

Phumelela



Local Municipality

Annual Report 2011/ 2012 Financial Year



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Chapter 1

Mayor's foreword & Executive Summary





Chapter 1 – Mayor’s Foreword and Executive Summary

Component A: Mayor’s Foreword

Dear Community of Phumelela,

In Phumelela, our vision is a “*well governed, peaceful and prosperous local municipality where all residents actively benefit from sustainable economic growth, service delivery, health and education*”. For us this is more than merely words – we are working actively to make it true for all our people. “What is it then that you are actually doing?” you may ask. For us, this summary in our mission statement, which is to “*maintain highly committed and motivated politicians and employees who are prepared to serve communities by ensuring quality service delivery, financial viability and accountability, manage assets and resources efficiently as well as to encourage community participation in developmental initiatives*”.

Vision and objectives

We, as a municipality is driven by a set of key objectives that determine our overall agenda. These objectives are as follows:

- *To work with other spheres of government to ensure that all our communities enjoy equal, non-prohibited access to basic services; including water, sanitation, electricity and refuse removal; first and foremost on the level of basic access, but then (where and when basic levels have been achieved) higher levels of development.*
- *To improve the capacity of our political and administrative structures and resources in order to continuously improve its response ability. This include improving the professionalism of our staff, building responsible and accountable management systems, ensuring effective political oversight and improving value-for-money by the way in which we organise ourselves for service delivery.*
- *To improves our audit opinion. We are building progressively towards a position where our finances are properly controlled and managed to enable to us to achieve government’s aims of clean audits for all public institutions by 2014.*
- *To strengthen our partnerships with other spheres of government, through active utilisation of the available IGR forums and opportunities, with our community and with civil society. In working towards these aims, we are committed to keep our communities informed, and allow them the opportunity to participate in decision-making regarding those services and issues that we have entrusted to us, and that we are handling on their behalf.*
- *To improve the political oversight, and management control over the activities of municipal managers and employees. We are aware of the fact that our community has entrusted us with their money and that we have a responsibility to give feedback to them about what we have done with those funds, and what we have achieved in the process. In order to be able to achieve this, we need strong en well-functioning political oversight structures and process, and effective management controls.*
- *To maintain and improve sports and recreational facilities to allow our communities access to good quality relaxation, sporting, recreational, educational and cultural opportunities for expression and sound recreation.*
- *To address the needs of transversal groups in our communities, including the youth, women, the elderly and persons with disabilities.*



Key Policy Developments

Within the context of the above-mentioned vision, we are especially proud about the following achievements that we have managed to realise during 2011/12:

- The Property Rates Act was implemented.
- The administration was strengthened through the filling of critical vacancies. The position of IDP/PMS Manager was filled; although that of Corporate Service's Manager became vacant after the closing of the financial year.
- All the communities of Phumelela in formal areas were provided with at least basic level of water, sanitation and electricity.

Public Participation

Our Municipality involve our communities in our affairs by means of public advertisements of our Integrated Development Plan and Service Delivery and Budget Implementation Plan, as well as our performance plans, with specific reference to the Annual Report. We also advertise the activities of the Oversight Report and invite participation from our communities.

Our community also participate through the structures of the IDP Representative Forum and the annual IDP and budget road shows that we conduct annually.

We also conduct public engagement session when major new (or reviewed) by-laws, policies, strategic or sector plans and strategies are considered.

Remaining Challenges

- Ageing infrastructure
- The position of CFO has not been filled since the promotion of the incumbent to the Municipal Manager's position
- Houses are built, but electricity network not upgraded
- The Water Services Development and Water Safety Plans are not yet reviewed and/or updated
- Inadequate funds to properly participate in government's job creation and local economic development initiatives
- Community pressures regarding a variety of issues that are not necessarily municipal core functions
- The municipality's blue and green drop certification status remains a serious challenge that needs to be addressed as a matter of urgency.
- Number of rural households benefiting from boreholes: Only budgeted for maintenance. Additional expansions shifted to next financial year's budget

Future Actions

Our immediate future priorities to improve our services will be as follows:

- Refurbish the old infrastructure to reduce water losses
- Replacing of asbestos pipes
- Continuously training the community to safe water
- Lack of funding remains a serious challenge
- Job creation must enjoy priority.
- The municipality will re-prioritise to ensure that the LED function is better resourced; including the appointment of skilled people
- Reduce grant dependency. Revenue collection must improve and operating expenditure must be reduced
- Managing overtime on a monthly basis
- Water and electricity losses to be strictly controlled (specifically the pre-paid part)



- Increase number of indigents (Income)
- Retaining trained finance personnel
- Change the financial management system
- Better and bigger office space
- Capacity-building: As soon as critical vacancies are filled, Provincial Treasury will train new employees.
- Compile financial statements internally – software already available

The managers of the Phumelela Municipality have identified the following issues as priority focus areas for intervention during the 2011/12 financial year:

- In Zamani not all the Greenfields will be covered with the provision of water infrastructure – approximately 200 stands will not have yard connections and are still using the communal taps. This must be covered in the next financial year's budget.
- Provision of infrastructure and services to cemeteries is a major priority for the community.
- Sewerage treatment works in Warden – project registered for R15 million. R6,8 million spent to date on phases I and II. Municipality to budget to complete the Project (to be funded by MIG). Registered in 2006 – due to delays there is a possibility that the registered amount may be exceeded. Municipality intends to advertise remaining scope. The possible shortfall will then inform the budget adjustment, or COGTA will be approach to increase the registered amount.
- Sewerage in Zamani 95% completed (equivalent to allocated amount). R1,6 needed to complete in full.
- Revenue collection – vending machine in township required (R50,000) – next financial year - Ezenzeleni
- Municipality must budget for water and sanitation to cemeteries in next financial year.
- Training of all finance officials in the use of the financial system (ABAKUS)
- Ensure that all critical vacant positions in the Finance Department are filled: SCM Manager (filled in the meantime), Budget and Treasury Officer (filled in the meantime), Senior Debtors Clerk (3 temporary personnel appointed on a month-to-month basis to fulfill the vacant clerical roles)
- Establish an independent credit and debt management unit (10 officials)
- Draw up an Action Plan to address the audit queries
- Sourcing capacity-building interventions from Provincial Treasury and COGTA
- Measures to avoid over-expenditure
- Establishment of IT infrastructure and accessibility of Internet connections to all staff members are critical for Finance to perform its functions
- Posts budgeted for but not yet filled: Director Community Services, Town Planner (in terms of report from COGTA), IDP and PMS Manager, HR Manager and Electrician

The municipality has also prepared an action plan to improve its performance management, monitoring and reporting processes. These initiatives include the following:

- The Municipality is in the process of reviewing its IDP and SDBIP programmes and projects to make sure that only those programmes and projects that are affordable and implementable are reflected in the strategic documents. The majority of the KPIs and targets listed in the audit report originated from unrealistic IDP and SDBIP plans.
- Managers will have to start relating their planned activities and aims for a specific future financial year into measurable, precise terminologies, and convey it as such to whoever is responsible for the review of the IDP and SDBIPs.
- The Municipality has introduced improved capital budgeting templates and controls, which will enable it to better anticipate its capacity to undertake certain programmes and projects over the coming MTREF and 5-year planning periods.
- Technical IDP and SDBIP workshop[s] that will also serve as training (coaching / mentoring) sessions have been scheduled to ensure that objectives, key performance indicators and targets to be included in the 2012/13 IDP and SDBIP will be specific, measurable and time-bound.



- The objectives, KPIs and targets included in the 2012/13 SDBIP will be reviewed to improve the specific, measurable and time-bound requirements thereof during the mid-year performance and budget review processes to be conducted during January – February 2013.
- A template that may guide managers in translating service plans and activities into measurable terms has been made available to the senior managers.
- Measures have been introduced to conduct official quarterly performance assessment and evaluation workshops, related back to the actual performance of the Municipality in terms of the Municipal SDBIP. Minutes of these meetings will in future be filed for record-keeping and audit purposes.
- The Municipality will in future decide about strategies to improve performance during the indicated performance assessment sessions and workshops. Minutes of these meetings will be held for audit purposes.
- The Internal Auditor will validate the performance reports (information) provided by managers twice a year, as required in terms of the Planning and Performance Management Regulations, 2001. This will include verifying the performance data provided by managers on a sample basis; especially in respect of the Mid-Year Budget and Performance and the Annual Reports and visit projects and other initiatives indicated in the SDBIP to verify progress reported.
- The recommended Shared Service with the District in terms of the finalization of a Performance Level Agreement to make available the services of an Audit Committee to the Phumelela Local Municipality must be concluded as soon as possible.
- The internal record-keeping and procedural communication procedures of the Municipality has been refined; including re-assigning responsibilities, to ensure that the performance reports are in future submitted to Treasury and the Office of the AG as required in legislation.
- A checklist has been compiled and distributed to the different relevant managers to ensure that all the statutory required information is included in the Annual Report.
- Inadequate record-keeping of community engagement opportunities have since enjoyed attention through improved control measures and re-assigning responsibilities.

Conclusion

This Report is our feedback to you, our loyal friends and compatriots. It contains particulars of what we achieved during the past financial year (2011/12) and give an overview of the obstacles that remain in realising our vision and mission above. We believed that we have made important strides in fulfilling our Government's mandate to create a better life for all – especially the most vulnerable and poor in our society. However, we also acknowledge that still remains to be done, and we are ready to participate with our communities in building a better future for all in Phumelela!

Component B: Executive Summary

B.1 Municipal Manager's Overview

The 2011/12 financial year has been a challenging, yet successful one for us. We have managed to make important progress towards a better life for all our communities, and have improved our institutional response systems and capacity considerably. Yet, there is no denying that still needs to be done.

Alignment of municipal activities towards the IDP and Council resolutions

Our municipality has conducted a comprehensive review of our IDP according to our IDP Process Plan. This, together with the resolutions of Council during the year, provided us with the governance and management



framework according to which we have planned, organised and implemented our activities during the year. In this regard, I wish to specifically refer to the following issues:

- Council's emphasis on improving access of our communities to basic services, with specific reference to water, sanitation, electricity and refuse removal. We have managed to improve the quality of our drinking water through our participation in the blue drop assessment process, and the quality of waste water management through our participation in the green drop assessment process.
- 2x People are currently managing dumping sites. This needs to be increased. People from community will be trained to man landfill sites on behalf of the Municipality
- Cemeteries maintenance plan must still be developed (no. of maintenance programmes)
- Global warming. Municipality must start prioritizing the matter of environmental protection.
- Our community engagement and participation processes and structures need to be improved. In this regard, our emphasis in the coming financial year will be on actively partnering with our communities in our efforts to develop our local area.
- Our commitment to work towards a clean audit opinion by 2014, in support of the aims of Operation Clean Audit 2014 is non-negotiable.

Service Delivery performance

We are reasonably satisfied that we, as managers, have contributed positively towards Council's service delivery successes in 2012/12. However, there were also several challenges that need to be addressed. In this regard, the following could be highlighted:

- Maintain (and even expand) access to high level of basic services, in spite of ageing infrastructure and limited resources.
- Schools and households in rural areas without access to basic services, with specific reference to water and sanitation.
- Training of 10 quality process controllers that are currently in process
- Variety of awareness campaigns, including water, sanitation, HIV and Aids, environmental awareness and waste disposal campaigns.
- The finalisation of the process of re-location the landfill sites and making sure that they are properly registered.
- A proper cemetery management and maintenance system.
- Inadequate capacity to address the urgent need for local economic development initiatives, and therefore to implement the LED Strategy.
- Municipality providing water and sewerage infrastructure to new development areas in Memel-Zamani (350) and Warden-Ezenzeleni (400) (Greenfield areas).
- All registered indigent households receiving free basic water according to national requirements
- Full waterborne systems of sanitation in Memel (oxidation ponds): Project 80% completed. Has been advertised. Site handover on the 9th of January (8 weeks to complete)
- Sewerage treatment works in Warden – project registered for R15 million. R6,8 million spent to date on phases I and II. Municipality to budget to complete the Project (to be funded by MIG). Registered in 2006 – due to delays there is a possibility that the registered amount may be exceeded. Municipality intends to advertise remaining scope.

Financial Viability and Management

We are striving to ensure a sustainable improvement in the operational cash flow situation of the municipality. Although our cash flows were under severe pressure for a number of consecutive financial years, we have managed to close the 2011/12 financial year with a positive bank balance. In this regard, specific reference could be made of the following:

- Updating of financial record-keeping system



- Paid more creditors electronically in comparison with cheques
- Overspent on capital projects funded through own funding (operating revenue)
- Irregular, wasteful and unauthorized expenditure reduced
- Processing of VAT done electronically through e-filing – money recovered within a month
- All reconciliations to be submitted on a monthly basis

Policies and related administrative matters

The municipality has maintained registers of the required administrative and financial policies throughout the 2011/12 financial year. The employment equity plan was reviewed and progress reports about its implementation submitted to the Department of Labour. The following important plans and policies were also reviewed and/or implemented:

- The Property Rates Act
- The Human Resource Strategy.
- The Indigent Register
- The Supply Chain Management and Procurement Policy
- A debt policy has been submitted to Council
- A risk management plan has been finalised
- **Addressing outstanding debtors:** Debtors increasing on a monthly basis. Council has therefore approved the amnesty (50/50) to increase value of monthly collection.
- Data cleansing may reduce value of debtor's book – real values will only be available after cleansing. Only then realistic targets for collection could be set.

Shared Services

The municipality entered into an agreement with the district municipality for the utilisation of the services of a single, shared Audit Committee.

B.2 Municipal Population, Functions and Environmental Overview

The Phumelela Local Municipality forms party of the **Thabo Mofutsanyane District**. It consists of 7 wards and covers an area of **7,531.24**. The terrain morphology indicates that the most eastern part of Phumelela, including Memel and a stretch of ground towards the northwest, consists of low mountains. The Warden and Vrede areas are strongly undulating irregular land. The whole Phumelela local municipality grounds falls in the Vaal River catchment's drainage region.

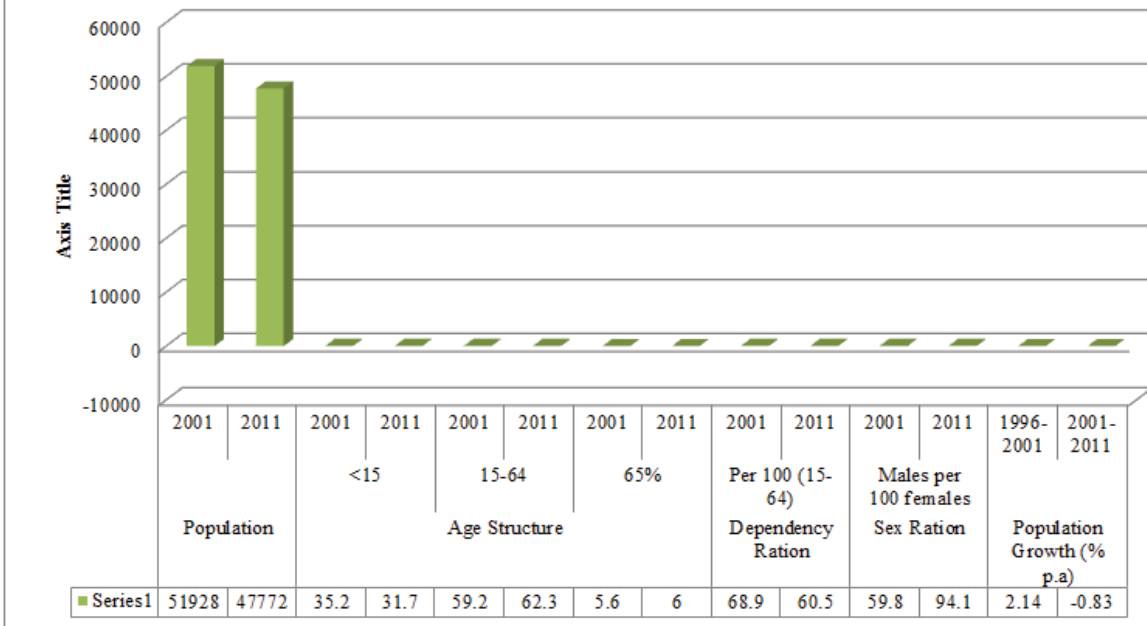
According to Census 2001, there were 50 907 persons living in the Phumelela area of jurisdiction, translating into 12 041 households; 93,18% of the population belongs to the African population group, 6,57% to the White population group, 0,19% to the Coloured population group and 0,05% to the Asian group.

Table 1: Population details

Population		Age Structure						Dependency Ration		Sex Ration		Population Growth (% p.a)	
2001	2011	<15	15-64	65 %	Per 100 (15-64)	Males per 100 females	1996-2001	2001-2011					
50,907	47772	35.2	31.7	59.2	62.3	5.6	6	68.9	60.5	59.8	94.1	2.14	-0.83



Demographics



Households		Average household size		Female headed households %		Formal dwellings %		% Housing owned/ paying off	
2001	2011	2001	2011	2001	2011	2001	2011	2001	2011
12041	12888	4.2	3.7	37.3	39.3	56.7	73	45.9	50.2

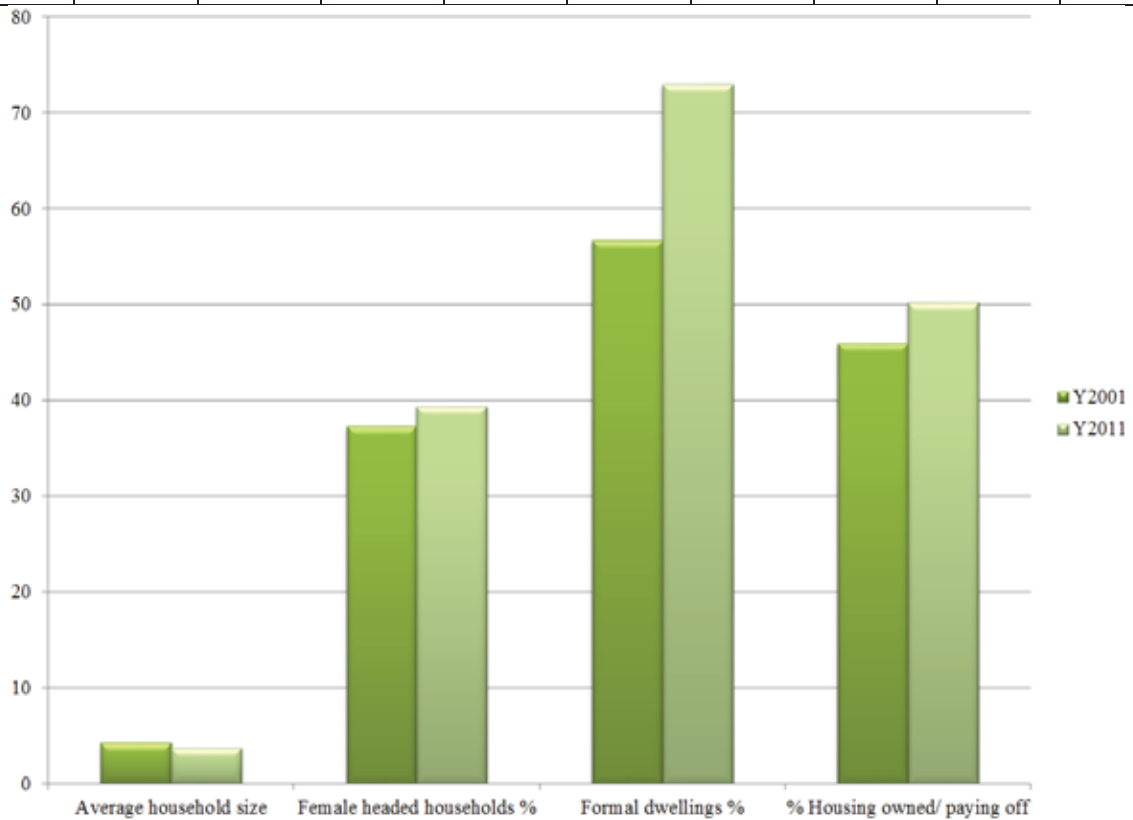




Table 2: Socio-Economic Status

Category	Census 2007	Census 2001	Estimates: 2009	Estimates: 2011
Households living in informal settlements	14.4%	20.4%	12.00%*	10.80%*
Unemployment rate	19.3%	11.0%	22.58%*	24.24%*
Households with no income	41.3%	20.9%	40.00%**	40.00%**
Low-skilled portion of population	19.7%	40.2%	20.00%**	20.00%**
Illiterate persons	12.6%	13.4%	12.27%*	12.12%*
HIV/Aids Prevalence	Y 2009	Y2010	Y2011	
	10.4%***	10.5%***	10.6***	

* Estimates are based on a statistical analysis of the 2007/2001 Census results

** 2007 Census results

*** Source: 2011 Population Estimates, Statistics South Africa

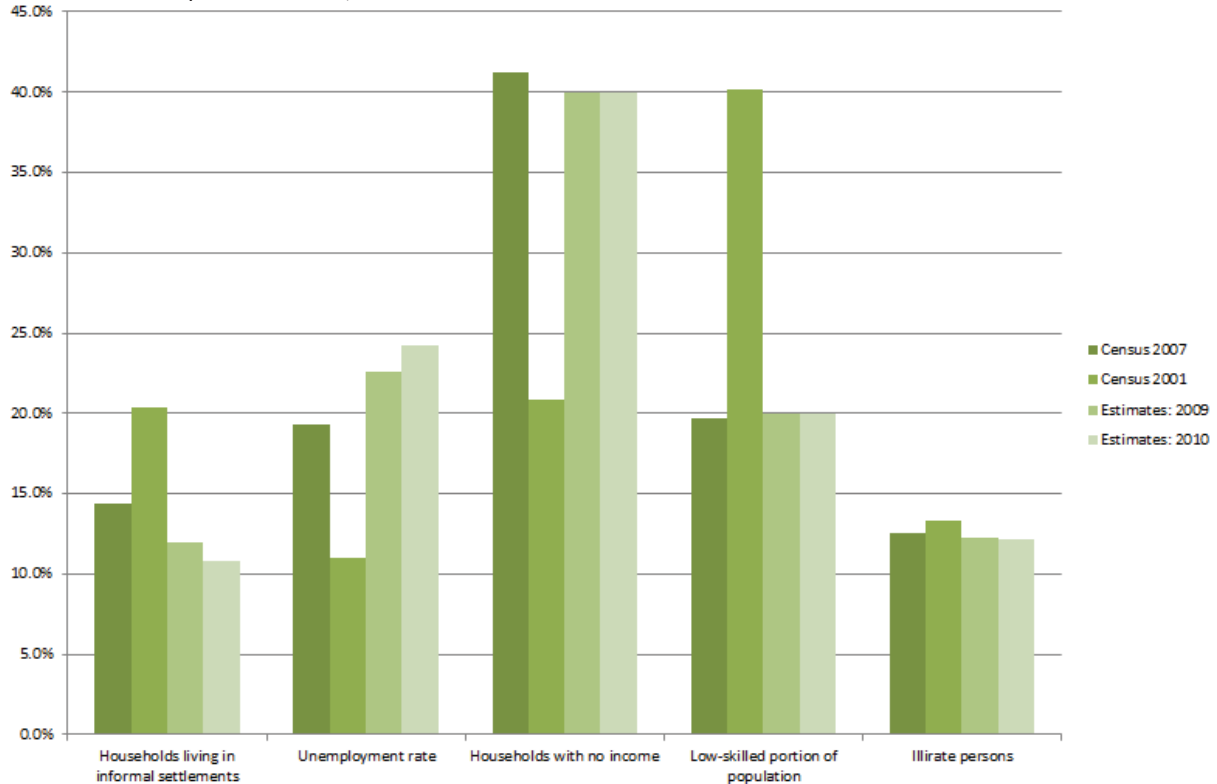


Table 3: The Phumelela Environment



Jurisdiction	ERVEN/FARMS	SIZE (km ²)	% OF AREA
Vrede	6,623	49.00	0.65
Warden	2,376	12.02	0.15
Memel	1,726	18.22	0.24
Farmland	2,281	7,452.00	98.95
TOTAL	13,006	7,531.24	100

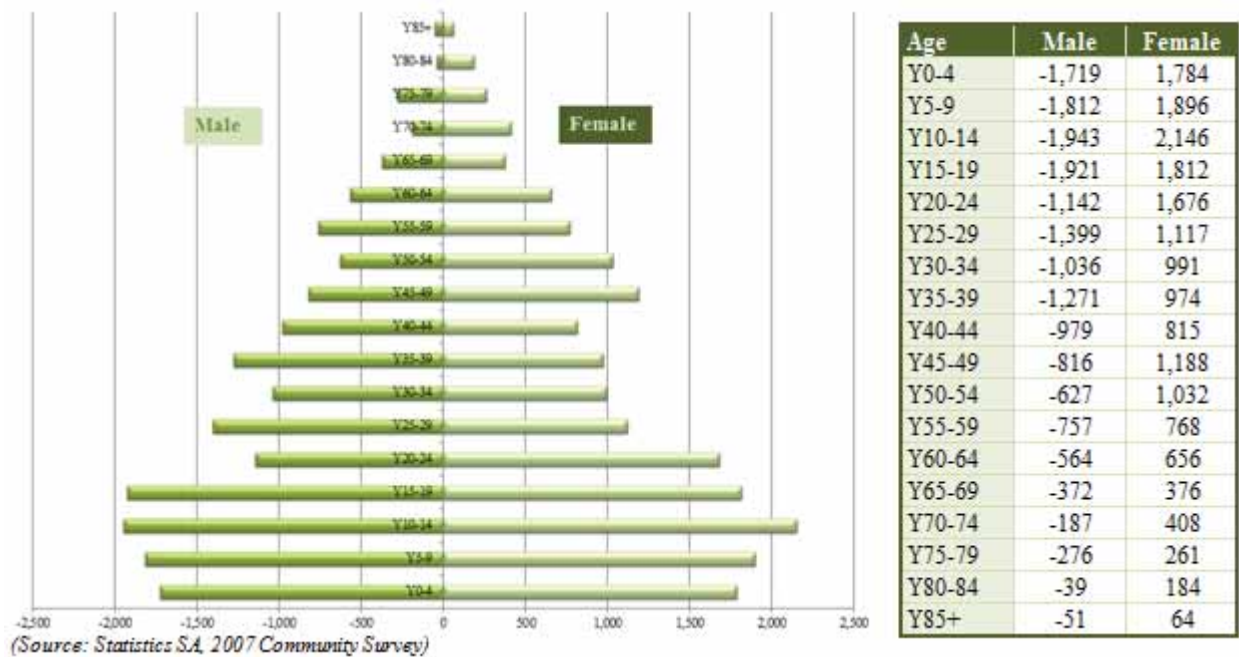
(Source: Urban Dynamics, 2004; from the Municipal IDP, 2006/07)

The municipal area includes the following towns:

- Vrede
- Thembalihle
- Memel
- Zamani
- Warden
- Ezenzeleni



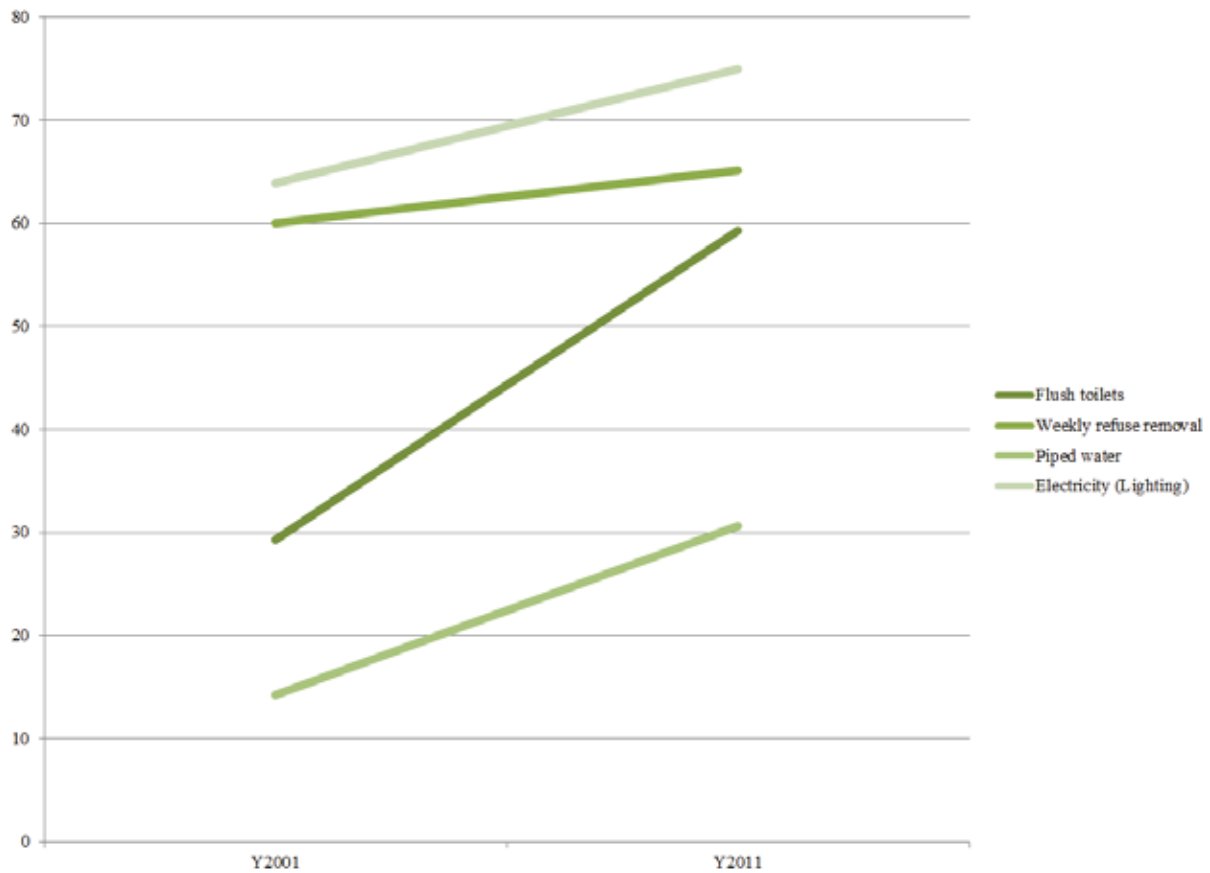
Table 4: Age breakdown of the population





B.3 Service Delivery Overview

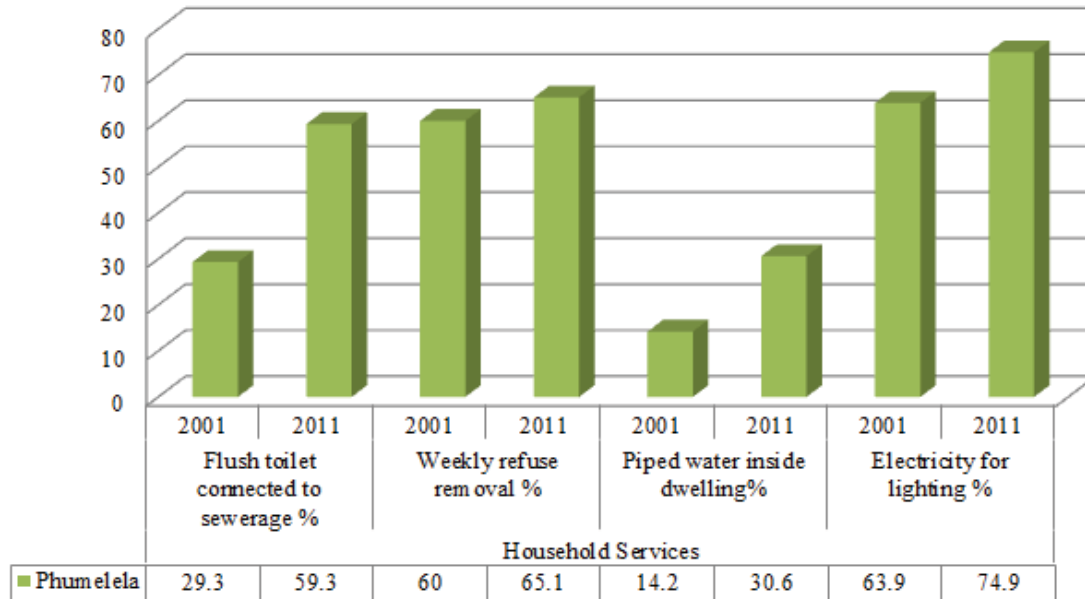
Graph 5: Basic Services Overview



The Municipality has attained important progress with the delivery of basic services during the 201/12 financial year. The current progress lines represented above are reflected in the Table below:

Table 6: Basic Services Overview (2)

Flush toilet connected to sewerage %		Weekly refuse removal %		Piped water inside dwelling%		Electricity for lighting %	
2001	2011	2001	2011	2001	2011	2001	2011
29.3	59.3	60	65.1	14.2	30.6	63.9	74.9



B.4 Financial Health Overview

Revenue	R122,601,163.00
Sale of goods	R0.00
Rendering of services	R4,287,557.00
Property rates	R6,075,667.00
Service charges	R23,978,308.00
Rental; of facilities and equipment	R1,298,625.00
Interest received	R2,697,179.00
Public contributions and donations	R2,295,000.00
Fines	R96,048.00
Licenses and permits	R28,948.00
Government grants and subsidies	R81,843,831.00

