



# **ANNUAL REPORT**

**2010/11**

## **Our Vision**

is for Metsimaholo to be a leading Municipality  
in delivering effective, affordable and sustainable quality services  
to its communities.

## **We will achieve our vision by:**

- Promoting proper planning and implementation of projects and programmes
- Setting standards
- Being accountable
- Communication
- Capacity building of staff and communities
- Having proper systems and processes
- Ensuring a sustainable, affordable and effective service delivery

# TABLE OF CONTENTS

<b>LIST OF FIGURES AND TABLES .....</b>	<b>6</b>
<b>CHAPTER 1: .....</b>	<b>7</b>
<b>Introduction and Overview .....</b>	<b>7</b>
Foreword by the Executive Mayor.....	8
Executive Review by the Municipal Manager .....	10
Spatial and Demographic Overview of the Municipality.....	12
Spatial Overview .....	12
Demographic and Socio-Economic Profile of the Municipality .....	14
Overview of the Council.....	18
<b>CHAPTER 2:.....</b>	<b>25</b>
<b>Performance Highlights .....</b>	<b>25</b>
Departmental Highlights.....	26
Office of the Municipal Manager .....	26
Financial Services .....	28
Organisational Development and Corporate Services .....	30
Economic Development and Planning .....	31
Social Services.....	34
Technical and Infrastructural Services .....	37
Free Basic Services.....	40
Basic services rendered .....	40
Service Delivery Backlogs .....	41
Approval of building plan applications .....	44
<b>CHAPTER 3:.....</b>	<b>45</b>
<b>Human Resources and Organisational Management .....</b>	<b>45</b>
Organisational structure .....	46
Staffing information .....	47
Staff establishment as at 30 June 2011.....	47
Staff turnover.....	47
Employment equity.....	48
Workforce profile 2010/11.....	48
Numerical goals.....	49
Barriers and affirmative action measures .....	50

Skills programme for 2010/11 .....	51
Skills programmes attended by employees .....	53
Bursaries awarded to employees.....	54
Personnel expenditure trends .....	55
Pension and medical aid funds.....	56
Salary disclosures.....	57
Councillors.....	57
Senior Management (Section 57 employees) .....	57
Human Resources Policies .....	58
<b>CHAPTER 4:</b> .....	60
<b>Audited Statements and Related Financial Information</b> .....	60
Report of the Chief Financial Officer.....	61
Report of the Auditor-General on the Consolidated Financial Statements and Performance Information.....	72
Action plan on issues raised by the Auditor-General .....	82
Report of the Audit Committee .....	132
Consolidated Annual Financial Statements for the year ended June 30, 2011 .....	135
General Information.....	135
Index .....	138
Accounting Officer’s Responsibility and Approval.....	139
Statement of Financial Position .....	141
Statement of Financial Performance .....	142
Statement of Changes in Net Assets.....	144
Cash Flow Statement .....	145
Accounting Policies .....	146
Notes to Financial Statements .....	190
<b>CHAPTER 5:</b> .....	242
<b>Performance and Service Delivery Information</b> .....	242
Introduction.....	243
Legislative provisions.....	244
Municipal Systems Act, 2000 .....	244
Municipal Planning and Performance Regulations, 2001 .....	246
Municipal Systems Amendment Act, 2003 .....	247
Municipal Finance Management Act, 2003 .....	248

Municipal Performance Management System (PMS).....	249
2009/10 Report of the Auditor-General .....	254
2010/11 Performance Information .....	257
Cluster: Economic and Infrastructure Development (EID) .....	257
Directorate: Technical and Infrastructural Services .....	257
Directorate: Economic Development and Planning .....	264
Cluster: Social Development and Community Protection (SDCP).....	273
Directorate: Social Services.....	273
Cluster: Governance and Administration .....	283
Directorate: Organisational Development and Corporate Services .....	283
Directorate: Financial Services .....	286
Office of the Municipal Manager .....	295

