimated compliance of 60%	100%	25%	25%	25%	25%	None
	Development of Record Management Procedures and Policy.	To enhance record management and administrative functionality as well as classification of record information.	% Approval of Record Management Procedures and policy,	Draft Paia documents developed.	100% compliance to the Acts and the approved policy.	25%	25%	25%	25%	None

Chapter 3

KPA	Project	Objective	KPI	Baseline	Annual Target	Q1	Q2	Q3	Q4	Budget
Municipal Transformation and organizational development	Development of Record Management Plan and Manual.	To enhance record management .	% Approval of Record Management File Plan and Manual.	Draft File Plan and Manual.	100% compliance with NERSA Act.	25%	25%	25%	25%	
	Procurement and installation of Steel Shelving Units for Archives.	To enhance record management	% Installation of Steel Shelving Units in Archives.	Wood Shelving used which is no compliant	100% installation of steel shelving in Archives	25%	25%	25%	25%	R40 000.00 Funded from Vote 500305050

2.3.3.4 CUSTOMER CARE

KPA	Project	Objective	KPI	Baseline	Annual Target	Q1	Q2	Q3	Q4	Budget
Continue to implement Service Standards, Quarterly progress report.	Customer care	To promote a functional Customer Care Service that is aligned to Batho Pele Principles.	% installation of Suggestion boxes and Complaint book placed at customer's disposal.	None	80% customer satisfaction .	20%	20%	20%	20%	R80 000 Funded from Vote 505/260900
			Number of letters & time-frame for	Suggestion Boxes	100%	25%	25%	25%	25%	

Chapter 3

			responding to letters, applications and queries submitted							
			% Approval of Service Standards,	None	100% Implementable Service Standards.	25%	25%	25%	25%	
	Develop Systems and Policies related to Customer Care.	To promote a functional Customer Care Services that is aligned to Batho Pele Principles.	% improvement Customer Care behavior.	Approved Customer Care Policy.	100%	100%	100%	100%	100%	

2.3.3.5 ADMINISTRATION

KPA	Project	Objective	KPI	Baseline	Annual Target	Q1	Q2	Q3	Q4	Budget
Municipal Transformation and organizational development	Office Furniture & equipment	To purchase furniture & equipment	Purchasing of furniture & equipment	Delivery of furniture	100%	25%	25%	50%		R1 000 000 Vote 500/30505 0

Chapter 3

2.4 TECHNICAL SERVICES AND PLANNING DEPARTMENT

Quarterly projections of service delivery targets and performance indicators for 2012/13

KPA	Project	Objective	KPI	Baseline	Annual Target	Q1	Q2	Q3	Q4	Budget Vote no
Basic service delivery	Water and Sanitation	To coordinate the provision of water and sanitation	% level of Supply	100%	100% of water and sewer provision to the backlog	25%	25%	25%	25%	R0
	Roads and Storm water	To improve the condition of existing municipal gravel roads	Km of roads gravelled	200km	250km of gravel roads graded	30	100	70	50	R 2 388 370. Vote no 650/23517 0
		To improve the condition of existing municipal tarred roads	m ² of base and surface patches repaired	300m ²	350 m ² of base and surface patches repaired	80	100	120	50	R22 898 Vote no 650/23518 0
		To improve the condition of existing storm water drainage system	Km of stormwater drain and channel cleaned	40km	60km of storm water pipes cleaned	20	10	20	10	R2 388 370 Vote no 650/23517 0
		To improve the condition existing road markings	Km of tarred roads marked	63km	73km of tarred road marked	20	23	15	15	R71 735 Vote no 650/23520 0
		Upgrading of Obaro road	Km of roads reconstructed	0.8km	0.8km to be constructed	25%	25%	25%	25%	R2 500 000 Vote no 650/30506 9

Chapter 3

KPA	Project	Objective	KPI	Baseline	Annual Target	Q1	Q2	Q3	Q4	Budget Vote no
BASIC SERVICE DELIVERY – CIVIL AND BUILDING	Machinery and plant	Purchasing of roller compactor	Number of Bomag roller purchased	1	1 Bomag roler compactor to be purchased	0	1	0	0	R1 300 000 Vote no 650/305127
		Purchasing of backhoe loader	Number of backhoe loader purchased	2	2 Backhoe loader to be purchased	0	2	0	0	R1 600 000 Vote no 650/305080
		Purchasing of the Low bed truck	Number of trucks purchased	1	1 Low bed truck to be purchased	1	0	0	0	R1 500 000 Vote no 650/305126
		Purchasing of a 2 Tipper truck	Number of Tipper Truck purchased	2	2 Tipper Trucks to be purchased	0	2	0	0	R1 600 000 Vote no 650/305124
		Purchasing of grader machinery	Number of grader machinery purchased	1	1 grader machinery to be purchased	0	0	1	0	R2 200 000 Vote no 650/305125
		Purchasing of 2 vehicles	Number of vehicle purchased	2	2 vehicle to be purchased	2	0	0	0	R 620 000 Vote no 650/305079
	4. Housing	To improve condition of municipal building facilities	Municipal buildings building maintained	100%	60% municipal building maintained	15%	15%	15%	15%	R764 586 Vote no 625/235030

Chapter 3

		To improve working condition of Air conditioners	Air conditioners maintained	60%	80%. of air conditioners maintained	20%	20%	20%	20%	R38 592 Vote no 625/235021
		To improve minor electrical of municipal building facilities	Minor electrical of municipal building maintained	50%	70% of minor electrical of municipal building to be maintained	25%	25%	25%	25%	R136 422 Vote no 625/235020
		To ensure compliance with Nation Building Regulation	%of building plans approved within 5 working days	50%	100%. of submitted building plans approved	25%	25%	25%	25%	R10 167 Vote no 625/260661
	5. Town Planning	To ensure compliance with Town Planning Scheme regulations	% of applications approved within 60 working days	50%	100%. of submitted applications approved	25%	25%	25%	25%	R55 446 Vote no 625/260310
	MUNICIPAL INFRASTRUCTURE GRAND – CAPITAL PROJECTS	Construct Moganyaka Access Road	Km of roads constructed	7	7km of road to be constructed	25%	25%	25%	25%	R2 500 000 Vote no 650/305064
		Construct Makhutso low level bridge	% construction of Low level	1	100% Low level bridge to be constructed	0%	25%	50%	25%	R4 100 000 Vote no 650/305076

Chapter 3

			bridge							
		Construct Malebitsa internal roads	Km of roads constructed	4.6	4.6km of road to be constructed	25%	25%	25%	25%	R6 400 000 Vote no 305066
		Construct Vaal-bank Access Road	Km of roads constructed	3	7km of road to be constructed	25%	25%	25%	25%	R6 400 000 Vote no 650/305068
		Establishment of PMU	Number of MIG reports submitted	4	4 MIG Quarterly reports to be prepared and submitted	1	1	1	1	R745 631 Vote no 300/260001
	MUNICIPAL INTERNAL FUNDED CAPITAL PROJECTS	Extension of Leeufontein Taxi Rank Extension	% construction of Taxi rank	1	100% Taxi rank to be completed	25%	50%	25%	0%	R1 200 000 Vote no 625/305055
		Rehabilitation of Admin Block	% rehabilitation of Admin Block	1	100% Admin block to be rehabilitated	25%	25%	25%	25%	R 3 600 000 Vote no 625/305060
		Refurbishment of elandskraal stadium	% Stadium refurbishment	1	75% Stadium to be refurbished	0	25%	25%	25%	R1 800 000 Vote no625/305065
		Refurbishment of malibitsa stadium	% Stadium refurbishment	1	75% Stadium to be refurbished	0	25%	25%	25%	R1 600 000 Vote no625/305066
		Road and Storm water Master Plan (RSMP)	% development of RSMP	1	100% RSMP to be developed	0	25%	50%	25%	R1 000 000 Vote no 650/305077
BASIC SERVICE DELIVERY - ELECTRICITY	Free basic electricity	To provide FBE to beneficiary as mandated by Government	% supply of FBE to indigent customers 1.Registration		100% collection rate	25%	25%	25%	25%	R1 200 000 Vote 260260245

Chapter 3

			2.Revise policy 3.Submit to ESKOM 4.Public awareness							
TRANSFORMER MAINTENANCE	To ensure reliable & safe supply and to prolong life of equipment according to NERSA license conditions.	% Maintenance of all transformers 1. Specification for testing 2. Submit to SCM 3. Oil test & inspection 4. Specification for repairs 5. Submit to SCM 6. Tender 7. Evaluation 8. Adjudication 9. Implementation 10. Final test report	55	100% of transformers maintained	0%	10%	30%	60%	Vote 260/235110 R400 000	
SUBSTATION MAINTENANCE	To ensure reliable & safe supply and to prolong life of equipment according to	% Replacement of most critical old protection relays in	16	100% (16 Relays replaced)	0%	10%	60%	30%	Vote 260/235110 R270 000	

Chapter 3

		NERSA license conditions.	substations. <ol style="list-style-type: none"> 1. Compile specificat ion 2. Submit to SCM 3. Tender 4. Evaluatio n & Appoint ment 5. Service 6. Repair 7. Fault report 8. Compile specificat ion 9. Submit to SCM 10. Tender 11. Adjudicat ion 12. Repair/C onstructi on/repla ce 							
REPLACE KIOSKS	To ensure reliable & safe supply by replacing damaged and unsafe kiosks	% Replacement of 10 kiosks that are in the worst condition. <ol style="list-style-type: none"> 1. Identify priorities 2. Submit to 	70	100% (10 Kiosks replaced.)	0%	0%	20%	80%	Vote 260/235110 R200 000	

Chapter 3

			SCM 3. Purchase & Delivery 4. Replace kiosks/install all							
	METER REPLACEMENT	To ensure accurate billing to reduce losses by replacing old analog meters.	% replacement of old analog meters at high consumption customers 1. Identify customers 2. Submit to SCM 3. Purchase 4. Delivery 5. Installation	20	100% (20 Meters replaced)	0%	10%	50%	40%	Vote 260/235110 R50 000
	REPLACE MINISUBSTATION	To ensure reliable & safe supply and to prolong life of equipment according to NERSA license conditions.	% Identification of most critical unit based on load study and replace. 1. Investigate problem areas 2. Load study 3. Identify critical	10	100% (1 Mini substation replaced /upgraded)	0%	10%	50%	40%	Vote 260/235110 R400 000

Chapter 3

			<ul style="list-style-type: none"> unit 4. Specificati on 5. Submit to SCM 6. Acquisitio n & delivery 7. Planned outage 8. Install & commissi on 							
BULK SUPPLY TO EXT 6	To ensure reliable and safe supply by installing a ring feed to Ext 6 phase 3 and upgrading of Ext 2, 3 & 4.	% Installation of bigger cables and 1MVA mini substation <ul style="list-style-type: none"> 1. Finalize scope of work. 2. Appoint labourers 3. Submit specificati on 4. Delivery 5. Constructi on-only if labour and transport is available. 6. Test and commissio n 	TBD	100% (Install 11kV cable from erf 254 to Erf 423. Replace sections of LT cable in Ext 2. Install minisubstation in Ext4. Install cable in Ext 3.)	10%	20%	30%	40%	Vote 260/235110 R350 000	

Chapter 3

	PURCHASE AREAL PLATFORM	To ensure reliable and safe supply through effective maintenance and upgrading according to NERSA license conditions.	% Purchase of aerial platform 1. Specificati on 2. Submit to SCM 3. Acquisitio n 4. Delivery 5. License and registratio n	1	100% (Purchase of 1 Truck with aerial platform)	10%	10%	80%		Vote Number 305095 R600 000
	PUBLIC LIGHTING MAINTENANCE	To keep all public lighting functional and effective	% supply of effective and sufficient repairs & maintenance to the areas with public lighting	1059 & 54masts	100% (All public lighting functional)	25%	25%	25%	25%	Vote Number 260/235150 R530 000
BASIC SERVICE DELIVERY – ELECTRICITY	HIGHMAS INSTALLATION – LETEBEJANE AND DITHOLONG	To improve public safety.	% installation of 25m scissor masts. 1. Cost estimate 2. Determine ESK supply availability 3. Appoint Consultant 4. EIA and specification	5masts	100% (Installation of 5 scissor masts & energize).	5%	10%	25%	60%	Vote Number 260/305094 R1800 000

Chapter 3

			5. Advertise 6. Evaluate 7. Appoint 8. Constructi on 9. Commissi on.							
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Chapter 3

2.5 COMMUNITY SERVICE

Quarterly projections of service delivery targets and performance indicators for 2021/13

KPA	Project	Objective	KPI	Baseline	Annual Target	Q1	Q2	Q3	Q4	Budget Vote no Ward
Basic Service Delivery and Infrastructure	Solid waste	To upgrade and Rehabilitate the Marble Hall landfill site (every six months)	% Rehabilitated site in compliance to maintenance program and permit	50%	100%	0%	50%	0%	50%	360/235221 R 160 000
		To support cleaning of Marble Hall , Leeufontein Elandskraal towns	Number of programmes	50%	1			1		360 / 26010 R 240 000
		EPWP PROJECT	Number of jobs created		30/ 100 days					
		To purchase replacement vehicle and new equipment	Number of vehicles	1	1		1			360/305070 R700 000
		To finalize refuse removal services to Elandskraal	Number of extended service points	2185	500		250	250		360/305071 R 150 000

Chapter 3

KPA	Project	Objective	KPI	Baseline	Annual Target	Q1	Q2	Q3	Q4	Budget Vote no Ward		
Basic Service Delivery and Infrastructure	Cemetery	To finalize new cemetery – Marble Hall	% development of cemetery in Marble Hall	0	100%	0%	25%	50%	25%	425/ 305111 R 500 000		
		To Fence cemeteries	Number of cemeteries fenced	4	5		2	2	1	425/ 260799 R 583 000		
	Parks	Greening of the Municipality – biodiversity conservation	Number of trees planted	250	450	50%	200%	200%			425/305071 R 200 000	
			Number of projects	1	1			1				
		To support maintenance and clean all open spaces, EPWP PROJECT	Number of jobs created	10	15/100 days							425/235300 R 140 000
			Number of areas debushed and cleaned	2	3		2%	1%				
		To purchase replacement vehicle and new equipment	Number of vehicles	0	1		1				425/305070 R 510 000	
	HIV/AIDS	Provide ongoing programmes on HIV/AIDS prevention	Number of programmes conducted	4	4	1	1	1	1	375/ 260560 R 58 300		

Chapter 3

	Traffic Machinery and equipment	To purchase vehicles	Number of vehicles to be purchased	0	2	0	0	2	0	Vote:225/305070 R275 000-00
	Traffic Purchase vehicles	Purchase vehicle/s	Number of vehicles to be purchased	4	2	0	0	0	2	Vote 225/305080 R350 000-00

KPA	Project	Objective	KPI	Baseline	Annual Target	Q1	Q2	Q3	Q4	Budget Vote no Ward
Basic Service Delivery and Infrastructure	Road accidents	To minimize road accidents	% reduction of road fatalities in hot spot by 45%	TBD	45%	8%	15%	10%	12%	R90 000 Vote 225/260812
	Scholar transport	Keep the scholar transport safe	100% of scholar transport buses to be road worthiness.	TBD	100 %	100 %	100 %	100 %	100 %	
	By-laws	Minimize stock related accidents	Number of by-laws Developed	TBD	1	0	0	0	1	None
	summonses	Effective administration in the law enforcement.	% reduction of improper capturing of summonses before they are issued.	TBD	40 %	10 %	10 %	10 %	10 %	R25 728 Vote 225/260590
	Vehicles	Control motorists at funerals and VIP escorts; abnormal loaded vehicles.	% control of vehicles and VIP's & abnormal	TBD	100 %	100 %	100 %	100 %	100 %	None

Chapter 3

			loaded vehicles.							
Court roll	To update court roll register.	% updated court roll register and sent to the local court for further action.	TBD	100 %	100 %	100 %	100 %	100 %	100 %	None
Disaster	Response to disaster incidences.	100% response to disasters like fire, drowning etc.	Service provided with the help form Sekhukhune.	100 %	100 %	100 %	100 %	100 %	100 %	None
Traffic laws	To ensure that traffic laws moves up to the relevant expectation.	Number of Trainings of traffic officers and local law enforcements about relevant laws	TBD	1	1	0	0	0	0	R23 155 Vote 225/260811

Chapter 3

2.6 FINANCIAL SERVICES

Quarterly projections of service delivery targets and performance indicators for 2012/13

KPA	Project	Objective	KPI	Baseline	Annual Target	Q1	Q2	Q3	Q4	Budget Vote no Ward
Transformation and Organizational Development	Training and development of Financial Management staff	To ensure effective and efficient financial administration	Number of workshops & trainings to be attended	100%						R 500,000
	Update Munsoft financial system and integrate with Caseware and VIP	To ensure proper accounting and reconciliation of transactions and records	Number of Financial systems fully integrated and records reconciled on a monthly basis	Monthly	12	3	3	3	3	R 250,000
Financial Viability	Implementation of revenue enhancement strategy	To maximize the collection of revenue	% increase in revenue collected.	80%	20%	5%	5%	5%	5%	R 300,000
	Monitoring and Review of Debt collector's performance in recovering long outstanding debtor's	Monitor debt collection contract of outstanding debt older than 90 days.	% of debts recovered	100%	100%	25%	25%	25%	25%	0
	Conduct quarterly stock take.	To improve the management of stores	Number of stocktaking conducted	2012/2013 Annual stock take report	4	1	1	1	1	0

Chapter 3

KPA	Project	Objective	KPI	Baseline	Annual Target	Q1	Q2	Q3	Q4	Budget Vote no Ward
Financial Viability	Manage stock levels	To improve the management of stores	% availability of stock in stores	50% stock available	60% at all times	60%	60%	60%	60%	0
	Conduct quarterly asset verification	To improve the management of Assets	Number of assets verifications conducted	2012/2013 Annual stock take report	4	1	1	1	1	0
	Disposal of obsolete stock items	To improve the management of stores	% disposal of obsolete stock	0	100%	50%	50%	0	0	0
	Implementation of SCM policy	To ensure proper implementation of SCM processes	Number of SCM quarterly reports	4	4	1	1	1	1	0
	Compilation of procurement plan	To improve SCM processes	Number of procurement plans developed	1	1	1	0	0	0	0
	Compilation of valuation roll.	To compile a supplementary valuation roll in compliance with the MPRA	% of Supplementary valuation roll compiled.	2012/2013 Supplementary roll	100%	0	0	0	100%	R80,000
	Compile financial statements in terms Gamap/Grap format.	To ensure compliance with GRAP standards	% compilation of GRAP compliant 2011/2012 Annual Financial Statements	2011/2012 Financial statements	100%	100%	0	0	0	R100,000

Chapter 3

			% compilation of GRAP compliant 2012/2013	2012/2013 Financial Statements	100%	25%	25%	25%	25%	R20,000
	Compile GRAP compliant asset register		% GRAP compliant asset register compiled	2012/2013 asset register	100%	25%	25%	25%	50%	R500,000
Financial Viability	Compile budget for 2013/2014 MTREF	To comply with the MFMA with regards to budget and reporting requirements.	% Approval of timetable by Council	100%	100%	0	0	50%	50%	0
			Number of budget Community participation programmes conducted.	16	16	0	0	0	16	R300,000
			% Approval of 2013/2014 MTREF budget by Council	2012/2013 Budget	100%	0	0	0	100%	
			% Approval of adjustments budget for 2012/2013 FY.	2012/2013 Adjustment budget	100%	0	0	100%	0	