Expenses	R105,569,028.00
General expenses	R14,737,250.00
Employee-related cost	R28,199,933.00
Remuneration of councilors	R4,221,220.00
Debt impairment	R20,011,622.00
Investment revenue	R40,603.00
Depreciation and amortization	R17,082,377.00
Finance costs	R468,203.00
Auditor's remuneration	R2,231,911.00
Contracted services	R2,469,803.00
Bulk purchases	R16,106,106.00

Source: 2011/12 Annual Financial Statements

B.5 Organisational Development Overview

Table 7: Municipal Employees per category

Employment Category		Race										Total
		African		Coloured		Indian		White		Total		
		M	F	M	F	M	F	M	F	M	F	
SOC 100	Legislators	9	5	0	0	0	0	0	1	9	6	15
SOC 100	Directors and Corporate Members	4	1	0	0	0	0	0	0	4	1	5
SOC 200	Professionals	3	2	0	0	0	0	0	0	3	2	5
SOC 300	Technicians and Trade Workers	1	1	0	0	0	0	2	0	3	1	4
SOC 400	Community and Personal Service Workers	5	7	0	0	0	0	0	1	5	8	13
SOC 500	Clerical and Administrative Workers	15	15	0	0	0	0	0	1	15	16	31
SOC 700	Machine Operators and Drivers	11	5	0	0	0	0	0	0	11	5	16
SOC 800	Labourers	139	27	0	0	0	0	0	0	139	27	166
Apprentices		0	0	0	0	0	0	0	0	0	0	0
Total		187	63	0	0	0	0	2	3	189	66	255



Table 8: Total Number of Employees in the Municipality to Receive Training

Employment Category		Race										Total
		African		Coloured		Indian		White		Total		
		M	F	M	F	M	F	M	F	M	F	
SOC 100	Legislators	9	5	0	0	0	0	0	1	9	6	15
SOC 100	Directors and Corporate Members	4	1	0	0	0	0	0	0	4	1	5
SOC 200	Professionals	3	2	0	0	0	0	0	0	3	2	5
SOC 300	Technicians and Trade Workers	1	1	0	0	0	0	1	0	2	1	3
SOC 400	Community and Personal Service Workers	4	5	0	0	0	0	0	1	4	6	10
SOC 500	Clerical and Administrative Workers	16	15	0	0	0	0	0	1	16	16	32
SOC 700	Machine Operators and Drivers	6	2	0	0	0	0	0	0	6	2	8
SOC 800	Labourers	79	15	0	0	0	0	0	0	79	15	94
Apprentices		0	0	0	0	0	0	0	0	0	0	0
Total		122	46	0	0	0	0	1	3	123	49	172

Table 9: Summary Employee Profile Data

Total number of black (African, Coloured Indian)	250
Black employees as a % of total employees	98.4%
Total number of women employees	66
Women employees as a % of total employees	25.88%
Total employees with disabilities	0
Employees with disabilities as a % of total employees	0%
Total employees over 51	45
Over 51 employees as a % of total employees	17.65%
Total employees between 31 and 50	159
Employees between 31 and 50 as a % of total employees	62.35%
Total employees under 30	51
Employees under 30 as a % of total employees	20%

Table 10: Summary Employee Profile Data

Total number of black (African, Coloured Indian)	250
Black employees as a % of total employees	98.4%
Total number of women employees	66
Women employees as a % of total employees	25.88%
Total employees with disabilities	0
Employees with disabilities as a % of total employees	0%
Total employees over 51	45
Over 51 employees as a % of total employees	17.65%
Total employees between 31 and 50	159
Employees between 31 and 50 as a % of total employees	62.35%
Total employees under 30	51
Employees under 30 as a % of total employees	20%

Table 11: Summary Employee Qualification Profile Data

Total number of employees with NQF Level 1 and below	56
Employees with an NQF Level 1 and below as a % of total employees	21.96%
Total number of employees with an NQF Level 2,3 and 4	165
Employees with an NQF Level 2,3 and 4	64.71 %
Total number of employees with an NQF Level 5 and above	34
Employees with an NQF Level 5 and above as a % of total employees	13.33%



Total employees in SOC 100 and 200 with an NQF Level 6 and above	1
Employees in SOC 100 and 200 with an NQF Level 6 and above as a % of total employees in those categories	4%
Total employees in SOC with an NQF Level 5 and above	3
Employees in SOC 300 with an NQF Level 5 and above as a % of total employees in those categories	75%

Table 12: *Percentage of Total Number of Employees*

Employment Category		Total
SOC 100	Legislators	93%
SOC 100	Directors and Corporate Members	40%
SOC 200	Professionals	40%
SOC 300	Technicians and Trade Workers	25%
SOC 400	Community and Personal Service Workers	8%
SOC 500	Clerical and Administrative Workers	48%
SOC 700	Machine Operators and Drivers	
SOC 800	Labourers	
		Total

B.6 Summary of Issues Raised in the 2010/11 Audit Report

The municipality received an adverse audit opinion from the Auditor-General for the 2010/11 financial year's statements. The following were some of the main issues raised in the Audit Report:

- Issues related to receipts from a trust of which the municipality is the sole beneficiary, but that is currently under investigation.
- Issues related to accumulated surpluses: The differences between the amounts declared in the trail balance and the amount disclosed as accumulated surpluses from exchange transactions, numerous instances of variances between the opening balances as reflected in the current year trail balance and the balances as per the audited financial statements and insufficient appropriate supporting documentation for adjustment journals relating to prior period arrears.
- Non-compliance with GRAP and accounting policies.
- Issues related to irregularities discovered in terms of trade and other payables from exchange transactions.
- Non-compliance with acceptable financial and disclosure practices in terms of property, plant and equipment.
- Investment property not properly recorded and reported.
- Incorrect classification and reporting of non-current assets held for sale.
- Inadequate supporting documentation to verify financial assets reported in the annual financial statements.
- Insufficient appropriate audit evidence to support journal entries in respect of value-added-tax.
- Other instances where inadequate audit evidence were available, or required and acceptable accounting practices were not followed in respect of provisions for the rehabilitation of landfill sites, employee benefits, long-term liabilities, expenditures, inventory and leases.
- Incorrect recording of financial transactions, such as employee costs, on the financial statements.
- Additional to the above-mentioned issues that are specifically mentioned, the following issues were also highlighted in the AG's Report: Trade receivable, revenue, cash flows, financial and statutory disclosures, unauthorised, fruitless and wasteful expenditure, contingent liabilities, commitments, related parties and financial instruments.



B.7 Statutory Annual Report Process

The following statutory required annual reporting process has been complied followed during the 2011/12 financial year:

Table 13: IDP, PMS Process

1	Consideration of the 2011/12 IDP Process Plan	July 2011
2	Implementation of the IDP and budget commences	July 2011
3	Compilation of the 2011/12 Annual Performance Report	August 2012
4	Compilation of the 2011/12 Annual Financial Statements	August 2012
5	Draft Annual Report (Performance Report and Annual Financial Statements submitted to the AG)	August 2012
6	Auditor-General assessed the 2011/12 Annual Financial Statements and Performance Report	September – December 2012
7	Municipality received back the Auditor-General's comments and start addressing issues raised	January 2013
8	Compilation of the 2011/12 Annual Report	January 2013
9	Public comments regarding the Annual Report is invited	February 2013
10	2011/12 Oversight Process	March 2013
11	Public inputs for the purposes of finalising the Oversight Report is invited	March 2013
12	Annual Report, Annual Financial Statements and Audit Management Letters considered with service planning for 2011/12	March 2013



Chapter 2

Governance





Chapter 2 – Governance

Component A: Political and Administrative Governance

The Phumelela Local Municipality is a plenary type of municipality in terms of its governance arrangements (section 10 of the Municipal Structures Act, 1998 has reference). The municipality has eight wards.

Table 14: *Wards of the Phumelela LM*

Ward 1	3,049 voters
Ward 2	3,202 voters
Ward 3	3,451 voters
Ward 4	3,169 voters
Ward 5	2,618 voters
Ward 6	2,703 voters
Ward 7	3,376 voters
Ward 8	3,319 voters

A.1 Political and Administrative Governance

Table 14: *Governance Structures*

Executive Mayor	Mr. T.J. Motaung
Councillors	T.R. Zwane
	M.D. Kobeni
	O.A. Mokoena
	T.N. Masiteng
	O.S. Tshabalala
	D.M. Nkabinde
	J.M. Mofokeng
	S.E. Tshabalala
	J.M. Ngwanya-Sithebe
	D.A. Wessels
	T.E. Radebe
	S.M. Zwane
A.D. Radebe	
L.M. Msimanga	
Accounting Officer	Mr T.M. Moremi

Component B: Intergovernmental Relations

Intergovernmental Forums utilised by the Phumelela Local Municipality:

- Premier’s Coordinating Forum (MM and Mayor)
- Premier’s Coordinating Technical Forum (MM and Technical Managers)
- SALGA: LED Committee, Finance Committee, Corporate Governance Committee
- Province:
- DWA: Bulk Water Committee



- COGTA: Infrastructure Forum
- District: DME and Electricity Forum, LED Forum, Finance Forum, Technical Forum

Component C: Public Accountability and Participation

The Phumelela municipality has put in place specific arrangements to ensure the realisation of public accountability in and between its political and administrative branches. These arrangements include the following:

- The separation of duties, with a formal, written set of delegation of powers and authority to arrange the relationship among these various structures.
- Institutional controls, including information systems, administrative policies, plans and strategies.
- The implementation of strategic planning arrangements (IDP, SDBIPs) to formalise Council's performance priorities and guide managers in their operational activities.
- The implementation of a performance management system to monitor and evaluation the performance of the municipality and its managers against the IDP and SDBIP objectives and targets.
- An Audit Committee (shared service with the district) the evaluate the service delivery and financial performance of the municipality and advise Council and management regarding appropriate improvement enhancing initiatives and controls.

The Municipality involve our communities in its affairs by means of public advertisements of the Integrated Development Plan and Service Delivery and Budget Implementation Plan, as well as its performance plans, with specific reference to the Annual Report. They also advertise the activities of the Oversight Report and invite participation from their communities.

The community also participate through the structures of the IDP Representative Forum and the annual IDP and budget road shows that we conduct annually. Politicians and managers also conduct public engagement session when major new (or reviewed) by-laws, policies, strategic or sector plans and strategies are considered.

C.1 IDP Participation and Alignment

The Municipality compiles its IDP in terms of the relevant laws and regulations; implying the following:

- The municipality has identified impact, outcome, input and output indicators
- The IDP contains priorities, key performance indicators and development strategies
- The IDP has short, medium and long-term strategic targets
- The budget is alignment with the performance indicators and targets from the IDP
- The IDP is aligned to the performance agreements of section 57 managers
- The IDP indicators and targets are translated into in-year performance indicators and targets through the SDBIP
- The IDP and SDBIP indicators are translated to the public
- A mid-year budget and performance report and an Annual Report were compiled to reflect performance in terms of the IDP and SDBIP



Component D: Corporate Governance

The Municipality has considerably strengthened its corporate governance capacity with implementation of an Audit Committee and the approval of an Anti-fraud and Corruption Policy.

D.1 Risk Management

The Municipality has an Internal Auditor on its staff establishment. A shared services agreement has been entered into with the District Municipality for the municipality to participate in the activities of the district's Audit Committee. A risk management plan has since been compiled, but must still be approved by the Audit Committee and thereafter by the Council. This Plan will then inform the 2012/13 internal audit plan of the municipality.

The Municipality has identified the following five key risks:

- (1) Ageing infrastructure.
- (2) Persistent financial control deficiencies, resulting in a disclaimer audit opinion
- (3) Problems related to financial viability, with specific reference to outstanding billings
- (4) Inadequate resourcing of the local economic development initiatives of the Municipality
- (5) Inaccurate information about the population of the municipal area, resulting in inadequate grant allocations from national government

D.2 Anti-Corruption and Fraud

Fraud and anti-corruption strategy:

The Municipality has adopted an Antifraud and Corruption strategy, which has the following strategic objectives:

- To pro-actively manage the anti-fraud responsibilities of the municipality;
- To provide employee guidance if fraud is suspected;
- To issue a clear statement forbidding misconduct, and to popularise this statement amongst all employees;
- To concentrate the responsibility for investigating possible instances of fraud and corruption in a central, non-bias office;
- To issue assurances to all personnel that fraud will be fully investigated;
- To issues clear protection guidelines for those reporting suspected fraud;
- To adopt and apply the norms, standards and principles of the National Anti-Corruption Forum; and
- To create a suitable environment for fraud management.

The municipality has further also introduced the following measures to combat fraud and corruption in its ranks:

- No politicians are involved in municipal procurement processes;
- The strengthening of the capacity of the Internal Auditor to strengthen the municipality's ability to assess administrative, financial, management and performance systems, processes and procedures;
- An Audit Committee has been established by entering into a shared service agreement with the district; and
- Introducing measures to enforce the Code of Conduct for councillors and officials.



D.3 Supply Chain Management

The Council reviewed the Supply Chain Management and Procurement policies in April 2011. The process flow chart was also developed to simplify the procurement process and this flow chart was distributed to all the section 57 Managers.

The Municipality has one long-term contract in place, which is a finance lease agreement with Absa Bank (Vehicle Finance), DBSA loans and others. The details of these loans are included in the statement of financial position, previously called balance sheet.

D.4 Web-site (www.phumelela.gov.za)

The municipality is using the PT website web-site. Although it has not been fully populated by the closing of the financial year, the loading of the required documentation onto the municipality's web-site is currently enjoying attention:

- Current annual and adjustment budgets and related budget documentation
- All current budget-related policies
- The Annual Report
- The current performance agreements of section 57 managers
- All service delivery agreements
- All long-term borrowing contracts
- All supply chain management contracts above the prescribed value
- An information statement containing a list of assets over a prescribed value that has been disposed of in terms of section 14 (2) and (4) of the Municipal Finance Management Act, 2003
- All quarterly performance reports



Chapter 3

Service Delivery Performance





Chapter 3 – Service Delivery Performance

Performance Highlights

- Expansion of access to clean, potable water to the poorest of the poor in the community, including the six rural communities that are served by the water trucks send there on a daily basis.
- Maintained parks and recreational facilities.
- The upgrading of the indigent register will ensure a credible system of free basic services.
- The streets and stormwater infrastructure was upgraded with funds received from the district.
- Prepaid electricity is now available over weekends in Warden.
- The upgrading of our financial management software (4 modules) will also substantially contribute towards improved financial management.
- The establishment of an Audit Committee, through a shared services agreement with the district municipality.

Remaining challenges:

- Schools and households in rural areas without access to basic services, with specific reference to water and sanitation.
- Variety of awareness campaigns, including water, sanitation, HIV and Aids, environmental awareness and waste disposal campaigns.
- The finalisation of the process of re-location the landfill sites and making sure that they are properly registered.
- A proper cemetery management and maintenance system.
- Establishment of a local Sports Council.
- Inadequate capacity to address the urgent need for local economic development initiatives, and therefore to implement the LED Strategy.
- Appointment of two additional law enforcement officers.
- Ageing infrastructure
- Non-compliance, health and safety
- Houses are built, but electricity network not upgraded
- High mast lights do not light due to small transformer
- Money needed to address immediate problems (R500,000) and for entire network = R8 million). Applied to Department of Mineral and Energy.



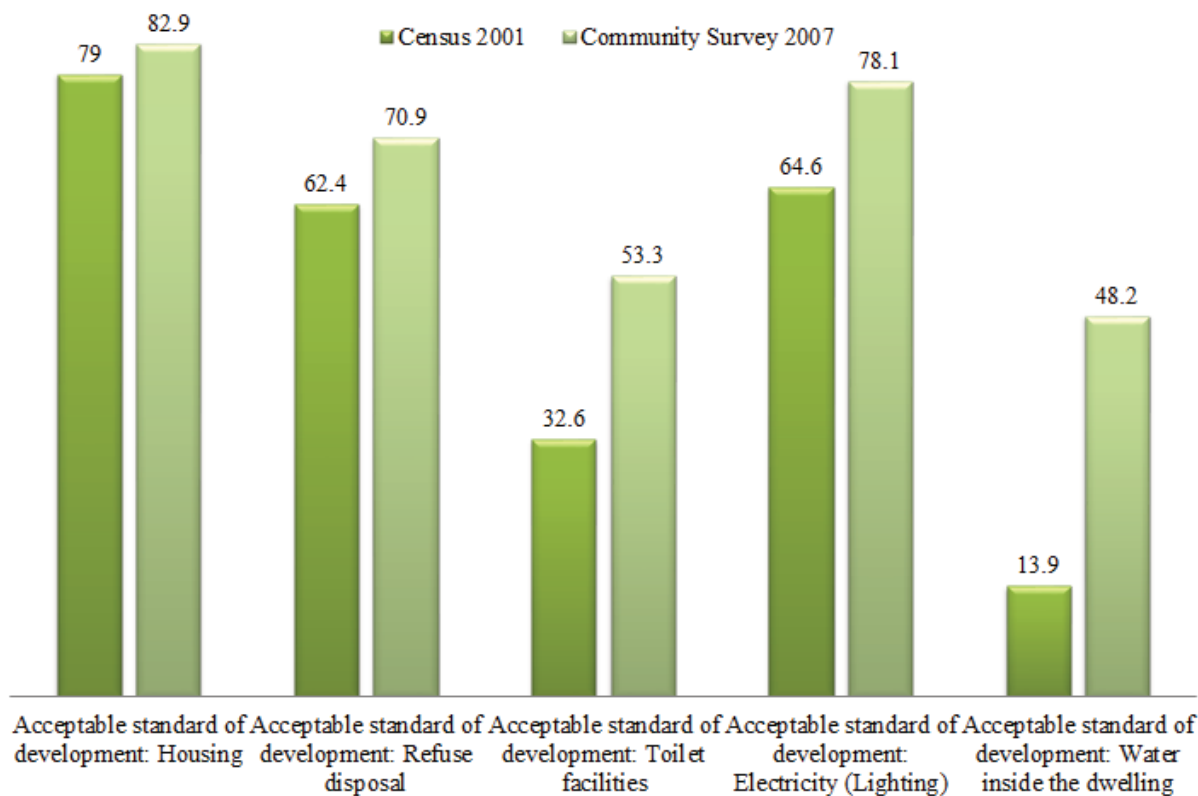
Component A: Basic Services

If the results of Census 2001 are compared with those of the 2007 Community Survey, the progress that the Municipality has made with service delivery in respect of ensuring access to key basic services are evident:

Figure / Table 15: Comparison: Access to key basic services: 2001 vs 2007

(Source: Census 2001 and Community Survey, 2007)

Performance Indicator: Basic Services	Percentage (%)	
	Census 2001	Community Survey 2007
Acceptable standard of development: Housing	79.00	82.90
Acceptable standard of development: Refuse disposal	62.40	70.90
Acceptable standard of development: Toilet facilities	32.60	53.30
Acceptable standard of development: Electricity (Lighting)	64.60	78.10
Acceptable standard of development: Water inside the dwelling	13.90	48.20



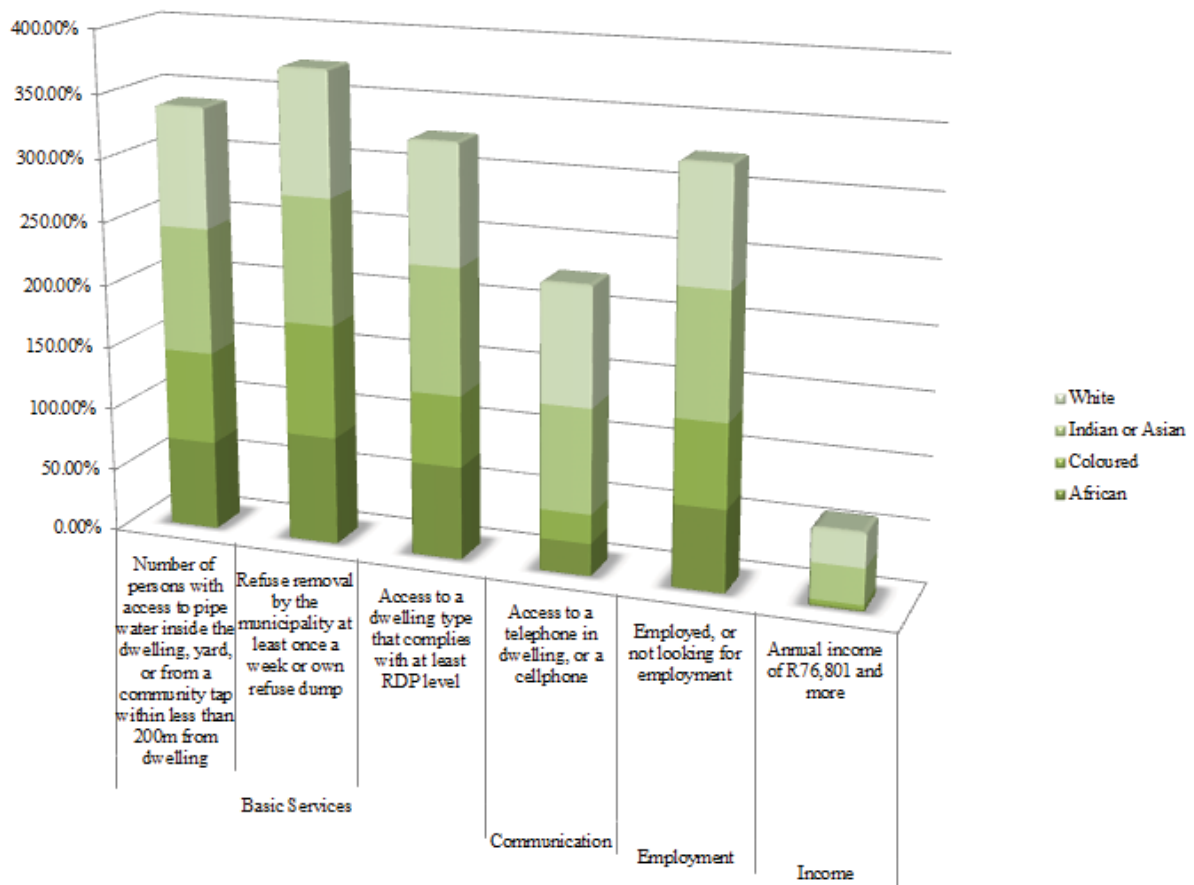
If a comparative analysis based on a number of key development indicators is done (see Figure below) it is clear that the main development gap in the Phumelela area of jurisdiction is still primarily in among the African and Colored population groups.



Figure / Table 16: Access to basic services (profile)

(Source: Community Survey, 2007)

Category	Indicator	African	Coloured	Indian or Asian	White
Basic Services	Number of persons with access to pipe water inside the dwelling, yard, or from a community tap within less than 200m from dwelling	70.95%	73.33%	100.00%	95.52%
	Refuse removal by the municipality at least once a week or own refuse dump	86.16%	90.00%	100.00%	98.73%
	Access to a dwelling type that complies with at least RDP level	74.19%	56.67%	100.00%	95.69%
Communication	Access to a telephone in dwelling, or a cellphone	25.67%	23.33%	83.33%	94.58%
Employment	Employed, or not looking for employment	65.49%	66.67%	100.00%	92.73%
Income	Annual income of R76,801 and more	1.51%	3.33%	28.57%	27.22%



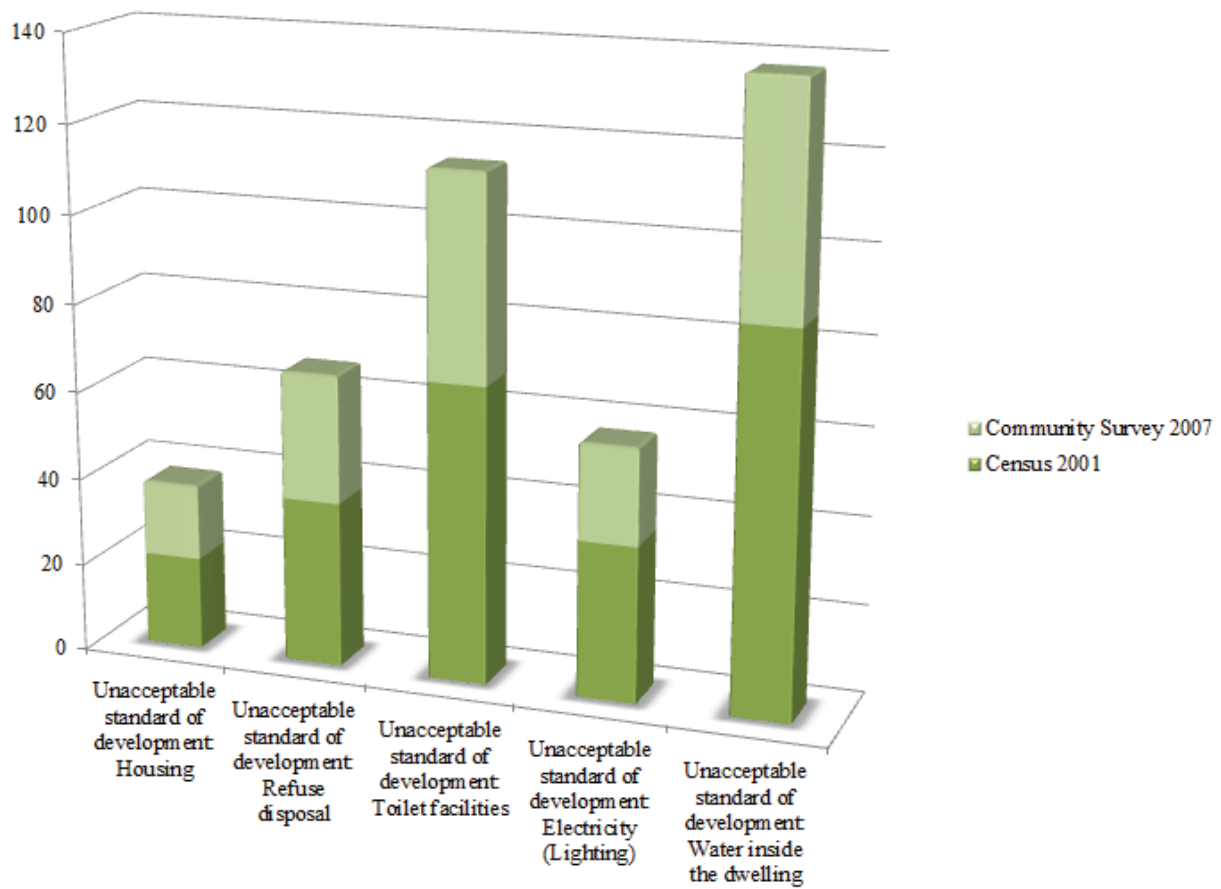
It is also evident from the above-mentioned statistics that the Municipality still faces extensive service delivery challenges to ensure equitable and acceptable standards of access to basic services to the Phumelela community. If the statistics quoted above is reversed, the following gaps in access to acceptable standards of basic services could be concluded:



Figure / Table 17: Comparison: Lack of access to acceptable standard of key basic services: 2001 vs 2007

(Source: Census 2001 and Community Survey, 2007)

Performance Indicator: Basic Services	Percentage (%)	
	Census 2001	Community Survey 2007
Unacceptable standard of development: Housing	21.00	17.10
Unacceptable standard of development: Refuse disposal	37.60	29.10
Unacceptable standard of development: Toilet facilities	67.40	46.70
Unacceptable standard of development: Electricity (Lighting)	35.40	21.90
Unacceptable standard of development: Water inside the dwelling	86.10	51.80

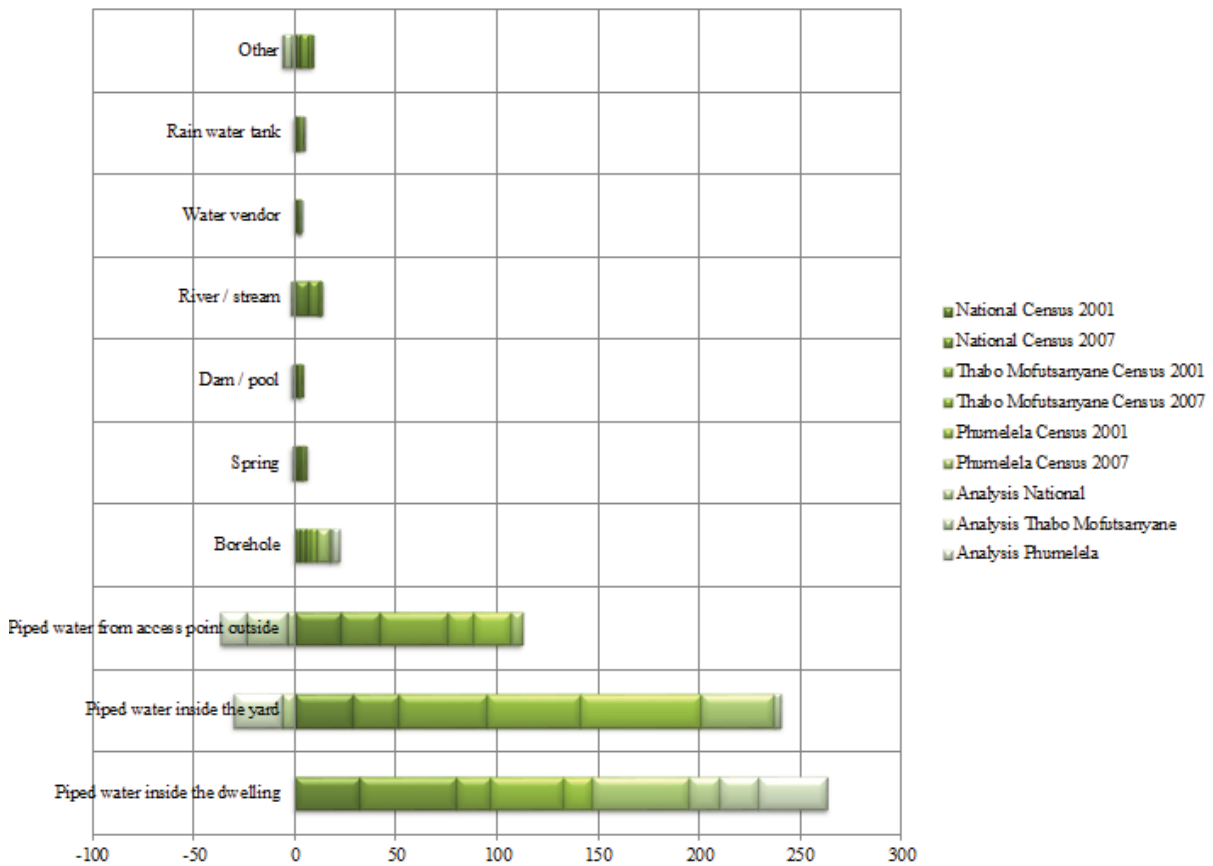




A.1 Water Provision

Table / Figure 18: Source of water (households)

Percentage distribution of households by main source of water									
Category	National		Thabo Mofutsanyane		Phumelela		Analysis		
	Census 2001	Census 2007	Census 2001	Census 2007	Census 2001	Census 2007	National	Thabo Mofutsanyane	Phumelela
Piped water inside the dwelling	32.3	47.3	17.2	36.1	13.9	48.2	15.0	18.9	34.3
Piped water inside the yard	29.0	22.2	43.4	46.9	59.4	35.9	-6.8	3.5	-23.5
Piped water from access point outside	23.2	19.1	33.1	13.3	18.3	5.6	-4.1	-19.8	-12.7
Borehole	2.4	2.6	0.8	2.1	3.0	6.4	0.2	1.3	3.4
Spring	1.9	1.0	0.5	0.5	1.0	0.4	-0.9	0.0	-0.6
Dam / pool	1.0	0.5	0.5	0.2	1.1	0.8	-0.5	-0.3	-0.3
River / stream	6.5	5.1	0.2	0.2	0.9	0.4	-1.4	0.0	-0.5
Water vendor	0.7	0.9	0.1	0.2	0.2	0.2	0.2	0.1	0.0
Rain water tank	0.6	0.6	0.3	0.2	1.0	1.3	0.0	-0.1	0.3
Other	2.4	0.6	3.8	0.3	1.3	0.7	-1.8	-3.5	-0.6





- Within Vrede, the high number of un-serviced erven can be mainly attributed to the undeveloped Extension 4, which cannot be serviced due to its topography in relation to bulk water supply. This problem is currently being attended to and the first phases of the area should be serviceable within the next two years.
- The Warden / Ezeneleni area is generally well serviced with water and only about 400 households make use of communal standpipes for their daily water supply. However, the addition of 271 houses within the coming year will need to be serviced in order to maintain the same level of services. Within Memel / Zamani a large number of erven are not serviced with water at all. Approximately 1,300 households depend on communal standpipes or have to gather water elsewhere.
- The rural areas mostly make use of fountains and boreholes as their water source, due to, difficulties experienced with water supply from farm owners. In some cases surrounding farm workers even collect water from communal stands in nearby urban areas.