## LIST OF FIGURES AND TABLES

Figure 1: Map of Metsimaholo Local Municipality.....	12
Figure 2: 2011 Municipal and ward boundaries.....	13
Figure 3: Current MLM Organisational Structure.....	46
Figure 4: Personnel expenditure as a percentage of total expenditure .....	55
Table 1: Number of registered voters per ward .....	13
Table 2: Population and household statistics.....	14
Table 3: Gender distribution of population.....	14
Table 4: Racial distribution of population.....	14
Table 5: Age distribution of population .....	15
Table 6: HIV and AIDS prevalence.....	15
Table 7: Labour force .....	15
Table 8: Poverty indicators .....	16
Table 9: Functional literacy .....	16
Table 10: Spatial statistics .....	16
Table 11: Percentage distribution of households- water source .....	17
Table 12: Percentage distribution of households-type of toilet facility.....	17
Table 13: Percentage of households-refuse removal .....	17
Table 14: Free Basic Services .....	40
Table 15: Basic services rendered.....	40
Table 16: Water backlogs .....	41
Table 17: Electricity backlogs.....	41
Table 18: Sanitation backlogs.....	42
Table 19: Refuse removal backlogs.....	42
Table 20: Housing backlogs .....	43
Table 21: Building plan applications .....	44
Table 22: Staff establishment per main functions.....	47
Table 23: Staff turnover categories.....	47
Table 24: MLM Workforce profile-2011 .....	48
Table 25: EE Numerical goals-2014 .....	49
Table 26: EE barriers and affirmative action measures .....	50
Table 27: Skills development: 2010/11 proposed programme.....	51
Table 28: Training programmes implemented.....	53
Table 29: First intake 2010/2011 (May).....	54
Table 30: Second intake 2010/2011 (November).....	54
Table 31: Personnel expenditure trends-2002/03 to 2009/10 .....	55
Table 32: Pension and provident funds.....	56
Table 33: Medical aid funds.....	56
Table 34: Councillors remuneration .....	57
Table 35: Section 57 managers-Remuneration packages.....	57

# CHAPTER 1:

# INTRODUCTION AND OVERVIEW

**This chapter includes the following sections:**

- **Foreword by the Executive Mayor**
- **Executive Review by the Municipal Manager**
- **Spatial and Demographic Overview of the Municipality**
- **Overview of the Council**

## **FOREWORD BY THE EXECUTIVE MAYOR**

The year 2011 saw the electorate going to the polls in May and electing a local government of their choice which means the mandate to lead the municipality for another five years was confirmed. This does not only deepen democracy but is also places huge Constitutional responsibilities on the municipality and councillors in particular. The municipalities as the sphere closest to the people should be alive to the challenges of service delivery.

I am indeed delighted to publicly present the Municipality's Annual Report for 2010/11. This report outlines challenges we went through, our achievements for the past financial year, reflecting concrete steps taken to realize our vision and plans for our community's future. The intention of this report, which covers the past financial year, is to provide an easily readable and summarised statement of Metsimaholo's progress towards the targets set in its Integrated Development Plan.

Metsimaholo Local Municipality was able to produce a credible Integrated Development Plan and the Service Delivery and Budget Implementation Plan. The two above mentioned documents are the heart of the service delivery mandate and are meant to direct and monitor performance of the municipality against its performance targets. The IDP as a five year strategic document is and must be a living document. Although it was adopted some few years ago when the current Council came into power, it is reviewed annually since then, to accommodate the changes that can keep it relevant and responsive.

The Annual Report of Metsimaholo Local Municipality is a public document. In the process of drafting it, public participation is of paramount importance. The communities' inputs are solicited and the Oversight Committee, which in part comprises of community representatives, sits and peruses the tabled report. We have chosen to be open and transparent in this matter.

At this time in the history of Metsimaholo Local Municipality, the Council is working very hard in rising to the challenge of creating a strong, supportive, planned and sustainable future for the people of Metsimaholo. This report shows our commitment in action and we look forward to continuing to work with Metsimaholo's strong and diverse communities to ensure that the residents in our area have every opportunity to grow and develop to their highest potential.

We have endeavoured in our operations to address the expectations of our communities expressed in the Mayoral Imbizos as well as our annual consultative meetings with communities, where there is always a very strong emphasis on infrastructure – roads, housing, water, sanitation and electricity. Of course, these expectations also need to be balanced with the obligations of responsible governance that leave us with little discretion in making the necessary provision for facilities like cemeteries, or addressing the cross-cutting challenge of HIV and AIDS as well.

Notwithstanding the fact that our successes are real and measurable and that our achievements are a source of pride to us, it will of course remain true for some time to come that the challenges of poverty, underdevelopment and the historical legacy of neglect will remain with us beyond the term of office of any elected office-bearer.

