

### 4.3 INJURIES, SICKNESS AND SUSPENSIONS

The tables below reflect the statistics for the current year i.e. 2012/2013.

NOTE: The IOD reflected within the table below relates to an IOD job creation participant who was only paid for the days worked. Under these circumstances there were no financial implications for Council.

| Number and costs of injuries     |                          |                     |   |                                  |                             |
|----------------------------------|--------------------------|---------------------|---|----------------------------------|-----------------------------|
| Type of injury                   | Injury leave taken (IOD) | Employees using IOD | Proportion employees using sick leave % | Average injury per employee Days | Total estimate costs R '000 |
| Required basic medical attention | 15 days                  | 1                   | 0                                       | NIL                              | N/A                         |
| Temporary total disablement      |                          |                     |   |                                  |                             |
| Permanent Disabled               |                          |                     |   |                                  |                             |
| Fatal                            |                          |                     |   |                                  |                             |
| Total                            |                          | 1                   | 0                                       | NIL                              | N/A                         |

| Number of days and costs of Sick Leave (Excluding IOD) |                       |  |                                   |                                   |                                      | Estimated cost R '000 |
|--|-----------------------|--|-----------------------------------|-----------------------------------|--------------------------------------|-----------------------|
| Salary Band  | Total Sick Leave Days | Proportion of sick leave without medical certificate % | Number Employees using sick leave | total number of employees in post | Average sick leave per employee Days |                       |
| Levels 1-3   | 214                   | 0  | 28                                | 126                               | 1.69                                 | R52 766               |
| levels 4-8   | 267                   | 0  | 35                                | 137                               | 1.9                                  | R102 831              |
| Levels 9-12  | 209                   | 0  | 25                                | 85                                | 2.46                                 | R145 513              |
| Levels 13-15   | 10                    | 44%  | 3                                 | 12                                | .83                                  | R10 875               |
| Levels 16 - 25   | 25                    | 0  | 5                                 | 11                                | 2.3                                  | R41 573               |
| MM and s57   | 29                    |  |                                   | 6                                 | 4.8                                  | R94 034               |

### Comment on Injury and Sick Leave

Sick leave statistics do not show that sick leave is being abused or that there is a very high degree of sick leave occurring. In any instance where sick leave is taken the Leave Policy must be strictly applied and Sick Leave must be claimed prior or after the illness (depending on its nature). As per the prescriptions of policy a doctor's certificate is not required for a period less than 3 days unless there is a history of sick leave having been taken twice in a continuous 8 week period. If this is the case a certificate is required. A certificate is also required if a pattern begins to emerge and management may request this should this become evident. For any period greater than 2 consecutive days a sick leave certificate is required.

IOD's are required to be reported and managed strictly in accordance with the Occupational Health and Safety Policy in which the procedure is clearly stated. In this instance the IOD was managed in the manner required.

In instances where injuries / sick leave extend for long periods or are questioned, the organization reserves the right to have the injury/aspect of sick leave examined by a doctor of choice.

**NOTE:** If it becomes apparent that an employee is likely to be off for an extended period or medically boarded, the Pension Fund is required to be notified within 6 months of this "potential disability". Failure to do so could result in non-approval of future disability claims and liability from the municipality. It is suggested that notification conservatively begin at 3 months.

### Suspensions and Cases of Financial Misconduct:

NOTE: During this financial year only one suspension was applicable and this **did not exceed** the 4 month period.

| Number and Period of Suspensions |                               |                    |  |                |
|----------------------------------|-------------------------------|--------------------|--|----------------|
| Position                         | Nature of Alleged Misconduct  | Date of Suspension | Details of Disciplinary Action taken or Status of Case and Reasons why not Finalized | Date Finalized |
| Finance Intern                   | Dishonesty / Gross Negligence | 10 June 2013       | Still arranging disciplinary enquiry   | In progress    |

| Disciplinary Action Taken on Cases of Financial Misconduct |   |  |                   |
|--|---|--|-------------------|
| Position   | Nature of Alleged Misconduct and Rand value of any loss to the municipality | Disciplinary action taken                            | Date Finalised    |
| Debtors Officer  | Dishonesty / Gross negligence R45 069.65                                    | Still in process of arranging a disciplinary hearing | Not yet finalized |
| Finance Intern   | Dishonesty / Gross negligence R45 069.65                                    | Still in process of arranging a disciplinary hearing | Not yet finalized |
| Cashier  | Dishonesty / Gross negligence R45 069.65                                    | Still in process of arranging a disciplinary hearing | Not yet finalized |

**Comments on Suspensions and Cases of Financial Misconduct:**

NOTE: During this financial year only one suspension was applicable and this **did not exceed** the 4 month period.

#### 4.4 PERFORMANCE REPORTING AND REWARDS

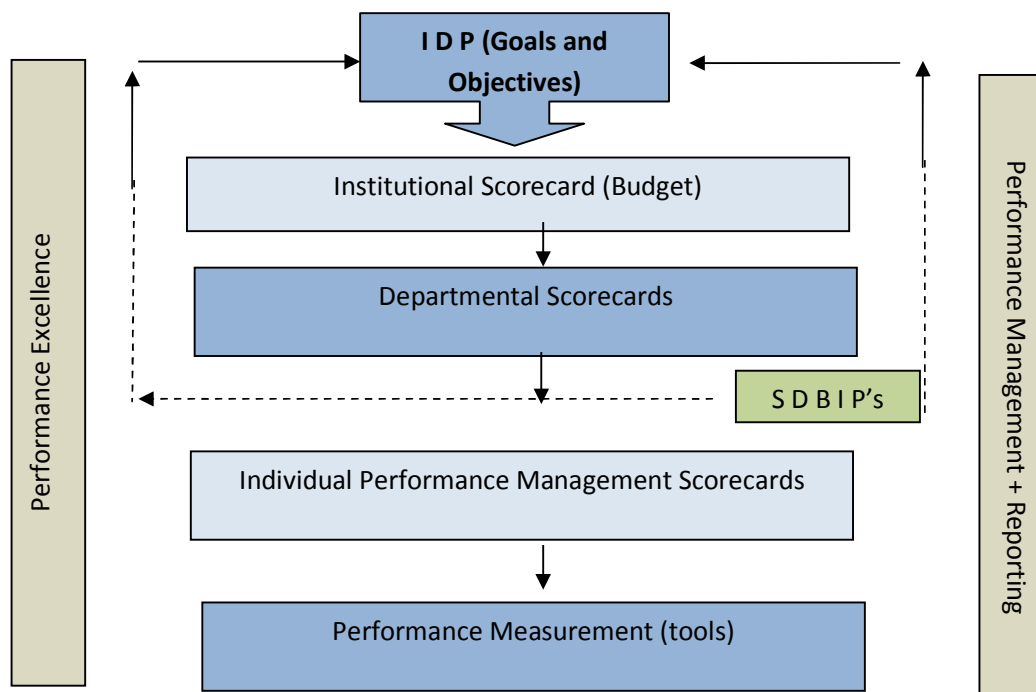
The Senqu Municipal Performance Management System was adopted by Council 11 March 2011. The purpose of this policy as reflected within the IDP (2011-2016) is to ensure good governance and to create a culture of performance and accountability.

At the outset it must be noted that this Performance Management System and Framework was developed in terms of the Municipal Planning and Performance Management Regulations of 2001.

This PMS Framework and System utilized by Senqu Municipality represents a system that has been modified and adapted to suite the unique circumstances pertaining to this municipality and commensurate with its resources.

An integrated approach to Performance Management is followed and performance is planned and assessed at both the employee and organisational levels. It is clear that these two areas are not mutually exclusive and have an interdependency – the organisation relying on the employees to meet required targets and in this manner informing performance targets directly.

The interdependency and integrated approach is reflected within the diagram below:



As per the diagram it is noted that:

- The IDP provides the 5-year strategic plan for the municipality;
- The IDP is reviewed annually and an updated set of IDP objectives are established. These will direct performance objectives and goals for the current year;
- Directorates align their objectives to the strategic objectives of the organisation, which in turn are adjusted/modified to suit available resources and budget;
- Directorates develop their Service Delivery and Budget Implementation Plans (SDBIP's) based on IDP objectives and alignment occurs between the IDP, Budget and SDBIP;
- In order to ensure that the SDBIP targets are achieved, these are translated further into performance scorecards for the s56 managers and to participating levels below this, i.e. translated to the employee level.

Note: Currently this system is only applicable to the s56 managers – plans to cascade this to lower levels has to date not been successful.

Institutional Performance is assessed by taking into account formal regulatory reporting and reporting on the institution overall.

The benefit of this integrated approach to performance management is the ability to identify performance challenges and to take appropriate remedial action to resolve shortfalls in performance – thereby facilitating that performance takes place in the manner required.

- Prior to the beginning of the new financial year, the strategic objectives of the organisation (as per IDP) are translated into directorate objectives and finally cascaded into the scorecards of managers/employees further down;
- S56 managers review and agree to their performance agreements and scorecards annually and these are aligned to the IDP, SDBIP and Budget;
- Managers and subordinates discuss development needs based on performance objectives at the start of each year (as per Skills Audit ) in order to establish where required training and development is required in order to be able to meet required objectives;
- As per the PMS Cycle for employees (from 1 July – 30 June annually) formal discussions and assessment regarding actual performance and challenges are required. These quarterly activities are reflected in the table below;

At the individual level the following process is conducted:

| ACTIVITY                          | TIMEFRAMES APPLICABLE |
|-----------------------------------|-----------------------|
| Coaching                          | July – September      |
| 1 <sup>st</sup> Formal Assessment | October – December    |
| Coaching                          | January – March       |
| Final Formal Assessment (Annual)  | April - June          |

**Note:** As per the above table, a different type of assessment is conducted each quarter.

- During coaching and assessment (Quarter 1 and Quarter 3) the supervisor and the manager meet and discuss progress and shortcomings that are identified. Action Plans are developed and agreed to in order to ensure that the required targets can be met moving forward;
- During the first formal assessment (after 6 months) the ability to meet required targets for the period 1 July – 31 December is examined and discussed between the manager and subordinate; and appropriate action taken to resolve any issues;
- During the final assessment (which takes place after the final Annual Report is approved so as to ensure that all information has been audited), a deserving employee may qualify to receive a performance bonus based on the terms and conditions of the approved framework and policy. It must be noted that performance assessments (as per the panel assessment) relate to a consolidated assessment of performance as applicable to the entire year under review. Employees being assessed are required to develop and provide a consolidated portfolio of evidence, detailing supportive documentation to verify all claims of performance. The failure to provide appropriate evidence will result in the lowest score possible. According to the rating scale outcomes, the employee (at this point the s56 manager) will be eligible to receive a performance bonus, but no payment will be made prior to the results being audited and prior to ensuring that the final draft of the Annual Report has been audited – thereby ensuring that all assessment is based on verified data.

#### **Employee PMS Progress (A comparison and progress between 2011/2012 and 2012/2013)**

##### **During the 2011/2012 period:**

- PMS was applicable to s56 employees only
- Performance scorecards were written and submitted but the quality of scorecards was in question;
- Quality of scorecards and poorly worded targets affected the ability to assess performance;
- Performance assessment was poor (little consolidation in reporting)
- Assessments were conducted but quality was questionable; and

- There appeared to be a lack of commitment to PMS generally and specifically in respect of the manner in which reporting and assessment was required to take place.