Chapter 3

Financial Viability	Compile MFMA section 71	To enable effective service delivery of municipal services and functions by ensuring financial stability of the Municipality throughout the financial year	Number of in year Reports submitted to National and provincial Treasuries	12	12	3	3	3	3	
	Perform reconciliation of financial records to financial systems and banks	To improve financial management so as to obtain an unqualified audit report	Number of Financial records supported by monthly reconciliations	12	12	3	3	3	3	
	Review and Monitoring of SCM to ensure efficient SCM procurement process	To ensure that goods and services are procured within a period of two months.	% Quarterly reports on efficiency of procurement	100%	100%	25%	25%	25%	25%	

Chapter 4

CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE

(PERFORMANCE REPORT PART II)

INTRODUCTION

The municipality is organized in 5 departments namely Strategic planning, Financial services, Corporate Services, Community services and Technical Services headed by Directors who reports directly to the Municipal Manager

COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Occupation	EMPLOYEES				
	2011/2012	2012/2013			
	Employees No.	Approved Post	Employees No	Vacancies no	Vacancy in %
Electricity	10	12	12	0	
Waste Management	26	30	29	1	
Town Planning & Housing	7	7	7	0	
Storm water Drainage (Waste Water)					
Roads	32	32	32	0	
Transport (Fleet)	7	7	7	0	
Planning & Local Economic Development	7	7	1	6	
Community & Social Service	32	32	32	0	
Technical (Infrastructure)	5	5	5	0	
Environment (Parks)	27	27	27	0	
Sports	2	2	2		
Corporate	38	42	32	10	
Finance (Budget & Treasury)	21	22	21	1	

Chapter 4

Vacancy rate 2012/13

Designation	Vacancy Rate 2012/2013 *Total Approved posts	*Variances (Total time that vacancies exist using fulltime equivalents)	*Variances (as a proportion of total posts in each category)
	No.	No.	%
Municipal Manager	1	15	
CFO	1	15	
Other S57 Managers (excluding finance posts)	4		
Director infrastructure services		7 months	
Other S57 Managers (finance posts)	0		
Municipal Traffic	6		
Fire Fighters	0		
Senior Management: Level 13-15 (excluding finance posts)	9		
Senior Management: Level 13-15 (finance posts)	3		
Highly Skilled supervision: Level 9-12 (excluding finance posts)	43		
Highly Skilled supervision: Level 9-12 (finance posts)	5		
Total			

Note: *For posts which are established and funded in the approved or adjustments budget (where changes in employee provision have been made). Fulltime equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. senior management) then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

Turn-over Rate			
Details	Total appointments as of beginning of financial Year No.	Terminations during the Financial Year No.	Turn –over Rate*
Retirement	17	4	
Resignation		1	
Dismissal		1	
Deceased		3	

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

Chapter 4

COMMENT ON VACANCIES AND TURNOVER:

Vacancy of Municipal Manager was advertised, interviews held and council resolved to recommend 3 candidates for appointment but after reference checks decided not to appoint any of the 3 candidates. Union got interdict against council to appoint 1 of the 3 candidates. Council has not resolved on the interdict as yet. CFO and Technical director posts was advertised and had to be re-advertised as no suitable candidates applied.

T4.1.4

COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

INTRODUCTION TO MUNICIPAL WORKFORCE MANAGEMENT

Job descriptions for all posts completed, Employment Equity plan compiled, Skills development plan developed, Employment assistance programme implemented, bursary fund established for staff, Internship programme implemented

Chapter 4

4.2 POLICIES

HR Policies and Plans				
	Name of Policy	Completed	Reviewed	Date adopted by council or comment on failure to adopt
		%	%	
1.	Affirmative Action		0	
2.	Attraction and Retention	100		22 Sept 2011
3.	Code of Conduct for Employees	100		30 Nov 2011 (SALGBC)
4.	Delegations, Authorizations & Responsibility			2009
5.	Disciplinary Code and Procedures	100		30 Nov 2011 (SALGBC)
6.	Essential Services	100		29 June (SALGBC)
7.	Employee Assistance / Wellness			Draft to be taken to Council for approval
8.	Employment Equity			Draft
9.	Exit Management			
10	Grievance Procedures			18 June 2007 (SALGBC)
11	HIV / Aids			Draft
12	Human Resource and Development(Training & Development			Draft
13	Information Technology	100		11 May 2011
14	Job Evaluation			Draft
15	Leave			Use Salga Bargaining Council Collective – Limpopo Condition of Services
16	Occupation Health and Safety			30 June 2010
17	Official Housing	100	100	26 November 2009
18	Official Journey			30 May 2013
19	Official transport to attend funerals			
20	Official Working Hours and Overtime	100	100	30 May 2013
21	Organizational Rights			25 April 2005 (SALGBC)
22	Payroll Deductions			SALGBC Main Collective agreement)
23	Performance Management and Development			
24	Recruitment, Selection and Appointment	100	100	30 May 2013
25	Remuneration Scale and Allowance			Use Salga Bargaining Council Collective
26	Resettlement	100	100	30 May 2013 (included in the Recruitment , Selection and Appointment Policy)
27	Sexual Harassment			Draft
28	Skills Development(Training & Development Policy)			Draft

Chapter 4

29	Smoking			Draft
30	Special Skills			
31	Work Organization (Organogram)			30 May 2013
32	Uniforms and Protective Clothing			10 July 2012
33	Other			
34	Use name of local policies if different from above and at any other HR policies not listed.			

COMMENT ON WORKFORCE POLICY DEVELOPMENT:

HR strategy, S&T policy, Human Resource Development & Succession policy & related matters Reviewal of Recruitment, Selection & Appointment policy and the Training policy. Reviewed Induction policy

T4.2.1.1

Chapter 4

4.3 INJURIES, SICKNESS AND SUSPENSIONS

NUMBER AND COST OF INJURIES ON DUTY

Type of injury	Injury Leave taken Days	Employee using injury leave No.	Proportion employees using sick leave %	Average injury leave per employee Days	Total estimated cost R0,00
Required basic medical attention only	14	3	0.5	26	R900.00 (R300.00 per person)
Temporary total disablement	0	0	0	0	0
Permanent disablement	0	0	0	0	0
Fatal	0	0	0	0	0
Total	14	3	0.5	26	R900.00

Chapter 4

COMMENT ON INJURY AND SICK LEAVE:

Only 3 employees were injured who received basic medical attention

T4.3.4

Number and Period of Suspensions				
Position	Nature of Alleged Misconduct	Date of Suspension	Details of Disciplinary Action taken or status of case and Reasons why not finalized	Date Finalized
None	None	None	None	None

Disciplinary Action Taken on Cases of Financial Misconduct

Position	Nature of Alleged Misconduct and Rand Value of any loss to the Municipality	Disciplinary action taken	Date finalized
Massager Driver	Driving Municipal vehicle on an unauthorized road	yes	28 May 2013
Assistant Artisan	Abscondment	yes	24 May 2013

COMMENT ON SUSPENSIONS AND CASES OF FINANCIAL MISCONDUCT:

No suspensions and 2 employees was disciplined for misconduct

T4.3.7

Chapter 4

4.4 PERFORMANCE REWARDS

COMMENT ON PERFORMANCE REWARDS:

No assessments done and no performance awards allocated

COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

INTRODUCTION TO WORKFORCE CAPACITY DEVELOPMENT

Capacity is built by sending staff on training funded from SETA as well as awarding staff bursaries

T4.5.0

Chapter 4

4.5 SKILLS DEVELOPMENT AND TRAINING

Skills development expenditure										
Management Level	Gender	Employee as at the beginning of the financial year	Original Budget and Actual Expenditure on Skills Development 2012/2013							
			Learnership		Skills programme and other short courses		Other forms of training		Total	
		No.	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual
MM and S57	Female	1	0	0	R550 000	R55 000			R550 000	R55 000
	Males	4	0	0	R550 000	R165 000			R550 000	R165 000
Legislators, Senior Officials and Managers	Female	16			R550 000	R110 000			R550 000	R110 000
	Male	24			R550 000	R220 000			R550 000	R220 000
Professionals	Female				R550 000					
	Male	2			R550 000	R23 000	2	R16 000	R550 000	R39 000

Chapter 4

Technicians and Associate Professionals	Female	2			R550 000			R20 000		R20 000
	Male	5			R550 000					
Clerks	Female	24			R550 000	R144 000				R144 000
	Male	38			R550 000	R19 000				R19 000
Service and Sales Workers	Female									
	Male									
Plant and Machine Operators and Assemblers	Female									
	Male									
Elementary Occupations	Female									
	Male									
Sub Total	Female	43				R309 000		R20 000		R329 000
	Male	73				R427 000		R16 000		R245 000

Chapter 4

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

Training was given to 116 employees at a cost of R574 000

T4.5.4

COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE

INTRODUCTION TO WORKFORCE EXPENDITURE

It is important to keep employee expenditure within the norm of 35% in order to address service delivery priorities and to fill vacancies as soon as possible with competent staff

T4.6.0

Chapter 4

4.6 EMPLOYEE EXPENDITURE

Source: MBRR SA22

T4.6.1

COMMENT ON WORKFORCE EXPENDITURE:

Expenditure for employees for current year is R44 453 080 which is 24.5% of total budget

T4.6.1.1

Number of Employees Whose Salaries Were Increased Due to Their Positions Being Upgraded

Beneficiaries	Gender	Total
Lower skilled (Level 1-2)	None	
Skilled (Level 3-5)	None	
Highly skilled Production (Level 6-8)	None	
Highly skilled supervisor (Level 9-12)	None	
Senior management (Level 13-16)	None	
MM and S57	None	
Total		

Those with disability are shown in brackets '(x)' in the Number of beneficiaries' column as well as in the number at the right side of the

T4.6.2

Employees Whose Salary Levels Exceed The Grade Determined by Job Evaluation

Occupation	Number of Employee	Job Evaluation Level	Remuneration Level	Reason for deviation
None				

T4.6.3

Chapter 4

Employees not appointed to posts not approved				
Department	Level	Date of appointment	No. appointed	Reason for appointment when no established post exit
None				
				T4.6.4

COMMENT ON UPGRADED POSTS AND THOSE THAT ARE AT VARIANCE WITH NORMAL PRACTICE:

No posts have been upgraded

DISCLOSURES OF FINANCIAL INTERESTS

Refer to disclosures made by officials and councillors concerning their financial interests as required by PM Regulations 805 of 2006 are set out in **Appendix J..**

Chapter 5

CHAPTER 5 – FINANCIAL PERFORMANCE

INTRODUCTION

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

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

T5.0.1

COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

INTRODUCTION TO FINANCIAL STATEMENTS

The Ephraim Mogale Local Municipality handed over the Annual Financial Statements to the Auditor General as per the Municipal Finance Management Act on the 31st August 2013 for the financial year ended 30 June 2013.

T5.1.0

Chapter 5

5.1 STATEMENTS OF FINANCIAL PERFORMANCE

Description	2011/12	Current Year 2012/13			2012/13 Variance	
		Audited Outcome	Original Budget	Adjusted Budget	Actual	Original Budget (%)
R thousands						
Financial Performance						
Property rates	11,216	12,954	12,954	12,252	-5.73	-5.73
Service charges	33,149	39,425	39,425	38,607	-2.12	-2.12
Investment revenue	923	3,958	3,508	5,433	27.15	35.43
Transfers recognised - operational	80,291	72,408	76,709	76,140	4.90	-0.75
Other own revenue	10,780	16,749	16,825	6,537	-156.22	-157.38
Total Revenue (excluding capital transfers and contributions)	136,359	145,494	149,421	138,969	-4.70	-7.52
Employee costs	38,497	43,568	43,302	41,721	-4.43	-3.79
Remuneration of councillor's	8,867	10,223	10,223	9,740	-4.96	-4.96
Depreciation & asset impairment	35,883	2,456	2,456	37,802	93.50	93.50
Finance charges	1,012	220	220	-	100	100
Materials and bulk purchases	17,671	22,312	22,312	20,376	-9.50	-9.50
Transfers and grants	624	-	-	825	100	100
Other expenditure	34,138	54,736	55,002	63,437	13.72	13.30
Total Expenditure	145,855	133,516	133,516	173,901	23.22	23.22
Surplus/(Deficit)	11,829	11,978	15,905	(34,932)	134.29	145.53
Transfers recognised - capital	12,143	21,678	27,406	27,406	20.90	-
Contributions recognised - capital & contributed assets	7,004	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	14,551	33,656	37,583	(7,526)	547.20	599.38
Share of surplus/ (deficit) of associate	-	-	-	-		
Surplus/(Deficit) for the year	14,551	33,656	37,583	(7,526)	547.20	599.38
Financial position						
Total current assets	23,996	735,658	735,658	43,452	-1593.04	-1593.04
Total non-current assets	842,228	887,067	885,600	884,425	-0.30	-0.13
Total current liabilities	30,644	19,269	19,269	36,919	47.81	47.81
Total non-current liabilities	-	-	-	-	-	-
Community wealth/Equity	837,957	869,237	873,164	890,958	2.44	2.00

Cash flows						
Net cash from (used) operating	32,840	36,112	40,039	56,968	36.61	29.72
Net cash from (used) investing	(18,828)	(47,295)	(45,828)	(35,052)	-34.93	-30.74
Net cash from (used) financing	(8,830)	527	-	(2,716)	119.40	100
Cash/cash equivalents at the year end		2,574	7,440	32,429	92.06	77.06

Chapter 5

	13,230					
<u>Cash backing/surplus reconciliation</u>						
Cash and investments available	13,230	26,458	26,458	32,429	18.41	18.41
Application of cash and investments	-	10,399	10,399	-	-100	-100
Balance - surplus (shortfall)	13,230	16,059	16,059	32,429	50.48	50.48
<u>Asset management</u>						
Asset register summary (WDV)	776,702	855,362	853,895	884,425	3.29	3.45
Depreciation & asset impairment	35,883	2,456	2,456	37,802	93.50	93.50
Renewal of Existing Assets	-	-	-	-	-	-
Repairs and Maintenance	6,994	8,526	8,679	6,245	50.48	50.48
<u>Free services</u>						
Cost of Free Basic Services provided	2,850	-	-	-	-	-
Revenue cost of free services provided	9,358	-	-	-	-	-
<u>Households below minimum service level</u>						
Water:	-	-	-	-	-	-
Sanitation/sewerage:	-	-	-	-	-	-
Energy:	-	-	-	-	-	-
Refuse:	0	0	0	0	0	0
Variances are calculated by dividing the difference between original/adjustments budget by the actual.						

COMMENT ON FINANCIAL PERFORMANCE:

The increase in investment revenue from original budget is due to additional investment revenue generated from investments in call accounts. The municipality has received an approval for roll over application of prior year unspent Municipal Infrastructure grant of R5.7 million which is included as part of capital transfers.

Employee Costs: The municipality did not fill all vacant posts on the approved organizational structure and this has resulted in less employee cost incurred than budgeted for.

Depreciation & Asset impairment: non cash flow items not budgeted for appropriately.

T5.1.3

Chapter 5

5.2 GRANTS

Description R thousand	2011/12	Current Year 2012/13			2012/13 Variance	
	Audited Outcome	Original Budget	Adjusted Budget	Actual	Original Budget (%)	Adjustment Budget (%)
RECEIPTS:						
-						
<u>Operating Transfers and Grants</u>						
National Government:	80,291	98,003	103,736	103,736	-%	-%
Local Government Equitable Share	60,530	68,729	68,729	68,729	-	-
Grant Horticultural Programme	5,579	-	-	-	-	-
MIG Grant	12,143	21,678	27,406	27,406	-	-
FMG Grant	1,250	1,500	1,500	1,500	-	-
MSIG Grant	790	800	800	800	-	-
DTI Grant	-	4,301	4,301	4,301	-	-
EPWP Grant	-	1,000	1,000	1,000	-	-
Provincial Government:	-	-	-	-	-	-
District Municipality:	-	-	-	-	-	-
<i>[insert description]</i>	-	-	-	-	-	-
Other grant providers:	-	-	-	-	-	-
<i>[insert description]</i>	-	-	-	-	-	-
<i>[insert description]</i>	-	-	-	-	-	-
Total Operating Transfers and Grants	80,291	98,003	103,736	103,736	-	-

Variations are calculated by dividing the difference between original/adjustments budget by the actual.

Chapter 5

COMMENT ON OPERATING TRANSFERS AND GRANTS:

All Grants received from the year under review were recognized as revenue in accordance with GRAP.

Note: For Municipal Infrastructure Grant (MIG) see T5.8.3. For other Grants, see **Appendix L**.

Insert table note advising municipalities to indicate high value projects & total the remaining projects.