The municipality still continues to grapple with the following:

- Service delivery
- Limited resources
- Needs of Citizens
- High levels of poverty and unemployment

We believe that the 2010/11 Annual Report highlights a large number of the positives that exist in Metsimaholo, that viewed collectively, should give our people a sense of hope and optimism that we are serious about achieving our vision, sooner rather than later.

As Metsimaholo Local Municipality we are a learning organization and we believe that the lessons learned will be able to impact on the work that we do and ensure a better quality of life for all our people.

**CLR B MAHLAKU**

**EXECUTIVE MAYOR**

## **EXECUTIVE REVIEW BY THE MUNICIPAL MANAGER**

The 2010/11 financial year was marked by a whole range of challenges, highlights and achievements. This executive review will briefly focus on the afore-mentioned in relation to the strategic planning processes, internal and external changes, the financial health of the municipality, some important administrative considerations and service delivery challenges experienced during the year under review.

During this financial year we embarked on the final annual revision of the current five-year Integrated Development Plan (IDP). As part of this revision process we conducted a detailed analysis of our community needs to ascertain the progress that the municipality has made in addressing the needs expressed by communities during the various public participation meetings. These community needs were further reconciled with the capital budget to ensure that the outstanding needs are addressed in a focused manner. As part of the IDP strategic planning process the municipality has been able to refine vertical and horizontal alignment of its priorities, key performance areas, indicators and targets. A new five-year IDP will be compiled during the next financial year which will then cover the period 2012/13 to 2016/17.

During the year under review the Fourth Local Government Elections were held during May 2011. Prior to the elections the Municipal Demarcation Board determined new ward boundaries, which resulted in the number of municipal wards increasing from 18 to 21. The new Council therefore comprises of 42 Councillors made of 21 Ward Councillors and 21 PR Councillors.

In terms of our legal environment major revisions have been made to the Preferential Procurement Regulations, which was promulgated by the Minister of Finance on 8 June 2011. The revised regulations will come into effect on 7 December 2011 to allow organs of state sufficient time to train relevant officials and for businesses to obtain their B-BBEE status verification certificates. Further amendments to the Municipal Systems Act of 2003 are also expected in the coming financial year, which will have an impact on various staffing matters.

The financial health of the municipality is showing a steady improvement during the year under review. We have been able to end the year with a very strong cash position, we collected 93% of budgeted revenue and our actual operating expenditure was at 91% of the budget. We are still experiencing unacceptably low levels of capital expenditure which came in at only 31% of the budget. It is also sad to report that the municipality obtained another disclaimer opinion from the Auditor-General for the 2010/11 financial year. An action plan to address all the audit issues have been compiled and will be strictly monitored to ensure that we receive an improved audit opinion for the next financial year.

Key issues in relation to the administration have been the delays in the approval of the revised organisational structure, which had an adverse impact on the municipality's capacity in various departments as well as the number of industrial actions embarked on by labour. Measures will be instituted to ensure that we nurture and cultivate better relations between management and the unions.

The municipality continues to make positive strides with the provision of basic services to our communities. The tables in chapter 2 reflect that we are reaching more indigent households who receive free basic services, secondly that the projects for water and electricity during this financial year focused more on installing and expanding our bulk infrastructure and that there is a progressive reduction in service delivery backlogs in respect of housing and sanitation.

Chapter 1 of the Annual Report provides an introduction and overview of the municipality and includes the foreword by the Executive Mayor, executive review by the Municipal Manager, a spatial and demographic overview of the municipality and a general overview of the Council.

Chapter 2 provides a brief narrative of all the services and functions provided by the municipality and the performance highlights for the year under review. This chapter also includes information on free basic services rendered by the municipality, service delivery backlogs and statistics on building plans processed during the year.

Chapter 3 details issues relating to the human resources and organisational management of the municipality such as the organisational structure, staffing information, employment equity, skills development, personnel expenditure trends and salary disclosures.

Chapter 4 contains the audited statements and related financial information and includes the reports of the Chief Financial Officer, Auditor-General and Audit Committee as well as a detailed action plan to address issues raised in the report of the Auditor-General. The audited annual financial statements, accounting policies and notes to the financial statements form part of this chapter.