**During the 2012/2013 period, great progress has been made and this is reflected as follows:**

Progress has been made in respect of employee PMS this financial year and the successes and challenges are summarised as follows;

- The draft PMS Policy was developed and was submitted to top management for their input/comments;
- Submission of the Policy to the LLF was delayed due to other administrative priorities; but is critical in order to ensure successful implementation;
- The roll-out of PMS to the level below the s56 level has been planned and was to be implemented in the new financial year but postponed due to the lack of funding;
- Performance Agreements were signed timeously in the first quarter
- Assessment of performance for the s56 managers and quarterly reporting has been completed to the extent that performance was assessed, the portfolio of evidence files were prepared and the quarterly performance reports were completed. Completion of this target in its entirety has been challenging and achievements were not always strictly in accordance with the PMS policy prescriptions. In this regard, 2 formal assessments took place. The first mid-year assessment used the s72 report (although applicable, this was not the manner in which the assessment was prescribed to take place). For Quarter 4 a panel assessment was convened, but could only occur after approval of the 2011/2012 Annual Report i.e. after 31 March 2013. First and third quarter reporting was accommodated by the SDBIP reports and although related, this was not the formal manner in which reporting was required to occur (i.e. in terms of policy prescriptions).
- Overall it is clear that there is a challenge experienced in respect of the quality of reporting and the adherence to timeframes. A compliance memorandum in respect of this was issued.
- The final performance assessments did not take place timeously and as a result the PMS report has not been submitted timeously. Delays in this regard can be attributed to the Hawks investigation.

**Institutional PMS Progress**

**During 2011/2012 period it is noted that improvements in reporting at the institutional level did occur:**

- Quarterly SDBIP reporting was duly completed and submitted as required;
- Performance reporting occurred monthly via standing committees;
- Oversight Reporting occurred as required although timeframes were not always met;

- The final IDP was reviewed and adopted 31 May 2012 and a high score of recognition was received from the MEC for 2<sup>nd</sup> year running.
- A SEBATA module accommodating PMS was developed in order to provide electronic support to related PMS processes. This was not fully functional within this period (with only the SDBIP and scorecards captured on the system)

**During the 2012/2013 period it is noted that:**

- The draft SDBIP (aligned to the IDP) was developed and tabled to the Mayor 14 days after the budget was tabled;
- The Mayor approved the SDBIP within 28 days of the adoption of the budget;
- Quarterly SDBIP reports were developed and submitted;
- As required the s72, s46 and Annual Report for this period has been submitted timeously with all having been audited as required (with good alignment);
- The IDP was reviewed timeously and the objectives for 2012/2013 accommodated within the SDBIP and scorecards; and
- All oversight reporting was conducted as required by the Internal Audit Committee and MPAC and ultimately the Auditor-General's office.

**Rating and assessing individual employee performance**

Following the fourth quarter and after approval of the Annual Report the formal assessment takes place.

Performance evaluation panels are constituted in terms of the Performance Management Regulations and performance is rated according to the rating calculator. During this process, each member of the assessment panel scores each indicator individually (on the scale of 1 to 5). The PMS Facilitator /Coordinator collates all the scores received and presents a consolidated report which will be used to produce a final rating that is required to be ratified by Council before being accepted.

Based on the final score (out of 200 points), a bonus award may be applicable based on a sliding scale of 5-14% as provided by the Regulations. This bonus (if applicable) is required to be approved by Council and any bonus can only be awarded after the Annual Report is approved by Council and has in this manner been verified and approved by the Auditor General's office. It is a misconception, that if an organization receives a qualified audit report that no bonuses are allowed to be paid. It is noted that the assessment of performance for every s57 Manager will be specifically based on his/her KPA's and CMC's. Based on these results (not the organization), the performance bonus will either be found to be applicable or not.

All performance claims are required to be validated and as such each manager is required to present a detailed Portfolio of Evidence containing all supporting documentation/material that validates all actual claims of performance. In the absence of evidence no score could be



awarded and it must be noted that all scores made by the panelist would ultimately be validated by an Audit Committee that would sit expressly for this purpose.

### **Management of Poor Performance**

Poor performance will be managed through on-the-job coaching. Failing to improve will result in action as specified within performance contracts and agreements (for fixed-term contracts) or for other employees, in accordance with the Disciplinary and Procedure Code.

In order to rate performance achieved, the following [rating calculator](#) is used and each indicator is rated from a 1 to 5::

| Level | Terminology                                  | Description   |
|-------|--|---|
| 5     | Outstanding performance                      | Performance far exceeds the standard expected of an employee at this level. The appraisal indicates that the employee has achieved above the fully effective results against all performance criteria and indicators as specified in the PA and Performance Plan and maintained this in all areas of responsibility throughout the year.  |
| 4     | Performance significantly above expectations | Performance is significantly higher than the standard expected in the job. The appraisal indicates that the employee has achieved above fully effective results against more than half of the performance criteria and indicators and fully achieved all others throughout the year.  |
| 3     | Fully effective                              | Performance fully meets the standards expected in all areas of the job. The appraisal indicates that the employee has fully achieved effective results against all significant performance criteria and indicators as specified in the PA and Performance Plan.   |
| 2     | Performance not fully effective              | Performance is below the standard required for the job in key areas. Performance meets some of the standards expected for the job. The review / assessment indicates that the employee has achieved below fully effective results against more than half the key performance criteria and indicators as specified in the PA and Performance Plan.   |
| 1     | Unacceptable performance                     | Performance does not meet the standard expected for the job. The review / assessment indicates that the employee has achieved below fully effective results against almost all of the performance criteria and indicators as specified in the PA and Performance Plan. The employee has failed to demonstrate the commitment or ability to bring performance up to the level expected in the job despite management efforts to encourage improvement. |

The rating is finally translated into a score and depending on the final score achieved the incumbent may qualify to receive a bonus. Bonuses are paid out as a percentage of the all – inclusive remuneration package as follows:

| <b>Performance Score</b> | <b>Performance Bonus</b> |
|--------------------------|--------------------------|
| <b>150% +</b>            | 10% – 14%                |
| <b>130% to 149%</b>      | 5% – 9%                  |

Accordingly:

- A score of 130-133.99 receives a bonus of 5%
- A score of 134-137.99 for example would receive a bonus of 6% as per the sliding scale above and detailed in the table below; and
- Any score of 166 and above receives a fully bonus of 14% of the all-inclusive remuneration package.

**TABLE: Sliding Bonus Scale**

| Performance Score | % Bonus |
|-------------------|---------|
| 130               | 5       |
| 134               | 6       |
| 138               | 7       |
| 142               | 8       |
| 146               | 9       |
| 150               | 10      |
| 154               | 11      |
| 158               | 12      |
| 162               | 13      |
| 166+              | 14      |

**Final Reporting: Employee Performance**

Within 14 days of concluding the assessment of the MM's performance, the results thereof will be submitted to the MEC for Eastern Cape Local Government and the National Minister for Local Government.

**NOTE: No final formal assessment will be conducted until the Annual Report is finally approved and therefore the data contained within the Annual Report will have been audited --- thereby verifying statistics and performance claims on which the assessments will be based.**

### Institutional Performance Management

Chapter 12 of the Municipal Finance Management Act, Act No. 56 of 2003 requires that comprehensive performance reporting is conducted as per the prescriptions that are detailed in the following table:

| ASSESSMENT REPORT                              | TIMEFRAME                         | SUBMITTED TO                      | REQUIRED BY  |
|--|-----------------------------------|-----------------------------------|--|
| SDBIP's  | Quarterly                         | Exco                              | MFMA, Circular 13                                      |
| Budget Statements                              | Monthly                           | Mayor (in consultation with Exco) | S71 & s54 of the MFMA                                  |
| Organisational Scorecard                       | Quarterly                         | Exco                              | PMS Framework  |
| SDBIP Mid-year budget & Performance Assessment | Annually during January each year | Mayor (in consultation with Exco) | S71 & s54 of the MFMA                                  |
| Performance Report                             | Annually                          | Council                           | S46 of MSA as amended. Incorporated into Annual Report |
| Annual Report                                  | Annually                          | Council                           | Circular 63 and Chapter 12 of the MFMA                 |

The accuracy of all data reflected within these reports is ultimately verified through various processes of auditing.

| Performance Rewards by Gender (2012/2013)  |                     |                                    |                         |                                     |  |
|--|---------------------|------------------------------------|-------------------------|-------------------------------------|--|
| Designations   | Beneficiary Profile |                                    |                         |                                     |  |
|  | Gender              | Total number of employees in group | Number of beneficiaries | Expenditure on rewards Year 1 R*000 | Proportion of beneficiaries within group % |
| Basic (Levels 1-3)   | Female              | 0                                  | 0                       | 0                                   | 0%   |
|  | Male                | 0                                  | 0                       | 0                                   | 0%   |
| Discretionary (Levels 4-8)   | Female              | 0                                  | 0                       | 0                                   | 0%   |
|  | Male                | 0                                  | 0                       | 0                                   | 0%   |
| Specialized (Levels 9-13)  | Female              | 0                                  | 0                       | 0                                   | 0%   |
|  | Male                | 0                                  | 0                       | 0                                   | 0%   |
| Tactical (Levels 14- 18)   | Female              | 0                                  | 0                       | 0                                   | 0%   |
|  | Male                | 0                                  | 0                       | 0                                   | 0%   |
| Strategic levels (19-25)   | Male                | 0                                  | 0                       | 0                                   | 0%   |
|  | Female              | 0                                  | 0                       | 0                                   | 0%   |
| MM & s57   | Female              | 2                                  | 2                       | 0                                   | 0%   |
|  | Male                | 4                                  | 4                       | 0                                   | 0%   |
| <b>Total</b>   |                     | <b>6</b>                           | <b>6</b>                | <b>0</b>                            | <b>0%</b>                                  |
| Has the statutory municipal calculator been used as part of the evaluation process?  |                     |                                    |                         |                                     | Yes  |
| <i>Note: MSA 2000 S51(d) requires that.....'performance plans, on which rewards are based should be aligned with the IDP'.... (IDP objectives and targets are set out in Chapter 3) and that Service Delivery and Budget Implementation Plans (developed under MFMA S69 and Circular 13) should be consistent with the highest level IDP targets and must be incorporated appropriately in personal performance agreements as the basis of performance rewards. Those with disability are shown in brackets '(x)' in the 'Number of beneficiaries' column as well as in the numbers at the right hand side of the column (as illustrated above).</i> |                     |                                    |                         |                                     |  |

No final assessment is conducted until the annual report is finally approved i.e. after data contained within the Annual Report has been audited and verified. By doing so the credibility is maintained and data is verified.

### Comment on Performance Rewards

The Performance Management Policy that is approved and applied within Senqu Municipality currently is only applicable to the s56 managers. The performance cycle extends from 1 July – 30 June annually. Performance is assessed quarterly and actual performance is required to be measured against the required targets as reflected within the s56 manager's performance agreements and scorecards.

