



2013/14

# LAINGSBURG MUNICIPALITY ANNUAL REPORT



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# CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

## CHAPTER 1

### COMPONENT A: MAYOR'S FOREWORD

It is a privilege to be part of the presentation of the annual report of Laingsburg Municipality. The Annual Report was compiled in accordance with Section 46 of the Local government: Municipal Systems Act (No.32 of 2000) and Section 121 of the Local Government: Municipal Finance Management Act (No.56 of 2003).

The report is a document with valuable factual information and statistics on the municipal area of Laingsburg, the functions and operations of the municipality. The information can be used by the government, the municipality, businesses and organizations who want to invest and do business in Laingsburg. This is also valuable information for the local business and community organizations in Laingsburg.



I am proud of Laingsburg Municipality and what was achieved over the last 4 years. The municipality provides quality municipal services of very good standards that can be compared with the best in SA. New infrastructure is still being installed and improved and complies with a great extent to all the needs of our residents.

Council and administration are still giving ongoing attention to outstanding issues. The flood damage in 2014 that caused major damage could only be partially repaired due to promised disaster funds that have not been received.

As part of the preparations for the review of the Integrated Development Plan (IDP) for the 2013/ 2014 financial year, the municipality has ensured that the objectives of the municipality are aligned to all the relevant national, provincial and local strategies including the:

- Millennium Development Goals;
- National Development Plan;
- National Infrastructure Plan;
- Government outcomes 1-12;
- National Spatial Development Perspective (NSDP);
- Provincial Priorities (State of the Province Address); and
- Provincial Growth and Development Strategy (PGDS).



# CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

The analysis phase of the IDP review for the 2013/ 2014 financial year has been categorized according to the seven strategic goals as contained in the Provincial Growth and Development Strategy (PGDS), namely:

- Job Creation;
- Human Resource Development;
- Human and Community Development;
- Strategic Infrastructure;
- Response to Climate Change;
- Governance and Policy; and
- Spatial Equity.

Laingsburg Municipality continuously seeks methods to implement so to improve public participation and accountability. The IDP Representative Forum and the Ward Committee meetings remained the main vehicles which are used to drive public participation in the review of the IDP and performance targets. The year we conducted monthly Ward committee meetings, quarterly IDP representative forums as well as the IDP and Budget Roadshow. We have also implemented a Community Feedback section that takes place frequently to give feedback to the community of Laingsburg on arising matters.

The 2013/14 financial has been a success for the municipality as we now move forward in terms of strengthening our strategic plans and processes and in order to ensure that we adhere to our municipality's vision of creating a desirable place to live invest and visit, where all people enjoy a sustainable quality of life.

I would like to thank the Municipal Manager and relevant staff for the preparation of this report. The President at the end of 2014 made a call on municipalities "Back to basics" I think Laingsburg municipality is already there. I can ensure residents that Council and administration will continue to strive to provide the best services for its residents.

Greetings

Wilhelm Theron

**Executive Mayor**

# CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

## COMPONENT B: EXECUTIVE SUMMARY

### 1.1 MUNICIPAL MANAGER'S OVERVIEW

This Annual Report is a result of the implementation of the Council's adopted Integrated Development Plan (IDP), Budget and Service Delivery and Budget Implementation Plan for the 2013/2014 financial year. In its core, the report is an account of Laingsburg Municipality's achievements in the year under review, not neglecting to reflect on our challenges and failures as well. This report is therefore intended to indicate the collective efforts of the administrative and political arms of the Municipality in progressively addressing its core function which is to deliver services to the community.



Laingsburg Municipality is a category B Municipality in the Central Karoo District. Laingsburg municipality derives its functions and powers from sections 156 and 229 of the Constitution. Our powers and functions are to provide municipal services in an equitable and sustainable manner.

The Municipality works and shares functions with various Sector departments like the Department of Local Government, Human Settlements, Department of Sport and Culture, Provincial Treasury, Department of Transport and various other sector departments to address the needs of our community and as a collective we are able to render services of a good quality.

We are pleased to report that we received an unqualified audit opinion, with findings for the 2013/ 2014 financial year. This serves as a stable stride into our effort to obtain a clean audit in the current financial year. We are currently addressing all issues in order to comply with the government's clean audit vision for all organs of state. Management is working as a team and issues of audit queries are addressed throughout the year and appreciate the support of political leadership in striving to achieve a clean audit outcome,

The Municipality spent 88% of its Capital expenditure during 2013/2014 which is 18% more compared with the previous financial years. The Municipality has no external loans and was able to pay all municipal debtors. Debts Collection remain a challenge for the municipality especially for debt older than 30 days, but are looking at innovative ways improve credit control and debt collection.

The Accounting officer ensured that the municipality has and maintains effective, efficient and transparent system of financial, risk management and internal control. Risk Management was used as a valued tool which increases the institution's prospects of success through minimizing negative outcomes and optimizing opportunities.

The municipality has a Risk Management Policy and Fraud and Anti-Corruption Policy. These documents are reviewed annually.

# CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

A risk register which entails all risks which senior managers should address is compiled annually where significant risks are identified and prioritized every year. Below is Laingsburg Municipality's most significant risks assessment with development and implementation measure to mitigate them:

No.	Risk	Inherent	Residual	Control measures to Mitigate
1	Bribery and corruption resulting in financial losses	Maximum	High	Anti-Corruption Policies Awareness
				Risk Prevention and Detection Mechanisms
				Obtain Council Approval for Private Businesses
				Code of Conduct Sign-offs
2	<ul style="list-style-type: none"> <li>Small Revenue Base</li> <li>Revenue base proportionally decreasing in relation to population growth</li> <li>Financial sustainability for now and in the future</li> <li>Overdependence on grant funding</li> </ul>	Maximum	Extreme	Infrastructure Development Plans
				Infrastructure Development Business Plans Submissions
				Equitable Share Applications Restructurings
				Infrastructure Development Plans
3	Unauthorised issuing of licenses	Maximum	High	Corruption Prevention and Detective Mechanisms
				Anti-Corruption Awareness
				Supervisory Controls
				Proper System Access Controls
4	Theft of cash received	Maximum	Low	Regular Cash Counts
				Segregation of Duties
				Proper Supervisor Duties
				Anti-Corruption Awareness
				Timeously Depositing Procedures
				Code of Ethics Sign-offs
5	Insufficient segregation of duties due to limited resources (also Traffic, IT data and operations)	High	Extreme	Internal Fund Provisioning
				Approved Organogram
				Staff Placement Policy

**Table 1.:** Laingsburg Municipality's most significant risks assessment

The municipality achieved during the 2013/2014 financial year, a handover of a total number of 39 houses to beneficiaries in Matjiesfontein. The municipality took ownership of the Transnet houses in the area, and we upgraded a sewage plant, Bulk infrastructure for Matjiesfontein. The Municipality constructed and completed two mini sports complexes (Kickabouts) making Laingsburg the first to implement this project in the Central Karoo. The municipality has also implemented EPWP projects in line with national policy guidelines creating over 710 jobs.

However the year was not without its fair share of challenges, the flood that occurred in January of 2014 left many of the community in the cold and the infrastructure in turmoil. We as a Municipality with the help of other parties managed to

# CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

restore dignity and warmth to the community, the challenge we were left with was the funds not being made available to help with the repairing of the damage that occurred to the infrastructure of the Municipality.

Finally, all these achievements are accredited to the commitment made by the administration and the Councilors as well as the unprejudiced political climate in our Municipality. As Accounting Officer of the Laingsburg Municipality, I extend my heartfelt appreciation to the political leadership, The Mayor, Councilors and to the staff of the Municipality for their hard work and dedication, which determined the progress made by the Municipality during the 2013/14 financial year. Laingsburg Municipality is driven by the slogan that together we can make Laingsburg a better place and it is my privilege then to dedicate this Annual Report to the Community of Laingsburg, with the pledge that we will in the years to come still continue to improve in our actions that will make this town a better place to live in.

I sincerely thank you.

**Mr. P A Williams (Municipal Manager)**



# CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

## 1.2 MUNICIPAL OVERVIEW

This report addresses the performance of the Laingsburg Municipality in the Western Cape in respect of its core legislative obligations. Local government must create the participatory framework that defines and enhances the relationship between elected leaders and their communities. This requires that the council of the municipality provides regular and predictable reporting on programme performance and the general state of affairs in their locality.

The 2013/14 Annual Report reflects on the performance of the Laingsburg Municipality for the period 1 July 2013 to 30 June 2014. The Annual Report is prepared in terms of Section 121(1) of the Municipal Finance Management Act (MFMA), in terms of which the Municipality must prepare an Annual Report for each financial year.

### 1.2.1 VISION AND MISSION

The Laingsburg Municipality committed itself to the following vision and mission:

#### *Vision:*

*"A desirable place to live, invest and visit, where all people enjoy a sustainable quality of life"*

#### *Mission:*

To create a people centered and economically viable municipality where all have equal access to:

- \* basic social services
- \* educational and skills enhancement programmes
- \* entrepreneurial and job opportunities as well as

Enjoy a clean, sustainable environment embedded in safety and security, which is Governed by a participative, professional, transparent and accountable administration

## 1.3 MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

### 1.3.1 POPULATION

The municipality is estimated to have a population of **8 683** in the 2013/14 financial year. This shows a **4.8% increase** against the population of **8 289** in 2012/13.

# CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

## A) TOTAL POPULATION

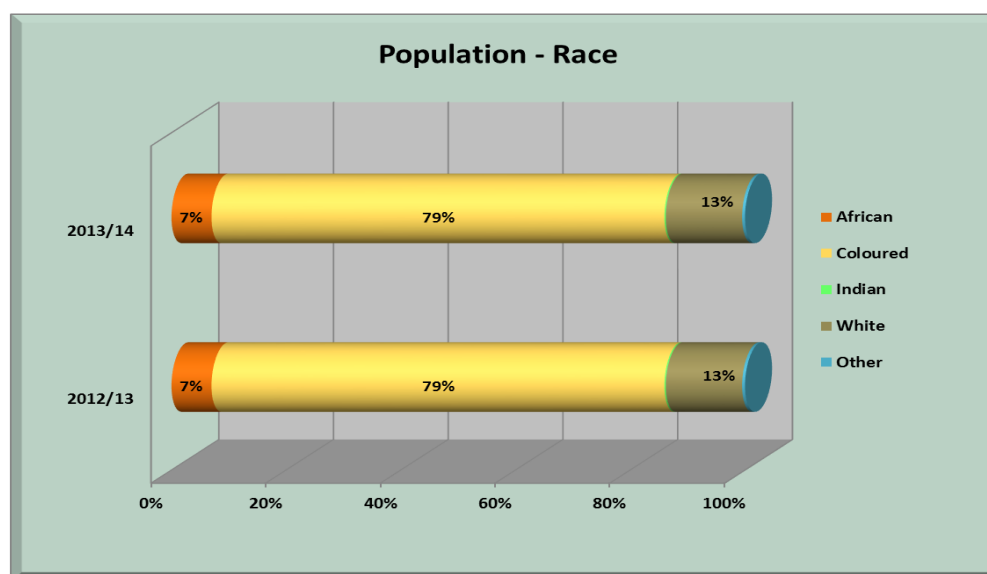
The table below indicates the total population within the municipal area:

Year	Number of Households	Total Population	African	Coloured	Indian	White	Other
2011/12	1 959	6 677	147	5 386	10	1 134	0
2012/13	2 408	8 289	578	6 546	20	1 103	42
2013/14	2 447	8 683	606	6 858	21	1 156	42

Source: Stats SA Census, 2011

Table 2.: Demographic information of the municipal area – Total population

The graph below illustrate the yearly population growth for the municipal area.



Graph 1.: Total Population Growth

### 1.3.2 HOUSEHOLDS

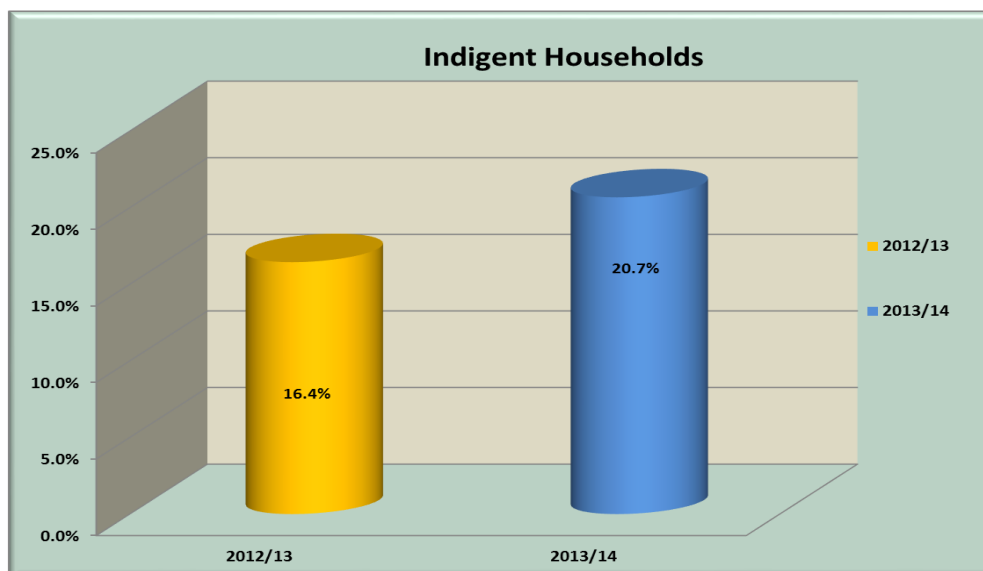
The total number of households within the municipal area increased from **2 408** households in the 2012/13 financial year to a total of **2 447** households in the 2013/14 financial year.

Households	2011/12	2012/13	2013/14
Number of households in municipal area	1 959	2 408	2 447
Number of indigent households in municipal area	740	396	506

Table 3.: Total number of households

# CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

The graph below shows that the total number of indigent households increased from 396 households in 2012/13 to 506 households in the 2013/14 financial year.



Graph 2.: Indigent households

## 1.3.3 SOCIO ECONOMIC STATUS

Financial year	Housing Backlog	Unemployment rate	Households with no Income	People older than 14 years illiterate	HIV/AIDS Prevalence 2010	Urban/rural household split
2011/12	670	26.2%	5.7%	42%	2.8%	91%/9%
2012/13	703	22.4%	128HH & 18.8%	29%	1%	91%/9%
2013/14	743	22.4	127HH & 25.1%	19%	1%	91%/9%

Table 4.: Socio Economic Status

## 1.3.4 DEMOGRAPHIC INFORMATION

### MUNICIPAL GEOGRAPHICAL INFORMATION

Laingsburg Local Municipality (LLM) is located in the Central Karoo region of the Western Cape. It is the smallest municipality in South Africa with a total population estimate of 8 683 with 2 447 households. The municipality's main socio-economic challenges include high unemployment and declining school enrolment. Agriculture has historically been the dominant sector in the region, but as there has been strong growth in wholesale trade and retail as well as on the tourism sectors, this is no longer the case.

The municipality covers an area of approximately 8 800 square kilometres and the town of Laingsburg; 276 km from Cape Town, is the main centre which straddles the N1 National Road.

Historically, a village was established along the banks of the Buffels River in 1880, which was first called Buffalo, followed by Nassau and then Laingsburg. Thirty years ago, on Sunday 25th of January 1981, a devastating flood that laid

# CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

Laingsburg to waste, secured for this Karoo town a permanent place on the map and in the history of South Africa. Within a few hours the whole town was under water (the water reached heights four times greater than any other flood over the previous two centuries). 104 Inhabitants lost their lives and 184 houses were destroyed.

## WARDS

The municipality is structured into the following 4 wards:

Ward	Areas
1	Bergsig (Laingsburg), Matjiesfontein and farms
2	Central Town (Laingsburg) and Moordenaars Karoo farms
3	Bo Dorp (Laingsburg)
4	Goldnerville (Laingsburg), Vleiland farms and Fonteintjies farms

Table 5.: Municipal Wards

Below is a map that indicates the Municipal Area in the Central Karoo District area:

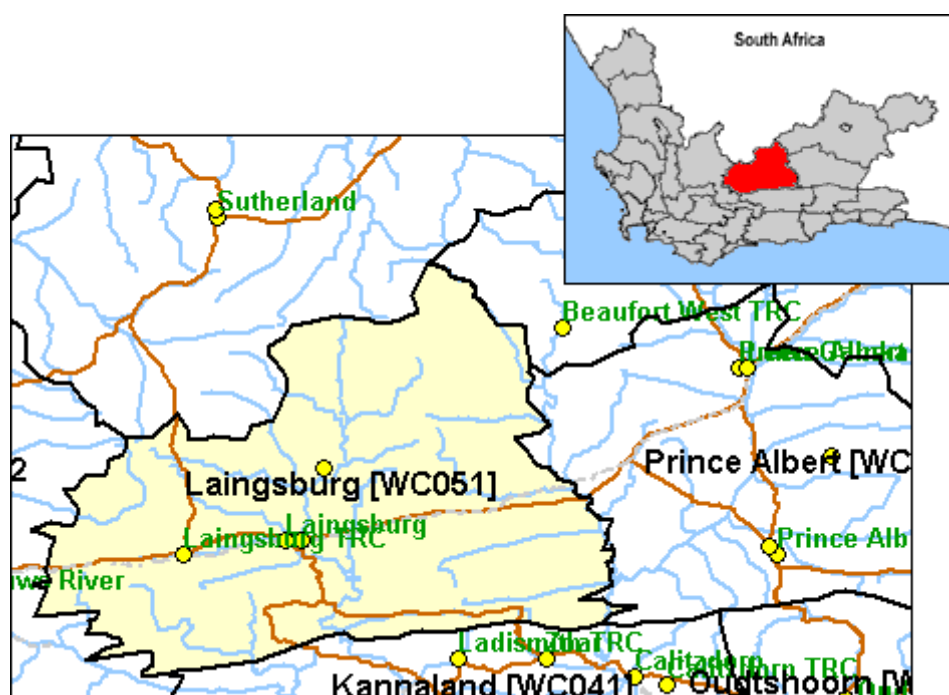


Figure 1.: Laingsburg Area map

## LAINGSBURG

This friendly, modern Karoo village, only 280 km from Cape Town, was almost entirely destroyed by a huge flood only a century after it started. The town lies in a geologically fascinating area, steeped in history and tradition. It's a worthwhile and hospitable stop on the busy N1 highway through the Great Karoo.

The warm welcome that awaits tourists in Laingsburg dates back to the mid-1700's. In those years farmers along the banks of the Buffels River offered hospitality to adventurers brave enough to cross the mountains and venture out onto

# CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

the arid plains of the Great Karoo. In exchange for news of Cape Town and the civilised world, as well as gossip garnered from other farms along the way, these isolated farmers of the interior offered accommodation, sustenance and fodder.

Many early officials and explorers, such as Barrow, Lichtenstein, De Mist and Swellengrebel, wrote of the people they met in what was later to become the district of Laingsburg. They described the Karoo as "awesome, hot, dry, and dusty. An inhospitable land peppered with friendly outspans veritable jewels in the desert."

At tiny homesteads dotted about on the vast plains travelers found fresh, drinking water, safe outspans, "a true welcome, homely hospitality and a nourishing meal." Many wrote that "such comforts were offered by God-fearing but brusque men, their shy women and hoards of children."

## MATJIESFONTEIN

---

In 1884, young immigrant Scot, James Logan, purchased lands at "a place called Matjesfontein", an insignificant railway halt in the depths of the Karoo. The Cape Government Railways had, by then, reached the Kimberley diamond fields, and - following Cecil Rhodes' vision of the "road to the North", his dream of a Cape to Cairo line - was extending into the Zambezi hinterland. Logan, whose meteoric rise was based on an energetic and meticulous efficiency, had been awarded the government catering contract at Touws River, which lies within the vast spaces of the Karoo.

In those days, dining cars were unheard of, and - aware that travelers needed sustenance on those interminable journeys to the interior - Logan saw the potential of this remote Matjesfontein halt. He had already found the Karoo air beneficial for his weak chest; and, entranced by the lunar majesty of the landscape, resigned his post and set about creating a village, seemingly in the depths of nowhere, which would make his fortune and become for many what John Buchan (remember "Prester John" and "The 39 Steps"?) would have recognised as a "Temenos" - a special place of the spirit.

Logan purchased the farm Matjesfontein and, with his thoroughly commercial instincts, three others which possessed plentiful water. He created what an enthusiast describes as an "Oasis"; planted trees (inevitably including the ubiquitous pepper) and a garden; built his own still-surviving residence, Tweedside Lodge; and established the famous Hotel Milner which was conveniently completed in 1899, and shortly thereafter served as the Headquarters of the Cape Western Command.

By early 1899, Matjesfontein had become a fashionable watering place, attracting those who could afford to seek relief for chest complaints in the clear, bright air, entertaining distinguished visitors, some of whom were more parasite than patron. Lord Randolph Churchill is still remembered for "borrowing" a hunting dog which he never returned.

Olive Schreiner lived in her own cottage here for five years and published the book "Story of an African Farm", which brought her instant fame and an income to last her a lifetime. Olive later became one of the first voices of feminism in South Africa. Today her small three-roomed cottage is a landmark in the village; Logan, a cricket fanatic, entertained most of the famous early teams visiting the Colony. Rudyard Kipling, on his first call at the Cape, made a special journey inland specifically to visit her. During the Boer War, Matjesfontein supported a base hospital, and Logan offered five of his villas as convalescent homes for soldiers.

# CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

Virtually all the British Army commanders - Lord Roberts, Douglas Haig, after his post as Commander-in-Chief of the BEF in France, and Edmund Ironside (Chief of the Imperial General Staff, 1940) - stayed or were entertained in the Village. Edgar Wallace - ex-trooper, war correspondent, thriller writer - sent his superb "Unofficial Despatches" from there.

All celebrated in their time and, even now, some are still remembered.

## VLEILAND

There is a delightful short drive quite close to Laingsburg which offers some unbeatable mountain scenery. Follow the road past the railway bridge and drive to the small settlements of Vleiland and Rouxpos. Turn left and drive through the tiny, seemingly forgotten little village of Vleiland. It consists of little more than a post office and library which seem trapped in time. The road curves through this scenic historic spot and rejoins the main road. A little further along is a turn off to the right which takes the tourist through the awe-inspiring scenery of the Rouxpos settlement area of tiny historic thatched farms. Again the road curves along and meets the main road back to Laingsburg. This drive is truly a worthwhile experience.

## KEY ECONOMIC ACTIVITIES

The municipality is dependent upon the following economic activities according to the Western Cape Government Socio-economic Profile:

Key Economic Activities	Description
Services Sector (Community)	Community services, consisting mainly of government departments, made up 16.3% of Laingsburg economic sector.
Construction	Although the construction industry only makes up 4.7% of the economic activities of Laingsburg, this sector's growth more than doubled between the survey periods of 2009 and 2014 from 2% to 4.7%.
Commerce	Laingsburg produces fruit and vegetables of exceptional sun ripe quality especially downstream from the Floriskraal dam. The region is known for its seasonal production of apricots, dried yellow peaches, pears, plums, quinces and tomatoes and produces 300t to 400t of apricots; 200t to 300t yellow peaches dried 200t; 100t pears, 50 t plums 20t quinces and 200t tomatoes.
Manufacturing and mining	Manufacturing is the 5 <sup>th</sup> largest contributing sector to Laingsburg's Gross Domestic Product (GDPR) of Region with 13.6% in 2014. As expected, the smallest contributing sector to the GDPR is Mining and quarrying (0%).
Finance	The finance sector consists mainly of private sector business and services and is the biggest contributor to the GDPR of Laingsburg. The sector makes up around 21.2% of the economic sector of Laingsburg.
Wholesale and Retail	This is the third largest sector in Laingsburg which contributes approximately 15.4% of the regional GDP. This sector includes the areas of catering and accommodation and also showed a positive growth. The N1 national road running through the town is the main contributor this growth.
Agriculture	Agriculture is one of the main sectors providing employment opportunities in the Laingsburg region. Processing is seen as a major opportunity for employment creation as raw materials are currently being exported to neighboring regions such as the Cape Winelands Districts in the Western Cape and Port Elizabeth in the Eastern Cape. Agriculture is also one of the

# CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

Key Economic Activities	Description
	leading economic contributor and makes up around 18.9% of the economic activities in the area. However, this sector is currently showing a decline due to the global recession, continuing drought, a shift from agriculture to game farming, and the underutilisation of agricultural land.
Transport	This sector accounts for 3.9% of the regional GDP. This is attributed to the road traffic traversing the N1 between Cape Town and Johannesburg. There is however concern that only a small portion of the population benefits from the business propelled by the traffic on the N1. This is directly related to all the current economic opportunities being concentrated on the N1. This is perceived to limit economic development in other sections of the town and thus promote skewed development.

Table 6.: Key economic activities

## 1.4 SERVICE DELIVERY OVERVIEW

### 1.4.1 BASIC SERVICES DELIVERY PERFORMANCE HIGHLIGHTS

Highlight	Description
Upgrading of Sport field in Laingsburg	Irrigation System plus palisade fence installed
Kick About Göldnerville and Bergsig Project	New sport field for children built
Housing Projects	Busy with infrastructure for 171 houses in Göldnerville

Table 7.: Basic Services Delivery Highlights

### 1.4.2 BASIC SERVICES DELIVERY CHALLENGES

Service Area	Challenge	Actions to address
Infrastructure	Flood damage to infrastructure	Still waiting for allocated flood funds
Water	High water losses	Secure funding
Streets	Reseal streets	Secure funding
Electricity	Replacing old substation	Secure funding

Table 8.: Basic Services Delivery Challenges

### 1.4.3 PROPORTION OF HOUSEHOLDS WITH ACCESS TO BASIC SERVICES

Description	2012/13	2013/14
	%	
Electricity service connections	100	100%
Water - available within 200 m from dwelling	100	100%
Sanitation - Households with at least VIP service	100	100%
Waste collection - kerbside collection once a week	100	100%

Table 9.: Households with minimum level of Basic Services

## 1.5 FINANCIAL HEALTH OVERVIEW

### 1.5.1 NATIONAL KEY PERFORMANCE INDICATORS – MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT (RATIOS)

# CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

The following table indicates the municipality's performance in terms of the **National Key Performance Indicators** required in terms of the Local Government: Municipal Planning and the Performance Management Regulations of 2001 and section 43 of the MSA. These key performance indicators are linked to the **National Key Performance Area** namely **Municipal Financial Viability and Management**.

KPA & Indicator	2012/13	2013/14
Debt coverage ((Total operating revenue-operating grants received)/debt service payments due within the year)	5.98	8.15
Service debtors to revenue – (Total outstanding service debtors/ revenue received for services)	26.25%	26.88%
Cost coverage ((Available cash+ investments)/ Monthly fixed operating expenditure	3.79	0

Table 10.: National KPI's for financial viability and management

## 1.5.2 FINANCIAL OVERVIEW

Details	Original budget	Adjustment Budget	Actual
	R'ooo		
Income			
Grants	27 229	28 422	29 260
Taxes, Levies and tariffs	17 644	18 543	17 503
Other	3 269	4 676	18 008
<b>Sub Total</b>	48 142	51 641	64 771
Less Expenditure	46 532	49 750	56 702
<b>Net surplus/(deficit)</b>	<b>1 610</b>	<b>1 891</b>	<b>8 069</b>

Table 11.: Financial Overview

## 1.5.3 TOTAL CAPITAL EXPENDITURE

Detail	2012/13	2013/14
	R'ooo	
Original Budget	16 052	12484
Adjustment Budget	16 052	15305
Actual	11 060	13513
% Spent	70	88

Table 12.: Total Capital Expenditure



# CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

## 1.6 ORGANISATIONAL DEVELOPMENT OVERVIEW

### 1.6.1 MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT HIGHLIGHTS

Highlights	Description
Restructuring of organizational Structure	The Organizational Structure was adopted by Council in June 2014. Currently in process to finalise placement of Staff members.
Appointment of a Senior Accountant in the Budget and Treasury Office	Vacancy filled within the Financial Department

*Table 13.: Municipal Transformation and Organisational Development Highlights*

### 1.6.2 MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT CHALLENGES

Description	Actions to address
Still the challenge of low capacity	With the adoption of the new structure, vacant posts will be filled to reduce the heavy work load.

*Table 14.: Municipal Transformation and Organisational Development Challenges*

## 1.7 AUDITOR GENERAL REPORT

### 1.7.1 AUDITED OUTCOMES

Year	2011/12	2012/13	2013/14
Opinion received	Unqualified	Unqualified	Unqualified

*Table 15.: Audit Outcomes*

## 1.8 2013/14 IDP/BUDGET PROCESS

The table below provides details of the key deadlines for the 2013/14 IDP/Budget process:

Activity	Responsible person	Date
IDP Time Schedule	G Pekeur	29 August 2013
Budget Process Plan	A Groenewald	29 August 2013
Approved Draft 2013/14 IDP	G Pekeur	27 March 2014
Approved Draft Budget 2014/15	A Groenewald	27 March 2014
Submission of IDP and Budget to MEC, PT and NT	G Pekeur and A Groenewald	1 April 2014
21 Days Public Comments on IDP and Budget	G Pekeur and A Groenewald	30 April 2014
IDP & BUDGET Roadshow	Mayor W Theron	10 March 2014
Approved Final 2014/15 IDP	G Pekeur / Mayor W Theron	28 May 2014

# CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

Activity	Responsible person	Date
Approved Final Budget 2014/15	G Pekeur / Mayor W Theron	28 May 2014
Submission of Final IDP and Budget to MEC, PT and NT	G Pekeur / A Groenewald / Mayor W Theron	3 June 2014
SDBIP	G Pekeur and Mayor W Theron	10 June 2014

*Table 16.: 2013/14 IDP/Budget Process*

# CHAPTER 2: GOOD GOVERNANCE

## CHAPTER 2

### COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

Good governance has 8 major characteristics. It is participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follows the rule of law. It assures that corruption is minimized, the views of minorities are taken into account and that the voices of the most vulnerable in society are heard in decision-making. It is also responsive to the present and future needs of society.

#### 2.1 NATIONAL KEY PERFORMANCE INDICATORS - GOOD GOVERNANCE AND PUBLIC PARTICIPATION

The following table indicates the municipality's performance in terms of the National Key Performance Indicators required in terms of the Local Government: Municipal Planning and the Performance Management Regulations 796 of 2001 and section 43 of the MSA. This key performance indicator is linked to the National Key Performance Area - Good Governance and Public Participation.

KPA & Indicators	Municipal Achievement	Municipal Achievement
	2012/2013	2013/14
The percentage of a municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan (After roll over projects)	70%	108%

Table 17.: National KPIs - Good Governance and Public Participation Performance

#### 2.2 PERFORMANCE HIGHLIGHTS - GOOD GOVERNANCE AND PUBLIC PARTICIPATION

Highlight	Description
Improved Municipal Communication	Road Shows and Ward Councillor Community meeting to give feedback on municipal and community issues. IDP Brochures distributed. Electronic Newsletter
Establishment of a Disability Facility	A facility for vulnerable people launched to enhance Skills Development and Empowerment.
Area Based Planning training conducted	Ward Committee training and community based planning to improve community involvement in Training

Table 18.: Good Governance and Public Participation Performance Highlights

#### 2.3 CHALLENGES - GOOD GOVERNANCE AND PUBLIC PARTICIPATION

Description	Actions to address
Lack of Attendance of public Meetings	Mobilisation of community and find alternative ways to improve participation.

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Description	Actions to address
Vast Geographic areas	Rotation of meeting to limit travelling and to hold meetings in all areas.
Non-reading Culture	SMS System and the extension of the Gamka FM (Community Radio) to Laingsburg Municipal Area

Table 19.: Good Governance and Public Participation Challenges

### 2.4 GOVERNANCE STRUCTURE

#### 2.4.1 POLITICAL GOVERNANCE STRUCTURE

The council performs both legislative and executive functions. They focus on legislative, oversight and participatory roles, and have delegated its executive function to the Executive Mayor. Their primary role is to debate issues publicly and to facilitate political debate and discussion. Apart from their functions as decision makers, Councillors are also actively involved in community work and the various social programmes in the municipal area.

#### A) COUNCIL

The Council comprise of 7 elected Councillors as at 30 June 2014, made up from 4 Ward Councillors and 3 Proportional Representation (PR) Councillors. The portfolio committees are made up of Councillors drawn from all political parties. Below is a table that categorizes the Councillors within their specific political parties and wards:

Below is a table that categorized the Councillors within their specific political parties and wards for the 2013/14 financial year:

Council Members	Capacity	Political Party	Ward representing or proportional	Number of meetings attended
Aldm. W du P Theron	Executive Mayor	DA	3	17
Cllr. B van As	Deputy Mayor/Chairperson: Technical Portfolio Committee	DA	2	16
Cllr. H Horn	Speaker/Chairperson: Community Services Portfolio Committee	COPE	Proportional	17
Cllr. M Gouws	Councillor	ANC	4	15
Cllr. M Bobbejee (Mrs.)	Councillor	ANC	1	17
Cllr P Botes	Councillor	DA	Proportional	17
Cllr. J Botha (Mrs.)	Councillor	ANC	Proportional	17

Table 20.: Council

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Below is a table which indicates the Council meetings attendance for the 2013/14 financial year:

Meeting dates	Council Meetings Attendance	Apologies for non-attendance
25 July 2013	6	1
29 August 2013	7	0
24 October 2013	6	1
21 November 2013	6	1
25 November 2013	7	0
9 December 2013	5	2
12 December 2014	7	0
23 January 2014	6	1
6 February 2014	7	0
27 February 2014	7	0
27 March 2014	7	0
15 April 2014	7	0
24 April 2014	7	0
21 May 2014	7	0
28 May 2014	7	0
25 June 2014	7	0
24 July 2014	7	0

Table 21.: Council meetings

### B) EXECUTIVE MAYORAL COMMITTEE

Due to the size of the municipality and its Council, there is no Mayoral Committee as it would not be practical to have such a committee.

### C) PORTFOLIO COMMITTEES

Council made a decision during 2011/12 not to continue with portfolio committees as full council meetings take place on a monthly basis.

#### 2.4.2 ADMINISTRATIVE GOVERNANCE STRUCTURE

The Municipal Manager is the Chief Accounting Officer of the Municipality. He is the head of the administration, and primarily has to serve as chief custodian of service delivery and implementation of political priorities. He is assisted by his direct reporters, which constitutes the Management Team, whose structure is outlined in the table below:

Name of Official	Department	Performance agreement signed
		Yes/No
Mr. P.A. Williams	Municipal Manager	Yes

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Name of Official	Department	Performance agreement signed
		Yes/No
Ms A Groenewald	CFO	Yes

Table 22.: Administrative Governance Structure

### COMPONENT B: INTERGOVERNMENTAL RELATIONS

#### 2.5 INTERGOVERNMENTAL RELATIONS

##### 2.5.1 PROVINCIAL INTERGOVERNMENTAL STRUCTURES

We participate at the following forums:

- \* Municipals Managers Forum
- \* Premiers Coordinating Forum
- \* SALGA Working Groups
- \* IDP Managers Forum
- \* LED Managers Forum
- \* SCM Forum
- \* IWM Forum
- \* IDP Indaba's
- \* Provincial Public Participation and Communication Forum (PPPCOM)
- \* IDP Working Group
- \* Provincial Skills Development Forum
- \* HR Practitioner's Forum
- \* HR Working Group Meeting

### COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

Section 16 of the Municipal Systems Act (MSA) refers specifically to the development of a culture of community participation within municipalities. It states that a municipality must develop a culture of municipal governance that complements formal representative government with a system of participatory governance. For this purpose it must encourage and create conditions for the local community to participate in the affairs of the community. Such participation is required in terms of:

- \* the preparation, implementation and review of the IDP;
- \* establishment, implementation and review of the performance management system;

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- \* monitoring and review of the performance, including the outcomes and impact of such performance; and
- \* Preparation of the municipal budget.

### 2.6.1 PUBLIC MEETINGS

Nature and purpose of meeting	Date of events	Number of Community members attending
Ward 1 IDP Budget Roadshow	18 March 2014	27
Ward 2 & 3 IDP Budget Roadshow	19 March 2014	20
Ward 4 IDP Budget Roadshow	25 March 2014	41

Table 23.: Public Meetings

### 2.6.2 WARD COMMITTEES

The ward committees support the Ward Councillor who receives reports on development, participate in development planning processes, and facilitate wider community participation. To this end, the municipality constantly strives to ensure that all ward committees function optimally with community information provision; convening of meetings; ward planning; service delivery; IDP formulation and performance feedback to communities.

#### A) WARD 1: BERGSIG (LAINGSBURG), MATJIESFONTEIN AND FARMS

Name of representative	Capacity representing	Dates of meetings held during the year
Cllr. Maggie Bobbejee	Chairperson	20 January 2014 – Bergsig Hall 17 February 2014 – Matjiesfontein Hall 10 March 2014 – Bergsig Hall 7 April 2014 – Matjiesfontein Hall 22 May 2014 – Bergsig Hall 10 June 2014 – Matjiesfontein Hall 14 July 2014 – Bergsig Hall 13 August 2014 – Matjiesfontein Hall 8 September 2014 – Bergsig Hall 8 October 2014 – Matjiesfontein Hall 11 November 2014 – Bergsig Hall 3 December 2014 – Matjiesfontein hall
Lilly Witbooi	Labour	
Ben Herder	Sport	
Lea Wagenstroom	Churches	
Mietjie Daniëls	Women	
Jerome Wylbach	Tax Payers	
Samuel Jacobs	Business	
Maurice De Gouveia	Disabled	
Lynette Jacobs	Schools	
Beverly Vorster	CDW	
Andries le Roux	Agriculture	
Lidia Olifant	Youth	

Table 24.: Ward 1 Committee Meetings

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### B) WARD 2: CENTRAL TOWN (LAINGSBURG) AND MOORDENAARS KAROO FARMS

Name of representative	Capacity representing	Dates of meetings held during the year
Cllr. Bertie van As	Chairperson	11 February 2014 – Tourism Auditorium 4 March 2014 – Tourism Auditorium 24 April 2014 – Municipal Council Chambers 10 June 2014 – Tourism Auditorium 22 July 2014 – Tourism Auditorium 12 August 2014 – Tourism Auditorium 2 September 2014 – Tourism Auditorium 21 October 2014 – Tourism Auditorium 4 November 2014 – Tourism Auditorium
Collin Pedro	Schools	
Alzando Van As	Youth	
Chrisjan van der Vyver	Agriculture	
Marinda le Roux	Tax Payers	
Ds. Chris Cronje	Churches	
Eunice van der Westhuizen	Women	
Suzet Lackay	Disabled	
Niklaas Kietas	Business	
Cupido Scheepers	Labour	
Nico Hendricks	Sport	
Jerome Meyer	CDW	

Table 25.: Ward 2 Committee Meetings

### C) WARD 3: BO DORP (LAINGSBURG)

Name of representative	Capacity representing	Dates of meetings held during the year
Cllr. Wilhelm Theron	Chairperson	6 February 2014 – Tourism Auditorium 13 March 2014 – Tourism Auditorium 15 April 2014 – Tourism Centre 22 May 2014 – Tourism Centre 19 June 2014 – Steers 10 July 2014 – Tourism Auditorium 7 August 2014 – Tourism Auditorium 11 September 2014 – Tourism Auditorium 3 October 2014 – Tourism Auditorium 6 November 2014 – Tourism Auditorium 5 December 2014 – Tourism Auditorium
Jacques Bournborn Leftley	Sport	
Rokeya Meyer	Women	
Madre Walters	Youth	
Christell Bothma	Labour	
Magdalena du Plessis	Disabled/ Elderly	
Marlene Van Wyk	Churches	
Gina Miles	Schools	
Pierre De Villiers	Business	
Francis Van Wyk	Culture	
Coleen Jantjies	CDW	

Table 26.: Ward 3 Committee Meetings



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### D) WARD 4: GOLDNERVILLE (LAINGSBURG), VLEILAND FARMS AND FONTEINTJIES FARMS

Name of representative	Capacity representing	Dates of meetings held during the year
Cllr. Micke Gouws	Chair person	16 January 2014 – Ward Office 18 February 2014 – Ward Office 18 March 2014 – Ward Office 23 April 2014 – Ward Office 15 May 2014 – Ward Office 17 June 2014 – Ward Office 15 July 2014 – Ward Office 16 September 2014 – Ward Office 16 October 2014 – Ward Office 18 November 2014 – Ward Office
Irene Brown	Women	
Susanna Maritz	Churches	
Wilhelmiena Minnies	Disabled	
E Pieterse	Labour	
Alice Kleinbooi	Agriculture	
Jonathan Vyver	Youth	
Christiaan van der Westhuizen	Sport	
Samuel Laban	Schools	
L Strydom	Ratepayers	
Jeanie de Wee	Business	

**Table 27.:** *Ward 4 Committee Meetings*

### 2.6.3 FUNCTIONALITY OF WARD COMMITTEE

The purpose of a ward committee is:

- \* to get better participation from the community to inform council decisions;
- \* to make sure that there is more effective communication between the Council and the community; and
- \* to assist the ward Councillor with consultation and report-backs to the community.

Ward committees should be elected by the community they serve. A ward committee may not have more than 10 members and women should be well represented. The ward Councillor serves on the ward committee and act as the chairperson. Although ward committees have no formal powers, they advise the ward Councillor who makes specific submissions directly to the administration. These committees play a very important role in the development and annual revision of the integrated development plan of the area.

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The table below provides information on the establishment of Ward Committees and their functionality:

Ward Number	Committee established Yes / No	Number meetings held during the year	Committee functioning effectively (Yes / No)	Actions to address
1	Yes	12	Yes	To address service delivery, community needs and feedback on meetings held.
2	Yes	10	Yes	To address service delivery, community needs and feedback on meetings held.
3	Yes	10	Yes	To address service delivery, community needs and feedback on meetings held.
4	Yes	12	Yes	To address service delivery, community needs and feedback on meetings held.