Staff Establishment

DIRECTORATE TECHNICAL SERVICES (VREDE UNIT)

Water & Sewer Purification

SNR Process Controller

Water Purification

Plant Operator X2

Shiftman X4

Water Maintenance

Foreman

General Workers X4

DIRECTORATE TECHNICAL SERVICES (MEMEL UNIT)

Director Technical

Water & Sewer Purification

SNR Process Controller

Water Purification

Plant Operator

Shiftman X4

Sewer Purification

Plant \Operator

Shiftman X4

Technical Officer

Water Maintenance

Foreman

General Workers X4

DIRECTORATE TECHNICAL SERVICES (WARDEN UNIT)

Director Technical

Water and Sewer Purification

SNR Process Controller

Water Purification

Plant Operator X2

Shiftman X4

Technical Officer

Water Maintenance

Foreman

Tractor Driver Night Sol

General Worker Night Sol X 10

Tractor Driver Suction

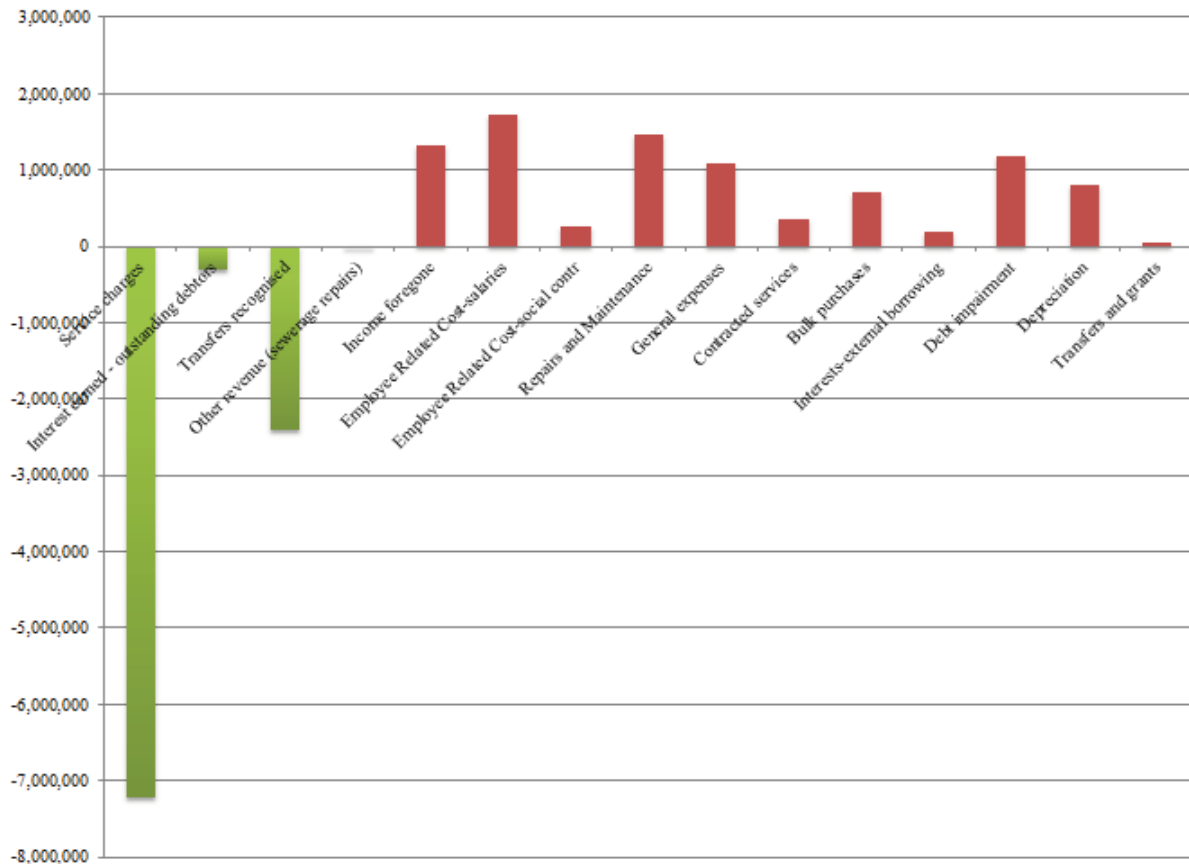
General Workers X2



MTREF Framework

Table / Figure 19: MTREF Framework, Water

Water		2010/11	2011/12	2012/13	2013/14
Vote 11	Water Distribution				
	Service charges	6,230,217	7,220,000	7,727,000	8,271,000
	Interest earned - outstanding debtors	421,689	300,000	345,000	397,000
	Transfers recognized	7,766,398	2,394,000	2,586,000	1,224,000
	Other revenue (sewerage repairs)	5,655	7,000	8,000	1,608,000
	<i>Income foregone</i>	<i>-1,236,442</i>	<i>-1,323,000</i>	<i>-1,417,000</i>	<i>-1,517,000</i>
	Revenue	13,187,517	8,598,000	9,249,000	9,983,000
	Employee Related Cost-salaries	1,979,241	1,731,000	1,880,000	2,041,000
	Employee Related Cost-social contr	264,504	262,000	287,000	313,000
	Repairs and Maintenance	1,371,233	1,458,000	1,532,000	1,610,000
	General expenses	963,098	1,091,000	1,160,000	1,234,000
	Contracted services	390,206	350,000	350,000	350,000
	Bulk purchases	189,634	700,000	875,000	1,095,000
	Interests-external borrowing	176,518	200,000	214,000	229,000
	Debt impairment	2,000,400	1,170,000	1,252,000	1,340,000
Depreciation	2,200,000	810,000	810,000	810,000	
Transfers and grants	39,600	44,000	48,000	53,000	
Total Operating expenditure	9,574,434	7,816,000	8,408,000	9,075,000	





Annual Report, Phumelela LM (2011/12)
Performance Evaluation for the 2011/12 financial year against IDP pre-determined objectives

IDP Objective	Key Performance Indicator	Unit of measurement	Baseline	2010/11 FY		2011/12 Financial Year								2012/13 FY			
				Indicator	Actual	Quarter 1		Quarter 2		Quarter 3		Quarter 4		Annual Target		Indicator	Actual
						Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual		
To ensure that all (100%) of households have basic level of water provision	Percentage of households receiving basic level of water supply	Percentage of households receiving basic level of water supply	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	
				(9,780)													
To ensure that all (100%) of households have basic level of water by 2014.	Percentage of households in formal areas with access to basic level of water	Number of communal taps constructed	--														



Annual Report, Phumelela LM (2011/12)

IDP Objective	Key Performance Indicator	Unit of measurement	Baseline	2010/11 FY		2011/12 Financial Year								2012/13 FY								
				Indicator	Actual	Quarter 1		Quarter 2		Quarter 3		Quarter 4		Annual Target	Actual	Comments	Indicator	Actual				
						Target	Actual	Target	Actual	Target	Actual	Target	Actual									
	Installation of water meters (measured in terms of the number installed)	Number of water meters	--												0		400 meters installed	No target for the 2012/13 financial year (IDP, budget)				
	Awareness campaigns about water leakages (measured in terms of number)	Number of awareness campaigns	0														Awareness campaign on the 31 July also include reference to the prevention of water leakages	No targets on the 2012/13 IDP and budget				
To review and approve the Water Services Development Plan according to legislative requirements before the closing of the 2011/12 financial year	Regulatory and statutory requirements for the compilation of a WSDP	Number of WSDPs reviewed	0												1	0	1	0	WSDP not yet reviewed. Funding requested from DWA to update the WSDP. Response still awaited	Process of reviewing the WSDP to be started (securing funding)		
To ensure uninterrupted water supply to all formal settlement	Construction of new dam in Warden	New dam in Warden completed	0												1	0	1	0	Construction of all project phases, except the	Part of Warden / Ezenzeni Water	Build a dam in Warden	1 dam



Annual Report, Phumelela LM (2011/12)

IDP Objective	Key Performance Indicator	Unit of measurement	Baseline	2010/11 FY		2011/12 Financial Year								2012/13 FY				
				Indicator	Actual	Quarter 1		Quarter 2		Quarter 3		Quarter 4		Annual Target	Actual	Indicator	Actual	
s during the scope of the 2011/12 financial year						Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Scheme: Reservoir 6 km pipeline and 2x pumpstations Water treatment works Dam Dam to be advertised by September 2012		



A.2 Sanitation

Indicator	Census 2001	Census 2007
Flush toilet (connected to sewerage system)	29.4	44.8
Flush toilet (with septic tank)	2.0	1.1
Dry toilet facility	0.0	0.2
Chemical toilet	1.2	7.2
Pit latrine with ventilation (VIP)	2.6	14.1
Pit latrine without ventilation	18.3	0.2
Bucket latrine	27.1	21.2
None	19.3	11.2

(Source: Community Survey, 2007)

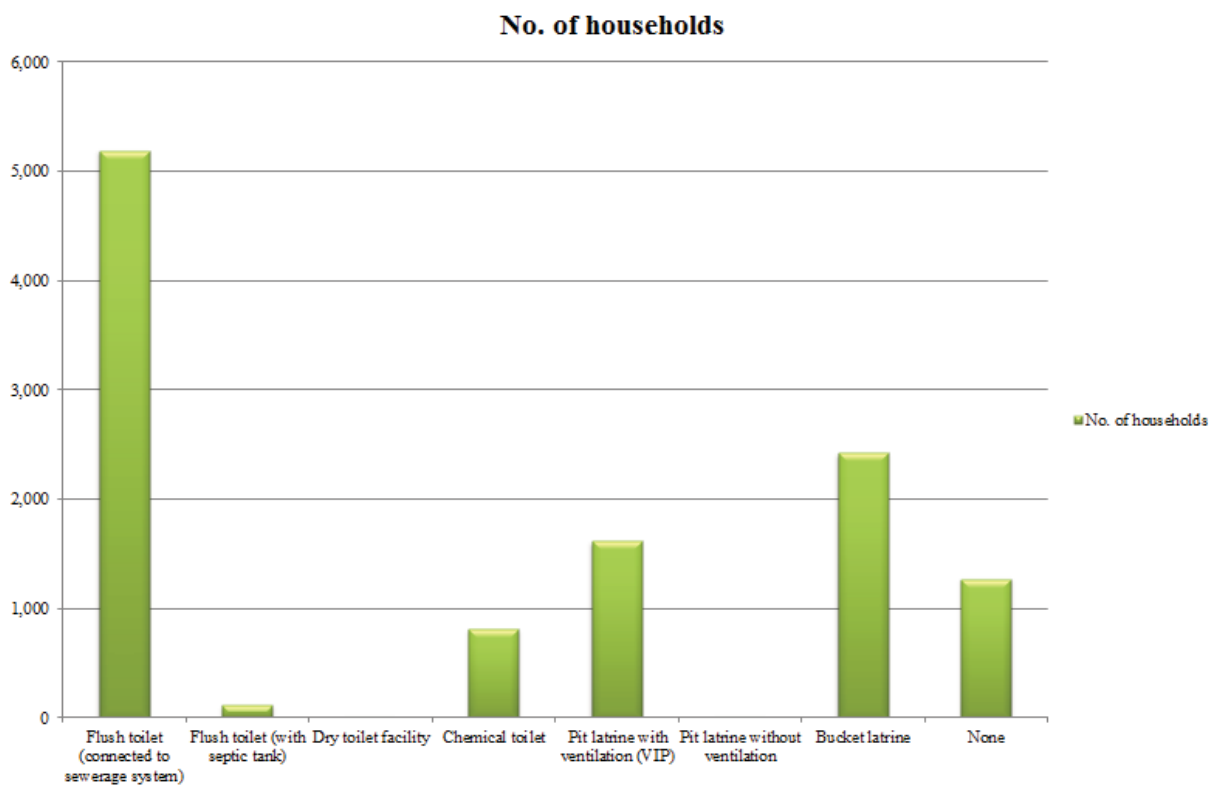


Table 21: Analysis of access to sanitation, based on the results of Census 2007

Indicator	%-Census 2007	No. of households
Flush toilet (connected to sewerage system)	45.00%	5,189
Flush toilet (with septic tank)	1.00%	115
Dry toilet facility	0.00%	0
Chemical toilet	7.00%	807
Pit latrine with ventilation (VIP)	14.00%	1,614
Pit latrine without ventilation	0.00%	0
Bucket latrine	21.00%	2,422
None	11.00%	1,268

(Source: Community Survey, 2007)



Table 22: Comparative perspective on progress made with access to sanitation, based on the results of Census 2007

Percentage distribution of households by type of toilet facilities									
Category	National		Thabo Mofutsanyane		Phumelela		Analysis		
	Census 2001	Census 2007	Census 2001	Census 2007	Census 2001	Census 2007	National	Thabo Mofutsanyane	Phumelela
Flush toilet (connected to sewerage system)	49.1	55.1	26.8	37.0	29.4	44.8	6.0	10.2	15.4
Flush toilet (with septic tank)	2.8	2.8	1.6	1.9	2.0	1.1	0.0	0.3	-0.9
Dry toilet facility	0.0	4.1	0.0	2.1	0.0	0.2	4.1	2.1	0.2
Pit latrine with ventilation (VIP)	5.7	6.5	1.4	6.5	1.2	7.2	0.8	5.1	6.0
Pit latrine without ventilation	22.8	20.6	7.8	35.9	2.6	14.1	-2.2	28.1	11.5
Chemical toilet	1.9	0.4	33.4	0.1	18.3	0.2	-1.5	-33.3	-18.1
Bucket toilet system	4.1	2.2	19.5	12.7	27.1	21.2	-1.9	-6.8	-5.9
None	13.6	8.2	9.5	3.7	19.3	11.2	-5.4	-5.8	-8.1

(Source: Community Survey, 2007)

- Government's assistance through the MIG and EPWP will enable the municipality to address backlogs in terms of sanitation of the short, medium and long term
- The bulk sanitation infrastructure in all the urban areas are either insufficient for any future expansion or is close to reaching its full potential in the near future.
- The soon to be finalized Water Services Development Plan makes provision for bulk infrastructure development.
- Waste water treatment to be addressed in the Water Services Development Plan.
- Provision is made on the staff establishment for a Sanitation Section that is adequately resourced.
- The municipality's capacity in terms of infrastructure maintenance and upgrading are limited.
- The municipality's resource constraints limit its capacity to deal effectively with waste water treatment requirements.

Progress with expansion of services:

- Provision of water for full waterborne systems. DWA has done a status quo analysis.
- SDBIP targets related to the expansion of access to water in Warden, Vrede, Thembalihle, Memel have been achieved.
- Problem in Zamani – current financial year – 144 households have been connected and use waterborne.
- COGTA has funded municipality to extend to 100 households in Zamani (under construction).
- Sewerage network in Warden needs to be upgraded. Use French drains (septic tank). Municipality to provide flashing toilets.
- Extension 4: Reticulation meant for 400 houses; 250 households to be provided during 2011/12. (Total: 1,200 stands)
- The municipality need to finalise the review of the Water Treatment Masterplan, because it is required to inform strategic management and control of waste water management
- Bucket eradication has been finished in the municipal area and all formal stands have been served
- Operation of current infrastructure have certain environmental risk due to the age thereof (pumping stations, as well as treatment works).
- Vrede's water treatment works are adequate for current demand. Both Memel and Warden need new treatment works.
- Memel's treatment works is currently under construction.



- Purification works in Warden are current being addressed (feasibility study for new dam in progress). New water treatment plant in progress. Purification works must also be replaced. Purification works are being investigated for possible relocation – closer to the source.
- Memel: Structure was built during phase I, but is not functional. Phase II currently in progress: Structures were finished

Staff Establishment

DIRECTORATE TECHNICAL SERVICES (VREDE UNIT)

Water & Sewer Purification

SNR Process Controller

Sewer Purification

Plant Operator

Shiftman X4

Technical Officer

Sewer & Sanitation Maintenance

Foreman

Tractor Driver Night Sol X2

General Worker Night Sol X 10

Tractor \Driver Suction

General Workers X2

DIRECTORATE TECHNICAL SERVICES (WARDEN UNIT)

Director Technical

Water and Sewer Purification

SNR Process Controller

Water Purification

Plant Operator X2

Shiftman X4

Sewer Purification

Plant Operator

Shiftman X4

DIRECTORATE TECHNICAL SERVICES (MEMEL UNIT)

Director Technical

Water & Sewer Purification

SNR Process Controller

Water Purification

Plant Operator

Shiftman X4

Sewer Purification

Plant \Operator

Shiftman X4

Technical Officer

Water Maintenance

Foreman

General Workers X4

Sewer & Sanitation Maintenance

Foreman

Tractor Driver Night Sol

General Worker Night Sol X5

Tractor Driver Suction

General Workers X2

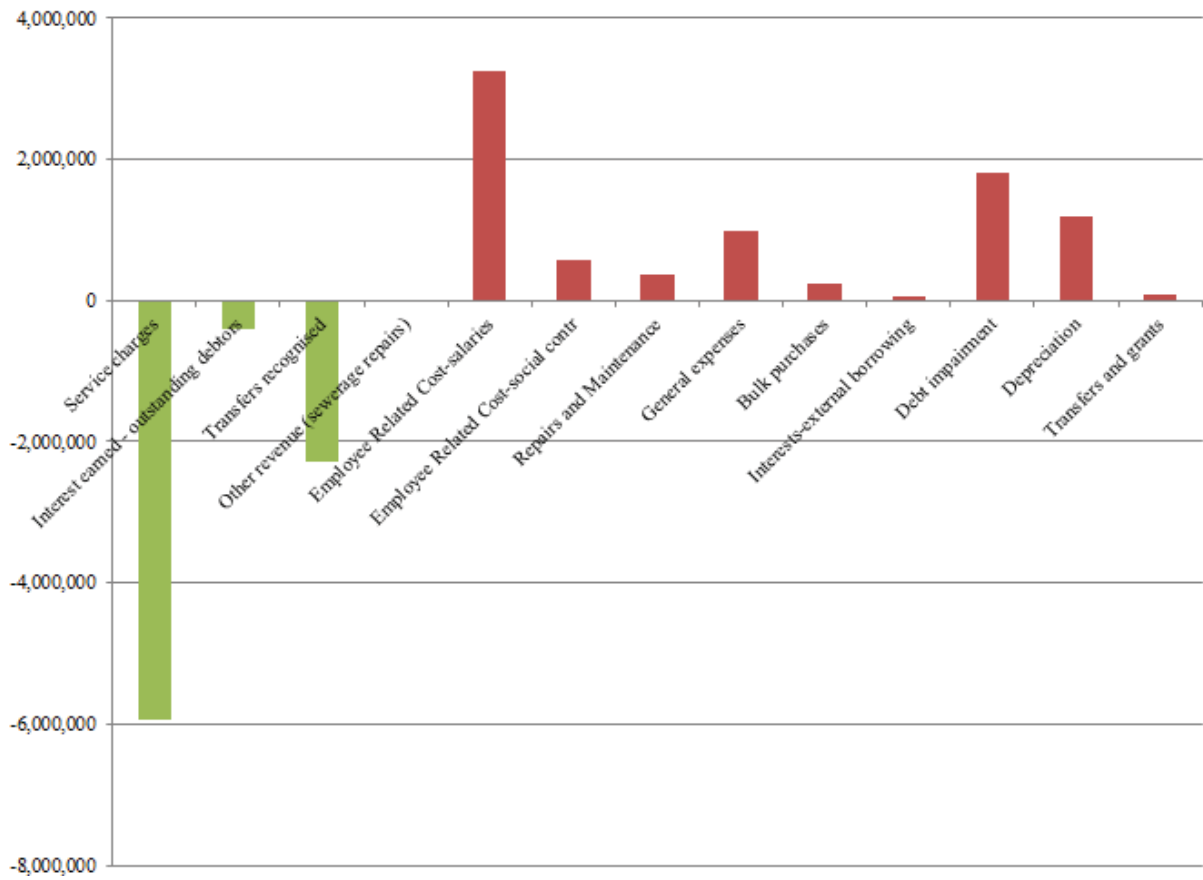
MTREF Budget Allocations

Table / Figure 23: MTREF Framework, Sewerage

	Waste Water Management	2010/11	2011/12	2012/13	2013/14
Vote 9	Sewerage				
	Service charges	5,376,492	5,928,000	6,346,000	6,493,000
	Interest earned - outstanding debtors	576,108	400,000	400,000	400,000
	Transfers recognized	6,428,684	2,284,000	2,704,000	3,206,000
	Other revenue (sewerage repairs)	0	2,000	3,000	4,000
	<i>Revenue</i>	<i>12,381,284</i>	<i>8,614,000</i>	<i>9,453,000</i>	<i>10,103,000</i>
	Employee Related Cost-salaries	3,332,373	3,255,000	3,533,000	3,835,000
	Employee Related Cost-social contr	571,990	586,000	638,000	696,000
	Repairs and Maintenance	328,894	368,000	387,000	409,000
	General expenses	837,429	985,000	1,130,000	1,296,000
	Bulk purchases	207,998	250,000	313,000	392,000
	Interests-external borrowing	36,530	55,000	55,000	55,000
	Debt impairment	2,000,000	1,820,000	2,093,000	2,407,000
	Depreciation	2,000,000	1,200,000	1,200,000	1,200,000



Transfers and grants	86,400	95,000	104,000	113,000
Total Operating expenditure	9,401,614	8,614,000	9,453,000	10,403,000





Annual Report, Phumelela LM (2011/12)
Performance Evaluation for the 2011/12 financial year against IDP pre-determined objectives

IDP objective	Key Performance Indicator	Unit of measurement	Base-line	2010/11 FY		2011/12 Financial Year						2012/13 FY							
				Indicator	Actual	Quarter 1		Quarter 2		Quarter 3		Quarter 4		Annual Target	Actual	Comments	Indicator	Actual	
						Target	Actual	Target	Actual	Target	Actual	Target	Actual						
To ensure that all (100%) of households in formal residential areas have basic level of sanitation by 2014	Percentage of households having access to basic level of sanitation	Percentage of households having access to basic level of sanitation	100%	386 for Warden	100%	100%	100%	100%	100%	100%	100%	100%	100%	154 stands in Thembahle must be provided with sanitation infrastructure (newly occupied)	To ensure that 100% of households in formal settlements in the Phumelela municipal area have access to basic level of sanitation by 2014	100%			
					100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%				
					100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%				
To ensure that all (100%) of households in formal residential areas have basic level of sanitation by 2014	Number of houses in extension 4 (Vrede) provided with full waterborne systems of sanitation	New	New		400	250 achieved. 252 finalised, but community do not yet occupy the stands (no houses – empty stands)	400	250 achieved. 252 finalised, but community do not yet occupy the stands (no houses – empty stands)	400	250 achieved. 252 finalised, but community do not yet occupy the stands (no houses – empty stands)	400	250 achieved. 252 finalised, but community do not yet occupy the stands (no houses – empty stands)	400	Project completed	Project completed	250 achieved. 252 finalised, but community do not yet occupy the stands (no houses – empty stands)			
					400	250	400	250	400	250	400	250	400	250	400	250	400		
					400	250	400	250	400	250	400	250	400	250	400	250	400		
To ensure that all (100%) of households in formal residential areas have basic level of sanitation by 2014	Sanitation for Du Randt Single Community: Number of sanitation units	New	New		15	15	15	15	15	15	15	15	15	Project completed	Project completed	15			
					15	15	15	15	15	15	15	15	15	15	15	15	15	15	
					15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
To ensure that all (100%) of households in formal residential areas have basic level of sanitation by 2014	Replaces the asbestos pipes with plastic pipes (meters)	--	--		400	120 achieved	400	120 achieved	400	120 achieved	400	120 achieved	400	Ad hoc: applied where and when required.	Not continued (inadequate funds)	0			
					400	120	400	120	400	120	400	120	400	120	400	120	400	120	400
					400	120	400	120	400	120	400	120	400	120	400	120	400	120	400
To ensure that all (100%) of households in formal residential areas have basic level of sanitation by 2014	Opening of blocked pipes in Warden town (% according to need / requirement)	100%	100%		100%	100%	100%	100%	100%	100%	100%	100%	100%	No complaints received	To continue	100%	As and when required		
					100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
					100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%



Annual Report, Phumelela LM (2011/12)

IDP objective	Key Performance Indicator	Unit of measurement	Base-line	2010/11 FY		2011/12 Financial Year												
				Indicator	Actual	Quarter 1		Quarter 2		Quarter 3		Quarter 4		Annual Target	Actual	Comments	2012/13 FY	
						Target	Actual	Target	Actual	Target	Actual	Target	Actual				Indicator	Actual
All indigent households (100% of those registered on the indigent register) to have access to FBS by 2014.	Percentage indigent households benefiting from free basic sanitation services	Number of public toilets (Upgrade and maintain existing public toilets facilities in the municipal area); Facilities at cemeteries (graveyards)	0	Total indigent households benefiting from free basic sanitation services.	1,313 (100%)	100% of facilities at all grave yards in the Phumelela municipal area	Not achieved							100% of facilities at all grave yards in the Phumelela municipal area	Not achieved	Inadequate funding. Municipality need to budget for the upgrading of toilet facilities. Current facilities still in usable condition. No toilet facilities at graveyards	Refer to the "Comments" column, 2011/12 FY	
				Number of public toilet facilities at ranks upgraded	0		(Start)								All facilities at 100% of taxi ranks	Not achieved	Municipality prioritising proper taxi ranks, with all required facilities. Current taxi rank is only an open space, without required facilities	Refer to the "Comments" column, 2011/12 FY. No funds, and therefore not included in the 2012/13 IDP.
Develop a Water Treatment Masterplan (Review of the Infrastructure Master Plan before the closing of the 2011/12 financial year)	Annual review of the Infrastructure Master plan	Review of the Infrastructure Master plan (Number of plans reviewed)	0	Water Treatment Master plan required to inform strategic management and control of waste water management	Finalise WSDP									1	Service provider appointed	Fox Group has been appointed by DWA to review the Masterplan. Report to be submitted by end of October 2012	Unrealistic objective; has therefore been removed from the 2012/13 SDBIP and IDP.	
				Number of schools using the VIPs.	Number of schools analysis to determine needs and prioritize (number of needs analyses' completed)	0									1	All schools in the region have VIP	Adequately addressed. (Not included in the 2012/13 IDP, due to lack of resources to address functions that	



Annual Report, Phumelela LM (2011/12)

IDP objective	Key Performance Indicator	Unit of measurement	Base-line	2011/12 Financial Year								2012/13 FY				
				Quarter 1		Quarter 2		Quarter 3		Quarter 4		Annual Target	Actual	Comments	Indicator	Actual
				Target	Actual	Target	Actual	Target	Actual	Target	Actual					
minimum RDP standards (long-term objective: 2011/12 objective: Complete a needs analysis at schools and rural households; assistance to 2 rural schools to construct VIP toilet facilities)		Assist 2 rural schools – VIPs (Number of schools)	0							2 schools	2 schools		facilities		are not municipal core functions)	
	Participation in the 2011 Green Drop assessment process (certification status achieved)	New								Green drop certification completed	Green drop certification completed		Participated Phumelela rated 23 out of 24 FS municipalities. (Worst rating)	WSSA has been appointed to assist the Municipality to improve its green drop assessment status	It is a high priority for the municipality to improve its blue and green drop status. WSSA has been appointed to assist the Municipality	
To ensure acceptable quality of waste water management, as measured in terms of the municipality's green drop certificate process result (output). (Green drop certification by 2012)		Training of qualified process controllers: Number trained	0					10	7		10		7	Finalised level 3; will now start with level 4	Comme nce level 4 training	
		Finalization of a Water Safety Plan: Number of plans	0							1 Water Safety Plan	1 Water Safety Plan		0	Vox assist the Municipality, appointed by DWA	Finalisation of the Water Safety Plan	
To ensure maintenance of sanitation infrastructure and services. For the 2011/12 financial year the targets will relate to the completion of Phase III of the	Number of sanitation health awareness campaigns	Number of awareness campaigns	1					1	0		1		0	Part of an awareness campaign conducted on 31 July 2012	This target has not been included in the 2012/13 IDP	
		Phase III of Memel water purification works	New							87,2%	Completed	Completed		Completed	Finalised, and therefore not included in the 2012/13 IDP	



A.3 Streets and Stormwater

Regular maintenance on the road network in the region is required. The road condition is deteriorating at a rapid pace and very little maintenance is done due to a lack of funding. It is very important to maintain and upgrade all main routes in order to continue the flow of traffic throughout the area. An emerging fact is that since the drive to curb the overloading of vehicles, secondary roads are more frequented by overloaded trucks to avoid demarcated truck routes. These secondary roads are not designed to carry these loads and are therefore causing damages in a short space of time.

There are two railway lines operating in the Phumelela vicinity. The one railway line runs from Gauteng, through Standerton, to Vrede. The second railway line connects Warden with Harrismith. No railway line operates near Memel and no air transport takes place within the Phumelela area. There are no airfields or airstrips recorded in Vrede, Memel or Warden.

Continued maintenance of tertiary roads is important as it forms the lifeline for the rural community, health, emergency and educational services. In the urban areas the main problem is the poor condition of the streets and storm water drainage in the townships. In most of the townships, streets are in poor conditions with very little water drainage systems. This is not only a problem to the local inhabitants but also complicates effective service delivery, policing, emergency services, public transportation, economic development and accessibility in general. Due to high cost of road construction this problem also has to be resolved in a systematic, integrated and sustainable way.

The older roads within Vrede/ Thembalihle were tarred in 1992, although now deteriorating at a notable rate. The biggest threat to road maintenance in Vrede is the absence of proper bulk storm water drainage systems. The roads within certain areas of Thembalihle are regarded as the worst in the region.

The situation in Memel/ Zamani is slightly different; although the roads are also in a fairly poor state, there is sufficient storm water drainage. The main problem in this area is the dilapidated and unsurfaced state of access roads, especially in Zamani.

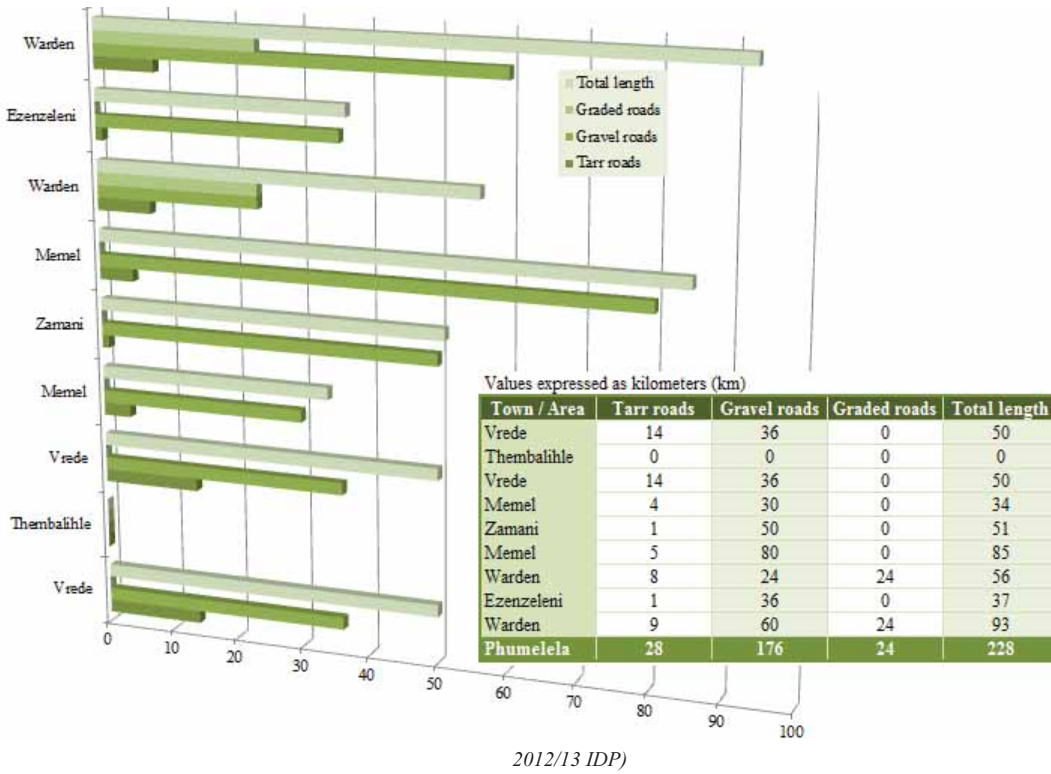
Where both Thembalihle and Zamani have a small portion of tarred ring roads, Ezenzeleni has no tarred roads at all, and only a small section is paved.