COMMENT ON CONDITIONAL GRANTS AND GRANT RECEIVED FROM OTHER SOURCES:

The municipality did not receive any grants from sources other than the Division of Revenue Act (DORA

T5.2.4

5.3 ASSET MANAGEMENT

INTRODUCTION TO ASSET MANAGEMENT

The municipality capitalized all completed projects during the year under review. Below is a detailed description of the three largest projects_T5.3.1

TREATMENT OF THE THREE LARGEST ASSETS ACQUIRED 2012/13				
Asset 1				
Name	Moganyaka Access Road			
Description	Road construction			
Asset type	Infrastructure			
Key Staff Involved	Director Technical Services, PMU Manager			
Staff Responsibilities	<p>Director Technical Services- oversees the overall works of the projects regarding Project management, Financial management, Physical progress, quality management and time management. Also ensure process controls, compliance in terms of applicable legislations, meeting facilitation and site visits.</p> <p>PMU manager- Oversee Planning, Design, Implementation and Closure of the project. Meeting coordination, site visits and progress monitoring. Report writing and financial control.</p>			
Asset Value	2009/10	2010/11	2011/12	2012/13
		300 000	5 046 000	8 268 238
Capital Implication				
Future Purpose of Asset				
Describe Key Issues				
Policies in Place to Manage Asset	SCM Policy, Asset Management Policy			
Asset 2				

Chapter 5

Name	Vaalbank Access road			
Description	Road Construction			
Asset type	Infrastructure			
Key Staff Involved	Director Technical Services, PMU Manager			
Staff Responsibilities	<p>Director Technical Services- oversees the overall works of the projects regarding Project management, Financial management, Physical progress, quality management and time management. Also ensure process controls, compliance in terms of applicable legislations, meeting facilitation and site visits.</p> <p>PMU manager- Oversee Planning, Design, Implementation and Closure of the project. Meeting coordination, site visits and progress monitoring. Report writing and financial control.</p>			
Asset Value	2009/10	2010/11	2011/12	2012/13
				6 400 000
Capital Implication				
Future Purpose of Asset				
Describe Key Issues				
Policies in Place to Manage Asset	SCM Policy, Asset Management Policy			
Asset 3				
Name	Malebitsa Internal Road			
Description	Road Construction			
Asset type	Infrastructure			
Key Staff Involved	Director Technical Services, PMU Manager			
Staff Responsibilities	<p>Director Technical Services- oversees the overall works of the projects regarding Project management, Financial management, Physical progress, quality management and time management. Also ensure process controls, compliance in terms of applicable legislations, meeting facilitation and site visits.</p> <p>PMU manager- Oversee Planning, Design, Implementation and Closure of the project. Meeting coordination, site visits and progress monitoring. Report writing and financial control.</p>			
Asset Value	2009/10	2010/11	2011/12	2012/13
				6 400 000
Capital Implication				
Future Purpose of Asset				
Describe Key Issues				
Policies in Place to Manage Asset	SCM Policy, Asset Management Policy			
	T5.3.2			

COMMENT ON ASSET MANAGEMENT:

The Municipality unbundled all assets as previously notified by the Auditor General to fully comply with the GRAP standards. Investment Property was not updated in Value due to an extension applied to the MEC for the implementation of the new valuation roll for financial year 2013/14. All immovable assets were verified and tagged with unique bar-coding

T5.3.3

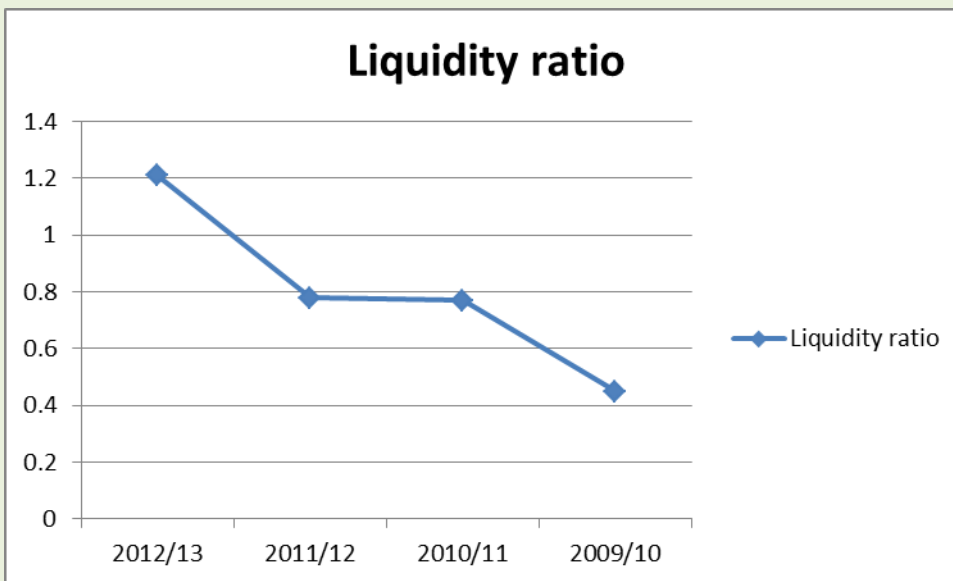
Chapter 5

COMMENT ON REPAIR AND MAINTENANCE EXPENDITURE:

The municipality trend in repairs and maintenance expenditure is currently in the process of being improved as part of the municipality budget planning and forward planning over the medium term

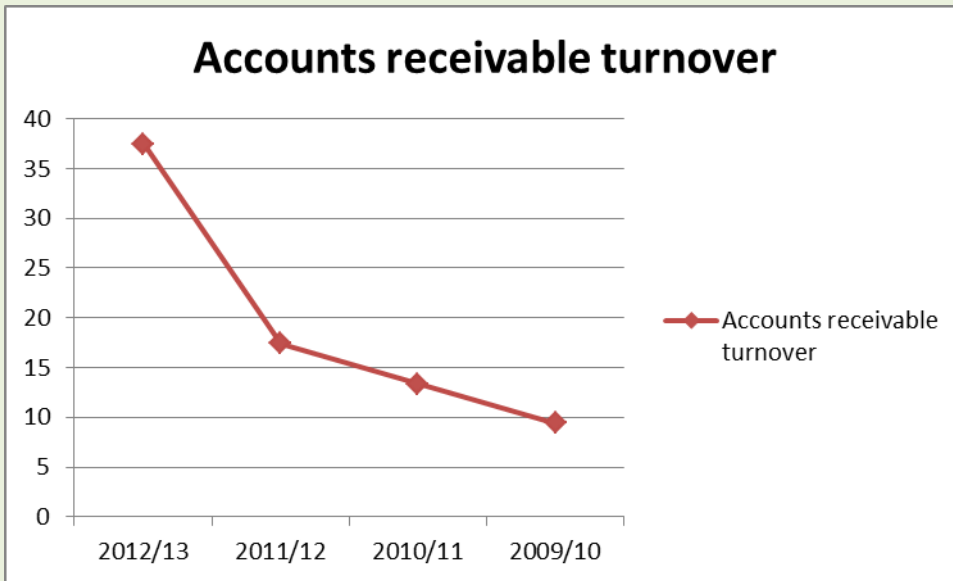
T5.3.4.1

5.4 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

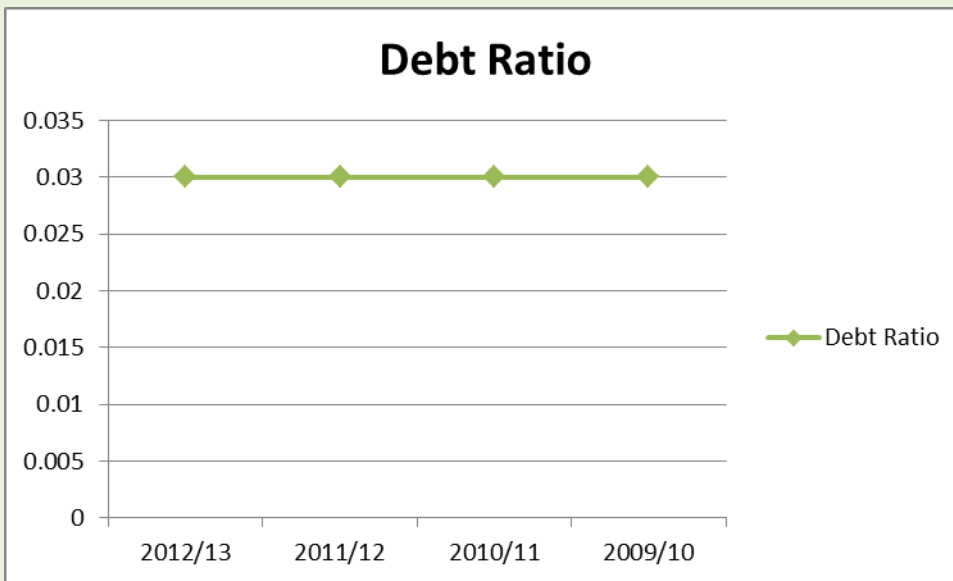


Liquidity Ratio – Measures the municipality’s ability to pay its bills and is calculated by dividing the monetary assets by the municipality’s current liabilities. A higher ratio is desired. It can be seen from the table above that the municipality liquidity position has significantly improved over the medium term.

Chapter 5



Accounts receivable turnover – measures the number of times trade debtors of the municipality turn over during the year. The higher the turnover, the shorter the time between sale and cash collection.



Debt ratio – Measures the portion of the municipal total assets provided by the municipality's creditors. The municipality has maintained the same ratio over the medium term.

Chapter 5

COMMENT ON FINANCIAL RATIOS:

The liquidity of the municipality will improve as the municipality has placed stringiest internal controls over unnecessary expenditure to improve the cash flow situation. The liquidity position of the municipality has improved and debt ratio has been maintained.

T5.4.9

COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

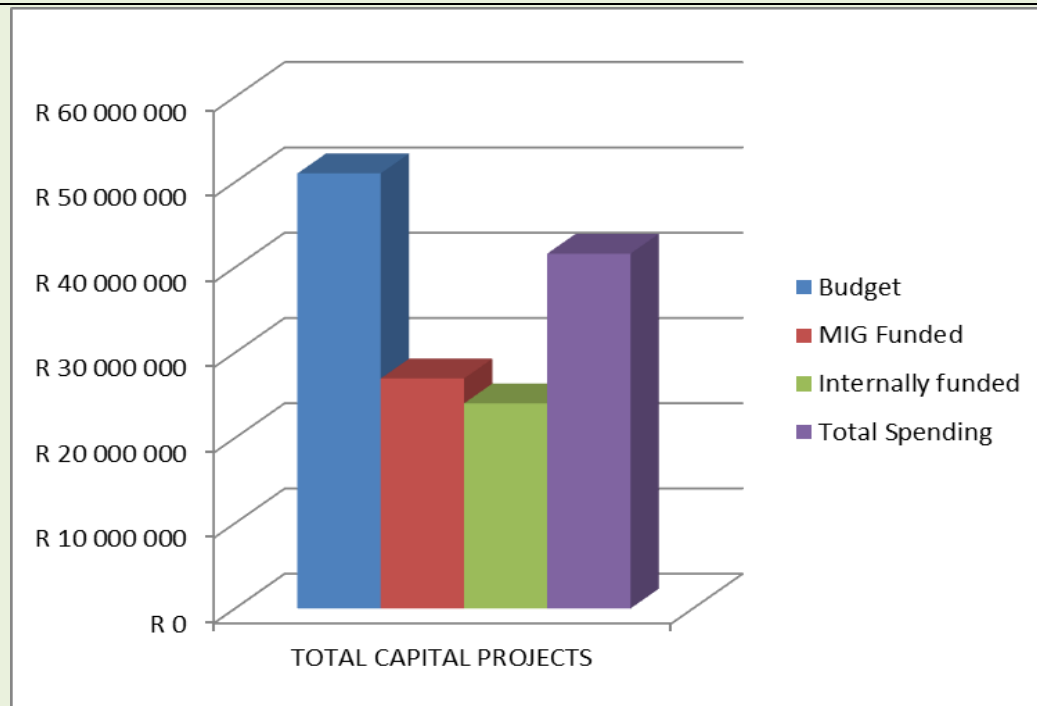
INTRODUCTION TO SPENDING AGAINST CAPITAL BUDGET

Capital expenditure relates to programs approved during the community consultation process and inclusive of the municipalities IDP.

T5.5.0

5.5 CAPITAL EXPENDITURE

Chapter 5



T5.5.1

5.6 SOURCES OF FINANCE

COMMENT ON SOURCES OF FUNDING:

All sources of funding were only from DORA allocation and internally generated funds

T5.6.1.1

Chapter 5

5.7 CAPITAL SPENDING ON 5 LARGEST PROJECTS

Capital Expenditure of 5 largest projects*					
R'000					
Name of Project	Current Year			Variance Current Year	
	Original Budget	Adjustment Budget	Actual Expenditure	Original Variance (%)	Adjustment Variance (%)
A – Moganyaka Access Road	2 500 000	8 268 238	6 638 311	62.33	-24.55
B – Malebitsa Internal Road	6 400 000	6 400 000	5 982 956	-6.97	-6.97
C – Vaalbank Access Road	6 400 000	6 400 000	5 762 969	-11.05	-11.05
D – Rehabilitation of Admin block	3 600 000	4 860 000	3 950 394	8.87	-23.03
E – Makhutso low level bridge	4 100 000	4 100 000	2 913 587	-40.72	-40.72
*Project with the highest capital expenditure in 2012/13					
Name of Project - A	Moganyaka Access Road				
Objective of Project	To improve municipal roads infrastructure for socio economic growth				
Delays					
Future Challenges					
Anticipated citizen benefits					
Name of Project - B	Malibitsa Internal Road				
Objective of Project	To improve municipal roads infrastructure for socio economic growth				
Delays					
Future Challenges					
Anticipated citizen benefits					
Name of Project - C	Vaalbank Access road				
Objective of Project	To improve municipal roads infrastructure for socio economic growth				
Delays					
Future Challenges					
Anticipated citizen benefits					
Name of Project -	Rehabilitation of Admin block				

Chapter 5

D	
Objective of Project	To improve municipal roads infrastructure for socio economic growth
Delays	
Future Challenges	
Anticipated citizen benefits	
Name of Project - E	Makhutso low level bridge
Objective of Project	To improve municipal roads infrastructure for socio economic growth
Delays	
Future Challenges	
Anticipated citizen benefits	
T5.7.1	

COMMENT ON CAPITAL PROJECTS:

The municipality has tried to stick to the approved budget on the above mentioned projects and there is impact made on the projects progress as most projects are done by Phases due to limited funding. The municipality have shown improvement on the planning phase of the project as the product is received within the budgets and no more many Variation Orders. But still to improve on the implementation part as some of the projects are not delivered on time

T5.7.1.1

5.8 BASIC SERVICE AND INFRASTRUCTURE BACKLOGS – OVERVIEW

Service Backlogs as at 30 June 2013				
	Households (HHs)			
	*Service level above minimum standard		**Service level below minimum standard	
	No. HHs	% HHs	No. HHs	% HHs
Water	15728	49%	16576	51%
Sanitation	3135	10%	29169	90%
Electricity	30696	95%	1608	5%
Waste management	2345	8%	29959	92%
Housing	24119	75%	8185	25%

Chapter 5

%HHs are the service above/below minimum standard as a portion of total HHs. 'Housing' refers to* formal and ** informal settlements.

T5.8.2

COMMENT ON BACKLOGS:

There is progress on water supply services in eradicating the backlog. Both the water and sanitation functions are transferred to and performed by the District

T5.8.4

COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

INTRODUCTION TO CASH FLOW MANAGEMENT AND INVESTMENTS

T5.9.0

Chapter 5

5.9 CASH FLOW

Cash Flow Outcomes				
Description	2011/12	Current Year 2012/13		
	Audited Outcome	Original Budget	Adjustment Budget	Actual
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Cash receipts from customers, grant and other sources of revenue	80 291 425			103 546 286
Sale of goods and services	34 984 161			40 490 857
Licences and permits	4 331 498			3 803 419
Interest income	4 115 578			5 432 876
Property rates	11 215 705			12 251 690
Other income	1 090 294			742 132
	136 028 661			166 267 260
Payments				
Employee costs	(47 364 115)			(51 342 680)
Cash paid for inventory, suppliers and other related costs	(55 483 977)			(57 956 280)
Finance costs	(1 012 062)			-
	(103 860 154)			(109 298 960)
NET CASH FROM/(USED) OPERATING ACTIVITIES	32 168 507			56 968 300
CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Property, plant and equipment	(18 476 088)			(34 580 099)
Proceeds from sale of property, plant and equipment	318 929			-
Purchase of other intangible assets	-			(317 171)
Purchase of deposit (security held in advance)	-			(100 926)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(18 157 159)			(35 052 196)
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Short term loans				
Borrowings long term/refinancing				
Increase/(decrease in consumer deposits)				
Payments				
Repayment of other financial liabilities	(8 829 725)			(2 716 000)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(8 829 725)			(2 716 000)
NET INCREASE/(DECREASE) IN CASH	5 181 623			19 200 104

Chapter 5

HELD			
Cash/cash equivalents at the year begin	8 048 090		13 229 714
Cash/cash equivalents at the year end:	13 229 713		32 429 818
Source: MBRR SA7 T5.9.1			

5.10 BORROWING AND INVESTMENTS

INTRODUCTION TO BORROWING AND INVESTMENTS

T5.10.1

Actual Borrowings 2010/11 – 2012/13

	R'000		
Instrument	2010/11	2011/12	2012/13
Municipality			
Long-Term Loans (annuity/reducing balance)	–	–	–
Long-Term Loans (non-annuity)	–	–	–
Local registered stock	–	–	–
Instalment Credit	–	–	–
Financial Leases	–	–	–
PPP Liabilities	–	–	–
Finance Granted By Cap Equipment Supplier	–	–	–
Marketable Bonds	–	–	–
Non-Marketable Bonds	–	–	–
Bankers Acceptances	–	–	–
Financial derivatives	–	–	–
Other Securities	–	–	–
Municipal Total	–	–	–
Municipal Entities			
Long-Term Loans (annuity/reducing balance)	–	–	–
Long-Term Loans (non-annuity)	–	–	–
Local registered stock	–	–	–
Instalment Credit	–	–	–
Financial Leases	–	–	–
PPP Liabilities	–	–	–
Finance Granted By Cap Equipment Supplier	–	–	–
Marketable Bonds	–	–	–
Non-Marketable Bonds	–	–	–
Bankers Acceptances	–	–	–
Financial derivatives	–	–	–

Chapter 5

Other Securities	-	-	-
Entities Total	-	-	-

T5.10.2

Municipal and Entity Investments 2010/11 – 2012/13			
Investment type	2010/11	2011/12	2012/13
<u>Municipality</u>			
Securities – National Government	-	-	-
Listed Corporate Bonds	-	-	-
Call Deposits – Banks	-	-	65 000 000
Deposits – Public Investment Commissioners	-	-	-
Deposits – Corporation for Public Deposits	-	-	-
Bankers Acceptance Certificates	-	-	-
Negotiable Certificates of Deposit – Banks	-	-	-
Guaranteed Endowment Policies (sinking)	-	-	-
Repurchase Agreements – Banks	-	-	-
Municipal Bonds	-	-	-
Other	-	-	-
Municipal Sub-Total	-	-	65 000 000
<u>Municipal Entities</u>			
Securities – National Government	-	-	-
Listed Corporate Bonds	-	-	-
Deposits – Bank	-	-	-
Deposits – Public Investment Commissioners	-	-	-
Deposits – Corporation for Public Deposits	-	-	-
Bankers Acceptance Certificates	-	-	-
Negotiable Certificates of Deposit – Banks	-	-	-
Guaranteed Endowment Policies (sinking)	-	-	-
Repurchase Agreements – Banks	-	-	-
Municipal Bonds	-	-	-
Other	-	-	-
Entities Sub-Total	-	-	-
Consolidated Total:	-	-	65 000 000

T5.10.4

Chapter 5

COMMENT ON BORROWING AND INVESTMENTS:

The municipality invested only in call accounts with banking institutions during the year in accordance with the provisions of MFMA.

T5.10.5

5.11 PUBLIC PRIVATE PARTNERSHIPS

PUBLIC PRIVATE PARTNERSHIPS

PPP's concluded with DRT for testing station, TCS for Traffic contravention system, ESKOM for funding agreement FBE, ABSA for fleet management services and e-tag, UD trucks for maintenance agreement, CONLOG for prepaid meters and utility prepayment tokens via vending channels, SABINET ONLINE for SA Gazettes, DPW for EPWP grant program, SUECOLL for security service, Marble Hall landgoed for services agreement, SS Ntike for organic farming project, Munsoft for disaster recovery private network of the municipality and backup data off-site, SOFTLINE software licence agreement, Protea Coin for transport and storage of money, Bentley systems for GIS software, HCIT solutions for wireless network, Primedia outdoor for illuminated street identification signs, VODACOM for airtime agreement for cellular services, WALTRAMA KGATLA for debt collection contract, State Information Technology Agency (PTY) LTD for website maintenance, LOSKOP alarms for alarm system, Kgatla Incorporated for panel attorney, Business engineering for electronic document management system, FRANCO TYP/POSTALIA for franking machine, TELKOM for electronic communication service, SCI FIN for photo copier machines, Nashua for fax machine and printers.