Table 28.: Functioning of Ward Committees

### 2.6.4 REPRESENTATIVE FORUMS

#### A) LABOUR FORUM

The table below specifies the members of the Labour Forum for the 2013/14 financial year:

Name of representative	Capacity	Meeting dates
W Theron	Councillor(Chairperson)	25 November 2013 22 April 2014 23 September 2014
H Horn	Councillor	
PA Williams	Municipal Manager	
P Buys	IMATU Representative	
A Marthinus	IMATU Representative	
K Gertse	SAMWU Representative	

Table 29.: Labour Forum

#### B) IDP FORUM

The table below specifies the members of the IDP Forum for the 2013/14 financial year:

Name of representative	Capacity	Meeting dates
Charene Robinson	Ministry of Faith	25 November 2013 22 April 2014 23 September 2014
AJ van Rooy	DSD	
Johrene Scheepers	Jubilate Church	
Dr. OJ van Heerden	Hospital Board	
Wilhelmina Mienies	Ward 4 - Disabled	
G Pekeur	IDP	

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Name of representative	Capacity	Meeting dates
J Vyver	Clinic	
N Gouws	Municipality	
H Coetzee	Ratepayers Association	
AM du Toit	Health Inspector	
JC Willemse	LADAAG	
M Grootboom	Huis Karoo Elderly	
G January	COS	
AW Smit	Ratepayers Association	
B. van As	Councillor	
S Schippers	Thusong Service Centre	
A. le Roux	Agricultural Association	
F Van Wyk	Tourism Bureau	
PJ Botes	DA	
R Dien	DEADP	
R Van der Westhuizem	Education	
Gerliena Thys	Karoo Lelies Elderly	

Table 30.: IDP Forum

### COMPONENT D: CORPORATE GOVERNANCE

Corporate governance is the set of processes, practices, policies, laws and stakeholders affecting the way an institution is directed, administered or controlled. Corporate governance also includes the relationships among the many stakeholders involved and the goals for which the institution is governed.

#### 2.7 RISK MANAGEMENT

In terms of section 62 (1)(c)(i) *"the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure- that the municipality has and maintains effective, efficient and transparent systems – of financial and risk management and internal control;"...*

The table below include the top five risks of the municipality:

Risk	Department	Division
1. Inability to retain staff – migration of staff to bigger municipalities and remuneration levels	Municipal Manager	Human Resources
2. Ineffective credit control procedures	Financial Services	Revenue Management
3. Lack of sufficient capacity	Municipal Manager	All Departments/ Divisions
4. Inability to collect outstanding debt	Financial Services	Revenue Management

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Risk	Department	Division
5. Insufficient funding	Municipal Manager	Development – Capital Projects

Table 31.: Top five risks

### 2.8 ANTI-CORRUPTION AND ANTI-FRAUD

Section 83(c) of the MSA refers to the implementation of effective bidding structures to minimize the possibility of fraud and corruption and the Municipal Finance Management Act (MFMA), section 112(1) (m)(i) identify supply chain measures to be enforced to combat fraud and corruption, favoritism and unfair and irregular practices. Section 115(1) of the MFMA states that the accounting officer must take steps to ensure mechanisms and separation of duties in a supply chain management system to minimize the likelihood of corruption and fraud.

#### A) DEVELOPED STRATEGIES

Name of strategy	Developed Yes/No	Date Adopted
Anti-corruption strategy	Yes	2007
Fraud prevention strategy	Yes	2011

Table 32.: Anti-Corruption & Fraud Prevention Strategies

### 2.9 AUDIT COMMITTEE

Section 166(2) of the MFMA states that an audit committee is an independent advisory body which must –

- (a) advise the municipal council, the political office-bearers, the accounting officer and the management staff of the municipality, on matters relating to –
- \* internal financial control;
  - \* risk management;
  - \* performance Management; and
  - \* effective Governance.

The Audit Committee have the following main functions as prescribed in section 166 (2) (a-e) of the Municipal Finance Management Act, 2003 and the Local Government Municipal and Performance Management Regulation:

## CHAPTER 2: GOOD GOVERNANCE

### A) FUNCTIONS OF THE AUDIT COMMITTEE

- \* To advise the Council on all matters related to compliance and effective governance.
- \* To review the annual financial statements to provide Council with an authoritative and credible view of the financial position of the municipality, its efficiency and its overall level of compliance with the MFMA, the annual Division of Revenue Act (DoRA) and other applicable legislation.
- \* Respond to the council on any issues raised by the Auditor-General in the audit report.
- \* To review the quarterly reports submitted to it by the internal audit.
- \* To evaluate audit reports pertaining to financial, administrative and technical systems.
- \* The compilation of reports to Council, at least twice during a financial year.
- \* To review the performance management system and make recommendations in this regard to Council.
- \* To identify major risks to which Council is exposed and determine the extent to which risks have been minimised.
- \* To review the annual report of the municipality.
- \* Review the plans of the Internal Audit function and in so doing; ensure that the plan addresses the high-risk areas and ensure that adequate resources are available.
- \* Provide support to the Internal Audit function.
- \* Ensure that no restrictions or limitations are placed on the Internal Audit section.
- \* Evaluate the activities of the Internal Audit function in terms of their role as prescribed by legislation.

### B) MEMBERS OF THE AUDIT COMMITTEE

Name of representative	Capacity	Meeting dates
R Walters	Chairperson	25 August 2013 6 November 2013
H De Villiers	Committee member	
BG Myburgh (Feb to end April 2014)	Committee member	

Table 33.: *Members of the Audit Committee*

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### 2.10 PERFORMANCE AUDIT COMMITTEE

The Regulations require that the performance audit committee is comprised of a minimum of three members, the majority of whom are external (neither a councillor nor an employee) of the municipality. Section 14(2) (b) of the Regulations further stipulates that the performance audit committee must include at least one person who has expertise in performance management. It is also a requirement of the Regulations in Section 14(2)(d) that the Council of a municipality designate neither a member of the performance audit committee who is neither a councillor nor an employee of the municipality as the chairperson of the committee.

In terms of Section 166(4) (a) of the MFMA, an audit committee must consist of at least three persons with appropriate experience, of who the majority may not be in the employ of the municipality.

Section 166(5) of the MFMA, requires that the members of an audit committee must be appointed by the council of the municipality. One of the members, not in the employ of the municipality, must be appointed as the chairperson of the committee. No councillor may be a member of an audit committee.

Both the Regulations and the MFMA, indicate that three is the minimum number of members needed to comprise a performance audit committee. While the regulations preclude the appointment of a councillor as chairperson of the performance audit committee, the MFMA excludes the involvement of a councillor in the composition of a performance audit committee entirely.

In accordance with the requirements of Section 14(2)(e) of the Regulations, if the chairperson is absent from a specific meeting of the committee, the members present must elect a chairperson from those present to act as chairperson for that meeting.

Further, Section 14(2) (f) of the Regulations provides that, in the event of a vacancy occurring amongst the members of the performance audit committee, the municipality concerned must fill that vacancy for the unexpired portion of the vacating member's term of appointment.

Section 14(3) (a) of the Regulations requires that the performance audit committee of a municipality must meet at least twice during each financial year. However, additional special meetings of the performance audit committee may be called for by any member of the committee, where sufficient justification exists in terms of Section 14(3) (b) of the Regulations.

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#### A) FUNCTIONS OF THE PERFORMANCE AUDIT COMMITTEE

In terms of Section 14(4) (a) of the Regulations the performance audit committee has the responsibility to -

- i) review the quarterly reports produced and submitted by the internal audit process;
- ii) review the municipality's performance management system and make recommendations in this regard to the council of the municipality; and
- iii) at least twice during each financial year submit a performance audit report to the council of the municipality.

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### B) MEMBERS OF THE PERFORMANCE AUDIT COMMITTEE

Name of representative	Capacity	Meeting dates
R Walters	Chairperson	6 November 2013
H De Villiers	Committee Member	
BG Myburgh (Feb to end April 2014)	Committee Member	

Table 34.: Members of the Performance Audit Committee

### 2.11 INTERNAL AUDITING

Section 165 (2) (a), (b)(iv) of the MFMA requires that:

The internal audit unit of a municipality must –

- (a) prepare a risk based audit plan and an internal audit program for each financial year; and
- (b) advise the accounting officer and report to the audit committee on the implementation on the internal audit plan and matters relating to:
  - (i) internal audit;
  - (ii) internal controls;
  - (iii) accounting procedures and practices;
  - (iv) (iv) risk and risk management;
  - (v) performance management;
  - (vi) loss control; and
  - (vii) compliance with this Act, the annual Division of Revenue Act and any other applicable legislation
- (c) perform other duties as may be assigned to it by the accounting officer.

The municipality has an in-house Internal Audit function consisting of 1 auditor.

#### Annual Audit Plan

Below are the functions of the Internal Audit Unit that was performed during the financial year under review:

Function	Date/Number
Risk analysis	Strategic Risk Assessment: 30 July 2013 Operational Risk Assessment: 30 July 2013
Risk based audit plan approved for 2013/14 financial year	6 November 2013
Internal audit programme drafted and approved	6 November 2013
Number of audits conducted and reported on	2 audit reports were completed in the financial year: Quarterly Performance Audit – 6 November 2013 Compliance Audit Report – 6 November 2013

Table 35.: Internal Audit Functions

## CHAPTER 2: GOOD GOVERNANCE

### 2.12 BY-LAWS AND POLICIES

Section 11 of the MSA gives a Council the executive and legislative authority to pass and implement by-laws and policies. No by-laws were developed and/or reviewed during the year under review. Below is a list of all the policies developed and reviewed during the financial year:

Policies developed/ revised	Date adopted	Public Participation Conducted Prior to adoption of policy Yes/No
Housing Selection Policy	24 October 2013	No
Accounting Policy	25 June 2014	No
Tariff Policy	27 March 2014	No
SCM Policy	27 March 2014 "	No
Long Term Financial Plan	27 March 2014 "	No
Policy on Provision of Bad debts and bad debts write off	27 March 2014 "	No
Credit Control Policy	27 March 2014 "	No
Indigent Policy	27 March 2014 "	No
Electricity Supply	27 March 2014 "	No
Asset Management Policy	27 March 2014 "	No
Bank & Investment Policy	27 March 2014 "	No

*Table 36.: Policies developed and reviewed*

### 2.13 COMMUNICATION

Local government has a legal obligation and a political responsibility to ensure regular and effective communication with the community. The Constitution of the Republic of South Africa Act 1996 and other statutory enactments all impose an obligation on local government communicators and require high levels of transparency, accountability, openness, participatory democracy and direct communication with the communities to improve the lives of all.

The communities, on the other hand, have a right and a responsibility to participate in local government affairs and decision-making and ample provision is made in the abovementioned legislation for them to exercise their right in this respect. Our democratic government is committed to the principle of ***Batho Pele*** and this, in simple terms, means that those we elect to represent us (councillors at the municipal level) and those who are employed to serve us (the municipal officials at municipal level) must always put people first in what they do.

Communication activities	Yes/No
Communication unit	No
Communication strategy	Yes



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Communication activities	Yes/No
Communication Policy	No
Customer satisfaction surveys	No
Functional complaint management systems	Yes
Newsletters distributed at least quarterly	Yes

*Table 37.: Communication Activities*

### 2.14 WEBSITE

A municipal website should be an integral part of a municipality's communication infrastructure and strategy. It serves as a tool for community participation, improves stakeholder involvement and facilitates stakeholder monitoring and evaluation of municipal performance. Section 75 of the MFMA requires that the municipalities place key documents and information on their website, including the IDP, the annual budget, adjustments budgets and budget related documents and policies.

Below is a website checklist to indicate the compliance to Section 75 of the MFMA:

Documents published on the Municipal website	Date Published or Yes/ No
Annual budget and all budget-related documents for the 2013/14 main budget	Yes
Adjustment budget for 2013/14	Yes
Budget implementation policy: Tariff policy	Yes
Budget implementation policy: Credit control policy	No
Budget implementation policy: Valuation By-Law	No
Budget implementation policy: Rates policy	Yes
Budget implementation policy: SCM policy	No
Annual report for 2012/13	No
Performance agreements required in terms of section 57 (1) (b) of the Municipal Systems Act for 2012/13	Yes
All quarterly reports tabled in the council in terms of section 52 (d) of the MFMA during 2013/14	No

*Table 38.: Website Checklist*

## CHAPTER 2: GOOD GOVERNANCE

### 2.15 SUPPLY CHAIN MANAGEMENT

The Supply Chain Management Policy of the Laingsburg Municipality is deemed to be fair, equitable, transparent, competitive and cost-effective as required by Section 217 of the Constitution.

#### 2.15.1 COMPETITIVE BIDS IN EXCESS OF R200 000

##### A) BID COMMITTEE MEETINGS

The following table details the number of bid committee meetings held for the 2013/14 financial year:

Bid Specification Committee	Bid Evaluation Committee	Bid Adjudication Committee
3	2	4

*Table 39.: Bid Committee Meetings*

The attendance figures of members of the bid specification committee are as follows:

Member	Percentage attendance (%)
J Venter	100%
W Miles	100%
G Pekeur	67%
K Gertse	100%

*Table 40.: Attendance of members of bid specification committee*

The attendance figures of members of the bid evaluation committee are as follows:

Member	Percentage attendance
A van der Merwe	50%
N Hendrikse	100%
J Venter	75%

*Table 41.: Attendance of members of bid evaluation committee*

The attendance figures of members of the bid adjudication committee are as follows:

Member	Percentage attendance
A Groenewald	100%
N Gouws	100%
G Pekeur	75%

*Table 42.: Attendance of members of bid adjudication committee*

The percentages as indicated above include the attendance of those officials acting in the position of a bid committee member.

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### B) AWARDS MADE BY THE BID ADJUDICATION COMMITTEE

The highest bids awarded by the bid adjudication committee are as follows:

Bid number	Date of award	Title of bid	Successful Bidder	Value of bid awarded (R)
Section 32 Procurement	29 August 2014	Review, Re-Design and Development of Laingsburg Municipality's Organisational Structure	PriceWaterhouseCoopers	R569 502.00
108/2013	25 February 2014	Development of Sports Facilities at Goldnerville Thusong Centre	CN Pietersen	R249 585.90
109/2013	25 February 2014	Development of Sports Facilities at Bergsig	Victory Ticket 960 cc	R355 067.82

*Table 43.: Ten highest bids awarded by bid adjudication committee*

Although the above contracts were awarded through the respective processes listed the Auditor-General concluded in the audit of the financial year 2013/14 that the processes were not fully compliant and as such all expenditure in terms of these contracts were declared irregular.

### C) AWARDS MADE BY THE ACCOUNTING OFFICER

There were no bids awarded by the Accounting Officer during the 2013/2014 financial year.

### D) APPEALS LODGED BY AGGRIEVED BIDDERS

Tender No	Description	Awarded to	Complainant	Date received	Outcome	Outcome Date
108/2013	Development of Sports Facilities at Goldnerville Thusong Centre	CN Pietersen	Bidder was omitted due to omission of Bid Amount	20 January 2014	Bid that was submitted was incomplete.	4 February 2014
108/2013	Development of Sports Facilities at Goldnerville Thusong Centre	CN Pietersen	Point System was not used	20 January 2014	Preferential Point System was used	4 February 2014
109/2013	Development of Sports Facilities at Bergsig	Victory Ticket 960 cc	Point System was not used	20 January 2014	Preferential Point System was used	4 February 2014
108/2013	Development of Sports Facilities at Goldnerville	CN Pietersen	Point System was not used	20 January 2014	Preferential Point System was used	4 February 2014

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Tender No	Description	Awarded to	Complainant	Date received	Outcome	Outcome Date
	Thusong Centre					
109/2013	Development of Sports Facilities at Bergsig	Victory Ticket 960 cc	Point System was not used	20 January 2014	Preferential Point System was used	4 February 2014

*Table 44.: Appeals lodged by aggrieved bidders*

### 2.15.2 DEVIATION FROM NORMAL PROCUREMENT PROCESSES

During the audit of the financial year 2013/14, the Auditor-General declared all expenditure as irregular. Since all expenditure were declared as irregular, no deviations can be declared because all due processes were not followed.

# CHAPTER 3: SERVICE DELIVERY PERFORMANCE

## CHAPTER 3

This chapter provides an overview of the key service achievements of the municipality that came to fruition during 2013/14 in terms of the deliverables achieved compared to the key performance objectives and indicators in the IDP. It furthermore, includes an overview on achievement in 2013/14 compared to actual performance in 2012/13.

### 3.1 OVERVIEW OF PERFORMANCE WITHIN THE ORGANISATION

Performance management is a process which measures the implementation of the organisation's strategy. It is also a management tool to plan, monitor, measure and review performance indicators to ensure efficiency, effectiveness and the impact of service delivery by the municipality.

At local government level performance management is institutionalized through the legislative requirements on the performance management process for Local Government. Performance management provides the mechanism to measure whether the strategic goals, set by the organisation and its employees, are met.

The constitution of S.A (1996), section 152, dealing with the objectives of local government paves the way for performance management with the requirements for an "accountable government". The democratic values and principles in terms of section 195 (1) are also linked with the concept of performance management, with reference to the principles of inter alia:

- \* the promotion of efficient, economic and effective use of resources,
- \* accountable public administration
- \* to be transparent by providing information,
- \* to be responsive to the needs of the community,
- \* and to facilitate a culture of public service and accountability amongst staff.

The Municipal Systems Act (MSA), 2000 requires municipalities to establish a performance management system. Further, the MSA and the Municipal Finance Management Act (MFMA) requires the Integrated Development Plan (IDP) to be aligned to the municipal budget and to be monitored for the performance of the budget against the IDP via the Service Delivery and the Budget Implementation Plan (SDBIP).

In addition, Regulation 7 (1) of the Local Government: Municipal Planning and Performance Management Regulations, 2001 states that "A Municipality's Performance Management System entails a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players." Performance management is not only relevant to the organisation as a whole, but also to the individuals employed in the organization as well as the external service

## CHAPTER 3: SERVICE DELIVERY PERFORMANCE

providers and the Municipal Entities. This framework, inter alia, reflects the linkage between the IDP, Budget, SDBIP and individual and service provider performance.

### 3.1.1 LEGISLATIVE REQUIREMENTS

In terms of section 46(1)(a) a municipality must prepare for each financial year a performance report reflecting the municipality's and any service provider's performance during the financial year, including comparison with targets of and with performance in the previous financial year. The report must, furthermore, indicate the development and service delivery priorities and the performance targets set by the municipality for the following financial year and measures that were or are to be taken to improve performance.

### 3.1.2 ORGANISATION PERFORMANCE

Strategic performance indicates how well the municipality is meeting its objectives and which policies and processes are working. All government institutions must report on strategic performance to ensure that service delivery is efficient, effective and economical. Municipalities must develop strategic plans and allocate resources for the implementation. The implementation must be monitored on an ongoing basis and the results must be reported on during the financial year to various role-players to enable them to timeously implement corrective measures where required.

This report highlight the strategic performance in terms of the municipality's Top Layer Service Delivery Budget Implementation Plan (SDBIP), high level performance in terms of the IDP Strategic objectives, performance on the National Key Performance Indicators prescribed in terms of Regulation 796. Details regarding specific basic service delivery targets, achievements and challenges will be included in the Annual Report of the municipality.

### 3.1.3 THE PERFORMANCE SYSTEM FOLLOWED FOR 2013/14

#### A) ADOPTION OF A PERFORMANCE MANAGEMENT FRAMEWORK

Performance management is prescribed by chapter of the Municipal Systems Act, Act 32 of 2000 and the Municipal Planning and Performance Management Regulations, 796 of August 2001. Section 7 (1) of the aforementioned regulation states that "A Municipality's Performance Management System entails a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organized and managed, including determining the responsibilities of the different role players." This framework, inter alia, reflects the linkage between the IDP, Budget, SDBIP and individual and service provider performance.

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## B) THE IDP AND THE BUDGET

The reviewed IDP and the budget for 2013/14 was approved by Council on 27 May 2013. The IDP process and the performance management process are integrated. The IDP fulfils the planning stage of performance management. Performance management in turn, fulfils the implementation management, monitoring and evaluation of the IDP.

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## A) THE SERVICE DELIVERY BUDGET IMPLEMENTATION PLAN

The organisational performance is evaluated by means of a municipal scorecard (Top Layer SDBIP) at organisational level and through the service delivery budget implementation plan (SDBIP) at directorate levels.

The SDBIP is a plan that converts the IDP and budget into measurable criteria on how, where and when the strategies, objectives and normal business process of the municipality is implemented. It also allocates responsibility to directorates to deliver the services in terms of the IDP and budget.

- \* The MFMA Circular No.13 prescribes that:
- \* The IDP and budget must be aligned
- \* The budget must address the strategic priorities
- \* The SDBIP should indicate what the municipality is going to do during next 12 months
- \* The SDBIP should form the basis for measuring the performance against goals set during the budget / IDP processes.

The SDBIP were prepared as described in the paragraphs below and approved by the Executive Mayor.

The Top Layer SDBIP was revised with the Adjustments Budget in terms of section 26 (2)(c) of the Municipal Budget and Reporting Regulations and an amended Top Layer SDBIP was approved by the Council on 27 February 2014. The following were considered in the development of the amended Top Layer SDBIP:

- \* Areas to be addressed and root causes of the Auditor-General management letter, as well as the risks identified during the 2012/13 audit
- \* Alignment with the IDP, National KPA's, Municipal KPA's and IDP objectives
- \* Alignment with the Adjustments Budget
- \* Oversight Committee Report on the Annual Report of 2012/13
- \* The risks identified by the Internal Auditor during the municipal risk analysis

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## I) THE MUNICIPAL SCORECARD (TOP LAYER SDBIP)

The municipal scorecard (Top Layer SDBIP) consolidate service delivery targets set by Council / senior management and provide an overall picture of performance for the municipality as a whole, reflecting performance on its strategic priorities. Components of the Top Layer SDBIP include:

- \* One-year detailed plan, but should include a three-year capital plan
- \* The 5 necessary components includes:

## CHAPTER 3: SERVICE DELIVERY PERFORMANCE

- \* Monthly projections of revenue to be collected for each source
- \* Expected revenue to be collected NOT billed
- \* Monthly projections of expenditure (operating and capital) and revenue for each vote
- \* Section 71 format (Monthly budget statements)
- \* Quarterly projections of service delivery targets and performance indicators for each vote
- \* Non-financial measurable performance objectives in the form of targets and indicators
- \* Output NOT input / internal management objectives
- \* Level and standard of service being provided to the community
- \* Ward information for expenditure and service delivery
- \* Detailed capital project plan broken down by ward over three years

Top Layer KPI's were aligned with the IDP that was prepared based on the following:

- \* Key performance indicators (KPI's) for the programmes / activities identified to address the strategic objectives as documented in the IDP.
- \* KPI's that need to be reported to key municipal stakeholders.
- \* KPI's to address the required national reporting requirements.

It is important to note that the municipal manager needs to implement the necessary systems and processes to provide the Portfolio of Evidence's for reporting and auditing purposes.

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### B) ACTUAL PERFORMANCE

The performance is monitored and evaluated via the SDBIP system. The web based system sent automated e-mails to the users of the system as a reminder to all staff responsible for updating their actual performance against key performance indicator targets every month for the previous month's performance.



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## 3.2 INTRODUCTION TO STRATEGIC AND MUNICIPAL PERFORMANCE FOR 2013/14

### 3.2.1 STRATEGIC SERVICE DELIVERY BUDGET IMPLEMENTATION PLAN (TOP LAYER)

The purpose of strategic performance reporting is to report specifically on the implementation and achievement of IDP outcomes. This section provides an overview on the strategic achievement of the municipality in terms of the strategic intent and deliverables achieved as stated in the IDP. The Top Layer (strategic) SDBIP is the municipality's strategic plan and shows the strategic alignment between the different documents. (IDP, Budget and Performance Agreements).

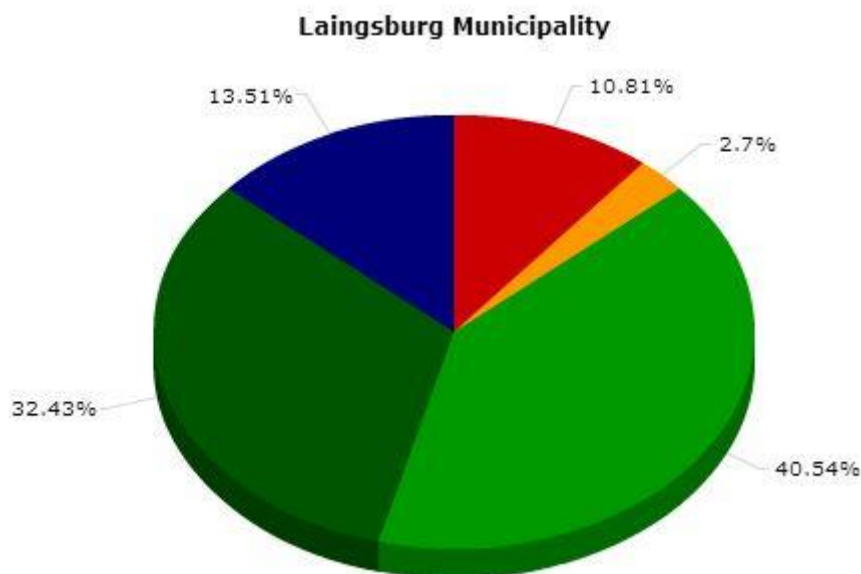
In the paragraphs below the performance achieved is illustrated against the Top Layer SDBIP according to the IDP (strategic) objectives.

The following table explains the method by which the overall assessment of actual performance against targets set for the key performance indicators (KPI's) of the SDBIP is measured:

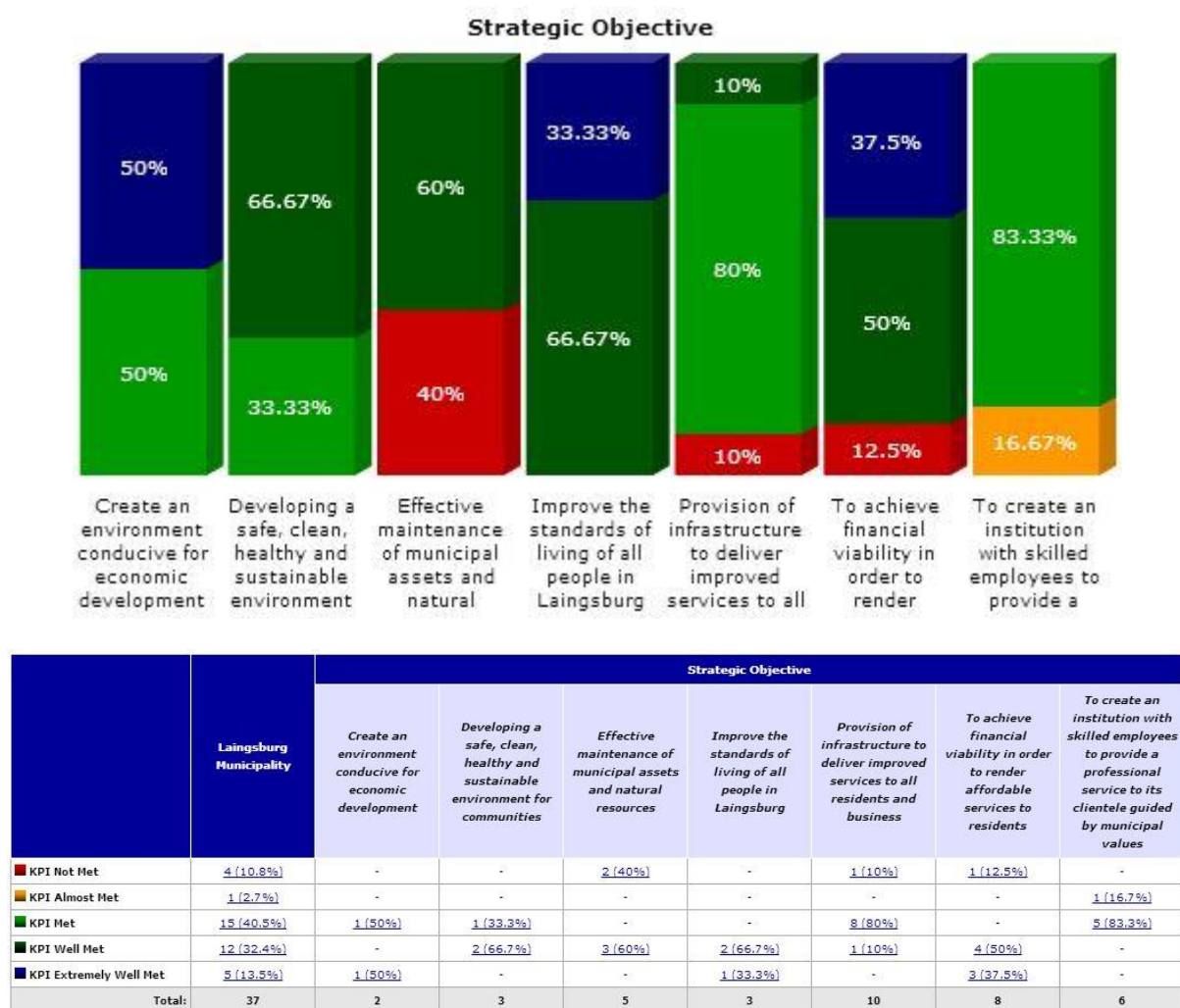
Category	Colour	Explanation
KPI Not Yet Measured	n/a	KPI's with no targets or actuals in the selected period
KPI Not Met	R	0% > = Actual/Target < 75%
KPI Almost Met	O	75% > = Actual/Target < 100%
KPI Met	G	Actual/Target = 100%
KPI Well Met	G2	100% > Actual/Target < 150%
KPI Extremely Well Met	B	Actual/Target > = 150%

Figure 2.: SDBIP Measurement Categories

The graph below displays the overall performance per Strategic Objective for 2013/14:



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Graph 3.: Overall performance per Strategic objective

### A) TOP LAYER SDBIP – CREATE AN ENVIRONMENT CONDUCTIVE FOR ECONOMIC DEVELOPMENT

Ref	KPI	Unit of Measurement	Wards	Actual performance of 2012/13	Target					Overall performance for 2013/14		
					Q1	Q2	Q3	Q4	Annual	Actual	R	Corrective actions
TL12	Create job opportunities (man-days)	Number of job opportunities (man days) created	All	4 021	0	0	0	1 000	1 000	1 627		N/A
TL13	Attract investors with the golf day and the marathon held	Number of events	All	4	2	0	0	0	2	2		N/A

Table 45.: Top Layer SDBIP – Create an environment conducive for economic development

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### B) TOP LAYER SDBIP – DEVELOPING A SAFE, CLEAN, HEALTHY AND SUSTAINABLE ENVIRONMENT FOR COMMUNITIES

Ref	KPI	Unit of Measure-ment	Wards	Actual performance of 2012/13	Target					Overall performance for 2013/14		
					Q1	Q2	Q3	Q4	Annual	Actual	R	Corrective actions
TL3	Host a garden competition by 31 October	Competition hosted	All	100%	0	1	0	0	1	1		N/A
TL4	Plant trees	Number of trees planted	All	50	0	0	0	50	50	60		N/A
TL6	Take part in public safety initiatives with Kanniedood, Easter, Safely home, Driver of the year and school holidays	Number of awareness initiatives	All	3	1	1	1	1	4	5		N/A

**Table 46.:** Top Layer SDBIP – Developing a safe, clean, healthy and sustainable environment for communities

### C) TOP LAYER SDBIP – EFFECTIVE MAINTENANCE OF MUNICIPAL ASSETS AND NATURAL RESOURCES

Ref	KPI	Unit of Measure-ment	Wards	Actual performance of 2012/13	Target					Overall performance for 2013/14		
					Q1	Q2	Q3	Q4	Annual	Actual	R	Corrective actions
TL22	Spent the approved electricity maintenance budget (Actual amount spent on maintenance of electricity assets/ Total amount budgeted for electricity asset maintenance )	% of maintenance budget spent	All	60.11%	0%	0%	0%	70%	70%	79.24%		N/A
TL26	Spent the approved sanitation maintenance budget (Actual amount spent on maintenance of sanitation assets/ Total amount budgeted for maintenance of sanitation assets)	% of maintenance budget spent	All	56.78%	0%	0%	0%	70%	70%	76.37%		N/A
TL27	Spent the approved water	% of maintenance budget spent	All	New performance	0%	0%	0%	70%	70%	51.07%		Due to the flood, the municipal

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Ref	KPI	Unit of Measurement	Wards	Actual performance of 2012/13	Target					Overall performance for 2013/14		
					Q1	Q2	Q3	Q4	Annual	Actual	R	Corrective actions
	maintenance budget (Actual amount spent on maintenance of water assets/Total amount budgeted for maintenance of water assets)			indicator for 2013/14. No comparatives available								area has been classified as a disaster area. Therefore the scheduled maintenance on the water assets could not take place.
TL31	Spent the approved waste management maintenance budget (Actual amount spent on maintenance of waste removal assets/Total amount budgeted for maintenance of waste removal assets)	% of maintenance budget spent	All	53.04%	0%	0%	0%	70%	70%	42.64%		Due to the flood, the municipal area has been classified as a disaster area. Therefore the scheduled maintenance on the waste removal assets could not take place.
TL32	Spent the approved roads and stormwater management maintenance budget (Actual amount spent on maintenance of roads & stormwater assets/Total amount budgeted for maintenance of roads and stormwater assets)	% of maintenance budget spent	All	60.23	0%	0%	0%	70%	70%	72.72%		N/A

Table 47.: Top Layer SDBIP – Effective maintenance of municipal assets and natural resources

### D) TOP LAYER SDBIP – IMPROVE THE STANDARDS OF LIVING OF ALL PEOPLE IN LAINGSBURG

Ref	KPI	Unit of Measurement	Wards	Actual performance of 2012/13	Target					Overall performance for 2013/14		
					Q1	Q2	Q3	Q4	Annual	Actual	R	Corrective actions
TL11	Train youngsters in identified skills	Number of youngsters trained	All	37	0	0	0	40	40	51		N/A
TL49	Host motivational and	Number of motivational and	All	3	1	0	1	1	3	4		N/A

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Ref	KPI	Unit of Measurement	Wards	Actual performance of 2012/13	Target					Overall performance for 2013/14		
					Q1	Q2	Q3	Q4	Annual	Actual	R	Corrective actions
	educational session for the youngsters in communities	educational sessions hosted										
TL59	Provide assistance to matriculants with registration fees	Number of matriculants assisted	All	10	0	10	0	0	10	19		N/A

**Table 48.: Top Layer SDBIP –Improve the standards of living of all people in Laingsburg**

### E) TOP LAYER SDBIP – PROVISION OF INFRASTRUCTURE TO DELIVER IMPROVED SERVICES TO ALL RESIDENTS AND BUSINESS

Ref	KPI	Unit of Measurement	Wards	Actual performance of 2012/13	Target					Overall performance for 2013/14		
					Q1	Q2	Q3	Q4	Annual	Actual	R	Corrective actions
TL14	Implement the Matjiesfontein housing project	Number of top structures built	1	New performance indicator for 2013/14. No comparatives available	0	0	0	39	39	39		N/A
TL68	Rehabilitate the oxidation dam in Bergsig by the end of June	Project completed	All	100%	0	0	0	1	1	1		N/A
TL74	Upgrade the sport grounds in Matjiesfontein	Project completed	1	New performance indicator for 2013/14. No comparatives available	0	0	0	1	1	1		N/A
TL76	Construct the sewerage package plant in Matjiesfontein	Project completed	1	New performance indicator for 2013/14. No comparatives available	0	0	0	1	1	1		N/A
TL78	Upgrade the Matjiesfontein reservoir	Project completed	1	New performance indicator for 2013/14. No comparatives available	0	0	0	1	1	0		Project is out on tender. Department is funding the project the project is within the set time.

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Ref	KPI	Unit of Measurement	Wards	Actual performance of 2012/13	Target					Overall performance for 2013/14		
					Q1	Q2	Q3	Q4	Annual	Actual	R	Corrective actions
												Municipality did the planning for the reservoir
TL79	Number of sanitation services to residential properties (connected to the municipal waste water sanitation/sewerage network) billed for sewerage service, irrespective of the number of water closets (toilets)	Number of residential properties which are billed for sewerage	All	New performance indicator for 2013/14. No comparatives available	0	0	0	1 206	1 206	1 206		N/A
TL81	The percentage of the municipal capital budget actually spent on capital projects identified in terms of the IDP (Actual amount spent on projects as identified for the year in the IDP/Total amount spent on capital projects)X100	% of the municipal budget spent (Actual amount spent on projects as identified for the year in the IDP/Total amount spent on capital projects)X100	All	New performance indicator for 2013/14. No comparatives available	0%	0%	0%	70%	70%	84%		N/A
TL82	Number of formal residential properties that receive piped water (credit and prepaid water) that is connected to the municipal water infrastructure network	Number of formal residential properties that receive piped water (credit and prepaid water)	All	New performance indicator for 2013/14. No comparatives available	0	0	0	1 206	1 206	1 206		N/A
TL83	Number of formal residential properties connected to the municipal electrical	Number of credit and prepaid electrical metering	All	New performance indicator for 2013/14. No comparatives available	0	0	0	766	766	766		N/A

## CHAPTER 3: SERVICE DELIVERY PERFORMANCE

Ref	KPI	Unit of Measurement	Wards	Actual performance of 2012/13	Target					Overall performance for 2013/14		
					Q1	Q2	Q3	Q4	Annual	Actual	R	Corrective actions
	infrastructure network (credit and prepaid electrical metering)			tives available								
TL84	Number of formal residential properties for which refuse is removed once per week	Number of formal residential properties	All	New performance indicator for 2013/14. No comparatives available	0	0	0	1 206	1 206	1 206		N/A

**Table 49.:** Top Layer SDBIP – Provision of infrastructure to deliver improved services to all residents and business

### F) TOP LAYER SDBIP – TO ACHIEVE FINANCIAL VIABILITY IN ORDER TO RENDER AFFORDABLE SERVICES TO RESIDENTS

Ref	KPI	Unit of Measurement	Wards	Actual performance of 2012/13	Target					Overall performance for 2013/14		
					Q1	Q2	Q3	Q4	Annual	Actual	R	Corrective actions
TL16	Provide 6kl free basic water per indigent household per month in terms of the equitable share requirements	Number of HH receiving free basic water	All	370	440	440	400	440	430	463		N/A
TL17	Provide free basic sanitation to indigent households in terms of the equitable share requirements	Number of HH receiving free basic sanitation	All	370	440	440	440	440	440	458		N/A
TL18	Provide 50kwh free basic electricity per indigent household per month in terms of the equitable share requirements (excluding ESKOM area)	Number of HH receiving free basic electricity	All	370	210	210	210	210	210	216.75		N/A
TL19	Provide free basic refuse removal to indigent households in terms of the equitable share requirements	Number of HH receiving free basic refuse removal	All	370	440	440	440	440	440	462.75		N/A

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Ref	KPI	Unit of Measurement	Wards	Actual performance of 2012/13	Target					Overall performance for 2013/14		
					Q1	Q2	Q3	Q4	Annual	Actual	R	Corrective actions
TL44	Achieve a debtors payment percentage of 60%	Payment %	All	95.29%	60%	60%	60%	60%	60%	94.43%		N/A
TL85	Financial viability measured in terms of the municipality's ability to meet its service debt obligations ((Total operating revenue-operating grants received)/debt service payments due within the year)	((Total operating revenue-operating grants received)/debt service payments due within the year)	All	New performance indicator for 2013/14. No comparatives available	0%	0%	0%	75%	75%	267.10%		N/A
TL86	Financial viability measured in terms of the outstanding service debtors (Total outstanding service debtors/ revenue received for services)	(Total outstanding service debtors/ revenue received for services)X100	All	New performance indicator for 2013/14. No comparatives available	0	0	0	5.5	5.5	3.37		Outstanding debt has increased. Credit control measures must be improved
TL87	Financial viability measured in terms of the available cash to cover fixed operating expenditure ((Available cash+ investments) / Monthly fixed operating expenditure)	((Available cash+ investments) / Monthly fixed operating expenditure)	All	New performance indicator for 2013/14. No comparatives available	0	0	0	1.22	1.22	3.36		N/A

**Table 50.:** Top Layer SDBIP – To achieve financial viability in order to render affordable services to residents



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### G) TOP LAYER SDBIP – TO CREATE AND INSTITUTION WITH SKILLED EMPLOYEES TO PROVIDE A PROFESSIONAL SERVICES TO ITS CLIENTELE GUIDED BY MUNICIPAL VALUES

Ref	KPI	Unit of Measure-ment	Wards	Actual performance of 2012/13	Target					Overall performance for 2013/14		
					Q1	Q2	Q3	Q4	Annual	Actual	R	Corrective actions
TL34	Limit vacancy rate to less than 10% of budgeted post (Number of funded posts vacant / total number of funded posts)	Vacancy rate	All	7.50%	0%	0%	0%	10%	10%	10%		N/A
TL36	Host a Staff wellness initiative by the end of February	Staff wellness day hosted	All	New performance indicator for 2013/14. No comparatives available	0	0	1	0	1	1		N/A
TL37	1% of the operating budget spent on training (Actual total training expenditure/ total operational budget)	% of total operational budget spent on training	All	0.74%	0%	0%	0%	1%	1%	1%		N/A
TL39	Train personnel	Number of staff members trained	All	New performance indicator for 2013/14. No comparatives available	0	0	0	25	25	20		Timeously planning will be done in order to avoid the delay in the SCM process.
TL63	Develop a Risk Based Audit Plan and submit to the audit committee for approval by 30 August	RBAP submitted to the audit committee by 30 August	All	New performance indicator for 2013/14. No comparatives available	1	0	0	0	1	1		N/A
TL66	Develop an action plan to address the top 10 municipal risks and submit to the audit committee by 31 March	Action plan submitted to the audit committee by 31 March	All	New performance indicator for 2013/14. No comparatives available	0	0	1	0	1	1		N/A
TL80	Number of people from employment	Number of people employed in	All	New performance	0	0	0	0	0	0		N/A

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Ref	KPI	Unit of Measurement	Wards	Actual performance of 2012/13	Target					Overall performance for 2013/14		
					Q1	Q2	Q3	Q4	Annual	Actual	R	Corrective actions
	equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan	the three highest levels of management		indicator for 2013/14. No comparatives available								

**Table 51.: Top Layer SDBIP – To create an institution with skilled employees to provide a professional service to its clientele guided by municipal values**

### 3.2.2 SERVICE PROVIDERS STRATEGIC PERFORMANCE

Section 76(b) of the MSA states that KPIs should inform the indicators set for every municipal entity and service provider with whom the municipality has entered into a service delivery agreement.