Chapter 5 of the Annual Report serves as the annual performance report of the municipality for the year under review and reflects the actual performance of the various municipal functions for the 2009/10 financial information as well as the expected performance for the coming financial year as reflected in the approved 2010/11 Service Delivery and Budget Implementation Plan (SDBIP).

For more detailed accounts of activities over the past year, I invite our stakeholders to read the chapters that follow and welcome the input of each of our stakeholders to ensure that we meet the challenges and service delivery requirements for the coming financial year.

Our major focus during the coming financial year will be to build on the achievements of the current year and to aggressively deal with some of the key shortcomings highlighted above and the rest of this Annual Report.

**R THEKISO**

**Acting MUNICIPAL MANAGER**

## SPATIAL AND DEMOGRAPHIC OVERVIEW OF THE MUNICIPALITY

### SPATIAL OVERVIEW

The Local Municipality of Metsimaholo is situated in the northernmost corner of the Free State Province, which forms part of the Vaal Triangle (Vanderbijlpark, Vereeniging and Sasolburg region(s)). The Local Municipality of Metsimaholo lies at an altitude of approximately 1500 meters above sea level. The average annual rainfall is 638 mm while the average maximum summer temperature is 26.9°C and the average minimum winter temperature is 16°C.

The Metsimaholo Local Municipality covers an area of 1 739 square kilometres and includes Deneysville, Metsimaholo, Oranjeville, Refengkgotso, Sasolburg, Vaalpark and Zamdela. It is inhabited by approximately 154 658 people with more than 90% living in the urban areas of the municipal region.

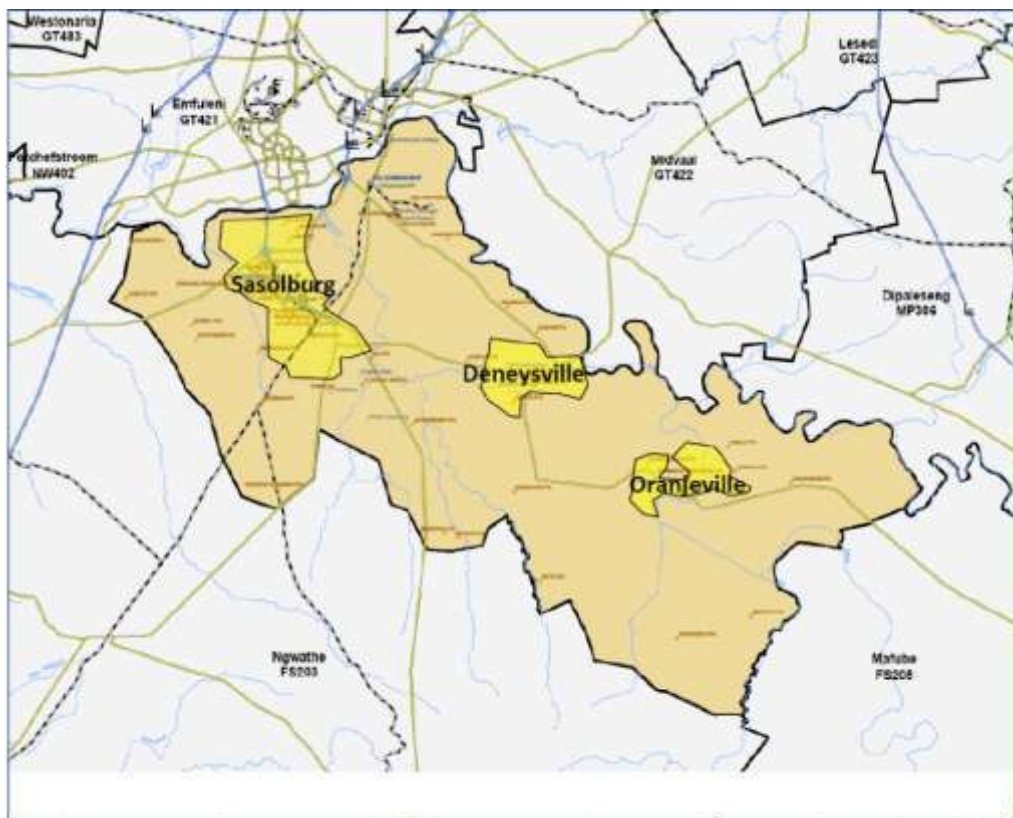


Figure 1: Map of Metsimaholo Local Municipality

A large percentage of houses in Deneysville are holiday homes, which implies that the actual permanent inhabitants of the community may be less than estimated. The majority of the rural population is active in the agricultural sector and a total of 1 753 farms are located within the Metsimaholo municipal area.