T5.11.1

Chapter 5

COMPONENT D: OTHER FINANCIAL MATTERS

5.12 SUPPLY CHAIN MANAGEMENT

SUPPLY CHAIN MANAGEMENT

The Supply Chain Policy of the municipality is currently under review to ensure compliance with Legislation. Officials of the municipality also attended courses during the year to ensure all officials within the SCM obtain the required competency levels. There are no Councillor's serving on any of the Committee structures which are approved and in place for the financial year. T5.12.1

5.13 GRAP COMPLIANCE

GRAP COMPLIANCE

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

T5.13.1

Chapter 6

CHAPTER 6 – AUDITOR GENERAL AUDIT FINDINGS

INTRODUCTION

Report is on page 21

T6.0.1

COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS 2012/13

6.1 AUDITOR GENERAL REPORTS 2012/13

Auditor-General Report on Financial Performance 2012/13	
Audit Report Status*:	
Non-Compliance Issues	Remedial Action Taken
Note:*The report's status is supplied by the Auditor General and ranges from unqualified (at	
Auditor-General Report on Service Delivery Performance 2012/13	
Audit Report Status:	
Non-Compliance Issues	Remedial Action Taken

T6.1.1

COMPONENT B: AUDITOR-GENERAL OPINION 2012/13

T6.1.2

6.2 AUDITOR GENERAL REPORT 2012/13

Chapter 6

Auditor-General Report on Financial Performance 2012/13*	
Status of audit report:	
Non-Compliance Issues	Remedial Action Taken
Note:* The report's status is supplied by the Auditor General and ranges from unqualified (at best); to unqualified with other matters specified; qualified; adverse; and disclaimed (at worse). This table will be completed prior to the publication of the Annual report but following the receipt of the Auditor- General Report on Financial Performance 2012/13.	

T6.2.1

AUDITOR GENERAL REPORT ON THE FINANCIAL STATEMENTS 2012/13
Report is on page 21
T6.2.3

COMMENTS ON AUDITOR-GENERAL'S OPINION 2012/13:
Report is on page 21

GLOSSARY

Accessibility indicators	Explore whether the intended beneficiaries are able to access services or outputs.
Accountability documents	Documents used by executive authorities to give “ <i>full and regular</i> ” reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and Annual Reports.
Activities	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe “ <i>what we do</i> ”.
Adequacy indicators	The quantity of input or output relative to the need or demand.
Annual Report	A report to be prepared and submitted annually based on the regulations set out in Section 121 of the Municipal Finance Management Act. Such a report must include annual financial statements as submitted to and approved by the Auditor-General.
Approved Budget	The annual financial statements of a municipality as audited by the Auditor General and approved by council or a provincial or national executive.
Baseline	Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period.

APPENDICES

Basic municipal service	A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment.
Budget year	The financial year for which an annual budget is to be approved – means a year ending on 30 June.
Cost indicators	The overall cost or expenditure of producing a specified quantity of outputs.
Distribution indicators	The distribution of capacity to deliver services.
Financial Statements	Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed.
General Key performance indicators	After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
Impact	The results of achieving specific outcomes, such as reducing poverty and creating jobs.
Inputs	All the resources that contribute to the production and delivery of outputs. Inputs are "what we use to do the work". They include finances, personnel, equipment and buildings.

APPENDICES

Integrated Development Plan (IDP)	Set out municipal goals and development plans.
National Key performance areas	<ul style="list-style-type: none"> • Service delivery & infrastructure • Economic development • Municipal transformation and institutional development • Financial viability and management • Good governance and community participation
Outcomes	The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are "what we wish to achieve".
Outputs	The final products, or goods and services produced for delivery. Outputs may be defined as "what we produce or deliver". An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunization, or a service such as processing an application) that contributes to the achievement of a Key Result Area.
Performance Indicator	Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered)
Performance	Generic term for non-financial information about municipal services and

APPENDICES

Information	activities. Can also be used interchangeably with performance measure.
Performance Standards:	The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this EPMDS performance standards are divided into indicators and the time factor.
Performance Targets:	The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and express a specific level of performance that a municipality aims to achieve within a given time period.
Service Delivery Budget Implementation Plan	Detailed plan approved by the mayor for implementing the municipality's delivery of services; including projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included.
Vote:	One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area. Section 1 of the MFMA defines a "vote" as: <i>a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional</i>

APPENDICES

	<p><i>areas of the municipality; and</i></p> <p><i>b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned</i></p>
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APPENDICES

APPENDICES

APPENDIX A – COUNCILLORS; COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE

CORPORATE	PARTY REPRESENTED	FULL TIME/ PART TIME	PERCENTAGE COUNCIL MEETING ATTENDANCE	PERCENTAGE APOLOGIES FOR NON ATTENDANCE
B.G. Mashego	ANC	P/T	97	3
M.E. Morwaswi	INDEP	P/T	100	0
S.C. Mamogobo	ANC	P/T	100	0
N.R. Ndobeni	ANC	P/T	99	1
E.T. Sehlola	ANC	P/T	100	0
W.M. Mabaso	ANC	F/T	99	1
COMMUNITY			%	%
P. Ranoto	ANC	P/T	100	0
M.S. Chauke	INDEP	P/T	100	0
E.M. Tshiguvho	ANC	P/T	99	1
M.J. Mokonyane	MP	P/T		
J.H. Bogopa	ANC	P/T	99	1
M.G. Phefadi	DA	P/T	98	2
BUDGET & TREASURY			%	%
N.R.Ndobeni	ANC	P/T	99	1
B.A. Esson	DA	P/T	98	2
K.M. Seoka	ANC	P/T	100	0
M.M. Kekana	ANC	P/T	100	0
M.F. Maibelo	PAC	P/T	100	0

APPENDICES

L.J. Mphahlele	ANC	F/T	100	0
INFRASTRUCTURE			%	%
O.E. Sebothoma	ANC	P/T	100	0
J.S. Motsepe	MP	P/T		
G.N. Makanyane	ANC	P/T	99	0
S.T. Mahlobogoane	ANC	P/T	100	0
H.S.M. Bokaba	ANC	P/T	100	0
M.E. Monyamane	ANC	F/T	100	0
PLANNING & ECONOMIC DEVELOPMENT			%	%
L.B. Modisha	ANC	P/T	100	0
M.F. Matlala	ANC	P/T	100	0
M.J. Nchabeleng	COPE	P/T	100	0
J.H. Bogopa	ANC	P/T	100	0
M.G. Phala	ANC	P/T	100	0
M.K. Selamolela	MP	P/T		
M.Y. Mmakola	ANC	F/T	100	0
M.F. Ratau	ANC	F/T	99	1
K.N. Kekana	ANC	P/T	100	0

CONCERNING TA

A spreadsheet exists to compile attendance data

APPENDICES

APPENDIX B – COMMITTEES AND COMMITTEE PURPOSES

Committee (other than Mayoral/Executive and Purposes)	
Municipal Committee	Purpose of Committee
Municipal Public Account Committee (MPAC)	Doing oversight responsibility that ensure that policies and programmes of the municipality are implemented in efficient, effective and economic manner in according to MFMA and other legislations
Rules and Ethics Committee	Ensure that the council runs in accordance with Council Standing Orders and Rules and other policies; and that councilors adhered to the Code of Conduct of Councillors as stipulated in the Municipal Structures Act and Municipal Systems Act.
Chairperson of Chairperson	Ensure that other committees are functional.
Portfolio Committees	Doing oversight over the department and make recommendations to Municipal Council

APPENDIX C – THIRD TIER ADMINISTRATIVE STRUCTURE

Community Service	Lesiba Makopo - Director
Corporate Service	Makoko Lekola -Director
Finance (Budget & Treasury)	Collins Makgopa & Romeo Mohaudi – Acting CFO
Strategic (Planning & Economic Development)	B.P Marais – Acting Director
Technical (Infrastructure) Department	Koti Donald Rankwe –Director / Takalani Ramatselela – Acting Director

APPENDICES

APPENDIX D – FUNCTIONS OF MUNICIPALITY / ENTITY

Function	Municipal Authority	District Authority	Remarks
1.Air Polution	Yes		
2.Building regulations	Yes		
3.Child care facilities	Yes		
4.Electricity reticulation	Yes for Marble Hall town		Eskom reticulate rest of municipality
5.Fire fighting	No	Yes	
6.Local tourism	Yes		
7.Municipal airport	Yes		
8.Municipal planning	Yes		
9.Municipal Health Service	No		
10.Municipal Public Transport	Yes		Bus & Taxi rank in private ownership
11.Pontoons & Ferries	Yes		
12.Storm water	Yes		
13.Trading regulations	Yes		
14.Water (potable)	No	Yes	
15.Sanitation	No	Yes	
16.Beaches and amusement facilities	Yes		
17.Billboards and the display of advertisements in public places	Yes		
18.Cemetries,funeral parlours and crematoria	Yes		
19.Cleansing	Yes		
20.Control of public nuisance	Yes		
21.Control of undertakings that sell liquor to the public	Yes		
22.Facilities for the accommodation, care and burial of animals	Yes		
23.Fencing and fences	Yes		
24.Licensing of dogs	Yes		

APPENDICES

25.Licensing and control of undertakings that sell food to the public	Yes		
26.Local amenities	Yes		
27.Local sports facilities	Yes		
28.Markets	Yes		
29.Municipal Abattoirs	Yes		
30.Municipal parks and recreation	Yes		
31.Municipal roads	Yes		
32.Noise pollution	Yes		
33.Pounds	Yes		
34.Public places	Yes		
35.Refuse removal refuse dumps and solid waste disposal	Yes		The land fill site in Marble Hall town is licenced and authorised
36.Street trading	Yes		
37.Street lighting	Yes		
38.Traffic and parking	Yes		
39.Registration authority	Yes		

APPENDICES

APPENDIX E – WARD REPORTING

Ward No.	Name of Ward Councillors	Committee established?	No. of monthly committee meeting	No. of monthly reports submitted to the Speaker's Office	Number of quarterly public ward meetings
1	Bokaba HSM	Yes	12	12	5
2	Kekana MM	Yes	12	12	4
3	Ranoto P	Yes	12	12	6
4	Sebothom OE	Yes	12	12	4
5	Tshiguvhu E M	Yes	12	12	5
6	Matlala M F	Yes	12	12	3
7	Mphahlele MJ	Yes	12	12	2
8	Makanyane GN	Yes	12	12	4
9	Ndobeni NR	Yes	12	12	6
10	Morwaswi ME	Yes	12	12	4
11	Seoka K	Yes	12	12	6
12	Phala MG	Yes	12	12	5

APPENDICES

13	Mashego BG	Yes	12	12	6
14	Chauke MS	Yes	12	12	5
15	Bogopa JH	Yes	12	12	3
16	Sehlola ET	Yes	12	12	4

APPENDICES

APPENDIX F – WARD INFORMATION

ELECTED WARD MEMBERS (STATING NUMBER OF MEETING ATTENDED – MAXIMUM 12 MEETINGS)

Ward No	Name Ward Committee member	Portfolio	Number of meetings attended
1	1.Nkwane M S	Sports Arts & Culture	12
1	2.Kekana C M	Water & Sanitation	12
1	3.Mogi N T		12
1	4.Mmakola M R	Housing & Environment	12
1	5.Baloyi K	Secretary & Roads	12
1	6.Kekana K P	Communications, IDP & Liaison	12
1	7.Molomo M J	Education	12
1	8.Mosomane J R	Safety Security & Liaison	12
1	9.Malete M K	Health & Social development	12
1	10.Seshoka S M	Electricity	12
2	1.Gololo S J	Safety Security & Liaison	12
2	2.Machaka M A	Roads & Stormwater	12
2	3.Mafokoane L M	Health , Social development &Environment	12
2	4.Aphane T F	Education	12
2	5.Chweyana S P	Electricity	12
2	6.Lesolo J M	Sports Arts & Culture	12
2	7.Mokoka S A	Water & Sanitation	12
2	8.Lekgoabe JM	Communication	12
2	9.Kekana D T	Housing	12
2	10.Ndlala B S	IDP& LED	12
3	1.Shalang N R	Sports Arts & Culture	12
3	2.Mariatona N J	Electricity	12
3	3.Motsepa S P	Water & Sanitation	12

APPENDICES

3	4.Maleka M L	Health & Social development	12
3	5.Mafakane R D	Education	12
3	6.Nkwinika H S	Safety Security & Liaison	12
3	7.Malefo M R	Roads & Stormwater	12
3	8.Makua	IDP & LED	12
3	9.Nkadimeng G L	Housing	12
3	10.Makubjane T D	Communication	12
4	1.Mako A B	IDP & LED	12
4	2.Mafora M G	Safety Security & Liaison	12
4	3.Mogotlane S	Communication	12
4	4.Mehlape T A	Water & Sanitation	12
4	5.Mogaladi L	Health , Social development & Environment	12
4	6.Ledwaba O	Education	12
4	7.Matji S	Housing	12
4	8.Mameshi S	Sports Arts & Culture	12
4	9.Aphane P	Roads & Transport	12
4	10.Mobogoane M I	Electricity	12
5	1.Shelembe Z	Communication	12
5	2.Mashung G	Housing	12
5	3.Napo K T	Sports Arts & Culture	12
5	4.Hlafane P	IDP & LED	12
5	5.Mamahlodi T	Roads & Transport	12
5	6.Mampane M	Education	12
5	7.Mohala G M	Health & Social development	12
5	8.Kobo J	Safety Security & Liaison	12
5	9.Maredi M	Electricity	12
5	10.Mashaba J	Water & Sanitation	12
6	1.Mokovhi C M	Health & Social development	12
6	2.Nkadimeng F D	Education	12
6	3.Maake S M	Housing	12
6	4.Matsemela N P	Electricity	12
6	5.Mampuru D M	Sports Arts & Culture	12

APPENDICES

6	6.Moshitsoa N K	Water & Sanitation	12
6	7.Mothoa M A	Communication	12
6	8.Moseri L A	IDP & LED	12
6	9.Maila S A	Safety Security & Liaison	12
6	10.Motswi M	Roads & Transport	12
7	1.Mmotla M B	Safety Security & Liaison	12
7	2.Masola N	Sports Arts & Culture	12
7	3.Malapela M M	Roads	12
7	4.Mashabela M M	Electricity	12
7	5.Mokoena P J	Environment	12
7	6.Masemola G M	Health & Social development	12
7	7.Masebe H T	IDP & LED	12
7	8.Mampuru N J	Housing	12
7	9.Mametsa W M	Water & Sanitation	12
7	10.Phokwane P M	Education	12
8	1.Mokwena T T		12
8	2.Sontshtsha M K		12
8	3.Radzilani S M		12
8	4.Moselagomo D		12
8	5.Kgetsepe R		12
8	6.Paahla S M	Secretary	12
8	7.Mashilo M J		12
8	8.Matsekoleng S R		12
8	9.Mononyene N		12
8	10.Mokoena H		12
9	1.Tsima A	Education	12
9	2.Manganye E	Housing	12
9	3.Masemola M R	Electricity	12
9	4.Manama M C	Health & Social development	12
9	5.Malesoene M I	Sport, Arts & Culture	12
9	6.Lekala S M	Publicity	12
9	7.Mampane M D	Water	12

APPENDICES

9	8.Magatla N L	Safety & Security	12
9	9.Baloi M J	LED/IDP	12
9	10.Maloka M F	Roads & Transport	12
10	1.Sibasa M M	Communication & Secretary	12
10	2.Mokoena T T	Housing	12
10	3.Mathebele M R	Sport, Arts & Culture	12
10	4.Tlaka H N	Roads & Stormwater	12
10	5.Phogole N	Health & Social development	12
10	6.Mphahlele L N	Safety & Security	12
10	7.Makgoga H A	Education	12
10	8.Rachidi L P	Environment	12
10	9.Mahloko R S	Water & Sanitation	12
10	10.Marutla E S	Electricity	12
11	1.Lerobane N J	Water & Sanitation	12
11	2.Mashilo P B	Electricity	12
11	3.Makaba M I	Health & Social development	12
11	4.Maserumule L	IDP & LED	12
11	5.Matlala T N	Sport, Arts & Culture	12
11	6.Mogola L R	Education	12
11	7.Matla M T	Communications	12
11	8.Maboke D M	Housing	12
11	9.Mamonyane	Roads	12
11	10.Bogopa	Safety , Security & Liaison	12
12	1.Monama M S	Water & Sanitation	12
12	2.Monama M	Electricity	12
12	3.Thaka M A	Secretary/Environment	12
12	4.Bogopa R J	Sport, Arts & Culture	12
12	5.Maphopha M M	Housing	12
12	6.Modisha S M	Roads	12
12	7.Maelane R S	Communication	12
12	8.Matlala M P	Education	12
12	9.Phatlane K A	Health & Social development	12

APPENDICES

12	10.Mothgwane	Safety , Security & Liaison	12
13	1.Mokolo M F	Health & Social development	12
13	2.Thokwane M A	Environment	12
13	3.Mosoathupa R E	Safety , Security & Liaison	12
13	4.Chou L F	Electricity	12
13	5.Mohlala M N	Communication	12
13	6.Mahlase V L	Secretary - Roads	12
13	7.Makola M M	Water & Sanitation	12
13	8.Mogawu C	Housing	12
13	9.Mokoena S	Sport, Arts & Culture	12
13	10.Maimela M H	Education	12
14	1.Sibanyoni J M	Housing	12
14	2.Gwangwa E D	Sport, Arts & Culture	12
14	3.Rantho R W	Environment	12
14	4.Choenyane K J	Roads	12
14	5.Seroka M L	Education	12
14	6.Matseba M D	Safety , Security & Liaison	12
14	7.Maleka E M	Electricity	12
14	8.Marutla G S	Health & Social development	12
14	9.Maboya K L	IDP & LED	12
14	10.Matlala S A	Water & Sanitation	12
15	1.Matsaung M H	Housing	12
15	2.Molatudi M L	Communication	12
15	3.Mahlare M A	Health & Social development	12
15	4.Leso P M I	Sport, Arts & Culture	12
15	5.Maila M P	Water & Sanitation	12
15	6.Ngobeni J	IDP & LED	12
15	7.Phetla K A	Education	12
15	8.Malope A	Environment	12
15	9.Makalla T	Roads & Transport	12
15	10.Sefoloshe J	Safety , Security & Liaison	12

APPENDICES

16	1.Magolo A M	Electricity	12
16	2.Magane G M		12
16	3.Matlala M M	Sport, Arts & Culture	12
16	4.Tjatji M C		12
16	5.Lekola L J	Water & Sanitation	12
16	6.Matlala T T	Roads & Transport	12
16	7.Mashigo A M	Health & Social development	12
16	8.Baloyi G F	Environmental affairs	12
16	9.Mudau P M	Education	12
16	10.Makomane S S	IDP & Communication	12

T F.3

APPENDICES

APPENDIX G – RECOMMENDATIONS OF THE MUNICIPAL AUDIT COMMITTEE 2012/13

ANNUAL AUDIT COMMITTEE REPORT FOR THE YEAR ENDING 30 JUNE 2013

1. PURPOSE

The purpose of this report is to report to Council about the activities of the Audit Committee for the year ending June 2013.