Service provider means a person or institution or any combination of persons and institutions which provide a municipal service

- \* External service provider means an external mechanism referred to in section 76(b) which provides a municipal service for a municipality
- \* Service delivery agreement means an agreement between a municipality and an institution or person mentioned in section 76(b) in terms of which a municipal service is provided by that institution or person, either for its own account or on behalf of the municipality

Section 121(b) of the MFMA and Section 46 of the MSA further state that a municipality should include the following related to service providers in its annual report:

- \* The performance of each service provider
- \* a Comparison of the performance with targets set for and performances in the previous financial year; and
- \* measures taken to improve performance
- \* measures taken to improve performance

During the year under review the municipality did not appoint any service providers who provided municipal services to or for the benefit of the local community on behalf of the municipality and therefore this report contains no such details. All other contract appointments are regularly monitored and ensured, that the requirements of the contract is complied with.

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## 3.2.3 MUNICIPAL FUNCTIONS

### A) ANALYSIS OF FUNCTIONS

The municipal functional areas are as indicated below:

Municipal Function	Municipal Function Yes / No
<b>Constitution Schedule 4, Part B functions:</b>	
Air pollution	No
Building regulations	Yes
Child care facilities	No
Electricity and gas reticulation	Yes
Firefighting services	Yes
Local tourism	Yes
Municipal airports	No
Municipal planning	Yes
Municipal health services	No
Municipal public transport	No
Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law	Yes
Pontoons, ferries, jetties, piers and harbours, excluding the regulation of international and national shipping and matters related thereto	No
Stormwater management systems in built-up areas	Yes
Trading regulations	Yes
Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems	Yes
<b>Constitution Schedule 5, Part B functions:</b>	
Beaches and amusement facilities	No
Billboards and the display of advertisements in public places	Yes
Cemeteries, funeral parlours and crematoria	Yes
Cleansing	Yes
Control of public nuisances	Yes
Control of undertakings that sell liquor to the public	Yes
Facilities for the accommodation, care and burial of animals	No
Fencing and fences	Yes
Licensing of dogs	Yes
Licensing and control of undertakings that sell food to the public	Yes
Local amenities	Yes
Local sport facilities	Yes
Markets	No

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Municipal Function	Municipal Function Yes / No
Municipal abattoirs	No
Municipal parks and recreation	Yes
Municipal roads	Yes
Noise pollution	Yes
Pounds	No
Public places	Yes
Refuse removal, refuse dumps and solid waste disposal	Yes
Street trading	Yes
Street lighting	Yes
Traffic and parking	Yes

Table 52.: Functional Areas

### 3.3 COMPONENT A: BASIC SERVICES

This component includes basic service delivery highlights and challenges, includes details of services provided for water, waste water (sanitation), electricity, waste management, housing services and a summary of free basic services.

#### 3.3.1 WATER PROVISION

##### A) INTRODUCTION TO WATER PROVISION

Laingsburg main water supply comes from the municipal farm Soutkloof Fountain with additional water sources of Soutkloof pit, Soutkloof borehole and 2 boreholes at Buffels River and a borehole in town.

The municipality needs to ensure that the groundwater sources are managed in a sustainable manner.

##### B) HIGHLIGHTS: WATER SERVICES

Highlights	Actions to address
Secured additional funds from the Department of Rural Development to build a reservoir in Matjiesfontein.	Construction will start in the 2014/15 financial year subject to the tender process.

Table 53.: Water Services Highlights

##### C) CHALLENGES: WATER SERVICES

Description	Actions to address
Blue Drop system needs to be managed more effectively	Processes must be implemented such as Risk Management, Action Plans and Water Service Development Plan to effectively manage the Blue Drop System.

Table 54.: Water Services Challenges

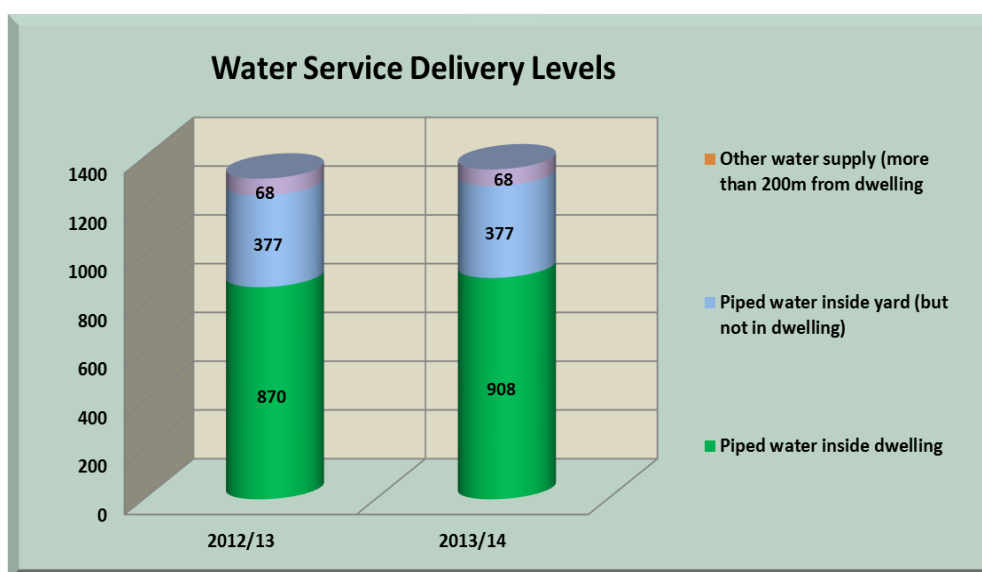
##### D) WATER SERVICE DELIVERY LEVELS

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The table below specifies the different water service delivery levels per households for the financial years 2012/13 and 2013/14 in the areas in which the municipality is responsible for the delivery of the service:

Water Service Delivery Levels		
Households		
Description	2012/13	2013/14
	Actual	Actual
	No.	No.
<b><u>Water: (above min level)</u></b>		
Piped water inside dwelling	870	908
Piped water inside yard (but not in dwelling)	377	377
Using public tap (within 200m from dwelling )	0	0
Other water supply (within 200m)	0	0
<i>Minimum Service Level and Above sub-total</i>	<b>1 247</b>	<b>1 285</b>
<i>Minimum Service Level and Above Percentage</i>	<b>94.8%</b>	<b>95%</b>
<b><u>Water: (below min level)</u></b>		
Using public tap (more than 200m from dwelling)	68	68
Other water supply (more than 200m from dwelling)	0	0
No water supply	0	0
<i>Below Minimum Service Level sub-total</i>	<b>68</b>	<b>68</b>
<i>Below Minimum Service Level Percentage</i>	<b>5.2%</b>	<b>5%</b>
<b>Total number of households</b>	<b>1 315</b>	<b>1 353</b>
<i>Include informal settlements</i>		

Table 55.: Water service delivery levels: Households



Graph 4.: Water Service Delivery levels

### E) EMPLOYEES: WATER SERVICES

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Employees: Water Services					
Job Level	2012/13	2013/14			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	0	0	0	0	0
4 – 6	2	2	2	0	0
7 – 9	0	0	0	0	0
10 – 12	0	0	0	0	0
13 – 15	0	0	0	0	0
16 – 18	0	0	0	0	0
19 – 20	0	0	0	0	0
<b>Total</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>0</b>

Table 56.: Employees: Water Services

### F) CAPITAL EXPENDITURE: WATER SERVICES

Capital Expenditure 2013/14: Water Services					
R'000					
Capital Projects	2013/14				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
<b>Total All</b>	<b>1 022</b>	<b>1 215</b>	<b>141</b>	<b>(881)</b>	<b>1 215</b>
Water pumps (Vleiland, Refuse Terrain & Southkloof)	0	50	22	22	50
Matjiesfontein Reservoir	1 022	1 165	119	(903)	1 165

Total project value represents the estimated cost of the project on approval by Council

Table 57.: Capital Expenditure 2013/14: Water Services

### 3.3.2 WASTE WATER (SANITATION) PROVISION

#### A) INTRODUCTION TO SANITATION PROVISION

A waterborne sewage reticulation system serves the whole of Laingsburg and each erf is connected individually to the reticulation. A waterborne sewage reticulation system and a waste water package plant were installed in Matjiesfontein and is operation since the Department of Environmental Affairs approved the waste management license in August 2013. All the newly built houses and erven in Matjiesfontein were connected to the sewer line.

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### B) HIGHLIGHTS: WASTE WATER (SANITATION) PROVISION

Highlights	Description
Upgraded the sewer dams	Project that started in the 2012/13 financial year was completed in August 2013.

Table 58.: Waste Water (Sanitation) Provision Highlights

### C) CHALLENGES: WASTE WATER (SANITATION) PROVISION

Description	Actions to address
All erven still using septic tank system must be connected to the sewerage network.	The Municipality must apply for funding for the project to eradicate the septic tank system.

Table 59.: Waste Water (Sanitation) Provision Challenges

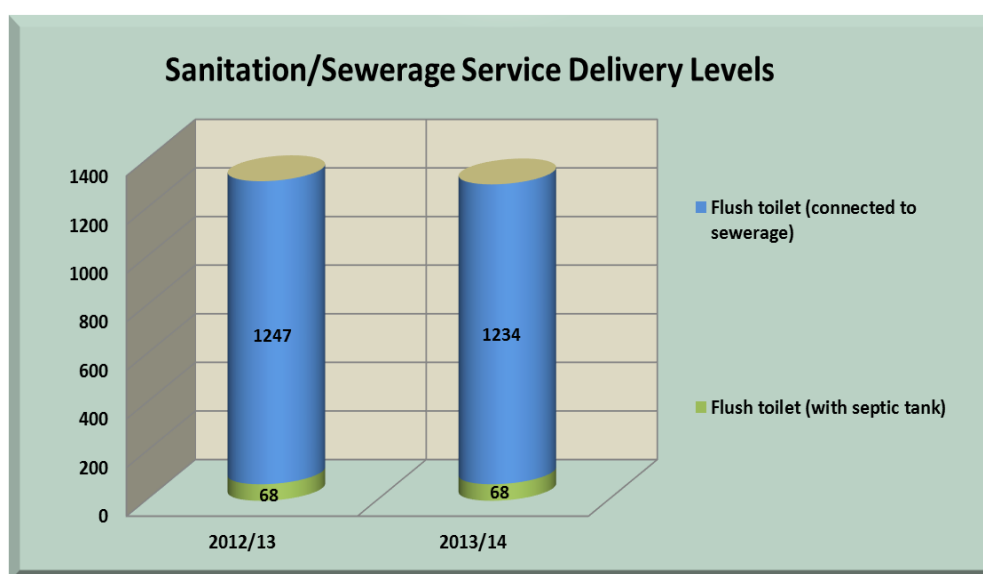
### D) SANITATION SERVICE DELIVERY LEVELS

The table below specifies the different sanitation service delivery levels per households for the financial years 2012/13 and 2013/14 in the areas in which the municipality is responsible for the delivery of the service:

Sanitation Service Delivery Levels		
Households		
Description	2012/13	2013/14
	Actual	Actual
	No.	No.
<b><u>Sanitation/sewerage: (above minimum level)</u></b>		
Flush toilet (connected to sewerage)	1 247	1 234
Flush toilet (with septic tank)	68	68
Chemical toilet	0	0
Pit toilet (ventilated)	0	0
Other toilet provisions (above min. service level)	0	0
<i>Minimum Service Level and Above sub-total</i>	<b>1 315</b>	<b>1 302</b>
<i>Minimum Service Level and Above Percentage</i>	<b>100</b>	<b>100</b>
<b><u>Sanitation/sewerage: (below minimum level)</u></b>		
Bucket toilet	0	0
Other toilet provisions (below min. service level)	0	0
No toilet provisions	0	0
<i>Below Minimum Service Level sub-total</i>	<b>0</b>	<b>0</b>
<i>Below Minimum Service Level Percentage</i>	<b>0</b>	<b>0</b>
<b>Total households</b>	<b>1 315</b>	<b>1 302</b>
<i>Including informal settlements</i>		

Table 60.: Sanitation service delivery levels

## CHAPTER 3: SERVICE DELIVERY PERFORMANCE



Graph 5.: Sanitation/Sewerage Service Delivery Levels

### E) EMPLOYEES: SANITATION SERVICES

Employees: Sanitation Services					
Job Level	2012/13	2013/14			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	1	1	1	0	0
4 – 6	1	1	0	1	100%
7 – 9	0	0	0	0	0
10 – 12	0	0	0	0	0
13 – 15	0	0	0	0	0
16 – 18	0	0	0	0	0
19 – 20	0	0	0	0	0
<b>Total</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>50%</b>

Table 61.: Employees Waste Water (Sanitation) Provision

### F) CAPITAL EXPENDITURE: SANITATION SERVICES

Capital Expenditure 2013/14: Sanitation Services					
R' 000					
Capital Projects	2013/14				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
<b>Total All</b>	<b>2 753</b>	<b>5 487</b>	<b>5 580</b>	<b>2 827</b>	<b>7 388</b>
Matjiesfontein New Sanitation	0	0	1 901	1 901	1 901
Matjiesfontein Package Plant	1 028	2 250	2 250	1 222	2 250



## CHAPTER 3: SERVICE DELIVERY PERFORMANCE

Capital Expenditure 2013/14: Sanitation Services					
R' 000					
Capital Projects	2013/14				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Rehabilitation – Laingsburg	1 725	3 237	1 429	(296)	3 237
<i>Total project value represents the estimated cost of the project on approval by Council</i>					

Table 62.: Capital Expenditure 2013/14: Waste Water (Sanitation) Provision

### 3.3.3 ELECTRICITY

#### A) INTRODUCTION TO ELECTRICITY

Laingsburg Municipality buys electricity from ESKOM and sell the electricity to the residential and business customers in Laingsburg. Households from Göldnerville in Laingsburg and Matjiesfontein buys electricity direct from ESKOM. Laingsburg Municipality make use of an electrical contractor to do all the maintenance and upgrading work on the electrical network.

#### B) CHALLENGES: ELECTRICITY

Description	Actions to address
Take over the provision of pre-paid electricity to the Göldnerville community from ESKOM to the municipality.	Acquire the necessary funding needed for the project.

Table 63.: Electricity Challenges

#### C) ELECTRICITY SERVICE DELIVERY LEVELS

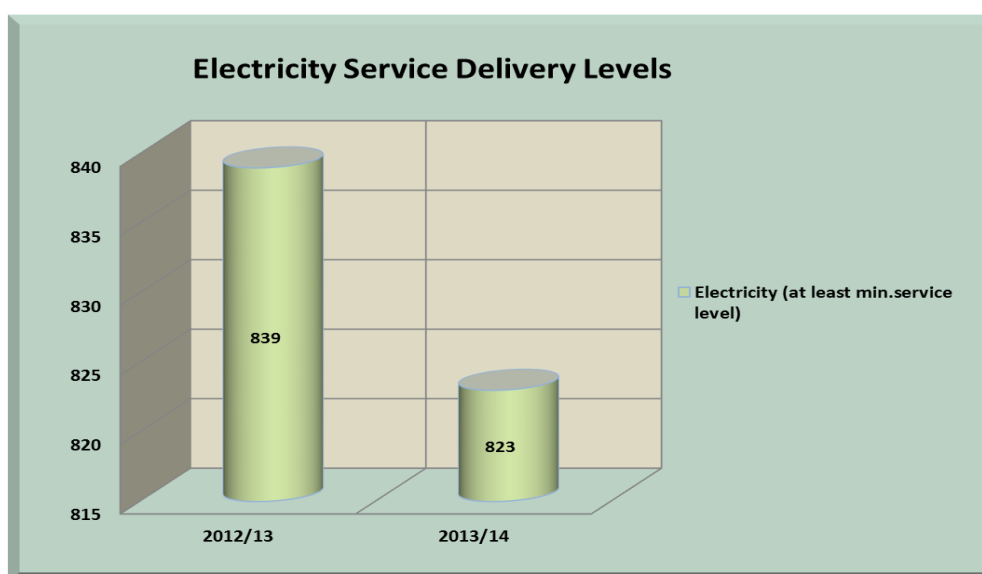
The table below indicates the different service delivery level standards for electricity in the areas in which the municipality is responsible for the delivery of the service:

Electricity Service Delivery Levels		
Households		
Description	2012/13	2013/14
	Actual	Actual
	No.	No.
<b><u>Energy: (above minimum level)</u></b>		
Electricity (at least min.service level)	839	823
Electricity - prepaid (min.service level)	0	0
<i>Minimum Service Level and Above sub-total</i>	<b>839</b>	<b>823</b>
<i>Minimum Service Level and Above Percentage</i>	<b>100%</b>	<b>100%</b>
<b><u>Energy: (below minimum level)</u></b>		
Electricity (< min.service level)	0	0

## CHAPTER 3: SERVICE DELIVERY PERFORMANCE

Electricity Service Delivery Levels		
Households		
Description	2012/13	2013/14
	Actual	Actual
	No.	No.
Electricity - prepaid (< min. service level)	0	0
Other energy sources	0	0
<i>Below Minimum Service Level sub-total</i>	0	0
<i>Below Minimum Service Level Percentage</i>	0%	0%
<b>Total number of households</b>	<b>839</b>	<b>823</b>

Table 64.: Electricity service delivery levels



Graph 6.: Electricity service delivery levels

### D) EMPLOYEES: ELECTRICITY SERVICES

The electricity service is provided by an outside contractor.

## CHAPTER 3: SERVICE DELIVERY PERFORMANCE

### E) CAPITAL EXPENDITURE: ELECTRICITY SERVICES

Capital Expenditure 2013/14: Electricity Services					
R' 000					
Capital Projects	2013/14				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
<b>Total All</b>	0	72	100	100	100
High Mast and Street Lights – Laingsburg	0	72	100	100	100
<i>Total project value represents the estimated cost of the project on approval by Council</i>					

Table 65.: Capital Expenditure 2013/14: Electricity Services

### 3.3.4 WASTE MANAGEMENT (REFUSE COLLECTIONS, WASTE DISPOSAL, STREET CLEANING AND RECYCLING)

#### A) INTRODUCTION TO WASTE MANAGEMENT

Laingsburg Municipality make use of a labour intensive methods to do the refuse collection, waste disposal and street cleaning in Laingsburg and Matjiesfontein.

#### B) HIGHLIGHTS: WASTE MANAGEMENT

Description	Actions to address
Secured funds to upgrade the refuse dump site terrain.	The upgrade will commence in 2014/15

Table 66.: Waste Management Highlights

#### C) CHALLENGES: WASTE MANAGEMENT

Description	Actions to address
Managing the refuse dump site more effectively.	Upgrading will take place and an outside contractor must be appointed to manage the refuse dump site.

Table 67.: Waste Management Challenges

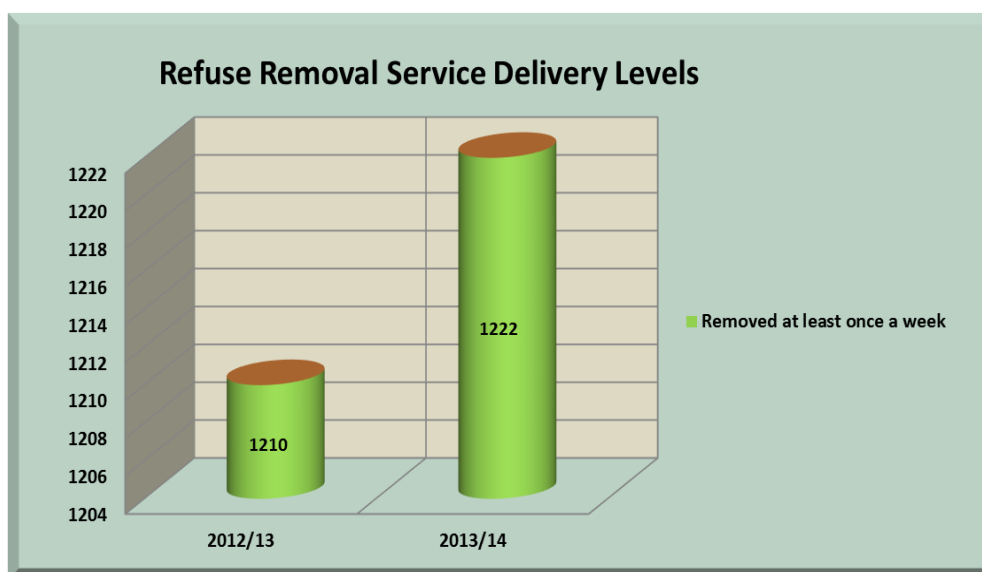
#### D) SOLID WASTE SERVICE DELIVERY LEVELS

The table below specifies the different refuse removal service delivery levels per households for the financial years 2012/13 and 2013/14 in the areas in which the municipality is responsible for the delivery of the service:

## CHAPTER 3: SERVICE DELIVERY PERFORMANCE

Solid Waste Service Delivery Levels		
Description	Households	
	2012/13	2013/14
	Actual	Actual
	No.	No.
<b><u>Solid Waste Removal: (Minimum level)</u></b>		
Removed at least once a week	1 210	1 222
<i>Minimum Service Level and Above sub-total</i>	<b>1 210</b>	<b>1 222</b>
<i>Minimum Service Level and Above percentage</i>	<b>100%</b>	<b>100%</b>
<b><u>Solid Waste Removal: (Below minimum level)</u></b>		
Removed less frequently than once a week	0	0
Using communal refuse dump	0	0
Using own refuse dump	0	0
Other rubbish disposal	0	0
No rubbish disposal	0	0
<i>Below Minimum Service Level sub-total</i>	0	0
<i>Below Minimum Service Level percentage</i>	<b>0%</b>	<b>0%</b>
<b>Total number of households</b>	<b>1 210</b>	<b>1 222</b>

Table 68.: Solid Waste Service Delivery Levels



Graph 7.: Refuse Removal Service Delivery Levels

## CHAPTER 3: SERVICE DELIVERY PERFORMANCE

### E) EMPLOYEES: SOLID WASTE SERVICES

Employees: Solid Waste Services					
Job Level	2012/13	2013/14			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	3	3	3	0	0
4 – 6	1	1	1	0	0
7 – 9	0	0	0	0	0
10 – 12	0	0	0	0	0
13 – 15	0	0	0	0	0
16 – 18	0	0	0	0	0
19 – 20	0	0	0	0	0
<b>Total</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>0</b>	<b>0</b>

Table 69.: Employees: Solid Waste Services

### F) CAPITAL EXPENDITURE: SOLID WASTE SERVICES

There was no capital expenditure for Solid Waste Services for the year 2013/14.

## 3.3.5 HOUSING

### A) INTRODUCTION TO HOUSING

Due to the high poverty level in Laingsburg Municipal area it is essential to provide the poor members in our community with a RDP house and as such contribute to sustainable human settlement where families can live in a safe and hygienic environment.

### B) HIGHLIGHTS: HOUSING

Highlights	Description
39 Housing units handed over in Matjiesfontein.	The project of building 39 Units in Matjiesfontein was completed and houses were handover during March 2014.

Table 70.: Housing Highlights

### C) CHALLENGES: HOUSING

Description	Actions to address
Not enough vacant land to build houses.	A new Housing pipeline has been approved and services will be put in place as soon as possible.
Backyard dwellers and people putting up unsafe and not suitable structures are still a big problem in the municipality	Stricter law enforcement on structures built must be enforced

Table 71.: Housing Challenges

## CHAPTER 3: SERVICE DELIVERY PERFORMANCE

The following table shows the increase in the number of people on the housing waiting list. There are currently approximately 747 housing units on the waiting list.

Financial year	Number of housing units on waiting list	% Housing waiting list increase/(decrease)
2012/13	550	(16.7%)
2013/14	747	25.8%

Table 72.: Housing waiting list

A summary of houses built, includes:

Financial year	Allocation	Amount spent	% spent	Number of houses built	Number of sites serviced
	R'ooo	R'ooo			
2012/13	7 875	6 880	87.4%	0	71
2013/14	4 048	2 324	57.4%	39	0

Table 73.: Houses built in 2013/14

### 3.3.6 FREE BASIC SERVICES AND INDIGENT SUPPORT

#### A) INTRODUCTION

The table indicates the percentage of indigent households that have access to free basic municipal services. In accordance with the approved indigent policy of the municipality, all households earning less than **R2 100** per month will receive the free basic services as prescribed by national policy.

The table below indicates that **20.7%** of the total number of households received free basic services in 2013/14 if compared to **16.4%** in 2012/13.

The table, furthermore, indicates the total number of indigent households and other households that received free basic services in the past two financial years:

Financial year	Number of households								
	Total no of HH	Free Basic Electricity		Free Basic Water		Free Basic Sanitation		Free Basic Refuse Removal	
		No. Access	%	No. Access	%	No. Access	%	No. Access	%
2012/13	2 408	396	16.4%	396	16.4%	396	16.4%	396	16.4%
2013/14	2 447	506	20.7%	506	20.7%	506	20.7%	506	20.7%
Figures as at 30 June 2014									

Figures as at 30 June 2014

Table 74.: Free basic services to indigent households

## CHAPTER 3: SERVICE DELIVERY PERFORMANCE

Electricity									
Financial year	Indigent Households			Non-indigent households			Households in Eskom areas		
	No. of HH	Unit per HH (kwh)	Value	No. of HH	Unit per HH (kwh)	Value	No. of HH	Unit per HH (kwh)	Value
			R'ooo			R'ooo			R'ooo
2012/13	396	50kwh	250	0	0kwh	0	0	0kwh	0
2013/14	506*	50kwh	358	0	0kwh	0	0	0kwh	0
*Figures as at 30 June 2014									

Table 75.: Free basic Water services to indigent households

Water						
Financial year	Indigent Households			Non-indigent households		
	No. of HH	Unit per HH (kl)	Value	No. of HH	Unit per HH (kl)	Value
			R'ooo			R'ooo
2012/13	396	10 kl	427	625	10 kl	180
2013/14	506*	6kl	448	774	6kl	146
*Figures as at 30 June 2014						

Table 76.: Free basic Water services to indigent households

Sanitation						
Financial year	Indigent Households			Non-indigent households		
	No. of HH	R value per HH	Value	No. of HH	Unit per HH per month	Value
			R'ooo			R'ooo
2012/13	396	74.05	352	0	0	0
2013/14	506*	86.40	525	0	0	0
*Figures as at 30 June 2014						

Table 77.: Free basic Water services to indigent households

Refuse Removal						
Financial year	Indigent Households			Non-indigent households		
	No. of HH	Service per HH per week	Value	No. of HH	Unit per HH per month	Value
			R'ooo			R'ooo
2012/13	396	1	285	0	0	0
2013/14	506*	1	393	0	0	0
*Figures as at 30 June 2014						

Table 78.: Free basic Refuse Removal services to indigent households per type of service

## CHAPTER 3: SERVICE DELIVERY PERFORMANCE

### 3.4 COMPONENT B: ROAD TRANSPORT

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

#### 3.4.1 ROADS

##### A) INTRODUCTION TO ROADS

For optimal performance it is essential that roads are maintain to provide the road user with an acceptable level of service, to protect the structural layers of pavement from the abrasive forces of traffic as well as from the effects of the environment.

##### B) CHALLENGES: ROADS AND STORMWATER

Description	Actions to address
Funding needed for re-sealing of roads	Apply for MIG funding for re-sealing project.

Table 79.: Roads Challenges

Gravel Road Infrastructure: Kilometres				
Year	Total gravel roads	New gravel roads constructed	Gravel roads upgraded to tar	Gravel roads graded/maintained
2012/13	0.9	0	0	0.9
2013/14	0.9	0	0	0.9

Table 80.: Gravel road infrastructure

Tarred Road Infrastructure: Kilometres					
Year	Total tarred roads	New tar roads	Existing tar roads re-tarred	Existing tar roads re-sheeted	Tar roads maintained
2012/13	25	0	0	0	25
2013/14	25	0	0	0	25

Table 81.: Tarred road infrastructure

The table below shows the costs involved for the maintenance and construction of roads within the municipal area:

Financial year	New & Replacements	Resealed	Maintained
	R'ooo		
2012/13	66	0	1 412
2013/14	0	0	1 133

\* The cost for maintenance include stormwater

Table 82.: Cost of construction/maintenance of roads



## CHAPTER 3: SERVICE DELIVERY PERFORMANCE

### C) EMPLOYEES: ROADS AND STORMWATER

Employees: Roads					
Job Level	2012/13	2013/14			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	8	8	8	0	0
4 – 6	5	5	5	0	0
7 – 9	0	0	0	0	0
10 – 12	0	0	0	0	0
13 – 15	0	0	0	0	0
16 – 18	0	0	0	0	0
19 – 20	0	0	0	0	0
<b>Total</b>	<b>13</b>	<b>13</b>	<b>13</b>	<b>0</b>	<b>0</b>

Table 83.: Employees: Roads

### D) CAPITAL EXPENDITURE: ROADS

Capital Expenditure 2013/14: Roads					
R' 000					
Capital Projects	2013/14				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
None	0	0	0	0	0
Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).					

Table 84.: Capital Expenditure 2013/14: Roads

#### 3.4.2 WASTE WATER (STORMWATER DRAINAGE)

##### A) INTRODUCTION TO STORMWATER DRAINAGE

It is common practice to provide a formal drainage system of pipes or channels to convey stormwater away from erven and streets and to discharge this water into natural watercourses. The stormwater system must be cleaned and maintained on a regular basis to ensure a proper working drainage system.

## CHAPTER 3: SERVICE DELIVERY PERFORMANCE

### B) STORMWATER MAINTAINED AND UPGRADED

The table below shows the total kilometres of stormwater maintained and upgraded as well as the kilometres of new stormwater pipes installed:

Stormwater Infrastructure: Kilometres				
Year	Total Stormwater measures (km)	New stormwater measures (km)	Stormwater measures upgraded (km)	Stormwater measures maintained (km)
2012/13	4 382	0	0	4 382
2013/14	4 382	0	0	4 382

Table 85.: Stormwater infrastructure

The table below indicates the amount of money spend on stormwater projects:

Financial year	Stormwater Measures		
	New R'ooo	Upgraded R'ooo	Maintained R'ooo
2012/13	114	293	0
2013/14	271	0	9

Table 86.: Cost of construction/maintenance of stormwater systems

### C) CAPITAL EXPENDITURE: WASTE WATER

Capital Expenditure 2013/14: Waste Water (Stormwater drainage)					
R'ooo					
Capital Projects	2013/14				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	270	270	271	1	271
Stormwater – Kambro Street	270	270	271	1	271

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

Table 87.: Capital Expenditure 2013/14: Waste water (Stormwater drainage)

# CHAPTER 3: SERVICE DELIVERY PERFORMANCE

## 3.5 COMPONENT C: PLANNING AND LOCAL ECONOMIC DEVELOPMENT

### 3.5.1 PLANNING

#### A) SERVICE DELIVERY STATISTICS: PLANNING

Type of service	2012/13	2013/14
Building plans application processed	27	15
Total surface (m2 )	1 620	1 249
Residential extensions	19	12
Business extensions	2	3
Rural applications	2	1
Land use applications processed	11	6

Table 88.: Service Delivery statistics: Planning

### 3.5.2 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES)

#### A) HIGHLIGHTS: LED

The following performance highlights with regard to the implementation of the LED strategy are:

Highlights	Description
Implemented a Participatory Appraisal Competitive Advantage (PACA) exercise	Participatory Appraisal Competitive Advantage was done in the municipal area to inform the new LED Strategy.
Established a Business Chamber	Laingsburg's First functional Business Chamber was established.
Established a Small Business Association	Laingsburg Small Business Association (LASBA) was established to assist small businesses within the municipal area.
Best Practice Presentation at Karoo Development Foundation	Laingsburg Municipality presented a Best Practice in Laingsburg at the Karoo Development Foundation in Phillipstown.
Held the Ultra Karoo Marathon	A successful event was held in September 2013 which enabled economic growth in the municipal area.
Held Mayoral Golf Day	A successful event was held which led to an economic injection in the economy and funds were raised for the Municipal Bursary fund.
Held monthly Farm Markets	Monthly farm markets were held to grow the local economy.
Empowered Small Contractors	Small contractors were used within the municipality to assist them to increase their Construction Industry Development Board (CIDB) grading.

Table 89.: LED Highlights

## CHAPTER 3: SERVICE DELIVERY PERFORMANCE

### B) CHALLENGES: LED

The following challenges with regard to the implementation of the LED strategy are:

Description	Actions to address challenges
The lack of feasibility studies	The Economic Development Agency and Department of Agriculture will assist the municipality with future feasibility studies.
High levels of crime	Crime Prevention Initiatives to be implemented.
Small Revenue Base	Job creation through various programmes.
Failure to attract Investors to the Area	Launch a strong marketing campaign to attract Investors.
Low Skills Levels	Skills Development Programmes to be held within the municipal area.

Table 90.: Challenges LED

### C) LED STRATEGY

Local Economic Development (LED) includes all activities associated with economic development initiatives. The municipality has a mandate to provide strategic guidance to the municipality's integrated development planning and economic development matters and working in partnership with the relevant stakeholders on strategic economic issues. LED strategy identifies various issues and strategic areas for intervention such as:

Objectives	Strategies
<p><b>Diversifying the economy</b></p> <p>To develop the agricultural sector in such a way that:</p> <ul style="list-style-type: none"> <li>* Current agricultural practices are maintained and further enhanced as this forms the backbone of the local economy.</li> <li>* Value adding practices in the form of agri-processing are initiated and become sustainable.</li> <li>* Agri-processing industries involve the large number of economically active unemployed females in the sub-region.</li> <li>* Synergies are created between the service industry and the agricultural sector, whereby tourists are attracted to local products and utilise other services.</li> </ul>	<ul style="list-style-type: none"> <li>* Sustain existing agricultural practices</li> <li>* Promoting agri-processing industries</li> <li>* Provide for Urban Agriculture and Small Scale Farming</li> <li>* Identify and support agri-tourism practices</li> <li>* Alternative Energies</li> <li>* Agri Tourism</li> </ul>
<p><b>Transport and service sector</b></p> <p>To develop a sustainable transport and related services sector in the municipality in a way that:</p> <ul style="list-style-type: none"> <li>* Supports and is aligned with the five strategic issues identified in the Central Karoo District's Integrated Transport Plan.</li> <li>* Distinguishes between the two types of travelers that are passing through the Central Karoo and Cape Town towards Johannesburg: private vehicle owners and truck drivers.</li> <li>* Promotes the image of Laingsburg as an ideal stop-over for travelers seeking good services.</li> <li>* Focuses on projects within the municipality that can spread the benefits equitably.</li> <li>* Creates links with the agriculture sector.</li> </ul>	<ul style="list-style-type: none"> <li>* Align with regional transport plan</li> <li>* Cater for the needs of long distance private travelers</li> <li>* Capture the trucks market</li> <li>* Facilitate creative alliances with the local agriculture and tourism sector</li> <li>* Becoming the best Karoo Town</li> <li>* Tarring of gravel Roads</li> <li>* WIFI Free Town</li> <li>* Public Transportation</li> </ul>

## CHAPTER 3: SERVICE DELIVERY PERFORMANCE

Objectives	Strategies
<b>Human resources development</b> <ul style="list-style-type: none"> <li>* To ensure that all children have access to high quality early childhood development programmes.</li> <li>* To ensure that all learners and job seekers have equal access to quality education and training.</li> <li>* To ensure that learners have safe access to learning facilities.</li> <li>* To empower residents of Laingsburg to acquire skills that will enable them to access and acquire favourable city jobs.</li> </ul>	<ul style="list-style-type: none"> <li>* Ensure access to early childhood and school development programmes</li> <li>* Worker Skills Development and Training Programme</li> <li>* Further Education and Training (FET) College</li> <li>* School for Children with Learning Disabilities</li> </ul>
<b>Integrated human settlement</b> To establish a pattern of development that: <ul style="list-style-type: none"> <li>* Improves land use integration to enhance the access of poorer communities to economic and social services.</li> <li>* Creates and ensures that housing becomes assets to the poor.</li> </ul>	<ul style="list-style-type: none"> <li>* Improve connectivity between townships and more established parts of the town</li> <li>* Enhance the asset value of low-income housing</li> <li>* Gap Housing</li> <li>* Spatial Planning and Land Use Management Act (SPLUMA)/ Land Use Planning Act (LUPA)</li> </ul>

Table 91.: LED Objectives and Strategies

### D) LED INITIATIVES

Within a limited budget for LED projects and one official to assist with LED implementation the following initiatives have been initiated in the municipal area:

Job creation through EPWP projects		
Details	EPWP Projects	Jobs created through EPWP projects
	No.	No.
2012/13	4	4 021 job opportunities (man days)
2013/14	4	1 627
* - Extended Public Works Programme		

Table 92.: Job creation through EPWP projects

### E) ADDITIONAL SERVICE DELIVERY STATISTICS: LED INITIATIVES

Type of service	2012/13	2013/14
Small businesses assisted	11	4
SMME's trained	10	10
Community members trained for tourism / PACA	20	20
Local artisans and crafters assisted	30	30
Recycling awareness programmes	1	1

Table 93.: LED initiatives

## CHAPTER 3: SERVICE DELIVERY PERFORMANCE

### 3.6 COMPONENT D: COMMUNITY AND SOCIAL SERVICES

#### 3.6.1 LIBRARIES

##### A) HIGHLIGHTS: LIBRARIES

Highlights	Description
Handed out Christmas gifts to children in the library	Christmas gifts were handed out to children who visited the library during December 2013.
Held a Library Week in conjunction with National Library Week	Held a Library week where activities for children were facilitated. The activities included a colouring competition, school site visits and showing DVDs at the library. Snack packs consisting of sweets, potato chips and cold drinks were given to the children.
Initiated Story Hour on Thursday	"Story Hour" was started within the year held every Thursday. Children listen to stories and are quizzed at the end of the hour. Every correct answer is rewarded with a stationary packet which includes a pencil, ruler and a bookmark.
Took part in 67 Minutes for Madiba	The Library hosted the Elderly library members on 18 July 2014. Tea and cake were provided. Guest speakers from various organisations also attended the event.

Table 94.: Libraries Highlights

##### B) CHALLENGES: LIBRARIES

Description	Actions to address
Limited space within the library for shelving and office space.	Utilising the other spaces in the building for Library purposes.

Table 95.: Libraries Challenges

##### C) SERVICE STATISTICS FOR LIBRARIES

Type of service	2012/13	2013/14
Library members	1 438	1 884
Books circulated	64 034	36 710
Exhibitions held	12	27
Internet users	150	122
Children programmes	2	15
Book group meetings for adults	2	0

Table 96.: Service statistics for Libraries

## CHAPTER 3: SERVICE DELIVERY PERFORMANCE

### D) EMPLOYEES LIBRARIES

Employees: Libraries					
Job Level	2012/13	2013/14			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	0	0	0	0	0
4 – 6	1	1	1	0	0
7 – 9	0	0	0	0	0
10 – 12	1	1	1	0	0
13 – 15	0	0	0	0	0
16 – 18	0	0	0	0	0
19 – 20	0	0	0	0	0
<b>Total</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>0</b>
<i>Employees and Posts numbers are as at 30 June</i>					

Table 97.: Employees: Libraries

### E) CAPITAL EXPENDITURE: LIBRARIES

Capital Expenditure 2013/14: Financial Services					
R' 000					
Capital Projects	2013/14				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
<b>Total All</b>	<b>115</b>	<b>122</b>	<b>109</b>	<b>(6)</b>	<b>122</b>
Furniture – Library	115	122	109	(6)	122
<i>Total project value represents the estimated cost of the project on approval by Council</i>					

### 3.6.2 CEMETERIES

#### A) SERVICE STATISTICS FOR CEMETERIES

Type of service	2012/13	2013/14
Pauper burials	4	4

Table 98.: Service stats for Cemeteries

## CHAPTER 3: SERVICE DELIVERY PERFORMANCE

### 3.6.3 CHILD CARE; AGED CARE; SOCIAL PROGRAMMES

#### A) HIGHLIGHTS: CHILD CARE; AGED CARE; SOCIAL PROGRAMMES

Highlights	Description
Launched the Disability Facility	A Facility for the Disabled People was launched and is utilised for recreation, skills Development and arts and crafts.
Held Child Protection Week	A child protection week was launched to raise awareness on child abuse with programmes held.
Held Laingsburg Golden Games	A local golden games (Sports day) was held for the elderly to keep the fit and to identify elders that can compete on a district level.
Held two Youth Day Events	2 Youth Day events were held, one in Vleiland and one in Matjiesfontein on the 16 <sup>th</sup> of June 2014.
Held Women's Day Conference	A women's conference was held on Women's day to assist women facing everyday challenges
Held Youth Awareness Programmes in conjunction with Aids Day.	A Youth Awareness Programme was held during December 2013 regarding HIV/Aids and to promote a healthy living lifestyle.
Held Cancer Awareness Programmes	Various Cancer Awareness Programmes were held during the year (Cancer Tea Party, Cancer Relay and Awareness Programmes).
Held various Sports Programmes	Various Sports Programmes were held during the year (Athletics, Marathons, Soccer Tournaments, Rugby and Street Soccer)
Held awareness programmes in conjunction with the Laingsburg Anti-Drug, Alcohol Action Group (LADAAG)	Laingsburg Anti-Drug, Alcohol Action Group (LADAAG) held various awareness programmes like Rehabilitation Referrals and Prayer Services and Church leaders Breakfasts.
19 Student Bursaries given out	19 Students were assisted with Registration fees for further study
Rolled out Fire Safety Campaign	A fire safety campaign was rolled out to raise awareness and educate people on safety

**Table 99.: Child care; Aged care; Social programmes Highlights**

#### B) CHALLENGES: CHILD CARE; AGED CARE; SOCIAL PROGRAMMES

Description	Actions to address
High rate of Teenage Pregnancies	Roll out Awareness Programmes on Teenage Pregnancies.
High level of Drug & Alcohol Abuse	Raise Community awareness on the high levels of drug and alcohol abuse. Create Recreational Facilities and After care programmes to curb the drug and alcohol abuse.
Increased Early School Leaving	Raise awareness and hold Parent and Scholar Workshops as well as Motivational Sessions.
High Crime Rates	Establish Neighbourhood Watches.