The new municipal boundaries and ward delimitation by the Municipal Demarcation Board for the 2011 Local Government Elections are reflected in the map below.<sup>1</sup>

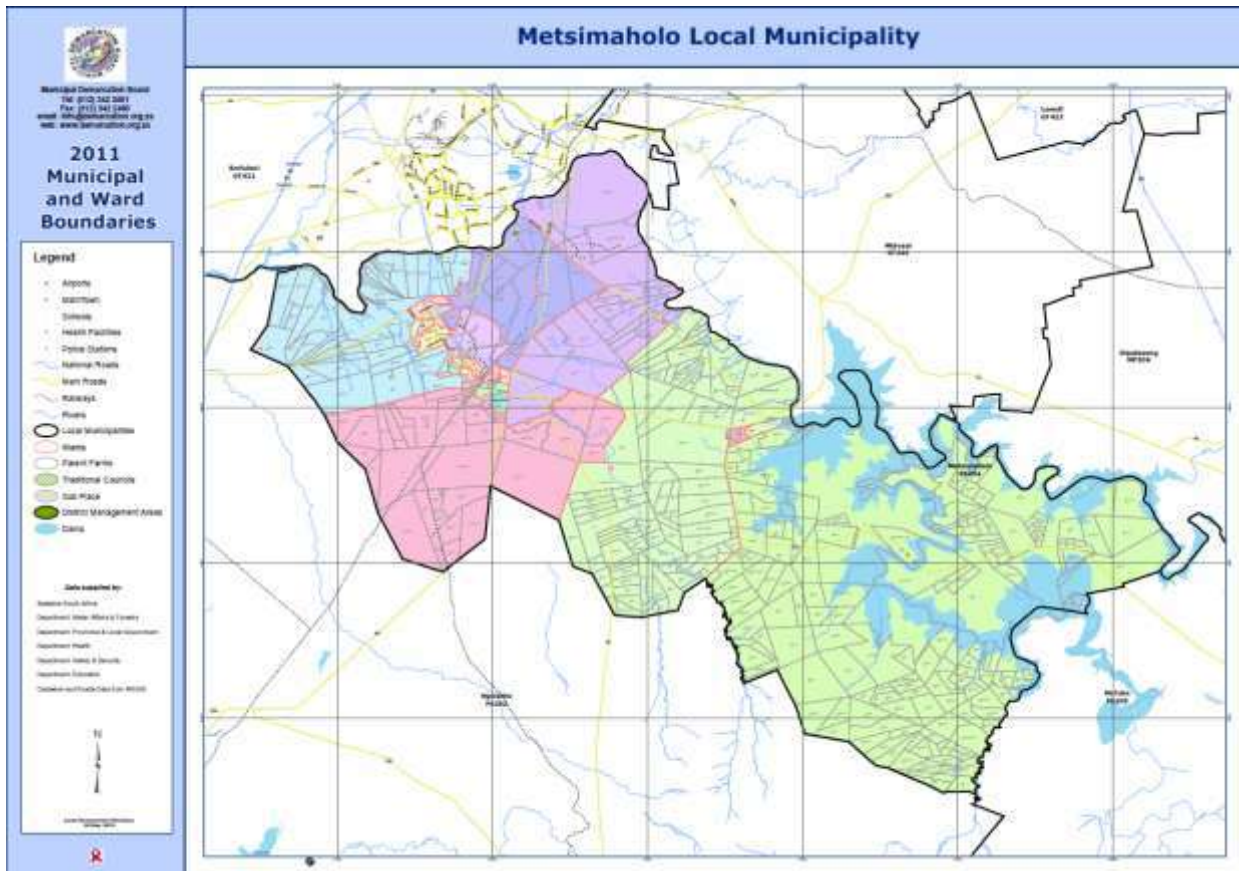


Figure 2: 2011 Municipal and ward boundaries

The total number of voters on the municipal segment of the national common voters roll on 12 February 2009 was 70 575.<sup>2</sup> The breakdown per ward of the number of registered voters is reflected in the table below.