Assessment takes place quarterly and actual performance is evaluated against performance targets for the appropriate period. During the final assessment (which takes place only after the final Annual Report is approved (in order to ensure that the final information has been audited), a deserving employee may qualify to receive a performance bonus based on the terms and conditions of the approved framework and policy. It must be noted that performance assessments (as per the panel assessment) relate to a consolidated assessment of performance as applicable to the entire year under review. Employees being assessed are required to develop and provide a consolidated portfolio of evidence, detailing supportive documentation to verify all claims of performance. Failure to provide appropriate evidence will result in the lowest score possible. According to the rating scale outcomes, the employee (at this point the s56 manager) will be eligible to receive a performance bonus, but no payment will be made prior to the results being audited and prior to ensuring that the final draft of the Annual Report has been audited – thereby ensuring that all assessment is based on verified data.

The table above reflects the final outcomes of the performance assessed and details statistics regarding those that received an award (detailed by Gender).

The Formal Panel Performance Evaluation 2011/2012 have been postponed due to the unrest in Sterkspruit and other pending investigations. The assessment is planned to take place on 4 September 2013.

| Performance Rewards by Gender (2010/2011) |                     |                                    |                         |                                     |  |
|---|---------------------|------------------------------------|-------------------------|-------------------------------------|--|
| Designations                              | Beneficiary Profile |                                    |                         |                                     |  |
|   | Gender              | Total number of employees in group | Number of beneficiaries | Expenditure on rewards Year 1 R*000 | Proportion of beneficiaries within group % |
| MM & s57                                  | Female              | 2                                  | 2                       | 212 698                             | 100%                                       |
|   | Male                | 4                                  | 4                       | 804 492                             | 100%                                       |
| <b>Total</b>                              |                     | <b>6</b>                           | <b>6</b>                | <b>0</b>                            | <b>100%</b>                                |

## COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

### Introduction to Workforce Capacity Development

Senqu Municipality fully understands and is committed to developing and capacitating all Councillors, management and staff who work within this organisation in an effort to ensure that they function effectively and efficiently at all times. Accordingly and within both periods under review (past and current) all the prescribed activities relating to skills development were undertaken. More specifically, the Skills Audit was conducted, the WSP was compiled and approved, the implementation of the WSP was detailed in quarterly implementation reports and every effort made to accommodate training according to the current budget.

As required, the Workplace Skills Plan was compiled for the 2012/2013 financial year. This was adopted by Council (after having been signed off by SAMWU and IMATU).

Within both financial years it is noted that the SDF was appointed, the WSP was developed and approved, the training was implemented in terms of the WSP and it appears that progress was made in a number of areas.

Training and development initiatives were undertaken in accordance with the WSP. Notwithstanding, it must be noted that during this period a number of challenges were experienced and these are reflected as follows:

- Training was not centralised. As a direct result it became difficult to capture and gain the evidence required regarding the training statistics and details regarding the training that was completed within other departments;
- It appeared that there was tendency of paying Subsistence and Travel claims from the training votes;
- The training budget for councillors was insufficient. As a direct consequence only a few councillors were able to be trained (especially when examining the high costs associated with their training provision; and
- Other training programmes for officials could not be implemented due to the fully depleted accommodation budget and unrest that was experienced within Sterkspruit.

Recognizing these challenges efforts to address these issues were considered and ultimately:

- An agreement was reached with the Finance Department and it was agreed that only the Director Corporate Services was able to authorize (through his signature) requisitions for any training. In the event that he would not be available, the HR Manager will be required to counter sign with the relevant Director. As a direct result all training programmes within the municipality would be approved by Corporate Services and according to the parameters and plans contained within the WSP. Under these circumstances it was anticipated that the

Annual Training Report of the Municipality would then reflect more accurately all trainings conducted and Corporate Services could then ensure that all training would be aligned with the WSP.



#### 4.5 SKILLS DEVELOPMENT AND TRAINING

| Skills Matrix   |        |                                     |                              |                         |                       |  |                         |                  |                              |                         |                  |                              |                         |                  |
|---|--------|-------------------------------------|------------------------------|-------------------------|-----------------------|--|-------------------------|------------------|------------------------------|-------------------------|------------------|------------------------------|-------------------------|------------------|
| Management Level  | Gender | Employee in post as at 30 June 2013 | Learnerships                 |                         |                       | Skills Programme and other Short Courses |                         |                  | Other Forms of Training      |                         |                  | Total                        |                         |                  |
|   |        | No.                                 | Actual End of Year June 2013 | Actual End of June 2012 | Year 2012/2013 Target | Actual End of Year June 2013             | Actual End of June 2012 | Year 2013 Target | Actual End of Year June 2013 | Actual End of June 2012 | Year 2013 Target | Actual End of Year June 2013 | Actual End of June 2012 | Year 2013 Target |
| MM and s57  | Female | 2                                   | 6                            | 1                       | 0                     | 0  | 0                       | 0                | 5                            | 0                       | 6                | 11                           | 1                       | 6                |
|   | Male   | 4                                   |                              |                         |                       |  |                         |                  |                              |                         |                  |                              |                         |                  |
| Councillors,  | Female | 17                                  | 7                            | 0                       | 20                    | 8  | 0                       | 37               | 30                           | 1                       | 37               | 45                           | 1                       | 94               |
|   | Male   | 20                                  |                              |                         |                       |  |                         |                  |                              |                         |                  |                              |                         |                  |
| Senior Managers   | Female | 4                                   | 1                            | 0                       | 1                     | 3  | 0                       | 0                | 7                            | 0                       | 0                | 11                           | 0                       | 2                |
|   | Male   | 4                                   | 0                            | 0                       | 0                     | 0  | 0                       | 0                | 0                            | 0                       | 0                | 0                            | 0                       | 0                |
| Technicians   | Female | 2                                   | 2                            | 1                       | 2                     | 2  | 0                       | 2                | 3                            | 0                       | 13               | 7                            | 1                       | 17               |
|   | Male   | 11                                  |                              |                         |                       |  |                         |                  |                              |                         |                  |                              |                         |                  |
| Professionals   | Female | 16                                  | 3                            | 2                       | 5                     | 14                                       | 14                      | 27               | 10                           | 1                       | 27               | 27                           | 17                      | 49               |
|   | Male   | 11                                  |                              |                         |                       |  |                         |                  |                              |                         |                  |                              |                         |                  |
| Sub Total   | Female | 41                                  |                              |                         |                       |  |                         |                  |                              |                         |                  |                              |                         |                  |
|   | Male   | 50                                  |                              |                         |                       |  |                         |                  |                              |                         |                  |                              |                         |                  |
| Total   |        | 182                                 | 19                           | 4                       | 28                    | 25                                       | 14                      | 64               | 55                           | 2                       | 83               | 101                          | 20                      | 168              |
| *Register with professional Associate Body e.g. CA (SA) |        |                                     |                              |                         |                       |  |                         |                  |                              |                         |                  |                              |                         |                  |

### Comment on Skills Development Expenditure

- The institutional training budget : R 1 025 324
- Actual expenditure: R 960 041.09 **(Including Bursaries for unemployed)**
- Variance: R65 282.91
- An amount of R70 433.63 was spent on bursaries for unemployed learners. Although not budgeted for, this was required in terms of an emergency and the municipality made plans to accommodate them. As this funding was insufficient the municipality accessed finance from numerous departmental training votes in order to pay the required fees. Funding was utilized as follows:
  - National Diploma in Information Technology R38 110.00;
  - National Diploma in Public Relations Practice R19 765-00;
  - National Diploma in Retail Business Management R888.63 and
  - National Diploma in Paralegal R11 670-00

**NB:** Detail regarding the original budget for the top management level in the employment category including legislators and senior management could not be provided. The training budget is allocated to various departments with different amounts. A separated the budget as per the department is available in order to be able to observe what was budgeted per department as well as the expenditure per employment category within each department.

An amount of R20 653 was paid from Technical Services training vote for training of unemployed.

Not all training monies for Technical services were spent due to the fact that subsistence & travelling funds were insufficient to pay for travelling for staff to go on training.

- An amount of R10 000 was paid out of finance training vote for training of Councillors
- An amount of R45099.82 was taken from IPME vote for bursaries for unemployed
- An amount of R3600 was used from community services for training of the SDF
- An amount of R8344 was paid out of community services vote for Councillors

| Financial Competency Development Report *  |   |   |                             |  |   |   |
|--|---|---|-----------------------------|--|---|---|
| Description  | A<br>Total number<br>of officials<br>employed by<br>municipality<br>(Regulation<br>14(4)(a) and<br>(c)) | B<br>Total number of<br>officials<br>employed by<br>municipal<br>entities<br>(Regulation<br>14(4)(a) and (c)) | Consolidated<br>total A & B | Consolidated<br>Competency<br>Assessments<br>completed for A<br>and B (Regulation<br>14(4)(b) and (d)) | Consolidated Total<br>Number of Officials<br>whose<br>Performance<br>Agreements<br>Comply with<br>Regulation 16<br>(Regulation<br>14(4)(f)) | Consolidated Total<br>Number of Officials<br>that meet<br>prescribed<br>competency<br>levels (Regulation<br>14(4)(e)) |
| Financial Officials  | 2   | 0   | 2                           | 0  | 0   | 0   |
| Accounting Officer   | 1   | 0   | 1                           | 0  | 1   | 0   |
| Chief Financial Officer  | 1   | 0   | 1                           | 0  | 1   | 0   |
| Senior Managers  | 4   | 0   | 4                           | 0  | 4   | 0   |
| Any other Financial Officials  |   |   |                             |  |   |   |
| SCM Officials  | 2   |   | 2                           | 0  | 0   | 0   |
| Heads of SCM Management Units  | 0   | 0   | 0                           | 0  | 0   | 0   |
| SCM Senior Managers  | 0   | 0   | 0                           | 0  | 0   | 0   |
| <b>Total</b>   |   |   |                             |  |   |   |
| <i>*This is a statutory report under the National Treasury: :Local Government<br/>MFMA(Competency Regulations) June 2007</i> |   |   |                             |  |   |   |

Note: Although the Municipal Manager has completed all the modules as per the minimum requirements, this information is still not uploaded by the LGSETA and as a result his status is still reflected incorrectly as not having completed the required training. It must be noted that all officials are currently busy completing their CPMD.

### Comment on the Financial Competency Regulations

On 15 June 2007, National Treasury published the Municipal Regulations on Minimum Competency Levels in Government (Gazette No. 29976). These Regulations went on to prescribe the higher education qualifications, work related experience and Financial and Supply Chain Management (SCM) competency areas that were required to be met by 31 December 2012 by all officials of South African municipalities/municipal entities who exercise financial management responsibilities. This deadline has subsequently been extended to 1 July 2014 for Special Merit Cases in terms of National Treasury Circular No. 60. To be considered a "Special Merit Case" the following criteria are to be considered and met:

- It must be applicable to officials currently employed within the municipality;
- To be considered, an official must be in the process of attaining the minimum competency level; and
- If approved, an official will have an extension up to eighteen months (1 July 2014).

The Certificate Programme in Municipal Finance Development was required to be obtained by the following officials to whom the competency level prescriptions apply nationally within local authorities:

- Accounting Officers – Municipal Managers;
- Chief Financial Officer's (CFO's);
- Senior Managers – Executive Directors;
- Heads of Supply Chain Management (SCM) Units – Directors : SCM; and
- Managers of Supply Chain Management Units – Assistant Directors: SCM.