**Table 100.: Child care; Aged care; Social programmes Challenges**



## CHAPTER 3: SERVICE DELIVERY PERFORMANCE

### C) SERVICE STATISTICS FOR CHILD CARE; AGED CARE; SOCIAL PROGRAMMES

Description	2012/13	2013/14
Trees planted	50	50
Veggie gardens established or supported	2	2
Soup kitchens established or supported	0	0
Initiatives to increase awareness on child abuse	1	1
Youngsters educated and empowered	838 youth participated in job opportunities created by EPWP 24 interns employed	360
Initiatives to increase awareness on disability	2	2
Initiatives to increase awareness on women	1	1
Women empowered	766 women participated in job opportunities created by EPWP	299
Initiatives to increase awareness on HIV/AIDS	1	1
Initiatives to increase awareness on Early Childhood Development	1	1
Initiatives to increase awareness on substance abuse and high drug and alcohol related crimes	5	5
Special events hosted (World's Aids Day, World Labour day, World Disability Day, Youth Day, 16 Days of activism against women abuse)	10	10

Table 101.: Service statistics for Child care; Aged care; Social programmes

### 3.7 COMPONENT E: SECURITY AND SAFETY

This component includes: traffic; law enforcement; fire and disaster management.

#### 3.7.1. PUBLIC SAFETY

##### A) INTRODUCTION TO PUBLIC SAFETY

- a) **Law Enforcement:** Attends to all complaints from the public related to Laingsburg Municipalities by laws for example exceeding prescribed amount of dogs, noise control, etc.
- b) **Traffic:** Enforces all offences regarding the Road Traffic Act 93/1996 for example disobeying stop signs, parking on the wrong side of the road, driving a motor vehicle without driving license etc. Identifies Hotspots/dangerous areas in town. Manages parking bay outlays within the town.

## CHAPTER 3: SERVICE DELIVERY PERFORMANCE

- c) **Fire and disaster management:** Attends to fire call outs within the jurisdiction of Laingsburg municipality as well as on the N1 for example house fires, veld fires and motor vehicle accident fires etc.

### B) HIGHLIGHTS: PUBLIC SAFETY

Highlights	Description
Held Friendly Roadblock	Before the beginning of the festive season we held a friendly roadblock wishing the motorists a safe and wonderful journey. We had Radio Gamka Land from Beaufort West and they held interviews with various role players in the town as well as with some motorists

Table 102.: Public Safety Services Highlights

### C) CHALLENGES: PUBLIC SAFETY

Description	Actions to address
Shortage of personnel	Vacant post needs to be filled and additional posts must be budgeted for.
Office space required	Alternative office space needs to be identified such as a Municipal House that can be used as office space.
Limited resources for Fire Fighting	A vehicle has been budgeted for the 2014/15 Financial year.
Training needed for staff on K53 and Basic Fire Fighting	Identify personnel to be trained and budget for service providers to facilitate the training.

Table 103.: Public Safety Services Challenges

### D) SERVICE STATISTICS FOR PUBLIC SAFETY

Details	2012/13	2013/14
Motor vehicle licenses processed	1 862	1 880
Learner driver licenses processed	333	352
Driver licenses processed	567	495
Driver licenses issued	604	479
Fines issued for traffic offenses (number)	507	891
R-value of fines collected	301 050	338 300
Operational call-outs	31	43
Roadblocks held	8	8
Complaints attended to by Traffic Officers	28	32
Special Functions – Escorts	3	3
Awareness initiatives on public safety	8	8
Operational call-outs: Fire Services	21	17
Awareness initiatives on fire safety	4	4
Reservists and volunteers trained on fire fighting	8	0

Table 104.: Service Statistics for Public Safety

### E) EMPLOYEES: PUBLIC SAFETY

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Employees: Law Enforcement and Traffic Services					
Job Level	2012/13	2013/14			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	1	1	1	0	0
4 – 6	1	3	2	1	33.3
7 – 9	1	1	1	0	0
10 – 12	0	0	0	0	0
13 – 15	1	1	1	0	0
16 – 18	0	0	0	0	0
19 – 20	0	0	0	0	0
<b>Total</b>	<b>4</b>	<b>5</b>	<b>5</b>	<b>1</b>	<b>25</b>
<i>Employees and Posts numbers are as at 30 June</i>					

**Table 105.: Employees: Public Safety**

### 3.8 COMPONENT F: SPORT AND RECREATION

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

#### 3.9.1 INTRODUCTION TO SPORT AND RECREATION

##### A) SERVICE STATISTICS FOR SPORT AND RECREATION

Type of service	2012/13	2013/14
<b>Community Parks</b>		
Number of parks with play park equipment	1	1
Number of wards with community parks	1	1
<b>Sport fields</b>		
Number of wards with sport fields	3	3
Number of sport associations utilizing sport fields	0	2
R-value collected from utilization of sport fields	0	0
<b>Sport halls</b>		
Number of wards with sport halls	4	4
Number of sport associations utilizing sport halls	0	2

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Type of service	2012/13	2013/14
R-value collected from rental of sport halls (R)	59 264.78	32 475.12

Table 106.: Additional performance information for Sport and Recreation

### B) EMPLOYEES: SPORT AND RECREATION

Employees: Sport and Recreation					
Job Level	2012/13	2013/14			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	3	3	3	0	0
4 – 6	1	1	1	0	0
7 – 9	0	0	0	0	0
10 – 12	0	0	0	0	0
13 – 15	0	0	0	0	0
16 – 18	0	0	0	0	0
19 – 20	0	0	0	0	0
<b>Total</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>0</b>	<b>0</b>
Employees and Posts numbers are as at 30 June					

Table 107.: Employees: Sport and Recreation

### C) CAPITAL EXPENDITURE: SPORT AND RECREATION

Capital Expenditure 2013/14: Sport and Recreation					
R'000					
Capital Projects	2013/14				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
<b>Total All</b>	<b>1 006</b>	<b>3 156</b>	<b>863</b>	<b>(143)</b>	<b>3 156</b>
Upgrading – Laingsburg Sports Field	1 006	3 156	863	(143)	3 156
Total project value represents the estimated cost of the project on approval by Council					

Table 108.: Capital Expenditure 2013/14: Sport and Recreation

## CHAPTER 3: SERVICE DELIVERY PERFORMANCE

### 3.10 COMPONENT G: CORPORATE POLICY OFFICES AND OTHER SERVICES

This component includes financial services; human resource services; ICT services and procurement services.

#### 3.10.1 FINANCIAL SERVICES

##### A) EMPLOYEES: FINANCIAL SERVICES

Details of the types of account raised and recovered	Debt Recovery								
	R'ooo								
	2012/13			2013/14			2014/15		
	Billed In Year	Actual for accounts billed in year	Pro-portion of accounts value billed that were collected in the year %	Billed in Year	Actual for accounts billed in year	Pro-portion of accounts value billed that were collected %	To be billed in Year	Estimated turnout for accounts to be billed in year	Estimated Proportion of accounts to be billed that will be collected %
Property Rates	2 118	2 338	110.4	2 405	1 881	78	2 874	2 157	75
Electricity	7 809	7 672	98.2	8 482	8 533	106	10 346	9 522	92
Water	1 741	1 568	90.1	1 388	1 353	97	2 059	1 859	90
Sanitation	1 620	1 483	91.5	1 256	1 096	87	2 120	1 937	91
Refuse	1 502	1 438	95.7	1 259	1 233	98	1 823	1 658	91

Table 109.: Debt recovery

##### B) EMPLOYEES: FINANCIAL SERVICES

Employees: Financial Services					
Job Level	2012/13	2013/14			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	0	0	0	0	0
4 – 6	3	4	4	0	0
7 – 9	2	3	3	0	0
10 – 12	0	0	0	0	0
13 – 15	0	0	0	0	0
16 – 18	1	2	2	0	0
19 – 20	0	0	0	0	0
<b>Total</b>	<b>6</b>	<b>9</b>	<b>9</b>	<b>0</b>	<b>0</b>

Table 110.: Employees: Financial services

## CHAPTER 3: SERVICE DELIVERY PERFORMANCE

### 3.10.2 HUMAN RESOURCE SERVICES

#### A) HIGHLIGHTS: HUMAN RESOURCES

Highlights	Description
Approved Organizational Restructuring & Redesign	The Municipality received a support grant from DPLG and appointed a Service Provider to assist in this regard. It was successfully completed and approved by Council at the end of June 2014.

Table 111.: Human Resources Highlights

#### B) CHALLENGES: HUMAN RESOURCES

Description	Actions to address
Capacity constraints	More staff must be appointed within the HR department for it to function more effectively

Table 112.: Human Resources Challenges

#### C) EMPLOYEES: HUMAN RESOURCE SERVICES

Employees: Human Resource Services					
Job Level	2012/13	2013/14			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	2	2	2	0	0
4 – 6	2	2	2	0	0
7 – 9	0	0	0	0	0
10 – 12	3	3	3	0	0
13 – 15	0	0	0	0	0
16 – 18	0	0	0	0	0
19 – 20	0	0	0	0	0
<b>Total</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>0</b>	<b>0</b>

Table 113.: Employees: Human Resource services

### 3.10.3 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

#### A) CHALLENGES: ICT SERVICES

Description	Actions to address
No ICT capacity	The municipality will appoint an ICT Manager to assist with all ICT related issues within the municipality.

Table 114.: ICT Service Challenges

## CHAPTER 3: SERVICE DELIVERY PERFORMANCE

### B) CAPITAL EXPENDITURE: ICT SERVICES

Capital Expenditure 2013/14: ICT Services					
R'000					
Capital Projects	2013/14				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
<b>Total All</b>	0	78	78	78	78
Computers – Councillors	0	78	78	78	78
<i>Total project value represents the estimated cost of the project on approval by Council</i>					

**Table 115.:** Capital Expenditure 2013/14: ICT Services

### 3.10.4 PROCUREMENT SERVICES

#### A) CHALLENGES: PROCUREMENT SERVICES

Description	Actions to address
The lack of a fully functional local suppliers database	The municipality can source suppliers from neighbouring municipalities' Suppliers Database.
Insufficient capacity in the SCM Unit	The municipality must budget for more posts within the SCM Unit or make use of Financial Interns to help with the SCM workload.

**Table 116.:** Procurement Services Challenges

#### B) SERVICE STATISTICS FOR PROCUREMENT SERVICES

Description	Total No	Monthly Average
Orders processed	22 076	1 839.7
Extensions	4	0.3
Bids received (number of documents)	49	4.1
Bids awarded	7	0.6
Bids awarded ≤ R200 000	1	0.1
Appeals registered	12	1
Successful Appeals	0	0

**Table 117.:** Service Statistics for Procurement Division

## CHAPTER 3: SERVICE DELIVERY PERFORMANCE

### C) DETAILS OF DEVIATIONS FOR PROCUREMENT SERVICES

During the audit of the financial year 2013/14, the Auditor-General declared all expenditure as irregular. Since all expenditure were declared as irregular, no deviations can be declared because all due processes were not followed.

#### 3.11 COMPONENT H: SERVICE DELIVERY PRIORITIES FOR 2014/15

The main development and service delivery priorities for 2014/15 forms part of the Municipality's top layer SDBIP for 2014/15 and are indicated in the table below:

##### 3.11.1 CREATE AN ENVIRONMENT CONDUCIVE FOR ECONOMIC DEVELOPMENT

REF	KPI	Unit of Measurement	Wards	Annual Target
TL1	Support SMME's support by means of entrepreneurs' business plans approved	Number of business plans approved	All	4
TL3	Host events as identified in the IDP in support of promotion of LED within the Municipal area	Number of events hosted	All	2
TL4	Provide financial assistance via bursary schemes to accepted tertiary student candidates	Number of candidates assisted via bursary schemes	All	10
TL16	Create job opportunities (man-days)	Number of jobs opportunities (man days) created	All	1 000

Table 118.: Service Delivery Priorities for 2014/15 – Create an environment conducive for economic development

##### 3.11.2 DEVELOPING A SAFE, CLEAN, HEALTHY AND SUSTAINABLE ENVIRONMENT FOR COMMUNITIES

REF	KPI	Unit of Measurement	Wards	Annual Target
TL2	Implement IDP-approved greening and cleaning initiatives	Number of Initiatives implemented	All	3
TL9	Host public safety community awareness days as per the programme approved in the IDP	Number public safety community awareness days hosted	All	7
TL10	Take part in public safety initiatives as approved in the IDP	Number of public safety initiatives taken part in	All	4

Table 119.: Services Delivery Priorities for 2014/15 – Developing a safe, clean, healthy and sustainable environment for communities



## CHAPTER 3: SERVICE DELIVERY PERFORMANCE

### 3.11.3 EFFECTIVE MAINTENANCE AND MANAGEMENT OF MUNICIPAL ASSETS AND NATURAL RESOURCES

REF	KPI	Unit of Measurement	Wards	Annual Target
TL11	70% of the approved maintenance budget spent [(Actual amount spent on maintenance of assets/ Total amount budgeted for asset maintenance)x100]	(Actual amount spent on maintenance of assets/ Total amount budgeted for asset maintenance)x100	All	70%
TL12	Limit the % electricity unaccounted for to less than 20% [(Number of Electricity Units Purchased - Number of Electricity Units Sold) / Number of Electricity Units Purchased ) × 100]	(Number of Electricity Units Purchased - Number of Electricity Units Sold) / Number of Electricity Units Purchased ) × 100	All	20%
TL13	Maintain the quality of waste water discharge	% water quality level of waste water discharge	All	91%
TL14	Limit the % water unaccounted for to less than 40% [(Number of Kilolitres Water Purchased or Purified - Number of Kilolitres Water Sold) / (Number of Kilolitres Water Purchased or Purified) × 100]	(Number of Kilolitres Water Purchased or Purified - Number of Kilolitres Water Sold) / (Number of Kilolitres Water Purchased or Purified) × 100	All	40%
TL15	Maintain the water quality as per SANS 241 criteria	% water quality level	All	87%

Table 120.: Services Delivery Priorities for 2014/15 – Effective maintenance and management of municipal assets and natural resources

### 3.11.4 IMPROVE THE STANDARDS OF LIVING OF ALL PEOPLE IN LAINGSBURG

REF	KPI	Unit of Measurement	Wards	Annual Target
TL27	Provide 6kl free basic water per indigent household per month in terms of the equitable share requirements	Number of HH receiving free basic water	All	430
TL28	Provide free basic sanitation to indigent households in terms of the equitable share requirements	Number of HH receiving free basic sanitation	All	440
TL29	Provide 50kwh free basic electricity per indigent household per month in terms of the equitable share requirements (excluding ESKOM area)	Number of HH receiving free basic electricity	All	210
TL30	Provide free basic refuse removal to indigent households in terms of the equitable share requirements	Number of HH receiving free basic refuse removal	All	440

Table 121.: Services Delivery Priorities for 2014/15 – Improve the standards of living of all people in Laingsburg

## CHAPTER 3: SERVICE DELIVERY PERFORMANCE

### 3.11.5 PROVISION OF INFRASTRUCTURE TO DELIVER IMPROVED SERVICES TO ALL RESIDENTS AND BUSINESS

REF	KPI	Unit of Measurement	Wards	Annual Target
TL19	70% of approved capital budget spent [(Actual amount spent on capital projects /Total amount budgeted for capital projects)X100]	(Actual amount spent on capital projects /Total approved budget for capital projects)X100	All	70
TL20	Number of formal residential properties connected to the municipal waste water sanitation/sewerage network for sewerage service, irrespective of the number of water closets (toilets)	Number of residential properties which are billed for sewerage	All	1 206
TL21	Number of formal residential properties that receive piped water (credit and prepaid water) that is connected to the municipal water infrastructure network	Number of residential properties which are billed for water or have pre-paid meters	All	1 206
TL22	Number of formal residential properties connected to the municipal electrical infrastructure network (credit and prepaid electrical metering)(Excluding Eskom areas)	Number of residential properties which are billed for electricity or have pre-paid meters (Excluding Eskom areas)	All	766
TL23	Number of formal residential properties for which refuse is removed once per week	Number of residential properties which are billed for refuse removal	All	1 206

**Table 122.: Services Delivery Priorities for 2014/15 – Provision of infrastructure to deliver improved services to all residents and business**

### 3.11.6 TO ACHIEVE FINANCIAL VIABILITY IN ORDER TO RENDER AFFORDABLE SERVICES TO RESIDENTS

REF	KPI	Unit of Measurement	Wards	Annual Target
TL17	Achieve a debtors payment percentage of 60% ((Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance + Bad Debts Written Off)/Billed Revenue) x 100	((Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance + Bad Debts Written Off)/Billed Revenue) x 100	All	60%
TL18	Achieve an unqualified audit opinion	Unqualified audit opinion received	All	1
TL24	Financial viability measured in terms of the municipality's ability to meet its service debt obligations ((Total operating revenue-operating grants received)/debt service payments due within the year)	((Total operating revenue-operating grants received)/debt service payments due within the year)	All	1.1
TL25	Financial viability measured in terms of the outstanding service debtors (Total outstanding service debtors/ revenue received for services)	(Total outstanding service debtors/ revenue received for services)X100	All	28%

## CHAPTER 3: SERVICE DELIVERY PERFORMANCE

REF	KPI	Unit of Measurement	Wards	Annual Target
TL26	Financial viability measured in terms of the available cash to cover fixed operating expenditure ((Available cash+ investments)/ Monthly fixed operating expenditure)	((Available cash+ investments)/ Monthly fixed operating expenditure)	All	4-5

**Table 123.:** Service Delivery Priorities for 2014/15 - To achieve financial viability in order to render affordable services to residents

### 3.11.7 TO CREATE AN INSTITUTION WITH SKILLED EMPLOYEES TO PROVIDE A PROFESSIONAL SERVICE TO ITS CLIENTELE GUIDED BY MUNICIPAL VALUES

REF	KPI	Unit of Measurement	Wards	Annual Target
TL5	Limit vacancy rate to less than 10% of budgeted posts [(Number of funded posts vacant / total number of funded posts)x100]	(Number of funded posts vacant / total number of funded posts)x100	All	10%
TL6	1% of the operating budget spent on training as per the approved skills development plan[ (Actual total training expenditure/total operational budget)x100]	(Actual total training expenditure/total operational budget)x100	All	1%
TL7	Develop a Risk Based Audit Plan and submit to the audit committee for consideration by 30 August	RBAP submitted to the audit committee by 30 August	All	1
TL8	Number of people from employment equity target groups employed (appointed) in the three highest levels of management in compliance with a municipality's approved employment equity plan	Number of people employed (appointed) in the three highest levels of management	All	0

**Table 124.:** Service Delivery Priorities for 2014/15 - To create an institution with skilled employees to provide a professional service to its clientele guided by municipal values

# CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE

## CHAPTER 4

### 4.1 NATIONAL KEY PERFORMANCE INDICATORS – MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

The following table indicates the municipality's performance in terms of the National Key Performance Indicators required in terms of the Local Government: Municipal Planning and the Performance Management Regulations of 2001 and section 43 of the MSA. These key performance indicators are linked to the National Key Performance Area – Municipal Transformation and Organisational Development.

KPA & Indicators	Municipal Achievement	Municipal Achievement
	2012/13	2013/14
The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan	0	0
The percentage of a municipality's budget actually spent on implementing its workplace skills plan	0.7%	1%

Table 125.: National KPIs– Municipal Transformation and Organisational Development

### 4.2 INTRODUCTION TO THE MUNICIPAL WORKFORCE

The Laingsburg Municipality currently employs **50** (excluding non-permanent positions) officials, who individually and collectively contribute to the achievement of Municipality's objectives. The primary objective of Human Resource Management is to render an innovative HR service that addresses both skills development and an administrative function.

#### 4.2.1 EMPLOYMENT EQUITY

The Employment Equity Act (1998) Chapter 3, Section 15 (1) states that affirmative action measures are measures designed to ensure that suitable qualified people from designated groups have equal employment opportunities and are equitably represented in all occupational categories and levels in the workforce of a designated employer. The national performance indicator also refers to: "Number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan"

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## A) EMPLOYMENT EQUITY TARGETS/ACTUAL

African		Coloured		Indian		White	
Target June	Actual June	Target June	Actual June	Target June	Actual June	Target June	Actual June
No target was set	2	No target was set	44	No target was set	0	No target was set	4

Table 126.: 2013/14 EE targets/Actual by racial classification

Male			Female			Disability		
Target June	Actual June	Target reach	Target June	Actual June	Target reach	Target June	Actual June	Target reach
No target was set	31	N/A	No target was set	18	N/A	No target was set	1	N/A

Table 127.: 2013/14 EE targets/actual by gender classification

## B) SPECIFIC OCCUPATIONAL CATEGORIES - RACE

The table below indicates the number of employees by race within the specific occupational categories:

Occupational	Male				Female				Total
Levels	A	C	I	W	A	C	I	W	
Top Management	0	1	0	0	0	0	0	1	2
Senior management	1	1	0	2	0	0	0	0	4
Professionally qualified and experienced specialists and mid-management	0	1	0	0	0	3	0	0	4
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	0	12	0	0	1	5	0	1	19
Semi-skilled and discretionary decision making	0	4	0	0	0	4	0	0	8
Unskilled and defined decision making	0	10	0	0	0	3	0	0	13
<b>Total permanent</b>	<b>1</b>	<b>29</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>15</b>	<b>0</b>	<b>2</b>	<b>50</b>
Non- permanent employees	0	8	0	0	0	8	0	0	16
<b>Grand total</b>	<b>1</b>	<b>37</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>23</b>	<b>0</b>	<b>2</b>	<b>66</b>

Table 128.: Occupational Categories

# CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE

## C) SPECIFIC OCCUPATIONAL LEVELS - RACE

The table below categories the number of employees by race within the occupational levels:

Occupational Levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top Management	0	1	0	0	0	0	0	1	2
Senior management	1	1	0	2	0	0	0	0	4
Professionally qualified and experienced specialists and mid-management	0	1	0	0	0	3	0	0	4
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	0	12	0	0	1	5	0	1	19
Semi-skilled and discretionary decision making	0	4	0	0	0	4	0	0	8
Unskilled and defined decision making	0	10	0	0	0	3	0	0	13
<b>Total permanent</b>	<b>1</b>	<b>29</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>15</b>	<b>0</b>	<b>2</b>	<b>50</b>
Non- permanent employees	0	8	0	0	0	8	0	0	16
<b>Grand total</b>	<b>1</b>	<b>37</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>23</b>	<b>0</b>	<b>2</b>	<b>66</b>

Table 129.: Occupational Levels

## D) DEPARTMENTS - RACE

The following table categories the number of employees by race within the different departments:

Department	Male				Female				Total
	A	C	I	W	A	C	I	W	
Municipal Manager	0	1	0	0	0	0	0	0	1
Corporate Services	1	1	0	0	0	9	0	0	11
Financial Services	0	3	0	1	0	3	0	2	9
Community Services	0	3	0	0	0	2	0	0	5
Engineering Services	0	21	0	1	1	1	0	0	24
Electro-Technical Services	0	0	0	0	0	0	0	0	0
<b>Total permanent</b>	<b>1</b>	<b>29</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>15</b>	<b>0</b>	<b>2</b>	<b>50</b>
Non- permanent	0	8	0	0	0	8	0	0	16
<b>Grand total</b>	<b>1</b>	<b>37</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>23</b>	<b>0</b>	<b>2</b>	<b>66</b>

Table 130.: Department – Race

# CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE

## 4.2.2 VACANCY RATE

The approved organogram for the municipality had 49 posts for the 2013/14 financial year. The actual positions filled are indicated in the tables below by post level and by functional level. 2 Posts were vacant at the end of 2013/14, resulting in a vacancy rate of 4%.

Below is a table that indicates the vacancies within the municipality:

Per Post Level		
Post level	Filled	Vacant
MM & MSA section 57 & 56	2	0
Middle management (T14-T19)	4	0
Admin Officers (T4-T13)	29	1
General Workers (T3)	15	1
<b>Total</b>	<b>50</b>	<b>2</b>
Per Functional Level		
Functional area	Filled	Vacant
Executive and Council	1	0
Finance and Administration	20	0
Public Safety	5	1
Technical Services	24	1
<b>Total</b>	<b>50</b>	<b>2</b>

*Table 131.: Vacancy rate per post and functional level*

The table below indicates the number of staff per level expressed as total positions and current vacancies express as full time staff equivalents:

Salary Level	Number of current critical vacancies	Total posts as per organogram	Vacancy job title	Vacancies (as a proportion of total posts per category)
Municipal Manager	0	1	N/A	0
Chief Financial Officer	0	1	N/A	0
Other Section 57 Managers	0	0	N/A	0
Senior management (T14-T19)	0	4	N/A	0
Highly skilled supervision (T4-T13)	0	29	Traffic Officer	1
<b>Total</b>	<b>0</b>	<b>36</b>	<b>N/A</b>	<b>1</b>

*Table 132.: Vacancy rate per salary level*

# CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE

## 4.2.3 TURNOVER RATE

A high turnover may be costly to a municipality and might negatively affect productivity, service delivery and institutional memory/organizational knowledge. Below is a table that shows the turnover rate within the municipality.

The table below indicates the turn-over rate over the last two years:

Financial year	Total no appointments at the end of each Financial Year	New appointments	No Terminations during the year	Turn-over Rate
2012/13	50	2	1	2%
2013/14	50	2	1	2%

Table 133.: Turnover Rate

## 4.3 MANAGING THE MUNICIPAL WORKFORCE

Managing the municipal workforce refers to analysing and coordinating employee behaviour.

### 4.3.1 INJURIES

An occupational injury is a personal injury, disease or death resulting from an occupational accident. Compensation claims for such occupational injuries are calculated according to the seriousness of the injury/disease and can be costly to a municipality. Occupational injury will influence the loss of man hours and therefore financial and productivity performance.

The table below indicates the total number of injuries within the different directorates:

Directorates	2012/13	2013/14
Executive and Council	0	0
Finance and Administration	0	0
Public Safety	0	0
Technical Services	3	10
<b>Total</b>	<b>3</b>	<b>10</b>

Table 134.: Injuries



# CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE

## 4.3.2 SICK LEAVE

The number of day's sick leave taken by employees has service delivery and cost implications. The monitoring of sick leave identifies certain patterns or trends. Once these patterns are identified, corrective action can be taken. The total number of employees that have taken sick leave during the 2013/14 financial year shows an increase when comparing it with the 2012/13 financial year.

The table below indicates the total number sick leave days taken within the year:

Year	Total number of sick leave days taken within the year
2012/13	154
2013/14	414

Table 135.: Sick Leave

## 4.3.3 HR POLICIES AND PLANS

Policies and plans provide guidance for fair and consistent staff treatment and a consistent approach to the managing of staff.

The table below shows the HR policies and plans that are approved and that still needs to be developed:

Approved policies	
Name of policy	Date approved/ revised
Recruitment Policy	17 June 2010
Disability Policy	June 2010
Overtime Policy	October 2011
Leave Policy	August 2013
Unauthorised absenteeism from the Workplace	August 2013
Policies still to be developed	
Name of policy	Proposed date of approval
Placement Policy	September 2014
Human Resources Plan	October 2014
Human Resources Policy	December 2014
Employment Equity Policy	June 2015
Occupational Health and Safety Policy	June 2015

Table 136.: HR policies and plans

# CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE

## 4.4 CAPACITATING THE MUNICIPAL WORKFORCE

Section 68(1) of the MSA states that municipality must develop its human resource capacity to a level that enables it to perform its functions and exercise its powers in an economical, effective, efficient and accountable way. For this purpose the human resource capacity of a municipality must comply with the Skills Development Act (SDA), 1998 (Act No. 81 of 1998), and the Skills Development Levies Act, 20 1999 (Act No. 28 of 1999).

### 4.4.1 SKILLS MATRIX

The table below indicates the number of employees that received training in the year under review:

Management level	Gender	Number of employees identified for training at start of the year (2013/14)	Number of Employees that received training (2013/14)
MM and S57	Female	1	1
	Male	1	1
Legislators, senior officials and managers	Female	3	3
	Male	8	8
Associate professionals and Technicians	Female	0	0
	Male	0	0
Professionals	Female	3	3
	Male	1	1
Clerks	Female	7	7
	Male	2	2
Service and sales workers	Female	1	1
	Male	2	1
Craft and related trade workers	Female	0	0
	Male	0	0
Plant and machine operators and assemblers	Female	1	1
	Male	8	3
Elementary occupations	Female	3	1
	Male	10	3
Sub total	Female	19	17
	Male	32	19
Total		51	36

Table 137.: Skills Matrix

### 4.4.2 SKILLS DEVELOPMENT – TRAINING PROVIDED

# CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE

The Skills Development Act (1998) and the Municipal Systems Act, (2000), require employers to supply employees with the necessary training in order to develop its human resource capacity. Section 55(1)(f) states that as head of administration the Municipal Manager is responsible for the management, utilization and training of staff.

Occupational categories	Gender	Training provided within the reporting period 2013/14						
		Learnerships		Skills programmes & other short courses		Total		
		Actual	Target	Actual	Target	Actual	Target	% Variance
MM and S57	Female	1	1	0	0	1	1	0%
	Male	1	1	0	0	1	1	0%
Legislators, senior officials and managers	Female	1	1	2	2	3	3	0%
	Male	3	3	5	5	8	8	0%
Professionals	Female	2	3	3	3	5	6	(16.7%)
	Male	0	0	1	1	1	1	0%
Technicians and associate professionals	Female	0	0	0	0	0	0	0%
	Male	0	0	0	0	0	0	0%
Clerks	Female	3	3	4	5	7	8	(12.5%)
	Male	1	1	1	1	2	2	0%
Service and sales workers	Female	0	0	1	1	1	1	0%
	Male	1	2	0	0	1	2	(50%)
Craft and related trade workers	Female	0	0	0	0	0	0	0%
	Male	0	0	0	0	0	0	0%
Plant and machine operators and assemblers	Female	1	1	0	0	1	1	0%
	Male	3	8	0	0	3	8	(62.5%)
Elementary occupations	Female	1	3	0	0	1	3	(75%)
	Male	3	10	0	0	3	10	(70%)
Sub total	Female	9	12	10	11	19	23	(17.4%)
	Male	12	25	7	7	19	32	(40.6%)
Total		21	37	17	18	38	55	(30.9%)

Table 138.: Skills Development

# CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE

## 4.4.3 SKILLS DEVELOPMENT - BUDGET ALLOCATION

The table below indicates that a total amount of R 520 000 was allocated to the workplace skills plan and that 92% of the total amount was spent in the 2013/14 financial year:

Year	Total personnel budget	Total Allocated	Total Spend	% Spent
2012/13	15 620 000	629 340	548 513	97%
2013/14	15 226 995	520 000	477 278	92%

Table 139.: Budget allocated and spent for skills development

## 4.4.4 MFMA COMPETENCIES

In terms of Section 83 (1) of the MFMA, the accounting officer, senior managers, the chief financial officer, non-financial managers and other financial officials of a municipality must meet the prescribed financial management competency levels that are key to the successful implementation of the Municipal Finance Management Act. National Treasury has prescribed such financial management competencies in Government Notice 493 dated 15 June 2007.

To assist the above-mentioned officials to acquire the prescribed financial competencies, National Treasury, with the collaboration of various stakeholders and role players in the local government sphere, developed an outcomes-based NQF Level 6 qualification in municipal finance management. In terms of the Government Notice 493 of 15 June 2007, "(1) No municipality or municipal entity may, with effect 1 January 2013 (exempted until 30 September 2015 as per Government Notice No. 179 of 14 March 2014), employ a person as a financial official if that person does not meet the competency levels prescribed for the relevant position in terms of these Regulations."

The table below provides details of the financial competency development progress as required by the regulation:

Description	Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	Competency assessments completed (Regulation 14(4)(b) and (d))	Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
<b>Financial Officials</b>				
Accounting officer	1	1	1	1
Chief financial officer	1	1	1	1
Senior managers	3	3	0	0

# CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE

Description	Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	Competency assessments completed (Regulation 14(4)(b) and (d))	Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
Any other financial officials	2	2	0	0
<b>Supply Chain Management Officials</b>				
Heads of supply chain management units	0	0	0	0
Supply chain management senior managers	0	0	0	0
<b>TOTAL</b>	<b>7</b>	<b>7</b>	<b>0</b>	<b>0</b>

Table 140.: MFMA Competencies

## 4.5 MANAGING THE MUNICIPAL WORKFORCE EXPENDITURE

Section 66 of the MSA states that the accounting officer of a municipality must report to the Council on all expenditure incurred by the municipality on staff salaries, wages, allowances and benefits. This is in line with the requirements of the Public Service Regulations, (2002), as well as National Treasury Budget and Reporting Regulations SA22 and SA23.

### 4.5.1 PERSONNEL EXPENDITURE

The percentage personnel expenditure is essential in the budgeting process as it reflects on current and future efficiency. The table below indicates the percentage of the municipal budget that was spent on salaries and allowance for the past two financial years and that the municipality is well within the national norm of between 35 to 40%:

Financial year	Total Expenditure salary and allowances	Total Operating Expenditure	Percentage
	R'ooo	R'ooo	
2012/13	9 593	44 461	21.6%
2013/14	12 998	49 749	26.1%

Table 141.: Personnel Expenditure

# CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE

Below is a summary of Councillor and staff benefits for the year under review:

Financial year	2012/13	2013/14		
Description	Actual	Original Budget	Adjusted Budget	Actual
	R			
<u>Councillors (Political Office Bearers plus Other)</u>				
Salary	2 079 342	2 108 905	1 982 105	2 201 421
Pension Contributions	0	0	0	0
Medical Aid Contributions	0	0	0	0
Motor vehicle allowance	0	0	266 895	0
Cell phone allowance	64 536	126 924		91 656
Housing allowance	0	0	0	0
Other benefits or allowances	0	0	0	0
In-kind benefits	0	0	0	0
Sub Total	2 143 878	2 235 829	2 249 000	2 293 077
% increase/ (decrease)	-	4%	1%	2%
<u>Senior Managers of the Municipality</u>				
Salary	1 366 582	1 892 724	1 892 724	1 538 757
Pension Contributions	85 557	134 753	134 753	93 640
Medical Aid Contributions	0	15 211	15 211	90 078
Motor vehicle allowance	144 728	0	0	139 128
Cell phone allowance	0	0	0	0
Housing allowance	0	0	0	0
Performance Bonus	0	0	0	0
Other benefits or allowances	55 993	85 554	85 554	276 360
Payments in lieu of leave	0			
Sub Total	1 652 860	2 128 242	2 128 242	2 137 963
% increase/ (decrease)	-	29%	0%	0.5%
<u>Other Municipal Staff</u>				
Basic Salaries and Wages	5 236 881	6 812 691	6 812 691	6 727 184
Pension Contributions	334 010	976 224	976 224	960 616
Medical Aid Contributions	795 847	332 777	332 777	375 654
Motor vehicle allowance	259 232	0	0	444 297
Cell phone allowance	0	0	0	0
Housing allowance	24 717	0	0	21 309
Overtime	163 569	227 100	227 100	226 951

# CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE

Financial year	2012/13	2013/14		
Description	Actual	Original Budget	Adjusted Budget	Actual
	R			
Other benefits or allowances	1 434 980	2 205 037	2 500 961	(654 976)
<b>Sub Total</b>	<b>8 249 236</b>	<b>10 553 829</b>	<b>10 849 753</b>	<b>8 101 035</b>
% increase	-	28%	3%	(25%)
<b>Total Municipality</b>	<b>12 045 974</b>	<b>14 917 900</b>	<b>15 226 995</b>	<b>12 532 075</b>
% increase/ (decrease)	-	24%	2%	(18%)

Table 142.: Personnel Expenditure

# CHAPTER 5: FINANCIAL PERFORMANCE

## CHAPTER 5

This chapter provides details regarding the financial performance of the municipality for the 2013/14 financial year.

### COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

The Statement of Financial Performance provides an overview of the financial performance of the municipality and focuses on the financial health of the municipality.

#### 5.1 FINANCIAL SUMMARY

##### 5.1.1 OVERALL FINANCIAL SUMMARY

The table below indicates the summary of the financial performance for the 2013/14 financial year:

Financial Summary						
R'000						
Description	2012/13	2013/14			2013/14 %Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
Financial Performance						
Property rates	2 118	2 156	2 530	2 615	17.55	3.25
Service charges	12 843	15 270	15 794	15 506	1.52	(1.86)
Investment revenue	1 056	591	625	966	38.82	35.30
Transfers recognised - operational	13 994	15 286	16 479	15 843	3.52	(4.01)
Other own revenue	4 275	2 896	4 269	17 700	83.64	75.88
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>34 286</b>	<b>36 199</b>	<b>39 679</b>	<b>52 630</b>	<b>31.22</b>	<b>24.57</b>
Employee costs	9 481	12 809	12 978	10 149	(26.21)	(27.87)
Remuneration of Councillors	2 079	2 109	2 249	2 293	8.02	1.92
Depreciation & asset impairment	7 939	9 526	9 526	7 976	(19.43)	(19.43)
Finance charges	0	0	0	206	100.00	100.00
Materials and bulk purchases	5 677	5 848	6 300	6 648	12.03	5.23
Transfers and grants	3 572	3 576	3 983	2 375	(50.57)	(67.71)
Other expenditure	16 462	12 664	14 713	28 362	55.35%	48.12
<b>Total Expenditure</b>	<b>45 210</b>	<b>46 532</b>	<b>49 749</b>	<b>58 009</b>	<b>19.78</b>	<b>14.24</b>
<b>Surplus/(Deficit)</b>	<b>(10 924)</b>	<b>(10 334)</b>	<b>(10 052)</b>	<b>(5 379)</b>	<b>(92.10)</b>	<b>(86.87)</b>



# CHAPTER 5: FINANCIAL PERFORMANCE

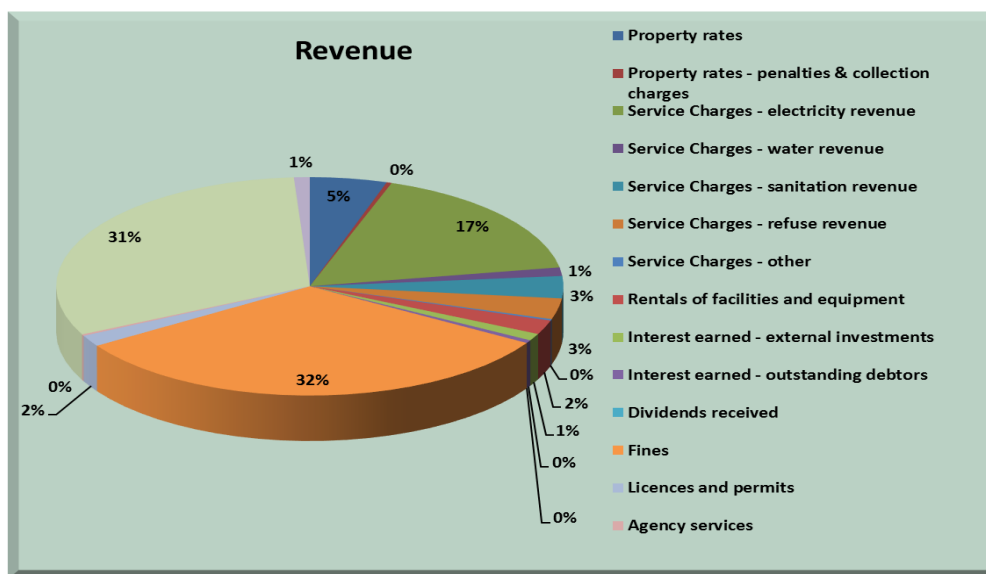
Financial Summary						
R'000						
Description	2012/13	2013/14			2013/14 %Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
Transfers recognised - capital	10 387	11 943	11 943	12 394	10.98	10.98
Contributions recognised - capital & contributed assets	0	0	0	0	0.00	0.00
<b>Surplus/(Deficit) for the year</b>	<b>(537)</b>	<b>1 610</b>	<b>1 891</b>	<b>8 037</b>	<b>79.97</b>	<b>76.47</b>
<b>Capital expenditure &amp; funds sources</b>						
<b>Capital expenditure</b>						
Transfers recognised - capital	10 387	11 943	11 943	13 416	10.98	10.98
Public contributions & donations	0	0	0	0	0.00	0.00
Borrowing	0	0	0	0	0.00	0.00
Internally generated funds	0	0	0	0	0.00	0.00
<b>Total sources of capital funds</b>	<b>10 387</b>	<b>11 943</b>	<b>11 943</b>	<b>13 416</b>	<b>10.98</b>	<b>10.98</b>
<b>Financial position</b>						
Total current assets	14 237	12 564	12 564	18 711	32.85	32.85
Total non-current assets	151 018	148 151	148 151	152 413	2.80	2.80
Total current liabilities	7 723	10 302	10 302	7 003	(47.11)	(47.11)
Total non-current liabilities	8 351	7 913	7 913	6 872	(15.15)	(15.15)
Community wealth/Equity	149 181	142 500	142 500	157 249	9.38	9.38
<b>Cash flows</b>						
Net cash from (used) operating	8 306	12 490	12 490	10 581	(18.04)	(18.04)
Net cash from (used) investing	(10 349)	(12 484)	(15 305)	(10 223)	(22.12)	(49.71)
Net cash from (used) financing	10 002	7 319	10 140	7 960	(8.05)	(27.39)
<b>Cash/cash equivalents at the year end</b>	<b>7 959</b>	<b>7 325</b>	<b>7 960</b>	<b>8 318</b>	<b>11.94</b>	<b>11.94</b>
<b>Asset management</b>						
Asset register summary (WDV)	254 327	266 270	266 270	263 455	(1.07)	(1.07)
Depreciation & asset impairment	(108 460)	(108 460)	(108 460)	(115 879)	6.4	6.4

# CHAPTER 5: FINANCIAL PERFORMANCE

Financial Summary						
R'ooo						
Description	2012/13	2013/14			2013/14 %Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
Renewal of Existing Assets	0	0	0	0	0.00	0.00
Repairs and Maintenance	1 748	1 630	1 785	1 308	(24.62)	(36.47)
Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.						