Table 24: Status of streets in the Phumelela LM

Town / Area	Tarred streets (km)	Gravelled streets (km)	Graded streets (km)	Total length (km)
Vrede	14	36	0	50
Thembalihle	0	0	0	0
Vrede	14	36	0	50
Memel	4	30	0	34
Zamani	1	50	0	51
Memel	5	80	0	85
Warden	8	24	24	56
Ezenzeleni	1	36	0	37
Warden	9	60	24	93
Phumelela	28	176	24	228



Table 25: Streets in the Phumelela area



(Source:

Table 26: Road Network in Phumelela

(Source: Department of Provincial and Local Government)





Staff Establishment

DIRECTORATE TECHNICAL SERVICES (VREDE UNIT)

Public Works

Roads and Stormwater
SNR Technician
Operator/Tractor Driver
General Worker X10
Parks & Cemeteries & Properties
Foreman

Tractor/Driver
Gen. Worker Parks/Sidewalk
Factotrum/ Mechanic
Driver Team Leader
General Worker Cemeteries (X2)
General Worker Properties X2

DIRECTORATE TECHNICAL SERVICES (WARDEN UNIT)

Public Works

Roads and Stormwater
Foreman
Operator/Tractor Driver
General Workers X10

DIRECTORATE TECHNICAL SERVICES (MEMEL UNIT)

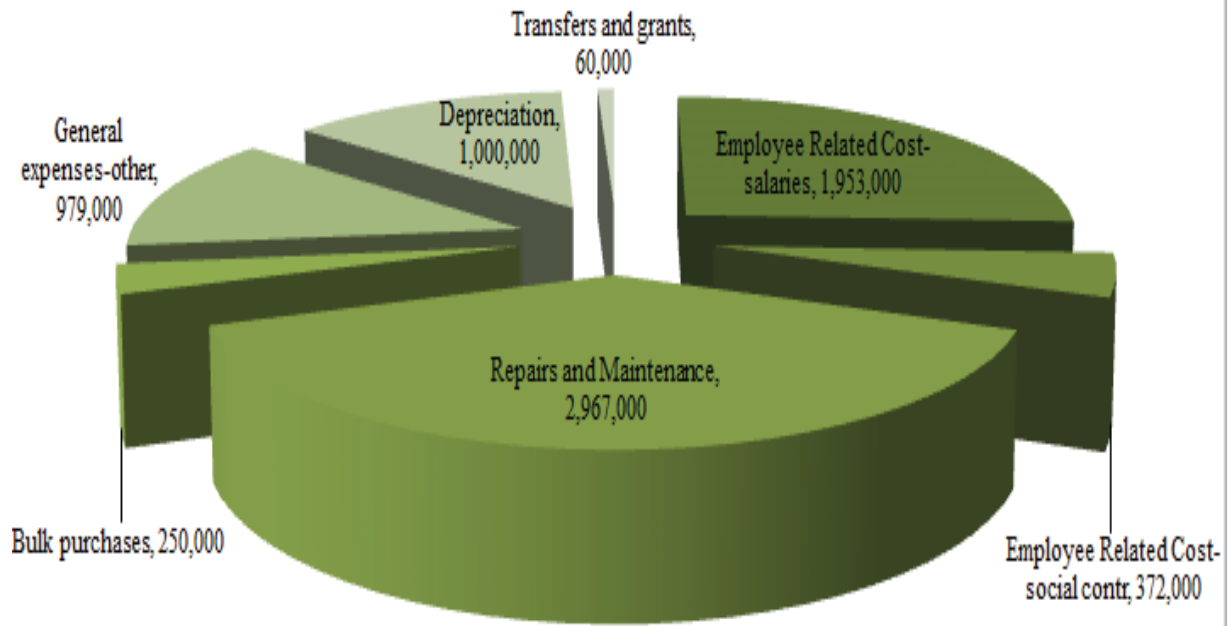
Director Technical

Public Works
Roads & Stormwater/Parks/Cemeteries & Properties
Foreman
Operation Tractor Driver

MTREF Framework

Table / Figure 27: MTREF Framework, Roads

	Road Transport	2010/11	2011/12	2012/13	2013/14
Vote 10	Public Works				
	Employee Related Cost-salaries	2,338,695	1,953,000	2,121,000	2,302,000
	Employee Related Cost-social contr	346,740	372,000	406,000	443,000
	Repairs and Maintenance	1,673,165	2,967,000	6,117,000	3,425,000
	Bulk purchases	183,358	250,000	313,000	392,000
	General expenses-other	968,337	979,000	1,065,000	1,163,000
	Depreciation	1,500,000	1,000,000	1,000,000	1,000,000
	Transfers and grants	55,200	60,000	66,000	72,000
<i>Total Operating expenditure</i>	<i>7,065,495</i>	<i>7,581,000</i>	<i>11,088,000</i>	<i>8,797,000</i>	





A.4 Electricity

ESKOM is primarily responsible for providing electricity in the municipal area, except for Warden town. Increased access to high-mast lights is a high priority for the municipality and so is close cooperation with ESKOM to facilitate increased access to electricity as a source of energy.

Table 28: *The electricity provision in Phumelela*

Town/area	Individual connections	Network only	None	Area lights required
Vrede	522	205	0	0
Thembalihle	3541	0	2200	30
Vrede	4063	205	2200	30
Memel	192	0	0	3
Zamani	900	0	350	12
Memel	1092	0	350	15
Warden	779	0	0	0
Ezenzeleni	1474	0	0	20
Warden	2253	0	0	20
Phumelela	7408	205	2550	65

Table 29: *Comparative perspective on energy sources, based on the results of Census 2007*

Percentage distribution of households by main type of energy used for lighting									
Category	National		Thabo Mofutsanyane		Phumelela		Analysis		
	Census 2001	Census 2007	Census 2001	Census 2007	Census 2001	Census 2007	National	Thabo Mofutsanyane	Phumelela
Electricity	69.7	80.0	63.4	80.9	64.6	78.1	10.3	17.5	13.5
Gas	0.2	0.2	0.1	0.1	0.1	0.0	0.0	0.0	-0.1
Paraffin	6.8	5.3	2.6	2.6	0.5	0.9	-1.5	0.0	0.4
Candles	22.7	13.8	33.2	15.8	34.0	20.6	-8.9	-17.4	-13.4
Solar	0.2	0.2	0.4	0.1	0.3	0.5	0.0	-0.3	0.2
Other	0.3	0.5	0.3	0.5	0.5	0.0	0.2	0.2	-0.5

(Source: Community Survey, 2007)

Table 30: Percentage distribution of households by main type of energy used for cooking									
Category	National		Thabo Mofutsanyane		Phumelela		Analysis		
	Census 2001	Census 2007	Census 2001	Census 2007	Census 2001	Census 2007	National	Thabo Mofutsanyane	Phumelela
Electricity	51.4	66.5	34.5	64.5	24.6	55.5	15.1	30.0	30.9
Gas	2.5	2.0	4.0	3.0	2.1	1.0	-0.5	-1.0	-1.1
Paraffin	21.4	14.9	33.3	18.4	8.4	1.3	-6.5	-14.9	-7.1
Wood	20.5	15.1	13.6	7.8	25.0	18.9	-5.4	-5.8	-6.1
Coal	2.8	1.2	12.4	5.6	35.4	20.6	-1.6	-6.8	-14.8
Animal dung	1.0	0.2	1.7	0.6	3.9	2.3	-0.8	-1.1	-1.6
Solar	0.2	0.0	0.2	0.0	0.2	0.3	-0.2	-0.2	0.1
Other	0.2	0.1	0.3	0.0	0.4	0.0	-0.1	-0.3	-0.4

(Source: Community Survey, 2007)



Table 31: Percentage distribution of households by main type of energy used for heating

Category	National		Thabo Mofutsanyane		Phumelela		Analysis		
	Census 2001	Census 2007	Census 2001	Census 2007	Census 2001	Census 2007	National	Thabo Mofutsanyane	Phumelela
Electricity	49.0	58.8	27.6	40.8	23.3	45.4	9.8	13.2	22.1
Gas	1.1	1.0	1.8	2.2	0.8	1.2	-0.1	0.4	0.4
Paraffin	14.6	13.1	21.9	17.4	5.6	0.8	-1.5	-4.5	-4.8
Wood	24.6	20.0	18.5	14.1	25.2	21.4	-4.6	-4.4	-3.8
Coal	6.6	3.9	26.5	22.3	40.0	28.5	-2.7	-4.2	-11.5
Animal dung	0.7	0.2	1.7	0.7	4.0	2.3	-0.5	-1.0	-1.7
Solar	0.2	0.1	0.2	0.1	0.1	0.0	-0.1	-0.1	-0.1
Other	3.1	2.9	1.9	2.4	0.9	0.4	-0.2	0.5	-0.5

(Source: Community Survey, 2007)

Staff Establishment

DIRECTORATE TECHNICAL SERVICES (WARDEN UNIT)

Electrical Division

Electrician

General Workers X2

MTREF Framework

Table / Figure 32: MTREF Framework, Electricity

Vote 12	Electricity	2010/11	2011/12	2012/13	2013/14
	Electricity Distribution				
	Service charges	4,440,890	6,784,000	7,489,000	9,107,000
	Outstanding debtors	115,418	130,000	157,000	189,000
	Transfers recognised	10,044,640	12,334,000	11,863,000	14,780,000
	Other revenue (sewerage repairs)	194,494	543,000	632,000	738,000
	<i>Income foregone</i>	<i>-1,086,747</i>	<i>-1,263,000</i>	<i>-1,521,000</i>	<i>-1,833,000</i>
	Revenue	13,708,695	18,528,000	18,620,000	22,981,000
	Repairs and Maintenance	1,913,489	2,210,000	2,320,500	2,436,525
	General expenses	0	2,640,000	2,772,000	2,910,000
	Bulk purchases	8,816,880	11,250,000	14,062,500	17,578,125
	Contracted services	390,206	360,000	378,000	396,900
	Debt impairment	500,400	715,000	750,750	788,288
	Depreciation	1,400,000	470,000	1,540,000	1,617,000
	Total Operating expenditure	13,020,975	17,645,000	21,823,750	25,726,838



Performance Evaluation for the 2011/12 financial year against IDP pre-determined objectives

IDP Objective	Key Performance Indicator	Unit of measurement	Baseline	2010/11 FY		2011/12 Financial Year								2012/13 FY			
				Indicator	Actual	Quarter 1		Quarter 2		Quarter 3		Quarter 4		Annual Target	Actual	Indicator	Actual
						Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual		
To compile an electricity maintenance manual before the closing of the 2011/12 financial year to ensure proper maintenance of networks under control of the municipality	Electricity Maintenance Manual compiled	Number of manuals compiled All targets = 100% in terms of the requirements of the Electricity Maintenance Manual and functional/operational need	New	1	1	On-going maintenance in Ward as and when the need is identified	No Manuals maintained in Ward and when the need is on-going process	On-going maintenance in Ward and when the need is on-going process	On-going maintenance in Ward and when the need is on-going process	On-going maintenance in Ward and when the need is on-going process	On-going maintenance in Ward and when the need is on-going process	On-going maintenance in Ward and when the need is on-going process	On-going maintenance in Ward and when the need is on-going process	1 = completion of the Electricity Maintenance Manual	1 = completion of the Electricity Maintenance Manual	No targets	No targets



A.5 Cemeteries

Cemeteries form part of authorizations for implementation by local municipalities in the district. The general management of cemeteries is a problem and in most cases there is a lack of funds to ensure effective maintenance and care of cemeteries. The high rate of HIV and AIDS in the region is reaching alarming proportions and need to be considered in the planning for cemeteries. In general the combination of old cemeteries and the increase in the number of local deaths (caused by HIV/AIDS and burials from other areas with insufficient cemeteries) is increasing the pressure on the existing facilities. In Vrede the two cemeteries, currently in use, are completely full and not properly developed.

A site of approximately 5 hectares has been provided in Extension 4 and the speedy development thereof should be sufficient for short-term future demand. The cemeteries found in Zamani are completely occupied while the cemetery in Memel has sufficient space at the current rate of occupation. Within Ezenzeleni there are two cemeteries, of which one is already reached maximum capacity and the other is expected to be filled completely during the current financial year. The cemetery in Warden has sufficient space available for future demand.

Problems and challenges:

- Inadequate space for cemeteries
- Fencing to prevent vandalism
- Increase demand for pauper's burials
- Limited resources

Staff Establishment

DIRECTORATE TECHNICAL SERVICES (VREDE UNIT)

Public Works

Parks & Cemeteries & Properties
General Worker Cemeteries (X2)

DIRECTORATE TECHNICAL SERVICES (WARDEN UNIT)

Director Technical

Public Works

Parks & Cemeteries & Properties
General Worker Cemeteries X2

DIRECTORATE TECHNICAL SERVICES (MEMEL UNIT)

Director Technical

Public Works

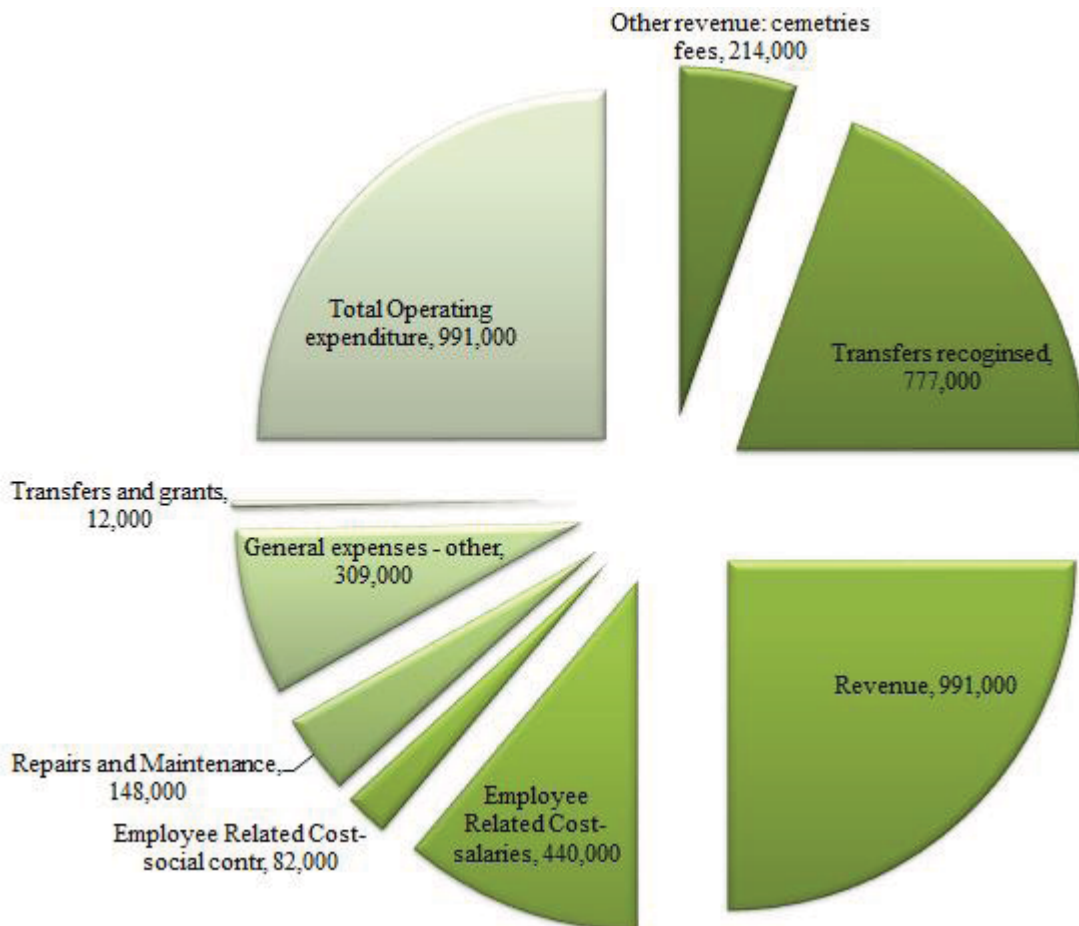
Roads & Storm water/Parks/Cemeteries & Properties
General Workers Cemeteries X2



MTREF Framework

Table / Figure 33: MTREF Framework, Cemeteries

	Community and Social Services	2010/11	2011/12	2012/13	2013/14
Vote 5	Cemeteries				
	Other revenue: cemeteries fees	192,816	214,000	236,000	260,000
	Transfers recognized	615,569	777,000	825,000	879,000
	Revenue	808,385	991,000	1,061,000	1,139,000
	Employee Related Cost-salaries	436,320	440,000	479,000	521,000
	Employee Related Cost-social contr	81,749	82,000	92,000	103,000
	Repairs and Maintenance	25,875	148,000	156,000	166,000
	General expenses - other	253,641	309,000	320,000	333,000
	Transfers and grants	10,800	12,000	14,000	16,000
	Total Operating expenditure	808,385	991,000	1,061,000	1,139,000





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Performance Evaluation for the 2011/12 financial year against IDP pre-determined objectives

IDP Objective	Key Performance Indicator	Unit of measurement	Base-line	2010/11 FY		2012/13 Financial Year														
				Indicator	Actual	Quarter 1		Quarter 2		Quarter 3		Quarter 4		Annual Target		2012/13 FY				
						Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Indicator	Actual			
To provide and maintain sufficient cemeteries and facilities in all urban areas within the next year, as measured in terms of the following indicators for 2011/12:	An improved cemetery maintenance system developed and implemented Identification of 2 sites for new cemeteries	Approval of an improved cemetery maintenance system Identification of sites for new cemeteries	Cemeteries' capacity appropriately sustained at acceptable levels	1	0	Improved cemetery management system not yet identified	No sites for new cemeteries identified, but current sites are extended	Improved cemetery management system not yet identified	1 Improved cemetery maintenance system complete and approved	Improved cemetery management system not yet identified	No sites for new cemeteries identified, but current sites are extended	1 New cemetery site in Warden Vrede	Improved cemetery management system not yet identified	No sites for new cemeteries identified, but current sites are extended	1 Improved cemetery maintenance system complete and approved	1 New cemetery site in Warden Vrede	Improved cemetery management system not yet identified	No sites for new cemeteries identified, but current sites are extended	Targets to expand cemeteries in the different towns	Specific targets not yet finalised



A.6 Disaster and Environmental Management

There is no disaster management center in the district. The challenges recorded in the FSPGDS include:

- The transfer of firefighting services to the district municipality
- Establishment of fire protection areas
- Establishment of firefighting services
- Procurement of firefighting equipment

In March 2008 the Disaster Management Plan was reviewed. During the work session, the following was outlined:

- Disaster management must deal with proactive and reactive maintenance of possible disaster areas.
- It was also noted that the District Municipality should play more of an active role in assisting the local Municipalities.

The Municipality is especially exposed to fires, soil erosion, the indiscriminate destruction of natural vegetation and storms as major potential sources of disasters. Especially in Thembalihle the houses are old and not properly constructed, and therefore especially exposed to storms.

Other disasters that impact directly on the budget of the municipality include:

- (1) Motor vehicle accidents.
- (2) Livestock that graze in residential areas.
- (3) Sewerage spill-over into the Cornelius River.
- (4) A water tank that is not properly maintained and is causing unnecessary water losses.

Vulnerability

Vulnerability refers to (a) the possible extent of loss in lives and property in an area, should a disaster occur and (b) the ability of a community of the particular area to adapt to or deal with the occurrence of such a disaster.

The locality of a community in relation to a potential flood would be an indication of a high vulnerability. Furthermore the availability of emergency response services to a community also determines its vulnerability. Where a community with a high susceptibility to a disaster is a considerable distance from such emergency services the vulnerability of that community would be considered high.

Table 34: *Risk and Vulnerability Assessment*

Type of Incident	Areas to be affected	Probability	Consequences
Floods	Zeekoeivleipoort Lincolnshire Mont Pelaaan Merinodal Verkykerskop Hlomisa Thembalihle Warden Aanvang Jachtkop County Claire Vaalkop Paardeplaats Oudewoning Koefontein	40%	People without shelter Damages to infrastructure Disruption of economy of municipality Deaths Vegetation destroyed Transportation disrupted Roads inaccessible No telecommunication



Type of Incident	Areas to be affected	Probability	Consequences
	Memel		
Heavy Snow	Zeekoeivleipoort Lincolnshire Mont Pelaaan Merinodal Verkykerskop Hlomisa	30%	People cut off from others Residents cut-off from food supplies Telecommunication disrupted Damages to infrastructure Residents cut-off from medical care Deaths Transportation disrupted Roads inaccessible
Veld fires	The whole of Phumelela	100%	People without shelter Animals without gratin Damages to infrastructure Dead animals Disease Residents cut-off from medical care Deaths Residents cut-off from food supplies
Dam Wall Breakages	<u>Vrede/Thembalihle Dam:</u> Farms: Dippenaarsdal 1347 Kelklip 1326, Mizpah 141, Ziklag 140 <u>Vrede Dam:</u> Squatters in Thembalihle	10%	People drowned People without shelter Damages to infrastructure Residents cut-off from medical care Disease
	Emanzini Resort Private Property around dam <u>Cornelis River: Warden</u> Residents residing on banks of river		
Road Blockages	N3 – Warden	50%	Accidents Detours Delay in people on their way to medical care Water shortages
Transportation: hazardous/toxic substances	All people alongside the route of transportation All other people travelling on the route Towns, i.e. Warden next to N3,	5%	Toxic contamination Injuries Accidents Medical care needed Traffic Control needed Emergency medical care needed
Oxidation Ponds (Vrede)	Residents of Extention 3 Thembalihle	5%	People in aid of medical care People without shelter Damages to infrastructure People in aid of emergency medical care
Airplane crashes	Residents residing in the area where crash occurred	2%	Need of Emergency Medical Care Fire fighting Damages to infrastructure Traffic control needed Temporary shelter needed
Road accidents	People using the road	50%	Need for emergency medical care Transportation needed Traffic Control needed Fire fighting needed



Type of Incident	Areas to be affected	Probability	Consequences
Stock disease (Foot & Mouth)	Animals in the areas where the disease occurred	30%	Need of Veterinary care Need of medical care
Civil Violence	All people in area where civil violence occurred	10%	Need of assistance of Safety & Security Need for Emergency medical care Temporary shelter needed
Droughts	All people and animals in area where drought occur	30%	Need for food and grazing Need for Water Dead Carcasses Lack of nutrition

In order to ensure that the negative impacts of the priority environmental issues are minimized there needs to be a sound understanding of the relationship between the causes and the effects of these issues.

In the following table the various environmental problems associated with the proposed projects, (set out in the analysis phase), are presented, together with the most prominent causes of these environmental problems. The various effects of these environmental problems on the people, as well as the communities/towns being affected by these problems are also presented.

Table 35: *Environmental problems, causes, effects and people being affected*

Environmental problems, risks and threats	Causes of the problem	Effect(s) of the problem on the environment	People being affected
Cemetery development	<ul style="list-style-type: none"> ▪ Shortage in capacity ▪ Increased number of deaths, due to HIV/AIDS 	<ul style="list-style-type: none"> ▪ Shortage in burial sites ▪ Creates an unhealthy environment ▪ Loss in arable land 	All urban areas
The provision of waterborne sanitation	<ul style="list-style-type: none"> ▪ Population growth, thus increased demand for sanitation systems ▪ Contamination of underground water through the old sanitation systems 	<ul style="list-style-type: none"> ▪ Increase in water use, which leads to a decrease in the resource 	Rural areas Vrede
The upgrading of the refuse sites	<ul style="list-style-type: none"> ▪ Insufficient and unfenced waste disposal sites ▪ Not sufficient capacity ▪ Waste management not effective 	<ul style="list-style-type: none"> ▪ Pollution ▪ Creates an unhealthy environment 	Vrede
Increased water supply	<ul style="list-style-type: none"> ▪ Population growth, thus increased demand for water ▪ Improvement of water supply ▪ Will improve the lives of the people 	<ul style="list-style-type: none"> ▪ Decrease in the water resource 	Vrede Warden
Parks and Sports field development	<ul style="list-style-type: none"> ▪ There is a need for more recreational facilities 	<ul style="list-style-type: none"> ▪ Disturbance of natural resources: trenches will be dug, trees will be cut down ▪ Visual pollution 	All towns
The provision, upgrading and maintenance of	<ul style="list-style-type: none"> ▪ Poor infrastructure of roads ▪ Neglect of maintenance of roads 	<ul style="list-style-type: none"> ▪ Increase in air pollution (increased amount of private vehicles on roads) 	All towns



Environmental problems, risks and threats	Causes of the problem	Effect(s) of the problem on the environment	People being affected
transport routes		<ul style="list-style-type: none"> ▪ Increase in accidents ▪ Damage to land alongside roads 	
The installation of area lighting	<ul style="list-style-type: none"> ▪ For improved lighting, and safety 	<ul style="list-style-type: none"> ▪ Visual pollution: Erection of towers or masts ▪ Impact on the biodiversity 	Memel Vrede Warden

Activities/projects that will need an Environmental Impact Assessment (EIA), will be mentioned below. The additional activities not mentioned below, would all require scoping reports.

Activities, which will require an Environmental Impact Assessment (EIA), are:

- The construction of proper infrastructure for water and sanitation services
- The new cemetery sites
- The construction and maintenance of roads
- The construction of infrastructure for electricity
- The establishment of a sports field

DIRECTORATE COMMUNITY SERVICES

Protection Services

Chief Protection Officer

Property Control/Fire Protection Assistants X3



Annual Report, Phumelela LM (2011/12)

Performance Evaluation for the 2011/12 financial year against IDP pre-determined objectives

IDP Objective	Key Performance Indicator	Unit of measurement	Base-line	2011/12 Financial Year												2012/13 FY		
				2010/11 FY		Quarter 1		Quarter 2		Quarter 3		Quarter 4		Annual Target			Comments	
				Indicator	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual			
To provide local assistance with the alleviation of disasters as and when required during the 2011/12 financial year	Local assistance provided for the alleviation of disasters	Respond to emergencies as and when required, within the capacity of the municipality	Limited disaster response capacity	0													15 persons (10 employed and 5 unemployed) are currently trained in Fire and rescue	Primary a district function; no specific targets included in the 2012/13 IDP and budget
To promote a safe and secure environment. (For 2011/12 the target relates to 4 awareness campaigns)	Promote environmental awareness through quarterly awareness campaigns	Number of awareness campaigns	0	1	0	1	0	1	0	1	0	1	0	1	0	4	0	Not achieved. Not continued in 2012/13 SDBIPs.



A.7 Refuse Removal (Solid Waste)

Table 36: Access to refuse removal services

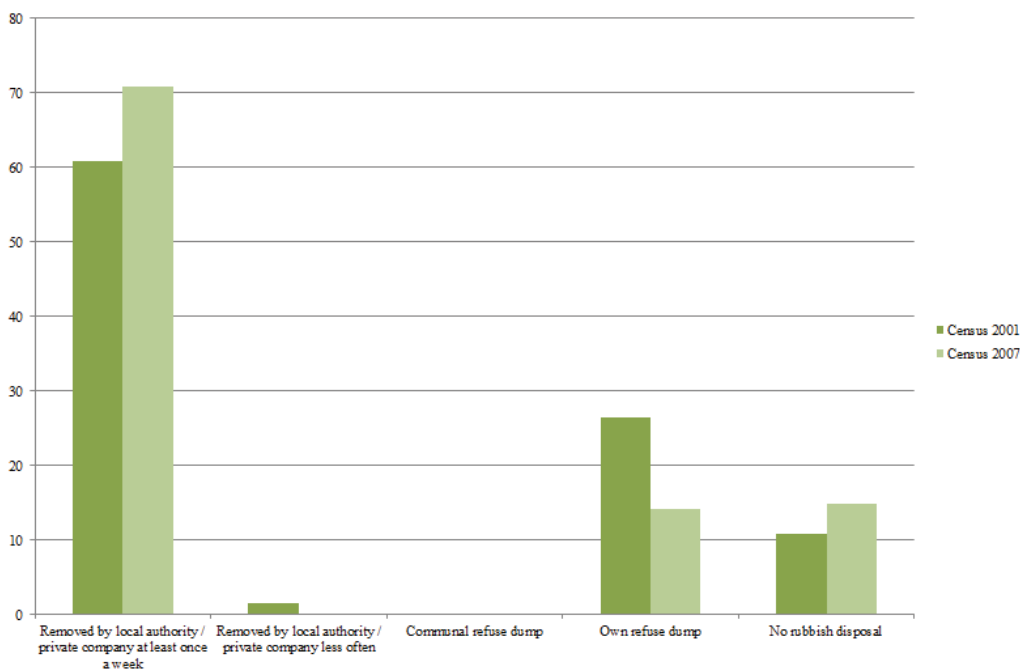
Percentage distribution of households by type of refuse removals		
Indicator	Census 2001	Census 2007
Removed by local authority / private company at least once a week	60.9	70.9
Removed by local authority / private company less often	1.5	
Communal refuse dump	0.2	
Own refuse dump	26.4	14.2
No rubbish disposal	10.9	14.9

(Source: Census, 2001)

Table 37: Comparative perspective on progress made with access to refuse removal services, based on the results of Census 2007

Percentage distribution of households by type of refuse disposal									
Category	National		Thabo Mofutsanyane		Phumelela		Analysis		
	Census 2001	Census 2007	Census 2001	Census 2007	Census 2001	Census 2007	National	Thabo Mofutsanyane	Phumelela
Removed by local authority at least once a week	55.4	60.1	40.8	47.1	60.9	70.9	4.7	6.3	10.0
Removed by local authority less often	1.5	1.7	3.0	2.5	1.5	0.0	0.2	-0.5	-1.5
Communal refuse dump	1.7	2.1	3.0	3.1	0.2	0.0	0.4	0.1	-0.2
Own refuse dump	32.6	28.6	39.6	36.7	26.4	14.2	-4.0	-2.9	-12.2
No rubbish disposal	8.7	7.1	13.7	10.5	10.9	14.9	-1.6	-3.2	4.0
Other	0.0	0.3	0.0	0.1	0.0	0.0	0.3	0.1	0.0

(Source: Community Survey, 2007)





The Phumelela Municipality falls in the category where refuse removal services is classified as unsatisfactory.

Most towns experience problems with the management of their waste disposal sites, and do not adhere to the requirements of the Department of Water Affairs. A plan to establish a regional framework for effective waste disposal, including the possibility of regional dumping sites and how to deal with toxic waste, is required.

All the urban areas are serviced, with refuse removal on a weekly basis. However, the effective and co-ordinated functioning of this service will have to be addressed. The equipment used for removal (mostly a tractor and trailer) are old and in poor condition.

Each of the urban units has one waste disposal site. However, the capacity and condition of two of these sites need to be improved as soon as possible. The Vrede site is located near the airstrip and is not fenced in, (because of theft). Furthermore the site has insufficient capacity for even short-term use. The site within Memel is situated close to the Pampoenspruit, which is a tributary to the Seekoievlei wetland area. This site is also unfenced as a result of theft, and will have to be expanded or relocated for future demands. Warden's site was upgraded recently with the addition of an incinerator.