2. BACKGROUND

Section 166 of the MFMA clearly states that each municipality must have an audit committee. The audit committee is an independent advisory body that advises council, political office bearers, accounting officer, and staff of the municipality on the following:

- 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 MFMA, the annual Division of Revenue Act (DORA) and any other applicable legislation;
- Performance evaluation;
- Any other issues referred to by the municipality;
- Review annual financial statements so as to provide authoritative and credible view of the financial position, on overall compliance with MFMA, DORA, and other pieces of relevant legislations.
- Respond to Council on any matter raised by the Auditor-General (AGSA);

APPENDICES

- Carry out such investigations into financial affairs of the municipality as may be prescribed from time to time.

Ephraim Mogale Local Municipality appointed audit committee on 01 November 2011. It is comprised of 5 members. The Audit Committee was established in terms of section 166 of the Municipal Finance Management Act (MFMA).

3. AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The Audit Committee held five meeting during the year under review:

Adv. M J Ralefatane	Chairperson	5 Meetings Attended
Mr. V Chuene	Member	5 Meetings Attended
Adv. M O Nemugumoni	Member	5 Meetings Attended
Ms M J Ramataboe	Member	4 Meetings Attended
Mr Z Fihlani	Member	5 Meeting Attended

Other regular attendees to the Committee meetings are:

- Acting Municipal Manager;
- Acting Chief Financial Officer;
 - Chief Internal Auditor
 - Auditor General Representatives;
 - Provincial Treasury representatives;
 - DLGH representatives;
 - Senior Management, (per invitation)

4. AUDIT COMMITTEE RESPONSIBILITY

The Committee has, inter alia, reviewed the reports from Management, Internal Audit and the Auditor General on the following:

- internal financial controls and internal audits;

APPENDICES

- the adequacy, reliability and accuracy of financial reporting and information;
- effective governance;
- compliance with the MFMA, the annual Division of Revenue Act and any other applicable
- legislation;
- risk management;
- litigation matters; and
- Evaluation of Annual Financial Statements (2013)

5. REPORT ON THE OPERATIONS OF THE AUDIT COMMITTEE

The Committee is of the opinion that the municipality does not maintain appropriate levels of internal controls to ensure that it achieves its service delivery objectives. This opinion is informed by the many vacant key positions during the period under review, the reliance on consultants, in particular within the Finance Function, lack of capacity in Internal Audit Function, inadequate reports by management, inadequate information and explanations given by management, the extent of Audit findings by Internal Audit and Auditor General and various recommendations raised by the Audit Committee itself during the year.

The current state of internal control environment may provide a fertile ground for committing fraud and fraudulent activities.

The Committee is of the view that a thorough gap analysis should be conducted to identify the underlying root causes to ultimately address control deficiencies within the municipality.

Our assessment of the internal control environment is informed by the Auditors' (both internal and external) reports. Both the annual audit plan and the AG's audit strategy are risk based and tabled before the Audit Committee for approval. The 2012/2013 internal audit plan was approved by the Committee and its implementation is monitored on quarterly basis.

The Committee has reviewed and discussed with the Auditor-General and the Acting Municipal Manager and CFO the Annual Financial Statements for 2012/13. And concerns were noted pertaining to the AFS that full and proper accounting records have not been maintained by the municipality. Performance Information was also reviewed and discussed with Executive Management and the need to extensively review performance reporting was raised.

Overall strengthening of the internal control environment requires attention, especially in the following areas, inter-alia;

- Financial – cash flow management and liquidity position;
- Financial – Property, Plant and Equipment (fixed assets Register);
- Financial – Revenue Collection

APPENDICES

- Financial – CAPEX
- Financial – Expenditure management
- Financial – Supply Chain Management;
- Financial and Legal - Contract Management;
- Financial – Computer systems;
- Performance Information;
- Asset management; and
- Human Resource Management (Inadequacy of staffing Resources)/ Reliance on Consultants

5.1 Risk Management

The implementation of risk management for the municipality is at the initial stages. The Risk Management Policy, Framework and Plan have to be developed to guide the implementation of the Risk management program. With the support provided by the provincial Treasury, we believe that Risk Management will be strengthened. The Committee is of the opinion that there is a need to further strengthen the Risk Management function and align this with Compliance function.

5.2 Compliance with Laws and Regulations

Major concerns have been noted regarding the compliance with Laws and Regulations. In essence, compliance culture, both to internal policies and the laws, is non-existent within the Municipality. The Municipality needs to establish a fully effective program that will address compliance issues. These were noted in the internal and external audit reports.

5.3 Performance Management

The Performance Management System in the municipality has regressed. Several major concerns were raised by internal Audit, The audit Committee and external auditors. With the secondment of the current Acting Municipal Manager, it is expected that this area will receive the utmost attention to ensure that it improves and becomes effective in the 2013/2014 financial year.

5.4 Governance

The position of Municipal Manager, which is expected to provide leadership to the Municipality has been vacant for a 20 months during this period, 4 Directors were appointed to act this position, whilst at the same time they kept their substantive positions. This resulted in lack of leadership in executive management. This situation has since been resolved by the secondment of Acting MM from the District Municipality.

APPENDICES

Some of the governance structures that are in place to ensure compliance and service delivery, still need to be encouraged to operate optimally.

6. CONCLUSION

The Audit Committee is encouraged by the support and sense of urgency that has been shown by the leadership of the municipality (political and administrative) in resolving some of the challenging facing the municipality. The rate of vacancies in key administrative positions still remains a concern.

The Audit Committee remains confident of these matters receiving due consideration and intervention. We are committed to fully execute our oversight function and in strengthening Corpor

Municipal Audit committee recommendations		
Date of committee	Committee recommendations during 2012/13	Recommendations adopted(enter yes); Not adopted(provide explanation)
25 April 2013	Progress report addressing issues raised by AG	Yes
25 April 2013	Appointment of Risk Officer, PMS Officer, Directors and the MM	Yes
25 April 2013	Review the deviation register and submit it to Council for condonement.	Yes
25 April 2013	Arrange workshop on SCM for management and councilors	Yes
25 April 2013	Development of Procurement Plan	Yes
25 April 2013	Debt Collection Plan	Yes

APPENDICES

25 April 2013	Write a report on Consultants	Yes
25 April 2013	Management to clean all Contracts	Yes

APPENDICES

25 April 2013	Progress of Risk Management implementation Plan	Yes
25 April 2013	Progress report addressing Internal Audit queries.	Yes
25 April 2013	Contingent liabilities/assets including labour cases	Yes
28 June 2013	Progress on the appointment of MM, CFO, Director Strategic Planning and Technical Director.	Yes
28 June 2013	Arrange a meeting with the Mayor on progress on resolutions taken by Audit Committee and challenges	Yes
28 June 2013	Review the 2013/2014 SDBIP	Yes
28 June 2013	The Chief Internal Auditor to write a report on progress on Action plan and email it to members.	Yes
28 June 2013	Review the deviation register and submit it to Council for condonement. Arrange workshop on SCM for management and councilors	Yes

APPENDICES

	Development of Procurement Plan	
28 June 2013	Write a report on Munsoft Contract and circulate it to members	Yes
28 June 2013	Develop a contract management policy.	Yes
28 June 2013	Follow-up with Treasury for risk assessment	Yes

APPENDIX H – LONG TERM CONTRACTS AND PUBLIC PRIVATE PARTNERSHIPS

Long Term Contracts (20 Largest Contracts Entered into 2012/13)					
Name of service provider	Description of service rendered by service provider	Start date of contract	Expiry date of contract	Project Manager	R000 Contract value
1.COGSTA / PHALENG ATTORNEYS	Lodgement/registration of township registers 1306 units 2012/2013 – Elandskraal A	11/05/2012	31/03/2013	COGHSTA	R1 201
2.DEPARTMENT ROADS AND TRANSPORT LIMPOPO	Test, register & license vehicles issuing roadworthiness certificates}{Revenue collection	01/06/2011	31/03/2015	DORTL	80% of monthly revenue collected

APPENDICES

3.TOTAL CLIENT SERVICES (TCS)	Traffic contravention system, Accident System & Environmental software) {Traffic Offences}	05/07/2011	30/04/2014	Manager Traffic and Safety	R33 000 p/a
4.ESKOM – LIMPOPO	Funding Agreement Free Basic Electricity (FBE)	1/12/2012	30/06/2015	Director Corporate services	R1.3m 50kw per indigent per month
5.STANDARD BANK	Fleet Management Agreement – STANNIC (Customer policy and procedures) Fleet management services & e-tag	13/12/2012	3mnths notice	Fleet Supervisor	Fees as per service agreement
6.UD TRUCKS	Maintenance agreement	15/10/2010	20/10/2013	Director Technical services	Fees as per maintenance agreement
7.CONLOG/MARLIN GERINAD	Prepaid meters Service Level Agreement Utility prepayment tokens via vending channels	20/06/2011	31/10/2015	Manager Financial Accounting	Fees as per service level agreement
8.GABOTSE KWAGGAFONTEIN PLAAS (PP ROETS)	Memorandum of agreement -site rental for radio repeater	14/12/2011	14/12/2014	Manager Electrical services	R9000 p/a
9.SABINET ONLINE	Network	05/01/2011	17/01/2014	Manager Admin and legal services	R49 250

APPENDICES

10. TRANSNET (PROPNET)	Lease of portion of Erf 148	01/04/2005	31/03/2015	Director Corporate Services	R18 509 p/m
11. DEPARTMENT PUBLIC WORKS	EPWP Grant – programme (infrastructure/environment/culture programme){Creating of work opportunities for the unemployed}	2012/2013 Fin. Year -	30/06/2013	Manager civil services and Manager Environmental services	R1 000
12. JK GADDIN	Erection of ablution blocks on portion, being a portion of portion 2 -Hawker stalls	31/07/2003	31/05/2047	Director Corporate Services	R100 p/a
13. EMLM / DITIRO IT	Maintenance and Upgrade of server room	01/07/2012	30/06/2015	Manager Admin and Legal services	R3 478 p/q plus ADHOC costs
14. SUECOLL –	Rendering security services	01/07/2012	30/06/2014	Chief Internal Auditor	R7 328
15. SS NTIKE	Service level agreement (SLA) Organic farming project	29/09/2010	29/9/ 2013	Manager LED and Tourism	R25 040
16. MUNSOFT	Service level agreement (SLA) – Finance system disaster recovery private network of the municipality – backup data off-site SOFTLINE VIP	21/10/2011	14/12/2013	Chief Financial Officer	R73 774 p/a licensed program R22865 p/m Maintenance and support

APPENDICES

					fees
17. HCIT SOLUTIONS	IT - Wireless network	05/06/2012	Annually	Manager Admin and legal services	R30 000 pm plus R3000 p/a escalation
18. ARMS AUDIT & RISK MANAGEMENT	Performance management	11/6/2013	12/12/2014	Acting Director Strategic Planning	R960
19. BUSINESS ENGINEERING	Installation of electronic document management system / License Agreement On-site support agreement - Collaborator	20/10/2011	20/10/2014	Manager Admin and Legal services	R20 410p/m
20. DITIRO	Copiers	30/5/2013	36 months	Manager Admin and Legal services	R70 000 p/m rental and - 139c per copy maintenance


APPENDICES

Public Private Partnership entered into 2012/13					
Name and description of project	Name of partners	Initiation date	Expiry date	Project Manager	R'000
Prepaid meters Service Level Agreement Utility prepayment tokens via vending channels	CONLOG/MARLIN GERINAD	2/6/2011	31/10/2015	CFO	5% of face value paid by consumer
Leave administration and Personnel Management	Softline VIP	3/11/2004	Annual renewal	Manager Admin and Legal	

APPENDICES

APPENDIX I – MUNICIPAL ENTITY/ SERVICE PROVIDER PERFORMANCE SCHEDULE

No entities



APPENDICES

APPENDIX J – DISCLOSURES OF FINANCIAL INTERESTS

Disclosure of Financial Interest		
Period 1 July 2012 to 30 June 2013		
Position	Name	Description of Financial Interest* (Nil/ or details)
(Executive) Mayor	YM Mmakola	Kaboomo Business Enterprise, Masemola Tours, Legaelaka Recreation.
Member of May Co / Exco	E Monyamane	None
	LJ Mphahlele	None
	WM Mabaso	Bakwena Ditlou Enterprise.
	LJ Shalang	Blotass Taxi
Councillor	MS Chauke	None
	HSM Bokaba	None
	KN Kekana	None
	MM Kekana	None
	ST Mahlobogwane	None
	GN Makanyane	The G Car Wash CC, The G Video and Production.
	SC Mamogobo	None
	BG Mashego	None
	LB Modisha	None
	MF Matlala	Moshopsadi Construction and Project, Bush Cleaning.
	NR Ndobeni	None
	MA Phala	None
	NF Ratau	Rashe BC Close Corporation, RMP, PTY (LTD), Tubatse Project, Matlerekeng CC.
	P Ranoto	None
	OE Sebothoma	Moutse Trading Dev. Service Provider, Sebothoma Dev. And Management.
	ET Sehlola	Phetoane Irrigation Corporative, Elanda Cleaners Close Corporation
	KN Seoka	None
MR Seono	None	
EM Tshiguvhu	None	
ME Morwaswi	Morwaswi Construction	
LJ Nchabeleng	None	
MF Maibelo	South African Chemical Workers Union (Official Organizer).	
Municipal Manager	SR Monakedi	Semenye Investment PTY (LTD), Monakedi Trading.
Chief Financial Officer	CM Makgopa	None
	R Mohaudi	None
Deputy MM and (Executive) Directors		

APPENDICES

	LM Makopo	Shamane Logistics Transport CC
	KD Rankwe	None
	MJ Lekola	Gafela- Boledi Communication & Events IEC – MEO Property Owner of 76-514 v/d Linden Road Bramley, Johannesburg
	B P. Marais	None
Other S57 Officials		
*Financial interests to be disclosed even if they incurred for only part of the year. See MBRR SA34A TJ		

APPENDICES

APPENDIX O – CAPITAL PROGRAMME BY PROJECT BY WARD 2012/13

Capital program by project by ward 2012/13			R'000
Capital project	Wards affected	Work completed(Yes/No)	
Electricity			
LETEBEJANE AND DITHOLONG HIGH MASTS LIGHTS	Ward 16	R1.8 Yes	
Refuse removal			
EXPANSION OF SOLID WASTE SERVICE	Ward 8&15	R0.1 Yes	
Stormwater			
ROAD AND STORM WATER MASTER PLAN	All wards	R1.0 Yes	
Economic development			
Organic farming	Ward 5,8,14&16	R4.3 Yes	
Sports arts and culture			
Refurbishment of Malebitsa and Elandskraal staduims	Ward 1 & 15	R3.4 Yes	

APPENDIX P – SERVICE CONNECTION BACKLOGS AT SCHOOLS AND CLINICS

Service Backlogs :Schools and Clinics				
Establishments lacking basic services	Water	Sanitation	Electricity	Solid waste Collection
Schools(Names,Locations)				
Raphogile H/S Ward 4		X		
Mbake school(Ward 4)	X(elec pump)			
Ward 9 schools		X		
.Rakgwadi – Ngwanamashile sec(Ward 11)		X		
Regae – Mohlahlane pr sch(Ward 14)			X (1block)	
Ward 16 schools		X(upgrade)		
Clinics(Names,Locations)				
No need indicated in IDP for basic services				

APPENDICES

APPENDIX Q – SERVICE BACKLOGS EXPERIENCED BY THE COMMUNITY WHERE ANOTHER SPHERE OF GOVERNMENT IS RESPONSIBLE FOR SERVICE PROVISION

Service backlogs experienced by the community where another sphere of government is the service provider		
Services and locations	Scale of backlogs	Impact of backlogs
Clinics:		
Malebitsa (Ward 1)	New clinic required	No clinic for 6193 residents
Keerom(Ward 3)	Clinic built but shortage of staff and equipment	Service cannot be rendered to 3870 residents
Rathoke (Part ward 4&2)	Clinic upgrade to 24hr service and nurses home	24hr service is required for 8800 residents
Mokgwaneng (Ward 6)	New clinic required	No clinic for 1683 residents
Marble Hall	Clinic upgrade to 24hr service	24 hr service required for 8532 residents
Ward 10	Clinic required for ward	No clinic in ward for 5984 residents
Ngwalemong "A (Ward 12)	Clinic required for village	No clinic for 1287 residents
Gareagapola (Ward 13)	Health centre for 24hr service	No clinic in ward for 17265 residents
Ditchoeung (Ward 14)	New clinic required	No clinic for 4650 residents
Mogalatsane (Ward 16)	New clinic required	No clinic for 1211 residents
Housing:		
Malebitsa & Driefontein(Ward 1)	150 units required for 2 villages	Growth in population which is 9218
Uitvlugt(Ward 2)	50 units required	Growth in population which is 7100
Ward 3	150 units required	Growth in population which is 10139
Ward 4	240 units required	Growth in population which is 7162
Ward 5	200 units required	Growth in population which is 9239
Ward 6	260 units required	Growth in population which is 13676
Marble Hall(Ward 7)	500 units required	Growth in population which is 8532
Ward 9	350 units required	Growth in population which is 7138
Makgatle & Mamphokgo(Ward 10)	400 units required	Growth in population which is 5984
Ward 11	400 units required	Growth in population which is 12679
Ward 12	200 units required	Growth in population which is 12582
Ward 13	630 units required	Growth in population which is 17265
Ward 14	160 units required	Growth in population which is 16488
Ward 16	105 units required	Growth in population which is

APPENDICES

		9083
Licensing and testing centre		
Matlerekeng	Satellite traffic office	Licensing and testing centre located in Marble Hall town
Reservoirs		
Moganyaka extension	Reservoir required	No water at extension due to lack of pressure
Schools(Primary and High)		
Rathoke new stands (Ward 4)	New primary school required	Growth in population
Ga-Matlala(Ward 6)	New primary school required	Growth in population
Zone D(RDP Leeuwfontein) Ward 8	New Primary, secondary and ECD required	Growth in population
Manapyane ext. and Moganyaka north(Ward 9)	New primary school required	Growth in population
Letebejane/Ditholong/Mooihoek (Ward 16)	New primary school required	Growth in population
Sports fields		
Between Keerom and Uitvlugt (Ward 2&3)	Sports/Recreation centre required	No facilities available in ward
Rathoke & Matlerekeng MPCC (Ward 4)	Indoor sports centre required at Rathoke.& Sport facility required at MPCC at Matlerekeng	No facilities available in ward
Matla-Ramoshebo(Ward 5)	Sports complex	No facilities available in ward
Mokgwaneng(Ward 6)	Sports ground outside Mokgwaneng community hall	No facilities available in ward
Marble Hall town(Ward 7)	Recreational centre required in Marble Hall town	No community facilities at present
Leeuwfontein(Ward 8)	Multi purpose recreational facility with sports fields required	No facilities available in ward
Ward 9	Mini stadium required for the ward	No facilities available in ward
Ward 10	Community recreation centres required in all villages	No facilities available in ward
Ward 11	Development of recreational facilities	No facilities available in ward
Mabitsi A(Ward12)	Mini stadium required	No facilities available in ward
Regae(Ward14)	Multi purpose sports centre required at	No facilities available in ward
Ward 16	Every village requires sports fields	No facilities available in ward