Table 143.: Financial Performance 2013/14

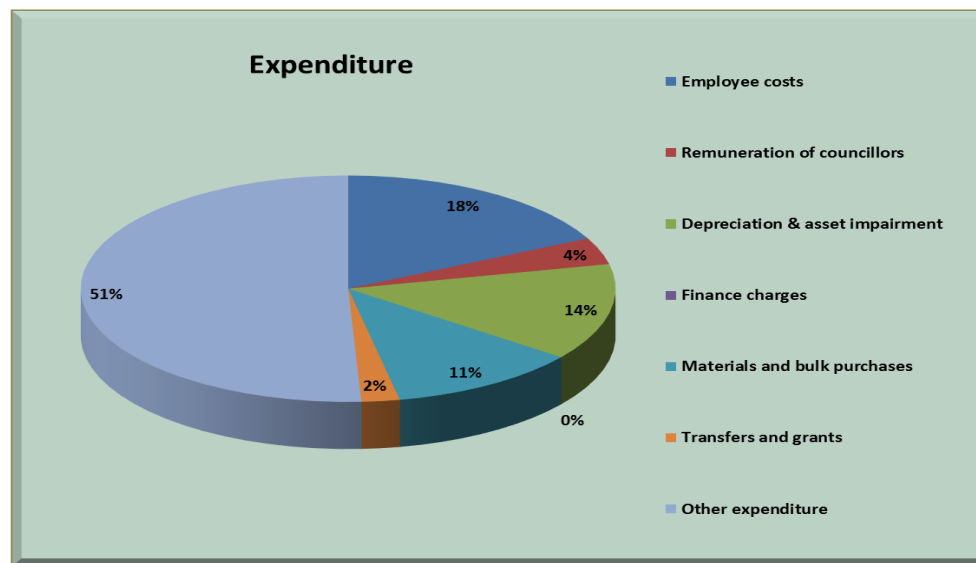
The following graph indicates the various types of revenue items in the municipal budget for 2013/14



Graph 8.: Revenue

# CHAPTER 5: FINANCIAL PERFORMANCE

The following graph indicates the various types of expenditure items in the municipal budget for 2013/14



Graph 9.: Operating expenditure

## 5.1.2 REVENUE COLLECTION BY VOTE

The table below indicates the Revenue collection performance by Vote:

Vote Description	2012/13	2013/14			2013/14 % Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
	R'ooo					
Vote 1 - Mayoral & Council	10 205	22 319	22 277	19 602	(13.86)	(13.65)
Vote 2 - Municipal Manager	0	0	0	0	0.00	0.00
Vote 3 - Corporate Services	3 105	3 097	4 343	4 113	24.70	-5.59
Vote 4 - Budget & Treasury	14 188	4 200	4 574	8 699	51.72	47.42
Vote 5 - Planning and Development	98	0	107	25	100.00	(334.29)
Vote 6 - Community and Social Services	597	653	659	781	16.30	15.64
Vote 7 - Sport and Recreation	1	1	1	1	28.66	28.66
Vote 8 - Housing	12	10	10	11	13.22	13.22
Vote 9 - Public Safety	3 237	2 054	3 619	18 180	88.70	80.09
Vote 10 - Road Transport	1 381	1 031	1 036	1 115	7.48	7.05
Vote 11 - Waste Management	1 505	1 626	1 634	1 645	1.13	0.63
Vote 12 - Waste Water Management	1 627	1 915	1 821	1 749	(9.50)	(4.14)
Vote 13 - Water	852	1 849	2 502	673	(174.60)	(271.55)
Vote 14 - Electricity	7 864	8 735	9 058	9 049	3.48	(0.10)
<b>Total Revenue by Vote</b>	<b>44 672</b>	<b>47 490</b>	<b>51 640</b>	<b>65 642</b>	<b>27.65</b>	<b>21.33</b>
Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.						

Table 144.: Revenue by Vote

## 5.1.3 REVENUE COLLECTION BY SOURCE

# CHAPTER 5: FINANCIAL PERFORMANCE

The table below indicates the revenue collection performance by source for the 2013/14 financial year:

Description	2012/13	2013/14			2013/14 % Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
	R'ooo					
Property rates	2 118	2 156	2 530	2 615	17.54	3.24
Property rates - penalties & collection charges	194	60	60	173	65.27	65.27
Service Charges - electricity revenue	7 864	8 899	9 058	9 049	1.65	(0.10)
Service Charges - water revenue	852	1 594	1 594	673	(136.69)	(136.69)
Service Charges - sanitation revenue	1 627	1 888	1 888	1 750	(7.90)	(7.90)
Service Charges - refuse revenue	1 503	1 664	1 671	1 644	(1.21)	(1.62)
Service Charges - other	88	87	93	118	25.91	20.99
Rentals of facilities and equipment	910	829	834	1 121	25.98	25.59
Interest earned - external investments	659	433	467	557	22.32	16.23
Interest earned - outstanding debtors	202	158	158	236	32.96	32.96
Dividends received	0	0	0	0	100.00	100.00
Fines	2 325	1 755	3 130	17 121	89.75	81.72
Licences and permits	860	248	344	887	72.01	61.27
Agency services	102	95	95	120	20.89	20.89
Transfers recognised - operational	13 994	15 286	16 779	16 648	8.18	(0.78)
Other revenue	988	582	1 007	536	(8.57)	(87.72)
Gains on disposal of PPE	0	0	0	0	0.00	0.00
Environmental Protection	0	0	0	0	0.00	0.00
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>34 285</b>	<b>35 735</b>	<b>39 706</b>	<b>53 248</b>	<b>32.89</b>	<b>25.43</b>
<i>Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.</i>						

**Table 145.:** Revenue by Source

# CHAPTER 5: FINANCIAL PERFORMANCE

## 5.1.4 OPERATIONAL SERVICES PERFORMANCE

The table below indicates the Operational services performance for the 2013/14 financial year:

Financial Performance of Operational Services						
R'ooo						
Description	2012/13	2013/14			2013/14 % Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
Operating Cost						
Water	2 141	4 966	5 286	3 217	(54.36)	(64.29)
Waste Water (Sanitation)	1 730	1 867	1 902	2 049	8.88	7.21
Electricity	7 530	9 347	9 675	9 926	5.84	2.53
Waste Management	1 650	1 770	1 805	1 769	(0.05)	(2.02)
Housing	321	355	362	472	24.72	23.23
Component A: sub-total	13 373	18 305	19 029	17 434	(5.00)	(9.15)
Waste Water (Stormwater Drainage)	0	0	0	0	0.00	0.00
Roads	9 976	7 486	7 487	10 413	28.10	28.10
Transport	0	0	0	0	0.00	0.00
Component B: sub-total	9 976	7 486	7 487	10 413	28.10	28.10
Planning	549	536	643	545	1.64	(17.92)
Local Economic Development	0	0	0	0	0.00	0.00
Component C: sub-total	549	536	643	545	1.64	(17.92)
Community & Social Services	1 028	1 060	1 054	1 276	16.93	17.37
Environmental Protection	0	0	0	0	0.00	0.00
Health	0	0	0	0	0.00	0.00
Security and Safety	4 491	3 458	4 587	17 190	79.88	73.32
Sport and Recreation	1 125	1 691	1 685	1 249	(35.32)	(34.85)
Corporate Policy Offices and Other	14 669	13 521	15 265	9 467	(42.82)	(61.25)
Component D: sub-total	21 313	19 729	22 591	29 182	32.39	22.59
<b>Total Expenditure</b>	<b>45 211</b>	<b>46 057</b>	<b>49 749</b>	<b>57 574</b>	<b>20.00</b>	<b>13.59</b>
Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.						

Table 146.: Operational Services Performance

# CHAPTER 5: FINANCIAL PERFORMANCE

## 5.2 FINANCIAL PERFORMANCE PER MUNICIPAL FUNCTION

### 5.2.1 WATER SERVICES

Description	2012/13	2013/14			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'ooo				%
<b>Total Operational Revenue (excluding tariffs)</b>	<b>852</b>	<b>1 849</b>	<b>2 502</b>	<b>673</b>	<b>(174.60)</b>
<b>Expenditure:</b>					
Employees	318	495	495	342	(44.49)
Repairs and Maintenance	149	310	310	176	(76.30)
Other	1 739	4 185	4 515	2 705	(54.72)
<b>Total Operational Expenditure</b>	<b>2 206</b>	<b>4 990</b>	<b>5 320</b>	<b>3 223</b>	<b>(54.81)</b>
<b>Net Operational (Service) Expenditure</b>	<b>(1 354)</b>	<b>(3 141)</b>	<b>(2 818)</b>	<b>(2 550)</b>	<b>(23.17)</b>
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 147.: Financial Performance: Water services

### 5.2.2 WASTE WATER (SANITATION)

Description	2012/13	2013/14			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'ooo				%
<b>Total Operational Revenue (excluding tariffs)</b>	<b>1 627</b>	<b>1 915</b>	<b>1 821</b>	<b>1 749</b>	<b>(9.50)</b>
<b>Expenditure:</b>					
Employees	247	128	152	271	52.63
Repairs and Maintenance	191	187	187	165	(13.27)
Other	1 299	1 562	1 573	1 621	3.66
<b>Total Operational Expenditure</b>	<b>1 737</b>	<b>1 876</b>	<b>1 912</b>	<b>2 056</b>	<b>8.75</b>
<b>Net Operational (Service) Expenditure</b>	<b>(110)</b>	<b>38</b>	<b>(91)</b>	<b>(308)</b>	<b>112.45</b>
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 148.: Financial Performance: Waste Water (Sanitation) services

# CHAPTER 5: FINANCIAL PERFORMANCE

## 5.2.3 ELECTRICITY

Description	2012/13	2013/14			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'ooo				%
<b>Total Operational Revenue (excluding tariffs)</b>	7 864	8 735	9 058	9 049	3.48
<b>Expenditure:</b>					
Employees	0	0	0	0	0
Repairs and Maintenance	105	131	131	144	8.86
Other	7 977	9 494	9 987	10 039	5.43
<b>Total Operational Expenditure</b>	<b>8 082</b>	<b>9 626</b>	<b>10 119</b>	<b>10 184</b>	<b>5.48</b>
<b>Net Operational (Service) Expenditure</b>	<b>(218)</b>	<b>(891)</b>	<b>(1 061)</b>	<b>(1 135)</b>	<b>21.47</b>
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 149.: Financial Performance: Electricity

## 5.2.4 WASTE MANAGEMENT

Description	2012/13	2013/14			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'ooo				%
<b>Total Operational Revenue (excluding tariffs)</b>	1 505	1 626	1 634	1 645	1.13
<b>Expenditure:</b>					
Employees	364	415	415	406	(2.26)
Repairs and Maintenance	55	84	84	39	(115.21)
Other	1 236	1 277	1 312	1 330	3.94
<b>Total Operational Expenditure</b>	<b>1 655</b>	<b>1 777</b>	<b>1 811</b>	<b>1 775</b>	<b>(0.11)</b>
<b>Net Operational (Service) Expenditure</b>	<b>(150)</b>	<b>(150)</b>	<b>(177)</b>	<b>(130)</b>	<b>(15.83)</b>
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 150.: Financial Performance: Waste Management

# CHAPTER 5: FINANCIAL PERFORMANCE

## 5.2.5 HOUSING

Description	2012/13	2013/14			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'ooo				%
<b>Total Operational Revenue (excluding tariffs)</b>	<b>12</b>	<b>10</b>	<b>10</b>	<b>11</b>	<b>13.22</b>
<b>Expenditure:</b>					
Employees	0	0	0	0	0
Repairs and Maintenance	0	32	32	2	(1 783.24)
Other	321	324	331	470	31.19
<b>Total Operational Expenditure</b>	<b>321</b>	<b>355</b>	<b>362</b>	<b>472</b>	<b>24.72</b>
<b>Net Operational (Service) Expenditure</b>	<b>(309)</b>	<b>(345)</b>	<b>(352)</b>	<b>(461)</b>	<b>25.00</b>
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 151.: Financial Performance: Housing

## 5.2.6 ROADS AND STORMWATER

Description	2012/13	2013/14			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'ooo				%
<b>Total Operational Revenue (excluding tariffs)</b>	<b>1 381</b>	<b>1 031</b>	<b>1 036</b>	<b>1 115</b>	<b>7.48</b>
<b>Expenditure:</b>					
Employees	1 583	2 150	2 156	2 017	(6.60)
Repairs and Maintenance	504	417	417	299	(39.31)
Other	8 322	5 729	5 723	8 906	35.67
<b>Total Operational Expenditure</b>	<b>10 409</b>	<b>8 296</b>	<b>8 296</b>	<b>11 222</b>	<b>26.08</b>
<b>Net Operational (Service) Expenditure</b>	<b>(9 028)</b>	<b>(7 265)</b>	<b>(7 260)</b>	<b>(10 108)</b>	<b>28.13</b>
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 152.: Financial Performance: Waste Water (Stormwater)



# CHAPTER 5: FINANCIAL PERFORMANCE

## 5.2.7 IDP, LOCAL ECONOMIC DEVELOPMENT AND SOCIAL

Description	2012/13	2013/14			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'ooo				%
<b>Total Operational Revenue (excluding tariffs)</b>	98	0	107	25	100.00
<b>Expenditure:</b>					
Employees	223	245	245	245	(0.05)
Repairs and Maintenance	0	0	0	31	100.00
Other	326	291	398	269	(8.13)
<b>Total Operational Expenditure</b>	549	536	643	545	1.64
<b>Net Operational (Service) Expenditure</b>	(451)	(536)	(536)	(521)	(3.00)
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 153.: Financial Performance: IDP, Local Economic Development and Social

## 5.2.8 CEMETERIES

Description	2012/13	2013/14			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'ooo				%
<b>Total Operational Revenue (excluding tariffs)</b>	0	0	0	0	0
<b>Expenditure:</b>					
Employees	48	90	90	82	(10.27)
Repairs and Maintenance	0	0	0	0	0
Other	442	141	147	410	65.51
<b>Total Operational Expenditure</b>	489	232	238	491	52.89
<b>Net Operational (Service) Expenditure</b>	(489)	(232)	(238)	(491)	52.89
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 154.: Financial Performance: Cemeteries

# CHAPTER 5: FINANCIAL PERFORMANCE

## 5.2.9 LIBRARIES

Description	2012/13	2013/14			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'ooo				%
<b>Total Operational Revenue (excluding tariffs)</b>	588	648	648	765	15.27
<b>Expenditure:</b>					
Employees	320	405	457	427	5.05
Repairs and Maintenance	0	3	5	3	6.81
Other	176	248	182	265	6.29
<b>Total Operational Expenditure</b>	496	656	645	695	5.53
<b>Net Operational (Service) Expenditure</b>	91	(8)	3	70	111.62
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 155.: Financial Performance: Libraries

## 5.2.10 TRAFFIC AND LAW ENFORCEMENT

Description	2012/13	2013/14			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'ooo				%
<b>Total Operational Revenue (excluding tariffs)</b>	3 237	2 054	3 619	18 180	88.70
<b>Expenditure:</b>					
Employees	843	1 456	1 456	1 491	2.35
Repairs and Maintenance	24	46	46	4	(220.20)
Other	3 624	1 956	3 084	15 685	87.53
<b>Total Operational Expenditure</b>	4 491	3 458	4 587	17 190	79.88
<b>Net Operational (Service) Expenditure</b>	(1 253)	(1 404)	(967)	990	241.75
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 156.: Financial Performance: Traffic and Law enforcement

# CHAPTER 5: FINANCIAL PERFORMANCE

## 5.2.11 SPORT AND RECREATION

Description	2012/13	2013/14			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'ooo				%
<b>Total Operational Revenue (excluding tariffs)</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>28.66</b>
<b>Expenditure:</b>					
Employees	496	628	628	441	(42.33)
Repairs and Maintenance	51	68	68	35	(95.37)
Other	579	995	989	774	(28.63)
<b>Total Operational Expenditure</b>	<b>1 125</b>	<b>1 691</b>	<b>1 685</b>	<b>1 249</b>	<b>(35.32)</b>
<b>Net Operational (Service) Expenditure</b>	<b>(1 124)</b>	<b>(1 690)</b>	<b>(1 684)</b>	<b>(1 249)</b>	<b>(35.36)</b>
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 157.: Financial Performance: Sport and Recreation

## 5.2.12 ADMINISTRATION

Description	2012/13	2013/14			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'ooo				%
<b>Total Operational Revenue (excluding tariffs)</b>	<b>10 205</b>	<b>22 319</b>	<b>22 277</b>	<b>19 602</b>	<b>(13.86)</b>
<b>Expenditure:</b>					
Employees	2 756	3 120	3 108	822	(279.74)
Repairs and Maintenance	6	57	57	6	(862.67)
Other	4 175	6 274	6 091	4 341	(44.53)
<b>Total Operational Expenditure</b>	<b>6 937</b>	<b>9 451</b>	<b>9 256</b>	<b>5 169</b>	<b>(82.84)</b>
<b>Net Operational (Service) Expenditure</b>	<b>3 268</b>	<b>12 869</b>	<b>13 021</b>	<b>14 433</b>	<b>10.84</b>
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 158.: Financial Performance: Administration

# CHAPTER 5: FINANCIAL PERFORMANCE

## 5.2.13 FINANCE

Description	2012/13	2013/14			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'ooo				%
<b>Total Operational Revenue (excluding tariffs)</b>	<b>14 188</b>	<b>4 200</b>	<b>4 574</b>	<b>8 699</b>	<b>51.72</b>
<b>Expenditure:</b>					
Employees	1 449	2 566	2 566	2 603	1.44
Repairs and Maintenance	11	21	21	6	(252.24)
Other	4 614	2 967	3 762	5 058	41.34
<b>Total Operational Expenditure</b>	<b>6 073</b>	<b>5 554</b>	<b>6 350</b>	<b>7 667</b>	<b>27.56</b>
<b>Net Operational (Service) Expenditure</b>	<b>8 115</b>	<b>(1 354)</b>	<b>(1 776)</b>	<b>1 032</b>	<b>231.24</b>
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 159.: Financial Performance: Finance

## 5.2.14 HR

Description	2012/13	2013/14			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'ooo				%
<b>Total Operational Revenue (excluding tariffs)</b>	<b>3 105</b>	<b>3 097</b>	<b>4 343</b>	<b>4 113</b>	<b>24.70</b>
<b>Expenditure:</b>					
Employees	689	1 035	1 035	765	(35.27)
Repairs and Maintenance	240	222	222	155	(43.13)
Other	7 288	6 074	7 120	4 312	(40.86)
<b>Total Operational Expenditure</b>	<b>8 218</b>	<b>7 331</b>	<b>8 377</b>	<b>5 232</b>	<b>(40.11)</b>
<b>Net Operational (Service) Expenditure</b>	<b>(5 113)</b>	<b>(4 234)</b>	<b>(4 034)</b>	<b>(1 119)</b>	<b>(278.26)</b>
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 160.: Financial Performance: HR

# CHAPTER 5: FINANCIAL PERFORMANCE

## 5.3 GRANTS

### 5.3.1 GRANT PERFORMANCE

The municipality had a total amount of **R12 861** million for infrastructure and other projects available that was received in the form of grants from the National and Provincial Governments during the 2013/14 financial year. The performance in the spending of these grants is summarised as follows:

Grant Performance						
R'ooo						
Description	2012/13	2013/14			2013/14 % Variance	
	Actual	Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
<u>Capital Transfers and Grants</u>						
<b>National Government:</b>	<b>9 853</b>	<b>11 026</b>	<b>11 266</b>	<b>12 563</b>	<b>12.23</b>	<b>10.32</b>
Equitable share	8 363	9 536	8 876	10 224	6.73	13.18
Municipal Systems Improvement	0	0	890	839	100.00	(6.05)
Finance Management Grant	1 490	1 490	1 500	1 500	0.66	0.00
<b>Provincial Government:</b>	<b>1 490</b>	<b>1 490</b>	<b>1 500</b>	<b>1 500</b>	<b>0.66</b>	<b>0.00</b>
Financial Management Support Grant	1 490	1 490	1 500	1 500	0.66	0.00
<b>District Municipality:</b>	<b>0</b>	<b>0</b>	<b>95</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>
Central Karoo DM	0	0	95		0.00	0.00
<b>Other:</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>
Seta	0	0	0	0	0.00	0.00
<b>Total Capital Transfers and Grants</b>	<b>11 343</b>	<b>12 516</b>	<b>12 861</b>	<b>14 063</b>	<b>11.00</b>	<b>8.55</b>
<i>Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.</i>						

Table 161.: Grant Performance for 2013/14

### 5.3.2 CONDITIONAL GRANTS (EXCLUDING MIG)

Details	Budget	Adjusted Budget	Actual	% Variance	
				Budget	Adjusted Budget
	R'ooo				
Department of Transport	33	28	17	(90.78)	(62.03)
Finance Management Grant	10	0	0	0	0
Equitable share: Councillors Remuneration	0	1 348	1 173	100.00	(14.92)
Total	43	1 376	1 190	96.40	(15.60)

Table 162.: Conditional Grant (excl. MIG)

# CHAPTER 5: FINANCIAL PERFORMANCE

## 5.3.3 LEVEL OF RELIANCE ON GRANTS & SUBSIDIES

Financial year	Total grants	Total	Percentage
	and subsidies received	Operating Revenue	
	R'ooo	R'ooo	
2012/13	13 994	44 980	31.11
2013/14	16 648	65 642	25.36

Table 163.: Reliance on grants

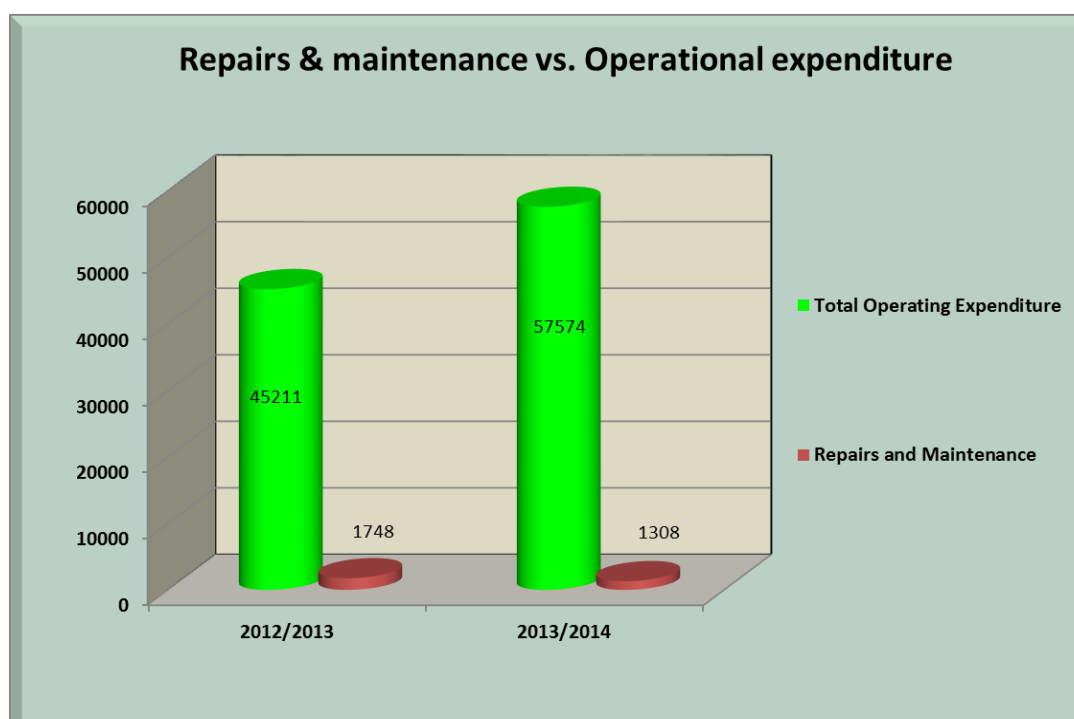
## 5.4 ASSET MANAGEMENT

### 5.4.1 REPAIRS AND MAINTENANCE

Description	2012/13	2013/14
	R'ooo	R'ooo
Total Operating Expenditure	45 211	57 574
Repairs and Maintenance	1 748	1 308
% of total OPEX	3.87	2.27

Table 164.: Repairs & maintenance as % of total Operating Expenditure

The following graph indicates the percentage of the budget that was spent on repairs & maintenance in relation to the operational expenditure



Graph 10.: Repairs & Maintenance vs. Operational Expenditure

## 5.5 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

# CHAPTER 5: FINANCIAL PERFORMANCE

## 5.5.1 LIQUIDITY RATIO

Description	Basis of calculation	2012/13	2013/14
		Audited outcome	Pre-audit outcome
Current Ratio	Current assets/current liabilities	1.84	2.67
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	1.36	2.02
Liquidity Ratio	Cash and equivalents/Trade creditors and short term borrowings	1.03	0.00

Table 165.: Liquidity Financial Ratio

## 5.5.2 IDP REGULATION FINANCIAL VIABILITY INDICATORS

Description	Basis of calculation	2012/13	2013/14
		Audited outcome	Pre-audit outcome
Cost Coverage	(Available cash + Investments)/monthly fixed operational expenditure	3.79	0.00
Total Outstanding Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	26%	27%
Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	5.98	8.15

Table 166.: Financial Viability National KPAs

## 5.5.3 BORROWING MANAGEMENT

Description	Basis of calculation	2012/13	2013/14
		Audited outcome	Pre-audit outcome
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0	0

Table 167.: Borrowing Management

## 5.5.4 EMPLOYEE COSTS

Description	Basis of calculation	2012/13	2013/14
		Audited outcome	Pre-audit outcome
Employee costs	Employee costs/(Total Revenue - capital revenue)	27.41%	19.12%

Table 168.: Employee Costs

## COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

## 5.6 CAPITAL EXPENDITURE: SOURCES OF FINANCE

# CHAPTER 5: FINANCIAL PERFORMANCE

The table below indicates the capital expenditure by funding source for the 2013/14 financial year:

Details	2012/13	2013/14				
	Actual	Original Budget (OB)	Adjustment Budget	Actual	Adjustment to OB Variance	Actual to OB Variance
	R'ooo				%	
External loans	0	0	0	0	0.00	0.00
Public contributions and donations	0	0	0	0	0.00	0.00
Grants and subsidies	12 284	11 943	14 824	9 998	24.12	(40.41)
Own funding	17	541	481	240	(11.14)	(44.46)
Other	0	0	0	0	0.00	0.00
<b>Total</b>	<b>12 301</b>	<b>12 484</b>	<b>15 305</b>	<b>10 238</b>	<b>22.59</b>	<b>-40.59</b>
<b>Percentage of finance (%)</b>						
External loans	0	0	0	0	0.00	0.00
Public contributions and donations	0	0	0	0	0.00	0.00
Grants and subsidies	99.86	95.67	96.86	97.65	1.25	0.83
Other	0.14	4.33	3.14	2.35	(27.52)	(18.35)
<b>Capital expenditure</b>						
Water and sanitation	8 891	6 271	7 024	6 171	12.01	(13.60)
Electricity	286	0	73	100	0.00	0.00
Housing	660	4 048	4 048	0	0.00	(100.00)
Roads and stormwater	518	0	308	1 878	0.00	0.00
Other	705	2 165	3 852	2 089	77.89	(81.44)
<b>Total</b>	<b>11 060</b>	<b>12 484</b>	<b>15 305</b>	<b>10 238</b>	<b>22.59</b>	<b>(40.59)</b>
<b>Percentage of expenditure (%)</b>						
Water and sanitation	80.39	50.23	45.89	60.28	(8.63)	28.64
Electricity	2.59	0	0.47	0.98	0.00	0.00
Housing	5.97	32.43	26.45	0	(18.43)	(81.57)
Roads and stormwater	4.69	0	2.01	18.34	0.00	0.00
Other	6.37	17.35	25.17	20.40	45.11	(27.49)

Table 169.: Capital Expenditure by funding source



# CHAPTER 5: FINANCIAL PERFORMANCE

## 5.7 MUNICIPAL INFRASTRUCTURE GRANT (MIG)

This grant is intended to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

Municipal Infrastructure Grant (MIG)* Expenditure 2013/14					
R					
Details	Original Budget	Adjustments Budget	Actual	% Variance	
				Original Budget	Adjustments Budget
<b>Infrastructure - Road transport</b>	<b>0</b>	<b>309 000</b>	<b>1 877 846</b>	<b>100.00</b>	<b>83.54</b>
Roads, Pavements & Bridges	0	0	0	0.00	0.00
Storm water	0	309 000	1 877 846	100.00	83.54
<b>Infrastructure - Electricity</b>	<b>0</b>	<b>72 631</b>	<b>100 475</b>	<b>100.00</b>	<b>27.71</b>
Street Lighting	0	72 631	100 475	100.00	27.71
<b>Infrastructure - Water</b>	<b>3 517 475</b>	<b>1 165 600</b>	<b>222 751</b>	<b>(1 479.11)</b>	<b>(423.27)</b>
Dams & Reservoirs	3 230 450	1 165 600	0	0.00	0.00
Reticulation	287 025	0	222 751	(28.85)	100.00
<b>Infrastructure - Sanitation</b>	<b>1 725 000</b>	<b>5 486 599</b>	<b>5 948 243</b>	<b>71.00</b>	<b>7.76</b>
Sewerage purification	1 725 000	5 486 599	5 948 243	71.00	7.76
<b>Infrastructure - Other</b>	<b>1 509 000</b>	<b>3 256 000</b>	<b>1 848 418</b>	<b>18.36</b>	<b>(76.15)</b>
Sport fields	1 509 000	3 256 000	1 848 418	18.36	(76.15)
<b>Total</b>	<b>6 751 475</b>	<b>10 289 830</b>	<b>9 997 733</b>	<b>32.47</b>	<b>(2.92)</b>
* MIG is a government grant program designed to fund a reduction in service backlogs, mainly: Water; Sanitation; Roads; Electricity. Expenditure on new, upgraded and renewed infrastructure is set out at Appendix M; note also the calculation of the variation. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.					

Table 170.: Municipal Infrastructure Grant (MIG)

# CHAPTER 5: FINANCIAL PERFORMANCE

## COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

Cash flow management is critical to the municipality as it enables the organisation to assess whether enough cash is available at any point in time to cover the council's commitments. Cash flow is rigorously managed and monitored on a regular basis.

### 5.8 CASH FLOW

Cash Flow Outcomes				
R'ooo				
Description	2012/13	2013/14		
	Audited Outcome	Original Budget	Adjusted Budget	Actual
<b>Cash flow from operating activities</b>				
<b>Receipts</b>				
Ratepayers and other	18 742	18 605	18 605	20 561
Government - operating	25 334	14 786	14 786	16 648
Government - capital	0	11 943	11 943	12 423
Interest	1 056	591	591	966
Dividends	0	0	0	0
<b>Payments</b>				
Suppliers and employees	(35 863)	(32 929)	(32 929)	(38 712)
Finance charges	(307)	0	0	(206)
Transfers and Grants	0	(505)	(505)	(1 099)
<b>Net cash from/(used) operating activities</b>	<b>8 961</b>	<b>12 490</b>	<b>12 490</b>	<b>10 581</b>
<b>Cash flows from investing activities</b>				
<b>Receipts</b>				
Proceeds on disposal of PPE	0	0	0	0
Decrease (Increase) in non-current debtors	0	0	0	0
Decrease (increase) other non-current receivables	0	0	0	0
Decrease (increase) in non-current investments	0	0	0	0
<b>Payments</b>				
Capital assets	(11 004)	(12 484)	(12 484)	(10 223)
<b>Net cash from/(used) investing activities</b>	<b>(11 004)</b>	<b>(12 484)</b>	<b>(12 484)</b>	<b>(10 223)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts</b>				
Short term loans	0	0	0	0
Borrowing long term/refinancing	0	0	0	0
Increase (decrease) in consumer deposits	0	0	0	0
<b>Payments</b>				
Repayment of borrowing	0	0	0	0

# CHAPTER 5: FINANCIAL PERFORMANCE

Cash Flow Outcomes				
R'000				
Description	2012/13	2013/14		
	Audited Outcome	Original Budget	Adjusted Budget	Actual
Net cash from/(used) financing activities	0	0	0	0
Net increase/ (decrease) in cash held	(2 043)	6	6	358
Cash/cash equivalents at the year begin:	10 002	7 960	7 960	7 960
Cash/cash equivalents at the year-end:	7 960	7 966	7 966	8 317

Table 171.: Cash flow

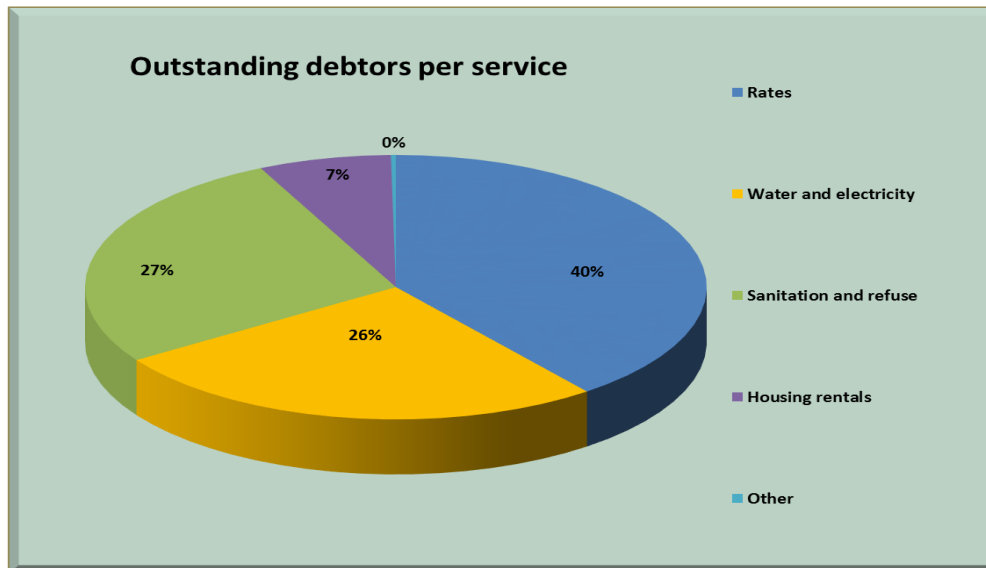
# CHAPTER 5: FINANCIAL PERFORMANCE

## 5.9 GROSS OUTSTANDING DEBTORS PER SERVICE

Financial year	Rates	Trading services	Economic services	Housing rentals	Other	Total
		(Electricity and Water)	(Sanitation and Refuse)			
	R'ooo					
2012/13	1 992	1 433	1 407	290	7	5 131
2013/14	2 153	1 430	1 480	377	14	5 455
Difference	161	(3)	73	87	7	324
% growth year on year	8	0	5	30	93	6
Note: Figures exclude provision for bad debt						

Table 172.: Gross outstanding debtors per service

The following graph indicates the total outstanding debt per type of service for 2013/14



Graph 11.: Outstanding debt per type of service

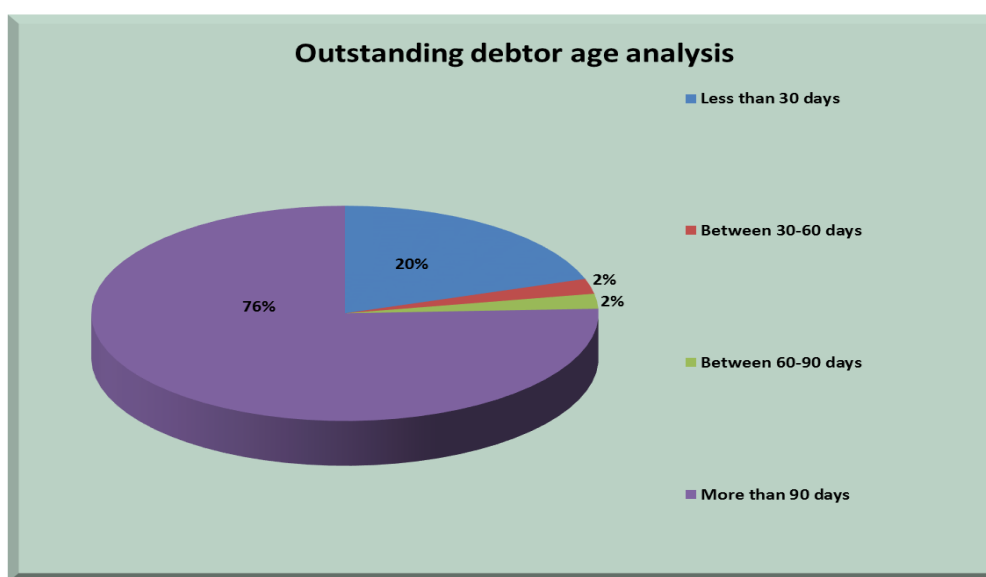
# CHAPTER 5: FINANCIAL PERFORMANCE

## 5.10 TOTAL DEBTORS AGE ANALYSIS

Financial year	Less than 30 days	Between 30-60 days	Between 60-90 days	More than 90 days	Total
	R'ooo	R'ooo	R'ooo	R'ooo	R'ooo
2012/13	1 134	125	122	3 749	5 131
2013/14	1 192	136	135	4 552	6 015
Difference	57	11	13	803	884
% growth year on year	5	8	11	21	17

*Note: Figures exclude provision for bad debt.*

Table 173.: Outstanding debtor age analysis



Graph 12.: Service debtors age analysis

## 5.11 BORROWING AND INVESTMENTS

Infrastructure needs to be replaced and therefore borrowings for periods of 15 years are taken up to lessen the impact on consumers.

### 5.11.1 ACTUAL BORROWINGS

Actual Borrowings		
R'ooo		
Instrument	2012/13	2013/14
Long-Term Loans (annuity/reducing balance)	0	0
Long-Term Loans (non-annuity)	0	0
Local registered stock	0	0
Instalment Credit	0	0
Financial Leases	0	0
PPP liabilities	0	0

# CHAPTER 5: FINANCIAL PERFORMANCE

Actual Borrowings		
R' 000		
Instrument	2012/13	2013/14
Finance Granted By Cap Equipment Supplier	0	0
Marketable Bonds	0	0
Non-Marketable Bonds	0	0
Bankers Acceptances	0	0
Financial derivatives	0	0
Other Securities	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

Table 174.: Actual Borrowings

## 5.11.2 MUNICIPAL INVESTMENTS

Actual Investments		
R'000		
Investment type	2012/13	2013/14
	Actual	Actual
Deposits - Bank	7 960	0
<b>Total</b>	<b>7 960</b>	<b>0</b>

Table 175.: Municipal Investments

# CHAPTER 6: AUDITOR-GENERAL FINDINGS

## CHAPTER 6

### COMPONENT A: AUDITOR-GENERAL OPINION 2012/13

#### 6.1 AUDITOR GENERAL REPORT 2012/13

Details	
Audit Report Status:	Unqualified
Issue raised	Corrective steps implemented
Material losses: Water losses to the amount of R641 582 (29,84%) were incurred during the year	The municipality has install new pre-paid meters in two arrears at the end of June 2013 where there were no meters and the impact on water losses will be monitored closely. Worley Parsons is busy with an investigation into bulk water supply.
Material impairments: The municipality has provided for impairment of trade receivables from exchange and non-exchange transactions amounting to R 1 764 151 and R2 002 544 respectively, resulting from poor collection practices.	Already corrected
Inadequate internal policies and procedures to support the reporting of predetermined objectives.	Training was provided to all personnel to document corrective measures on the SDBIP system.
The Audit Committee did not function as required by section 166 of the MFMA	Corrective measure will be considered and implemented.
The internal audit unit did not function as required by section 165(2) of the MFMA	Corrective measure will be considered and implemented.
Various deficiencies with regard to Supply chain management.	Laingsburg Municipality established a SCM unit and is in process of implementing regulations and policies
The municipality did not develop and adopt policies to monitor, measure and evaluate the performance of staff as required by the Systems Act (sec 67(d).	Management will report on all the key performance indicators included in the SDBIP, including indicators where no performance has occurred.
Money owed by the municipality was not always paid within 30 days as required by sec 65(2)(e) of the MFMA	Payment processes will be monitored more closely in 2013/14.
The municipality did not prepare and present regular financial and performance reports as required by laws and regulations and did not institute consequences for inadequate performance.	Specific processes and procedures will be drafted and implemented to monitor the performance of the indicators and measures as set out in the IDP by a compliance officer to be appointed.

Table 176.: AG Report 2012/13

# CHAPTER 6: AUDITOR-GENERAL FINDINGS

## COMPONENT B: AUDITOR-GENERAL OPINION 2013/14

### 6.2 AUDITOR GENERAL REPORT 2013/14

Details	
Audit Report Status:	Unqualified
Issue raised	Corrective steps implemented
Material losses: Water losses of 52.78% amounting to R992 521 (2012-13: 29.84% amounting to R641 582) were incurred during the year	No records were kept of the water losses of the large pipe bursts during the year, which gave rise to the large amount of water losses. Council will implement processes to calculate these losses.
Material impairments: The municipality has provided for an impairment of R2.2 million on receivables from exchange transactions and an impairment of R13.9 million on receivables from non-exchange transactions	The long distance cameras were only included in the 2014/15 financial year. The statistics were also a problem. More information will be available after the 2014/15 financial year.
Significant uncertainties: There is a pending litigation on the wage curve agreement which could potentially be significant if the municipality has to pay the salary increase backdated to 1 July 2010	Laingsburg Municipality has already made repayments to employees during the TASK evaluation process in previous financial years. The final legal outcome has not been received yet and Council will approve the necessary adjustments where required
<p>The audit on the predetermined objectives produced the following findings:</p> <ul style="list-style-type: none"> <li>Adequate and reliable corroborating evidence could not be provided for the targets to assess the reliability of the reported performance information</li> <li>The indicators were not verifiable</li> <li>Targets were not measureable</li> </ul>	Laingsburg Municipality is in the process of addressing this finding for the following financial year.