Table 38: Percentage distribution of households by type of refuse removals (number of households)

Area	Waste sites	Legal status	Refuse removal	Equipment	Personnel
Vrede	1	Legal	4 times p/m	Tractor	20
Thembalihle	-	Legal	16 times p/m	Tractor	20
Memel	1	Legal	4 times p/m	Tractor	5
Zamani	-	Legal	12 times p/m	Tractor	5
Warden	1	Legal	4 times p/m	Tractor	12
Ezenzeleni	-	Legal	12 times p/m	Tractor	12
Phumelela	3	Legal		Tractor	74

Staff Establishment

DIRECTORATE COMMUNITY SERVICES

Personal Assistant

Public Works

Refuse Vrede

Refuse Warden

Refuse Warden

DIRECTORATE COMMUNITY SERVICES (VREDE UNIT)

Technical Officer

Public Works

Refuse Vrede

Foreman

Tractor Driver/Team Leader (Refuse \Removal) X3

General Worker (Landfill/Dumping Site)

General Worker (refuse Removal) X15

DIRECTORATE COMMUNITY SERVICES (MEMEL UNIT)

Technical Officer

Public Works

Refuse Memel

Foreman

Tractor Driver/Team Leader (Refuse Removal)

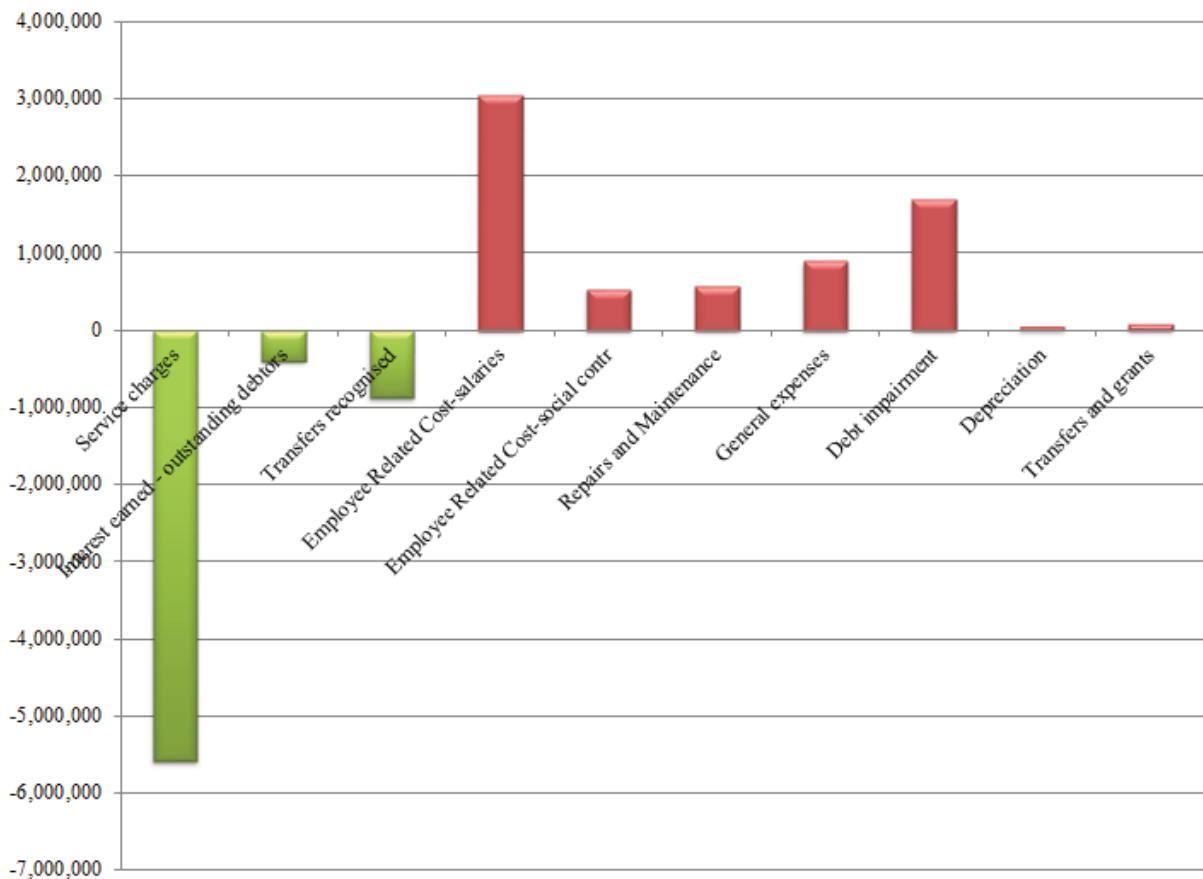
General Worker (Refuse Removal) X120



MTREF Framework

Table / Figure 39: MTREF Framework, Solid Waste

	Waste Management Solid Waste	2010/11	2011/12	2012/13	2013/14
Vote 8	Service charges	5,100,183	5,582,000	5,975,000	6,395,000
	Interest earned - outstanding debtors	651,789	400,000	400,000	400,000
	Transfers recognised	7,157,191	880,000	962,000	1,067,000
	<i>Revenue</i>	<i>12,909,163</i>	<i>6,862,000</i>	<i>7,337,000</i>	<i>7,862,000</i>
	Employee Related Cost-salaries	2,953,551	3,037,000	3,296,000	3,577,000
	Employee Related Cost-social contr	449,018	527,000	574,000	626,000
	Repairs and Maintenance	191,019	575,000	604,000	635,000
	General expenses	1,263,674	895,000	1,027,000	1,179,000
	Debt impairment	2,200,800	1,690,000	1,690,000	1,690,000
	Depreciation	100,000	50,000	50,000	50,000
	Transfers and grants	80,743	88,000	96,000	105,000
<i>Total Operating expenditure</i>	<i>7,238,805</i>	<i>6,862,000</i>	<i>7,337,000</i>	<i>7,862,000</i>	





A.8 Sport and Recreation

The municipality has identified the following as critical intervention required to improve sport and recreation facilities and services:

- Fencing of sport facility: soccer field, volley ball, tennis court and basket ball (R590,000) EDWIN Construction.
- Multi-purpose center under construction in Warden that could also cater for in-door sports.
- MEC for Sport and Recreation has instructed municipalities to use 7,5% of MIG allocation for sports. This is a challenge, however, because of the huge basic services backlog

Staff Establishment

DIRECTORATE COMMUNITY SERVICES

Community Development Section

Sports & Recreation Officer

DIRECTORATE TECHNICAL SERVICES (VREDE UNIT)

Public Works

Parks & Cemeteries & Properties

General Worker Parks/Sidewalk

DIRECTORATE TECHNICAL SERVICES (WARDEN UNIT)

Public Works

Parks & Cemeteries & Properties

General Worker Parks/Sidewalk

MTREF Framework

Table / Figure 40: MTREF Framework, Parks and Libraries

	Sports and Recreation	2010/11	2011/12	2012/13	2013/14
Vote 7	Parks				
	Employee Related Cost-salaries	1,262,163	1,211,000	1,314,000	1,427,000
	Employee Related Cost-social contr	228,564	216,000	238,000	261,000
	Repairs and Maintenance	76,243	146,000	154,000	162,000
	Bulk purchases	12,134	16,000	20,000	25,000
	General expenses	125,727	186,000	210,000	237,000
	Transfers and grants	44,400	49,000	54,000	59,000
	<i>Total Operating expenditure</i>	<i>1,749,231</i>	<i>1,824,000</i>	<i>1,990,000</i>	<i>2,171,000</i>

	Community and Social Services	2010/11	2011/12	2012/13	2013/14
Vote 5	Libraries				
	Fines	833	1,000	2,000	3,000
	Transfers recognised	930,310	695,000	764,000	838,000
	<i>Revenue</i>	<i>931,143</i>	<i>696,000</i>	<i>766,000</i>	<i>841,000</i>
	Employee Related Cost-salaries	692,253	463,000	504,000	548,000
	Employee Related Cost-social contr	193,989	152,000	168,000	185,000
	Repairs and Maintenance	1,229	11,000	13,000	15,000
	Bulk purchases	8,683	12,000	15,000	19,000
	General expenses	12,893	34,000	39,000	44,000
Transfers and grants	22,097	24,000	27,000	30,000	
	<i>Total Operating expenditure</i>	<i>931,144</i>	<i>696,000</i>	<i>766,000</i>	<i>841,000</i>



Annual Report, Phumelela LM (2011/12)

IDP Objective	Key Performance Indicator	Unit of measurement	Base-line	2010/11 FY		2011/12 Financial Year								2012/13 FY				
				Indicator	Actual	Quarter 1		Quarter 2		Quarter 3		Quarter 4		Annual Target		Comments	Indicator	Actual
						Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual			
				funding through sector departments or other donors.														
Number of libraries opened to the public and functional throughout the 2011/12 financial year	Libraries operated and managed effectively	Number of libraries opened and operational for users during scheduled business hours	5 libraries operational	5 Libraries: Vrede, Warden (on in Ezenzeleni, Thebhahle, Meme). One in MemeI need to be upgraded.	5	5	5	5	5	5	5	5	5	5				Continuation of uninterrupted library services



A.9 Safety and Security

The general crime rate is lower than other urban nodes in the province, due to the area being rural. However, certain crimes are more prevalent and on the increase. Within urban areas these particularly include crime associated with alcohol abuse, such as vandalism, assault etc. Within the rural areas stock theft is constantly increasing and personal attacks on farms are also emerging.

Within particular areas such as Memel and Warden Housebreaking is also increasing at an alarming rate. Within Warden an increase in rape cases and truck hi-jacking is also evident and these are directly associated with the high transport industry activities in the area.

The ability to combat crime is hampered through a lack of proper communication equipment on farms, a lack of information from community members and under resourced police stations. It is believed that a greater community involvement through existing structures should address most of these problems.

According to the Municipality's Spatial Development Framework¹, the following trends are evident in the Phumelela Municipal area:

- Within the urban areas, crimes associated with alcohol abuse and vandalism is on the increase;
- Housebreaking in Warden and Memel is increasing;
- Within Warden an increase in rape and truck hi-jacking is taking place owing to the high transport industry within the area; and
- Within the rural areas, stock theft is constantly increasing and personal attacks on farms are emerging.

Table 41: Safety & Security Source: Phumelela Municipality, 2002

Unit	South African Police Service	Flying Squad	Neighbourhood Watch	Detective Unit
Vrede	Yes	No	Yes	Yes
Thembalihle	Yes	No	No	Yes
Memel	Yes	No	No	Yes
Zamani	Yes	No	No	Yes
Warden	Yes	No	No	Yes
Ezenzeleni	Yes	No	No	Yes

Staff Establishment

DIRECTORATE COMMUNITY SERVICES

Protection Services

Chief Protection Officer

Law Enforcement Officers X2

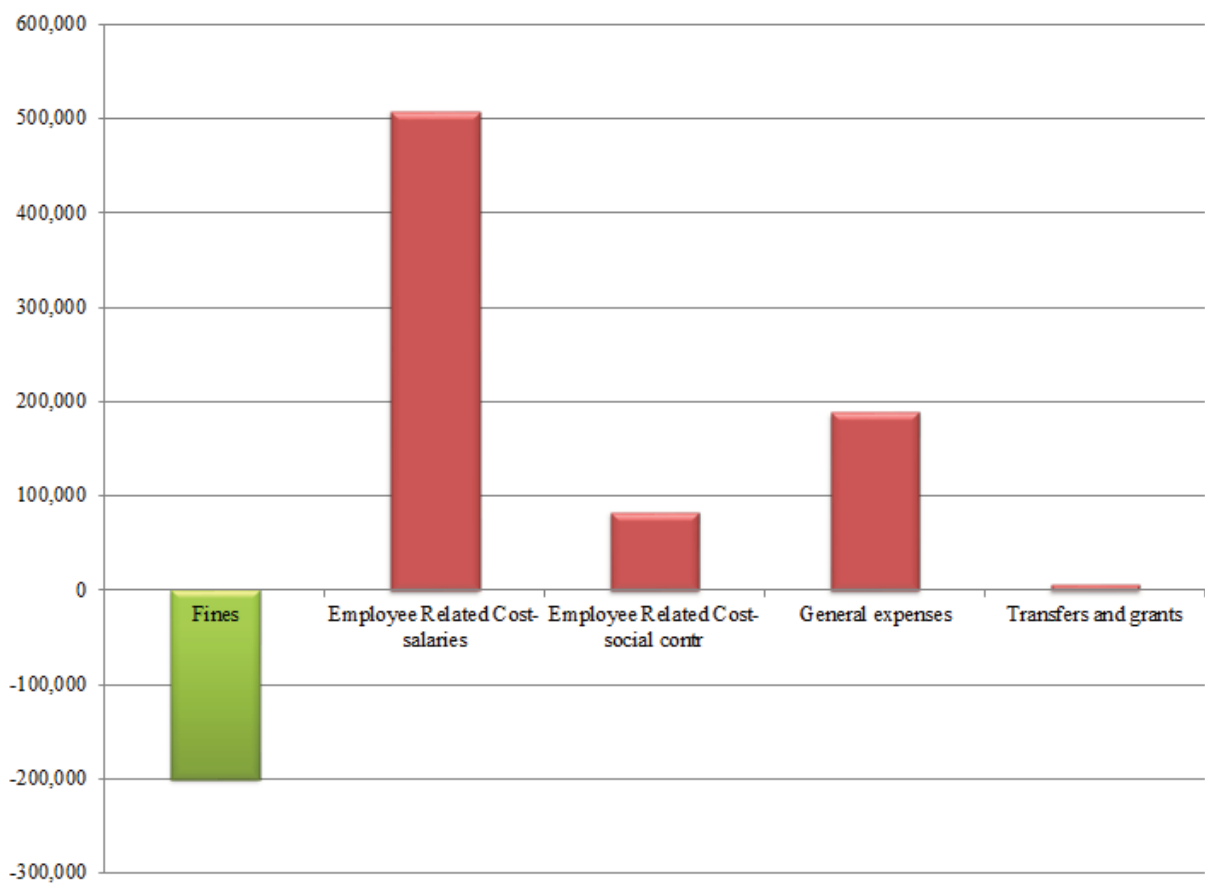
¹ SDF, 2008 review



MTREF Framework

Table / Figure 42: MTREF Framework, Traffic

	Public Safety	2010/11	2011/12	2012/13	2013/14
Vote 6	Traffic				
	Fines	75,154	200,000	200,000	200,000
	<i>Revenue</i>	<i>75,154</i>	<i>200,000</i>	<i>200,000</i>	<i>200,000</i>
	Employee Related Cost-salaries	269,155	508,000	553,000	602,000
	Employee Related Cost-social contr	41,340	83,000	92,000	103,000
	General expenses	73,087	188,000	193,000	199,000
	Transfers and grants	4,800	6,000	7,000	8,000
	<i>Total Operating expenditure</i>	<i>388,382</i>	<i>785,000</i>	<i>845,000</i>	<i>912,000</i>





Component B: Financial Management

The municipality has identified several issues as priorities to improve its financial performance. These are as follows:

- Fill critical budgeted vacant positions on the Finance Department staff establishment
- Reduce grant dependency. Revenue collection must improve and operating expenditure must be reduced
- Managing overtime on a monthly basis
- Water and electricity losses to be strictly controlled (specifically the pre-paid part)
- Increase number of indigents (Income)
- Retaining trained finance personnel
- Change the financial management system
- Better and bigger office space
- Capacity-building: As soon as critical vacancies are filled, Provincial Treasury will train new employees.
- Clean audit by 2014
- Compile financial statements internally – software already available

Priorities Issues related to Financial Viability and Management

1. Training of all finance officials in the use of the financial system (ABAKUS) (Data cleansing will be critical)
2. Ensure that all critical vacant positions in the Finance Department are filled: SCM Manager, Budget and Treasury Officer, Senior Debtors Clerk (3 temporary personnel appointed on a month-to-month basis to fulfill the vacant clerical roles)
3. Establish an independent credit and debt management unit (10 officials)
4. Draw up an Action Plan to address the audit queries
5. Sourcing capacity-building interventions from Provincial Treasury and COGTA
6. Measures to avoid over-expenditure
7. Establishment of IT infrastructure and accessibility of Internet connections to all staff members are critical for Finance to perform its functions

Staff Establishment

DIRECTORATE FINANCIAL SERVICES

CFO

Supply Chain Management Division

Manager Supply Chain

Procurement Officer

Stores Clerk

Procurement Clerk

Income Division

Accountant

DEBTORS AND CASHIER SERVICES SECTION

SNR Clerk (Vrede)

Cashier

SNR Clerk Warden

Cashier

SNR Clerk Memel

Cashier

Indigent Clerk

CREDIT CONTROL SECTION

Credit Controller

SNR Clerk creditor Controller

Credit Control Clerk

Budgeting & Financial Management Division

Manager/Budget & Assets Management

Assets Man Officer

Budget & Finance Management Officer

Expenditure Division

Accountant

Creditors Clerk

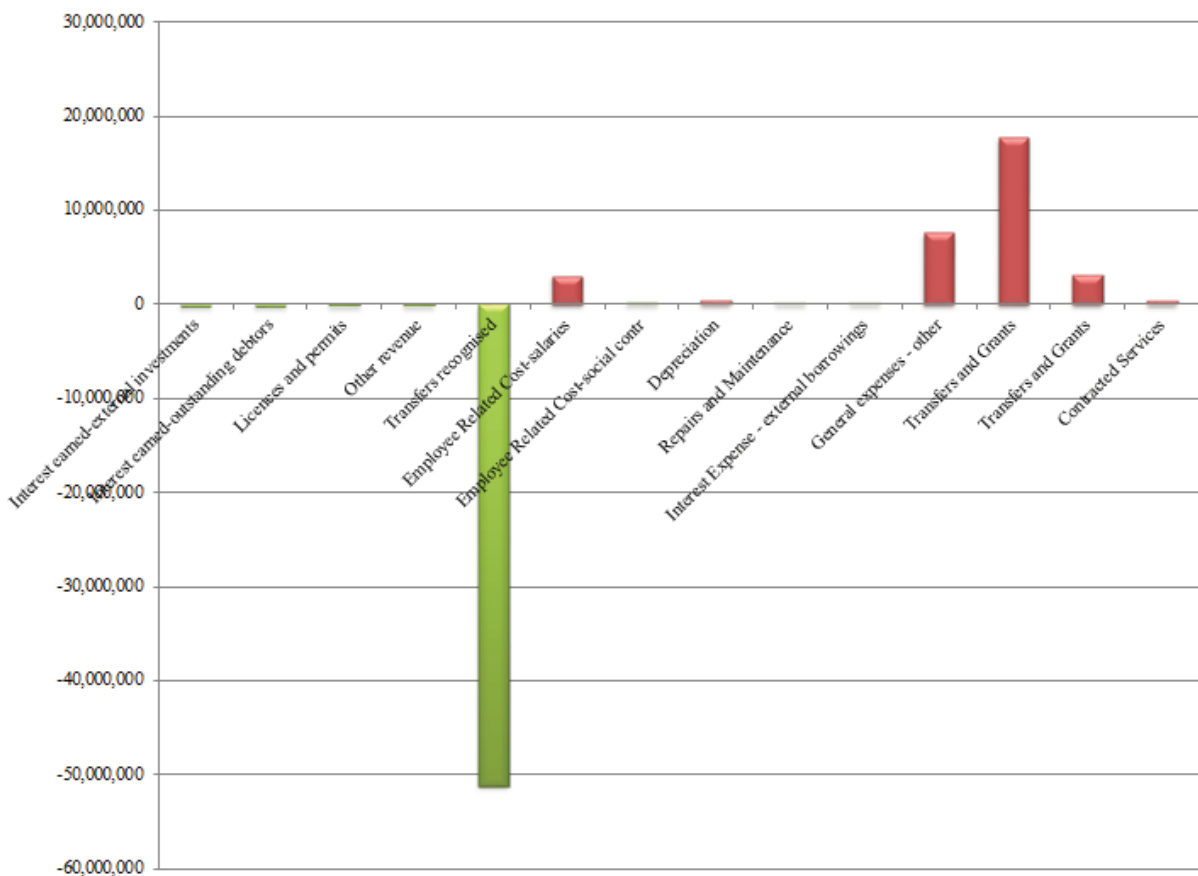
Payroll/Salaries Clerk



MTREF Framework

Table / Figure 43: MTREF Framework, Finance

	Financial and Administration Services	2010/11	2011/12	2012/13	2013/14
Vote 2	Finance				
	Interest earned-external investments	56,067	250,000	263,000	277,000
	Interest earned-outstanding debtors	238,080	240,000	252,000	265,000
	Licenses and permits	13,541	16,000	19,000	22,000
	Other revenue	7,279	12,000	12,000	16,000
	Transfers recognised	47,988,414	51,086,000	56,514,000	60,108,000
	<i>Revenue</i>	<i>48,303,381</i>	<i>51,604,000</i>	<i>57,060,000</i>	<i>60,688,000</i>
	Employee Related Cost-salaries	2,863,997	3,009,000	3,268,000	3,549,000
	Employee Related Cost-social contr	247,197	241,000	265,000	291,000
	Depreciation	0	420,000	420,000	420,000
	Repairs and Maintenance	119,950	81,000	86,000	92,000
	Interest Expense - external borrowings	0	189,000	189,000	189,000
	General expenses - other	12,755,499	7,602,000	6,717,000	6,978,000
	Transfers and Grants	33,422,414	17,726,000	20,771,000	23,133,000
Transfers and Grants	4,850,400	3,055,000	3,060,000	3,066,000	
Contracted Services	503,227	380,000	399,000	418,950	
<i>Total Operating expenditure</i>	<i>54,762,684</i>	<i>32,703,000</i>	<i>35,175,000</i>	<i>38,136,950</i>	





Annual Report, Phumelela LM (2011/12)
Performance Evaluation for the 2011/12 financial year against IDP pre-determined objectives

IDP Objective	Key Performance Indicator	Unit of measurement	Base-line	2010/11 FY Indicator	Quarter 1		Quarter 2		Quarter 3		Quarter 4		Annual Target	Comments
					Target	Actual	Target	Actual	Target	Actual	Target	Actual		
<ul style="list-style-type: none"> To improve the financial viability of the Municipality during the 2011/12 financial year as measured in terms of the following outcomes: <ul style="list-style-type: none"> Increase the operational cash flows of the Municipality by 15% Value of monthly collections on arrears Quarterly collection rate (collection vs billings) Payment period (payment of creditors) Appointment of a Creditors (1) and (2) Payroll Clerk; An updated policy Creditors to be paid within 30 days 	<ul style="list-style-type: none"> Percentage increase in the operational cash flows of the Municipality by 15% Value of monthly collections on arrears Quarterly collection rate (collection vs billings) Payment period (payment of creditors) Appointment of a Creditors (1) and (2) Payroll Clerk; An updated policy 	<ul style="list-style-type: none"> Percentage increase in the operational cash flows of the Municipality Value of monthly collections on arrears Quarterly collection rate (collection vs billings) Payment period (payment of creditors) 	<ul style="list-style-type: none"> New New New >30 days 	<ul style="list-style-type: none"> Increase the operational cash flows of the Municipality by 15% Own revenue: Payment rate decreased from 66,98% - 61,7% 	Target	Actual	Target	Actual	Target	Actual	Target	Actual	<ul style="list-style-type: none"> 15% 15% R1,2m p/m = R4,8m R1,2m p/m = R4,8m 70% 70% Creditors to be paid within 30 days Creditors to be paid within 30 days Payroll permanent; creditors temporary Asset, investment and loan policies have been updated 	
					Target	Actual	Target	Actual	Target	Actual	Target	Actual		
					Target	Actual	Target	Actual	Target	Actual	Target	Actual		
					Target	Actual	Target	Actual	Target	Actual	Target	Actual		
					Target	Actual	Target	Actual	Target	Actual	Target	Actual		
<ul style="list-style-type: none"> To improve the financial management of the Municipality, as measured in terms of the following indicators for the 2011/12 financial year: <ul style="list-style-type: none"> Appointment of a Creditors and Payroll Clerk; An updated policy register; Implementation of internal controls according to the internal Action Plan (measured in terms of the responsibilities and targets in the Action Plan); Incorporation of the fixed assets register into the financial system (measured: register 100% updated during any and all performance evaluation periods); Regular updating 	<ul style="list-style-type: none"> Appointment of a Creditors and Payroll Clerk; An updated policy register; Implementation of internal controls according to the internal Action Plan (measured in terms of the responsibilities and targets in the Action Plan); Incorporation of the fixed assets register into the financial system; Regular updating 	<ul style="list-style-type: none"> Appointment of a Creditors (1) and (2) Payroll Clerk An updated policy, asset, investment, and loans registers: Percentage updated during any and all performance evaluation periods 	<ul style="list-style-type: none"> New Outdated policies 	<ul style="list-style-type: none"> 8 Asset, investment and loan policies have been 	Target	Actual	Target	Actual	Target	Actual	Target	Actual	<ul style="list-style-type: none"> Achieved Achieved 2 2 100% 100% 100% 100% 2 100% Applied Applied Applied Applied 100% Applied 	
					Target	Actual	Target	Actual	Target	Actual	Target	Actual		
					Target	Actual	Target	Actual	Target	Actual	Target	Actual		
					Target	Actual	Target	Actual	Target	Actual	Target	Actual		
					Target	Actual	Target	Actual	Target	Actual	Target	Actual		



Annual Report, Phumelela LM (2011/12)

IDP Objective	Key Performance Indicator	Unit of measurement	Base-line	2010/11 FY		Quarter 1		Quarter 2		Quarter 3		Quarter 4		Annual Target	Actual	Comments	
				Indicator	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual				Target
<ul style="list-style-type: none"> Regular updating of the Investment Register; and Regular updating of the Loans Register. Upgrade / improve the debt control / debt collection capacity of the Municipality Updating of the indigent register 	<ul style="list-style-type: none"> Regular updating of the Investment Register (measured: register 100% updated during any and all performance evaluation periods); and Regular updating of the Loans Register (measured: register 100% updated during any and all performance evaluation periods). Amount written off in respect of irrecoverable revenue 	Amount of irrecoverable debt written off	0	1	1	1	1	1	1	1	1	1	1	1	1	<ul style="list-style-type: none"> Indigent register reviewed on a monthly basis. =12 First target: R20 million of irrecoverable that needs to be written off First target: R20 million of irrecoverable that needs to be written off 	<ul style="list-style-type: none"> Risk assessment done in February and reviewed by the Audit Committee in August 2012
<ul style="list-style-type: none"> To formalize audit and risk systems and procedures in the Municipality to ensure a clean audit by 2014 	<ul style="list-style-type: none"> Annual financial statements compiled and submitted Risks are identified, evaluated and managed by the audit committee 	Annual financial statements compiled and submitted	Annual Financial Statements completed and submitted	1	1	1	1	1	1	1	1	1	1	1	1	<ul style="list-style-type: none"> Risks are identified, evaluated and managed 	<ul style="list-style-type: none"> Reviewed and recommended for approval by the Audit Committee



Component C: Planning and Development

C.1 Local Economic Development

Table 44: *Employment Status*

Table: Census 2001 by municipalities and official employment status		
Employed	10,585	34.81%
Unemployed	5,540	18.22%
Not economically active	14,285	46.97%

(Source: Census 200, Stats SAI)

Only 34,8% of Phumelela's population is formally employed. However, if categories such as homemaker or housewives, pensioners and retired persons and those that chosen not to work are added to the 34,8% it adds up to 69,74%. Unemployment nevertheless remains a critical challenge in the municipal area.

Table 45: *Employment per sector*

Table: Census 2001 Occupation amongst the employed aged 15 to 65 years		
Legislators, senior officials and managers	220	0.72%
Professionals	193	0.63%
Technicians and associate professionals	545	1.79%
Clerks	375	1.23%
Service workers, ship and market sales workers	400	1.32%
Skilled agricultural and fishery workers	1,760	5.79%
Craft and related trades workers	417	1.37%
Plant and machine operators and assemblers	1,835	6.03%
Elementary occupations	4,253	13.99%
Undetermined	587	1.93%
Not applicable	19,823	65.19%

(Source: Census 2001, Stats SA)

Agriculture is the main economic activity in the town. Others of importance are private households, wholesale, retail and community and social services. If these statistics are analyzed, it is clear that, additional to agriculture, the only meaningful job opportunities in the area are provided by private households (for domestic workers) and by the shops and other businesses in the main towns. The ability of the Phumelela Municipality to create additional employment opportunities is also limited.

No major industrial developments are taking place in Phumelela. The promotion of agri-processing plants and other value adding industries should be encouraged in order to diversify the economy of the area. Warden is thought to be an ideal area to stimulate most of these investments, because of its warehousing facilities and larger and better-managed truck stops. One of Memel's largest industrial assets is the knitting factory situated to the north of Memel. Other industrial activities include a woodwork factory, transporters and steel works; all of which is aimed at satisfying local market needs.

Currently there are no facilities available for the development and training of skills. The promotion of skills development programmes locally are a crucial part of industrial and general employment stimulation. The utilization of existing facilities (e.g. land, buildings, and railways) for industrial promotion purposes is important.



The northern boundary of the Eastern Free State forms part of the Highlands tourism route, due to its natural and scenic beauty, historical value and fairly good accessibility. The area has a tremendous potential for tourism development. The Seekoeivlei wetlands bird sanctuary forms part of the tourist attractions. A conservation area is planned between the two dams of Vrede.

Table 46: Monthly income for the employed, aged 16-65 years

Table: Individual monthly income for the employed aged 15-65 years		
No income	278	2.63%
R 1 - R 400	5,813	54.93%
R 401 - R 800	1,928	18.22%
R 801 - R 1600	815	7.70%
R 1601 - R 3200	828	7.82%
R 3201 - R 6400	617	5.83%
R 6401 - R 12800	205	1.94%
R 12801 - R 25600	59	0.56%
R 25601 - R 51200	26	0.25%
R 51201 - R 102400	11	0.10%
R 102401 - R 204800	0	0.00%
R 204801 or more	3	0.03%

(Source: Census 2001- Stats SA)

The demand for social service intervention will therefore be high.

Table 47: Income: All persons

Table: Income all persons		
No income	34,661	68.09%
R 1 - R 400	7,000	13.75%
R 401 - R 800	6,125	12.03%
R 801 - R 1600	1,010	1.98%
R 1601 - R 3200	1,012	1.99%
R 3201 - R 6400	721	1.42%
R 6401 - R 12800	250	0.49%
R 12801 - R 25600	68	0.13%
R 25601 - R 51200	31	0.06%
R 51201 - R 102400	16	0.03%
R 102401 - R 204800	9	0.02%
R 204801 or more	3	0.01%

(Source: Census 2001- Stats SA)

The population of the area is very poor. Excluding those returns where no conclusion could be made (“not applicable”), 83,47% of the employed population has an income of R1,600 per month or less. Add to that the 65% of the population that is either unemployed or not economically active, the poverty levels in the area became apparent.

An alarmingly high percentage of the Phumelela population reflects no income, implying extremely high poverty levels. Statistics indicate that at least 68 % of the population is poor.



Table 48: Industrial Development

Vrede/ Thembalihle	Memel/ Zamani	Warden/ Ezenzeleni
NUMBER OF SITES AVAILABLE FOR INDUSTRIAL DEVELOPMENT		
12	4	0
SPECIFIC INDUSTRIES AVAILABLE		
Fertilizer Factory Mills Tannery	Wool factory Mills Mohair Factory Brick making	Poison warehouse Mills

(Source: Census 2001-Stats SA)

Office of the Municipal Manager

LED/Tourism Section

Manager LED /Tourism

LED/Tourism Officer

Tourism Info Centre Clerk

LED Clerk Warden



C.2 Land Development and Town Planning

IDP Objective	Key Performance Indicator	Unit of measurement	Base-line	2010/11 FY		2011/12 Financial Year								2012/13 FY						
				Indicator	Actual	Quarter 1		Quarter 2		Quarter 3		Quarter 4			Annual Target	Comments / Remarks				
						Target	Actual	Target	Actual	Target	Actual	Target	Actual							
To promote sustainable land development by appointing an official to manage commonages. (Measurement during 2011/12: Appointment of an employee to manage commonages)	Number of employees appointed to manage commonage	Number of officials appointed to manage commonages	0			5									1	0	1	5	Existing employees were transferred to manage the function	To finalize the Land Use Management framework To finalize a land audit To formalize settlements through targeted upgrading initiatives

Table / Figure 49: MTRF Framework, Town Planning and Land Development

		2010/11		2011/12		2012/13		2013/14	
Financial and Administration Services									
Property Services									
Rent of facilities and equipment		149,062		171,000		193,000		218,000	
<i>Revenue</i>		<i>149,062</i>		<i>171,000</i>		<i>193,000</i>		<i>218,000</i>	
Employee Related Cost-salaries		554,333		859,000		931,000		1,009,000	
Employee Related Cost-social contr		108,435		183,000		201,000		220,000	
Repairs and Maintenance		518,306		842,000		885,000		931,000	
Bulk Purchases		503,705		100,000		125,000		157,000	
General expenses - other		4,461		21,000		23,000		25,000	
Transfers and Grants		14,400		17,000		19,000		21,000	
<i>Total Operating expenditure</i>		<i>1,703,640</i>		<i>2,022,000</i>		<i>2,184,000</i>		<i>2,363,000</i>	



Component D: Corporate Services

Staff Establishment

DIRECTORATE CORPORATE SERVICES

Chief Admin/Legal officer

Admin Officer

HR Section

Receptionist/s Switchboard Operator

SDF

Security and Maintenance Clerk

HR Clerk

LR/EEQ Officer

Housing Section

Housing Officer

Housing Clerk (Vrede)

Housing Clerk (Warden)

Housing Clerk (Memel)

Committee Section

Committee Officer

SNR Committee Clerk

Committee Clerk

Town Planning Section

Building Inspector

Registry Section

Registry Officer

Registry Clerk

Messenger

General Assistants X15

MTREF Framework

Table / Figure 50: MTREF Framework, Corporate Services

	Council and Executive	2010/11	2011/12	2012/13	2013/14	
Vote 1	Corporate Services					
	<i>Revenue</i>		0	0	0	0
	Employee Related Cost-salaries	484,935	634,000	700,000	772,000	
	Employee Related Cost-social contr	0	10,000	13,000	16,000	
	Repairs and Maintenance	0	0	0	0	
	General expenses - other	0	72,000	78,000	84,000	
	<i>Total Operating expenditure</i>	484,935	716,000	791,000	872,000	



Component E: Governance

Staff Establishment

Mayor/Speaker
Executive Secretary
Special Programmes Officer
Public Participation Officer

Office of the Municipal Manager

Internal Audit

Manager Internal Audit
Internal Auditor
Risk Officer

IDP Section

Manager IDP
IDP Officer

Executive Secretary

IT Section

IT Specialist (Officer)

LED/Tourism Section

Manager LED /Tourism

LED/Tourism Officer

Tourism Info Centre Clerk
LED Clerk Warden

PMS Section

PMS Officer

Directorate Corporate Services

Director Finance

Director Technical

Director Community Services



MTREF Framework

Table / Figure 19: MTREF Framework, Governance Structures

	Council and Executive Office of the Mayor	2010/11	2011/12	2012/13	2013/14
Vote 1	Equitable share	778,100	902,000	953,000	1,008,000
	<i>Revenue</i>	<i>778,100</i>	<i>902,000</i>	<i>953,000</i>	<i>1,008,000</i>
	Remuneration of Councilors	3,057,336	3,567,000	3,928,000	4,326,000
	Employee Related Cost-salaries	0	193,000	211,000	230,000
	Employee Related Cost-social contr	0	5,000	8,000	11,000
	Repairs and Maintenance	16,167	47,000	51,000	55,000
	Internal expense-external borrowings	0	0	0	0
	Grants and subsidies paid	0	0	0	0
	General expenses - other	1,195,817	1,232,000	1,307,000	1,392,000
	Transfers and grants	0	10,000	11,000	12,000
	<i>Total Operating expenditure</i>	<i>4,269,320</i>	<i>5,054,000</i>	<i>5,516,000</i>	<i>6,026,000</i>