At the inception of this project in 2008 it is noted that two (2) Directors (TS and CSS) and the Municipal Manager were registered with Wits Business School in an attempt to complete all of these modules. Not all modules were offered and accordingly those remaining were required to be completed at a later date from other institutions.

It must be noted that:

- the MM has completed the remainder of required modules;
- the Director: Technical Services has completed 7/8 modules and has enrolled with the Kgolo Institute for the remaining 6 unit standards;
- the Director Community Services has completed 9 modules and has enrolled for the remaining 6 unit standards with the Kgolo Institute;
- the Director IPME is currently registered for all required modules with the University of Fort Hare;
- the Director: Corporate services is currently registered with the Kgolo Institute for all the required modules; and
- The BTO and officials within the supply chain section are all currently registered with the Kgolo Institute in respect of the applicable modules as of 18 February 2013 until 11 October 2013.

NOTE: It is to be noted that the Chief Financial Officer is required to undergo RPL at the Kgolo Institute. Until such time as this arrangement is made no extension for the municipality will be permitted.

As is clearly apparent, the time frame for the minimum competency levels is long overdue .On the 12 April 2013 the application for consideration of Special Merits cases was submitted to the National Treasury as we were responding to MFMA circular no.60. The Municipality committed to fast track the programme for the required financial employees to complete their outstanding modules in order for them to meet the minimum competency levels by 31 of December 2013. The programme started on the 18 February 2013 until 31 October 2013. The PL of the CFO was never done due to non- accreditation in RPL qualification and also due to his non qualification. The CFO had to start from afresh and he is currently participating on the programme.

- During the previous financial year, (2011/2012) the report for CPMD minimum competency level was not handled within the office of skills development. This programme was financed together with the office of the Municipal Manager (The Chief Financial Officer was hands on in terms of reporting). The returns for S1 2011/12 financial year were submitted by finance, MM's Office and the Consultant.
- The office of the SDF assumed responsibility on the 3 March 2013 when she was taught by the officials from treasury department how to respond to the template. Since 3 of March 2013 the SDF has begun submitting the returns to the Treasury database.
- On 4 March 2013 the return for S2 2011/12 financial year was outstanding and the outstanding report had not been submitted and the SDF was now required to submit this, including S1 (July- December 2012/13) and S2( January –June 2013) financial year returns.
- The returns to Treasury are submitted on semester basis of each financial year up until there are officials that meet the prescribed competency levels. It must be noted that as per the template the National Treasury is focusing only on the critical employees i.e. the Municipal Manager, CFO and the financial officials that are in a managerial position and in the Supply Chain Management unit only. The senior managers are not included in the report that the SDF is submitting to the National Treasury as per the focus.
- While the supply chain management officials were originally 3 in number, one had resigned and the position is currently filled. The appointed person will be completing the few outstanding modules on the 2 September 2013 in order for him to meet the required competency levels.

**DISCLAIMER:**

- Notwithstanding the apparent successes, the accuracy of the statistics and data reflected in all instances were not audited by the coordinator of the report. The Coordinator of this Report was only able to reflect on the Information as provided by the Municipality, and will not therefore be liable for any inaccuracies/inconsistencies.

| SKILLS DEVELOPMENT EXPENDITURE (2012/2013) |        |  |                 |          |   |         |                         |        |                 |          |
|--|--------|--|-----------------|----------|---|---------|-------------------------|--------|-----------------|----------|
| Management Level                           | Gender | Employee No. as at the beginning of the financial year | Learnerships    |          | Skills Programmes and other short courses |         | Other Forms of training |        | Total           |          |
|  |        | No.  | Original Budget | Actual   | Original Budget                           | Actual  | Original Budget         | Actual | Original Budget | Actual   |
| MM   | Male   | 1  | R100 000        | 0        | 0   | 0       | 0                       | 0      |                 | R50 000  |
| Director : Corporate Services              | Male   |  | R283 260        |          |   |         |                         |        |                 | R189 943 |
| Director Technical                         | Male   |  | R126 352        |          |   |         |                         |        |                 |          |
| CFO  |        |  |                 |          |   |         |                         |        |                 |          |
| Director IPME                              | Female |  | R79 150         |          |   |         |                         |        |                 |          |
| Director Community Services                | Female |  | R104 802        |          |   |         |                         |        |                 |          |
| Legislators                                | Female | 17   | R230 000        | R133 764 | 0   | 0       | 0                       |        |                 | R133 764 |
|  | Male   | 20   |                 | R93 236  | 0   | 0       | 0                       |        |                 | R93 236  |
| Senior Managers Corporate                  | Female | 1  | R283 260        |          |   | R6 264  |                         |        |                 | R6 264   |
|  | Male   |  |                 |          |   |         |                         |        |                 |          |
| Municipal Managers Office                  | Female |  | R100 000        | R35 880  |   |         |                         |        |                 | R35 880  |
|  | Male   |  |                 |          |   |         |                         |        |                 |          |
| IPME                                       | Male   |  |                 |          |   |         |                         |        |                 |          |
|  | Female |  |                 |          |   |         |                         |        |                 |          |
| Technical                                  | Male   | 1  | R126 352        |          |   |         |                         |        |                 |          |
|  | Female |  |                 |          |   |         |                         |        |                 |          |
| Professional Corporate Services            | Female | 3  | R28 326 000     | R48 000  |   | R5 545  |                         |        |                 | R53 545  |
|  | Male   | 1  |                 |          |   | R18 892 |                         |        |                 | R18 892  |
| IPME Professional Services                 | Female | 4  | R79 150         | R27 000  |   |         |                         |        |                 | R27 000  |
|  | Male   |  |                 |          |   |         |                         |        |                 |          |

| SKILLS DEVELOPMENT EXPENDITURE (2012/2013) (Cont.) |        |  |                 |         |   |         |                         |        |                 |         |
|--|--------|--|-----------------|---------|---|---------|-------------------------|--------|-----------------|---------|
| Management Level                                   | Gender | Employee No. as at the beginning of the financial year | Learnerships    |         | Skills Programmes and other short courses |         | Other Forms of training |        | Total           |         |
|  |        | No.  | Original Budget | Actual  | Original Budget                           | Actual  | Original Budget         | Actual | Original Budget | Actual  |
| Community Professional Services                    | Males  | 3  | R104 802        | R11 830 | 0   | R41 719 | 0                       | 0      |                 | R41 719 |
|  | Female | 1  |                 | R11 830 |   |         |                         |        |                 |         |
| Finance Professional Services                      | Male   | 3  | R101 760        | R11 830 | 0   | 0       | 0                       | 0      | R6 999          | R6 999  |
|  | Female | 2  |                 | R11 830 |   | R11 830 |                         |        |                 | R11 830 |
| Technicians & Associate professionals              | Male   | 2  | R126 352        | R11 830 | 0   | 0       | 0                       | 0      | 0               | 0       |
|  | Female | 11   |                 | R11 830 |   | R31 300 |                         |        |                 | R31 300 |

| SKILLS DEVELOPMENT EXPENDITURE (2012/2013) (Cont.) |         |  |                 |        |   |         |                         |        |                 |            |
|--|---------|--|-----------------|--------|---|---------|-------------------------|--------|-----------------|------------|
| Management Level                                   | Gender  | Employee No. as at the beginning of the financial year | Learnerships    |        | Skills Programmes and other short courses |         | Other Forms of training |        | Total           |            |
|  |         | No.  | Original Budget | Actual | Original Budget                           | Actual  | Original Budget         | Actual | Original Budget | Actual     |
| Clerks Corporate                                   | Female  | 0  |                 |        |   | -       | -                       | -      | -               |            |
|  | Male    | 1  | R283260         |        |   | R 8 175 |                         |        |                 | R8 175.00  |
| Finance  | Female  | 5  | R               |        |   | R77516  | -                       | -      | -               | R77516     |
|  | Male    | 3  |                 |        |   |         |                         |        |                 |            |
| IPME   | Females | 1  | R               |        |   | -       | -                       | -      | -               | -          |
|  | Males   | 1  |                 |        |   |         |                         |        |                 | -          |
| Technical services                                 | females | 2  |                 |        |   | -       | -                       | -      | -               | -          |
|  | Males   | 2  |                 |        |   |         |                         |        |                 |            |
| Community services                                 | males   | 0  | R104802         |        |   |         | -                       | -      | -               |            |
|  | females | 1  |                 |        |   | 7990    |                         |        |                 | 7990       |
| MM's office  | Females | 3  |                 |        |   | --      | -                       | -      | -               |            |
|  | males   | 0  |                 |        |   |         |                         |        |                 |            |
| Service & Sales Workers Finance                    | Female  | 4  | -               | -      |   | -       |                         |        | -               |            |
|  | Male    | 1  |                 |        |   |         |                         |        |                 |            |
| Community  | female  | 2  | R104802         |        |   |         |                         |        | R8 900          | R8 900     |
|  | Males   | 2  |                 |        |   |         |                         |        | R 11 800        | R 11 800   |
| Plant & Machine Operators & Assemblers Technical   | Female  | 0  | R126 352        | -      | -   | -       | -                       | -      | -               | -          |
|  | Male    | 8  |                 | -      | -   | R15 200 | -                       | -      | -               | R15 200    |
| Community  | Males   | 18   | R 104802        | -      | -   | -       | -                       | --     |                 | -          |
|  | Females | 0  |                 |        |   |         |                         |        |                 |            |
| Technical Elementary                               | Male    |  |                 |        |   | 28230   |                         |        |                 | 28230      |
| Elementary Occupations Corporate                   | Female  | 3  | R283260         |        |   | -       | -                       | -      |                 |            |
|  | Male    | 2  |                 |        |   |         |                         |        |                 |            |
| Community Services                                 | Female  | 33   | R79 150         | -      | -   | R11479  | -                       | -      | -               | R11479     |
|  | Males   | 65   |                 |        |   |         |                         |        |                 |            |
| Sub Total  | Female  | 87   |                 |        |   |         |                         |        |                 |            |
|  | Male    | 151  |                 |        |   |         |                         |        |                 |            |
| Total  |         |  |                 |        |   |         |                         |        |                 |            |
|  |         |  |                 |        |   |         |                         |        | *%              | R869662.86 |

\*% and \*Rand value of Municipal salaries (original budget) allocated for Work Place Skills Plan



### Comment on Skills Development Expenditure

- The institutional training budget : R 1 025 324
- Actual expenditure: R 960 041.09 **(Including Bursaries for unemployed)**
- Variance: R65 282.91
- An amount of R70 433.63 was spent on bursaries for unemployed learners. Although not budgeted for, this was required in terms of an emergency and the municipality made plans to accommodate them. As this funding was insufficient the municipality accessed finance from numerous departmental training votes in order to pay the required fees. Funding was utilized as follows:
  - National Diploma in Information Technology R38 110.00;
  - National Diploma in Public Relations Practice R19 765-00;
  - National Diploma in Retail Business Management R888.63 and
  - National Diploma in Paralegal R11 670-00

**NB:** Detail regarding the original budget for the top management level in the employment category including legislators and senior management could not be provided. The training budget is allocated to various departments with different amounts. A separate the budget per the department is available in order to be able to observe what was budgeted per department as well as the expenditure per employment category within each department. More specifically:

- Technical Services
  - An amount of R20 653 was paid from this training vote for training of unemployed.
  - Not all training monies for Technical services were spent, due to the fact that subsistence and travelling funds were insufficient to pay for staff to go on training.
- Financial Services
  - An amount of R10 000 was paid out of finance training vote for training of Councillors
- IPME
  - An amount of R45099.82 was taken from IPME vote for bursaries for unemployed
- Community Services
  - An amount of R3600 was used from community services for training of the SDF
  - An amount of R8344 was paid out of community services vote for Councillors

A total of 119 employed persons were trained i.e. 80 males and 39 females. During the same period (2012/2013) a total of 132 unemployed persons were trained.