# ABBREVIATIONS

## LIST OF ABBREVIATIONS

<b>AG</b>	Auditor-General
<b>CAPEX</b>	Capital Expenditure
<b>CBP</b>	Community Based Planning
<b>CFO</b>	Chief Financial Officer
<b>CIDB</b>	Construction Industry Development Board
<b>DPLG</b>	Department of Provincial and Local Government
<b>DWAF</b>	Department of Water Affairs and Forestry
<b>EE</b>	Employment Equity
<b>FET</b>	Further Education and Training
<b>GAMAP</b>	Generally Accepted Municipal Accounting Practice
<b>GRAP</b>	Generally Recognised Accounting Practice
<b>GDPR</b>	Growth Domestic Product of Region
<b>HR</b>	Human Resources
<b>IDP</b>	Integrated Development Plan
<b>IFRS</b>	International Financial Reporting Standards
<b>IMFO</b>	Institute for Municipal Finance Officers
<b>KPA</b>	Key Performance Area
<b>KPI</b>	Key Performance Indicator
<b>LADAAG</b>	Laingsburg Anti-Drug and Alcohol Action Group
<b>LASBA</b>	Laingsburg Small Business Association
<b>LED</b>	Local Economic Development
<b>MAYCOM</b>	Executive Mayoral Committee
<b>MFMA</b>	Municipal Finance Management Act (Act No. 56 of 2003)
<b>MIG</b>	Municipal Infrastructure Grant
<b>MM</b>	Municipal Manager
<b>MMC</b>	Member of Mayoral Committee
<b>MSA</b>	Municipal Systems Act No. 32 of 2000
<b>MTECH</b>	Medium Term Expenditure Committee

# ABBREVIATIONS

<b>NGO</b>	Non-governmental organisation
<b>NT</b>	National Treasury
<b>OPEX</b>	Operating expenditure
<b>PACA</b>	Participatory Appraisal Competitive Advantage
<b>PMS</b>	Performance Management System
<b>PT</b>	Provincial Treasury
<b>SALGA</b>	South African Local Government Organisation
<b>SAMDI</b>	South African Management Development Institute
<b>SCM</b>	Supply Chain Management
<b>SDBIP</b>	Service Delivery and Budget Implementation Plan
<b>SDF</b>	Spatial Development Framework
<b>VCP</b>	Vehicle Check Point

# Annexure A

## Financial Statements



**Laingsburg Local Municipality**  
Annual Financial Statements  
for the year ended 30 June 2014

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## General Information

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**Legal form of entity**

Municipal demarcation code

Local Municipality

WC051

**Nature of business and principal activities**

The main business operations of the municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community: Rates and general services - All types of services rendered by the municipality, excluding the following; Housing Services - Supply housing to the community and includes the rental of units owned by the municipality to public and staff; Waste Management Services - The collection, disposal and purifying of waste, refuse and sewerage; Electricity Services - Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality; and Water Services - Supplying water to the public.

**Mayoral committee**

Executive Mayor

Speaker

Councillors

Hon. Theron W du P

Hon. Horn HG

Cllr. Bobbejee M

Cllr. Botes P

Cllr. Botha J

Cllr. Gouws M

Cllr. Van As BJ

**Grading of local authority**

Grade 1

**Capacity of local authority**

Medium

**Accounting Officer**

Mr. Williams PA

**Chief Finance Officer (CFO)**

Ms. Groenewald A

**Registered office**

2 Van Riebeeck Street  
Laingsburg  
6900

**Business address**

2 Van Riebeeck Street  
Laingsburg  
6900

**Postal address**

Private Bag X4  
Laingsburg  
6900

**Bankers**

ABSA Bank  
Standard Bank

**Auditors**

Auditor General - Western Cape

**Attorneys**

Blyth & Coetzee  
Davids Attorneys  
De Vries, De Wet & Krouwkam

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Index

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

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### Abbreviations

CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

The annual financial statements set out on pages 3 to 90, which have been prepared on the going concern basis, were approved by the accounting officer on 29 August 2014 and were signed by:

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**Accounting Officer**  
**PA Williams**

**Laingsburg - Western Cape**  
**29 August 2014**

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Statement of Financial Position as at 30 June 2014

Figures in Rand	Note(s)	2014	2013 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	8	8 317 171	7 959 558
Operating lease asset	3	2 501	-
Receivables from exchange transactions	9	1 362 705	1 329 045
Receivables from non-exchange transactions	10	2 973 506	1 364 415
Inventories	11	5 697 975	2 192 439
Long-term receivables from exchange transactions	12	4 220	4 266
VAT receivable	13	353 420	1 387 004
		<b>18 711 498</b>	<b>14 236 727</b>
<b>Non-Current Assets</b>			
Operating lease asset	3	9 373	10 399
Intangible assets	4	343 357	534 296
Investment property	5	4 440 413	4 563 880
Property, plant and equipment	6	147 576 040	145 866 196
Heritage assets	7	43 354	43 354
		<b>152 412 537</b>	<b>151 018 125</b>
<b>Total Assets</b>		<b>171 124 035</b>	<b>165 254 852</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	14	3 282 012	3 771 590
Unspent conditional grants and receipts	15	3 039 538	3 228 083
Provisions	16	205 078	249 314
Consumer deposits	17	395 505	350 868
Employee benefit obligation	18	81 000	123 000
		<b>7 003 133</b>	<b>7 722 855</b>
<b>Non-Current Liabilities</b>			
Provisions	16	3 051 584	3 261 710
Employee benefit obligation	18	3 820 000	5 089 000
		<b>6 871 584</b>	<b>8 350 710</b>
<b>Total Liabilities</b>		<b>13 874 717</b>	<b>16 073 565</b>
<b>Net Assets</b>		<b>157 249 318</b>	<b>149 181 287</b>
Accumulated surplus	19	157 249 318	149 181 287

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013 Restated*
<b>Revenue</b>			
Property rates	24	2 614 590	2 105 923
Service charges	25	13 109 628	11 768 089
Government grants & subsidies	26	29 259 698	24 599 043
Rental of facilities and equipment	27	1 120 533	911 388
Income from agency services		120 092	101 938
Fines		17 121 289	2 324 692
Licences and permits		209 385	233 766
Other income	28	249 381	792 445
Interest received	29	965 764	1 045 049
<b>Total revenue</b>		<b>64 770 360</b>	<b>43 882 333</b>
<b>Expenditure</b>			
Employee related costs	30	(10 148 920)	(9 985 214)
Remuneration of councillors	31	(2 293 077)	(2 144 267)
Depreciation and amortisation	32	(7 799 244)	(7 938 921)
Impairment loss	33	(145 707)	-
Finance costs	34	(206 339)	(306 707)
Debt impairment	35	(12 324 587)	(217 502)
Collection costs		(21 667)	(6 244)
Repairs and maintenance		(1 487 317)	(1 725 171)
Bulk purchases	36	(6 648 043)	(5 676 814)
Contracted services	37	(97 844)	(35 124)
Grants and subsidies paid	38	(1 098 819)	(1 236 766)
General expenses	39	(14 370 306)	(15 478 112)
<b>Total expenditure</b>		<b>(56 641 870)</b>	<b>(44 750 842)</b>
<b>Operating surplus (deficit)</b>		<b>8 128 490</b>	<b>(868 509)</b>
Loss on disposal of assets	6	(60 461)	(110 765)
<b>Surplus (deficit) for the year</b>		<b>8 068 029</b>	<b>(979 274)</b>



# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	150 310 026	150 310 026
Adjustments		
Correction of errors (note 53)	(149 465)	(149 465)
<b>Balance at 01 July 2012 as restated</b>	<b>150 160 561</b>	<b>150 160 561</b>
Changes in net assets		
Deficit for the year	(979 274)	(979 274)
Total changes	(979 274)	(979 274)
<b>Restated* Balance at 01 July 2013</b>	<b>149 181 289</b>	<b>149 181 289</b>
Changes in net assets		
Surplus for the year	8 068 029	8 068 029
Total changes	8 068 029	8 068 029
<b>Balance at 30 June 2014</b>	<b>157 249 318</b>	<b>157 249 318</b>

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Cash Flow Statement

Figures in Rand	Note(s)	2014	2013 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		15 280 746	13 419 156
Grants		29 071 153	25 333 997
Interest income		965 764	1 045 049
Other receipts		5 280 639	5 348 425
		<u>50 598 302</u>	<u>45 146 627</u>
<b>Payments</b>			
Cash paid to employees		(13 752 997)	(11 319 481)
Cash paid to suppliers		(24 959 261)	(23 977 612)
Finance costs		(206 339)	(306 707)
Other payments		(1 098 819)	(1 236 766)
		<u>(40 017 416)</u>	<u>(36 840 566)</u>
<b>Net cash flows from operating activities</b>	40	<b><u>10 580 886</u></b>	<b><u>8 306 061</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	(10 223 318)	(10 362 198)
Proceeds from long-term receivables from exchange transactions		46	13 201
<b>Net cash flows from investing activities</b>		<b><u>(10 223 272)</u></b>	<b><u>(10 348 997)</u></b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>357 614</b>	<b>(2 042 936)</b>
Cash and cash equivalents at the beginning of the year		7 959 558	10 002 493
<b>Cash and cash equivalents at the end of the year</b>	8	<b><u>8 317 172</u></b>	<b><u>7 959 557</u></b>

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Note
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges - electricity revenue	9 178 300	(120 700)	9 057 600	9 019 628	(37 972)	
Service charges - water revenue	1 618 000	642 137	2 260 137	1 934 029	(326 108)	56.1
Service charges - sanitation revenue	1 897 200	(9 100)	1 888 100	1 744 725	(143 375)	56.2
Service charges - refuse revenue	1 669 000	1 900	1 670 900	1 643 170	(27 730)	
Service charges - other	77 800	5 900	83 700	44 170	(39 530)	56.3
Rental of facilities and equipment	829 400	4 400	833 800	1 120 533	286 733	
Income from agency services	95 000	-	95 000	120 092	25 092	56.4
Licences and permits	248 300	95 300	343 600	209 385	(134 215)	56.5
Other revenue	738 300	(97 700)	640 600	249 381	(391 219)	56.6
Interest earned - external investments	432 600	33 900	466 500	556 889	90 389	56.7
Interest earned - outstanding debtors	158 300	-	158 300	408 875	250 575	56.8
<b>Total revenue from exchange transactions</b>	<b>16 942 200</b>	<b>556 037</b>	<b>17 498 237</b>	<b>17 050 877</b>	<b>(447 360)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	2 156 000	374 000	2 530 000	2 614 590	84 590	
Property rates - penalties & collection charges	60 000	-	60 000	-	(60 000)	56.9
Government grants & subsidies - capital	11 943 000	-	11 943 000	13 416 421	1 473 421	56.10
Transfers recognised - operating	15 285 600	1 193 050	16 478 650	15 843 277	(635 373)	
<b>Transfer revenue</b>						
Fines	1 754 800	1 375 200	3 130 000	17 121 289	13 991 289	56.11
<b>Total revenue from non-exchange transactions</b>	<b>31 199 400</b>	<b>2 942 250</b>	<b>34 141 650</b>	<b>48 995 577</b>	<b>14 853 927</b>	
<b>Total revenue</b>	<b>48 141 600</b>	<b>3 498 287</b>	<b>51 639 887</b>	<b>66 046 454</b>	<b>14 406 567</b>	
<b>Expenditure</b>						
Employee related costs	(12 808 900)	(169 095)	(12 977 995)	(10 148 920)	2 829 075	56.12
Remuneration of councillors	(2 109 000)	(140 000)	(2 249 000)	(2 293 077)	(44 077)	
Depreciation and asset impairment	(9 526 400)	-	(9 526 400)	(7 944 951)	1 581 449	56.13
Finance costs	-	-	-	(206 339)	(206 339)	56.14
Debt impairment	(190 500)	500	(190 000)	(12 324 587)	(12 134 587)	56.15
Bulk purchases	(5 848 000)	(452 000)	(6 300 000)	(6 648 043)	(348 043)	
Contracted Services	(2 181 100)	(2 048 967)	(4 230 067)	(4 997 264)	(767 197)	56.16
Grants and subsidies paid	(3 576 000)	(407 180)	(3 983 180)	(2 374 913)	1 608 267	56.17
Loss on disposal of PPE	(12 100)	3 400	(8 700)	(60 461)	(51 761)	56.18
Other expenditure	(10 280 100)	(3 900)	(10 284 000)	(10 979 870)	(695 870)	56.19

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Note
Figures in Rand						
<b>Total expenditure</b>	<b>(46 532 100)</b>	<b>(3 217 242)</b>	<b>(49 749 342)</b>	<b>(57 978 425)</b>	<b>(8 229 083)</b>	
<b>Surplus / (Deficit)</b>	<b>1 609 500</b>	<b>281 045</b>	<b>1 890 545</b>	<b>8 068 029</b>	<b>6 177 484</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>1 609 500</b>	<b>281 045</b>	<b>1 890 545</b>	<b>8 068 029</b>	<b>6 177 484</b>	
<b>Reconciliation</b>						
<b>Format and classification differences</b>						
General expenses				(2 184 213)		
Repairs and maintenance and Collection costs				(1 508 984)		
Contracted services				3 693 197		
Service charges				(1 276 094)		
Grants and subsidies paid				1 276 094		
<b>Actual Amount in the Statement of Financial Performance</b>				<b>8 068 029</b>		

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Note
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	1 404 000	-	1 404 000	5 697 975	4 293 975	56.20
Operating lease asset	-	-	-	2 501	2 501	56.22
Receivables from non-exchange transactions	2 622 750	-	2 622 750	2 973 506	350 756	56.23
VAT receivable	-	-	-	353 420	353 420	56.25
Consumer debtors	1 137 666	-	1 137 666	1 362 705	225 039	56.23
Long-term receivables from exchange transactions	-	-	-	4 220	4 220	56.24
Cash	2 050	-	2 050	2 050	-	56.7
Cash and cash equivalents	7 397 439	-	7 397 439	8 315 121	917 682	56.7
	<b>12 563 905</b>	<b>-</b>	<b>12 563 905</b>	<b>18 711 498</b>	<b>6 147 593</b>	
<b>Non-Current Assets</b>						
Investment property	4 934 280	-	4 934 280	4 440 413	(493 867)	
Property, plant and equipment	142 284 472	-	142 284 472	147 576 040	5 291 568	
Intangible assets	884 506	-	884 506	343 357	(541 149)	56.21
Heritage assets	48 000	-	48 000	43 354	(4 646)	
Operating lease asset	-	-	-	9 373	9 373	56.22
	<b>148 151 258</b>	<b>-</b>	<b>148 151 258</b>	<b>152 412 537</b>	<b>4 261 279</b>	
<b>Total Assets</b>	<b>160 715 163</b>	<b>-</b>	<b>160 715 163</b>	<b>171 124 035</b>	<b>10 408 872</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Payables from exchange transactions	9 609 297	-	9 609 297	3 282 016	(6 327 281)	56.26
Consumer deposits	355 000	-	355 000	395 505	40 505	56.23
Employee benefit obligation	-	-	-	81 000	81 000	56.27
Unspent conditional grants and receipts	-	-	-	3 039 538	3 039 538	56.26
Provisions	337 884	-	337 884	205 078	(132 806)	56.27
	<b>10 302 181</b>	<b>-</b>	<b>10 302 181</b>	<b>7 003 137</b>	<b>(3 299 044)</b>	
<b>Non-Current Liabilities</b>						
Employee benefit obligation	-	-	-	3 820 000	3 820 000	56.27
Provisions	7 913 181	-	7 913 181	3 051 584	(4 861 597)	53.27
	<b>7 913 181</b>	<b>-</b>	<b>7 913 181</b>	<b>6 871 584</b>	<b>(1 041 597)</b>	
<b>Total Liabilities</b>	<b>18 215 362</b>	<b>-</b>	<b>18 215 362</b>	<b>13 874 721</b>	<b>(4 340 641)</b>	
<b>Net Assets</b>	<b>142 499 801</b>	<b>-</b>	<b>142 499 801</b>	<b>157 249 314</b>	<b>14 749 513</b>	
<b>Net Assets</b>						
<b>Reserves</b>						
Reserves	2 765 435	-	2 765 435	-	(2 765 435)	56.28
Accumulated surplus	139 734 366	-	139 734 366	157 249 314	17 514 948	56.28
<b>Total Net Assets</b>	<b>142 499 801</b>	<b>-</b>	<b>142 499 801</b>	<b>157 249 314</b>	<b>14 749 513</b>	

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2014</b>											
<b>Financial performance</b>											
Property rates	2 216 000	374 000	2 590 000	-	-	2 590 000	2 614 590		24 590	101 %	118 %
Service charges	14 440 300	520 137	14 960 437	-	-	14 960 437	13 109 628		(1 850 809)	88 %	91 %
Investment revenue	432 600	33 900	466 500	-	-	466 500	965 764		499 264	207 %	223 %
Transfers recognised - operational	15 285 600	1 193 050	16 478 650	-	-	16 478 650	15 843 277		(635 373)	96 %	104 %
Other own revenue	3 824 100	1 377 200	5 201 300	-	-	5 201 300	18 820 680		13 619 380	362 %	492 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>36 198 600</b>	<b>3 498 287</b>	<b>39 696 887</b>	<b>-</b>	<b>-</b>	<b>39 696 887</b>	<b>51 353 939</b>		<b>11 657 052</b>	<b>129 %</b>	<b>142 %</b>
Employee costs	(12 808 900)	(169 095)	(12 977 995)	-	-	(12 977 995)	(10 148 920)	701 941	2 829 075	78 %	79 %
Remuneration of councillors	(2 109 000)	(140 000)	(2 249 000)	-	-	(2 249 000)	(2 293 077)	-	(44 077)	102 %	109 %
Debt impairment	(190 500)	500	(190 000)			(190 000)	(12 324 587)	12 187 984	(12 134 587)	6 487 %	6 470 %
Depreciation and asset impairment	(9 526 400)	-	(9 526 400)			(9 526 400)	(7 944 951)	3 202 348	1 581 449	83 %	83 %
Finance charges	-	-	-	-	-	-	(206 339)	206 339	(206 339)	DIV/0 %	DIV/0 %
Materials and bulk purchases	(5 848 000)	(452 000)	(6 300 000)	-	-	(6 300 000)	(6 648 043)	348 043	(348 043)	106 %	114 %
Transfers and grants	(3 576 000)	(407 180)	(3 983 180)	-	-	(3 983 180)	(1 098 819)	23 160	2 884 361	28 %	31 %
Other expenditure	(12 473 300)	(2 049 467)	(14 522 767)	-	-	(14 522 767)	(16 037 595)	5 806 356	(1 514 828)	110 %	129 %
<b>Total expenditure</b>	<b>(46 532 100)</b>	<b>(3 217 242)</b>	<b>(49 749 342)</b>	<b>-</b>	<b>-</b>	<b>(49 749 342)</b>	<b>(56 702 331)</b>	<b>22 476 171</b>	<b>(6 952 989)</b>	<b>114 %</b>	<b>122 %</b>
<b>Surplus / (Deficit)</b>	<b>(10 333 500)</b>	<b>281 045</b>	<b>(10 052 455)</b>	<b>-</b>	<b>-</b>	<b>(10 052 455)</b>	<b>(5 348 392)</b>		<b>4 704 063</b>	<b>53 %</b>	<b>52 %</b>

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget (i.t.o. MFMA)	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	11 943 000	-	11 943 000	-	-	11 943 000	13 416 421		1 473 421	112 %	112 %
<b>Surplus / (Deficit) after capital transfers and contributions</b>	<b>1 609 500</b>	<b>281 045</b>	<b>1 890 545</b>	<b>-</b>		<b>1 890 545</b>	<b>8 068 029</b>		<b>6 177 484</b>	<b>427 %</b>	<b>501 %</b>
<b>Surplus / (Deficit) for the year</b>	<b>1 609 500</b>	<b>281 045</b>	<b>1 890 545</b>	<b>-</b>		<b>1 890 545</b>	<b>8 068 029</b>		<b>6 177 484</b>	<b>427 %</b>	<b>501 %</b>
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	(12 484 000)	(2 820 729)	(15 304 729)	-	-	(15 304 729)	(13 428 869)		1 875 860	88 %	108 %
<b>Sources of capital funds</b>											
Transfers recognised - capital	11 943 000	2 880 999	14 823 999	-	-	14 823 999	13 416 422		(1 407 577)	91 %	112 %
Internally generated funds	541 000	(60 270)	480 730	-	-	480 730	96 436		(384 294)	20 %	18 %
<b>Total sources of capital funds</b>	<b>12 484 000</b>	<b>2 820 729</b>	<b>15 304 729</b>	<b>-</b>		<b>15 304 729</b>	<b>13 512 858</b>		<b>(1 791 871)</b>	<b>88 %</b>	<b>108 %</b>

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Cash flows</b>											
Net cash from (used) operating	12 489 757	-	12 489 757	-	-	12 489 757	10 580 886		(1 908 871)	85 %	85 %
Net cash from (used) investing	(12 484 000)	(2 820 729)	(15 304 729)	-	-	(15 304 729)	(10 223 272)		5 081 457	67 %	82 %
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>5 757</b>	<b>(2 820 729)</b>	<b>(2 814 972)</b>	<b>-</b>		<b>(2 814 972)</b>	<b>357 614</b>		<b>3 172 586</b>	<b>(13)%</b>	<b>6 212 %</b>
Cash and cash equivalents at the beginning of the year	7 319 439	2 820 729	10 140 168	-	-	10 140 168	7 959 558		(2 180 610)	78 %	109 %
<b>Cash and cash equivalents at year end</b>	<b>7 325 196</b>	<b>-</b>	<b>7 325 196</b>	<b>-</b>		<b>7 325 196</b>	<b>8 317 172</b>		<b>(991 976)</b>	<b>114 %</b>	<b>114 %</b>



# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
<b>2013</b>				
<b>Financial performance</b>				
Property rates				2 105 923
Service charges				11 768 089
Investment revenue				1 045 049
Transfers recognised				24 599 043
Other own revenue				4 364 229
<b>Total revenue (excluding capital transfers and contributions)</b>				<b>43 882 333</b>
Employee costs	748 714	748 714	-	(9 985 214)
Remuneration of councillors	-	-	-	(2 144 267)
Debt impairment	255 931	255 931	-	(217 502)
Depreciation and asset impairment	2 859 437	2 859 437	-	(7 938 921)
Finance charges	192 578	192 578	-	(306 707)
Materials and bulk purchases	-	-	-	(5 676 814)
Transfers and grants	8 385	8 385	-	(1 236 766)
Other expenditure	8 162 636	8 162 636	-	(17 355 416)
<b>Total expenditure</b>	<b>12 227 681</b>	<b>12 227 681</b>	<b>-</b>	<b>(44 861 607)</b>
<b>Surplus / (Deficit)</b>				<b>(979 274)</b>
				-
<b>Surplus / (Deficit)</b>				<b>(979 274)</b>
<b>Surplus / (Deficit) for the year</b>				<b>(979 274)</b>

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

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

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

Assets, liabilities, revenues and expenses are not offset, except where offsetting is required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note 2.1 Changes in accounting policy.

#### 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. Significant judgements include:

##### Trade receivables

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

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

##### Impairment testing

The recoverable amounts of cash-generating units and individual assets are determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that these assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

##### Value in use of cash generating assets

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

##### Value in use of non-cash generating assets

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependant on the availability of data and the nature of the impairment.

##### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.1 Significant judgements and sources of estimation uncertainty (continued)

#### Useful lives of property, plant and equipment, investment property and intangible assets

The municipality's management determines the estimated useful lives and related depreciation/amortisation charges for the property, plant and equipment, investment properties and intangible assets. These estimates are based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

#### Effective interest rate

The municipality used the government bond rate to discount future cash flows.

#### Allowance for impairment

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

#### Defined benefit plan and other long-term employee benefits

The defined benefit plan and other long-term employee benefits identified are post-retirement health benefit obligations. The estimated liabilities are recorded in accordance with an actuarial valuation. Additional information is disclosed in Note 18.

### 1.2 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

#### Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Where the municipality hold a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be measured, information on such a heritage asset is disclosed in note 7 Heritage assets.

#### Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired at no cost, for nominal consideration or through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

#### Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

#### Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

#### Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.2 Heritage assets (continued)

#### Derecognition

The municipality derecognises heritage asset 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 is 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.

### 1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### 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:

Item	Useful life
Property - land	indefinite
Property - buildings	20 - 30 years

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.

### 1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one reporting period.

The cost of an item of property, plant and equipment is recognised as an asset when:

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

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.4 Property, plant and equipment (continued)

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 through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or assets, or a combination of assets 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, its 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.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent to initial measurement property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

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

Item	Average useful life
Land	Indefinite
Buildings	7 - 100 years
Furniture and fixtures	1 - 20 years
Motor vehicles	1 - 6 years
Community assets	15 - 100 years
Housing schemes	1 - 10 years
Refuse site	30 years
Infrastructure	
• Electricity supply	45 - 60 years
• Roads	7 - 100 years
• Sanitation and refuse	5 - 80 years
• Water supply	5 - 80 years
• Storm water	5 - 50 years

The residual value, 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.

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.4 Property, plant and equipment (continued)

Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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 or disposal 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. Such differences are recognised in surplus or deficit when the item of property, plant and equipment is derecognised.

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

### 1.5 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

### 1.6 Intangible assets

An asset is identified as an intangible asset when it:

- is separable, i.e. 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, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

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

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Intangible assets are initially recognised at cost.

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### 1.6 Intangible assets (continued)

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

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.

Subsequent to initial measurement 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	3 - 5 years

Intangible assets are derecognised:

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

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

### 1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

#### Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Long-term receivables from exchange transactions	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost



# Laingsburg Local Municipality

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## Accounting Policies

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### 1.7 Financial instruments (continued)

#### Initial recognition

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

The municipality recognises financial assets using trade date accounting.

#### Initial measurement of financial assets and financial liabilities

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

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

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

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

#### Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

#### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

#### Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.



# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.7 Financial instruments (continued)

#### Impairment and uncollectibility of financial assets

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

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

#### Derecognition

##### Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.7 Financial instruments (continued)

#### Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

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

### 1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

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

Water is regarded as inventories when the municipality purchases water in bulk with the intention to resell it to consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc.). However, water in water dams under the control of the municipality, that are filled by natural resources and that has not yet been treated, cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised as inventories.

The basis for determining the cost of water purified and not yet sold at the reporting date comprises all costs of purification, cost of conversion and cost incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates. Water and purified effluent are therefore valued at purified cost insofar as it is stored and controlled in reservoirs at the reporting date.

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.

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.9 Non-current assets held for sale and disposal groups

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

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

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

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

### 1.10 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 municipality assesses the classification of each element separately.

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the amounts recognised as revenue and the contractual receipts are recognised as an operating lease asset or liability.

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

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

Any contingent rents are recognised separately as revenue in the period in which they are received.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

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

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

### 1.11 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.11 Impairment of cash-generating assets (continued)

#### Identification

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

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### Value in use

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

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

#### Discount rate

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

#### Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Cash-generating units

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

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

## Accounting Policies

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### 1.11 Impairment of cash-generating assets (continued)

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

### Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

# Laingsburg Local Municipality

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## Accounting Policies

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### 1.12 Impairment of non-cash-generating assets

#### Identification

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

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

#### Depreciated replacement cost approach

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

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

#### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.12 Impairment of non-cash-generating assets (continued)

#### Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### 1.13 Employee benefits

#### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measure the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

#### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees.



# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.13 Employee benefits (continued)

#### Multi-employer plans

The municipality classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the municipality accounts for the plan as if it was a defined contribution plan.

The municipality contributes to various National- and Provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

#### Post-employment benefits: Defined contribution plans

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

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

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

#### Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

The municipality has an obligation to provide post-retirement health care benefits to certain of its retirees. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service) on retirement, is entitled to remain a continued member of the medical aid fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.



## Accounting Policies

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### 1.13 Employee benefits (continued)

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the municipality attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the municipality attributes benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.13 Employee benefits (continued)

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

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

The municipality offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

### Long-term service awards

The municipality has an obligation to provide long-term service allowance benefits to all of its employees. According to the rules of the long-term service allowance scheme, which the municipality instituted and operates, an employee (who is on the current conditions of service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service.

The municipality's liability is based on the employee's rendering their services and is based on management's best estimate of the possible outflow of economic benefits.

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.13 Employee benefits (continued)

#### Termination benefits

The municipality recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer.

### 1.14 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating expenditure.

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

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.14 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when the municipality:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

A contingent assets is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability is:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- a present obligation that arises from past events but is not recognisable because:
  - it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
  - the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 54&55.

### Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

The related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and 1.12.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur.

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

### 1.15 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

#### Measurement

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

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.15 Revenue from exchange transactions (continued)

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Rendering of services

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

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

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

#### Interest

Revenue arising from the use by others of municipality assets yielding interest, royalties and dividends or similar distributions 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.

### 1.16 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the municipality either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the municipality.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.16 Revenue from non-exchange transactions (continued)

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

#### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

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

#### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

#### Property rates

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources.

Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

#### Transfers

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.16 Revenue from non-exchange transactions (continued)

#### Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by debtors.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the municipality.

#### Collection charges and penalties

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; and;
- the amount of the revenue can be measured reliably
- to the extent that there has been compliance with the relevant legal requirements (if applicable).

#### Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

#### Services in-kind

Services in-kind are not recognised.

#### Concessionary loans received

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

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the municipality recognises revenue as and when it satisfies the conditions of the loan agreement.

### 1.17 Borrowing costs

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

### 1.18 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments, relating to income and expenditure, are debited/credit against accumulated surplus when retrospective adjustments are made.

Included in the accumulated surplus of the municipality, is the following reserves that are maintained in terms of specific requirements. Refer to note 19.

The Housing Development Fund:

Sections 15(5) and 16 of the Housing Act, (Act No. 107 of 1997), which came into effect on 1 April 1998, required that the municipality maintain a separate housing operation account. This legislated separate operating account is known as the Housing Development Fund and is ring fenced within the accumulated surplus.



# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.18 Accumulated surplus (continued)

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

The following provisions are set for the creation and utilisation of the Housing Development Fund:

- the Housing Development Fund is cash-backed, and invested in accordance with the investment policy of the municipality;
- the proceeds in this fund are utilised for housing development in accordance with the National Housing Policy, and also for housing development projects approved by the MEC for Human Settlements;
- any contributions to or withdrawals from the fund are shown as transfers within accumulated surplus in the statement of changes in net assets; and
- interest earned on the investment of the fund is disclosed as interest received in the statement of financial performance.

#### Capital Replacement Reserve

The Capital Replacement Reserve is a reserve to finance future capital expenditure and is fully invested in ring fenced financial instruments. The Capital Replacement Reserve is ring fenced and included within accumulated surplus.

#### Donations and Public Contributions

The Donations and Public Contributions Reserve is a reserve to finance only certain approved future expenditure and is fully invested in ring fenced financial instruments. The Donations and Public Contributions Reserve is ring fenced and included within accumulated surplus.

### 1.19 Value Added Tax (VAT)

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payments basis, in accordance with Section 15(2) of the VAT Act (Act No. 89 of 1991).

### 1.20 Comparative figures

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

### 1.21 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.

### 1.22 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.

### 1.23 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.



# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.23 Irregular expenditure (continued)

Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. The expenditure is classified in accordance with the nature of the expense.

### 1.24 Budget information

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

The approved budget covers the fiscal period from 2013/07/01 to 2014/06/30.

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

The annual financial statements and the budget are on the same basis of accounting. The actual financial statement information is therefore presented on a comparable basis to the budget information. The comparison between the budgeted and actual information for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Comparative information is not required.

### 1.25 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Management is defined as the Council, the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

### 1.26 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved contracted commitments;
- where the expenditure have been approved and the contract awarded;
- where disclosure is required by a specific standard of GRAP.

### 1.27 Grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future;
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving rise to the transfer occurred.

# **Laingsburg Local Municipality**

Annual Financial Statements for the year ended 30 June 2014

## **Accounting Policies**

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### **1.28 Events after the reporting date**

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date);
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

Adjusting events after the reporting date have been accounted for in the annual financial statements and non-adjusting events after the reporting date have been disclosed in the notes to the annual financial statements. Refer to note 45.

### **1.29 Going concern assumption**

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

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

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

##### **IGRAP16: Intangible assets website costs**

The interpretation deals with the treatment of the municipality's own website. It concludes that the municipality's own website that arises from development and is for internal or external access is an internally generated intangible asset that is subject to the requirements of the Standard of GRAP on Intangible Assets.

A website arising from development will be recognised as an intangible asset if, and only if, in addition to complying with the general requirements described in the Standard of GRAP on Intangible Assets for recognition and initial measurement, the municipality can satisfy the requirements in paragraph .54, which in particular requires the entity to be able to demonstrate how its website will generate probable future economic benefits or service potential.

If the municipality is not able to demonstrate how a website developed solely and primarily for providing information about its own products and services will generate probable future economic benefits or service potential, all expenditure on developing such a website will be recognised as an expense when incurred.

A website that is recognised as an intangible asset under this interpretation will be measured after initial recognition by applying the requirements in the Standard of GRAP on Intangible Assets.

The Interpretation must be applied retrospectively.

The effective date of the interpretation is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

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

##### **IGRAP1 (as revised 2012): Applying the probability test on initial recognition of revenue**

This interpretation of the now addresses the manner in which an entity applies the probability test on initial recognition of both:

- (a) exchange revenue in accordance with the Standard of GRAP on Revenue from Exchange Transactions and
- (b) non-exchange revenue in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

This interpretation supersedes the interpretation : Applying the Probability Test on Initial Recognition of Exchange Revenue issued in 2009.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The expected impact of the amendment is an increase in revenue from fines with a related increase in receivables from non-exchange transactions. The increase in receivables from non-exchange transactions may require additional impairment allowance for these receivables.

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

#### 2.2 Standards and Interpretations early adopted

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

##### **GRAP 5 (revised 2013): Borrowing Costs**

Benchmark treatment is to recognise borrowing costs as an expense.

Allowed alternative is to capitalise borrowing costs if it is attributable to the acquisition, construction or production of a qualifying asset. All other instances, expense borrowing costs.

Amendments are to be applied prospectively.

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

The municipality has early adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

##### **GRAP 100 (revised 2013): Discontinued Operations**

All accounting, presentation and disclosure requirements with regards to non-current assets held for sale (or disposal groups) have been deleted.

Will no longer be required to reclassify assets as held for sale. GRAP 100 now only deals with discontinued operations.

Certain disclosure must be made if, at the reporting date, management has taken a decision to dispose of a significant asset or a group of assets and liabilities. Will fall under the Standard of GRAP on Presentation of Financial Statements.

Measurement requirements are to be applied prospectively and presentation and disclosure requirements are to be applied retrospectively.

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

The municipality has early adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

#### 2.3 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 2014 or later periods:

##### **GRAP 105: Transfers of functions between entities under common control**

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.

A transfer of functions between entities under common control is a reorganisation and / or reallocation of functions between entities that are ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities under common control, the assets and liabilities should be recognised (by the acquirer) at their carrying amounts and should be derecognised (by the transferor) at their carrying amounts.

The difference between the amount of consideration paid or received, if any, and the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Specific disclosures are required when there is a transfer of functions between entities under common control.

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time once it becomes effective.

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

#### **GRAP 106: Transfers of functions between entities not under common control**

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.

A transfer of functions between entities not under common control is a reorganisation and / or reallocation of functions between entities that are not ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition date fair values.

The difference between the amount of consideration paid, if any, and the carrying amounts of assets acquired and liabilities assumed should be recognised in accumulated surplus / (deficit).

For a transfer of functions between entities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

Specific disclosures are required when there is a transfer of functions between entities not under common control.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time once it becomes effective.

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

#### **GRAP 107: Mergers**

The objective of this standard is to establish accounting principles for the combined entity and combining entities in a merger.

A merger is where a new combined entity is started, acquirer can be identified and the combining entities do not have any control over the combined entity.

In the event of a merger, the assets and liabilities should be recognised (by the combined entity) at their carrying amounts and should be derecognised (by the combining entities) at their carrying amounts.

The difference between the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Specific disclosures are required when there is a merger.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time once it becomes effective.

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

#### **GRAP 20: Related parties**

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The municipality (in this standard referred to as the reporting entity) applies this standard in:

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

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

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

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

The standard states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- control;
- related party transactions; and
- remuneration of management

Only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another entity or person are disclosed.

The standard requires that remuneration of management must be disclosed per person and in aggregate.

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

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

#### **GRAP32: Service Concession Arrangements: Grantor**

The standard applies to a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator providing the mandated function on behalf of the grantor can either be a private party or another public sector entity. The standard applies to the grantor only.

PPP agreements that are governed and regulated in terms of the PFMA and MFMA, are some of the arrangements that fall within the scope of GRAP 32. For any other arrangements that meet the control criteria as set out in paragraph .07 of GRAP 32 the principles in the standard on accounting for such arrangements will apply.

An asset provided by the operator, or an upgrade to an existing asset, is recognised as a service concession asset with a corresponding liability, being the performance obligation, if certain criteria and conditions are met.

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

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

#### **GRAP108: Statutory Receivables**

GRAP 108 only deals with those receivables that arise from legislation or an equivalent means, such as regulations, bylaws or other documents issued in terms of legislation, such as ministerial orders and cabinet or municipal council decisions. Therefore in order to be statutory in nature specific legislation should require the municipality to undertake the transactions, such as outlining who should be taxed and at what rates and amounts.

Statutory receivables are not contractual receivables, the latter of which would normally meet the definition of a financial asset and will then be within the scope of the Standard of GRAP on Financial Instruments. Statutory receivables are not voluntarily entered into as with contractual receivables because they arise as a result of specific legislative requirements.

Statutory receivables are initially measured at their transaction amount and subsequently using the cost method.

Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Specific disclosures are required for statutory receivables.

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

The impact of this standard is currently being assessed.

#### **IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset**

This interpretation provides guidance to the grantor where:

- it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.

Grantor recognises its right to receive the residual interest (i.e. a receivable) in the service concession asset at the commencement of the arrangement.

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

Value of the receivable (the right to the residual interest in the asset), at the end of the service concession arrangement, should reflect the value of the service concession asset as if it were already in the age and in the condition expected at the end of the service concession arrangement.

Grantor recognises its performance obligation for granting the operator access to the service concession asset in accordance with the substance of arrangement.

The interpretation has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time once it becomes effective.

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

### 2.4 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 2014 or later periods but are not relevant to its operations:

#### GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time once it becomes effective.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.



# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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### 3. Operating lease asset

Opening balance	10 399	5 137
Operating lease receipts effected	1 475	5 262
	<b>11 874</b>	<b>10 399</b>

### Operating lease asset - current and non-current portion

Current portion to be realised within 12 months	2 501	-
Non-current portion	9 373	10 399
	<b>11 874</b>	<b>10 399</b>

Refer to note 41 for future minimum lease receipts.

### 4. Intangible assets

	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	895 195	(551 838)	343 357	974 803	(440 507)	534 296

### Reconciliation of intangible assets - 2014

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	534 296	-	-	(190 939)	343 357

### Reconciliation of intangible assets - 2013

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	756 078	-	-	(221 782)	534 296

### Pledged as security

None of the above intangible assets are pledged as security.

### Non core fully amortised intangible assets still in use (Gross carrying amount)

Computer software	-	8 831
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### Register available for inspection

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

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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### 5. Investment property

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	9 379 080	(4 938 667)	4 440 413	9 379 080	(4 815 200)	4 563 880

#### Reconciliation of investment property - 2014

	Opening balance	Additions	Disposals	Depreciation	Total
Land and buildings	4 563 880	-	-	(123 467)	4 440 413

#### Reconciliation of investment property - 2013

	Opening balance	Additions	Disposals	Depreciation	Total
Land and buildings	4 934 280	-	-	(370 400)	4 563 880

#### Details of investment property

Investment property consists of:

- Land	3 823 080	3 823 080
- Buildings	5 556 000	5 556 000
- Accumulated depreciation on buildings	(4 938 667)	(4 815 200)

#### Pledged as security

None of the above investment properties have been pledged as security.

#### Other disclosures

Rental revenue from investment property	734 594	767 008
Direct operating expenses - incurred to generate rental revenue	174 577	373 762

All of the municipality's investment properties are held under freehold interest.

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.

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand

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### 6. Property, plant and equipment

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	37 702 716	-	37 702 716	37 688 016	-	37 688 016
Buildings	9 326 775	(6 468 945)	2 857 830	9 326 775	(6 188 632)	3 138 143
Furniture and equipment	3 496 717	(2 537 402)	959 315	3 271 681	(2 249 830)	1 021 851
Motor vehicles	3 754 924	(2 397 021)	1 357 903	3 789 163	(1 986 016)	1 803 147
Infrastructure	174 115 770	(89 584 923)	84 530 847	162 001 054	(83 970 680)	78 030 374
Community	19 474 569	(12 064 320)	7 410 249	19 534 069	(11 592 141)	7 941 928
Refuse site	3 997 082	(757 213)	3 239 869	4 449 547	(552 083)	3 897 464
Assets under construction	8 630 661	-	8 630 661	11 310 848	-	11 310 848
Housing schemes	2 955 500	(2 068 850)	886 650	2 955 500	(1 921 075)	1 034 425
<b>Total</b>	<b>263 454 714</b>	<b>(115 878 674)</b>	<b>147 576 040</b>	<b>254 326 653</b>	<b>(108 460 457)</b>	<b>145 866 196</b>

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand

### 6. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Other movements	Depreciation	Impairment loss	Total
Land	37 688 016	-	-	-	14 700	-	-	37 702 716
Buildings	3 138 143	-	-	-	-	(280 313)	-	2 857 830
Furniture and equipment	1 021 851	225 486	-	-	-	(288 022)	-	959 315
Motor vehicles	1 803 147	-	-	-	-	(445 244)	-	1 357 903
Infrastructure	78 030 374	-	(43 561)	12 276 416	-	(5 586 675)	(145 707)	84 530 847
Community	7 941 928	-	-	-	-	(531 679)	-	7 410 249
Refuse site	3 897 464	-	-	-	(452 465)	(205 130)	-	3 239 869
Assets under construction	11 310 848	9 997 832	(16 900)	(12 276 416)	(384 703)	-	-	8 630 661
Housing schemes	1 034 425	-	-	-	-	(147 775)	-	886 650
	<b>145 866 196</b>	<b>10 223 318</b>	<b>(60 461)</b>	<b>-</b>	<b>(822 468)</b>	<b>(7 484 838)</b>	<b>(145 707)</b>	<b>147 576 040</b>

#### Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Transfers	Other movements	Depreciation	Impairment loss	Total
Land	37 688 016	-	-	-	-	-	-	37 688 016
Buildings	3 420 938	-	-	-	-	(282 795)	-	3 138 143
Furniture and equipment	1 113 759	231 317	-	-	-	(323 225)	-	1 021 851
Motor vehicles	1 600 300	-	-	-	580 636	(377 789)	-	1 803 147
Infrastructure	81 174 157	-	(110 765)	2 494 036	-	(5 527 054)	-	78 030 374
Community	8 308 615	-	-	173 347	-	(540 034)	-	7 941 928
Refuse site	4 003 096	-	-	-	42 435	(148 067)	-	3 897 464
Assets under construction	3 847 350	10 130 881	-	(2 667 383)	-	-	-	11 310 848
Housing schemes	1 182 200	-	-	-	-	(147 775)	-	1 034 425
	<b>142 338 431</b>	<b>10 362 198</b>	<b>(110 765)</b>	<b>-</b>	<b>623 071</b>	<b>(7 346 739)</b>	<b>-</b>	<b>145 866 196</b>

#### Pledged as security

None of the above assets are pledged as security.