APPENDICES

APPENDIX T – PRESEDENTIAL OUTCOME FOR LOCAL GOVERNMENT

Presidential outcome for Local Government		
Outcome/Output	Progress to date	Number or Percentage Achieved
Output: Improving access to basic services	20 Capital projects at a cost of R25.8m has been implemented to improve access to basic services	20
Output : Implementation of Community work programme	1000 jobs has been created with CWP	100%
Output: Deepen democracy through a refined Ward Committee model	16 ward committees have been established and monthly allowance is paid to ward committee members for attending monthly ward committee meetings	16
Output : Administrative and financial capability	Staff establishment is in place with finance to carry out the instructions of council	100%

VOLUME II

APPENDIX U – PERFORMANCE OF SERVICE PROVIDERS

PERFORMANCE OF SERVICE PROVIDERS FOR 2012-2013 (exclude services such as catering unless if the catering was above 30 000)		
Name	Service offered	Performance rating
COGSTA / PHALENG ATTORNEYS	Legal	Fair
DEPARTMENT ROADS AND TRANSPORT LIMPOPO	Traffic	Good
TOTAL CLIENT SERVICES (TCS)	Traffic	Good
ESKOM - LIMPOPO	FBE	Good
STANDARD BANK	Fleet service management	Good
UD TRUCKS	Maintenance	Fair
CONLOG/MARLIN GERINAD	Pre- paid electricity	Good
GABOTSE KWAGGAFONTEIN PLAAS (PP ROETS)	Rental radio repeater	Good
SABINET ONLINE	Network	Good
TRANSNET (PROPNET	Lease site for hawker stalls	Good
DEPARTMENT PUBLIC WORKS	EPWP	Good
PM BRONKHORST	Lease hangers aerodrome	Good
K MENGE	Lease hangers aerodrome	Good
JK GADDIN	Ablution block	Good
POST OFFICE	Lease Ptn 146	Good
DITIRO IT	Upgrade and maintenance of server room	Good

APPENDICES

SUECOL	Security	Good
MARBLE HALL GOLF	SLA Golf estate	Good
VODACOM/MTN	Site sharing agreement Van Der Merweskraal BO 4935	Good
IVORSON FILLING STATION	Delivery of daily newspapers	Good
SS NTIKE	SLA organic farming project	Excellent
MUNSOFT	Finance system	Good
HCIT SOLUTIONS	IT	Good
MOTLAUTLETSE FARMING	Lease sewer farm Ptn 476	Good
PRIMEDIA OUTDOOR	Illuminated street identification signs	Poor
ARMS AUDIT & RISK MANAGEMENT	Performance management system	Good
VODACOM	Vodacom	Good
BUSINESS ENGINEERING	On-site support agreement - Collaborator	Good
FRANCOTYP / POSTALIA	Franking machine	Good
TELKOM	Provision of telecommunication services	Good
TELKOM	electronic communication services - OptiCon IPECS 300 PBX OptiCon IP32 PBX	Good

APPENDICES

DITIRO	Copiers	Good
NASHUA	Fax and Printers	Good
THANDOZI TRADING	Furniture	Good
WALTRAMA KGATLA	Debt collection contract	Poor
STATE INFORMATION TECHNOLOGY AGENCY (PTY) LTD (SITA)	Web site maintenance	Good
SEKHUKHUNE DISTRICT MUNICIPALITY	Health service	No service rendered
LOSKOP ALARMS	Alarm system	Good
KGATLA INCORPORATED	Attorney	Fair
HCB PROPERTY VALUATIONS	Valuation	Fair
EMAS	Financial Services : Financing and Insurance – housing loans	Fair
COGHSTA	MOU – Signing of Happy letters for Low cost housing	Fair
ABSA BANK	Banking service and Merchant Agreement – cards	Poor
LIMPOPO DEPARTMENT OF ROADS AND TRANSPORT	Road network maintenance MOU (Repair of roads, road marking, potholes, gravelling roads, bush clearing, road marking ...)	Poor
MADIJO TRADING	Protective clothing	Fair

APPENDICES

VOLUME II: ANNUAL FINANCIAL STATEMENTS

Provide the audited Annual Financial Statements to the Annual report for 2012/13 – This to be developed as a separate volume. Refer to MFMA Circular 36 for further guidance.

TV2

APPENDICES



**EPHRAIM MOGALE LOCAL MUNICIPALITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

General Information

Business address

Ficus Street
Civic Centre
Marble Hall
0450

Postal address

PO Box 111
Marble Hall
0450

Bankers

Absa Bank
First National Bank

Auditors

Auditor General South Africa

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Index

The reports and statements set out below comprise the financial statements presented to the provincial legislature:

Index	Page
Accounting Officer's Responsibilities and Approval	4
Audit Committee Report	5 - 6
Accounting Officer's Report	7 - 8
Statement of Financial Position	9
Statement of Financial Performance	10
Statement of Changes in Net Assets	11
Cash Flow Statement	12
Accounting Policies	13 - 41
Notes to the Financial Statements	42 - 74

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the 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 financial statements and was given unrestricted access to all financial records and related data.

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

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

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

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the 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 2014 and, in the light of this review and the current financial position, they are satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 25 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act. The financial statements set out on pages 7 to 74, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2013 and were signed on its behalf by:

Mr PJ Phahlamohlaka
Acting Accounting Officer
31 August 2013

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2013.

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 5 number of meetings were held.

Name of member	Number of meetings attended
Adv. M J Ralefalane (Chairperson)	5
Adv M O Nemogumoni	5
Mr VK Chuene	5
Mr Z Fihlani	5
Mrs MJ Ramataboe	4

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 Auditor, the Audit Report on the 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 financial statements

The audit committee has:

- reviewed and discussed the audited 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 financial statements, and are of the opinion that the audited financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Audit Committee Report

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.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa in its meeting of the 26th April 2013 to ensure that there are no unresolved issues.

Chairperson of the Audit Committee

Date: _____

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2013.

1. Review of activities

Main business and operations

Net surplus of the municipality was R 53 001 212 (2012: deficit R 9 337 609).

The municipality performed the debtor administration of water and sanitation services on an agency basis in terms of a serviel level agreement. The current period of the water and sanitation services contract expires on 30 June 2013. The Sekhukhune District Municipality has extended the current contract up to 31 December 2013. This change is not expected to have a major effect on the financial position and performance of the municipality for the period under review or future financial periods.

2. Going concern

The 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.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officers' interest in contracts

The accounting officer had no interest in contracts.

5. Accounting policies

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Non-current assets

Details of major changes in the nature of the non-current assets of the municipality during the year is set out in the notes to the financial statements.

7. Accounting Officer

The accounting officers of the municipality during the year and to the date of this report are as follows:

Name	Nationality	Changes
Mr MJ Lekola (Acting)	South African	Resigned 31 October 2012
Mr RD Rankwe (Acting)	South African	Appointed 01 November 2012, resigned 30 November 2012
Mr BP Marais (Acting)	South African	Appointed 01 December 2012, resigned 01 August 2013
Mr L Makopo (Acting)	South African	Appointed 02 July 2013, resigned 16 August 2013
Mr PJ Phahlamohlaka (Acting)	South African	Appointed 16 August 2013

8. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practices.

Councillors

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Accounting Officer's Report

The Councillors:

- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;
- is of a unitary structure comprising:
 - non-executive councillors, all of whom are independent directors as defined in the Code; and
 - executive councillors.

Audit committee

Adv MJ Ralefatane was the chairperson of the audit committee. The committee met 5 times during the financial year to review matters necessary to fulfil its role.

In terms of Section 166 of the Municipal Finance Management Act, the municipality must appoint members of the Audit Committee. National Treasury regulation requires that municipalities should appoint further members of the municipality's audit committee who are not councillors

Internal audit

The municipality has an internal audit division.

9. Bankers

The municipality banks primarily with Absa bank.

The primary bank account in the previous financial year was with FNB Bank.

10. Auditors

Auditor General South Africa.

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Statement of Financial Position as at 30 June 2013

Figures in Rand	Note(s)	2013	2012
Assets			
Current Assets			
Inventories	10	644 660	691 443
Receivables from exchange transactions	11	2 606 326	5 638 797
Consumer debtors from exchange transactions	12	2 317 063	2 318 563
Consumer debtors from non exchange transactions	12	5 353 794	2 117 756
Deposit (Security held in advance)	9	100 926	-
Cash and cash equivalents	13	32 429 817	13 229 714
		43 452 586	23 996 273
Non-Current Assets			
Investment property	4	107 329 000	63 917 414
Property, plant and equipment	5	776 725 074	779 947 312
Intangible assets	6	371 171	-
		884 425 245	843 864 726
Total Assets		927 877 831	867 860 999
Liabilities			
Current Liabilities			
Operating lease liability	7	104 657	142 889
Payables from exchange transactions	16	17 907 911	12 197 373
VAT payable	17	4 308 571	873 785
Consumer deposits	18	1 688 933	1 657 168
Retirement benefit obligation	8	10 780 162	7 409 162
Unspent conditional grants and receipts	14	-	5 728 238
Provisions	15	2 129 118	1 895 118
		36 919 352	29 903 733
Total Liabilities		36 919 352	29 903 733
Net Assets		890 958 479	837 957 266
Net Assets			
Accumulated surplus		890 958 479	837 957 266

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Statement of Financial Performance

Figures in Rand	Note(s)	2013	2012
Revenue			
Revenue from exchange transactions			
Service charges	21	38 606 685	33 149 311
Rendering of services	22	1 884 172	1 789 351
Rental of facilities and equipment	19	107 456	155 437
Licences and permits	19	3 803 419	4 331 498
Recoveries	19	-	31 961
Other revenue	24	742 132	1 058 333
Interest received	32	5 432 876	4 115 578
Total revenue from exchange transactions		50 576 740	44 631 469
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	20	12 251 691	11 215 705
Transfer revenue			
Government grants & subsidies	23	103 546 286	80 291 425
Fines	19	162 321	223 424
Total revenue from non-exchange transactions		115 960 298	91 730 554
Total revenue	19	166 537 038	136 362 023
Expenditure			
Personnel	28	(41 721 140)	(37 787 558)
Remuneration of councillors	29	(9 739 948)	(8 867 091)
Administration	30	(97 596)	(94 486)
Depreciation and amortisation	34	(37 802 336)	(34 079 216)
Finance costs	35	-	(1 012 062)
Debt impairment	31	(1 803 120)	(2 612 637)
Repairs and maintenance		(6 245 234)	(6 993 698)
Bulk purchases	39	(20 324 237)	(17 671 187)
Grants and subsidies paid	38	(825 267)	(624 409)
General Expenses	25	(35 672 534)	(34 159 727)
Total expenditure		(154 231 412)	(143 902 071)
Operating surplus (deficit)	27	12 305 626	(7 540 048)
Loss on disposal of assets and liabilities		(18 758 000)	(461 561)
Actuarial gains / (losses)	33	(2 716 000)	(1 336 000)
Fair value adjustment on investment properties		62 169 586	-
		40 695 586	(1 797 561)
Surplus (deficit) for the year		53 001 212	(9 337 609)

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2011	847 294 875	847 294 875
Changes in net assets		
Surplus / (Deficit) for the year	(9 337 609)	(9 337 609)
Total changes	(9 337 609)	(9 337 609)
Opening balance as previously reported	835 580 760	835 580 760
Adjustments		
Prior year adjustments - Note 36	2 376 507	2 376 507
Balance at 01 July 2012 as restated - Note 36	837 957 267	837 957 267
Changes in net assets		
Surplus / (Deficit) for the year	53 001 212	53 001 212
Total changes	53 001 212	53 001 212
Balance at 30 June 2013	890 958 479	890 958 479
Note(s)		

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Cash Flow Statement

Figures in Rand	Note(s)	2013	2012
Cash flows from operating activities			
Receipts			
Cash receipts from customers, grant and other sources of revenue		103 546 286	80 291 425
Sale of goods and services		40 490 857	34 984 161
Licenses and Permits		3 803 419	4 331 498
Interest income		5 432 876	4 115 578
Property rates		12 251 690	11 215 705
Other income		742 132	1 090 294
		166 267 260	136 028 661
Payments			
Employee costs		(51 342 680)	(47 364 115)
Cash payments for inventory, suppliers and employ related cost		(57 956 280)	(55 483 977)
Finance costs		-	(1 012 062)
		(109 298 960)	(103 860 154)
Net cash flows from operating activities	40	56 968 300	32 168 507
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(34 580 099)	(18 476 088)
Proceeds from sale of property, plant and equipment	5	-	318 929
Purchase of other intangible assets	6	(371 171)	-
Purchase of deposit (security held in advance)		(100 926)	-
		(35 052 196)	(18 157 159)
Cash flows from financing activities			
Repayment of other financial liabilities		(2 716 000)	(8 829 725)
Net cash flows from financing activities		(2 716 000)	(8 829 725)
Net increase/(decrease) in cash and cash equivalents		19 200 104	5 181 623
Cash and cash equivalents at the beginning of the year		13 229 714	8 048 089
Cash and cash equivalents at the end of the year	13	32 429 818	13 229 712

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1. Presentation of Financial Statements

The 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.

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

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

1.1 Significant judgements and sources of estimation uncertainty

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

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

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus 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 trade receivables, held to maturity investments and loans and 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 loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

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

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

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

Impairment testing

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

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

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. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 8.

Effective interest rate

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

Allowance for doubtful debts

On debtors 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 debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 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 for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

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 of the investment property 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.

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.2 Mergers (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

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.

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.

If the entity 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). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measure that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity apply the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity 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 the investment property is permanently withdrawn from use and no future economic benefits or services potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

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.

1.3 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 of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, 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). If the acquired item's fair value was not determinable, it's deemed cost is 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.

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.3 Property, plant and equipment (continued)

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.

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 entity 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.

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.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	Indefinite
Buildings	20 - 30 years
Other property plant and equipment	3 - 10 years
Office equipment	4 - 6 years
Motor vehicles	5 years
Community	5 - 25 years
Infrastructure	2 - 100 years

The residual value, and the 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 entity 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.

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 municipality are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.3 Property, plant and equipment (continued)

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the municipality.

1.4 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Website

3 years

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

1.5 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.

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.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.5 Financial instruments (continued)

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.5 Financial instruments (continued)

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unissued capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity 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:

Class	Category
Investment property	Financial asset measured at amortised cost
Investments	Financial asset measured at amortised cost
Consumer Debtors	Financial asset measured at amortised cost
VAT	Financial asset measured at amortised cost
Sundry debtors	Financial asset measured at amortised cost

The entity 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:

Class	Category
Trade payables	Financial liability measured at amortised cost
Accruals	Financial liability measured at amortised cost

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.5 Financial instruments (continued)

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value.

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity 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.

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.5 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity 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.

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 entity 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 entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-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, an entity 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.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

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 entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.5 Financial instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.5 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are 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.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

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.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity 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.

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.5 Financial instruments (continued)

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

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are debited by the entity directly to net assets, net of any related income tax benefit [where applicable]. Transaction costs incurred on residual interests is accounted for as a deduction from net assets, net of any related income tax benefit [where applicable].

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.6 Leases

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

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

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.

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 expensed 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.

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.

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.6 Leases (continued)

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

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

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.

1.7 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.

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 weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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.

1.8 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.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.8 Impairment of cash-generating assets (continued)

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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.

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

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

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 test 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.

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

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.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.8 Impairment of cash-generating assets (continued)

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

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.

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 use 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 entity 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.

Reversal of impairment loss

The municipality assess 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 entity 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.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.8 Impairment of cash-generating assets (continued)

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.

1.9 Impairment of non-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.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

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.

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

Irrespective of whether there is any indication of impairment, the entity also test 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.

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 assets is determined using the following approach:

Depreciated replacement cost approach

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

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

Recognition and measurement

If the recoverable service amount of 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.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

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 assess 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.

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

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.

1.10 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.11 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.11 Employee benefits (continued)

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 entity during a reporting period, the entity recognise 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 entity recognise 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 entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity 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 entity 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 an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or 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.

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.11 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise 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 contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount 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 obligation.

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.

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.11 Employee benefits (continued)

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits 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.

The entity shall recognise the net total of the following amounts as expense or revenue, 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 shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.12 Provisions and Contingent liabilities

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 deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.12 Provisions and Contingent liabilities (continued)

A constructive obligation to restructure arises only when an entity:

- 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 entity combinations 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.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes .

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement.

Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

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.

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.12 Provisions and Contingent liabilities (continued)

- 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 entity consider 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 entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.8 and 1.9.

If the related asset is measured using the revaluation model:

- 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. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.13 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.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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.

Rendering of services

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.13 Revenue from exchange transactions (continued)

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 .

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends 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.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.14 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

Measurement

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

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- 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.

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.

The municipality recognises an asset in respect of transfers when the transfers 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

Revenue from the issuing of fines 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.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Levies

Levies are recognised as revenue 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.

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:

- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;
- historical information on declarations previously submitted by defaulting levy payers; and
- the accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

Changes to estimates made when more reliable information becomes available are processed as an adjustment to levies revenue.

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbusement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.15 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.16 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.17 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

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

1.18 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

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.

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.19 Unauthorised expenditure (continued)

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 as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

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

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.22 Use of estimates

The preparation of financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.23 Presentation of currency

These financial statements are presented in South African Rand.

1.24 Offsetting

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

1.25 Provision for Landfill site

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year-end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

Provision of rehabilitation of landfill site is determined by:

- Calculating the cost of rehabilitation of landfill sites and assessing the useful life of each landfill as done by an Actuary/Specialist.
- The effect of time value of money is calculated using interest rates (investment rate) linked to prime rate.

1.26 Investments

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

Investments in derivative financial instruments

Derivative financial instruments are initially recorded at cost and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges are recognised directly in accumulated surpluses/(deficits). Amounts deferred in net assets are recognised in the Statement of Financial Performance in the same period in which the hedged firm commitment or forecasted transaction affects net surplus/(deficit).

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the Statement of Financial Performance as they arise.

1.27 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Conditional Grants and Receipt form part of Non-exchange revenue.

1.28 Budget information

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

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.28 Budget information (continued)

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

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2012/07/01 to 2013/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The 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.

1.29 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 national sphere of government are considered to be related parties.

Management are 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.

1.30 Consumer Deposits

Consumer Deposits represents funds received by the municipality as security for payment of consumer accounts. The amount represent the actual cash received and can either be paid back or set off against a consumer account. The gross un utilised deposit amount is indicated. No interest is paid to the consumer on the deposits held by the municipality.

1.31 Commitments

If the municipality enters into any significant contractual commitments that will result in the outflow of financial resources after the balance sheet date, it must be disclosed in the notes to the annual financial statements as a non adjusting event.

Commitments include:

- Capital commitments (to acquire Property, Plant and Equipment and intangible assets)
- Lease Commitments
- Other financial commitments

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
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2. Changes in accounting policy

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

- GRAP 24 - Budget information in terms of note 54

3. New standards and interpretations

3.1 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 103 - Heritage assets

3.2 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 2013 or later periods:

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. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2014.

The municipality expects to adopt the standard for the first time in the 2015 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's 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.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) 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 financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

3. New standards and interpretations (continued)

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that 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 elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality expects to adopt the standard for the first time in the 2014 financial statements.

GRAP 1 (as revised 2012): Presentation of Financial Statements

Paragraphs .108 and .109 were amended by the improvements to the Standards of GRAP issued previously:

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 expects to adopt the amendment for the first time in the 2014 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors

Paragraphs .17 and .18 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Changes in Accounting Policies.