**Areas of training priority for the year are reflected as follows:**

- Employment Equity
- Intermediate Occupational Health and Safety
- Environmental Management
- TLB Operator Machine
- Excavator Operator Machine
- Electricity ( Trade Test)
- Electricity N2 Equivalent
- Examiner Course
- Intelligence Transfer
- Pay Roll Tax
- Basic First Aid
- Environmental Management training
- Records Management
- Supervisory Skills Management
- Management and Development Leadership
- Supply Chain Management
- Public Participation Management
- Local Government Law and Administration Law
- Debtors in Local Government Accounting
- Certificate in Programme Management and Development
- MPAC
- Grant Management System
- Local Government Ward Committee
- ND Information System
- ND in Public Relations Practise
- ND in Retail Management
- ND in Paralegal
- Intelligence Transfer

### Training Committee

The Training Committee met regularly (quarterly) to discuss and decide/approve training related issues. As a consultative forum this committee was comprised of the following representatives:

- Skills Development Facilitator
- Portfolio Head of Corporate Services (Chairperson)
- Speaker
- Director Corporate Services
- Human Resource & Labour Relations Manager
- IDP Officer
- HR Officer
- Acting Superintendent
- Accountant: Expenditure (Deputy Chair)
- SAMWU Representative (90%)
- Personal Assistant in Community Services
- IMATU Representative (10%)
- Chief Operations Officer
- SPU Officer
- Internal Auditor

Note: Notwithstanding the apparent successes, the accuracy of the statistics and data reflected in all instances, are still to be validated and verified. Statistics and figures do not correspond between reports, so these are to be validated and verified.

## **COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE**

### Introduction to Workforce Expenditure

An organisation is required to manage all resources in the most effective manner and this would include the financial management thereof (i.e. workforce expenditure). In an effort to institute and maintain effective controls (thereby minimizing opportunities to overspend), strict adherence to policy and procedure is required. In this regard no appointments are made without the appropriate approval and ensuring that the budget is allocated accordingly. Budgets are strictly controlled and over and/or under expenditure is reported on regularly (via monthly reporting). Staff appointments are made strictly according to the relevant legislation and/or policy agreement. Staffing issues rely on forward planning and ensuring that the correct appointments to the relevant post are made.

## 4.6 EMPLOYEE EXPENDITURE

### Trends on total personnel expenditure (2006/2013)

| FINANCIAL YEARS | TOTAL APPROVED OPERATING BUDGET | PERSONNEL EXPENDITURE (SALARY AND SALARY RELATED) | PERCENTAGE OF EXPENDITURE |
|-----------------|---------------------------------|---|---------------------------|
| 2006-2007       | 52 589 227                      | 18 008 309  | 34%                       |
| 2007-2008       | 71 589 227                      | 20 168 753  | 28%                       |
| 2008 - 2009     | 76 525 928                      | 25 909 676  | 34%                       |
| 2009 - 2010     | 88 602 942                      | 29 794 492 (re stated)                            | 34%                       |
| 2010 - 2011     | 162 817 822                     | 43 121 392  | 26.48%                    |
| 2011 – 2012     | 164 315 116                     | 54 025 255  | 32.88 %                   |
| 2012 – 2013     | 155 388 122                     | 56 561 813  | 36.4%                     |

### Comment on Workforce Expenditure

The 2012/2013 period was characterized by a great deal of restructuring and all the related activities such as benchmarking (according to TASK), developing Job Descriptions for each post and efforts to recruit and select appropriate staff for vacant n posts.

A great deal of “long overdue” staff appointments were made to vacant funded posts and this well explains the sudden increase in total personnel expenditure. Analysis must therefore take into account the implications of filling required critical posts and the fact that in the short-term this will be perceived as an increase in staff expenditure.

.....

| Number of Employees whose salaries were increased due to their Positions being Upgraded |        |           |
|---|--------|-----------|
| Beneficiaries   | Gender | Total     |
| Levels 1-3  | Female | 2         |
|   | Male   | 0         |
| levels 4-8  | Female | 8         |
|   | Male   | 8         |
| Levels 9-12   | Female | 5         |
|   | Male   | 6         |
| Levels 13-15  | Female | 1         |
|   | Male   | 0         |
| Levels 16 – 25  | Female | 0         |
|   | Male   | 0         |
| MM and s57  | Female | 0         |
|   | Male   | 0         |
| <b>Total</b>  |        | <b>30</b> |

| Employees Whose Salary Levels Exceed the Grade Determined by Job Evaluation |                  |                                   |                    |   |
|---|------------------|-----------------------------------|--------------------|---|
| Occupation /Post designation  | No. of Employees | Job Evaluation Level (Task grade) | Remuneration Level | Reason for deviation  |
| Driver of Mayor   | 1                | 7                                 |                    | Task level grade evalauted lower than the present grade of the employees post = contratual to incumbent |
| Personnel Clerk   | 1                | 7                                 |                    | Task level grade evalauted lower than the present grade of the employees post = contratual to incumbent |
| SDF   | 1                | 10                                |                    | Task level grade evalauted lower than the present grade of the employees post = contratual to incumbent |
| Senior Admin Officer  | 1                | 11                                |                    | Task level grade evalauted lower than the present grade of the employees post = contratual to incumbent |
| Records/Archive Clerk   | 1                | 7                                 |                    | Task level grade evalauted lower than the present grade of the employees post = contratual to incumbent |
| Receptionist  | 1                | 5                                 |                    | Task level grade evalauted lower than the present grade of the employees post = contratual to incumbent |
| Messenger/cleaner/gerdener  | 3                | 2                                 |                    | Task level grade evalauted lower than the present grade of the employees post = contratual to incumbent |
| Fleet control assistant   | 1                | 3                                 |                    | Task level grade evalauted lower than the present grade of the employees post = contratual to incumbent |
| Admin Clerk: Data Collection  | 2                | 6                                 |                    | Task level grade evalauted lower than the present grade of the employees post = contratual to incumbent |
| Electrician   | 1                | 12                                |                    | Task level grade evalauted lower than the present grade of the employees post = contratual to incumbent |
| Superintendent Roads  | 1                | 12                                |                    | Task level grade evalauted lower than the present grade of the employees post = contratual to incumbent |
| General Assistants  | 33               | 2                                 |                    | Task level grade evalauted lower than the present grade of the employees post = contratual to incumbent |
| Light Plant Operator  | 1                | 4                                 |                    | Task level grade evalauted lower than the present grade of the employees post = contratual to incumbent |

/cont.

| Employees Whose Salary Levels Exceed the Grade Determined by Job Evaluation (cont.) |                  |                                   |                    |  |
|---|------------------|-----------------------------------|--------------------|--|
| Occupation /Post designation  | No. of Employees | Job Evaluation Level (Task grade) | Remuneration Level | Reason for deviation   |
| ISD   | 1                | 10                                |                    | Task level grade evaluated lower than the present grade of the employees post = contractual to incumbent |
| Departmental Secretary  | 2                | 7                                 |                    | Task level grade evaluated lower than the present grade of the employees post = contractual to incumbent |
| Waste management officer  | 1                | 12                                |                    | Task level grade evaluated lower than the present grade of the employees post = contractual to incumbent |
| Access controller:waste side  | 1                | 4                                 |                    | Task level grade evaluated lower than the present grade of the employees post = contractual to incumbent |
| Supervisor  | 2                | 11                                |                    | Task level grade evaluated lower than the present grade of the employees post = contractual to incumbent |
| Accountant Expenditure  | 1                | 13                                |                    | Task level grade evaluated lower than the present grade of the employees post = contractual to incumbent |
| Meter reader  | 1                | 5                                 |                    | Task level grade evaluated lower than the present grade of the employees post = contractual to incumbent |
| Cashier   | 2                | 5                                 |                    | Task level grade evaluated lower than the present grade of the employees post = contractual to incumbent |
| IDP Coordinator   | 1                | 14                                |                    | Task level grade evaluated lower than the present grade of the employees post = contractual to incumbent |
| Agricultural officer  | 1                | 11                                |                    | Task level grade evaluated lower than the present grade of the employees post = contractual to incumbent |
| Tourism Officer   | 1                | 11                                |                    | Task level grade evaluated lower than the present grade of the employees post = contractual to incumbent |
| SPU officer   | 1                | 10                                |                    | Task level grade evaluated lower than the present grade of the employees post = contractual to incumbent |

| Employees appointed to posts not approved |       |                     |               |  |
|---|-------|---------------------|---------------|--|
| Department                                | Level | Date of appointment | No. appointed | Reason for appointment when no established post exists |
| None / Not applicable                     |       |                     |               |  |

**Disclosures of Financial Interest (Refer Appendix J)**

Reference is made to Appendix J which details all information as required.

## **CHAPTER 5**

### **FINANCIAL PERFORMANCE**



# CHAPTER 5: FINANCIAL PERFORMANCE

## Introduction to Financial Performance

As the global economic uncertainty and rising costs cause inflationary pressures on the municipality, due care is exercised in order to ensure that effective financial management is maintained. In this regard every effort is made to ensure that systems and procedures are in place to ensure that there are sound fiscal controls and an environment that promotes effective financial management and minimizes fruitless and wasteful expenditure. The municipality also ensures that operations are properly controlled to ensure the efficient and effective delivery of services to our consumers.

## COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

### Introduction to Financial Statements

Statements of Financial Performance are reflected in the tables that follow. Note: Reference is made to **Appendix K** in which “Statements of Revenue Collection Performance by Vote and by Source” are included.

This component provides an overview of the financial performance of the municipality and focuses on the financial health of the municipality.