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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### 6. Property, plant and equipment (continued)

#### Details on other movements

Assets received as donation (refer to Note 28)	14 700	580 636
Change in environmental rehabilitation provision asset (refer to Note 16)	(452 465)	42 435
Water meters transferred to inventory (Note 11)	(384 703)	-
	<b>(822 468)</b>	<b>623 071</b>

#### Other information

#### Property, plant and equipment fully depreciated and still in use (Gross carrying amount)

Buildings	20 800	20 800
Furniture and equipment	1 514 523	1 186 205
Motor vehicles	30 334	-
Infrastructure	1 656 326	1 559 071
Community	146 082	146 082
	<b>3 368 065</b>	<b>2 912 158</b>

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.

### 7. Heritage assets

	2014			2013		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Public statues	43 354	-	43 354	43 354	-	43 354

#### Pledged as security

None of the above heritage assets are pledged as security.

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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### 8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2 050	7 009
Bank balances	543 890	531 148
Current investment deposits	7 771 231	7 421 401
	<b>8 317 171</b>	<b>7 959 558</b>

For the purposes of the statement of financial position and the cash flow statement, cash and cash equivalents include cash on hand, cash in banks and investments in Money Market instruments, net of outstanding bank overdrafts.

Call deposits are investments with a maturity period of less than three months and earn interest at rates varying from 4% per annum.

Deposits of R2 261 681 (2013: R2 258 915) are ring-fenced and attributable to the Capital Replacement Reserve (Note 20).

### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2014	30 June 2013	30 June 2012	30 June 2014	30 June 2013	30 June 2012
ABSA Laingsburg - Current Account - 2540140874	576 646	494 014	1 624 857	543 889	531 148	945 479
ABSA Laingsburg - Call Account - 5064314329	3 248 935	3 119 151	4 923 814	3 248 935	3 119 151	4 923 814
Standard Bank - Money Market Call Account - 288704800	4 522 297	4 302 249	4 131 149	4 522 297	4 302 249	4 131 149
ABSA Laingsburg - Traffic Fines Sweeping Account - 4074336029	-	-	-	-	-	-
<b>Total</b>	<b>8 347 878</b>	<b>7 915 414</b>	<b>10 679 820</b>	<b>8 315 121</b>	<b>7 952 548</b>	<b>10 000 442</b>

### 9. Receivables from exchange transactions

#### Gross balances

Electricity	785 508	703 219
Water	829 049	739 431
Sewerage	1 044 004	889 478
Refuse	596 855	572 252
Housing rental	281 252	188 816
	<b>3 536 668</b>	<b>3 093 196</b>

#### Less: Allowance for impairment

Electricity	(190 443)	(191 040)
Water	(599 292)	(498 393)
Sewerage	(780 070)	(627 015)
Refuse	(427 279)	(356 290)
Housing rental	(176 879)	(91 413)
	<b>(2 173 963)</b>	<b>(1 764 151)</b>

#### Net balance

Electricity	595 065	512 179
Water	229 757	241 038
Sewerage	263 934	262 463
Refuse	169 576	215 962
Housing rental	104 373	97 403
	<b>1 362 705</b>	<b>1 329 045</b>

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>9. Receivables from exchange transactions (continued)</b>		
<b>Electricity</b>		
Current (0 -30 days)	483 046	501 792
31 - 60 days	20 072	12 287
61 - 90 days	27 443	12 202
91 - 120 days	38 509	13 533
> 120 days	216 438	163 405
Less: Allowance for impairment	(190 443)	(191 040)
	<b>595 065</b>	<b>512 179</b>
<b>Water</b>		
Current (0 -30 days)	103 750	90 526
31 - 60 days	25 704	35 953
61 - 90 days	26 417	31 411
91 - 120 days	23 381	31 400
> 120 days	649 797	550 141
Less: Allowance for impairment	(599 292)	(498 393)
	<b>229 757</b>	<b>241 038</b>
<b>Sewerage</b>		
Current (0 -30 days)	77 188	95 280
31 - 60 days	35 165	43 192
61 - 90 days	35 750	39 132
91 - 120 days	34 052	40 011
> 120 days	861 849	671 863
Less: Allowance for impairment	(780 070)	(627 015)
	<b>263 934</b>	<b>262 463</b>
<b>Refuse</b>		
Current (0 -30 days)	91 815	102 595
31 - 60 days	17 319	26 393
61 - 90 days	20 409	22 605
91 - 120 days	19 979	23 096
> 120 days	447 333	397 563
Less: Allowance for impairment	(427 279)	(356 290)
	<b>169 576</b>	<b>215 962</b>
<b>Housing rental</b>		
Current (0 -30 days)	45 769	42 490
31 - 60 days	12 445	9 868
61 - 90 days	16 775	13 742
91 - 120 days	12 576	7 919
> 120 days	193 687	114 797
Less: Allowance for impairment	(176 879)	(91 413)
	<b>104 373</b>	<b>97 403</b>

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>9. Receivables from exchange transactions (continued)</b>		
<b>Summary of receivables by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	359 283	481 418
31 - 60 days	80 956	112 867
61 - 90 days	99 937	103 638
91 - 120 days	87 806	106 934
> 120 days	1 953 806	1 726 524
Less: Allowance for impairment	(1 856 481)	(1 557 231)
	<b>725 307</b>	<b>974 150</b>
<b>Businesses</b>		
Current (0 -30 days)	386 708	239 334
31 - 60 days	18 714	5 679
61 - 90 days	19 203	7 456
91 - 120 days	8 119	5 679
> 120 days	203 683	114 033
Less: Allowance for impairment	(174 070)	(101 576)
	<b>462 357</b>	<b>270 605</b>
<b>Industry</b>		
Current (0 -30 days)	18 198	16 476
31 - 60 days	2 103	-
Less: Allowance for impairment	-	-
	<b>20 301</b>	<b>16 476</b>
<b>Municipal</b>		
> 120 days	144	144
Less: Allowance for impairment	(144)	(144)
	<b>-</b>	<b>-</b>
<b>Government</b>		
Current (0 -30 days)	24 924	44 549
31 - 60 days	8 860	5 334
61 - 90 days	4 111	8 838
91 - 120 days	30 549	3 659
> 120 days	185 718	135 897
Less: Allowance for impairment	(121 524)	(101 002)
	<b>132 638</b>	<b>97 275</b>
<b>Institutions</b>		
Current (0 -30 days)	89	1 613
31 - 60 days	89	900
61 - 90 days	89	713
91 - 120 days	89	1 613
> 120 days	4 387	6 739
Less: Allowance for impairment	(4 209)	(810)
	<b>534</b>	<b>10 768</b>



# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>9. Receivables from exchange transactions (continued)</b>		
<b>Churches</b>		
Current (0 -30 days)	8 997	9 314
31 - 60 days	1 977	1 729
61 - 90 days	1 321	1 113
91 - 120 days	1 321	-
> 120 days	12 697	-
Less: Allowance for impairment	(10 030)	-
	<b>16 283</b>	<b>12 156</b>
<b>Municipal officials</b>		
Current (0 -30 days)	280	2 717
31 - 60 days	280	2 679
61 - 90 days	280	387
91 - 120 days	280	239
> 120 days	8 159	3 866
Less: Allowance for impairment	(7 504)	(3 388)
	<b>1 775</b>	<b>6 500</b>
<b>Councillors</b>		
Current (0 -30 days)	3 097	2 683
Less: Allowance for impairment	-	-
	<b>3 097</b>	<b>2 683</b>
<b>Vacant Land</b>		
Current (0 -30 days)	412	881
31 - 60 days	-	809
Less: Allowance for impairment	-	-
	<b>412</b>	<b>1 690</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(1 764 151)	(1 388 866)
Contributions to allowance	(409 812)	(375 285)
<b>Sundry receivables</b>	<b>(2 173 963)</b>	<b>(1 764 151)</b>

### Credit quality of receivables from exchange transactions

The credit quality of receivables from exchange transactions that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

### Receivables from exchange transactions past due but not impaired

At 30 June 2014, R 496 780 (2013: R 513 926) of receivables from exchange transactions were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	93 390	108 004
2 months past due	108 855	100 497
3 months past due	294 535	305 425

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>9. Receivables from exchange transactions (continued)</b>		
<b>Receivables from exchange transactions impaired</b>		
As of 30 June 2014, receivables from exchange transactions of R 409 812 (2013: R 375 285) were impaired and provided for.		
The amount of the allowance was R 2 173 962 as of 30 June 2014 (2013: R 1 764 151).		
The ageing of these loans is as follows:		
3 to 6 months	63 040	75 306
Over 6 months	2 110 922	1 688 845
<b>10. Receivables from non-exchange transactions</b>		
Fines	13 419 520	-
Government grants and subsidies	507 762	604 491
Assessment rates	2 621 830	2 052 914
Less: Allowance for impairment	(13 879 387)	(2 002 544)
Sundry receivables	258 396	669 414
Sundry deposits	45 385	40 140
	<b>2 973 506</b>	<b>1 364 415</b>
<b>Assessment rates: Gross balance</b>		
Current	6 922	6 919
31 - 60 days	19 638	14 199
61 - 90 days	18 150	12 016
91 - 120 days	17 709	11 980
> 120 days	2 559 411	2 007 800
	<b>2 621 830</b>	<b>2 052 914</b>
<b>Assessment rates: Allowance for impairment</b>		
Current	(353)	-
31 - 60 days	(3 776)	(4 294)
61 - 90 days	(3 460)	(3 785)
91 - 120 days	(3 366)	(3 614)
> 120 days	(2 520 143)	(1 990 851)
	<b>(2 531 098)</b>	<b>(2 002 544)</b>
<b>Assessment rates: Net balance</b>		
Current	6 568	6 919
31 - 60 days	15 862	9 904
61 - 90 days	14 691	8 232
91 - 120 days	14 343	8 365
> 120 days	39 268	16 950
	<b>90 732</b>	<b>50 370</b>

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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### 10. Receivables from non-exchange transactions (continued)

#### Fines: Gross balance

Current	1 467 334	-
31 - 60 days	1 329 972	-
61 - 90 days	1 905 828	-
91 - 120 days	1 787 662	-
> 120 days	6 928 724	-
	<b>13 419 520</b>	<b>-</b>

#### Fines: Allowance for impairment

Current	(1 240 859)	-
31 - 60 days	(1 124 698)	-
61 - 90 days	(1 611 674)	-
91 - 120 days	(1 511 746)	-
> 120 days	(5 859 312)	-
	<b>(11 348 289)</b>	<b>-</b>

#### Fines: Net balance

Current	226 475	-
31 - 60 days	205 274	-
61 - 90 days	294 154	-
91 - 120 days	275 916	-
> 120 days	1 069 412	-
	<b>2 071 231</b>	<b>-</b>

### Credit quality of receivables from non-exchange transactions

The credit quality of receivables from non-exchange transactions that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

### Receivables from non-exchange transactions past due but not impaired

At 30 June 2014, receivables from non-exchange transactions of R 1 648 412 (2013: R 42 833) were past due but not considered to be impaired.

The ageing of amounts past due but not impaired are as follows:

1 month past due	297 409	9 818
2 months past due	278 061	8 158
3 months past due	1 072 941	24 857

### Receivables from non-exchange transactions impaired

As of 30 June 2014, other receivables from non-exchange transactions of R 11 360 951 (2013: R -) were impaired and provided for.

The amount of the allowance for impairment was R 13 879 386 as of 30 June 2014 (2013: R 2 002 544).

The ageing of these receivables are as follows:

0 to 3 months	3 984 819	8 079
3 to 6 months	3 965 010	10 153
Over 6 months	5 929 557	1 984 312

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>10. Receivables from non-exchange transactions (continued)</b>		
<b>Reconciliation of allowance for impairment of receivables from non-exchange transactions</b>		
Opening balance	(2 002 544)	(2 184 653)
Impairment allowance - Assessment rates	(528 554)	-
Impairment allowance - Fines	(11 348 288)	-
Unused amounts reversed	-	182 109
	<b>(13 879 386)</b>	<b>(2 002 544)</b>

## 11. Inventories

Building materials	328 501	328 501
Consumable stock	548 785	610 321
Electric cable	243 700	243 700
Pre-paid electricity meters	71 489	80 325
Pre-paid water meters	371 371	-
RDP houses	4 114 426	908 875
Water	19 703	20 717
	<b>5 697 975</b>	<b>2 192 439</b>

### Inventory pledged as security

No inventory was pledged as security.

## 12. Long-term receivables from exchange transactions

Housing - Self build	123 046	113 110
Less: Allowance for impairment	(118 825)	(108 844)
Current portion transferred to current liabilities	(4 221)	(4 266)
	<b>-</b>	<b>-</b>

As from 1 January 2006 no loan agreements are entered into for the sale of houses. The outstanding loans will be recovered over the remaining period of the individual loan agreements entered into.

### Housing - Self build: Gross balances

Current	1 273	1 337
31 - 60 days	978	1 153
61 - 90 days	884	946
91 - 120 days	911	1 007
> 120 days	119 000	108 667
	<b>123 046</b>	<b>113 110</b>

### Housing - Self build: Allowance for impairment

Current	(376)	(368)
31 - 60 days	(244)	(368)
61 - 90 days	(265)	(368)
91 - 120 days	(320)	(368)
> 120 days	(117 620)	(107 372)
	<b>(118 825)</b>	<b>(108 844)</b>

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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### 12. Long-term receivables from exchange transactions (continued)

#### Housing - Self build: Net balances

Current	896	969
31 - 60 days	734	785
61 - 90 days	619	578
91 - 120 days	591	639
> 120 days	1 381	1 295
	<b>4 221</b>	<b>4 266</b>

#### Reconciliation of allowance for impairment of long-term receivables from exchange transactions

Opening balance	(108 844)	(84 519)
Impairment - current year	(9 981)	(24 325)
	<b>(118 825)</b>	<b>(108 844)</b>

### 13. VAT receivable

VAT receivable	353 420	1 387 004
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The municipality is registered for VAT on the payments basis.

All VAT returns were submitted throughout the year.

No interest is payable to SARS if the VAT is paid timeously, but interest for late payments is charged in accordance with the provisions of the VAT act. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

### 14. Payables from exchange transactions

Trade payables	1 783 271	2 415 226
Payments received in advanced	26 938	29 247
Salary related amounts accrued	203 582	282 593
Accrued leave pay	621 096	509 358
Deposits received	61 931	71 357
Receivables in credit	300 624	228 915
Thirteenth cheque	284 570	234 894
	<b>3 282 012</b>	<b>3 771 590</b>

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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### 15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Equitable Share	-	-
Municipal Infrastructure Grant	-	-
Financial Management Grant	-	-
Municipal Systems Improvement Grant	-	-
Expanded Public Works Programme	-	-
Kick-about Grants	-	-
Community Workers Development	-	1 106
Provincial: Library Services	-	-
Management Support Grant	500 000	-
Financial Management Support Grant	207 536	-
Provincial: Municipal Finance Improvement Program	796 437	-
Maintenance of Proclaimed Roads	-	-
Matjiesfontein UISP	574 848	1 262 137
Shared services: Legal services	-	250 000
Shared services: Internal audit	-	150 000
Organisational Development Project	-	500 000
Provincial: Sub Seta	-	-
Department of Water Affairs (DWA)	575 883	575 883
Department Environmental Affairs and Tourism	82 106	106 667
Provincial: Department Transport	190 588	270 150
Local Government: Local Municipalities	112 140	112 140
	<b>3 039 538</b>	<b>3 228 083</b>

### Movement during the year

Balance at the beginning of the year	3 228 083	2 493 129
Additions during the year	28 977 082	25 333 994
Income recognition during the year	(29 259 698)	(24 599 040)
Amounts transferred to receivables from non-exchange transactions	94 071	-
	<b>3 039 538</b>	<b>3 228 083</b>

See note 26 for reconciliation of grants from National / Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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### 16. Provisions

#### Reconciliation of provisions - 2014

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	3 021 697	-	-	(452 465)	193 389	2 762 621
Performance bonuses	116 342	30 382	(146 724)	-	-	-
Insurance Workman's Compensation Act	121 180	73 451	-	-	-	194 631
Long service awards	251 805	77 266	(29 661)	-	-	299 410
	<b>3 511 024</b>	<b>181 099</b>	<b>(176 385)</b>	<b>(452 465)</b>	<b>193 389</b>	<b>3 256 662</b>

#### Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation - Landfill sites	2 797 429	42 435	-	-	181 833	3 021 697
Performance bonuses	116 342	-	-	-	-	116 342
Insurance Workman's Compensation Act	56 645	64 535	-	-	-	121 180
Long service awards	189 233	76 950	(14 378)	-	-	251 805
	<b>3 159 649</b>	<b>183 920</b>	<b>(14 378)</b>	<b>-</b>	<b>181 833</b>	<b>3 511 024</b>

Non-current liabilities	3 051 584	3 261 710
Current liabilities	205 078	249 314
	<b>3 256 662</b>	<b>3 511 024</b>

#### Environmental rehabilitation provision - Landfill sites

At 30 June 2014 the municipality will incur estimated rehabilitation costs of R2 762 621 (2013: R3 021 697) to restore the landfill site at the end of its useful life, estimated to be 19 years. The amount of rehabilitation is dependent on future costs, technology, inflation and site consumption. The discount rate of the provision was 8.1% (2013: 5.9%).

The financial implications of rehabilitating the landfill site was determined by the independent valuator, Ekolaw Consulting.

#### Performance bonuses

Performance bonuses are paid based on the individual performance as determined by the assessment of key performance indicators, per the performance management system of the municipality. No additional provision was raised during the year as the performance management system of the municipality does not make provision for performance bonuses any longer. These are now included in the annual package of the respective officials.

#### Insurance Workman's Compensation Act

The provision for WCA insurance is made in terms of the Workman's Compensation Act. This amount is payable upon and based on assessment by the Workman's Compensation Commissioner.

The provision is based on the returns submitted to the Compensation Commissioner.

#### Long service awards

A long service award is payable after 10 years of continuous service and every 5 years thereafter to employees. Furthermore a retirement gift is payable on retirement to employees with service of 10 years or more. The provision is an estimate of the long service awards based on historical staff turnover, taking into account management's estimate of the likelihood that staff may leave before long service awards become due. No other long service benefits are provided to employees.

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>17. Consumer deposits</b>		
Electricity	167 167	116 120
Water	228 338	234 748
	<b>395 505</b>	<b>350 868</b>

Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on consumer deposits held.

### 18. Employee benefit obligations

#### Post retirement medical benefit plan

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2014 by ZAQ Consultants and Actuaries. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The plan is a post employment medical benefit plan.

#### Multi-employer pension funds

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the pension fund for municipal councillors.

Employees belong to a variety of approved pension and provident funds.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.



# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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### 18. Employee benefit obligations (continued)

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

#### Carrying value

Present value of the defined benefit obligation-wholly unfunded	(3 901 000)	(5 212 000)
Non-current liabilities	(3 820 000)	(5 089 000)
Current liabilities	(81 000)	(123 000)
	<b>(3 901 000)</b>	<b>(5 212 000)</b>

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

Opening balance	5 212 000	4 402 000
Net expense recognised in the statement of financial performance	(1 311 000)	810 000
	<b>3 901 000</b>	<b>5 212 000</b>

#### Net expense recognised in the statement of financial performance

Current service cost	189 000	235 000
Interest cost	510 000	338 000
Actuarial (gains) losses	(1 959 328)	314 000
Benefits paid	(50 672)	(77 000)
	<b>(1 311 000)</b>	<b>810 000</b>

#### Key assumptions used

Assumptions used at the reporting date:

Expected retirement age	63	60
Discount rates used	8,94 %	9,90 %
Health care cost inflation rate	8,05 %	9,10 %
Expected increase in salaries	8,60 %	8,60 %
Consumer price inflation	7,05 %	7,10 %
Net effective discount rate	0,82 %	0,73 %

Over the past year interest rates, bond yields and inflation figures changed significantly. These changes caused the net effective discount rate to increase by around 12.8% (from around 0.73% to 0.82%). This resulted in a higher net effective discount rate and hence an overall decrease in the liability of around R 200,000.

Over the past financial year the expected retirement age was changed from 60 to 63. Changes were also made to update other assumptions like the withdrawal rates. These changes were made in order to be more consistent with management's best estimate. The net effect of this and membership changes was a reduction in the liability of around R 1,800,000.

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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### 18. Employee benefit obligations (continued)

#### Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the current service cost and interest cost	(102 000)	126 000
Effect on defined benefit obligation	(577 000)	720 000

Amounts for the current and previous four years are as follows:

	2014	2013	2012	2011	2010
Defined benefit obligation	3 901 000	5 212 000	4 402 000	4 023 000	2 780 000

### 19. Accumulated surplus

#### Ring-fenced internal funds and reserves within accumulated surplus - 2014

	Capital replacement reserve	Donations and public contributions	Housing development fund	Total
Opening balance	2 258 915	32 994 672	1 847 861	37 101 448
Transfer to capital replacement reserve	99 202	-	-	99 202
Property, plant and equipment purchases	(96 436)	-	-	(96 436)
Expenditure incurred	-	-	(180 471)	(180 471)
Rental income	-	-	13 061	13 061
	<b>2 261 681</b>	<b>32 994 672</b>	<b>1 680 451</b>	<b>36 936 804</b>

#### Ring-fenced internal funds and reserves within accumulated surplus - 2013

	Capital replacement reserve	Donations and public contributions	Housing development fund	Total
Opening balance	2 588 564	32 994 672	1 928 824	37 512 060
Property, plant and equipment purchases	(329 649)	-	-	(329 649)
Expenditure incurred	-	-	(89 022)	(89 022)
Rental income	-	-	8 059	8 059
	<b>2 258 915</b>	<b>32 994 672</b>	<b>1 847 861</b>	<b>37 101 448</b>

### 20. Capital replacement reserve

The Capital Replacement Reserve is a reserve to finance future capital expenditure and is fully invested in ring-fenced financial instruments. The Capital Replacement Reserve is included in accumulated surplus as required by GRAP 1.89.

Capital Replacement Reserve	2 261 681	2 258 915
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# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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### 21. Housing development fund

Loans extinguished by Government on 1 April 1998	1 680 451	1 847 861
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#### The housing development fund is represented by the following assets and liabilities

Revaluation of assets	1 680 451	1 847 861
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The Housing Development Fund has its origin from loans extinguished by Government on 1 April 1998 and the net of housing transactions appropriated to the fund thereafter. No separate unappropriated surplus account for housing transactions was kept.

The Housing Development Fund contains all proceeds from housing developments, which include rental income and sale of houses. Monies standing to the credit of the housing development fund are used only for the funding of housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

### 22. Financial instruments

#### Categories of financial instruments

#### 2014

##### Financial assets

	At amortised cost	Total
Receivables from exchange transactions	1 362 705	1 362 705
Receivables from non-exchange transactions	3 025 043	3 025 043
Cash and cash equivalents	8 317 171	8 317 171
Long-term receivables from exchange transactions	4 220	4 220
	<b>12 709 139</b>	<b>12 709 139</b>

##### Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	3 282 014	3 282 014
Consumer deposits	395 505	395 505
	<b>3 677 519</b>	<b>3 677 519</b>

#### 2013

##### Financial assets

	At amortised cost	Total
Receivables from exchange transactions	1 329 045	1 329 045
Receivables from non-exchange transactions	1 364 415	1 364 415
Cash and cash equivalents	7 959 558	7 959 558
Long-term receivables from exchange transactions	4 266	4 266
	<b>10 657 284</b>	<b>10 657 284</b>

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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### Financial instruments (continued)

#### Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	3 771 589	3 771 589
Consumer deposits	350 868	350 868
	<b>4 122 457</b>	<b>4 122 457</b>

#### Financial instruments in the statement of financial performance

##### 2014

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	965 764	965 764
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(12 950)	(12 950)
Impairment loss	(13 041 454)	(13 041 454)
	<b>(12 088 640)</b>	<b>(12 088 640)</b>

##### 2013

	At amortised cost	Total
Interest received (calculated using effective interest method) for financial instruments at amortised cost	1 045 049	1 045 049
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(10 745)	(10 745)
Impairment loss	(217 502)	(217 502)
	<b>816 802</b>	<b>816 802</b>

### 23. Revenue

Property rates	2 614 590	2 105 923
Service charges	13 109 628	11 768 089
Government grants & subsidies	29 259 698	24 599 043
Rental of facilities and equipment	1 120 533	911 388
Income from agency services	120 092	101 938
Fines	17 121 289	2 324 692
Licences and permits	209 385	233 766
Other income	249 381	792 445
Interest received	965 764	1 045 049
	<b>64 770 360</b>	<b>43 882 333</b>

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

Service charges	13 109 628	11 768 089
Rental of facilities and equipment	1 120 533	911 388
Income from agency services	120 092	101 938
Licences and permits	209 385	233 766
Other income	124 700	122 979
Interest received	793 020	851 155
	<b>15 477 358</b>	<b>13 989 315</b>

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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### 23. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:

#### Taxation revenue

Property rates	2 614 590	2 105 923
Property rates - interest on arrear rates	172 744	193 894

#### Transfer revenue

Government grants & subsidies	29 259 698	24 599 043
Fines	17 121 289	2 324 692
Other income	115 282	669 466
	<b>49 283 603</b>	<b>29 893 018</b>

### 24. Property rates

#### Rates revenue

Laingsburg	2 117 817	1 975 551
Agriculture	4 458 465	3 622 063
Less: Revenue forgone	(3 961 692)	(3 491 691)
	<b>2 614 590</b>	<b>2 105 923</b>

#### Valuations

Laingsburg	264 392 700	185 132 622
Agriculture	612 769 600	522 647 274
	<b>877 162 300</b>	<b>707 779 896</b>

Matjiesfontein area was not included separately in the latest valuation roll due to its insignificance.

Assessment rates are levied on the value of land and improvements, for which a valuation is performed every four years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. An interim valuation has been performed during the financial year and was applied with effect from 1 July 2014.

A uniform rate of 7.26c/R (2013: 7.81c/R) is applied on property valuations in terms of the Property Rates Act to determine assessment rates charged to property owners.

A rebates of 90% (2013: 92.5%) is granted to agricultural property owners.

Rates are levied monthly on property and are payable by the 7th of each month. Property owners can request that the full amount for the year be raised in July in which case the amount has to be paid by 30 September. Interest on outstanding amounts is levied at a rate determined by Council.

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>25. Service charges</b>		
Sale of electricity	9 019 628	7 787 132
Sale of water	1 934 029	1 727 601
Sewerage and sanitation charges	1 744 725	1 614 180
Refuse removal	1 643 170	1 495 819
Cemetery and encroachment fees	44 170	39 332
Revenue foregone	(1 276 094)	(895 975)
	<b>13 109 628</b>	<b>11 768 089</b>

The amounts disclosed above for revenue from service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

### Water losses

Laingsburg Municipality experiences major problems with water losses which originated from the floods in 1981. Laingsburg experienced an average water loss of R992 521 (52.78%) for the 2013/2014 financial period (2013: R641 582 (29.84%)). An investigation was done to try to find the cause of these water losses. The investigation could not identify the cause of the losses. Due to these findings the Department of Water Affairs allocated funds to Laingsburg Municipality to do a water leakage detection investigation during the 2009/2010 financial year and more funds were allocated for further studies in the 2010/2011 financial year as well as the 2011/2012 financial year. The municipality is in the process of installing water meters to accurately calculate water losses. Potential losses could not be calculated.

During the 2012/2013 financial year there were two instances of burst main water pipes, contributing to the water losses for that year.

During the 2013/2014 financial year a main water supply pipe was damaged in the flooding of the Buffels-, Wilgerhout- and Baviaans Rivers on 8 January 2014, contributing to the water losses for the year.

### Electricity losses

Laingsburg experienced an average electricity loss of R648 189 (9.75%) for the 2013/2014 financial period (2013: R692 757 (9.1%)). The loss can be ascribed to the fact that streets lights, municipal offices and some outer municipal electricity users are not metered. This will be investigated and corrected as soon as possible.

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>26. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	10 224 000	9 536 000
Municipal Infrastructure Grant (MIG)	9 152 000	8 194 000
Financial Management Grant (FMG)	1 500 000	1 500 000
Municipal Systems Improvement Grant (MSIG)	890 000	800 000
Expanded Public Works Program	1 000 000	1 000 000
Department of Sport & Recreation ("Kick-about")	1 022 877	-
Community Workers Development	77 706	202 572
Provincial Library Services	763 000	587 000
Provincial: Financial Management Support Grant	192 464	-
Provincial: Municipal Finance Improvement Program	62 811	-
Maintenance of Proclaimed Roads	17 280	32 967
Matjiesfontein UISP	3 010 831	1 509 538
Shared services: Legal services	250 000	-
Shared services: Internal audit	150 000	-
Organisational Development Grant	500 000	-
Provincial: Sub-Seta	24 606	22 867
Water	-	240 185
Nelson Mandela Memorial Service	100 000	-
Dept Environmental Affairs and Tourism	24 561	98 246
Provincial: Department of Transport	79 562	332 161
Local Government: Mou & Business Plan	-	325 507
Thusong submission	218 000	218 000

### National Grants

#### Equitable Share

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

All registered indigents receive a monthly subsidy equal to the basic monthly charges for water supply, refuse removal and sanitation based on the monthly billing, towards the consumer account. The subsidy is determined annually by Council. All consumers also receive 6 kl water and the indigent households receive 50 kWh electricity free every month.

#### Municipal Infrastructure Grant (MIG)

Current-year receipts	9 152 000	8 194 000
Conditions met - transferred to revenue: capital expenditure	(9 152 000)	(8 194 000)
	-	-

The Municipal Infrastructure Grant (MIG) is allocated to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

#### Financial Management Grant (FMG)

Current-year receipts	1 500 000	1 500 000
Conditions met - transferred to revenue: operating expenditure	(1 500 000)	(1 490 140)
Conditions met - transferred to revenue: capital expenditure	-	(9 860)
	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Program (e.g. salary costs of the Financial Management Interns).

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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### 26. Government grants and subsidies (continued)

#### Municipal Systems Improvement Grant

Current-year receipts	890 000	800 000
Conditions met - transferred to revenue: operating expenditure	(839 228)	(781 794)
Conditions met - transferred to revenue: capital expenditure	(50 772)	(18 206)
	-	-

The Municipal Systems Improvement Grant (MSIG) is allocated to assist municipalities to build in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act (MSA) and related legislation, policies and the local government turnaround strategy.

#### Expanded Public Works Program

Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue: operating expenditure	(1 000 000)	(944 110)
Conditions met - transferred to revenue: capital expenditure	-	(55 890)
	-	-

The Expanded Public Works Program (EPWP) grant is received to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the EPWP Guidelines:

- road maintenance and the maintenance of buildings
- low traffic volume roads and rural roads
- basic services infrastructure, including water and sewer reticulation, sanitation, pipelines and dams (excluding bulk infrastructure)
- other economic and social infrastructure.

#### Department of Sport & Recreation ("Kick-about")

Current-year receipts	888 800	-
Conditions met - transferred to revenue: capital expenses	(1 022 877)	-
Expenditure transferred to Receivables from non-exchange transactions	134 077	-
	-	-

Conditions met for an amount exceeding the amounts received during the financial year. The amounts spent in excess of amounts received will be received in the 2014/2015 financial year (see note 10).

The "kick-about" is part of the youth development against violence through sport programme with the purpose of using sport, specifically football, as a catalyst for transmitting life skills to children and youth in order to reduce violence and social ills.

The project is for the construction of a kick-about facility as well as to provide basic football equipment to children in poor rural areas.

#### Provincial Grants

##### Community Workers Development

Balance unspent at beginning of year	1 106	68 678
Current-year receipts	76 600	135 000
Conditions met - transferred to revenue: operating expenditure	(77 706)	(202 572)
	-	1 106

Conditions still to be met - remain liabilities (see note 15).

The grant is received to provide financial assistance to municipalities to cover the operational costs pertaining to the line functions of the community development workers including regional coordinators.



# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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### 26. Government grants and subsidies (continued)

#### Provincial Library Services

Current-year receipts	763 000	587 000
Conditions met - transferred to revenue: operating expenditure	(662 620)	(559 818)
Conditions met - transferred to revenue: capital expenditure	(100 380)	(27 182)
	-	-

This grant was allocated to transform urban and rural community library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through a recapitalised program at provincial level in support of local government and national initiatives.

#### Management Support Grant

Current-year receipts	500 000	-
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Conditions still to be met - remain liabilities (see note 15).

The grant is received to provide financial assistance to Municipalities to improve overall governance systems and structures.

#### Financial Management Support Grant

Current-year receipts	400 000	-
Conditions met - transferred to revenue: Operating expenses	(192 464)	-
	207 536	-

Conditions still to be met - remain liabilities (see note 15).

The grant is received to provide financial assistance to Municipalities to improve overall financial governance within municipalities inclusive of optimising and administration of revenue, improving credibility and responsiveness of municipal budgets, improving of municipal audit outcomes and addressing institutional challenges.

#### Municipal Finance Improvement Program

Current-year receipts	859 248	-
Conditions met - transferred to revenue: operating expenditure	(62 811)	-
	796 437	-

Conditions still to be met - remain liabilities (see note 15).

This grant is for implementation of Financial Management systems that can assist in producing legislated reports, multi-year budgets, in-year reports, SDBIP, annual reports and automation of financial management practices.

#### Maintenance of proclaimed roads

Current-year receipts	17 280	32 967
Conditions met - transferred to revenue: operating expenditure	(17 280)	(32 967)
	-	-

This grant was received for maintenance of Provincial roads.

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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### 26. Government grants and subsidies (continued)

#### Matjiesfontein UISP

Balance unspent at beginning of year	1 262 137	363 513
Current-year receipts	2 323 542	2 408 162
Conditions met - transferred to revenue: capital expenditure	(3 010 831)	(1 509 538)
	<b>574 848</b>	<b>1 262 137</b>

Conditions still to be met - remain liabilities (see note 15).

This grant was received for development of houses as set out in terms of the Turnkey Contracting Strategy as set out in the National Housing Code, within the boundaries of the municipality.

#### Shared services: Legal services

Balance unspent at beginning of year	250 000	-
Current-year receipts	-	250 000
Conditions met - transferred to revenue: operating expenditure	(250 000)	-
	<b>-</b>	<b>250 000</b>

Conditions still to be met - remain liabilities (see note 15).

The grant is received to establish a cooperative partnership between the Central Karoo Legal Shared Service Centre and its customers. The Legal Shared Service Centre will provide a shared business environment for legal services to the municipalities within the Central Karoo District.

#### Shared services: Internal audit

Balance unspent at beginning of year	150 000	-
Current-year receipts	-	150 000
Conditions met - transferred to revenue: operating expenditure	(150 000)	-
	<b>-</b>	<b>150 000</b>

Conditions still to be met - remain liabilities (see note 15).

Funds received to establish a cooperative partnership between the Central Karoo Internal Audit and Risk Management Shared Service Centre and its customers. The Legal Shared Service Centre will provide a shared business environment for internal audit, risk management and compliance monitoring to the municipalities within the Central Karoo District.

#### Organisational Development Grant

Balance unspent at beginning of year	500 000	-
Current-year receipts	-	500 000
Conditions met - transferred to revenue: operating expenditure	(500 000)	-
	<b>-</b>	<b>500 000</b>

Conditions still to be met - remain liabilities (see note 15).

The grant is received to identify the organisational needs of the municipality and to improve the organisational structure of the municipality.

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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### 26. Government grants and subsidies (continued)

#### Provincial: Sub-Seta

Current-year receipts	24 606	22 867
Conditions met - transferred to revenue: operating expenditure	(24 606)	(22 867)
	-	-

This grant was received for general training at the municipality.

#### Water

Balance unspent at beginning of year	-	240 184
Conditions met - transferred to revenue: capital expenditure	-	(240 184)
	-	-

This grant was received for long term monitoring and construction of water infrastructure.

#### Department Water Affairs (DWA)

Balance unspent at beginning of year	575 883	575 883
--------------------------------------	---------	---------

Conditions still to be met - remain liabilities (see note 15).

This grant is used for water supply at Matjiesfontein, ground water investigation and the draw up of a water master plan. The water master plan needs to be drafted and submitted and the water meters need to be installed.

#### Nelson Mandela Memorial Service Grant

Current-year receipts	100 000	-
Conditions met - transferred to revenue	(100 000)	-
	-	-

Expenditure related to funeral related activities in respect of the memorial service in honour of former President Nelson Mandela, excluding commemorative advertising and clothing.

#### Department Environmental Affairs & Tourism

Balance unspent at beginning of year	106 667	204 913
Conditions met - transferred to revenue: operating expenditure	(24 561)	(98 246)
	82 106	106 667

Conditions still to be met - remain liabilities (see note 15).

This grant was received to develop a spatial development plan.

#### Provincial: Department of Transport

Balance unspent at beginning of year	270 150	602 311
Conditions met - transferred to revenue: capital expenditure	(79 562)	(332 161)
	190 588	270 150

Conditions still to be met - remain liabilities (see note 15).

The grant was received for construction of a long distance taxi zone area.

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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### 26. Government grants and subsidies (continued)

#### Local Government: Local Municipalities

Balance unspent at beginning of year	112 140	112 140
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Conditions still to be met - remain liabilities (see note 15).

This grant is used for the compiling of a sewerage master plan and investigation of electricity tariffs.

#### Local Government: Mou & Business Plan

Balance unspent at beginning of year	-	325 507
Conditions met - transferred to revenue: operating expenditure	-	(325 507)
	-	-

Funds received for the installation of a new financial system.

#### Thusong submission

Current-year receipts	218 000	218 000
Conditions met - transferred to revenue: operating expenditure	(218 000)	(218 000)
	-	-

Allocation received from the Western Cape Government for operating expenditure related to the Thusong Centre.

#### Analysis of operating expenditure amounts transferred to revenue

Included in general expenses as grant expenditure	2 392 650	2 272 293
Included in cleaning expenses	1 000 000	944 110
Included in community development and training	77 706	202 572
Included in computer expenses	-	325 507
Included in spatial planning	24 561	98 246
Included in other general expenses	579 945	453 162
Included in employee related costs	416 125	356 367
Included in contracted services	62 811	-
Included in general expenses as Nelson Mandela Memorial Service expenses	100 000	-
Included in general expenses as consulting and professional fees	900 000	-
Included in general expenses as training expenses	24 606	-
Included in repairs and maintenance	40 873	23 764
<b>Total transferred to revenue: operating expenses</b>	<b>5 619 277</b>	<b>4 676 021</b>

### 27. Rental of facilities and equipment

#### Premises

Operating lease rental revenue Southkloof	81 005	81 005
Rental revenue from buildings	949 335	746 223
Rental revenue from land	2 600	3 678
	<b>1 032 940</b>	<b>830 906</b>

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>27. Rental of facilities and equipment (continued)</b>		
<b>Facilities and equipment</b>		
Rental revenue from cutlery	2 245	980
Rental revenue from machinery and equipment	-	604
Rental revenue from houses	28 430	29 082
Rental revenue from hawkers	16 981	16 397
Rental revenue sundry	39 937	33 419
	<b>87 593</b>	<b>80 482</b>
	<b>1 120 533</b>	<b>911 388</b>

Rental revenue earned on facilities and equipment is in respect of non-financial assets rented out.

Sundry rental revenue consists of the following:

- Rental received from the IEC for the rental of the voting offices;
- Rental received from Allpay for the rental of the Matjiesfontein hall for the purposes of paying out social pension;
- Rental received from Provincial Western Cape for the rental of the Thusong Centre.

The operating lease of the Southkloof farm is between the municipality and the Van Der Vyver Trust. The lease agreement is for the period from 1 November 2011 to 31 October 2016. The operating lease rental revenue on the Southkloof farm is straightlined over the period of the lease. For lease commitments disclosure refer to note 41.

### 28. Other income

Building plan and rezoning application fees	30 807	26 100
Donations	126 017	669 466
Fire brigade availability	30 732	26 776
Pest control	708	607
Sales - Sand and stone	17 693	15 108
Sundry income	35 668	45 454
Valuation certificates	4 832	5 830
Other sales	2 924	3 104
	<b>249 381</b>	<b>792 445</b>

The amounts disclosed above for other income are in respect of services, other than described in notes 24 to 27, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

Sales - Sand and stone: The sale of sand and stone mostly relates to the supply of sand and stone to the projects under the current financial period, namely Goldnerville Cul-de-Sac; Matjies new sanitation, Gabions 9de & 10de Laan, New roads & stormwater and Nuwe busroete Matjiesfontein: Fase 2. Sales are made at approved tariffs. Sand is obtained from the riverbed as needed, and is therefore not recognised as inventory.

Donations includes an assets donated to the municipality to the amount of R14 700 (2013: R 580 636).

### 29. Interest received

<b>Interest revenue</b>		
Current account	222 042	266 170
Current investment deposits	334 847	392 770
Interest charged on receivables from exchange transactions	236 131	192 215
Interest charged on receivables from non-exchange transactions	172 744	193 894
	<b>965 764</b>	<b>1 045 049</b>

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>30. Employee related costs</b>		
Employee related costs - salaries and wages	8 265 941	6 603 463
Defined benefit plan expense - current service cost	(1 311 000)	810 000
Performance bonuses	30 382	-
Employee related costs - contributions	1 356 144	1 151 101
Housing benefits and allowances	21 309	24 717
Leave pay	111 977	116 720
Long-service awards	77 266	76 950
Overtime payments	226 951	163 569
Skills Development Levy (SDL)	96 548	78 161
Thirteenth cheque	542 760	427 724
Travel, motor car, accommodation, subsistence and other allowances	583 425	403 960
Unemployment Insurance Fund (UIF)	73 766	64 313
Workmans Compensation Act (WCA)	73 451	64 536
	<b>10 148 920</b>	<b>9 985 214</b>

### Remuneration of Williams PA - Municipal Manager

Annual Remuneration	1 121 895	895 225
Performance Bonuses	146 725	-
Contributions to UIF, Medical and Pension Funds	1 784	1 713
Backpay of salary	-	91 273
	<b>1 270 404</b>	<b>988 211</b>

The Municipal Manager was in office for the entire financial year.