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

3. New standards and interpretations (continued)

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 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

GRAP 9 (as revised 2012): Revenue from Exchange Transactions

Paragraphs .11 and .13 were amended by the improvements to the Standards of GRAP issued previously:

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 financial statements.

GRAP 12 (as revised 2012): Inventories

Paragraph .30 was amended by the improvements to the Standards of GRAP issued previously:

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 expects to adopt the amendment for the first time in the 2014 financial statements.

GRAP 13 (as revised 2012): Leases

Paragraphs .38 and .42 were amended by the improvements to the Standards of GRAP issued previously:

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 expects to adopt the amendment for the first time in the 2014 financial statements.

GRAP 16 (as revised 2012): Investment Property

Paragraphs .12, .15, .34, .76, .84 and .87 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Definitions, Measurement at recognition, Disposals and Disclosure.

All amendments to be applied prospectively.

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 financial statements.

GRAP 17 (as revised 2012): Property, Plant and Equipment

Paragraphs .44, .45, .72, .75, .79 and .85 were amended by the improvements to the Standards of GRAP issued previously:

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

3. New standards and interpretations (continued)

Amendments were made to Measurement after recognition, Derecognition and Disclosure.

All amendments to be applied prospectively.

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 financial statements.

GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)

Numerous paragraphs were amended by the improvements to the Standards of GRAP issued previously:

Changes made comprise 3 areas that can be summarised as follows:

- Consequential amendments arising from the alignment of the accounting treatment and text of GRAP 102 with that in IPSAS 31,
- The deletion of guidance and examples from Interpretations issues by the IASB previously included in GRAP102,
- Changes to ensure consistency between the Standards, or to clarify existing principles.

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 financial statements.

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

3. New standards and interpretations (continued)

IGRAP16: Intangible assets website costs

An entity may incur internal expenditure on the development and operation of its own website for internal or external access. A website designed for external access may be used for various purposes such as to disseminate information, for example annual reports and budgets, create awareness of services, request comment on draft legislation, promote and advertise an entity's own services and products, for example the E-filing facility of SARS that enables taxpayers to complete their annual tax assessments, provide electronic services and list approved supplier details. A website designed for internal access may be used to store an entity's information, for example policies and operating procedures, and details of users of a service, and other relevant information.

The stages of a website's development can be described as follows:

- Planning – includes undertaking feasibility studies, defining objectives and specifications, evaluating alternatives and selecting preferences.
- Application and infrastructure development – includes obtaining a domain name, purchasing and developing hardware and operating software, installing developed applications and stress testing.
- Graphical design development – includes designing the appearance of web pages.
- Content development – includes creating, purchasing, preparing and uploading information, either text or graphic, on the website before the completion of the website's development. This information may either be stored in separate databases that are integrated into (or accessed from) the website or coded directly into the web pages.

Once development of a website has been completed, the operating stage begins. During this stage, an entity maintains and enhances the applications, infrastructure, graphical design and content of the website.

When accounting for internal expenditure on the development and operation of an entity's own website for internal or external access, the issues are:

- whether the website is an internally generated intangible asset that is subject to the requirements of the Standard of GRAP on Intangible Assets; and
- the appropriate accounting treatment of such expenditure.

This Interpretation of Standards of GRAP does not apply to expenditure on purchasing, developing, and operating hardware (eg web servers, staging servers, production servers and internet connections) of a website. Such expenditure is accounted for under the Standard of GRAP on Property, Plant and Equipment. Additionally, when an entity incurs expenditure on an internet service provider hosting the entity's website, the expenditure is recognised as an expense under the paragraph .93 in the Standard of GRAP on Presentation of Financial Statements and the Framework for the Preparation and Presentation of Financial Statements when the services are received.

The Standard of GRAP on Intangible Assets does not apply to intangible assets held by an entity for sale in the ordinary course of operations (see the Standards of GRAP on Construction Contracts and Inventories) or leases that fall within the scope of the Standard of GRAP on Leases. Accordingly, this Interpretation of Standards of GRAP does not apply to expenditure on the development or operation of a website (or website software) for sale to another entity. When a website is leased under an operating lease, the lessor applies this Interpretation of Standards of GRAP. When a website is leased under a finance lease, the lessee applies this Interpretation of Standards of GRAP after initial recognition of the leased asset.

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 financial statements.

4. Investment property

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	107 329 000	-	107 329 000	63 917 414	-	63 917 414

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand 2013 2012

4. Investment property (continued)

Reconciliation of investment property - 2013

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	63 917 414	(18 758 000)	62 169 586	107 329 000

Reconciliation of investment property - 2012

	Opening balance	Total
Investment property	63 917 414	63 917 414

Details of valuation

The effective date of the revaluations was 28 June 2013. Revaluations were performed by an independent valuer, Mr Lourens Nel (Professional Valuer - 4464/2)(SACPVP)(SAIV), of Uniqueco Properties (Pty) Ltd (Trading as UNIQUECO Property Valuers). UNIQUECO Property Valuers are not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation were based on the land and improvement value methodology, referring to the costing approach i.e. the replacement values less provisional depreciation for improvements plus land value. Both the land and building costing were based on comparable data and statistical analyses.

There are no restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal

The municipality does not have any contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements as at the end of the period under review

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the cost model (when fair value of investment property cannot be reliably determined), disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
 - the fact that the entity has disposed of investment property not carried at fair value,
 - the carrying amount of that investment property at the time of sale, and
 - the amount of gain or loss recognised.

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand 2013 2012

5. Property, plant and equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	3 755 019	-	3 755 019	3 755 019	-	3 755 019
Buildings	33 157 575	(4 664 566)	28 493 009	30 399 382	(3 559 313)	26 840 069
Motor vehicles	3 866 613	(1 554 616)	2 311 997	2 191 874	(986 817)	1 205 057
Office equipment	8 372 256	(6 004 793)	2 367 463	7 571 013	(5 160 742)	2 410 271
Infrastructure	837 280 394	(124 407 119)	712 873 275	811 458 888	(92 471 433)	718 987 455
Community	10 760 873	(1 085 819)	9 675 054	7 017 105	(604 051)	6 413 054
Other property, plant and equipment	32 634 499	(15 385 242)	17 249 257	32 349 787	(12 517 462)	19 832 325
Capital Work In Progress	-	-	-	504 062	-	504 062
Total	929 827 229	(153 102 155)	776 725 074	895 247 130	(115 299 818)	779 947 312

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Transfers	Depreciation	Total
Land	3 755 019	-	-	-	3 755 019
Buildings	26 840 069	2 758 193	-	(1 105 253)	28 493 009
Motor vehicles	1 205 057	1 674 739	-	(567 799)	2 311 997
Office equipment	2 410 271	801 243	-	(844 051)	2 367 463
Infrastructure	718 987 455	25 821 506	-	(31 935 686)	712 873 275
Community	6 413 054	3 743 768	-	(481 768)	9 675 054
Other property, plant and equipment	19 832 325	284 712	-	(2 867 780)	17 249 257
Capital Work In Progress	504 062	-	(504 062)	-	-
	779 947 312	35 084 161	(504 062)	(37 802 337)	776 725 074

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Cost on disposed assets	Capital work in progress	Depreciation	Depreciation on sold assets	Total
Land	3 755 019	-	-	-	-	-	3 755 019
Buildings	26 159 479	1 642 870	-	-	(962 280)	-	26 840 069
Motor vehicles	915 742	686 347	-	-	(397 032)	-	1 205 057
Office equipment	2 855 322	795 121	(6 967 144)	-	(787 078)	6 514 050	2 410 271
Infrastructure	739 401 773	9 383 939	(133 455)	-	(29 678 148)	13 346	718 987 455
Community	1 150 874	5 427 626	-	-	(165 446)	-	6 413 054
Other property, plant and equipment	21 588 664	540 185	(1 777 346)	-	(2 089 232)	1 570 054	19 832 325
Capital Work In Progress	-	-	-	504 062	-	-	504 062
	795 826 873	18 476 088	(8 877 945)	504 062	(34 079 216)	8 097 450	779 947 312

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.

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand 2013 2012

6. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	371 171	-	371 171	-	-	-

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Total
Intangible assets	-	371 171	371 171

Transitional provisions

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand

	2013	2012
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7. Operating lease liability

Current liabilities	(104 657)	(142 889)
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The municipality entered into an operating lease to lease a number of small buildings utilised for community facilities. The lease escalates at 10% per annum and the lease is straight lined over the remaining timeframe of the lease. The accumulated accrual for future lease payments straightlining amounts to R (104 657), (2012) R (142 889).

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.

8. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation-partially or wholly funded	(10 780 162)	(7 409 162)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	2 587 036	463 036
Benefits paid	215 000	199 000
Net expense recognised in the statement of financial performance	3 586 000	1 925 000
Closing balance	6 388 036	2 587 036

Net expense recognised in the statement of financial performance

Current service cost	383 000	303 000
Interest cost	602 000	483 000
Actuarial (gains) losses	2 601 000	1 139 000
Total included in employee related costs	3 586 000	1 925 000

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	2 601 000	1 139 000
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Changes in the fair value of plan assets are as follows:

The municipality expects to contribute R 214 000 to its defined benefit plans in the following financial year.

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	7.25 %	8.25 %
Consumer price inflation	6.25 %	6.00 %
Health care cost inflation	6.75 %	7.31 %

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand 2013 2012

8. Employee benefit obligations (continued)

The basis on which the discount rate has been determined is as follow:

Accounting Standard IAS19 defines the determination of the investment return assumption to be used as the rate that can "be determined by reference to market yields at the balance sheet date on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields (at the balance sheet 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 estimated term of the post-employment benefit obligations." As such a discount rate of 7.25% per annum has been used. This was derived from the yield curve, without a tax adjustment, obtained from the Bond Exchange of South Africa after the market closed on 15 May 2013.

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percenta ge point increase	One percenta ge point decrease
Effect on the aggregate of the service cost and interest cost	775 000	484 000
Effect on defined benefit obligation	12 916 000	9 086 000

Amounts for the current and previous four years are as follows:

	2013	2012	2011	2010
Defined benefit obligation	10 780 162	7 409 162	5 863 162	4 706 708

9. Deposit (Security held in advance)

A security deposit is held by Eskom who is the bulk electricity supplier of the municipality. The Municipality occasionally pays additional deposits as required by the supplier. The deposit attracts interest at rates determined by the supplier on an annual basis. The annual interest is accounted for in the additional deposit amounts held and the relevant interest earned amount on the statement of financial performance.

10. Inventories

Stores, materials and fuels	644 660	691 443
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11. Receivables from exchange transactions

Trade debtors	448 374	489 985
Sekhukhune Debtor	1 642 039	4 632 899
Debtor from prior year corrections	515 913	515 913
	2 606 326	5 638 797

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
12. Consumer debtors		
Gross balances		
Rates	10 625 074	8 668 974
Electricity	2 939 062	3 174 032
Refuse	1 946 014	1 486 561
Other - (Interest and other major items)	11 342 101	8 485 028
	26 852 251	21 814 595
Less: Allowance for impairment		
Rates	(6 888 190)	(6 960 201)
Electricity	(1 032 673)	(1 065 663)
Refuse	(1 535 340)	(1 276 366)
Other - (Interest and other major items)	(9 725 192)	(8 076 045)
	(19 181 395)	(17 378 275)
Net balance		
Rates	3 736 884	1 708 773
Electricity	1 906 389	2 108 369
Refuse	410 674	210 195
Other - (Interest and other major items)	1 616 909	408 983
	7 670 856	4 436 320
Rates from non exchange transactions		
Current (0 -30 days)	1 008 580	603 213
31 - 60 days	152 944	117 685
61 - 90 days	139 668	60 373
91 - 120 days	91 608	47 761
121 - 150 days	75 751	38 447
150 days plus	2 268 333	841 294
	3 736 884	1 708 773
Electricity from exchange transactions		
Current (0 -30 days)	1 622 440	1 793 805
31 - 60 days	46 178	124 973
61 - 90 days	22 968	29 997
91 - 120 days	17 745	23 920
121 - 150 days	5 416	6 553
150 days plus	191 642	129 121
	1 906 389	2 108 369
Refuse from Exchange transactions		
Current (0 -30 days)	107 895	115 871
31 - 60 days	13 952	12 505
61 - 90 days	10 221	5 194
91 - 120 days	8 681	3 383
121 - 150 days	8 196	3 164
150 Days plus	261 729	70 078
	410 674	210 195

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
12. Consumer debtors (continued)		
Other from Non exchange transactions		
Current (0 -30 days)	155 788	158 900
31 - 60 days	47 840	25 037
61 - 90 days	2 836	10 169
91 - 120 days	19 268	(10 556)
121 - 150 days	46 667	7 311
150 Days plus	1 344 510	218 122
	1 616 909	408 983
Reconciliation of allowance for impairment		
Balance at beginning of the year	(17 378 275)	(14 765 638)
Additional contribution for the year to debt impairment provision	(1 803 120)	(2 612 637)
	(19 181 395)	(17 378 275)

Consumer debtors impaired

The amount of the provision was R 19 181 395 as of 30 June 2013 (2012: R (17 378 275)).

13. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash at Bank	32 429 817	13 229 714
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The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
First National Bank Limited - Cheque Account (Account Number 52950020208)	3 588 260	16 399 596	6 455 290	13 196 447
First National Bank Limited - Cheque Account (PHP) (Account Number 62057590393)	32 502	33 266	32 503	33 267
Absa Bank Limited - Cheque account (Account Number 4079367427)	28 809 417	-	25 942 024	-
Total	32 430 179	16 432 862	32 429 817	13 229 714

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	-	5 728 238

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

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 23 for reconciliation of grants from Provincial and National Government.

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand 2013 2012

15. Provisions

Reconciliation of provisions - 2013

	Opening Balance	Additions	Total
Long Service Leave Provision	1 895 118	234 000	2 129 118

Reconciliation of provisions - 2012

	Opening Balance	Additions	Total
Long Service Leave Provision	1 538 118	357 000	1 895 118

16. Payables from exchange transactions

Trade payables	12 777 777	7 152 829
Accrued leave pay - Normal Leave	2 963 153	3 383 434
Accrued bonus	1 417 923	1 082 103
Operating lease payables	436 404	398 173
Other creditors	312 654	180 834
	17 907 911	12 197 373

17. VAT payable

VAT	4 308 571	873 785
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18. Consumer deposits

Deposits held	1 688 933	1 657 168
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The Municipality also has consumer Guarantees amounting to R810 095 on 30 June 2013 (2012: R811 595)

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
19. Revenue		
Rendering of services	1 884 172	1 789 351
Service charges	38 606 685	33 149 311
Rental of facilities and equipment	107 456	155 437
Licences and permits	3 803 419	4 331 498
Recoveries	-	31 961
Other revenue	742 132	1 058 333
Interest received - investment	5 432 876	4 115 578
Property rates	12 251 691	11 215 705
Government grants & subsidies	103 546 286	80 291 425
Fines	162 321	223 424
	166 537 038	136 362 023
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	38 606 685	33 149 311
Rendering of services	1 884 172	1 789 351
Rental of facilities and equipment	107 456	155 437
Licences and permits	3 803 419	4 331 498
Recoveries	-	31 961
Other income	742 132	1 058 333
Interest received - investment	5 432 876	4 115 578
	50 576 740	44 631 469
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	12 251 691	11 215 705
Transfer revenue		
Government grants & subsidies	103 546 286	80 291 425
Fines	162 321	223 424
	115 960 298	91 730 554

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand

2013 2012

20. Property rates

Rates received

Residential	4 219 786	3 813 677
Commercial	3 671 175	3 312 500
State	112 567	146 234
Municipal	1 186 331	1 051 014
Small holdings and farms	3 061 832	2 892 280
	12 251 691	11 215 705

Valuations

Residential	987 447 000	11 215 705
Commercial	450 399 200	-
State	43 406 000	-
Municipal	28 453 230	-
Small holdings and farms	2 015 747 160	-
	3 525 452 590	11 215 705

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2007. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

An application for extension was applied for and approved by the MEC. The new general valuation will be implemented from the 1 July 2013.

21. Service charges

Sale of electricity	35 666 165	30 418 654
Refuse removal	2 940 520	2 730 657
	38 606 685	33 149 311

22. Rendering of services

Commission on water	1 268 147	1 212 767
Services revenue	616 025	576 409
	1 884 172	1 789 176

23. Government grants and subsidies

Equitable share	68 729 000	60 529 513
Municipal Infrastructure Grant	27 406 238	12 142 762
Municipal System Improvement Program Grant	800 000	790 000
Finance Management Grant	1 500 000	1 250 000
D.T.I. Grant	4 301 000	-
Grant Horticultural Program	-	5 579 150
EPWP Project	810 048	-

103 546 286 80 291 425

Equitable Share

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand

	2013	2012
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23. Government grants and subsidies (continued)

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

Municipal Infrastructure Grant

Balance unspent at beginning of year	5 728 238	-
Current-year receipts	21 678 000	17 871 000
Conditions met - transferred to revenue	(27 406 238)	(12 142 762)
	-	5 728 238

Conditions met : 100% of the conditions have been met.

Grant Purpose: The purpose of the MIG grant is to provide capital funding for the upgrading, maintenance of municipal infrastructure in order to provide basic services to the community.

Municipal Systems Improvement Program Grant

Current-year receipts	800 000	790 000
Conditions met - transferred to revenue	(800 000)	(790 000)
	-	-

All conditions to the MSIG Grant were met during the year.

Grant Purpose: To assist municipalities to perform their administrative functions and stabilize institutional and governance systems as required by the Municipal Systems Act (MSA) and related legislation

Financial Management Grant

Current-year receipts	1 500 000	1 250 000
Conditions met - transferred to revenue	(1 500 000)	(1 250 000)
	-	-

All conditions have been met during the year.

Grant purpose: To promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance management Act (MFMA). To train interns and Section 57 managers to obtain the prescribed minimum competency levels per Government Gazette 29967 of June 2007.