## 5.1 STATEMENTS OF FINANCIAL PERFORMANCE – COMPARISON WITH PREVIOUS YEAR ACTUALS

| SENQU MUNICIPALITY   |                    |                                     |                          |
|--|--------------------|-------------------------------------|--------------------------|
| STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013 |                    |                                     |                          |
|  | 2013               | 2012                                | 2012                     |
| Notes  | R                  | Restated - Note 36 and Note 37<br>R | Previously Reported<br>R |
| <b>REVENUE</b>   |                    |                                     |                          |
| Revenue from Non-exchange Transactions                             | 130 328 670        | 133 973 865                         | 133 965 867              |
| <b>Taxation Revenue</b>  | <b>4 311 689</b>   | <b>4 001 011</b>                    | <b>4 001 011</b>         |
| Property taxes <a href="#">22</a>                                  | 4 311 689          | 4 001 011                           | 4 001 011                |
| <b>Transfer Revenue</b>  | <b>123 760 561</b> | <b>129 922 399</b>                  | <b>129 914 401</b>       |
| Government Grants and Subsidies - Capital <a href="#">23</a>       | 20 143 049         | 22 106 014                          | 22 106 014               |
| Government Grants and Subsidies - Operating <a href="#">23</a>     | 103 398 274        | 107 758 386                         | 107 758 386              |
| Public Contributions and Donations                                 | -                  | 50 000                              | 50 000                   |
| Contributed Assets   | 219 238            | 7 998                               | -                        |
| <b>Other Revenue</b>   | <b>2 256 420</b>   | <b>50 455</b>                       | <b>50 455</b>            |
| Actuarial Gains  | 2 079 250          | -                                   | -                        |
| Fines  | 65 462             | 50 455                              | 50 455                   |
| Third Party Payments   | 111 708            | -                                   | -                        |
| <b>Revenue from Exchange Transactions</b>                          | <b>41 062 168</b>  | <b>31 142 423</b>                   | <b>31 129 970</b>        |
| Service Charges <a href="#">24</a>                                 | 25 267 381         | 19 950 838                          | 19 950 838               |
| Water Services Authority Contribution <b>0</b>                     | -                  | -                                   | -                        |
| Rental of Facilities and Equipment                                 | 423 707            | 570 499                             | 558 046                  |
| Interest Earned - external investments                             | 7 476 031          | 6 790 249                           | 6 790 249                |
| Interest Earned - outstanding debtors                              | 1 092 245          | 881 990                             | 881 990                  |
| Licences and Permits   | 1 749 913          | 1 680 258                           | 1 680 258                |
| Agency Services  | 1 618 737          | 579 596                             | 579 596                  |
| Other Income <a href="#">25</a>                                    | 1 194 973          | 688 992                             | 688 992                  |
| Transfer of Functions - Water and Sanitation                       | 2 239 181          | -                                   | -                        |
| Gain on disposal of Property, Plant and Equipment                  | -                  | -                                   | -                        |
| <b>Total Revenue</b>   | <b>171 390 838</b> | <b>165 116 287</b>                  | <b>165 095 836</b>       |

| EXPENDITURE  |                    |                    |                    |                    |
|--|--------------------|--------------------|--------------------|--------------------|
| Employee Related Costs   | <a href="#">26</a> | 40 017 604         | 30 793 033         | 30 793 033         |
| Remuneration of Councillors                                      | <a href="#">27</a> | 8 858 218          | 8 386 846          | 8 386 846          |
| Debt Impairment  | <a href="#">28</a> | 5 093 346          | 2 694 143          | 2 694 143          |
| Depreciation and Amortisation                                    | <a href="#">29</a> | 12 914 217         | 11 578 656         | 11 675 067         |
| Impairment   |                    | 522 382            | 352 641            | 116 766            |
| Repairs and Maintenance  | <a href="#">30</a> | 2 554 473          | 3 405 197          | 3 405 197          |
| Actuarial losses   | <a href="#">4</a>  | -                  | 561 491            | 561 491            |
| Finance Charges  | <a href="#">31</a> | 1 147 102          | 1 259 394          | 1 717 717          |
| Bulk Purchases   | <a href="#">32</a> | 19 167 363         | 15 130 377         | 15 130 377         |
| Grants and Subsidies Paid  | <a href="#">33</a> | 333 000            | 731 837            | 731 837            |
| Other Operating Grant Expenditure                                | <a href="#">34</a> | 15 231 233         | 25 442 356         | 26 240 396         |
| General Expenses   | <a href="#">35</a> | 21 953 645         | 17 210 283         | 17 209 501         |
| Loss on disposal of PPE/Investment Property                      |                    | 992 665            | 85 282             | 85 282             |
| Fair Value Adjustments   |                    |                    | -                  | -                  |
| <b>Total Expenditure</b>   |                    | <b>128 785 247</b> | <b>117 631 536</b> | <b>118 747 653</b> |
|  |                    |                    |                    |                    |
| <b>NET SURPLUS FOR THE YEAR - BEFORE DISCONTINUED OPERATIONS</b> |                    | <b>42 605 591</b>  | <b>47 484 752</b>  | <b>46 348 183</b>  |
| Discontinued Operations (Water and Sanitation)                   | <b>36.01</b>       | -                  | (199 653)          | (199 653)          |
|  |                    |                    |                    |                    |
| <b>NET SURPLUS FOR THE YEAR - AFTER DISCONTINUED OPERATIONS</b>  |                    | <b>42 605 591</b>  | <b>47 285 099</b>  | <b>46 148 530</b>  |
|  |                    |                    |                    |                    |

In the Financial year 2012/13 Senqu Municipality achieved an operating surplus of R 42 605 591. Actual results compared to planned budget outcomes can be seen below with explanations given for material variances.

## 5.1 STATEMENTS OF FINANCIAL PERFORMANCE: BUDGET COMPARISONS

### OPERATING REVENUE

| SENQU MUNICIPALITY   |                           |                                 |                             |  |
|--|---------------------------|---------------------------------|-----------------------------|--|
| STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS   |                           |                                 |                             |  |
| STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013   |                           |                                 |                             |  |
| COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET   |                           |                                 |                             |  |
| REVENUE BY SOURCE  | 2013<br>R<br><br>(Actual) | 2013<br>R<br><br>(Final Budget) | 2013<br>R<br><br>(Variance) | Explanations for material variances (10% of line-item with a minimum of R1m) |
| Property rates   | 4 311 689                 | 4 375 503                       | (63 814)                    | -1%  |
| Property rates - penalties & collection charges  | -                         | -                               | -                           |  |
| 1 Service charges  | 25 267 381                | 21 627 921                      | 3 639 460                   | 17%  |
| Rental of facilities and equipment   | 423 707                   | 262 260                         | 161 447                     | 62%  |
| Interest earned - external investments   | 7 476 031                 | 7 300 000                       | 176 031                     | 2%   |
| Interest earned - outstanding debtors  | 1 092 245                 | 774 032                         | 318 213                     | 41%  |
| Dividends received   | -                         | -                               | -                           |  |
| Fines  | 65 462                    | 60 000                          | 5 462                       | 9%   |
| Licences and permits   | 1 749 913                 | 1 140 000                       | 609 913                     | 54%  |
| Agency services  | 1 618 737                 | 1 731 390                       | (112 653)                   | -7%  |
| 2 Government Grants and Subsidies - Operating  | 103 398 274               | 116 003 255                     | (12 604 981)                | -11%   |
| 3 Other revenue  | 5 844 350                 | 1 847 792                       | 3 996 559                   | 216%   |
| Gains on disposal of PPE   | -                         | -                               | -                           |  |
| <b>Total Operating Revenue</b>   | <b>151 247 789</b>        | <b>164 676 325</b>              | <b>(13 428 536)</b>         |  |
| <b>Explanations</b><br>1 - Rebates were budgeted as expenditure, but deducted from Service Charges in terms of GRAP 9<br>2 - Grants not spent in the financial year<br>3 - Actuarial Gains, Third Party payments and Contributed assets not budgeted for |                           |                                 |                             |  |

**NOTE:** Operating Revenue shows a variance of R (3 874 363) as compared to the estimated Operating Revenue at financial year end. This can be contributed the effects of GRAP 9 Revenue from exchange transactions where rebates were budgeted for as under expenditure. An additional reason for not having achieving the planned revenue at financial year end may be attributed to the non-spending of the Operating Grant.

## 5.1 STATEMENTS OF FINANCIAL PERFORMANCE: BUDGET COMPARISONS

### OPERATING EXPENDITURE

| EXPENDITURE BY TYPE   |   | (Actual)           | (Final Budget)     | (Variance)          | Explanations for material variances (10% of line-item with a minimum of R1m) |
|---|---|--------------------|--------------------|---------------------|--|
| 1   | Employee related costs                  | 40 017 604         | 47 475 641         | (7 458 037)         | -16%   |
|   | Remuneration of councillors             | 8 858 218          | 9 086 172          | (227 954)           | -3%  |
| 2   | Debt impairment                         | 5 093 346          | 3 953 450          | 1 139 895           | 29%  |
|   | Depreciation & asset impairment         | 13 436 599         | 14 541 771         | (1 105 172)         | -8%  |
| 3   | Finance charges                         | 1 147 102          | 2 119 720          | (972 618)           | -46%   |
|   | Bulk purchases                          | 19 167 363         | 20 071 600         | (904 237)           | -5%  |
|   | Other materials                         | -                  | -                  | -                   |  |
|   | Contracted services                     |                    | -                  | -                   |  |
|   | Grants and subsidies paid               | 333 000            | 333 000            | -                   | 0%   |
| 4   | Other expenditure                       | 39 739 351         | 57 806 769         | (18 067 418)        | -31%   |
| 5   | Loss on disposal of PPE                 | 992 665            | -                  | 992 665             | 100%   |
| <b>Total Operating Expenditure</b>  |   | <b>128 785 247</b> | <b>155 388 123</b> | <b>(26 602 876)</b> |  |
| <b>Operating Surplus for the year</b>   |   | <b>22 462 542</b>  | <b>(265 971)</b>   | <b>22 728 513</b>   |  |
| 6   | Government Grants & Subsidies - Capital | 20 143 049         | 39 477 923         | (19 334 874)        | -49%   |
| <b>Net Surplus for the year</b>   |   | <b>42 605 591</b>  | <b>39 211 952</b>  | <b>3 393 639</b>    |  |
| Explanations Variances<br>1 - Performance bonuses not paid out, Vacant funded posts not filled.<br>2 - Non-payment of services in Sterkspruit<br>3 - Restatement on Interest on Landfill Site - Recalculated to area contaminated<br>4 - Non-expenditure of Operational grants<br>5 - Did not predict loss on disposals of assets<br>6 - Municipal Infrastructure Grant not spent in the financial year |   |                    |                    |                     |  |

**Note:** The operating expenditure came in at a variance of R (26 602 876). This was mainly due to the fact that budget performance bonuses were not paid out in the financial year and due to the non-spending of operating grants due to the unrest situation in Sterkspruit. This situation also led to a non-payment of service charges which had an effect on the debt impairment figure due to the increase in consumer debtors. The same factors impacted on the spending of the Capital MIG grant.

## EXPENDITURE AUTHORISED IN TERMS OF SECTION 32 OF THE MFMA

### Unauthorised Expenditure

During the financial year 2012-2013 no unauthorised expenditure was incurred by Senqu Municipality. An amount of R 358 350 from the previous financial year for unauthorised expenditure was condoned by Council and written off. The table below is attached in support of this statement.