	Council and Executive Municipal Manager	2010/11	2011/12	2012/13	2013/14
Vote 1	<i>Revenue</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	Employee Related Cost-salaries	1,305,905	2,843,000	3,088,000	3,353,000
	Employee Related Cost-social contr	48,382	117,000	131,000	146,000
	Repairs and Maintenance	34,731	40,000	42,000	45,000
	General expenses - other	252,043	228,000	243,000	258,000
	Transfers and grants	20,400	13,000	15,000	17,000
		<i>Total Operating expenditure</i>	<i>1,661,461</i>	<i>3,241,000</i>	<i>3,519,000</i>

	Council and Executive Community Services	2010/11	2011/12	2012/13	2013/14
Vote 1	<i>Revenue</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	Employee Related Cost-salaries	0	845,000	928,000	1,018,000
	Employee Related Cost-social contr	0	43,000	52,000	61,000
	Repairs and Maintenance	0	74,000	81,000	88,000
		<i>Total Operating expenditure</i>	<i>0</i>	<i>962,000</i>	<i>1,061,000</i>

	Council and Executive Technical Services	2010/11	2011/12	2012/13	2013/14
Vote 1	MIG Grant	0	1,147,000	1,334,000	0
	<i>Revenue</i>	<i>0</i>	<i>1,147,000</i>	<i>1,334,000</i>	<i>0</i>
	Employee Related Cost-salaries	563,208	1,930,000	2,106,000	2,298,000
	Employee Related Cost-social contr	0	35,000	42,000	50,000
	General expenses - other	0	85,000	93,000	101,000
		<i>Total Operating expenditure</i>	<i>563,208</i>	<i>2,050,000</i>	<i>2,241,000</i>



Vote 2	Financial and Administration Services	2010/11	2011/12	2012/13	2013/14
	Property Rates				
	<i>Revenue</i>	3,845,047	5,578,000	7,662,000	8,049,000
	Property Rates	3,845,047	7,248,000	7,613,000	7,997,000
	Interest earned - outstanding debtors	0	100,000	105,000	111,000
	Income foregone	0	-1,770,000	-56,000	-59,000
	Debt Impairment	1,500,000	650,000	650,000	650,000
	<i>Total Operating expenditure</i>	<i>1,500,000</i>	<i>650,000</i>	<i>650,000</i>	<i>650,000</i>

Vote 2	Financial and Administration Services	2010/11	2011/12	2012/13	2013/14
	Corporate Services				
	<i>Revenue (Training refund from SETA + tender deposits)</i>	27,591	2,466,000 0	32,000	34,000
	Employee Related Cost-salaries	849,674	1,325,000 0	1,441,000 0	1,566,000 0
	Employee Related Cost-social contr	139,538	135,000	151,000	168,000
	Repairs and Maintenance	463	10,000	11,000	12,000
	General expenses - other	579,466	3,507,000 0	1,143,000 0	1,219,000 0
	Transfers and Grants	39,600	44,000	48,000	53,000
	<i>Total Operating expenditure</i>	<i>1,608,74</i>	<i>5,021,00</i>	<i>2,794,00</i>	<i>3,018,00</i>
		<i>1</i>	<i>0</i>	<i>0</i>	<i>0</i>

Vote 2	Financial and Administration Services	2010/11	2011/12	2012/13	2013/14
	Planning and Development: Town Planning				
	Employee Related Cost-salaries	224,508	261,000	285,000	312,000
	Employee Related Cost-social contr	24,561	27,000	32,000	38,000
	Repairs and Maintenance	631	22,000	25,000	28,000
	General expenses - other	19,049	553,000	60,000	67,000
	Transfers and Grants	3,600	4000	5000	6000
	<i>Total Operating expenditure</i>	<i>272,349</i>	<i>867,000</i>	<i>407,000</i>	<i>451,000</i>



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IDP Objective	Key Performance Indicator	Unit of measurement	Base-line	2010/11 FY		2011/12 Financial Year								2012/13 FY				
				Indicator	Actual	Quarter 1		Quarter 2		Quarter 3		Quarter 4		Annual Target	Comments / Remarks	Indicator	Actual	
						Target	Actual	Target	Actual	Target	Actual	Target	Actual					
To facilitate intergovernmental dialogue and co-operation with relevant district, national and provincial institutions, as measured in terms of the following indicators:	Percentage of meetings of the following forums attended if no apology is tendered:																	
<ul style="list-style-type: none"> Participation in the activities of a functional Corporate Services' Forum for the district Participation in the activities of a functional CFO's Forum for the district Participation in the activities of a functional Municipal Managers' Forum 	<ul style="list-style-type: none"> HR Managers' Forum HR Managers' Forum CFO Forum Municipal Managers' Forum 	Percentage of meetings attended:	Utilisation of IGR structures		1	100% (when scheduled)	Only HR Managers' Forum operational	100% (when scheduled)	Only HR Managers' Forum operational	100% (when scheduled)	Only HR Managers' Forum operational	100% (when scheduled)	HR Managers' Forum attended; Other forums not in place or not operational	Municipality will participate in all operational IGR forums				
<ul style="list-style-type: none"> Review of the 	Performance	6	Finalizing the	1	Annual Review			Mid-year	1	Completion of the	4	Department	Annual Review of	Municipality	No IDP/PMS	Municipality will operate and		



Chapter 4

Organisational Development Performance





Chapter 4 – Organisational Development Performance

Component A: Introduction to the Municipal Personnel

Table / Figure 52: Total Number of Employees in the Municipality

Employment Category		Race										Total
		African		Coloured		Indian		White		Total		
		M	F	M	F	M	F	M	F	M	F	
SOC 100	Legislators	9	5	0	0	0	0	0	1	9	6	15
SOC 100	Directors and Corporate Members	4	1	0	0	0	0	0	0	4	1	5
SOC 200	Professionals	3	2	0	0	0	0	0	0	3	2	5
SOC 300	Technicians and Trade Workers	1	1	0	0	0	0	2	0	3	1	4
SOC 400	Community and Personal Service Workers	5	7	0	0	0	0	0	1	5	8	13
SOC 500	Clerical and Administrative Workers	15	15	0	0	0	0	0	1	15	16	31
SOC 700	Machine Operators and Drivers	11	5	0	0	0	0	0	0	11	5	16
SOC 800	Labourers	139	27	0	0	0	0	0	0	139	27	166
Apprentices		0	0	0	0	0	0	0	0	0	0	0
Total		187	63	0	0	0	0	2	3	189	66	255

Table / Figure 53: Global Figures:

Total anticipated no of employees on 1 July 2011	262
Total anticipated payroll amount (on which levy payment is based) for 2011/12:	R31,958,000.00
Casual Workers:	11
Contract Workers:	5
Part-time Councillors:	14
Full-time Councillors:	1
Total Councillors:	15

Table / Figure 54: Employees who left the Municipality (According to Race)

Employment Category		Race										Total
		African		Coloured		Indian		White		Total		
		M	F	M	F	M	F	M	F	M	F	
SOC 100	Legislators											
SOC 100	Directors and Corporate Members											
SOC 200	Professionals											
SOC 300	Technicians and Trade Workers											
SOC 400	Community and Personal Service Workers											
SOC 500	Clerical and Administrative	1	1						1	1	2	3



Employment Category		Race										Total	
		African		Coloured		Indian		White		Total			
		M	F	M	F	M	F	M	F	M	F		
	Workers												
SOC 700	Machine Operators and Drivers	1									1	0	1
SOC 800	Labourers	9	2								9	2	11
Apprentices													
Total		10	2								10	2	12

Table / Figure 55: Employees who left the Municipality (According to Age Category)

Employment Category		Age Category										Total	
		21-30		31-40		41-50		+51					
		M	F	M	F	M	F	M	F	M	F		
SOC 100	Legislators												
SOC 100	Directors and Corporate Members												
SOC 200	Professionals												
SOC 300	Technicians and Trade Workers												
SOC 400	Community and Personal Service Workers												
SOC 500	Clerical and Administrative Workers	1	1						1	1	2	3	
SOC 700	Machine Operators and Drivers							1		1	0	1	
SOC 800	Labourers			1	2	4		4		9	2	11	
Apprentices													
Total		1	1	1	2	4	0	5	1	11	4	15	

Table / Figure 56: Employees who left the Municipality in the year ending 30 June 2011 (According to Reason)

Employment Category		Reason												Total		
		Resigned		Retired		Retrenched		Medical		Dismissal		Death				
		M	F	M	F	M	F	M	F	M	F	M	F			
SOC 100	Legislators															
SOC 100	Directors and Corporate Members															
SOC 200	Professionals															
SOC 300	Technicians and Trade Workers															
SOC 400	Community and Personal Service Workers															
SOC 500	Clerical and Administrative Workers	1	1		1									1	2	3
SOC 700	Machine Operators and Drivers								1					1	0	1
SOC 800	Labourers			4								5	2	9	2	11
Apprentices																
Total		1	1	4	1	0	0	0	0	1	0	5	2	11	4	15

Employees who left as a % of total employees- 5.88%



Component B: Managing the Municipal Workforce

The following are key objectives and indicators of the municipality's efforts to manage its workforce:

- Annual review of the organizational structure
- Annual review of the HR Strategy

Component C: Policies

Table / Figure 57: *Status of policies*

Item	Status Indicator
Human Resource Policy	Available
Language Policy	Not yet available. Inadequate funds to address at in this IDP.
Integrated Development Plan	Reviewed – finalized.
Municipal Code (councillors and employees)	Finalized.
Guidelines for Community Participation	Finalized.
Performance Management System (Institution)	Refer to explanation above.
Performance Management System PMS	Refer to explanation above.
Delegation of Powers	Finalized. To be reviewed annually.
Tariff Policy	Approved by Council in the 2011/12 financial year.
Competitive Bidding System	Available.
Credit Control and Debt collecting System	Approved by Council in the 2011/12 financial year.
Election of Speaker, Mayor and Mayoral Committee Members	In place.
HIV/AIDS Policy	Not yet finalized. Inadequate funds to address at in this IDP.
Communication Policy	Approved by Council in the 2011/12 financial year.
Sexual Harassment Policy	Not yet finalized. Inadequate funds to address at in this IDP.
Procurement (Tender) Policy	Not yet finalized. Inadequate funds to address at in this IDP.
Cash Management and Banking Arrangement Policy	Not yet finalized. Inadequate funds to address at in this IDP.
Investment Policy	Not yet finalized. Inadequate funds to address at in this IDP.
Establishment of Audit Committee	Not yet finalized. Objective in this IDP.
Financial Regulations	
Compilation of annual financial statements	Finalised annually (latest: 2011/12 financial year).



Component D: Employment Equity Status

Table / Figure 58: *New recruits employed (According to Race)*

Employment Category		Race										Total
		African		Coloured		Indian		White		Total		
		M	F	M	F	M	F	M	F	M	F	
SOC 100	Legislators	3	1							3	1	4
SOC 100	Directors and Corporate Members	2								2	0	2
SOC 200	Professionals		1							0	1	1
SOC 300	Technicians and Trade Workers		1					1		1	1	2
SOC 400	Community and Personal Service Workers	3								3	0	3
SOC 500	Clerical and Administrative Workers	6	7							6	7	13
SOC 700	Machine Operators and Drivers	1								1	0	1
SOC 800	Labourers	18	5							18	5	23
Apprentices										0	0	0
Total		33	15	0	0	0	0	1	0	34	15	49

Table / Figure 59: *New recruits employed (According to Age Category)*

Employment Category		Age Category										Total
		21-30		31-40		41-50		+51		Total		
		M	F	M	F	M	F	M	F	M	F	
SOC 100	Legislators			3	1					3	1	4
SOC 100	Directors and Corporate Members			2						2	0	2
SOC 200	Professionals		1							0	1	1
SOC 300	Technicians and Trade Workers		1			1				1	1	2
SOC 400	Community and Personal Service Workers	1		1		1				3	0	3
SOC 500	Clerical and Administrative Workers	5	6	1	1					6	7	13
SOC 700	Machine Operators and Drivers	1								1	0	1
SOC 800	Labourers	1	3	3	2	9		5		18	5	23
Apprentices												
Total		8	11	10	4	11	0	5	0	34	15	49

Table / Figure 60: *New labour market entrants employed (According to Race)*

Employment Category		Race										Total
		African		Coloured		Indian		White		Total		
		M	F	M	F	M	F	M	F	M	F	
SOC 100	Legislators	1								1	0	1
SOC 100	Directors and Corporate Members											
SOC 200	Professionals											
SOC 300	Technicians and Trade Workers											
SOC 400	Community and Personal Service Workers											
SOC 500	Clerical and Administrative Workers		2							0	2	0
SOC 700	Machine Operators and Drivers											
SOC 800	Labourers											
Apprentices												
Total			2							1	2	3



Table / Figure 61: New labour market entrants employed (According to Age Category)

Employment Category		Age Category										Total
		21-30		31-40		41-50		+51		M	F	
		M	F	M	F	M	F	M	F			
SOC 100	Legislators	1								1		1
SOC 100	Directors and Corporate Members											
SOC 200	Professionals											
SOC 300	Technicians and Trade Workers											
SOC 400	Community and Personal Service Workers											
SOC 500	Clerical and Administrative Workers		2								2	2
SOC 700	Machine Operators and Drivers											
SOC 800	Labourers											
Apprentices												
Total		1	2							1	2	3

Table / Figure 62: Employee profile

Employment Category		Race						Age categories											
		African		White		Total		21-30		31-40		41-50		51+		Total			
		M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F		
Legislators																			
	Mayor	1				1	0	1					1				1	0	1
	Local Government Legislators (Councillors)	8	5		1	8	6	14	1	1	5	2	2	3			8	6	14
Total:		9	5		1	9	6	15	1	1	5	2	3	3			9	6	15
Directors and Corporate Managers																			
11131	Municipal Manager		1			0	1	1						1			0	1	1
11133	General Managers																		
1211	Corporate Services Managers	1				1	0	1					1				1	0	1
1212	Finance Managers	1				1	0	1					1				1	0	1
1213	Human Resource Managers																		
1214	Policy and Planning Managers																		
1221	Engineering Managers	1				1	0	1			1						1	0	1
1222	Construction Managers	1				1	0	1			1						1	0	1
Total:		4	1			4	1	5			2	1	2	1			4	1	5
Professionals																			
Corporate Services	Core Admin	2				2	0	2			2						2	0	2
	Core Finance	1	1			1	1	2		1	1						1	1	2
	Legal																		
	IT																		
	Procurement		1			0	1	1		1							0	1	1
Total:		3	2			3	2	5		2	3						3	2	5
Technicians and Trade Workers																			
Corporate Services	Core Admin		1	2		2	1	3		1		1	1				2	1	3
	Core Finance																		
	Legal																		
	IT																		
	Procurement																		
Technical Services	Roads and Storm water	1				1	0	1				1					1	0	1
Total:		1	1	2		3	1	4		1	2	1					3	1	4
Community and Personal Service Workers																			



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Employment Category		Race						Age categories											
		African		White		Total		21-30		31-40		41-50		51+		Total			
		M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F		
Corporate Services	Core Admin	2	2			2	2	4	1	1	1	1					2	2	4
	Core Finance																		
	Legal																		
	IT																		
	Procurement																		
Financial Services	Client Services		2			0	2	2				1				1	0	2	2
Community Services	Libraries	2	2		1	2	3	5	1			2	1	1			2	3	5
Community Safety	Traffic Management	1				1	0	1			1						1	0	1
Municipal Planning	LED/IDP/Urban Planning		1			0	1	1			1						0	1	1
Total:		5	7	1	5	8	13	13	2	1	2	5	1	1	1	1	5	8	13
Clerical and Administrative Workers																			
Corporate Services	Core Admin	9	6			9	6	15	5	3	3	1	1	2			9	6	15
	Core Finance	6	7			6	7	13	3	4	1	1	1	2	1		6	7	13
	Legal																		
	IT																		
	Procurement																		
Financial Services	Client Services		2		1	0	3	3		2				1			0	3	3
Total:		15	15	0	1	15	16	31	8	9	4	2	2	5	1	15	16	31	
Machine operators and Drivers																			
Corporate Services	Core Admin	10				10	0	10	3		2		3		2		10	0	10
	Core Finance																		
	Legal																		
	IT																		
	Procurement																		
Community Services	Parks	1	5			1	5	6					1	2		3	1	5	6
Total:		11	5			11	5	16	3	2	4	2	2	3	11	5	16		
Labourers																			
Corporate Services	Core Admin	1				1	0	1					1				1	0	1
Community Services	Parks	6	5			6	5	11	1	1	2	1	1	3	2		6	5	11
	Community Facilities	44	2			44	2	46	14		13	1	17	1			44	2	46
	Cemeteries	9	2			9	2	11			3		1	1	5	1	9	2	11
Community Safety	Public Safety	3				3	0	3	1		1		1				3	0	3
Technical Services	Roads and Storm water	11	9			11	9	20	1	1	5	1	5	3		4	11	9	20
	Solid Waste and Landfill	38	3			38	3	41	1	1	8	1	11		18	1	38	3	41
	Water supply and waste water	27	6			27	6	33	1	2	9	3	11		6	1	27	6	33
	Electricity																		
Total:		139	27			139	27	166	19	5	41	7	48	8	31	7	139	27	166
Total:		187	63	2	3	189	66	255	33	18	60	16	62	21	34	11	189	68	255



Table / Figure 63: Employee qualification profile as on 30 June 2011

Employment Category	Highest qualification held by employees																	Total		Total
	Below NQF 1		NQF 1		NQF 2		NQF 3		NQF 4		NQF 5		NQF 6		NQF 7		M	F		
	M	F	M	F	M	F	M	F	M	F	M	F	M	F						
Legislators																				
	Mayor																			
	Local Government Legislators (Councillors)						3	3	3	2	1	1	1							
Total:							3	3	3	2	1	1	2					9	6	15
Directors and Corporate Managers																				
11131	Municipal Manager											1								
11133	General Managers																			
1211	Corporate Services Managers												1							
1212	Finance Managers									1										
1213	Human Resource Managers																			
1214	Policy and Planning Managers																			
1221	Engineering Managers									1										
1222	Construction Managers									1										
Total:										3	1	1						4	1	5
Professionals																				
Corporate Services	Core Admin							1		1								2	0	2
	Core Finance									1	1							1	1	2
	Legal																			
	IT																			
	Procurement											1						0	1	1
Total:								1		2	2							3	2	5
Technicians and Trade Workers																				
Corporate Services	Core Admin							1		1	1							2	1	3
	Core Finance																			
	Legal																			
	IT																			
	Procurement																			
Technical Services	Roads and Stormwater									1								1	0	1
Total:								1		2	1							3	1	4
Community and Personal Services Workers																				
Corporate Services	Core Admin						1		2	1								2	2	4
	Core Finance																			
	Legal																			
	IT																			
	Procurement																			
Financial Services	Client Services						2											0	2	2
Community Services	Libraries							2	2		1							2	3	5
Community Safety	Traffic Management									1								1	0	1
Municipal Planning	LED/IDP/ Urban Planning										1							0	1	1
Total:							1	2	2	4	2	2						5	8	13
Clerical and Administrative Workers																				
Corporate Services	Core Admin				1		2		5	4	1	2						9	6	15
	Core Finance									3	6	4						6	7	13
	Legal																			
	IT																			
	Procurement																			
Financial Services	Client Services				1		1				1							0	3	3



Total:						1	1	2	1	5	7	7	7				15	16	31
Machine Operators and Drivers																			
Corporate Services	Core Admin	2		3					2		3						10	0	10
	Core Finance																		
	Legal																		
	IT																		
	Procurement																		
Community Services	Parks			1	2			3									1	5	6
Total:		2		4	2			3	2		3						11	5	16
Labourers																			
Corporate Services	Core Admin	1															1	0	1
Community Services	Parks	2	1		1	2	1	2	2								6	5	11
	Community Facilities			18		26	2										44	2	46
	Cemeteries	3		2		2	1	2	1								9	2	11
Community Safety	Public Safety							1		2							3	0	3
Technical Services	Roads and Storm water		2	2	1	4	2	3	3	2	1						11	9	20
	Solid Waste and Landfill	7		6		22		3	3								38	3	41
	Water supply and waste water	2				7	1	17	2	1	3						27	6	33
	Electricity																		
Total:		15	3	28	2	63	7	28	11	5	4						139	27	166
Total:		17	3	32	4	64	11	36	17	20	17	17	14	3			189	68	255

Component E: Capacitating the Municipal Workforce

Table / Figure 64: Training for Municipal Employees during 2011/12

No	Course Name or Qualification Title	Name of Provider	Skills Area	NQF Level	Informal/Formal	In-house: External	Includes SAQA reg. unit standards	Duration	Number of employees trained	Actual Cost
1	Training of Training Committee	LGSETA	Administration		Formal	In-house		1 day	5	LGSETA Funds
2	Consumer Training Education	University of Johannesburg	Administration	5	Informal	External	Yes	2 weeks	2	LGSETA Funds
3	HR Training	Pay Day	Administration		Informal	External		1 week	2	R15 387,72
4	Supply Chain Management Training	PALAMA	Financial	5	Informal	External	Yes	1 week	1	LGSETA Funds
5	Assets Management Training	INFO	Financial		Informal	External		3 days	1	R5 700.00
6	Public Participation Training	University of Western Cape	Administration	5	Informal	External	Yes	1 week	1	COGTA Funds
7	Risk Management training	University of Johannesburg	Financial	5	Informal	External	Yes	2 days	1	R3 300.00
8	TAX Training	Pay Day	Financial		Informal	External		1 day	2	R4 000.00
9	CPMD	Wits University	Management/Leadership	6	Informal	External	Yes	1 year	3	R105 000.00
10	IDP Training	Central University of Technology	Management/Leadership	5	Informal	External	Yes	1 year	1	R15 000.00
11	Municipal	University	Financial	6	Informal	External	Yes	1 year	4	R60 000.00



	Finance Management Programme	of Pretoria								
12	Local Government Accounting Certificate	SAICA/AAT	Financial	3	Informal	External	Yes	1 year	8	R120 000.00
13	LGRC/LGNETT Training	DBSA	Computer literacy	5	Formal	In-house	Yes	3 days	14	DBSA Funds
14	CPMD (Additional Modules)	Wits University	Management/Leadership	6	Informal	External	Yes		2	R50 000.00

Table / Figure 65: Summary of Actual Programmes

Total number trained		47
Total Actual Cost of Training		R378 387.72
Total Interventions		
Skills priority No	Name of intervention	Number of interventions planned
5	ABET	0
0	Administration	4
8	Client Services	0
0	Computer Literacy	1
0	Corporate, legal and support	0
1	Financial	6
9	Life Skills	0
1	Management/ leadership	3
7	Occupational Health and Safety	0
0	Policy development	0
8	Project management/ Planning	0
10	Social/ community/ economic development and planning	0
4	Specialist technical	0
0	Training Skills	0
0	Specialist skills required by legislation	0
	Total interventions not linked to Sector Skills Priorities	0

Table / Figure 66: Total Number of Employees in the Municipality to Receive Training in 2011/12

Employment Category		Race										Total
		African		Coloured		Indian		White		Total		
		M	F	M	F	M	F	M	F	M	F	
SOC 100	Legislators	9	5	0	0	0	0	0	1	9	6	15
SOC 100	Directors and Corporate Members	4	1	0	0	0	0	0	0	4	1	5
SOC 200	Professionals	3	2	0	0	0	0	0	0	3	2	5
SOC 300	Technicians and Trade Workers	1	1	0	0	0	0	1	0	3	1	4
SOC 400	Community and Personal Service Workers	4	5	0	0	0	0	0	1	5	8	13
SOC 500	Clerical and Administrative Workers	16	15	0	0	0	0	0	1	15	16	31
SOC 700	Machine Operators and Drivers	6	2	0	0	0	0	0	0	11	5	16
SOC 800	Labourers	79	15	0	0	0	0	0	0	139	27	166
	Apprentices	0	0	0	0	0	0	0	0	0	0	0
	Total	122	46	0	0	0	0	1	3	123	49	172



Table / Figure 67: Total Number of Employees in the Municipality who Received Training in 2011/12

Employment Category		Race										Total
		African		Coloured		Indian		White		Total		
		M	F	M	F	M	F	M	F	M	F	
SOC 100	Legislators	8	5						1	8	6	14
SOC 100	Directors and Corporate Members	1	1							1	1	2
SOC 200	Professionals	1	1							1	1	2
SOC 300	Technicians and Trade Workers	1	0							1	0	1
SOC 400	Community and Personal Service Workers	0	1							0	1	1
SOC 500	Clerical and Administrative Workers	7	7						1	7	8	15
SOC 700	Machine Operators and Drivers	0	0									
OC 800	Labourers	0	0									
	Apprentices	0	0									
Total		18	15						2	18	17	35

Chapter 5

Auditor General's findings, 2011/12





REPORT OF THE AUDITOR-GENERAL TO THE FREE STATE LEGISLATURE AND THE COUNCIL ON PHUMELELA LOCAL MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I was engaged to audit the financial statements of the Phumelela local municipality set out on pages 118 to 182, which comprise the statement of financial position as at 30 June 2012, the statements of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information, and the accounting officer's report.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with 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 Division of Revenue Act of South Africa, 2011 (Act No. 6 of 2011) (DoRA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

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

Basis for disclaimer of opinion

Property, plant and equipment

4. I was unable to obtain sufficient appropriate audit evidence to confirm the existence, completeness and valuation of property, plant and equipment with a carrying value of R306 853 660 (2011: R321 503 398) as disclosed in note 5 to the financial statements. The municipality's records did not permit the application of alternative audit procedures due to an incomplete fixed asset register which did not agree to the valuation and the results of the physical verification. Consequently, I was unable to determine whether any adjustments to the property, plant and equipment were necessary.

Investment property

5. I was unable to obtain sufficient appropriate audit evidence to confirm the completeness of investment property with a carrying value of R35 691 063 (2011: R35 933 438) as disclosed in note 4 to the financial statements due to inadequate municipal records on accounting for investment property. The municipality's records did not permit the application of alternative audit procedures. Consequently, I was unable to determine whether any adjustments to the investment property were necessary.



Impairment loss

6. I was unable to obtain sufficient appropriate audit evidence for the completeness of impairment loss to the amount of R96 170, as disclosed in note 5 to the annual financial statements. I was unable to confirm the impairment loss by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the amounts disclosed for impairment loss.

Depreciation

7. I was unable to obtain sufficient appropriate audit evidence for the completeness of depreciation and amortisation to the amount of R16 122 002 (2011: R16 441 195), as disclosed in note 5 to the annual financial statements, due to material findings under property, plant and equipment as well as investment property. I was unable to confirm the depreciation by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the amounts disclosed for depreciation and amortisation.

Accumulated depreciation and impairment

8. I was unable to obtain sufficient appropriate audit evidence for the completeness of depreciation and amortisation to the amount of R16 122 002 (2011:R16 441 195), as disclosed as disclosed in note 5 to the annual financial statements, due to material findings under property, plant and equipment as well as investment property. I was unable to confirm the depreciation and amortisation by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the amounts disclosed for depreciation and amortisation.

Inventory

9. I was unable to obtain sufficient appropriate audit evidence to confirm the completeness and valuation of as well as rights to inventory of R25 910 116 (2011: R25 838 655), as disclosed in note 10 to the financial statements, due to inventory that was physically identified but not included in the annual financial statements. The municipality's records did not permit the application of alternative audit procedures. Consequently, I was unable to determine whether any adjustments to the unsold properties held for resale were necessary.

Provisions

10. The valuation and completeness of provisions amounting to R7 600 000 (2011: R6 744 764), as disclosed in note 19 to the financial statements, could not be confirmed due to a lack of supporting documentation. The municipality's records did not permit the application of alternative audit procedures. Consequently, I was unable to determine whether any adjustments to the unsold properties held for resale were necessary.

Accumulated surplus

11. Supporting documentation for adjustments due to changes in accounting policy included in the statement of changes in net assets amounting to R39 194 020 could not be provided for auditing. The valuation and completion of the amount disclosed as accumulated surplus from exchange transactions in the financial statements amounting to R315 415 134 (2011: R345 189 285) could therefore not be confirmed. Based on this difference, the trial balance and general ledger supporting the amount disclosed could not be relied upon and the accumulated surplus as presented in the annual financial



statements is not considered to be fairly valued. I was unable to perform alternative procedures as the primary source of audit evidence could not be provided.

Commitments

12. The municipality did not maintain a project management system for the identification and recognition of contracts and there were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance that all commitments were properly recorded. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the completeness of commitments of R40 800 637 (2011: R61 492 075), as stated in note 41 to the financial statements.

Disclaimer of opinion

13. 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 the financial statements.

Emphasis of matters

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

Restatement of corresponding figures

15. As disclosed in note 44 to the financial statements, the corresponding figures for 30 June 2011 have been restated as a result of reclassification of the amount resulting from the implementation of GRAP 17 and errors identified in the prior year affecting the opening balances in annual financial statements for the year ended 30 June 2011.

Unauthorised expenditure

16. As disclosed in note 47 to the financial statements, the municipality exceeded their budget, resulting in unauthorised expenditure of R20 791 736 mainly as a result of non-cash items (debt impairment and depreciation) that were not adequately budgeted for.

Irregular expenditure

17. The full extent of the irregularities of R110 064 925, as disclosed in note 49 to the financial statements, is still in the process of being investigated.

Additional matter

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

Unaudited supplementary information

19. The supplementary information set out on pages 183 to 193 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.



REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Predetermined objectives

21. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages 22 to 95 of the annual report.
22. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury annual reporting principles and whether the reported performance is consistent with the planned development 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).
23. The reliability of the information in respect of the selected development objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

The material findings are as follows:

Usefulness of information

Presentation

24. Section 46 of the Municipal Systems Act (MSA) requires the disclosure of measures taken to improve performance in the annual performance report where planned targets were not achieved. Adequate and reliable corroborating evidence could not be provided for 61% of the measures taken to improve performance as disclosed in the annual performance report. This was due to lack of oversight by a designated performance manager and regular review between the planned and reported objectives, indicators and targets. The municipality's records did not permit the application of alternative audit procedures. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the validity and accuracy of the measures taken to improve performance.

Consistency

25. Section 34(b) of the MSA states that the municipal council may amend its integrated development plan (IDP) in accordance with a prescribed process. Therefore, if the IDP is changed in-year due to significant policy or mandate changes, the updated plan has to be approved by the municipal council according to a prescribed process. A total of 100% of objectives, 100% of indicators and 67% of targets reported in the annual performance report were inconsistent with the objectives, indicators and targets as per the approved IDP. This was due to lack of oversight by a designated performance manager and regular review between the planned and reported objectives, indicators and targets.



Measurability

Performance targets not specific

26. The FMPPPI requires that performance targets be specific in clearly identifying the nature and required level of performance. A total of 74% of the targets relevant to the selected development objectives were not specific in clearly identifying the nature and the required level of performance. This was due to the lack of oversight by a designated performance manager and inadequate involvement by senior manager responsible for the relevant development objectives.

Performance targets not measurable

27. The FMPPPI requires that performance targets be measurable. The required performance could not be measured for a total of 89% of the targets relevant to the selected development objectives. This was due to the lack of oversight by a designated performance manager and inadequate involvement by senior manager responsible for the relevant development objectives.

Performance targets not time bound

28. The FMPPPI requires that the time period or deadline for delivery be specified. A total of 41% of the targets relevant to the selected development objectives were not time bound in specifying a time period or deadline for delivery. This was due to the lack of oversight by a designated performance manager and inadequate involvement by senior manager responsible for the relevant development objectives.

Performance indicators not well defined

29. The FMPPPI requires that indicators/measures should have clear unambiguous data definitions so that data is collected consistently and is easy to understand and use. A total of 63% of the indicators relevant to the selected development objectives were not well defined in that clear and unambiguous data definitions were not available to allow for data to be collected consistently. This was due to the lack of oversight by a designated performance manager and inadequate involvement by senior manager responsible for the relevant development objectives.

Indicators not verifiable

30. The FMPPPI requires that it must be possible to validate the processes and systems that produce the indicator. A total of 63% of the indicators relevant to the selected development objectives in that valid processes and systems that produce the information on actual performance did not exist. This was due to the lack of key controls in the relevant systems of collection, collation, verification and storage of actual performance information and the lack of oversight by a designated performance manager and inadequate involvement by senior manager responsible for the relevant development objectives.

Reliability of information

Validity, accuracy and completeness

31. The FMPPPI requires that documentation addressing the systems and processes for identifying, collecting, collating, verifying and storing information be properly maintained.



The institutions could not provide sufficient appropriate evidence to support any of the selected development objectives. Therefore I was unable to obtain sufficient, appropriate audit evidence to satisfy myself as to the validity, accuracy and completeness of 100% actual performance reported in the annual performance report. This was due to lack of a document management system, lack of oversight by a designated performance manager and inadequate involvement by the senior manager responsible for the relevant development objective.