### Remuneration of Groenewald A - Chief Finance Officer

Annual Remuneration	416 862	380 084
Acting Allowance	129 635	55 993
Contributions to UIF, Medical and Pension Funds	91 856	83 844
Travel, motor car, accommodation, subsistence and other allowances	139 128	144 728
Leave encashed	-	83 118
	<b>777 481</b>	<b>747 767</b>

The CFO was in office for the entire financial year.

### Remuneration of staff

The remuneration of staff is within the upper limits of the SALGA Bargaining Council determinations.

### 31. Remuneration of councillors

Remuneration	2 201 421	2 079 342
Allowances	91 656	64 925
	<b>2 293 077</b>	<b>2 144 267</b>

### Theron W du P - Executive Mayor

Remuneration	559 306	604 460
Travel allowance	78 849	-
Other allowances	24 608	19 972
Back pay	23 621	-
	<b>686 384</b>	<b>624 432</b>

# Laingsburg Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>31. Remuneration of councillors (continued)</b>		
<b>Van As BJ - Deputy Executive Mayor</b>		
Remuneration	250 998	265 962
Travel allowance	33 910	-
Other allowances	15 220	12 496
Back pay	14 513	-
	<b>314 641</b>	<b>278 458</b>
<b>Horn H - Speaker</b>		
Remuneration	449 563	483 568
Travel allowance	61 655	-
Other allowances	24 608	19 972
Back pay	19 591	-
	<b>555 417</b>	<b>503 540</b>
<b>Bobbejee M - Councillor</b>		
Remuneration	167 252	181 338
Travel allowance	23 121	-
Other allowances	3 000	-
Back pay	6 012	-
	<b>199 385</b>	<b>181 338</b>
<b>Botes PJ - Councillor</b>		
Remuneration	172 900	181 338
Travel allowance	23 121	-
Other allowances	18 220	12 485
Back pay	11 661	-
	<b>225 902</b>	<b>193 823</b>
<b>Botha J - Councillor</b>		
Remuneration	167 252	181 338
Travel allowance	23 121	-
Allowances	3 000	-
Back pay	6 012	-
	<b>199 385</b>	<b>181 338</b>
<b>Gouws M - Councillor</b>		
Remuneration	167 252	181 338
Travel allowance	23 121	-
Other allowances	3 000	-
Back pay	6 012	-
	<b>199 385</b>	<b>181 338</b>

### In-kind benefits

The Mayor may utilise official Council transportation when engaged in official duties.

### Remuneration of political office-bearers and councillors

The remuneration of the political office-bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the Constitution.

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>32. Depreciation and amortisation</b>		
Property, plant and equipment	7 484 838	7 346 739
Investment property	123 467	370 400
Intangible assets	190 939	221 782
	<b>7 799 244</b>	<b>7 938 921</b>
<b>33. Impairment of assets</b>		
<b>Impairments</b>		
Property, plant and equipment	145 707	-
On Wednesday 8 January the Buffels, Wilgerhout and Baviaans Rivers in the Laingsburg area flooded.		
The flooding resulted in damage to some of the municipality's infrastructure assets (boreholes, stormwater pipes and water supply pipes).		
Most of the damaged assets were repaired and are consequently not impaired. All assets not repaired were impaired at 30 June 2014. The recoverable amount of these assets were based on its fair value less cost to sell.		
<b>34. Finance costs</b>		
Payables from exchange transactions	12 950	10 745
SARS: interest on late payment of VAT	-	114 129
Finance costs - landfill site rehabilitation provision	193 389	181 833
	<b>206 339</b>	<b>306 707</b>
<b>35. Debt impairment</b>		
Bad debts written off	13 905	-
Sundry receivables impaired	14 048	-
Contributions to allowance for debt impairment	12 296 634	217 502
	<b>12 324 587</b>	<b>217 502</b>
<b>36. Bulk purchases</b>		
Electricity	6 648 043	5 676 814
Bulk purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom.		
There was no bulk purchases for water during the year. This is as a result of the municipality being supplied with water from the river as well as from a municipal farm with a natural water resource.		
<b>37. Contracted services</b>		
Municipal Finance Improvement Program expense	65 361	-
Town planning	32 483	35 124
	<b>97 844</b>	<b>35 124</b>



# Laingsburg Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>38. Grants and subsidies paid</b>		
AIDS program and Cancer awareness	2 493	9 311
Acacia Primary School	3 000	200
Area committee	1 500	-
Area committee	11 815	24 367
Christmas for children	1 235	11 299
Donald Duck Pre-Primary	16 131	16 083
Equitable share households	771 499	877 805
Gardening	5 600	600
LaDaag	5 116	9 918
Laingsburg High School	500	3 900
Municipal sport	18 811	12 315
SMME development	-	30 735
Tourism grant	242 191	226 752
Youth Week	12 060	7 981
Other grants and subsidies paid	6 868	5 500
	<b>1 098 819</b>	<b>1 236 766</b>

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>39. General expenses</b>		
Administration costs	4 780	89 000
Advertising	4 783	13 356
Auditors remuneration	1 701 526	1 580 265
Bank charges	191 740	155 931
Bargaining council	3 569	3 201
Chemicals	887	1 314
Cleaning	1 141 840	945 295
Commission for collection of traffic fines	2 301 847	1 667 224
Commission paid	114 287	102 039
Community development and training	80 861	203 620
Computer expenses	258 217	396 618
Consumables	319 633	446 769
Consulting and professional fees	1 960 255	3 991 504
Delegation costs	8 015	-
Electricity	298 357	223 787
Entertainment	96 508	83 874
Flood damage	449 606	-
Fuel and oil	617 223	503 958
Insurance	134 235	171 812
Inventory losses	13 332	-
Lease rentals on operating lease	12 900	13 300
Levy: District Municipality (Health Services)	13 186	29 923
Marketing	291 360	265 260
Management fees - Water catchment area	34 076	179 013
Magazines, books and periodicals	1 267	-
Nelson Mandela Memorial Service expenses	100 339	-
Pauper burials	3 215	4 320
Penalties: SARS (VAT)	-	485 550
Pest control	4 033	-
Postage and courier	41 427	1 536
Printing and stationery	210 926	259 823
Quality control	122 757	160 360
Rental: other	1 285	1 770
Security (Guarding of municipal property)	637 318	514 595
Shrubs, plants and trees	-	4 750
Software expenses	457 228	118 103
Spatial planning	24 561	98 246
Subscriptions and membership fees	490 372	465 367
Telephone and fax	469 528	271 088
Tools and equipment	72 640	135 569
Training	469 527	859 616
Travel - local	815 592	859 113
Uniforms and protective clothing	78 565	34 288
Valuation costs	274 726	104 062
Vehicle licences	41 977	30 446
Water - Municipal services	-	2 447
	<b>14 370 306</b>	<b>15 478 112</b>

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>40. Cash generated from operations</b>		
Surplus (deficit)	8 068 029	(979 274)
<b>Adjustments for:</b>		
Depreciation and amortisation	7 799 244	7 938 921
Loss on sale of assets and liabilities	60 461	110 765
Impairment deficit	145 707	-
Debt impairment	12 324 587	217 502
Movements in operating lease asset and accruals	(1 475)	(5 262)
Movements in retirement benefit assets and liabilities	(1 311 000)	810 000
Movements in provisions	(254 362)	351 375
Change in rehabilitation asset	452 465	(42 435)
Assets received as donations	(14 700)	(580 636)
<b>Changes in working capital:</b>		
Inventories	(3 120 834)	(744 807)
Trade receivables from exchange transactions	(443 474)	(454 856)
Receivables from non-exchange transactions	(13 523 867)	1 564 097
Payables from exchange transactions	(489 571)	404 913
VAT	1 033 584	(1 051 291)
Unspent conditional grants and receipts	(188 545)	734 954
Consumer deposits	44 637	32 095
	<b>10 580 886</b>	<b>8 306 061</b>
<b>41. Commitments</b>		
<b>Capital commitments</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	15 005 455	10 455 423
<b>Open purchase orders</b>		
Items ordered before year-end, but delivered after year-end	7 298	17 388
<b>Operating leases - as lessor (income)</b>		
<b>Minimum lease payments receivable</b>		
- within one year	83 506	79 529
- in second to fifth year inclusive	117 379	200 885
	<b>200 885</b>	<b>280 414</b>

The operating lease on the Soutfkloof farm was extended on 1 November 2011 for an additional 5 years. No restrictions have been imposed by the municipality in terms of the operating lease agreement.

The rent escalates with 5% per annum on 1 November.

The yearly rent is receivable in advance each year on 1 November.

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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### 42. Related parties

For names of Councillors as well as disclosures of remuneration to Councillors: Refer to note 31

For disclosures of remuneration to management: Refer to note 30

### Related party transactions

The municipality provides municipal services to all councillors, management and their family members residing within the municipal area. The municipality also charges property rates to all councillors, management and their family members who are property owners within the municipal area. These transactions were concluded on normal operating terms and are included in the "service charges" and "property rates" on the statement of financial performance. Any balances due to the municipality on the reporting date are included in receivables from exchange transactions (relating to service charges) and receivables from non-exchange transactions (relating to property rates) on the statement of financial position.

### 43. Risk management

#### Financial risk management

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

#### 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.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	3 282 014	-	-	-
Consumer deposits	395 505	-	-	-
At 30 June 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	3 771 589	-	-	-
Consumer deposits	350 868	-	-	-

#### Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Sales to customers are settled in cash or using major credit cards.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument		
Receivables from non-exchange transactions	2 973 506	1 364 415
Receivables from exchange transactions	1 362 705	1 329 045
Long-term receivables from exchange transactions	4 220	4 266
Cash and cash equivalents	8 317 171	7 959 558

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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### 43. Risk management (continued)

#### Market risk

#### Interest rate risk

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

### 44. Going concern

The audited 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.

### 45. Events after the reporting date

The accounting officer is not aware of any matters or events arising between the end of the reporting period and the date of these financial statements, which will significantly affect the financial position and results of the municipality's operations.

### 46. Unauthorised expenditure

Unauthorised expenditure	22 476 171	12 227 681
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No disciplinary steps have been followed to date as the Municipality was of the opinion that the unauthorised expenditure was incurred due to overspending of votes or main divisions within votes.

All unauthorised expenditure was written-off by Council.

### 47. Fruitless and wasteful expenditure

Interest on late payment of suppliers	12 928	10 745
Penalties paid to SARS (VAT)	-	485 550
Interest paid to SARS (late payment of VAT)	-	114 129
	<b>12 928</b>	<b>610 424</b>

Interest on late payments of suppliers was written-off by Council.

Penalties and interest paid to SARS relates to the VAT review performed by SARS during the 2012/2013 financial year. The municipality has lodged an appeal with SARS regarding the penalties and interest and SARS has indicated that the penalties and interest may be refunded. The final outcome of this appeal have not been received.

### 48. Irregular expenditure

Opening balance	510 277	3 585 707
Add: Irregular Expenditure - current year	20 558 155	7 709 381
Less: Amounts written off	(3 396 769)	(10 784 811)
	<b>17 671 663</b>	<b>510 277</b>

### Analysis of expenditure awaiting write-off per age classification

Current year	17 161 386	119 687
Prior years	390 590	390 590
	<b>17 551 976</b>	<b>510 277</b>

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>48. Irregular expenditure (continued)</b>		
<b>Details of irregular expenditure – current year</b>		
R0 - R2 000		333 732
R2 001 - R10 000		1 199 632
R10 001 - R 30 000		2 194 449
R30 001 - R200 000		4 521 225
> R200 000		12 309 117
		<b>20 558 155</b>
<b>Details of irregular expenditure written-off - current year</b>		
Deviations from Regulation 12 and Supply Chain Policies		20 558 155
The irregular expenditure relates to deviations from Regulation 12 and the supply chain management policies.		
No disciplinary steps have been followed to date as the Municipality was of the opinion that irregular expenditure was incurred due to unforeseen circumstances.		
Deviation on procurement of goods and services during the financial year amounted to R20 558 155 (2013: R7 709 381). This amount includes purchases from suppliers with directors/owners in the service of the state to the amount of R62 755.		
All irregular expenditure of the previous year and the current year will be reviewed by Council at the next council meeting.		
<b>49. Auditors' remuneration</b>		
Audit fees	1 701 526	1 580 265
<b>50. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government - SALGA</b>		
Opening balance	362 500	150 000
Current year subscription / fee	462 500	412 500
Amount paid - current year	(200 000)	(200 000)
	<b>625 000</b>	<b>362 500</b>
<b>Material losses through criminal conduct</b>		
Management is not aware of any material losses through criminal conduct.		
<b>Audit fees</b>		
Opening balance	-	291 199
Current year audit fees	1 632 681	1 580 265
Amount paid - current year	(1 632 681)	(1 580 265)
Amount paid - previous years	-	(291 199)
	<b>-</b>	<b>-</b>
<b>PAYE and UIF</b>		
Opening balance	178 526	55 150
Current year subscription / fee	2 194 840	1 499 163
Amount paid - current year	(2 318 215)	(1 375 787)
	<b>55 151</b>	<b>178 526</b>

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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### 50. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Pension and medical aid deductions

Opening balance	115 304	45 094
Current year subscription / fee	2 237 626	1 598 584
Amount paid - current year	(2 237 626)	(1 528 374)
	<b>115 304</b>	<b>115 304</b>

#### VAT

VAT receivable	353 420	1 387 004
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VAT output payables and VAT input receivables are shown in note 13.

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

#### Councillors' arrear consumer accounts

No Councillors had arrear accounts outstanding for more than 90 days at 30 June 2014:

During the year no Councillors' had arrear accounts outstanding for more than 90 days.

### 51. Comparative amounts

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

#### Statement of Financial Performance

Other income	-	(9 480)
Repairs and maintenance	-	9 480
Employee Related Cost	-	392 650
General Expenditure	-	(392 650)

### 52. Change in estimate

#### Property, plant and equipment

The remaining useful life of certain items of property, plant and equipment were changed due to a change in management's estimate of the remaining useful life during the 2013/2014 financial year.

The effect of this revision has decreased/(increased) the depreciation charges for the current and future periods as follows:

- Infrastructure assets: R270 379;
- Community assets: R6 301;
- Motor vehicles: R12 392
- Refuse site (Landfill site rehabilitation asset): R(55 486).

#### Investment property

The remaining useful life of certain investment property buildings were estimated in 2012/2013 to be 2 years. In the current period management have revised their estimate to 6 years. The effect of this revision has decreased the depreciation charges for the current and future periods by R 246 933.

The change in estimate does not have an impact on the cash flow statement as depreciation is a non-cash item.

### 53. Prior period errors

The prior year amounts have been amended to account for prior period errors.

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>53. Prior period errors (continued)</b>		
Below is a description of each individual prior period error, followed by a summary of the total effect of the prior period errors on the amounts previously presented and disclosed.		
<b>53.1 SALGA membership fees</b>		
The SALGA membership fees have not been correctly accrued in prior years. The amounts previously disclosed have been restated to account for this error.	-	-
Adjustments against opening accumulated surplus 1 July 2012	-	150 000
	<b>-</b>	<b>150 000</b>



# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>53. Prior period errors (continued)</b>		
<b>Adjustments affecting the statement of financial position</b>		
Increase in payables from exchange transactions	-	(362 500)
Decrease in receivables from non-exchange transactions	-	(24 561)
	-	<b>(387 061)</b>
<b>Adjustments affecting the statement of financial performance</b>		
Increase in general expenses	-	237 061
<b>53.2 Expenditure not accrued in prior year</b>		
Some expenditure were not accrued in the 2012/2013 year. The amounts previously disclosed have been restated to account for this error.	-	-
<b>Adjustments affecting the statement of financial position</b>		
Increase in property, plant and equipment	-	4 612
Increase in receivables from non-exchange transactions	-	18 562
Increase in payables from exchange transactions	-	(152 168)
	-	<b>(128 994)</b>
<b>Adjustments affecting the statement of financial performance</b>		
Increase in general expenses	-	111 841
Increase in repairs and maintenance	-	17 153
	-	<b>128 994</b>
<b>53.3 Revenue incorrectly accounted in prior year</b>		
Some service charges, rental revenue and property rates were incorrectly billed in the 2012/2013 year. The amounts previously disclosed have been restated to account for this error.	-	-
<b>Adjustments affecting the statement of financial position</b>		
Decrease in receivables from non-exchange transactions	-	(5 237)
Decrease in receivables from exchange transactions	-	(63 259)
	-	<b>(68 496)</b>
<b>Adjustments affecting the statement of financial performance</b>		
Decrease in Property rates	-	11 713
Decrease in Service charges	-	47 790
Increase in rental of facilities and equipment	-	(1 500)
Decrease in other income	-	22
Decrease in interest received	-	10 471
	-	<b>68 496</b>
<b>53.4 Pre-paid electricity meters not yet installed incorrectly accounted</b>		
Prepaid electricity meters, not yet installed, were incorrectly accounted as assets under construction where it should have been included in inventory. In additions to this, meters installed during the 2011/2012 and 2012/2013 financial years were not removed from this balance and expensed under consumer connections. These have been corrected and the 2012/2013 amounts restated accordingly.	-	-

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>53. Prior period errors (continued)</b>		
Adjustments against opening accumulated surplus 1 July 2012	-	5 623
	<b>-</b>	<b>5 623</b>
<b>Adjustments affecting the statement of financial position</b>		
Decrease in property, plant and equipment	-	(85 680)
Increase in Inventories	-	74 167
	<b>-</b>	<b>(11 513)</b>
<b>Adjustments affecting the statement of financial performance</b>		
Increase in repairs and maintenance	-	5 890
<b>53.5 Pre-paid electricity meters: opening balance</b>		
The opening balance of inventory (pre-paid electricity meters) were incorrectly accounted under operating expenditure in the 2011/2012 financial year. The amounts previously disclosed have been restated to account for this error.	-	-
Adjustments against opening accumulated surplus 1 July 2012	-	(6 158)
	<b>-</b>	<b>(6 158)</b>
<b>Adjustments affecting the statement of financial position</b>		
Increase in inventory	-	6 158
<b>53.6 RDP houses incorrectly classified</b>		
RDP houses were incorrectly classified as PPE and not as inventory. The amounts previously disclosed have been restated to account for this error.	-	-
<b>Adjustments affecting the statement of financial position</b>		
Decrease in property, plant and equipment	-	(908 875)
Increase in Inventories	-	908 875
	<b>-</b>	<b>-</b>

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013		
<b>53. Prior period errors (continued)</b>				
<b>Statement of financial position</b>	<b>Balance as previously reported</b>	<b>Prior period error</b>	<b>Reclassified (note 51)</b>	<b>Restated balance</b>
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	7 959 558	-	-	7 959 558
Receivables from exchange transactions	1 392 303	(63 259)	-	1 329 044
Receivables from non-exchange transactions	1 375 653	(11 237)	-	1 364 416
Inventories	1 203 239	989 200	-	2 192 439
Long-term receivables from exchange transactions	4 266	-	-	4 266
VAT receivable	1 387 004	-	-	1 387 004
	<b>13 322 023</b>	<b>914 704</b>	<b>-</b>	<b>14 236 727</b>
<b>Non-current assets</b>				
Operating lease asset	10 399	-	-	10 399
Heritage assets	43 354	-	-	43 354
Investment property	4 563 880	-	-	4 563 880
Property, plant and equipment	146 856 138	(989 942)	-	145 866 196
Intangible assets	534 296	-	-	534 296
	<b>152 008 067</b>	<b>(989 942)</b>	<b>-</b>	<b>151 018 125</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Payables from exchange transactions	(3 256 918)	(514 669)	-	(3 771 587)
Unspent conditional grants and receipts	(3 228 083)	-	-	(3 228 083)
Provisions	(249 314)	-	-	(249 314)
Consumer deposits	(350 868)	-	-	(350 868)
Retirement benefit obligation	(123 000)	-	-	(123 000)
	<b>(7 208 183)</b>	<b>(514 669)</b>	<b>-</b>	<b>(7 722 852)</b>
<b>Non-current liabilities</b>				
Provisions	(3 261 710)	-	-	(3 261 710)
Retirement benefit obligation	(5 089 000)	-	-	(5 089 000)
	<b>(8 350 710)</b>	<b>-</b>	<b>-</b>	<b>(8 350 710)</b>
<b>Net assets</b>				
Accumulated surplus - opening balance	(150 310 026)	149 465	-	(150 160 561)
Deficit	538 829	440 443	-	979 272
	<b>(149 771 197)</b>	<b>589 908</b>	<b>-</b>	<b>(149 181 289)</b>

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013		
<b>53. Prior period errors (continued)</b>				
<b>Statement of financial performance</b>				
<b>Revenue</b>	<b>Balance as previously reported</b>	<b>Prior period error</b>	<b>Reclassified (note 51)</b>	<b>Restated balance</b>
Property rates	2 117 636	(11 713)	-	2 105 923
Service charges	11 815 881	(47 791)	-	11 768 090
Rental of facilities and equipment	909 888	1 500	-	911 388
Income from agency services	101 938	-	-	101 938
Fines	2 324 691	-	-	2 324 691
Licence and permits	233 766	-	-	233 766
Government grants and subsidies	24 599 043	-	-	24 599 043
Other income	782 987	(22)	9 480	792 445
Interest received	1 055 520	(10 471)	-	1 045 049
<b>Total revenue</b>	<b>43 941 350</b>	<b>(68 497)</b>	<b>9 480</b>	<b>43 882 333</b>
<b>Expenditure</b>				
Employee related costs	(9 592 564)	-	(392 650)	(9 985 214)
Remuneration of councillors	(2 144 267)	-	-	(2 144 267)
Depreciation and amortisation	(7 938 921)	-	-	(7 938 921)
Finance costs	(306 707)	-	-	(306 707)
Debt impairment	(217 502)	-	-	(217 502)
Collection costs	(6 244)	-	-	(6 244)
Repairs and maintenance	(1 692 648)	(23 043)	(9 480)	(1 725 171)
Bulk purchases	(5 676 814)	-	-	(5 676 814)
Contracted services	(35 124)	-	-	(35 124)
Grants and subsidies paid	(1 236 766)	-	-	(1 236 766)
General expenses	(15 521 857)	(348 903)	392 650	(15 478 110)
<b>Total expenditure</b>	<b>(44 369 414)</b>	<b>(371 946)</b>	<b>(9 480)</b>	<b>(44 750 840)</b>
<b>Operating deficit</b>	(428 064)	(440 443)	-	(868 507)
Loss on disposal of assets	(110 765)	-	-	(110 765)
<b>Deficit for the year</b>	<b>(538 829)</b>	<b>(440 443)</b>	<b>-</b>	<b>(979 272)</b>

### 54. Contingent assets

During the 2012/2013 financial year amounts were paid to SARS in relation to penalties (R485 550) and interest (R114 129). The penalties and interest were objected and SARS has indicated that there is a possibility that these amounts may be refunded to the municipality. The municipality is still awaiting a final decision from SARS.

### 55. Contingent liabilities

#### 55.1 Pending litigation on wage curve agreement

On 21 April 2010 SALGA signed the "Categorisation and job evaluation wage curves collective agreement" (wage curve agreement) with IMATU and SAMWU on behalf of municipalities. The agreement established the wage curves and wage scales to be used by municipalities in determining the wages of municipal employees, based on an evaluation of employees' jobs per the TASK job evaluation system.

Subsequent to the signing of the agreement, the unions declared a dispute with the agreement. The dispute was referred to the Labour Court and the court delivered a ruling on 22 June 2012 that employees receive a salary increase backdated with effect from 1 July 2010 instead of 1 July 2011. SALGA, on behalf of municipalities, applied for leave to appeal this ruling and was granted the right to appeal against the judgement on 29 August 2012. To date this Labour Court of Appeal case has not been finalised.

As a result of the uncertainties arising from the dispute declared by the unions and the pending litigation regarding the wage curve agreement, the municipality may have an additional receivable/ payable for employee wages, depending on the outcome of the pending litigation. It is not practicable to reliably estimate the amount of this receivable/payable prior to the outcome of the pending litigation.

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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### 56. Budget differences

#### Material differences between budget and actual amounts

56.1 Water revenue: Less water was sold to consumers. This can largely be attributed to the high rainfall experienced within the municipal area during the summer months.

56.2 Service charges - other: The amount charged for burial fees were less than budgeted and less encroachment revenue were charged than anticipated in the budget.

56.3 Rental of facilities and equipment: The difference is mainly attributable to the rental revenue from buildings exceeding the budgeted revenue.

56.4 Income from agency services: More motor vehicle licences were issued on behalf of the provincial traffic department, resulting in more than budgeted for commission received on issue of these items.

56.5 Licences and permits: Less than budgeted for licences and permits were issued during the financial year.

56.6 Other income: Less donations were received during the financial year than budgeted.

56.7 Interest received - external investments: Balances of the external investment deposit accounts were more than budgeted for throughout the financial year. In addition to this, the interest rates was increased due to the increase of the repo rate by the South African Reserve Bank.

56.8 Interest received - outstanding debtors: The balance of outstanding debtors were more than budgeted for leading to interest charged in excess of the budgeted interest.

56.9 Property rates - penalties: No penalties, relating to property rates, were charged during the financial year.

56.10 Government grants and subsidies - capital: An additional Municipal Infrastructure Grant (MIG) allocation was received during the year. This was not included in the budget.

56.11 Fines: The new average speed enforcement camera between Laingsburg and Beaufort-West is in operation since December 2013. This resulted in an additional source of traffic fines being issued. The municipality also applied IGRAP 1 on the recognition of revenue from 1 July 2013. This resulted in a material increase in revenue from fines.

56.12 Employee related costs: Included in Employee related cost is an actuarial gain which was not budgeted for. In addition to this the municipality budgeted for positions that have not been filled during the financial year.

56.13 Depreciation and asset impairment: Actual depreciation was below budgeted depreciation. During the year there was flood damage resulting from the flooding of the Buffels, Wilgerhout and Baviaans rivers which resulted in impairment of certain property, plant and equipment.

56.14 Finance cost: The municipality did not budget for any interest expense. Included in actual finance costs are the unwinding charge of the landfill site rehabilitation provision as well as interest on late payment of suppliers.

56.15 Debt impairment: Balances receivable from consumers exceeded the budgeted amount. In addition to this the municipality applied IGRAP 1 on the recognition of revenue from 1 July 2013. This resulted in a material increase in receivables from fines and consequently an increase in the impairment of those receivables.

56.16 Contracted services: Actual expenditure on consulting and professional fees were below the budgeted amount. This was due to less hours billed by consultants than budgeted for.

56.17 Grants and subsidies paid: More temporary workers were appointed during the financial year. This resulted in less people qualifying for financial assistance than budgeted for.

56.18 Other expenses: Other expenses includes flood damage and expenses relating to the Nelson Mandela memorial service held in December 2013. These expenses were not budgeted for.

56.19 Loss on disposal of assets: More assets were written off than budgeted for. The loss relates mainly to a number of water meters that was replaced early in the financial year.

# Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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### 56. Budget differences (continued)

56.20 Inventories: Inventories includes RDP houses to be distributed to beneficiaries. This was not included in the budgeted inventories.

56.21 Intangible assets: Included in the budget is purchase of additional modules of the ProMun accounting system. These were not acquired during the financial year. These modules will be purchased in the 2014/2015 financial year.

56.22 Operating lease asset: Straight-lining calculation was not performed for budgetary purposes.

56.23 Receivables from exchange, receivables from non-exchange and consumer deposits: These items exceed the budgeted amounts due to an increase in rates as well as an increase in the number of consumers.

56.24 Long-term receivables from exchange transactions: this item was included in "receivables from non-exchange" for budget purposes.

56.25 VAT receivable: This item was not budgeted for.

56.26 Payables from exchange transactions and Unspent conditional grants: These items were included in one line item in the budget amounts. In addition, more than budgeted capital expenditure resulted in a decrease in unspent conditional grants.

56.27 Provisions and Employee benefit obligation: these items were included as one item in the budget amounts. In addition to this the actual is less than budgeted for mainly due to the significant decrease in the employee benefit obligation (refer to note 18).

56.28 Reserves and Accumulated surplus: These items were more than budgeted for mainly due to the surplus for the year exceeding budget.

### Changes from the approved budget to the final budget

#### Material changes in revenue items

Revenue from water sales were increased due to an anticipated increase in the amount of water sold in the municipal area as well as an increase in the rate for water sales.

Revenue from licences and permits were increased due to an anticipated increase in the number of licences and permits being issued as well as an increase in rates.

Other income was reduced due to the municipality expecting less donations in the financial year.

Revenue from property rates were increased due to the anticipated increase in the rates charged to property owners.

#### Material changes in expense items

Contracted expenses were increased due to the anticipated increase in professional and consulting fees regarding the change in organisational structure of the municipality.

Grants and subsidies paid was increased due to an increase in the number of indigent households as well as an increase in the subsidies given to indigent households during the financial year.

Loss on disposal of assets were increased due to an anticipated increase in the assets that will be written off during the financial year.

## Annexure B

### Report of the Auditor General



# **REPORT OF THE AUDITOR-GENERAL TO THE WESTERN CAPE PROVINCIAL PARLIAMENT AND THE COUNCIL ON LAINGSBURG MUNICIPALITY**

## **REPORT ON THE FINANCIAL STATEMENTS**

### **Introduction**

1. I have audited the financial statements of Laingsburg Municipality set out on pages 3 to 90, which comprise the statement of financial position as at 30 June 2014, the statement of financial performance, statement of changes in net assets, the cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

### **Accounting officer's responsibility for the financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2013 (Act No. 2 of 2013) (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 these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.



## **Opinion**

6. In my opinion the financial statements present fairly, in all material respects, the financial position of Laingsburg Municipality as at 30 June 2014 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the MFMA and DoRA.

## **Emphasis of matters**

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

## **Restatement of corresponding figures**

8. As disclosed in notes 52 and 53 to the financial statements, the corresponding figures for 30 June 2013 have been restated as a result of a change in estimate and errors discovered during 2013-14 financial year in the financial statements of the Laingsburg Municipality at, and for the year ended, 30 June 2013.

## **Material losses**

9. As disclosed in note 25 to the financial statements, water losses of 52,78% amounting to R992 521 (2012-13: 29,84% amounting to R641 582) were incurred during the year.

## **Material impairments**

10. As disclosed in notes 9 and 10 to the financial statements, the municipality has provided for an impairment of R2,2 million on receivables from exchange transactions and an impairment of R13,9 million on receivables from non-exchange transactions.

## **Significant uncertainties**

11. As disclosed in note 55 to the financial statements, there is a pending litigation on the wage curve agreement which could potentially be significant if the municipality has to pay the salary increase backdated to 1 July 2010.

## **Additional matters**

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

## **Unaudited disclosure notes**

13. In terms of section 125(2)(e) of the MFMA the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon.

## **Unaudited supplementary schedules**

14. The supplementary information set out on pages 90 to 92 does not form part of the financial statements and is presented as additional information. I have not audited this schedule and, accordingly, I do not express an opinion thereon.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

15. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, non-compliance with legislation as well as internal control. The objective of my tests was to identify reportable findings as described under each subheading, but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

### **Predetermined objectives**

16. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance report of the municipality for the year ended 30 June 2014.
- Objective A: Create an environment conducive to economic development on page 14
  - Objective B: Develop a safe, clean, healthy and sustainable environment for communities on page 15
  - Objective D: Improve the standards of living for all people in Laingsburg on pages 16 to 17
  - Objective E: Provision of infrastructure to deliver improved services to all residents and business on pages 17 to 19
17. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
18. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPI).
19. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
20. The material findings in respect of the selected objectives are as follows:

### **Objective A: Create an environment conducive to economic development**

#### **Usefulness of reported performance information**

21. I did not raise any material findings on the usefulness of the reported performance information for Objective A: Create an environment conducive to economic development.

#### **Reliability of reported performance information**

22. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. Adequate and reliable corroborating evidence could not be provided for 50% of the targets to assess

the reliability of the reported performance information. The auditee's records did not permit the application of alternative audit procedures.

## **Objective B: Develop a safe, clean, healthy and sustainable environment**

### **Usefulness of information**

#### **Measurability of indicators and targets**

23. Performance indicators must be well defined by having clear data definitions so that data can be collected consistently and is easy to understand and use. Performance indicators must also be verifiable, meaning that it must be possible to validate the processes and systems that produced the indicator. A total of 33% of the indicators were not verifiable.
24. Performance targets must be specific in clearly identifying the nature and required level of performance and must be measurable. A total of 33% of the targets were not measurable.
25. This was because management did not adhere to the requirements of the FMPPI due to a lack of proper systems, processes, technical indicator descriptions and formal standard operating procedures.

#### **Reliability of reported performance information**

26. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. Adequate and reliable corroborating evidence could not be provided for 67% of the targets to assess the reliability of the reported performance information. The auditee's records did not permit the application of alternative audit procedures.

## **Objective D: Improve the standards of living for all people in Laingsburg**

### **Usefulness of reported performance information**

#### **Measurability of indicators and targets**

27. Performance indicators must be well defined by having clear data definitions so that data can be collected consistently and is easy to understand and use. Performance indicators must also be verifiable, meaning that it must be possible to validate the processes and systems that produced the indicator. A total of 100% of the indicators were not verifiable.
28. Performance targets must be specific in clearly identifying the nature and required level of performance and must be measurable. A total of 100% of the targets were not measurable.
29. This was because management did not adhere to the requirements of the FMPPI due to a lack of proper systems, processes, technical indicator descriptions and formal standard operating procedures.



### **Reliability of reported performance information**

30. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. Adequate and reliable corroborating evidence could not be provided for 100% of the targets to assess the reliability of the reported performance information. The auditee's records did not permit the application of alternative audit procedures.

### **Objective E: Provision of infrastructure to deliver improved services to all residents and business**

#### **Usefulness of reported performance information**

#### **Measurability of indicators and targets**

31. Performance indicators must be well defined by having clear data definitions so that data can be collected consistently and is easy to understand and use. Performance indicators must also be verifiable, meaning that it must be possible to validate the processes and systems that produced the indicator. A total of 100% of the indicators were not verifiable.
32. Performance targets must be specific in clearly identifying the nature and required level of performance and must be measurable. A total of 100% of the targets were not measurable.
33. This was because management did not adhere to the requirements of the FMPPI due to a lack of proper systems, processes, technical indicator descriptions and formal standard operating procedures.

### **Reliability of reported performance information**

34. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. Adequate and reliable corroborating evidence could not be provided for 50% of the targets to assess the reliability of the reported performance information. The auditee's records did not permit the application of alternative audit procedures.

#### **Additional matters**

35. I draw attention to the following matters:

#### **Achievement of planned targets**

36. Refer to the annual performance report on pages 14 to 15 and 16 to 19 for information on the achievement of planned targets for the year. This information should be considered in the context of the conclusions expressed on usefulness and reliability of the reported performance information in the preceding paragraphs of this report.

### **Unaudited supplementary information**

37. The supplementary information set out on pages 22 to 66 does not form part of the annual performance report and is presented as additional information. I have not audited this information and, accordingly, I do not express a conclusion thereon.

### **Compliance with legislation**

38. I performed procedures to obtain evidence that the municipality had complied with applicable legislation regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

### **Annual financial statements**

39. 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 non-current assets, current assets, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

### **Expenditure management**

40. Reasonable steps were not taken to prevent unauthorised, irregular and fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.

### **Internal audit**

41. The internal audit unit did not function as required by section 165(2) of the MFMA, in that it did not advise the accounting officer and report to the audit committee on matters relating to internal audit, internal controls, accounting procedures and practices, risk and risk management and loss control.
42. The internal audit unit did not advise the accounting officer and report to the audit committee on matters relating to compliance with the MFMA, the DoRA and other applicable legislation, as required by section 165(2)(b)(vii) of the MFMA.

### **Audit committee**

43. The audit committee did not advise the council and the accounting officer on matters relating to:
- (a) Internal financial control and internal audits, risk management, accounting policies, effective governance, performance management and performance evaluation as required by section 166(2)(a) of the MFMA.
  - (b) The adequacy, reliability and accuracy of financial reporting and information, as required by section 166(2)(a)(iv) of the MFMA.
  - (c) Compliance with legislation, as required by section 166(2)(a)(vii) 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 legislation, as required by section 166(2)(b) of the MFMA.
45. 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.
46. The audit committee did not meet at least four times a year, as required by section 166(4)(b) of the MFMA.
47. The audit committee was not constituted, in the manner required by section 166(4)(a) of the MFMA as the audit committee consisted of only two members for a large part of the year under review.

#### **Conditional grants and subsidies**

48. The municipality did not evaluate its performance in respect of programmes or functions funded by the Municipal Systems Improvement Grant and the Local Government Financial Management Grant allocations, respectively, as required by section 12(5) of the DoRA.

#### **Human resource management**

49. The municipality did not develop and adopt appropriate systems (policies) and procedures to monitor, measure and evaluate performance of staff, in contravention of section 67(d) of the Municipal Systems Act.

#### **Procurement and contract management**

50. Goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations as required by supply chain management (SCM) regulation 17(a) and (c).
51. Quotations were accepted from prospective providers who are not registered on the list of accredited prospective providers and do not meet the listing requirements prescribed by the SCM policy in contravention of SCM regulation 16(b) and 17(b).
52. Sufficient appropriate audit evidence could not be obtained that bid adjudication was always done by committees which were composed in accordance with SCM regulation 29(2).
53. The preference point system was not applied in all procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) and SCM regulation 28(1)(a).
54. Contracts were awarded to bidders that did not score the highest points in the evaluation process, as required by section 2(1)(f) of Preferential Procurement Policy Framework Act.
55. Contracts were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).

56. Contracts were extended and/or modified without tabling the reasons for the proposed amendment in the council of the municipality, as required by section 116(3) of the MFMA.
57. The performance of contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.
58. The contract performance and monitoring measures and methods were insufficient to ensure effective contract management, as required by section 116(2)(c) of the MFMA.
59. Awards were made to providers whose directors are in the service of other state institutions, in contravention of MFMA 112(j) and SCM regulations 44.
60. The prospective providers list for procuring goods and services through quotations was not updated at least quarterly to include new suppliers that qualify for listing, and prospective providers were not invited to apply for such listing at least once a year as per the requirements of SCM regulation 14(1)(a)(ii) and 14(2).

### **Internal control**

61. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in findings on the annual performance report and the findings on non-compliance with legislation included in this report.

### **Leadership**

62. Leadership did not oversee the process for the preparation of the annual performance report to ensure the reporting of valid, accurate and complete performance information.
63. Leadership did not provide adequate oversight over the preparation of the annual financial statements to ensure that they are free from material misstatements.
64. Despite the recurring findings, leadership has not implemented any strategy to manage the shortage of staff in the procurement, internal audit and performance information departments.
65. Leadership did not have adequately documented policies and procedures to guide the operations of the municipality, resulting in numerous instances of non-compliance with the key legislation relating to the annual performance report and annual report, procurement and contract management and human resource management.
66. From the numerous instances of non-compliance with laws and regulations, material misstatements identified in the financial statements and deficiencies in the annual performance report, it can be concluded that the action plan developed to address the internal control deficiencies previously identified and communicated was not effective. The majority of the actions due were set as 30 June 2014, resulting in a number of the external audit findings reported in the previous year's management report reoccurring.



## **Financial and performance management**

67. Management did not maintain adequate record-keeping processes in support of complete and valid performance reporting. This was due to lack of proper documented performance information systems.
68. A lack of standard operating procedures has contributed to the lack of proper filing and maintaining of documents in support of valid, accurate and complete performance reporting.
69. Management has not implemented adequate controls to ensure that there is daily processing and reconciling of transactions to support valid, accurate and complete performance reporting.
70. Management did not prepare quarterly financial and performance reports to enable an adequate and regular review of the financial statements and performance reports throughout the year, thereby identifying emerging risks presented by the reporting framework for the preparation of the annual financial statements and the annual performance report.
71. Management has not carried out the commitments made of implementing monitoring processes to ensure compliance with laws and regulations, specifically relating to procurement and contract management.
72. Management has not ensured that the action plans developed to address the recurring non-compliance findings were implemented and monitored.

## **Governance**

73. The internal audit unit did not submit a risk-based audit plan for approval by the audit committee for the period under review, and did not review or audit the performance measures on a continuous basis and thus submit quarterly reports to the municipal manager and the audit committee.
74. Despite the assurances that work has been carried, no working papers could be provided to corroborate such claims and thus it could not be verified that the action plans were implemented.
75. Furthermore, the internal audit work was not performed in accordance with an internal audit plan and the legislative framework.
76. The audit committee has not reviewed the internal control environment at the municipality in order to communicate identified risks to the respective leadership. In addition, the audit committee did not oversee the effective functioning of the internal audit. As such, the municipality experienced a number of repeat audit findings relating to misstatements in the financial statement, annual performance report and compliance with laws and regulations.



77. Furthermore, the audit committee has not performed its duties as prescribed by the legislative framework, which is further compounded as it was not properly constituted as required by the legislative framework.

*Auditor - General*

Cape Town

28 November 2014



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## SECTION 5: RATINGS OF DETAILED AUDIT FINDINGS

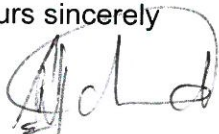
177. For the purposes of this report, the detailed audit findings included in annexures A to C have been classified as follows:

- Matters to be included in the auditor's report: These matters should be addressed as a matter of urgency.
- Other important matters: These matters should be addressed to prevent them from leading to material misstatements of the financial statements or material findings on the performance report and non-compliance with legislation in future.
- Administrative matters: These matters are unlikely to result in material misstatements of the financial statements or material findings on the performance report and non-compliance with legislation.

## SECTION 6: CONCLUSION

178. The matters communicated throughout this report relate to the three fundamentals of internal control that should be addressed to achieve clean administration. Our staff, remain committed to assisting in identifying and communicating good practices to improve governance and accountability and to build public confidence in government's ability to account for public resources in a transparent manner.

Yours sincerely



Sazi Ndwandwa  
Deputy Business Executive: Western Cape

28 November 2014

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