### BUDGET COMPARISON BY VOTE - UNAUTHORISED EXPENDITURE CURRENT YEAR - OPERATING

|                             | 2013<br>R<br>(Actual) | 2013<br>R<br>(Budget) | 2013<br>R<br>(Variance) | 2013<br>R<br>(Unauthorised) |
|-----------------------------|-----------------------|-----------------------|-------------------------|-----------------------------|
| Executive & Council         | 19 369 927            | 19 440 904            | (70 977)                | -                           |
| Planning & Development      | 9 732 176             | 18 228 789            | (8 496 614)             | -                           |
| Corporate Services          | 10 831 387            | 11 267 036            | (435 649)               | -                           |
| Housing                     | 1 413 640             | 9 421 237             | (8 007 598)             | -                           |
| Public Safety               | 17 607                | 46 879                | (29 272)                | -                           |
| Budget & Treasury           | 12 886 562            | 13 735 190            | (848 628)               | -                           |
| Road Transport              | 28 796 808            | 31 826 433            | (3 029 625)             | -                           |
| Waste Water Management      | -                     | -                     | -                       | -                           |
| Water                       | -                     | -                     | -                       | -                           |
| Electricity                 | 29 427 526            | 30 531 685            | (1 104 159)             | -                           |
| Community & Social Services | 5 864 475             | 7 246 450             | (1 381 976)             | -                           |
| Sport & Recreation          | 122 000               | 224 451               | (102 451)               | -                           |
| Waste Management            | 10 323 140            | 13 419 070            | (3 095 930)             | -                           |
|                             | <b>128 785 247</b>    | <b>155 388 125</b>    | <b>(26 602 878)</b>     | <b>-</b>                    |

## BUDGET COMPARISON BY VOTE - UNAUTHORISED EXPENDITURE CURRENT YEAR (CAPITAL)

|                             | 2013              | 2013              | 2013                | 2013           |
|-----------------------------|-------------------|-------------------|---------------------|----------------|
|                             | R                 | R                 | R                   | R              |
|                             | (Actual)          | (Budget)          | (Variance)          | (Unauthorised) |
| Executive & Council         | 713 767           | 821 589           | (107 822)           | -              |
| Planning & Development      | 7 318 684         | 10 084 173        | (2 765 489)         | -              |
| Corporate Services          | 2 191 225         | 2 210 000         | (18 775)            | -              |
| Housing                     | -                 | -                 | -                   | -              |
| Public Safety               | -                 | 500 000           | (500 000)           | -              |
| Budget & Treasury           | 329 552           | 500 000           | (170 448)           | -              |
| Road Transport              | 18 946 583        | 31 579 773        | (12 633 189)        | -              |
| Waste Water Management      | -                 | -                 | -                   | -              |
| Water                       | -                 | -                 | -                   | -              |
| Electricity                 | 775 468           | 965 000           | (189 532)           | -              |
| Community & Social Services | 2 868 326         | 3 633 408         | (765 083)           | -              |
| Sport & Recreation          | 2 780 560         | 7 293 570         | (4 513 010)         | -              |
| Waste Management            | 1 741 097         | 2 139 569         | (398 473)           | -              |
|                             | <b>37 665 261</b> | <b>59 727 082</b> | <b>(22 061 821)</b> | -              |

## EXPENDITURE AUTHORISED IN TERMS OF SECTION 32 OF THE MFMA

### Fruitless & Wasteful Expenditure

Fruitless and Wasteful expenditure for the financial year (2012/13) amounted to R 2 029 794 and R 742 700 was incurred during the previous financial year (2011/12). Details of this are provided within the table below:

| Incident                                     | Disciplinary steps/criminal proceedings |
|--|---|
| Electricity losses higher than the norm 2012 | None - R742 700                         |
| Electricity losses higher than the norm 2013 | None - R2 029 794                       |

### Irregular Expenditure

Irregular expenditure increased from R 1 466 110 (2011/12) with R 762 757 to R2 228 867 in the 2012/13 financial year. The irregular expenditure resulted from non-compliance with SCM regulations. This is regarded in a very serious light by the Municipality and has resulted in efforts to strengthen its control environment to ensure that irregular expenditure is eliminated completely.

## 5.2 GRANTS

| APPENDIX D - Unaudited  |                        |                         |                        |                          |                        |                      |                         |
|---|------------------------|-------------------------|------------------------|--------------------------|------------------------|----------------------|-------------------------|
| SENQU MUNICIPALITY  |                        |                         |                        |                          |                        |                      |                         |
| DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 |                        |                         |                        |                          |                        |                      |                         |
| Grant Description   | Balance<br>1 JULY 2012 | Contributions<br>during | Interest<br>Investment | Operating<br>Expenditure | Capital<br>Expenditure | Returned<br>National | Balance<br>30 JUNE 2013 |
| <b><u>National Government Grants</u></b>  |                        |                         |                        |                          |                        |                      |                         |
| Equitable Share   | -                      | 89 723 000              | -                      | 89 723 000               | -                      | -                    | -                       |
| Municipal Finance Management  | -                      | 1 500 000               | -                      | 1 500 000                | -                      | -                    | -                       |
| Municipal Infrastructure Grant  | (342 129)              | 28 025 000              | -                      | 3 255 239                | 12 693 931             | -                    | 11 733 701              |
| Municipal Systems Improvement   | -                      | 800 000                 | -                      | 800 000                  | -                      | -                    | -                       |
| NDPG (Neighbourhood Development Partnership Grant)                              | 8 164 825              | 10 205 000              | -                      | 2 880 854                | 7 273 915              | 296 000              | 7 919 056               |
| EPWP (Expanded Public Works Program)  | -                      | 1 857 000               | -                      | 1 857 000                | -                      | -                    | -                       |
| Dept Sport (Youth Development - Sport Fields)                                   | -                      | 175 203                 | -                      | -                        | 175 203                | -                    | -                       |
| <b>Total National Government Grants</b>   | <b>7 822 696</b>       | <b>132 285 203</b>      | <b>-</b>               | <b>100 016 093</b>       | <b>20 143 049</b>      | <b>296 000</b>       | <b>19 652 757</b>       |
| <b><u>Provincial Government Grants</u></b>                                      |                        |                         |                        |                          |                        |                      |                         |
| Holo Hlahatsi Agricultural Project  | 103 897                | -                       | -                      | 103 897                  | -                      | -                    | -                       |
| Prov Gov - Housing (Hillside)   | 830 240                | 130 909                 | -                      | 507 727                  | -                      | -                    | 453 423                 |
| Implementation Ownership  | 53 216                 | -                       | -                      | 53 216                   | -                      | -                    | -                       |
| Rossouw Agricultural Project  | 49 582                 | -                       | -                      | 49 582                   | -                      | -                    | -                       |
| Herschel People's Housing   | 7 412 501              | -                       | 306 667                | -                        | -                      | -                    | 7 719 169               |
| Plastic Products  | 90 167                 | -                       | -                      | 90 167                   | -                      | -                    | -                       |
| Provincial Roads (Musong Road)  | 63 134                 | 563 541                 | -                      | 626 675                  | -                      | -                    | -                       |
| Greenest Municipality   | 300 000                | 200 000                 | -                      | 500 000                  | -                      | -                    | -                       |
| Second Economy Regeneration (LED)   | 109 862                | -                       | -                      | 109 862                  | -                      | -                    | -                       |
| Clean Audit   | 95 000                 | -                       | -                      | 95 000                   | -                      | -                    | -                       |
| Libraries   | -                      | 1 200 000               | -                      | 1 200 000                | -                      | -                    | -                       |
| <b>Total Provincial Government Grants</b>                                       | <b>9 107 599</b>       | <b>2 094 450</b>        | <b>306 667</b>         | <b>3 336 125</b>         | <b>-</b>               | <b>-</b>             | <b>8 172 591</b>        |
| <b><u>District Municipality Grants</u></b>                                      |                        |                         |                        |                          |                        |                      |                         |
| Commonage Management Plan   | 46 056                 | -                       | -                      | 46 056                   | -                      | -                    | -                       |
| <b>Total District Municipality Grants</b>                                       | <b>46 056</b>          | <b>-</b>                | <b>-</b>               | <b>46 056</b>            | <b>-</b>               | <b>-</b>             | <b>-</b>                |
| <b>Total</b>  | <b>16 976 351</b>      | <b>134 379 653</b>      | <b>306 667</b>         | <b>103 398 274</b>       | <b>20 143 049</b>      | <b>296 000</b>       | <b>27 825 349</b>       |



### Comments regarding Grant Funding

- The Opening Balance for Grant Funding at the beginning of the year stood at R 16 976 351. Contributions received during the financial year amounted to R 134 379 653.
- Operating Grant Conditions met during the financial year and transferred to revenue amount to R 103 398 274 whilst conditions met for Capital Conditional Grants transferred to revenue amount to R 20 143 049.
- Reasons for the under-spending on grants can be attributed to service delivery protests within Sterkspruit during the course of the financial year. This delayed the timely completion of projects budgeted for within this financial year.
- An amount of R 296 000 was returned to the National Treasury for the Neighbourhood Development Partnership Grant

### Introduction to Asset Management

The Municipal Finance Management Act No. 56 of 2003 clearly states in Section 62[1][a] that 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 resources of the municipality are used effectively, efficiently and economically.

Furthermore an Accounting Officer of a municipality is responsible for the management, safeguarding and maintenance of assets and liabilities and must for this purpose take all reasonable steps to ensure that the municipality has and implements the following:

- Maintains a management, accounting and information system that accounts for the assets and liabilities of the municipality;
- That assets and liabilities are valued in accordance with standards of Generally Recognised Accounting Practice; and
- Maintains a system of internal control of assets and liabilities, including an asset and liabilities register.

### **ROLES & RESPONSIBILITIES**

#### Role of the Municipal Manager

As the Accounting officer of the municipality, the Municipal Manager is regarded as the principal custodian of all of the municipality's fixed assets. Accordingly the Municipal Manager is responsible for ensuring that the fixed asset management policy is scrupulously applied and adhered to. The Municipal Manager may in terms of section 79 of the Municipal Finance Management Act, No 56 of 2003 delegate this responsibility.

#### Role of the Senior Managers

##### **Chief Financial Officer**

The Chief Financial Officer shall be the fixed asset registrar of the municipality and is required to ensure that a complete, accurate and up-to-date computerized fixed asset register is maintained. No amendments, deletions, additions or transfers between departments to the fixed asset register shall be made other than by the Chief Financial Officer, or by an official acting under the written instruction of the Chief Financial Officer.

#### **The Chief Financial Officer shall:**

- Ensure implementation of the Asset Management and Insurance Policy;
- Ensure the verification of all assets in possession of council annually, as at 30 June each year, within the last three months of that specific financial year;
- Keep a complete and balanced record (assets register) of all assets in possession of the council; and
- Report in writing all asset losses to the council.

#### **Other Senior Managers**

- The responsibility for the physical control of assets rests with the relevant Head of Department to whom the responsibility was delegated in terms of section 79 of the Municipal Finance Management Act, No 56 of 2003.
- Each Head of Department shall ensure that assets entrusted to him / her are adequately maintained, properly used and insured and ensure that section 78 of the Municipal Finance Management Act, No 56 of 2003, is adhered to.
- The Chief Financial Officer must approve any transfer of assets between departments after arrangements between the relevant Heads of departments were made.
- Upon the resignation / retirement of an employee, the applicable Head of Department must inform the Chief Financial Officer and Corporate Service Department in writing that the inventory and asset items entrusted to that employee to execute his / her duties are in good order and returned. When necessary the applicable Head of Department must inform the Corporate Services Department of any losses and the value of such losses. The ultimate responsibility of any losses lies with the relevant Head of Department.

The Municipalities Asset Management Policy was adopted by council on 28 May 2013 as part of the budget related policies.

Although capacity within the municipality's asset management section is limited due to the size of the municipality, capacitation programmes have been identified and increased internal control over assets is observed. Clearly this shows the commitment from management to ensure that capacity is improved.

Additions during the financial year for capital assets amounted to R 37 665 260 which include the following categories of assets. This is including an amount of R 24 049 for intangible assets not included in the table below.