Compliance with laws and regulations

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

Budgets

33. The municipality incurred expenditure in excess of the limits of the amounts provided for in the votes in the approved budget, in contravention of section 15 of the MFMA.
34. Sufficient and appropriate audit evidence could not be obtained that the mayor submitted all quarterly reports to council on the implementation of the budget and the financial state of affairs of the municipality within 30 days after the end of each quarter, as required by section 52(d) of the MFMA.
35. Sufficient and appropriate audit evidence could not be obtained that the accounting officer submitted the monthly budget statements to the mayor and/or the relevant provincial treasury, as required by section 71(1) of the MFMA.
36. The accounting officer did not assess the municipality's performance for the first half of the financial year, as required by section 72(1) and 72(1)(a)(ii) of the MFMA.

Annual financial statements, performance and annual report

37. 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 of property, plant and equipment, accumulated surplus, receivables, employee related costs and other disclosure notes identified by the auditors were subsequently corrected, resulting in no material misstatements being reported. The financial statements, however, still received a disclaimer of opinion due to material and pervasive limitation of scope regarding property, plant and equipment and provisions.
38. The municipal council did not adopt an oversight report containing comments on the annual report within two months from the date on which the 2010-11 annual report was tabled, as required by section 129(1) of the MFMA.
39. The annual report does not include an assessment of the accounting officer of any arrears on municipal taxes and service charges.
40. The annual report does not include particulars of any corrective action to be taken in response to issues in the audit report.
41. The annual report does not include the report of the audit committee.



42. The municipality did not prepare a performance report which includes measures taken to improve performance.

Audit committee

43. The audit committee did not advise the accounting officer on matters relating to internal financial control and risk management, as required by section 166(2)(a) of the MFMA.
44. The audit committee did not review the annual financial statements to provide the council with an authoritative and credible view of the financial position of the entity, its efficiency and effectiveness and its overall level of compliance with the MFMA, DoRA and (other applicable legislation), as required by section 166(2)(b) of the MFMA.
45. The audit committee did not meet at least four times a year, as required by section 166(4)(b) of the MFMA.
46. The audit committee did not respond to the council on the issues raised in the audit reports of the Auditor-General, as required by section 166(2)(c) of the MFMA.
47. A performance audit committee was not in place and the audit committee established in terms of MFMA section 166(1) was not used for this function, as required by municipal planning and performance management regulation 14(2)(a).

Internal audit

48. The internal audit unit did not function as required by section 165(2) of the MFMA, in that it did not prepare a risk-based audit plan and an internal audit programme for the financial year under review.

Procurement and contract management

49. Contrary to the requirements of section 41(2) of the municipal supply chain (SCM) regulations, I could not obtain a risk register or other documentary proof that risk assessments relating to the SCM system were performed.
50. Goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations as required by SCM regulation 17(a) and (c).
51. Goods and services were procured from suppliers without a valid tax clearance tax certificate or declaration of interest contrary to the requirements of SCM regulation 13(c).
52. Sufficient appropriate audit evidence could not be obtained that bid specifications for procurement of goods and services through competitive bids were drafted in an unbiased manner that allowed all potential suppliers to offer their goods or services, as per required by SCM regulation 27(2)(a).
53. Sufficient appropriate audit evidence could not be obtained that bid specifications were drafted by bid specification committees which were composed of one or more officials of the municipality, as required by SCM regulation 27(3).
54. Evaluation and adjudication documentation in respect awarded tenders was not always kept for audit, contrary to the requirements of section 62(1)(c) of the MFMA.



Human resources management and compensation

55. The municipal manager did not ensure that the municipality has adequate human resource capacity that enables it to perform its functions and exercise its powers in an economical, efficient, effective and accountable manner in compliance with section 67 (1)(a) of the MSA.

Expenditure management

56. The accounting officer did not take reasonable steps to prevent unauthorised, irregular and fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.
57. The municipality did not recover unauthorised, irregular or fruitless and wasteful expenditure from the liable persons, as required by section 32(2) of the MFMA.

Asset management

58. 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.

Internal control

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

Leadership

60. Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls due to the accounting officer not directing and reviewing the performance of the system of internal control and continuously monitoring compliance with laws and regulations. This resulted in significant non-compliance with applicable laws and regulations and I was not able to confirm the reliability of performance information.
61. Effective human resource management to ensure that adequate and sufficiently skilled resources are in place in the procurement and information technology (IT) section was not implemented. This was mainly due to the fact that the applications for positions advertised did not meet the requirement of skilled and competent candidates.
62. Policies and procedures to enable and support processes with regard to an effective performance management system were not established and implemented as significant findings were raised in relation to performance information. This was due to management not regarding performance information as a main priority.
63. Management developed an action plan to address prior year findings, but did not implement and monitor the plan on a continuous basis, resulting in repeat findings



regarding internal control, compliance, information systems, procurement and performance information.

64. Due to a lack of capacity and appropriately skilled IT personnel, management did not enforce proper monitoring of user access control, service provider activities and IT governance processes.

Financial and performance management

65. Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is not accessible and available to support financial and performance reporting.
66. The staff members of the municipality were not sufficiently skilled to ensure that the daily and monthly financial activities are fully and correctly recorded in the records of the municipality.
67. The financial statements were subject to material corrections resulting from the audit process, which are attributable to weaknesses in the design and implementation of internal control in respect of financial management and financial reporting and weaknesses in the information system of the municipality.
68. The accounting officer did not regularly review and monitor management's compliance with applicable laws and regulations and internally designed policies and procedures. As a result, significant non-compliance issues were noted that could have been prevented.

Governance

69. Although the municipality had an internal audit division, it was not adequately resourced and functioning to identify internal control deficiencies and provide recommendations.

Auditor - General

Bloemfontein

30 November 2012



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence



Phumelela Local Municipality
(Registration number :Demarcation number: FS 195)
Annual Financial Statements
for the year ended 30 June 2012



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

General Information

Legal form of entity	Local municipality
Nature of business and principal activities	Providing municipal services and maintaining the best interests of the local community mainly in the Vrede area.
Mayoral committee	
Executive Mayor	Mr T.J. Motaung
Councillors	Mrs T. R. Zwane Mr M. D. Kobeni Ms O.A. Mokoena Mrs T.N. Masiteng Mrs J.M. Ngwanya - Sithebe Mrs D.A. Wessels Mr T.E. Radebe Mr S.M. Zwane Mr A.D. Radebe Mr L.M. Msimanga Mr O.S. Tshabalala Mr D.M. Nkabinde Ms J.M Mofokeng Mr S.E. Tshabalala
Grading of local authority	Low Capacity Grade 1 in terms of the Remuneration of Public Office Bearers Act
Chief Finance Officer (CFO)	Mr S.A Nyapholi
Accounting Officer	Mr. T.M. Moremi
Registered office	Civic Centre Cnr. Prinsloo and Kuhn Streets Vrede 9835
Business address	Civic Centre Cnr. Prinsloo and Kuhn Streets Vrede 9835
Postal address	Private Bag X5 Vrede 9835
Bankers	ABSA Bank Ltd
Auditors	Auditor-General - Free State



Phumelela Local Municipality

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act 2003 (Act 56 of 2003)
MIG	Municipal Infrastructure Grant (Previously CMIP)



Phumelela Local Municipality

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Accounting Officer's Responsibilities and Approval

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

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

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and 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 annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2013 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 123.

The annual financial statements set out on pages 123-193, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2012 and were signed by him:

Accounting Officer
T.M Moremi



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2012.

1. Review of activities

Main business and operations

The municipality is engaged in providing municipal services and maintaining the best interests of the local community mainly in the Vrede area. and operates principally in South Africa.

The operating results for the year were satisfactory for the following reasons. The financial position of the municipality is fair.

Net surplus of the municipality was R 9,419,869 (2011: surplus R 23,494,750).

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

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

4. Accounting Officer's interest in contracts

None.

5. Accounting policies

The annual financial statements have been prepared in accordance with the South African Statements of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with the Municipal Finance Management Act (Act 56 of 2003).

6. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name

Mr. T.M. Moremi

7. Auditors

Auditor-General - Free State will continue in office for the next financial period.



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Statement of Financial Position

Figures in Rand	Note(s)	2012	2011
Assets			
Current Assets			
Inventories	10	25,910,116	25,838,655
Financial assets	7	-	708,318
Receivables from exchange transactions	11	2,575,332	9,634,024
Other receivables from non-exchange transactions	12	3,485,438	653,249
VAT receivable	13	1,762,461	1,130,049
Consumer debtors	14	1,955,441	4,975,000
Cash and cash equivalents	15	6,571,155	3,332,634
		42,259,943	46,271,929
Non-Current Assets			
Investment property	4	35,691,063	35,691,063
Property, plant and equipment	5	306,853,660	321,503,398
Intangible assets	6	103,599	15,287
Financial assets	7	668,133	172,639
		343,316,455	357,382,387
Non-current assets held for sale and assets of disposal groups		-	17,631
Total Assets		385,576,398	403,671,947
Liabilities			
Current Liabilities			
Financial liabilities	16	182,425	131,567
Finance lease obligation	17	403,551	358,703
Payables from exchange transactions	20	55,320,099	41,290,917
Consumer deposits	21	236,820	234,172
Conditional grants and receipts	18	1,834,296	4,852,327
		57,977,191	46,867,686
Non-Current Liabilities			
Financial liabilities	16	1,318,117	1,433,130
Finance lease obligation	17	1,225,956	1,634,083
Retirement benefit obligation	9	2,040,000	1,803,000
Provisions	19	7,600,000	6,744,764
		12,184,073	11,614,977
Total Liabilities		70,161,264	58,482,663
Net Assets		315,415,134	345,189,284
Net Assets			
Accumulated surplus		315,415,134	345,189,284



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Statement of Financial Performance

Figures in Rand	Note(s)	2012	2011
Revenue			
Sale of goods		-	2,400
Rendering of services		4,287,557	470,422
Property rates	24	6,075,667	5,798,747
Service charges	25	23,978,308	20,261,124
Rental of facilities and equipment		1,298,625	905,669
Interest received (trading)		2,697,179	2,113,738
Public contributions and donations		2,295,000	-
Fines		96,048	87,196
Licences and permits		28,948	13,099
Government grants & subsidies	26	81,843,831	79,920,418
Other income	27	621,839	7,715,963
Interest received - investment	33	40,603	210,759
Total income		123,263,605	117,499,535
Expenditure			
Personnel	30	(28,199,933)	(22,752,924)
Remuneration of councillors	31	(4,221,220)	(3,048,361)
Depreciation and amortisation	34	(17,082,377)	(16,531,258)
Finance costs	36	(468,203)	(486,242)
Debt impairment	32	(20,011,622)	(11,719,645)
Repairs and maintenance		(8,264,807)	(8,054,321)
Bulk purchases	39	(16,106,106)	(12,857,472)
Contracted services	38	(2,469,803)	(2,077,372)
Operating grant expenditure		(2,282,415)	(2,833,819)
General Expenses	28	(14,737,250)	(13,643,372)
Total Expenditure		(113,843,736)	(94,004,786)
Surplus for the year		9,419,869	23,494,749



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2010	321,694,535	321,694,535
Changes in net assets		
Surplus/(deficit) for the period	23,494,749	23,494,749
Total changes	23,494,749	23,494,749
Opening balance as previously reported	345,189,285	345,189,285
Adjustments		
Change in accounting policy	(39,194,020)	(39,194,020)
Balance at 01 July 2011 as restated	305,995,265	305,995,265
Changes in net assets		
Surplus/(deficit) for the period	9,419,869	9,419,869
Total changes	9,419,869	9,419,869
Balance at 30 June 2012	315,415,134	315,415,134



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Cash Flow Statement

Figures in Rand	Note(s)	2012	2011
Cash flows from operating activities			
Receipts			
Sale of goods and services		40,524,057	13,238,047
Grants		76,306,000	79,920,418
Interest income		40,603	210,759
Other receipts		-	5,266,963
		<u>116,870,660</u>	<u>98,636,187</u>
Payments			
Employee costs		(31,848,767)	(25,801,285)
Suppliers		(39,390,828)	(30,379,786)
Finance costs		(468,203)	(486,242)
Other payments		-	(1,176,412)
		<u>(71,707,798)</u>	<u>(57,843,725)</u>
Net cash flows from operating activities	40	<u>45,162,862</u>	<u>40,792,462</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(1,580,824)	(236,932)
Purchase of other intangible assets	6	(124,799)	(22,572)
Proceeds from sale of financial assets		212,824	(65,973)
Recognition of assets: Implementation of GRAP 17		(40,004,107)	(40,877,424)
Net cash flows from investing activities		<u>(41,496,906)</u>	<u>(41,202,901)</u>
Cash flows from financing activities			
Repayment of financial liabilities		(64,155)	(126,731)
Finance lease payments		(363,279)	1,992,786
Net cash flows from financing activities		<u>(427,434)</u>	<u>1,866,055</u>
Net increase/(decrease) in cash and cash equivalents		3,238,522	1,455,616
Cash and cash equivalents at the beginning of the year		3,332,634	1,877,017
Cash and cash equivalents at the end of the year	15	<u>6,571,156</u>	<u>3,332,633</u>



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

1.1 Significant judgements and sources of estimation uncertainty

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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 19 - 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 the loan 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 9.

Effective interest rate

The municipality used the borrowing 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.



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.2 Investment property (continued)

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 at no cost or for a nominal cost, 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.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Property - land	50 years
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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.

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.

Transitional provision

The municipality changed its accounting policy for investment property in 2012. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure investment property for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Investment property. Investment property has accordingly been recognised at provisional amounts, as disclosed in 4. The transitional provision expires on 30 June 2012.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where investment property was acquired through a transfer of functions, the municipality is not required to measure that investment property for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2012 and investment property has accordingly been recognised at provisional amounts, as disclosed in 4.

Until such time as the measurement period expires and investment property is recognised and measured in accordance with the requirements of the Standard of GRAP on Investment property, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Investment property implies that any associated presentation and disclosure requirements need not be complied with for investment property not measured in accordance with the requirements of the Standard of GRAP on Investment property.



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.3 Property, plant and equipment

Items of 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.

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.

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.

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

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 are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

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	Estimated useful life
Land and buildings	
• Land	Not applicable
• Buildings	15 - 50 Years
Infrastructure assets	
• Electricity	15 - 50 Years
• Roads	30 Years
• Water	20 Years
• Sewerage	12 - 50 Years



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.3 Property, plant and equipment (continued)

Other assets

• Office equipment	5 Years
• IT Equipment	3 Years
• Other Assets	2 - 5 Years
• Furniture and fittings	5 - 10 Years
• Motor vehicles	5 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 property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising 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.

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 cash flow statement.

Transitional provision

The municipality changed its accounting policy for property, plant and equipment in 2012. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure property, plant and equipment for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Property, plant and equipment. Property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in 5. The transitional provision expires on 30 June 2012.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where property, plant and equipment was acquired through a transfer of functions, the municipality is not required to measure that property, plant and equipment for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2012 and property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in 5.

Until such time as the measurement period expires and property, plant and equipment is recognised and measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Property, plant and equipment implies that any associated presentation and disclosure requirements need not be complied with for property, plant and equipment not measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment.



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

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.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

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.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

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.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

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.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	3 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.5 Financial instruments

Classification

The entity classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through surplus or deficit - held for trading
- Held-to-maturity investment
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities at fair value through surplus or deficit - held for trading

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.5 Financial instruments (continued)

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

Regular way purchases of financial assets are accounted for at settlement date.

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit exclude dividends and interest.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in surplus or deficit as part of other income. Dividends received on available-for-sale equity instruments are recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Changes in fair value of available-for-sale financial assets denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost and other changes in the carrying amount. Translation differences on monetary items are recognised in surplus or deficit, while translation differences on non-monetary items are recognised in equity.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.5 Financial instruments (continued)

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Loans to (from) economic entities

Loans to economic entities are classified as loans and receivables.

Loans from economic entities are classified as financial liabilities measured at amortised cost.

Receivables from exchange transactions

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.5 Financial instruments (continued)

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Financial liabilities and equity instruments

Financial liabilities are classified according to the substance of contractual agreements entered into. Trade and other payables are stated at their nominal value. Equity instruments are recorded at the amount received, net of direct issue costs.

Impairment of financial assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried 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 (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.6 Tax

Value added tax (VAT)

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

1.7 Leases

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

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.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.7 Leases (continued)

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.

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.

1.8 Inventories

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

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 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.

1.9 Employee benefits

Short-term employee benefits

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

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

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



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.9 Employee benefits (continued)

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

1.10 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

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

Provisions are not recognised for future operating deficits.



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.10 Provisions and contingencies (continued)

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.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

1.11 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.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, is recognised when:

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

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.12 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.

Measurement

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



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.12 Revenue from non-exchange transactions (continued)

Rates, including collection charges and penalties interest

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

- it is probable that 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.

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.



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.12 Revenue from non-exchange transactions (continued)

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-imbursment basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

1.13 Investment income

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

1.14 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.

1.15 Comparative figures

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

1.16 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17 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.

1.18 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



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.18 Irregular expenditure (continued)

- (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.

1.19 Use of estimates

The preparation of annual 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 annual financial statements are disclosed in the relevant sections of the annual 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.

1.20 Presentation of currency

These annual financial statements are presented in South African Rand.

1.21 Offsetting

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

1.22 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.



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.23 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.

1.24 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.25 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.

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

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the annual financial statements.

1.26 Commitments

Commitments may be referred to as the intention to commit to an outflow from the agency of resources embodying economic benefits.

A commitment arises when a decision is made to incur a liability. Such a decision is evidenced by, but not limited to, actions taken to determine the amount of the eventual resource outflow or a reliable estimate.

Assets to be acquired and liabilities to be incurred as a result of a commitment are generally not recognized until at least one of the parties has performed under an agreement.

A commitment becomes a liability when the intention to agree to an outflow of resources embodying economic benefits becomes a present obligation.

Commitments are not recognized but are disclosed in the Annual Financial Statements.



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand 2012 2011

2. Changes in accounting policy

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

- GRAP 12 Inventories
- GRAP 16 Investment Properties
- GRAP 17 Property, plant and equipment
- GRAP 26 Impairment of cash generating assets
- GRAP 102 Intangible assets
- GRAP 103 Heritage assets

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2012 is as follows:

Statement of financial position

Inventories

Previously stated	-	6,756,720
Adjustment	25,900,465	19,081,935
	25,900,465	25,838,655

Investment properties

Previously stated	-	35,933,438
Adjustment	35,691,063	(242,375)
	35,691,063	35,691,063

Property, plant and equipment

Previously stated	-	185,842,677
Adjustment	306,853,660	135,660,721
	306,853,660	321,503,398

Impairment of cash generating assets

Adjustment	96,170	-
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Intangible assets

Adjustment	103,599	15,287
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Heritage assets

Adjustment	2,010	2,010
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Statement of Financial Performance

Depreciation and amortisation

Previously stated	-	(284,669)
Adjustment	(17,082,377)	(16,246,589)
	(17,082,377)	(16,531,258)



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

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 12 (as revised 2010): Inventories

The revision resulted in various terminology and definition changes.

Cost formulas:

Paragraph .34 was amended and .35 was added to separate the principle from the exception when applying the cost formula for inventories with a similar nature and use to the entity.

Recognition as an expense:

Where reference has been made to 'net realisable value', 'current replacement cost' has been added.

Fair value measurement:

The appendix on how to determine fair value has been deleted.

All amendments to be applied retrospectively

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 annual financial statements.

The impact of the amendment is set out in note 2 Changes in Accounting Policy.

GRAP 16 (as revised 2010): Investment Property

The revision resulted in various terminology and definition changes.

Recognition of investment property:

- Additional commentary has been included in paragraph .19 and .20 to explain paragraph .18 that outlines the recognition criteria for investment property.
- This Standard includes investment property under construction as it was inconsistent with the requirement that investment property being redeveloped was still within the scope of this Standard, but not the initial development. As a result paragraphs .10 and .11 were amended, paragraphs .60 and .61 inserted, and paragraphs .25 and .65(e) of the original text deleted.
- The measurement principles were also amended accordingly to allow investment property under construction to be measured at cost if fair value cannot be measured reliably, until such time as the fair value can be measured reliably.
- Additional guidance has been included in the examples of investment property to clarify that the rentals earned do not have to be on a commercial basis or market related for the property to be classified as investment property.

Disclosure:

Entities are encouraged, rather than required, to disclose the fair value of investment property when this is materially different from the carrying amount.

Amendments to be applied as follow:

- Paragraphs .10(e), .54, .59, .62 and .65 were amended, paragraphs .60 and .61 were added and paragraph .25 and .11 (d) of the original text (2004) was deleted by the Improvements to GRAP issued in 1 April 2011. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 April 2011. If an entity elects to apply these amendments earlier, it shall disclose this fact. The related amendment to paragraph .05 in the Standard of GRAP on Property, Plant and Equipment is also applied earlier.
- Any other amendments to the Standards of GRAP shall be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 annual financial statements.



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

The impact of the amendment is set out in note 2 Changes in Accounting Policy.

GRAP 17 (as revised 2010): Property, Plant and Equipment

The revision resulted in various terminology and definition changes.

Scope:

- The recognition and measurement of exploration and evaluation assets have been added to the scope exclusions.
- Investment properties under construction have been removed from the scope.

Measurement at initial recognition:

Paragraph .23 and .24 have been amended to clarify that the guidance applicable to determine fair value for revalued assets applies equally to the initial measurement of items of property, plant and equipment at fair value.

Depreciable amount and depreciation period:

An additional paragraph has been added to clarify that 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.

Derecognition:

- The requirement to not classify gains from the disposal of property, plant and equipment as revenue, has been removed.
- Paragraph .79 has been added in line with the IASB Improvements Project to clarify that where assets are held for rental to others in the ordinary course of operations and the entity subsequently sells the assets, the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations does not apply. Rather, these assets are to be transferred and treated in accordance with the Standard of GRAP on Inventories.

Disclosures:

- The required disclosures in paragraph .90 have been amended to encouraged disclosures. Added to the list of encourage disclosures is the fair value disclosure of assets where the cost model is used.
- The requirement to disclose the cost basis for revaluated assets was removed.

Amendments to be applied as follow:

- Paragraphs .05, .23 and .24 were amended and paragraph .79 was added by the Improvements to GRAP issued in 1 April 2011. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 April 2011. If an entity elects to apply these amendments earlier, it shall disclose this fact.
- Any other amendments to the Standards of GRAP shall be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 annual financial statements.

The impact of the amendment is set out in note 2 Changes in Accounting Policy.

3.2 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

GRAP 103: Heritage Assets

Grap 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset should be recognised as an asset only if:

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



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

The standard required judgment in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

Grap 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the standard, an entity has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the entity from determining the fair value.

Grap 103 prescribes that when determining the fair value of a heritage asset that has more than one purpose, the fair value should reflect both the asset's heritage value and the value obtained from its use in the production or supply of goods or services or for administrative purposes.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase should be credited directly to a revaluation surplus. However, the increase should be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognised in surplus or deficit. However, the decrease should be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Grap 103 states that a heritage asset should not be depreciated but an entity should assess at each reporting date whether there is an indication that it may be impaired.

In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset's deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The entity should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be derecognised:

- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has early adopted the standard for the first time in the 2012 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 21: Impairment of non-cash-generating assets

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



Phumelela Local Municipality

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3. New standards and interpretations (continued)

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

An 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, an entity estimates the recoverable service amount of the asset.

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

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.

An 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, an entity estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has early adopted the standard for the first time in the 2012 annual financial statements.

The impact of the standard is not material.

GRAP 26: Impairment of cash-generating assets

Cash-generating assets are those assets held by an 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.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

An entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, an municipality estimates the recoverable amount of the asset. When estimating the value in use of an asset, an municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and an municipality applies the appropriate discount rate to those future cash flows.

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.

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, an 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, an entity 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



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

- 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.

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.

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.

A 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, a municipality estimates the recoverable amount of that asset.

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.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has early adopted the standard for the first time in the 2012 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

3.3 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after
• IGRAP 11: Consolidation – Special purpose entities	01 April 2014
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2014
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2014
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2014
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2014
• GRAP 1 (as revised 2012): Presentation of Financial Statements	01 April 2013
• GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	01 April 2013
• GRAP 7 (as revised 2012): Investments in Associates	01 April 2013
• GRAP 9 (as revised 2012): Revenue from Exchange Transactions	01 April 2013
• GRAP 13 (as revised 2012): Leases	01 April 2013
• GRAP 16 (as revised 2012): Investment Property	01 April 2013
• GRAP 17 (as revised 2012): Property, Plant and Equipment	01 April 2013
• GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)	01 April 2013
• GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	01 April 2013



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Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

- IGRAP16: Intangible assets website costs 01 April 2013

3.4 Standards and interpretations not yet effective or relevant

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

Standard/ Interpretation:	Effective date: Years beginning on or after
• GRAP 18: Segment Reporting	01 April 2013
• GRAP 105: Transfers of functions between entities under common control	01 April 2014
• GRAP 106: Transfers of functions between entities not under common control	01 April 2014
• GRAP 107: Mergers	01 April 2014
• GRAP 20: Related parties	01 April 2013



Phumelela Local Municipality

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4. Investment property

	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	35,933,438	(242,375)	35,691,063	35,933,438	(242,375)	35,691,063

Reconciliation of investment property - 2012

	Opening balance	Total
Investment property	35,691,063	35,691,063

Reconciliation of investment property - 2011

	Opening balance	Depreciation	Total
Investment property	35,933,438	(242,375)	35,691,063

Pledged as security

Carrying value of assets pledged as security:

No Investment Property assets were pledged as security.

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.

5. Property, plant and equipment

	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	10,746,000	-	10,746,000	10,746,000	-	10,746,000
Buildings	17,702,362	(1,758,158)	15,944,204	17,702,362	(1,758,158)	15,944,204
Plant and machinery	2,886,763	(1,304,742)	1,582,021	2,189,442	(675,818)	1,513,624
Furniture and fixtures	2,921,992	(1,105,802)	1,816,190	2,607,348	(594,217)	2,013,131
Motor vehicles	3,926,791	(1,863,331)	2,063,460	3,926,791	(1,103,566)	2,823,225
IT equipment	1,489,132	(648,153)	840,979	933,372	(273,792)	659,580
Infrastructure	329,630,106	(55,771,310)	273,858,796	329,630,106	(41,828,482)	287,801,624
Heritage	2,010	-	2,010	2,010	-	2,010
Total	369,305,156	(62,451,496)	306,853,660	367,737,431	(46,234,033)	321,503,398



Phumelela Local Municipality

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Notes to the Annual Financial Statements

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5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Depreciation	Impairment loss	Theft	Total
Land	10,746,000	-	-	-	-	10,746,000
Buildings	15,944,204	-	-	-	-	15,944,204
Plant and machinery	1,513,624	697,321	(532,754)	(96,170)	-	1,582,021
Furniture and fixtures	2,013,131	314,644	(511,585)	-	-	1,816,190
Motor vehicles	2,823,225	-	(759,765)	-	-	2,063,460
IT equipment	659,580	568,859	(375,070)	-	(12,390)	840,979
Infrastructure	287,801,624	-	(13,942,828)	-	-	273,858,796
Heritage	2,010	-	-	-	-	2,010
	321,503,398	1,580,824	(16,122,002)	(96,170)	(12,390)	306,853,660



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

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5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Depreciation	Total
Land	10,746,000	-	-	10,746,000
Buildings	16,530,257	-	(586,053)	15,944,204
Plant and machinery	1,751,680	177,302	(415,358)	1,513,624
Furniture and fixtures	2,579,409	27,939	(594,217)	2,013,131
Motor vehicles	3,534,391	-	(711,166)	2,823,225
IT equipment	819,464	31,691	(191,575)	659,580
Infrastructure	301,744,450	-	(13,942,826)	287,801,624
Heritage	2,010	-	-	2,010
	337,707,661	236,932	(16,441,195)	321,503,398

Pledged as security

None of the assets have been pledged as security.

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

6. Intangible assets

	2012			2011		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Intangible assets	147,371	(43,772)	103,599	22,572	(7,285)	15,287



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand 2012 2011

6. Intangible assets (continued)

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Amortisation	Total
Intangible assets	15,287	124,799	(36,487)	103,599

Reconciliation of intangible assets - 2011

	Opening balance	Additions	Amortisation	Total
Intangible assets	-	22,572	(7,285)	15,287



Phumelela Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2012	2011
7. Financial assets		
Available-for-sale		
Unlisted shares At cost	668,133	172,639
Held to maturity		
Other financial assets	-	708,318
Total other financial assets	668,133	880,957
Non-current assets		
Available-for-sale	668,133	172,639
Current assets		
Held to maturity	-	708,318
	668,133	880,957

Fair value information

Financial assets at fair value through surplus or deficit are recognised at fair value, which is therefore equal to their carrying amounts.

Fair value hierarchy of financial assets at fair value through surplus or deficit

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements.

Level 1 represents those assets which are measured using unadjusted quoted prices for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (as prices) or indirectly (derived from prices).

Level 3 applies inputs which are not based on observable market data.

Level 2

Unlisted Investments	668,153	880,957
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Fair value information

Available-for-sale financial assets are recognised at fair value, unless they are unlisted equity instruments and the fair value cannot be determined using other means, in which case they are measured at cost. Fair value information is not provided for these financial assets.

For debt securities classified as available-for-sale, the maximum exposure to credit risk at the reporting date is the fair value.

Available-for-sale equity investments not at fair value

Fair value information has not been provided for equity instruments that do not have a quoted market price and for which a fair value cannot be measured reliably.

The carrying amount of these financial instruments is as follows:

Vrystaat Koop Ltd		
Shares	5,000	5,000

The maximum exposure to credit risk at the reporting date is the carrying amount of the held to maturity financial assets.



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
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7. Financial assets (continued)

Fair value of held to maturity investments

Sanlam Investment	-	172,659
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The municipality has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

8. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2012

	Loans and receivables	Available-for- sale	Total
Other financial assets (non-current)	-	668,153	668,153
Trade and other receivables from exchange transactions	2,575,332	-	2,575,332
Consumer Receivables	3,893,370	-	3,893,370
Cash and cash equivalents	6,071,155	-	6,071,155
	12,539,857	668,153	13,208,010



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand 2012 2011

8. Financial assets by category (continued)

2011

	Loans and receivables	Held to maturity investments	Available-for- sale	Total
Other financial assets (current)	-	708,318	-	708,318
Other financial assets (non-current)	-	-	172,659	172,659
Other receivables from exchange transactions	9,634,024	-	-	9,634,024
Consumer receivables	4,974,999	-	-	4,974,999
Cash and cash equivalents	3,332,634	-	-	3,332,634
	17,941,657	708,318	172,659	18,822,634

9. Employee benefit obligations

Defined benefit plan

It is the policy of the municipality to provide retirement benefits to all its employees who elect to participate in the different available schemes. A number of defined contribution provident funds, all of which are subject to Pensions Fund Act, exist for this purpose. The majority of employees belong to three defined benefit retirement funds. One fund is administered by the Provincial Pension Fund. The last actuarial valuation was dated 30 June 2011.