DTI Organic Farming Grant

Current-year receipts	4 301 000	5 579 150
Conditions met - transferred to revenue	(4 301 000)	(5 579 150)
	-	-

Conditions met: 100% of the conditions have been met

Grant Purpose: To empower emerging farmers through sustainable farming methods.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
24. Other revenue		
Insurance Refund	-	31 961
Sundry Income	742 132	1 058 333
	742 132	1 090 294
25. General expenses		
Advertising	327 407	368 493
Auditors remuneration	1 817 328	1 944 500
Bank charges	292 113	250 549
Cleaning	93 571	66 747
Consulting and professional fees	6 785 561	7 210 106
Consumables	126 303	112 013
Donations	34 550	31 465
Entertainment	128 118	55 933
Delegates expenditure	531 247	378 372
Community development and training	4 825 446	5 882 876
Conferences and seminars	41 382	38 650
Rentals	911 730	1 006 934
Marketing	491 347	605 139
Provision Post employment Medical expenses - Note 6	383 000	303 000
Motor vehicle expenses	2 451 203	1 829 508
Postage and courier	140 111	126 231
Rentals	545 845	797 481
Protective clothing	222 660	96 740
Security (Guarding of municipal property)	3 587 739	2 340 344
Occupational health and safety expenses	130 499	267 390
Subscriptions and membership fees	799 561	670 378
Telephone and fax	748 450	1 004 026
Training	589 275	606 042
Travel - local	1 631 017	1 875 397
Municipal Consumption - Electricity	1 766 674	1 821 379
Sewerage and waste disposal	18 268	19 938
Municipal Consumption - Water	104 543	102 794
Refuse	178 375	168 866
Uniforms	6 000	5 500
Other expenses	3 603 380	2 901 416
Roads & Stormwater Master Plan	833 333	-
Financial Management Grant Expense	1 447 199	1 250 000
Town planning	27 152	13 184
Inventory adjustments - stock losses	52 147	8 336
	35 672 534	34 159 727
26. Repairs and Maintenance		
Repairs and maintenance	6 245 234	6 993 698

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
27. Operating surplus/(deficit)		
Operating surplus/(deficit) for the year is stated after accounting for the following:		
Operating lease charges		
Premises		
• Contractual amounts	363 332	403 794
Equipment		
• Contractual amounts	548 398	603 140
	911 730	1 006 934
Loss on sale of property, plant and equipment	(18 758 000)	(461 561)
Surplus on revaluation of investment property	(62 169 586)	-
Depreciation on property, plant and equipment	37 802 336	34 079 216
Employee costs	51 461 088	46 654 649
28. Employee related costs		
Basic	26 928 936	23 543 337
Bonus	2 159 328	1 025 170
Medical aid - company contributions	1 436 052	1 313 653
UIF	243 048	207 734
Other payroll levies	14 689	9 291
Short term benefit	62 124	59 713
Post-employment benefits - Pension - Defined contribution plan	5 021 177	4 760 956
Overtime payments	1 703 683	1 614 803
Long-service awards finance charges	147 000	112 000
Car allowance	1 063 921	779 714
Housing benefits and allowances	65 118	54 024
Provision Service Cost Long Service Leave	191 000	226 000
Post retirement contributions	602 000	483 000
	39 638 076	34 189 395
Remuneration of Municipal Manager		
Salary	-	548 171
Car Allowance	-	108 460
Bonus	-	31 493
Contributions to UIF, Medical and Pension Funds	-	114 053
Reimbursable allowances	-	38 702
Acting allowances	145 106	-
Cellphone allowance	-	14 520
	145 106	855 399
Remuneration of Chief Financial Officer		
Salary	-	611 082
Car Allowance	-	34 641
Contributions to UIF, Medical and Pension Funds	-	56 808
Reimbursable allowances	-	5 558
Acting allowances	126 096	-
Cellphone allowance	-	11 110
	126 096	719 199

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
28. Employee related costs (continued)		
Director Corporate Services		
Salary	574 254	517 608
Car Allowance	22 805	14 872
Bonus	29 572	27 629
Contributions to UIF, Medical and Pension Funds	112 002	90 821
Reimbursive allowances	6 180	16 181
	744 813	667 111
Director Community Services		
Salary	470 293	435 000
Car Allowance	70 000	70 000
Bonus	30 656	30 000
Contributions to UIF, Medical and Pension Funds	87 138	81 702
Reimbursive allowances	8 613	7 189
	666 700	623 891
Director Technical Services		
Salary	266 809	475 366
Car Allowance	52 500	114 000
Contributions to UIF, Medical and Pension Funds	47 361	107 877
Reimbursive allowances	33 679	35 320
	400 349	732 563
Total Employee Costs		
Total	29 712 316	27 731 522
Car Allowance	1 186 421	1 072 174
Annual Bonuses	2 219 556	1 876 011
Contributions to UIF, Medical and Pension Funds	8 602 847	7 107 851
	40 879 320	(32 734 502)

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
29. Remuneration of councillors		
Mayor	690 189	712 011
Chief Whip	525 259	508 568
Mayoral Committee Members	2 760 006	2 457 239
Speaker	553 031	516 108
Councillors	5 211 463	4 673 165
	9 739 948	8 867 091
In-kind benefits		
The Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor has use of a Council owned vehicle for official duties.		
Remuneration of mayor		
Salary	305 366	352 648
Car Allowance	157 882	120 172
Contributions to Medical and Pension Funds	75 858	70 226
Public Office allowances	120 000	141 563
Cellphone allowance	31 083	27 402
	690 189	712 011
Remuneration of speaker		
Salary	213 726	370 037
Car Allowance	126 305	96 118
Contributions to Medical and Pension Funds	60 480	28 354
Reimbursive allowances	13 078	3 203
Public Office allowance	120 000	-
Cellphone allowance	19 442	18 396
	553 031	516 108
Remuneration of chief whip		
Salary	311 397	377 670
Car Allowance	-	54 633
Contributions to Medical and Pension Funds	74 420	57 869
Public office allowance	120 000	-
Cellphone allowance	19 442	18 396
	525 259	508 568
Remuneration of executive councillors		
Salary	1 646 158	1 697 215
Car Allowance	600 635	417 977
Contributions to Medical and Pension Funds	295 618	249 074
Reimbursive allowances	98 465	-
Cellphone allowance	119 130	92 973
	2 760 006	2 457 239
Remuneration of ordinary councillors		

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
29. Remuneration of councillors (continued)		
Salary		226 505
Bonus		795 725
Contributions to Pension funds and skills		559 674
Other allowances		2 738 485
Travel allowance		66 373
Cellphone allowances		267 212
		4 653 974
30. Administrative expenditure		
Administration and management fees - third party	97 596	94 486
The amounts in the note relates to payments for charges on cash in transit.		
31. Debt impairment		
Contributions to debt impairment provision	1 803 120	2 612 637
Refer to note 12 Consumer debtors.		
32. Interest revenue		
Interest on Investment	995 920	158 415
Interest on current account	419 856	764 200
Interest received on outstanding consumer debtors	4 017 100	3 192 963
	5 432 876	4 115 578
33. Fair value adjustments		
Other financial liabilities		
• Held for trading	(2 716 000)	(1 336 000)
34. Depreciation and amortisation		
Property, plant and equipment	37 802 336	34 079 216
35. Finance costs		
Other interest paid	-	1 012 062
36. Auditors' remuneration		
Fees	1 817 328	1 944 500
37. Operating lease		
The operating leases are in respect of photocopiers and two properties utilised in the operations of the Municipality. The leases are structured as pure operating equipment not machine specific and based on the current load and requirements of the Municipality. The leases are short term leases and for future leases not subject to escalation. The business equipment are tested annually for capitalisation requirements but does not qualify to be capitalised at this stage.		

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
37. Operating lease (continued)		
2013 Statement of Financial Performance	521 986	782 560
The following is a schedule by years of minimum future rentals on non-cancelable operating leases as of 30 June 2013:		
< than 1 year until 30 June 2013 or 2012	912 265	538 540
> than One year < 5 years	1 513 946	291 612
	2 426 211	830 152
38. Grants and subsidies paid		
Other subsidies		
Indigent grants	201 572	54 394
Upgrading Indigent Register	13 200	-
Services: Free & Subsidised	610 495	570 015
	825 267	624 409
39. Bulk purchases		
Electricity	20 324 237	17 671 187
40. Cash generated from operations		
Surplus (deficit)	53 001 212	(9 337 609)
Adjustments for:		
Depreciation and amortisation	37 802 336	34 079 216
Gain on sale of assets and liabilities	18 758 000	461 561
Surplus on revaluation of investment property	(62 169 586)	-
Fair value adjustment - Medical aid actuarial loss	2 716 000	1 336 000
Debt impairment	1 803 120	2 612 637
Movements in operating lease assets and accruals	(38 232)	(22 489)
Movements in retirement benefit assets and liabilities	3 371 000	1 726 000
Movements in provisions	234 000	-
Changes in working capital:		
Inventories	46 783	(214 636)
Receivables from exchange transactions	3 032 471	(802 802)
Consumer debtors	(5 037 656)	(2 143 197)
Capital Work in Process Transferred - non cash	-	(504 061)
Payables from exchange transactions	5 710 538	(3 076 920)
VAT	3 434 786	2 405 026
Unspent conditional grants and receipts	(5 728 238)	5 613 725
Consumer deposits	31 766	36 056
	56 968 300	32 168 507
41. Commitments		
Authorised capital expenditure		
Approved and contracted for		
• Property, plant and equipment	10 240 838	9 265 455
This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.		

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand

	2013	2012
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42. Related parties

Relationships

Councillors - Refer to note 29	9 739 948	8 867 091
Post employment benefit plan for employees of entity and/or other related parties - Refer to note 8 - Municipal Gratuity Fund	10 780 162	7 409 162

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand

	2013	2012
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43. Prior period errors

The following prior year errors were identified and adjusted retrospectively:

Corrected in the 2012/2013 financial year

- An adjustment was processed in the current year for the capital work in progress on capital expenditure.
- Depreciation was recalculated and corrected before audit report was submitted to the municipality as well as the separation of land and buildings.
- Leave provision was recalculated and an adjustment was made in order to correct it.
- Additional creditors were raised and correction of vat on sundry creditors were also corrected.

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

Statement of financial position

Accumulated surplus - Prior year adjustment(SDM Debtor)	-	(2 376 507)
Property, plant and equipment - Accumulated amortization	-	1 803 545
Property, plant and equipment - Cost	-	(167 232)

Statement of Financial Performance

Other expenses - MSIG Grant 2008	-	114 513
Employee costs	-	(709 468)
Travel and accommodation	-	21 994
Depreciation	-	(1 803 545)
		(2 376 506)

44. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a concern in order to provide returns for members and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes, cash and cash equivalents disclosed in note 13, and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the municipality may adjust the amount of dividends paid to members, return capital to members, issue new shares or sell assets to reduce debt.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

There are no externally imposed capital requirements.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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.

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand

	2013	2012
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44. Risk management (continued)

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

The municipality analyses the financial liabilities and net-settled derivative 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 are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. All financial liabilities were settled in the current financial year

Interest rate risk

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

Credit risk

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

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

No credit limits were exceeded during the reporting period, and management does not expect any deficits from non-performance by these counterparties.

45. Going concern

The 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.

46. Events after the reporting date

No significant events have occurred since the reporting date requiring disclosure in the financial statements.

47. Unauthorised expenditure

Opening Balance	60 839 604	25 218 264
Current year	35 346 276	35 621 340
Expenditure authorised by council relating to 2011	(25 072 105)	-
Expenditure authorised by council relating to 2012	(35 174 223)	-
	35 939 552	60 839 604

48. Fruitless and wasteful expenditure

Opening Balance	186 257	165 735
Current year	14 001	20 522
	200 258	186 257

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand 2013 2012

48. Fruitless and wasteful expenditure (continued)

Details of Fruitless and wasteful expenditure – current year

Interest Incurred on late payments	Eskom	9 809
Interest incurred on late payments	Telephone accounts	4 192
		<u>14 001</u>

49. Irregular expenditure

Opening balance	2 425 644	2 315 644
Add: Irregular Expenditure - current year	95 800	110 000
Less: Amounts condoned	(849 149)	-
Add: Non compliance with SCM regulations	31 485 713	-
	<u>33 158 008</u>	<u>2 425 644</u>

Analysis of expenditure awaiting condonation per age classification

Current year	31 581 513	110 000
Prior years	-	2 315 644
	<u>31 581 513</u>	<u>2 425 644</u>

Details of irregular expenditure – current year

Non Compliance with SCM Regulations	Tender requirements not met	31 485 713
Amounts overpaid to Ordinary Councillor as Executive Committee Member	Contravention of Public Office Bearers Act	95 800
		<u>31 581 513</u>

Details of irregular expenditure not recoverable (not condoned)

Non-compliance with section 38 of the DORA act, resulting in irregular expenditure	2 425 644
Non Compliance with SCM Policy	31 485 713
Contravention of Public Office Bearers Act	95 800
	<u>34 007 157</u>

Incident

1. Contravention of Public Office Bearers Act

An amount of R95 800.02 was overpaid to an ordinary councillor previously member of meyoral executive committee in contravention of the Public Office Bearers Act.

2. Non-compliance with SCM policy

Included in the amount of R31 485 713 is an amount of R739 149 condoned in the current year. The difference of R30 754 564 is being investigated by Council appointed committee remain on the irregular expenditure register until such time as the disciplinary actions have been finalised.

50. Additional disclosure in terms of the Municipal Finance Management Act

Audit Fees

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
50. Additional disclosure in terms of the Municipal Finance Management Act (continued)		
Current year fees	1 817 328	1 939 220
Amount paid - current year	(1 817 328)	(1 939 220)
	-	-
SALGA Fees		
Current year subscription / fee	407 750	334 404
Amount paid - current year	(407 750)	(334 404)
	-	-
PAYE and UIF		
Current year subscription / fee	5 616 533	5 710 261
Amount paid - current year	(5 616 533)	(5 710 261)
	-	-
Pension and Medical Aid Deductions		
Current year subscription / fee	10 696 360	10 296 308
Amount paid - current year	(10 696 360)	(10 296 308)
	-	-
VAT		
VAT receivable	21 307 281	10 888 537
VAT payable	(25 615 853)	(11 762 322)
	(4 308 572)	(873 785)

VAT output payables and VAT input receivables are shown in the note .

All VAT returns have been submitted by the due date throughout the year. The municipality is registered on the cash basis and the timing of payments to/from SARS is at the end of each month.

Councillors' arrear consumer accounts

There were no Councillors accounts in arrears for the 2011/12 and 2012/13 financial years.

51. Utilisation of Long-term liabilities reconciliation

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand 2013 2012

52. Deviation from supply chain management regulations

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

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

The following deviations were made during the period ended 30 June 2013 and were approved in terms of Council Supply Chain Management and Preferential Procurement Policy and the Supply Chain Management Regulations.

Incident

Appointment of Information Technology consultant	379 289
Purchase of electricity network materials	279 297
Information Technology upgrade	285 000
Upgrade of Electricity Services	552 487
Supply and Delivery of Plant & Equipment	724 201
Other Deviations less than R200 000	1 919 485

Professional Services:-

Procurement of Performance Management System and services was done in accordance with regulation 32 of the supply chain management regulations

53. Contingent Liabilities

Civil Matters against the Municipality':

1. **Kwana's Business Enterprise** -The Plaintiff instituted a civil action demanding an amount of R 585 709.45 from the Municipality. The salient facts of the matter are that during 2006, the company tendered for the upgrading of the Marble Hall bulk storm water drainage system. The company commenced with construction of the storm water drainage system in 2006. On or about the 12 April 2007, the Municipality instructed the Plaintiff to suspend all the works in regard to the project.

2. **Iland Africa & Vince Homes JV** - The company is suing the municipality for the payment of R 1 509 010.50 for an outstanding payments for the job done.

3. **Rebecca Matsetela and five others** - The company is suing the municipality for the payment of R 42 500 for an outstanding payment for calendars delivered to the Municipality.

4. **SAMWU** - There is an arbitration award in favour of SAMWU for the municipality to implement travel allowances for employees beginning 01 July 2012.

Contingent Liabilities

Kwana's Business Enterprise	585 709	585 709
Ilanda Africa & Vince Homes JV	1 509 011	1 509 011
Rebecca Matsetela and five others	42 500	42 500
	2 137 220	2 137 220

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand

54. Statement of comparative and actual information

2013

	Original budget	Budget adjustments (i.t.o. s28 and MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance											
Property rates	12 953 802	-	12 953 802	-	-	12 953 802	12 251 691	-	(702 111)	95 %	95 %
Service charges	41 025 740	(85 648)	40 940 092	-	-	40 940 092	38 606 685	-	(2 333 407)	94 %	94 %
Investment revenue	3 508 267	449 999	3 958 266	-	-	3 958 266	5 432 876	-	1 474 610	137 %	155 %
Other own revenue	11 011 128	-	11 011 128	-	-	11 011 128	6 537 179	-	(4 473 949)	59 %	59 %
Total revenue (excluding capital transfers and contributions)	68 498 937	364 351	68 863 288	-	-	68 863 288	62 828 431	-	(6 034 857)	91 %	92 %
Employee costs	(44 490 022)	-	(44 490 022)	-	-	(44 490 022)	(41 721 140)	-	2 768 882	94 %	94 %
Remuneration of councillors	(8 993 437)	-	(8 993 437)	-	-	(8 993 437)	(9 739 948)	-	(746 511)	108 %	108 %
Debt impairment	(2 456 060)	-	(2 456 060)	-	-	(2 456 060)	(1 803 120)	-	(1 803 120)	DIV/0 %	DIV/0 %
Depreciation and asset impairment	(1 698 424)	1 478 000	(220 424)	-	-	(220 424)	(20 376 384)	-	220 424	- %	- %
Finance charges	(22 106 456)	-	(22 106 456)	-	-	(22 106 456)	(20 376 384)	-	1 730 072	92 %	92 %
Materials and bulk purchases	(1 413 000)	92 000	(1 321 000)	-	-	(1 321 000)	(825 267)	-	495 733	62 %	58 %
Transfers and grants	(48 637 205)	(1 063 000)	(49 700 205)	-	-	(49 700 205)	(63 437 217)	-	(13 737 012)	128 %	130 %
Other expenditure	(129 794 604)	507 000	(129 287 604)	-	-	(129 287 604)	(175 705 412)	(35 346 276)	(46 417 808)	136 %	135 %
Total expenditure	(129 794 604)	507 000	(129 287 604)	-	-	(129 287 604)	(175 705 412)	(35 346 276)	(46 417 808)	136 %	135 %

APPENDICES

Ephraim Mogale Local Municipality
Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand

54. Statement of comparative and actual information (continued)			
Surplus/(Deficit) for the year	871 351	(60 424 316)	(60 424 316)
			(52 452 665)
			187 %
			184 %

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand

54. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources											
Total capital expenditure	37 975 000	5 761 238	43 736 238	-	-	43 736 238	-	-	(43 736 238)	- %	- %

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand 2013 2012

54. Statement of comparative and actual information (continued)

2012

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Financial Performance				
Property rates				11 215 705
Service charges				33 149 311
Investment revenue				4 115 578
Other own revenue				7 366 580
Total revenue (excluding capital transfers and contributions)				55 847 174
Employee costs	(42 027 777)	(41 721 211)	(306 566)	(37 787 558)
Remuneration of councillors	(8 398 831)	(8 398 830)	(1)	(8 867 091)
Debt impairment	-	-	-	(2 612 637)
Depreciation and asset impairment	(2 317 038)	(2 317 038)	-	(34 079 216)
Finance charges	-	-	-	(1 012 062)
Materials and bulk purchases	(19 220 000)	(19 220 000)	-	(17 679 523)
Transfers and grants	-	-	-	(624 409)
Other expenditure	(34 784 221)	11 613 778	(46 397 999)	(43 037 136)
Total expenditure	(106 747 867)	(60 043 301)	(46 704 566)	(145 699 632)
Surplus/(Deficit) for the year				(89 852 458)

APPENDICES

Ephraim Mogale Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand

2013

2012

54. Statement of comparative and actual information (continued)

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Capital expenditure and funds sources				
Cash flows				
Net cash from (used) operating				32 168 507
Net cash from (used) investing				(18 157 159)
Net cash from (used) financing				(8 829 725)
Net increase/(decrease) in cash and cash equivalents				5 181 623
Cash and cash equivalents at the beginning of the year				8 048 089
Cash and cash equivalents at year end				13 229 712