**CAPITAL ASSETS 2012/2013**

|                           |                   |
|---------------------------|-------------------|
| <b>Land and Buildings</b> | <b>5 178 278</b>  |
| Land                      | 700 000           |
| Buildings                 | 4 478 278         |
| <b>Infrastructure</b>     | <b>10 250 299</b> |
| Main: Roads               | 6 071 496         |
| Main: Storm Water         | 2 440 745         |
| Main: Electricity         | 710 580           |
| Taxi Ranks                | 1 027 478         |
| <b>Community Assets</b>   | <b>10 340 307</b> |
| Sports Fields             | 2 780 560         |
| Node Development          | 7 273 915         |
| Cemetery                  | 285 832           |
| <b>Other Assets</b>       | <b>11 872 328</b> |
| Motor Vehicles            | 675 124           |
| Plant & Equipment         | 8 594 848         |
| Office Equipment          | 282 884           |
| Furniture & Fittings      | 206 518           |
| Loose Equipment           | 145 879           |
| Computer Equipment        | 230 234           |
| Specialised Vehicles      | 1 736 842         |
| <b>TOTAL</b>              | <b>37 641 212</b> |

**TABLE: SCHEDULE A9 ASSET MANAGEMENT SUMMARY SHEET**

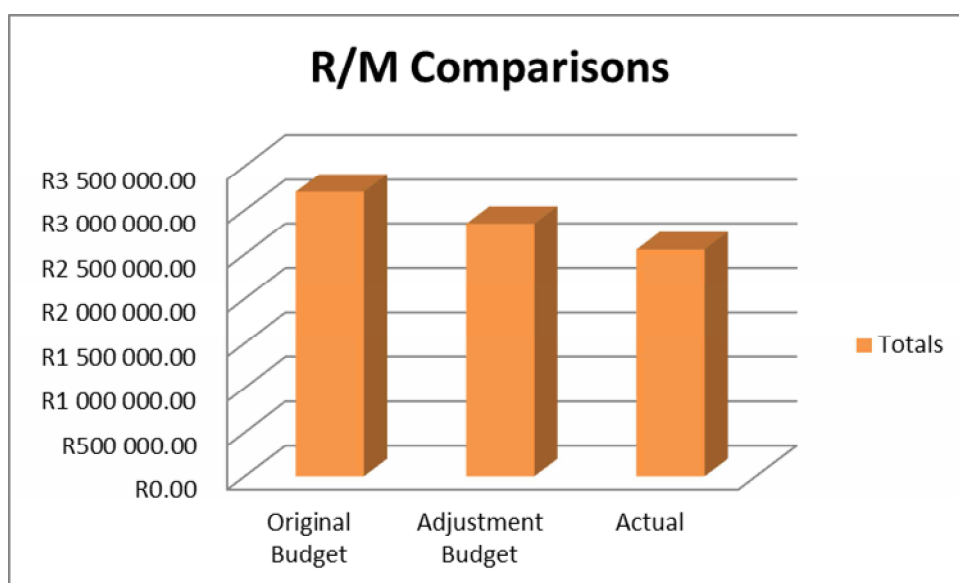
|   |   | 2009/10         | 2010/11         | 2011/12         | Current Year 2012/13 |                 |                    | 2013/14 Medium Term Revenue & Expenditure Framework |                        |                        |
|---|---|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
|   |   | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Budget Year 2013/14                                 | Budget Year +1 2014/15 | Budget Year +2 2015/16 |
| <b>ASSET REGISTER SUMMARY - PPE (WDV)</b>       | 5 |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <i>Infrastructure - Road transport</i>          |   | 66 308          | 76 867          | 85 583          | 108 443              | 118 682         | 118 682            | 107 126   | 117 286                | 120 432                |
| <i>Infrastructure - Electricity</i>             |   | 3 547           | 4 577           | 8 017           | 11 029               | 11 397          | 11 397             | 16 148  | 22 183                 | 28 806                 |
| <i>Infrastructure - Water</i>                   |   | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| <i>Infrastructure - Sanitation</i>              |   | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| <i>Infrastructure - Other</i>                   |   | 3 002           | 3 232           | 13 324          | 8 447                | 10 102          | 10 102             | 11 400  | 10 921                 | 10 413                 |
| Infrastructure                                  |   | 72 857          | 84 676          | 106 924         | 127 919              | 140 180         | 140 180            | 134 673   | 150 390                | 159 651                |
| Community                                       |   | 10              | 9               | 9               | 26 746               | 37 632          | 37 632             | 42 575  | 55 454                 | 77 963                 |
| Heritage assets                                 |   | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| Investment properties                           |   | 12 549          | 12 549          | 12 549          | 12 549               | 12 549          | 12 549             | 12 549  | 12 549                 | 12 549                 |
| Other assets                                    |   | 50 431          | 61 404          | 65 786          | 48 162               | 70 436          | 70 436             | 81 820  | 83 812                 | 88 954                 |
| Agricultural Assets                             |   | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| Biological assets                               |   | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| Intangibles                                     |   | 320             | 300             | 258             | 303                  | 258             | 258                | 215   | 164                    | 103                    |
| <b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b> | 5 | <b>136 166</b>  | <b>158 939</b>  | <b>185 525</b>  | <b>215 679</b>       | <b>261 055</b>  | <b>261 055</b>     | <b>271 832</b>                                      | <b>302 367</b>         | <b>339 220</b>         |

## REPAIRS & MAINTENANCE (2012/2013)

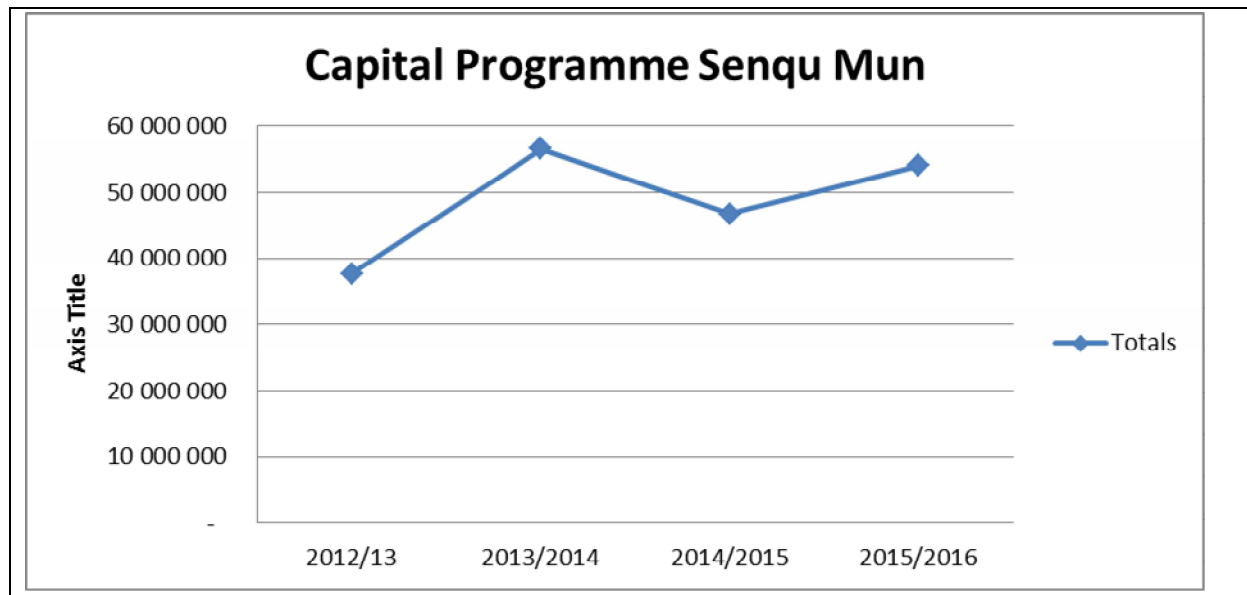
| Repairs and Maintenance Expenditure Year June 2013 |                 |                   |                |   |
|--|-----------------|-------------------|----------------|---|
| Repairs and Maintenance Expenditure                | Original Budget | Adjustment Budget | Actual         | Budget variance %                                     |
| Totals   | R 3 582 658     | R 2 845 628       | R 2 554 472.50 | 10.23 % Variance – Adjusted Budget vs. Actual Exp R/M |

### Comments on Repairs and Maintenance:

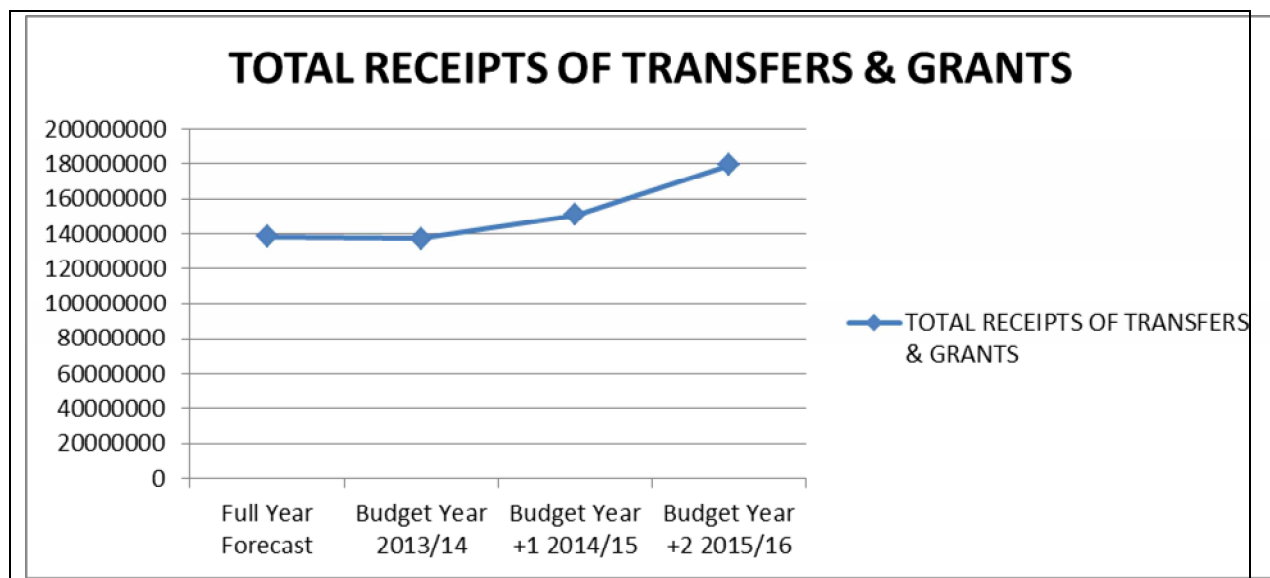
- During the Adjustment Budget process, the original amount for repairs and maintenance was reduced from R 3 582 658 to R 2 845 628 (R 737 030 reduction).
- 89.77% of the Adjustment Budget was subsequently spent which shows a deviation of 10.23% with the approved adjusted budget with actual expenditure amounting to R 2 554 472. Reference is made to the graph below for a comparison of basis of the table above.



## 5.4 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS



The Graph shows the movement of Capital Expenditure from the financial year 2012-2013 to the financial year 2015-2016.



The Graphs above and below show the estimated increase of total grants receipts and expenditure for repairs and maintenance for Senqu Municipality over the MTEF