The municipality is under no obligation to cover any unfunded benefits

Post retirement medical aid plan

The municipality contributes on a monthly basis to the following medical aid scheme:

Keyhealth

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(2,040,000)	(1,803,000)
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The fair value of plan assets includes:

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	(1,803,000)	(1,582,000)
Net expense recognised in the statement of financial performance	(237,000)	(221,000)
Closing balance	(2,040,000)	(1,803,000)

Net expense recognised in the statement of financial performance

Current service cost	202,000	-
Interest cost	(152,000)	-
Actuarial gains/(losses)	(287,000)	(221,000)
Total included in employee related costs	(237,000)	(221,000)



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
9. Employee benefit obligations (continued)		
Key assumptions used		
Assumptions used at the reporting date:		
Discount rates used	1.41 %	1.61 %
Expected rate of return on assets	8.25 %	8.90 %
Assumed Medical Inflation	6.75 %	7.15 %
10. Inventories		
Consumable stores	835,286	720,999
Water	48,830	91,656
Unsold Properties Held for Resale	25,026,000	25,026,000
	25,910,116	25,838,655
11. Receivables from exchange transactions		
Trade debtors	1,992,383	1,889,738
Sundry debtors	582,949	28,323
Krynaauwslust Boerdery Trust	-	7,715,963
	2,575,332	9,634,024
Credit quality of trade and other receivables		
The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:		
None of the financial assets that are fully performing have been renegotiated in the last year.		
12. Other receivables from non-exchange transactions		
Government grants and subsidies	3,485,438	653,249
13. VAT receivable		
VAT receivable	1,762,461	1,130,049



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
14. Consumer debtors		
Gross balances		
Rates	11,195,298	9,770,645
Electricity	2,665,143	2,128,919
Water	17,898,872	11,464,775
Sewerage	18,596,997	14,666,008
Refuse	19,952,686	15,757,670
Other	411,043	386,196
Housing rental	103,762	74,493
Deposits no receipts	6,360	(410,608)
	70,830,161	53,838,098
Less: Provision for debt impairment		
Rates	(8,604,824)	(6,500,623)
Electricity	(2,525,262)	(1,590,215)
Water	(17,817,963)	(11,200,952)
Sewerage	(18,373,387)	(14,240,556)
Refuse	(19,819,234)	(15,330,038)
Other	(1,734,050)	(714)
	(68,874,720)	(48,863,098)
Net balance		
Rates	2,590,474	3,270,022
Electricity	139,881	538,704
Water	80,909	263,823
Sewerage	223,610	425,452
Refuse	133,452	427,632
Business service levies	411,043	386,196
Housing rental	103,762	74,493
Other (specify)	(1,727,690)	(411,322)
	1,955,441	4,975,000
Rates		
Current (0 -30 days)	521,727	658,590
31 - 60 days	223,754	282,451
61 - 90 days	1,338,609	1,689,760
91 - 120 days	224,168	282,973
121 - 365 days	282,216	356,248
	2,590,474	3,270,022
Electricity		
Current (0 -30 days)	59,944	230,852
31 - 60 days	41,711	160,635
61 - 90 days	18,423	70,948
91 - 120 days	16,804	64,715
121 - 365 days	2,999	11,554
	139,881	538,704



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
14. Consumer debtors (continued)		
Water		
Current (0 -30 days)	5,794	18,892
31 - 60 days	27,424	89,424
61 - 90 days	33,354	108,759
91 - 120 days	7,686	25,062
121 - 365 days	6,651	21,686
	80,909	263,823
Sewerage		
Current (0 -30 days)	94,866	180,498
31 - 60 days	71,326	135,709
61 - 90 days	51,117	97,258
91 - 120 days	6,301	11,987
	223,610	425,452
Refuse		
Current (0 -30 days)	44,643	143,823
31 - 60 days	44,907	144,673
61 - 90 days	35,607	114,712
91 - 120 days	8,295	24,424
	133,452	427,632
Other		
Current (0 -30 days)	30,716	35,678
31 - 60 days	32,576	30,023
61 - 90 days	21,060	19,376
91 - 120 days	23,756	21,894
121 - 365 days	302,935	279,225
	411,043	386,196
Housing rental		
Current (0 -30 days)	5,375	3,859
31 - 60 days	5,375	3,859
61 - 90 days	2,451	1,760
91 - 120 days	2,451	1,760
121 - 365 days	2,451	1,760
> 365 days	85,659	61,495
	103,762	74,493
Deposits no Receipts		
Current (0 -30 days)	(1,727,690)	(411,322)



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
14. Consumer debtors (continued)		
Summary of debtors by customer classification		
Consumers/Households		
Current (0 -30 days)	1,623,571	1,234,079
31 - 60 days	1,393,101	1,058,898
61 - 90 days	1,157,014	879,448
91 - 120 days	1,127,994	857,390
121 - 365 days	52,672,826	40,036,686
	57,974,506	44,066,501
Less: Provision for debt impairment	(58,755,049)	(41,683,709)
	(780,543)	2,382,792
Industrial/ commercial		
Current (0 -30 days)	331,645	252,084
31 - 60 days	140,579	106,854
61 - 90 days	613,071	465,996
91 - 120 days	108,170	82,220
121 - 365 days	11,052,805	8,401,252
	12,246,270	9,308,406
Less: Provision for debt impairment	(9,529,074)	(6,760,392)
	2,717,196	2,548,014
National and provincial government		
Current (0 -30 days)	37,379	28,412
31 - 60 days	31,086	23,628
61 - 90 days	26,117	19,851
91 - 120 days	13,603	10,340
121 - 365 days	501,196	380,960
	609,381	463,191
Less: Provision for debt impairment	(590,597)	(418,998)
	18,784	44,193
Total		
Current (0 -30 days)	1,992,595	1,514,575
31 - 60 days	1,564,766	1,189,381
61 - 90 days	1,796,206	1,365,295
91 - 120 days	1,249,766	949,949
121 - 365 days	64,226,827	48,818,898
	70,830,160	53,838,098
Less: Provision for debt impairment	(68,874,719)	(48,863,098)
	1,955,441	4,975,000
Less: Provision for debt impairment		
Current (0 -30 days)	(1,467,481)	(1,041,103)
31 - 60 days	(1,499,533)	(1,063,842)
61 - 90 days	(1,297,876)	(920,777)
91 - 120 days	(1,236,571)	(877,284)
121 - 365 days	(63,373,259)	(44,960,092)
	(68,874,720)	(48,863,098)



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
14. Consumer debtors (continued)		
Reconciliation of debt impairment provision		
Balance at beginning of the year	(48,863,098)	(37,021,873)
Contributions to provision	(20,700,885)	(12,593,066)
Debt impairment written off against provision	689,263	751,841
	(68,874,720)	(48,863,098)

Consumer debtors pledged as security

None of the consumers receivables were pledged as security.

15. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	68,498	6,390
Bank balances	1,349,663	171,603
Short-term deposits	5,152,994	3,154,641
	6,571,155	3,332,634

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2012	30 June 2011	30 June 2010	30 June 2012	30 June 2011	30 June 2010
ABSA Bank - Current	1,349,663	477,900	272,167	1,349,663	171,603	272,167
ABSA Bank - Money market	-	-	514,849	-	-	514,849
ABSA Bank Call Accounts	28,303	3,044,198	1,598,460	28,303	3,044,198	1,598,460
ABSA Bank Medium Term Deposit	4,241,449	110,443	-	4,241,449	110,443	-
First National Bank - 7 Day Interest Plus	509,159	-	-	509,159	-	-
First National Bank - Cheque account	374,083	-	-	374,083	-	-
Total	6,502,657	3,632,541	2,385,476	6,502,657	3,326,244	2,385,476

16. Financial liabilities

Measured at amortised cost

DBSA Loans	1,318,117	1,433,130
DBSA loan - short term portion	182,425	131,567
	1,500,542	1,564,697

Non-current liabilities

At amortised cost	1,318,117	1,433,130
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Current liabilities

At amortised cost	182,425	131,567
	1,500,542	1,564,697



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
17. Finance lease obligation		
Minimum lease payments due		
- within one year	533,880	533,880
- in second to fifth year inclusive	1,379,189	1,913,069
	1,913,069	2,446,949
less: future finance charges	(283,004)	(454,163)
Present value of minimum lease payments	1,630,065	1,992,786
Present value of minimum lease payments due		
- within one year	403,551	358,703
- in second to fifth year inclusive	1,226,514	1,634,083
	1,630,065	1,992,786
Non-current liabilities	1,225,956	1,634,083
Current liabilities	403,551	358,703
	1,629,507	1,992,786

It is municipality policy to lease certain equipment under finance leases.

The average lease term was 5 years and the average effective borrowing rate was 9% (2011: 9%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

Market risk

The fair value of finance lease liabilities approximates their carrying amounts.

18. Conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

DWAF Drought Relief	-	1,810,707
INEG	411,555	-
COGTA - Waste Disposal Site	-	219,574
Social Development Grant	602,847	602,847
COGTA - Water Treatment Plant Warden	819,894	2,219,199
	1,834,296	4,852,327

Movement during the year

Balance at the beginning of the year	4,852,327	4,109,967
Received during the year	76,306,000	32,938,512
Income recognition during the year	(79,594,031)	(33,076,152)
Previous amount deducted paid back	270,000	880,000
	1,834,296	4,852,327

The nature and extent of government grants recognised in the annual 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



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand 2012 2011

19. Provisions

Reconciliation of provisions - 2012

	Opening Balance	Additions	Total
Environmental rehabilitation	6,744,764	855,236	7,600,000

Reconciliation of provisions - 2011

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	450,000	6,294,764	6,744,764

There are three existing waste disposal sites, one in each town of Vrede, Memel and Warden. The waste disposal sites have to be closed due to them being unsuitable sites for waste disposal. A provision has been recognised to account for the closure cost estimate for both landfill sites. It is estimated that each landfill site will be closed after 30 Years and the discount rate used to calculate the provision is 12.68%.

20. Payables from exchange transactions

Trade payables	54,680,511	40,657,543
Deposits received	639,588	633,374
	55,320,099	41,290,917

21. Consumer deposits

Water	236,820	234,172
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Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand

2012

2011

22. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2012

	Financial liabilities at amortised cost	Total
Other financial liabilities	1,721,668	1,721,668
Trade and other payables	5,552,180	5,552,180
Consumer deposits	236,820	236,820
	7,510,668	7,510,668

2011

	Financial liabilities at amortised cost	Total
Other financial liabilities	1,992,786	1,992,786
Trade and other payables	41,290,915	41,290,915
Consumer deposits	234,172	234,172
	43,517,873	43,517,873

23. Revenue

Sale of goods	-	2,400
Rendering of services	4,287,557	470,422
Property rates	6,075,667	5,798,747
Service charges	23,978,308	20,261,124
Rental of facilities & equipment	1,298,625	905,669
Interest received – trading	2,697,179	2,113,738
Public contributions and donations	2,295,000	-
Fines	96,048	87,196
Licences and permits	28,948	13,099
Government grants & subsidies	81,843,831	79,920,418
	122,601,163	109,572,813

The amount included in revenue arising from exchanges of goods or services are as follows:

Sale of goods	-	2,400
Rendering of services	4,287,557	470,422
Service charges	23,978,308	20,261,124
Rental of facilities & equipment	1,298,625	905,669
Interest received – trading	2,697,179	2,113,738
Licences and permits	28,948	13,099
	32,290,617	23,766,452



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
23. Revenue (continued)		
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	6,075,667	5,798,747
Public contributions and donations	2,295,000	-
Fines	96,048	87,196
Transfer revenue		
Levies	81,843,831	79,920,418
	90,310,546	85,806,361
24. Property rates		
Rates received		
Residential	2,087,065	2,576,241
Small holdings and farms	3,988,602	3,222,506
	6,075,667	5,798,747
25. Service charges		
Sale of electricity	6,506,404	4,923,999
Sale of water	7,247,337	4,869,421
Solid waste	4,759,297	5,098,383
Sewerage and sanitation charges	5,170,670	5,369,321
Refuse removal	294,600	-
	23,978,308	20,261,124



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
26. Government grants and subsidies		
Equitable share	49,628,000	44,237,276
Finance Mangement Grant	1,300,000	3,000,000
Municipal System Information Grant	790,000	750,000
COGTA - CFO Grant	-	781,077
COGTA - Operating grant	1,399,304	-
DWAF	4,442,754	-
Social Development Grant	-	797,153
Thabo Mofutsanyana District Municipality	-	321,024
COGTA - Landfill sites	-	625,426
COGTA - Water Treatment Works Warden	-	698,335
Sedibeng Water - Sewerage network Warden	(111,246)	483,772
INEG	2,228,445	-
MIG	21,947,000	16,662,260
COGTA	219,574	11,564,095
	81,843,831	79,920,418

Equitable Share

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

MIG Grant

Balance unspent at beginning of year	-	454,260
Current-year receipts	21,947,000	15,328,000
Conditions met - transferred to revenue	(21,947,000)	(16,662,260)
Previous amount deducted paid back	-	880,000
	-	-



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
26. Government grants and subsidies (continued)		
DWAF - Drought relief		
Balance unspent at beginning of year	1,810,707	1,810,707
Current-year receipts	2,632,047	-
Conditions met - transferred to revenue	(4,442,754)	-
	-	1,810,707
COGTA - Landfill sites		
Balance unspent at beginning of year	219,574	445,000
Current-year receipts	(219,574)	400,000
Conditions met - transferred to revenue	-	(625,426)
	-	219,574
COGTA - Social development grant		
Balance unspent at beginning of year	602,847	1,400,000
Conditions met - transferred to revenue	-	(797,153)
	602,847	602,847
COGTA - Water treatment Warden		
Balance unspent at beginning of year	2,219,199	-
Current-year receipts	(1,399,305)	3,015,000
Conditions met - transferred to revenue	-	(698,335)
VAT - recovered from SARS	-	(97,466)
	819,894	2,219,199
Conditions still to be met - remain liabilities (see note 18).		
27. Other income		
Income awarded by Krynaauwslust Boerdery Trust	621,839	7,715,963



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
28. General expenses		
Advertising	266,715	196,358
Auditors remuneration	2,231,911	1,878,889
Bank charges	200,057	213,404
Chemicals	985,606	1,075,328
Community development and training	373,230	77,726
Conferences and delegations	58,350	130,986
Consulting and professional fees	1,512,707	1,842,538
Consumables	159,845	151,285
Debt collection commission	-	1,010
Entertainment	54,827	37,119
Flowers	3,500	10,601
Fuel and oil	1,175,126	767,974
Gifts	35,914	44,874
Hire	1,345,484	397,668
Debt collection commission	615,804	542,618
Lease rentals on operating lease	485,762	1,420,002
Magazines, books and periodicals	150	2,270
Medical expenses	653	714
Other expenses	532,704	122,230
Postage and courier	131,570	84,023
Printing and stationery	483,855	462,299
Protective clothing	397,956	400,697
Refuse	524,999	2,163,100
Royalties and license fees	-	805
Membership fees	141,124	131,148
Telephone and fax	1,413,917	805,533
Title deed search fees	23,440	10,970
Training	175,828	61,407
Travel and subsistence	1,406,216	609,796
	14,737,250	13,643,372



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
29. Operating surplus		
Operating surplus for the year is stated after accounting for the following:		
Operating lease charges		
Equipment		
• Contractual amounts	485,762	1,420,002
Depreciation on property, plant and equipment	16,840,002	16,531,258
Depreciation on investment property	242,375	-
Employee costs	32,421,153	25,801,285



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
30. Employee related costs		
Basic	19,826,322	17,183,487
Medical aid - company contributions	975,775	881,896
UIF contributions	206,253	165,079
WCA contributions	-	84,335
SDL	224,639	208,303
Other payroll levies	17,903	15,550
Leave pay provision charge	2,226,433	(890,457)
Post-employment benefits - Pension - Defined contribution plan	2,342,233	1,907,926
Overtime payments	1,381,677	1,271,256
Long-service awards	-	17,636
13th Cheques and other bonuses	-	1,052,005
Acting allowances	261,698	116,321
Car allowance	329,207	356,126
Housing benefits and allowances	35,553	34,029
Occupational Allowance	218,976	191,576
Standby Allowance	153,264	157,856
	28,199,933	22,752,924
Remuneration of the former municipal manager: Mrs M.J. Mthembu		
Annual Remuneration	217,012	494,880
Car Allowance	122,984	144,000
Performance and other bonuses	171,098	-
Company contributions to UIF, Medical and Pension Funds	6,357	-
Travel, motor car, accommodation, subsistence and other allowances	81,010	-
	598,461	638,880
Mrs M.J. Mthembu served as municipal manager until February 2012.		
Remuneration of municipal manager: Mr T.M. Moremi		
Annual Remuneration	444,477	224,714
Car Allowance	276,111	120,786
Company contributions to UIF, Medical and Pension Funds	106,435	-
Travel, motor car, accommodation, subsistence and other allowances	216,541	-
	1,043,564	345,500
Mr T.M. Moremi served as municipal manager from March 2012.		
Included in the employee cost in note 26 is the remuneration for the Municipal Manager and the Chief Financial Officer as set out above.		
Remuneration of chief financial officer		
Annual Remuneration	159,204	148,272
Performance and other bonuses	13,107	-
Company contributions to UIF, Medical and Pension Funds	35,438	-
Travel, motor car, accommodation, subsistence and other allowances	186,185	39,053
	393,934	187,325



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
31. Remuneration of councillors		
Executive Mayor	1,165,346	459,987
Speaker	310,477	186,023
Councillors	2,745,397	2,402,351
	4,221,220	3,048,361
In-kind benefits		
The Executive Mayor and Speaker are full-time.		
The Mayor has one full-time bodyguard.		
The Mayor has the use of a vehicle owned by the municipality for official duties.		
32. Debt impairment		
Contributions to debt impairment provision	20,011,622	11,719,645
33. Investment revenue		
Finance income		
Bank	40,603	210,759
34. Depreciation and amortisation		
Property, plant and equipment	16,840,002	16,531,258
Investment property	242,375	-
	17,082,377	16,531,258
35. Impairment of assets		
The main classes of assets affected by impairment losses are:		
Plant and machinery		
The main events and circumstances that led to the recognition of these impairment losses are as follows:		
An impairment loss was recognised on machinery and equipment, the impairment loss is due to damage caused to equipment due to lightning.		
36. Finance costs		
Non-current borrowings	411,093	352,356
Bank	57,110	133,886
	468,203	486,242
37. Auditors' remuneration		
Fees	2,231,911	1,878,889



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
38. Contracted services		
Information Technology Services	1,030,458	841,445
Fleet Services	69,295	78,380
Specialist Services	185,685	294,323
Other Contractors	1,184,365	863,224
	2,469,803	2,077,372
39. Bulk purchases		
Electricity	12,603,941	10,086,232
Water	3,502,165	2,771,240
	16,106,106	12,857,472



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
40. Cash generated from operations		
Surplus	9,419,869	23,494,749
Adjustments for:		
Depreciation and amortisation	17,082,377	16,531,258
Debt impairment	20,011,622	11,719,645
Movements in retirement benefit assets and liabilities	237,000	221,000
Movements in provisions	855,236	6,294,764
Loss from theft of assets	12,391	-
Changes in working capital:		
Inventories	(71,461)	(19,441,159)
Receivables from exchange transactions	7,058,692	(6,982,120)
Other receivables from non-exchange transactions	(2,832,189)	(522,397)
Consumer debtors	(16,992,063)	(12,821,824)
Payables from exchange transactions	14,029,183	1,005,404
VAT receivable / payable	(632,412)	1,463,263
Conditional grants and receipts	(3,018,031)	742,360
GRAP 17	2,648	5,584
Recognition of assets as per GRAP 17	-	19,081,935
	45,162,862	40,792,462
41. Commitments		
Authorised capital expenditure		
Approved and contracted for		
• Infrastructure	17,135,540	4,199,077
Approved but not yet contracted for		
• Infrastructure	23,665,097	39,448,200
• Community	-	16,044,798
• Heritage	-	1,800,000
	23,665,097	57,292,998
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	(53,256)	(319,535)
- in second to fifth year inclusive	-	(53,256)
	(53,256)	(372,791)
Operating lease payments represent rentals payable by the municipality for certain of its IT equipment. Leases are negotiated for an average term of three years.. No contingent rent is payable.		
Operating leases - as lessor (income)		
Minimum lease payments due		
- within one year	987,590	135,975
- in second to fifth year inclusive	250,210	36,750
- later than five years	1,400	2,600
	1,239,200	175,325

Certain of the municipality's properties is held to generate rental income. Rental of properties is expected to generate rental yields of 10% on an ongoing basis. Lease agreements are non-cancellable and have average terms of 2 years. There are no contingent rents receivable.



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
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42. Contingencies

Litigation is in process against the municipality to maintain the sewerage works at Warden as well to prevent / rehabilitate spillage on a farm in the vicinity of Vrede. There is a contingent liability of R25000000 which could be incurred to upgrade the sewerage works. Estimated legal costs amounts to R50000. The possibility of the municipality incurring a liability is big. There is no expected reimbursements.

Litigation is in process against the municipality relating to services rendered by a service provider of the municipality. The claim being made by the plaintiff amounts to R2932109, and the estimated legal costs amounts to R60000. The possibility of the municipality incurring a liability on this litigation is zero. There is no possibility of any reimbursements.

The municipality is currently part of a settlement dispute with a former employee who is claiming to have been unfairly dismissed. The settlement requested by the employee amounts to R1320000. The possibility of the employee being paid the amount of R1320000 is nil due to the settlement of R60000 being accepted by her.

The municipality has three dumping sites which are not registered under the National Environmental Management: Waste Act No. 59 of 2008. The possible loss which could be incurred by the municipality amounts to R10000000.

43. Change in estimate

Provision for environmental rehabilitation

The costs expected to be incurred to rehabilitate the landfill sites has changed. The estimate was retrospectively and the 2011 comparative figure is now R6744764.

The impact on tax is nil.

The impact on the cash flow statement is R855236.

44. Comparative figures

Certain comparative figures have been reclassified.

Property, plant and equipment and Investment property comparative figures have been adjusted, the assets of the municipality have been revalued and additional assets recognised with the Implementation of Grap 17. In addition Intangible Assets were identified and recognised. The comparative amount for depreciation and accumulated depreciation has been adjusted accordingly.

The effects of the reclassification are as follows:

Statement of financial position

Inventories	-	19,081,935
Consumer Debtors	-	457,313
Investment Property	-	(242,375)
Property, plant and equipment	-	135,660,721
Intangible assets	-	15,287
Trade and other payables from exchange transactions	-	457,317
Financial liabilities	-	(1,765,650)
Consumer deposits	-	(2,648)
Provisions	-	(5,241,764)

Statement of Financial Performance

Expenses	-	(16,246,589)
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45. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
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45. Risk management (continued)

Liquidity risk

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

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

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand 2012 2011

45. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The economic entity 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.

46. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

47. Unauthorised expenditure

Unauthorised expenditure - current year	20,791,736	33,863,487
Approval by Council or condoned	-	(33,863,487)
	20,791,736	-

48. Fruitless and wasteful expenditure

Opening balance	272,231	2,067,280
Fruitless and wasteful expenditure - current year	504,348	159,138
Condoned or written off by Council	-	(1,954,187)
Fruitless and wasteful expenditure - prior year	14,500	-
	791,079	272,231

49. Irregular expenditure

Opening balance	70,027,642	49,171,897
Irregular Expenditure - current year	40,037,283	39,315,083
Amounts condoned or written off by Council	-	(18,459,338)
	110,064,925	70,027,642



Phumelela Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2012	2011
49. Irregular expenditure (continued)		
Analysis of expenditure awaiting condonation per age classification		
Current year	40,037,283	39,315,083
Prior years	70,027,642	30,712,559
	110,064,925	70,027,642
50. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	-	131,148
Amount paid - current year	-	(131,148)
	-	-
Audit fees		
Opening balance	22,543	556,778
Current year subscription / fee	2,231,911	1,878,889
Amount paid - current year	(2,254,454)	(2,413,124)
	-	22,543
PAYE and UIF		
Current year subscription / fee	2,346,530	2,069,426
Amount paid - current year	(2,346,530)	(2,069,426)
	-	-
Pension and Medical Aid Deductions		
Current year subscription / fee	3,093,158	3,649,562
Amount paid - current year	(3,093,158)	(3,649,562)
	-	-
VAT		
VAT receivable	1,762,461	1,130,049

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand 2012 2011

50. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

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

30 June 2012	Outstanding less than 90 days	Outstanding more than 90 days	Total
T.J. Motaung	1,733	440	2,173
A.D. Radebe	2,921	11,969	14,890
L.M. Msimanga	259	47	306
J.M. Ngwenya-Sithebe	228	243	471
T.E. Radebe	525	1,007	1,532
	5,666	13,706	19,372

30 June 2011	Outstanding less than 90 days	Outstanding more than 90 days	Total
J.M. Ngwenya-Sithebe	328	3,721	4,049

51. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	1,500,542	1,564,697
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Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand

52. Statement of comparative and actual information

2012

Financial Performance

	Original budget	Budget adjustments (i.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Property rates	5,578,000	6,777,000	6,777,000	6,075,667		701,333	90 %	109 %
Service charges	25,830,000	26,927,000	26,927,000	23,978,308		2,948,692	89 %	93 %
Investment revenue	250,000	612,000	612,000	40,603		571,397	7 %	16 %
Transfers recognised - operational	55,346,000	56,249,000	56,249,000	59,677,257		(3,428,257)	106 %	108 %
Other own revenue	3,037,000	3,035,000	3,035,000	9,030,196		(5,995,196)	298 %	297 %
Total revenue (excluding capital transfers and contributions)	90,041,000	93,600,000	93,600,000	98,802,031		(5,202,031)	106 %	110 %
Employee costs	(28,391,000)	(28,349,000)	(28,349,000)	(28,199,933)	(149,067)	(149,067)	99 %	99 %
Remuneration of councillors	(3,567,000)	(3,653,000)	(3,653,000)	(4,221,220)	568,220	568,220	116 %	118 %
Debt impairment	(6,045,000)	(6,045,000)	(6,045,000)	(20,011,622)	13,966,622	13,966,622	331 %	331 %
Depreciation and asset impairment	(3,950,000)	(3,950,000)	(3,950,000)	(17,082,377)	13,132,377	13,132,377	432 %	432 %
Finance charges	(444,000)	(390,000)	(390,000)	(468,203)	78,203	78,203	120 %	105 %
Materials and bulk purchases	(12,621,000)	(13,209,000)	(13,209,000)	(16,106,106)	2,897,106	2,897,106	122 %	128 %
Transfers and grants	(3,521,000)	(3,521,000)	(3,521,000)	(2,282,415)	(1,238,585)	(1,238,585)	65 %	65 %
Other expenditure	(30,995,000)	(33,935,000)	(33,935,000)	(25,471,860)	(8,463,140)	(8,463,140)	75 %	82 %
Total expenditure	(89,534,000)	(93,052,000)	(93,052,000)	(113,843,736)	20,791,736	20,791,736	122 %	127 %
Surplus/(Deficit)	507,000	548,000	548,000	(15,041,705)		15,589,705	(2,745)%	(2,967)%



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand

52. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	-	-	-	22,166,574		(22,166,574)	DIV/0 %	DIV/0 %
Contributions recognised - capital and contributed assets	-	-	-	2,295,000		(2,295,000)	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	507,000	548,000	548,000	9,419,869		(8,871,869)	1,719 %	1,858 %
Surplus/(Deficit) for the year	507,000	548,000	548,000	9,419,869		(8,871,869)	1,719 %	1,858 %



Phumelela Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand

52. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows								
Net cash from (used) operating	35,550,700	35,550,700	35,550,700	45,162,862		(9,612,162)	127 %	127 %
Net cash from (used) investing	(36,475,900)	(36,475,900)	(36,475,900)	(41,496,906)		5,021,006	114 %	114 %
Net cash from (used) financing	-	-	-	(427,434)		427,434	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	(925,200)	(925,200)	(925,200)	3,238,522		(4,163,722)	(350)%	(350)%
Cash and cash equivalents at the beginning of the year	-	-	-	3,332,634		(3,332,634)	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	(925,200)	(925,200)	(925,200)	6,571,156		(7,496,356)	(710)%	(710)%



Appendix B

June 2012

**Analysis of property, plant and equipment as at 30 June 2012
Cost/Revaluation**

Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	10,746,000	-	-	-	-	-	10,746,000	-	-	-	-	-	-	10,746,000
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	17,702,362	-	-	-	-	-	17,702,362	(1,758,158)	-	-	-	-	(1,758,158)	15,944,204
	28,448,362						28,448,362	(1,758,158)					(1,758,158)	26,690,204
Infrastructure														
Infrastructure	329,630,106	-	-	-	-	-	329,630,106	(41,828,482)	-	-	(13,942,828)	-	(55,771,310)	273,858,796
Storm water Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastructure)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	329,630,106						329,630,106	(41,828,482)			(13,942,828)		(55,771,310)	273,858,796
Community Assets														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-



Appendix B
June 2012

Analysis of property, plant and equipment as at 30 June 2012
Cost/Revaluation
Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	-	-	-	-	-	-	2,010	-	-	-	-	-	-	2,010
Other	2,010	-	-	-	-	-	2,010	-	-	-	-	-	-	2,010
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
General vehicles	3,926,791	-	-	-	-	-	3,926,791	(1,103,566)	-	-	(759,765)	-	(1,863,331)	2,063,460
Plant & machinery	2,169,442	697,321	-	-	-	-	2,866,763	(675,818)	-	-	(628,924)	-	(1,304,742)	1,582,021
IT Equipment	932,663	568,859	-	-	-	(12,390)	1,489,132	(273,792)	-	-	(375,070)	-	(648,862)	796,112
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fixtures	2,607,348	314,644	-	-	-	-	2,921,992	(594,217)	-	-	(511,565)	-	(1,105,802)	1,816,190
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total property plant and equipment	9,656,244	1,580,824	-	-	-	(12,390)	11,224,678	(2,647,393)	-	-	(2,275,344)	-	(4,922,737)	6,257,783
Land and buildings	28,448,362	-	-	-	-	-	28,448,362	(1,758,158)	-	-	-	-	(1,758,158)	26,690,204
Infrastructure	329,630,106	-	-	-	-	-	329,630,106	(41,828,482)	-	-	(13,942,828)	-	(55,771,310)	273,858,796
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	2,010	-	-	-	-	-	2,010	-	-	-	-	-	-	2,010
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	9,656,244	1,580,824	-	-	-	(12,390)	11,224,678	(2,647,393)	-	-	(2,275,344)	-	(4,922,737)	6,257,783



Appendix D

June 2012

Segmental Statement of Financial Performance for the year ended
Prior Year **Current Year**

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand	Rand	Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
117,499,535	94,004,786	23,494,749	Total	123,263,605	113,853,388	9,410,217



Appendix E(1)

June 2012

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2012

	Forecast # 1 2012 Act. Bal.	Forecast # 1 2012 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Sale of goods	-	-	-	-	
Sale of goods in agricultural activities	-	-	-	-	
Rendering of services	4,287,557	-	4,287,557	-	
Rendering of services in agricultural activities	-	-	-	-	
Property rates	6,075,667	6,777,000	(701,333)	(10.3)	
Service charges	23,978,308	23,459,000	519,308	2.2	
Levies	-	-	-	-	
Property rates - penalties imposed and collection charges	-	-	-	-	
Sales of housing	-	-	-	-	
Construction contracts	-	-	-	-	
Royalty income	-	-	-	-	
Rental of facilities and equipment	1,298,625	702,000	596,625	85.0	
Interest received (trading)	2,697,179	2,615,000	82,179	3.1	
Dividends received	-	-	-	-	
Income from agency services	-	-	-	-	
Public contributions and donations	2,295,000	-	2,295,000	-	
Fines	96,048	111,000	(14,952)	(13.5)	
Licences and permits	28,948	40,000	(11,052)	(27.6)	
Government grants & subsidies	81,843,831	56,249,000	25,594,831	45.5	
Municipal Revenue UD1	-	-	-	-	
Municipal Revenue UD2	-	-	-	-	
Revenue 1	-	-	-	-	
Revenue 2	-	-	-	-	
Miscellaneous other revenue	-	-	-	-	
Administration and management fees received	-	-	-	-	
Fees earned	-	-	-	-	
Commissions received	-	-	-	-	
Royalties received	-	-	-	-	
Rental income	-	-	-	-	
Discount received	-	-	-	-	
Recoveries	-	-	-	-	
Other income 1	-	-	-	-	
Other income 2	-	-	-	-	
Other income 3	-	-	-	-	
Other income	621,839	3,035,000	(2,413,161)	(79.5)	
Other farming income 1	-	-	-	-	
Other farming income 2	-	-	-	-	
Other farming income 3	-	-	-	-	
Other farming income 4	-	-	-	-	
Other farming income	-	-	-	-	
Government grants	-	-	-	-	
Interest received - investment	40,603	612,000	(571,397)	(93.4)	



Appendix E(1)

June 2012

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2012

	Forecast # 1 2012 Act. Bal.	Forecast # 1 2012 Adjusted budget	Variance	Explanation of Significant Variances greater than 10% versus Budget
Interest received - other	-	-	-	-
Dividends received	-	-	-	-
	123,263,605	93,600,000	29,663,605	31.7
Expenses				
Personnel	(28,199,933)	(28,349,000)	149,067	(0.5)
Manufacturing - Employee costs	-	-	-	-
Remuneration of councillors	(4,221,220)	(3,653,000)	(568,220)	15.6
Administration	-	-	-	-
Transfer payments	-	-	-	-
Depreciation	(17,082,377)	(3,950,000)	(13,132,377)	332.5
Impairment	-	-	-	-
Amortisation	-	-	-	-
Impairments	-	-	-	-
Reversal of impairments	-	-	-	-
Finance costs	(468,203)	(390,000)	(78,203)	20.1
Debt impairment	(20,011,622)	(6,045,000)	(13,966,622)	231.0
Collection costs	-	-	-	-
Repairs and maintenance - Manufacturing expenses	-	-	-	-
Repairs and maintenance - General	(8,264,807)	-	(8,264,807)	-
Repairs and maintenance - General	-	-	-	-
Bulk purchases	(16,106,106)	(13,209,000)	(2,897,106)	21.9
Contracted Services	(2,469,803)	-	(2,469,803)	-
Grants and subsidies paid	(2,282,415)	(3,521,000)	1,238,585	(35.2)
Cost of housing sold	-	-	-	-
General Expenses	(14,737,250)	(33,935,000)	19,197,750	(56.6)
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
	(113,843,736)	(93,052,000)	(20,791,736)	22.3
Other revenue and costs	-	-	-	-
Net surplus/ (deficit) for the year	9,419,869	548,000	8,871,869	,619.0

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2012

Name of Grants	Name of organ of state or municipal	Quarterly Receipts			Quarterly Expenditure			Grants and Subsidies delayed /withheld			Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act		
		June	September	December	March	September	December	March	June			Yes/ No	
Financial Equitable Share	National Government		1300000	15909000	12929000	325000	325000	325000	325000			Yes	
Municipal Systems Improvement Grant	National Government		20791000	15909000	12929000	12407250	12407250	12407250	12407250			Yes	
INEG	National Government		790000			197500	197500	197500	197500			Yes	
DWARF	National Government		880000	1760000		557111	557111	557111	557111			Yes	
			1808259		823788	658012	658012	658012	658012			Yes	
			0	25569259	17669000	13752788	14144873	14144873	14144873	0	0	0	0

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.