Table 1: Number of registered voters per ward

Ward	1	2	3	4	5	6	7
No. of registered voters	3 698	3 155	3 773	3 152	2 859	3 189	3 257
Ward	8	9	10	11	12	13	14
No. of registered voters	3 676	2 881	2 956	3 564	3 160	3 813	3 741
Ward	15	16	17	18	19	20	21
No. of registered voters	3 722	3 532	3 694	3 583	3 230	2 945	2 995

<sup>1</sup> The number of wards increased from 18 to 21 after the delimitation process

<sup>2</sup> Municipal Demarcation Board. Delimitation of municipal wards in terms of the Local Government: Municipal Structures Act, 1998. 2011 Local Government Elections. Province: Free State. Municipality: Metsimaholo Local Municipality (FS204)

## DEMOGRAPHIC AND SOCIO-ECONOMIC PROFILE OF THE MUNICIPALITY

The official statistics according to *Statistics South Africa's Census 2001 and Community Survey 2007* were used and supplemented with data from the IHS Global Insight<sup>3</sup> Regional Explorer database<sup>4</sup>. It is expected that the Census 2011 data should be available when the next annual report is compiled.

**Table 2: Population and household statistics**

	Census 2001	Global Insight (GI) 2007	Global Insight (GI) 2009
Population	115 955	137 481	140 273
Households	32 260	38 768	39 213
Average Household Size	3.6	3.5	3.6

**Table 3: Gender distribution of population**

	Census 2001	Global Insight (GI) 2007	Global Insight (GI) 2009
Males	51.1%	53.1%	53.2%
Females	48.9%	46.9%	46.8%

**Table 4: Racial distribution of population**

	Census 2001		Global Insight (GI) 2007		Global Insight (GI) 2009	
African	93 981	81.0%	110 182	80.1%	113 668	81.0%
White	21 207	18.3%	26 352	19.2%	25 621	18.3%
Coloured	582	0.5%	693	0.5%	722	0.5%
Indian	185	0.2%	254	0.2%	263	0.2%

<sup>3</sup> IHS Global Insight Southern Africa is the Sub-Saharan office of the largest global economics consultancy in the world. IHS Global Insight specialises in economic analysis and forecasting and provides in-depth coverage of over 200 countries and 170 industries, worldwide.

<sup>4</sup> Regional eXplorer (ReX) is a consolidated platform of integrated databases that provide accurate and up-to-date economic, socioeconomic, demographic, and development information on a spatial level for South Africa. Over the last few years, ReX has become the first port of call for consistent and reliable geographical data. The service offering is ideal for policy makers, private or academic researchers, and consultants who wish to utilise reliable and consistent spatial information across South Africa to assist in planning and decision-making processes.

Table 5: Age distribution of population

	Census 2001		Global Insight (GI) 2007		Global Insight (GI) 2009	
	0 – 4 years	10 106	8.7%	11 742	8.5%	11 963
5 – 14 years	22 020	18.9%	23 330	17.0%	22 969	16.4%
15 – 34 years	45 869	39.6%	53 039	38.6%	54 329	38.8%
35 -64 years	33 702	29.1%	43 964	32.0%	45 235	32.2%
65 years and older	4 281	3.7%	5 406	3.9%	5 777	4.1%

Table 6: HIV and AIDS prevalence

Global Insight (GI)	HIV+ estimates			AIDS estimates		
	National	Free State	Metsimaholo	National	Free State	Metsimaholo
2001	3 255 169	248 090	10 917	93 960	7 084	300
2007	4 588 779	318 769	15 612	198 772	14 015	663
2009	4 739 504	320 883	16 053	221 903	15 397	742
2010	4 799 024	321 179	16 201	241 151	16 606	807
2011	4 849 853	321 335	16 326	255 021	17 410	852
2012	4 886 985	320 659	16 391	266 644	18 041	887
2013	4 917 369	319 768	16 431	275 293	18 452	912
2014	4 941 798	318 680	16 450	281 408	18 684	923
2015	4 962 054	317 370	16 446	285 455	18 776	934

Table 7: Labour force

	Census 2001	Global Insight (GI) 2007	Global Insight (GI) 2009
	Employed	31 486	42 189
Unemployment rate	24.5%	17.1%	16.9%
Economically Active Population	49 998	49 885	50 061
EAP as a % of the total population	43.1%	36.3%	35.7%

**Definitions:**

**Employed:** Employed population *working* in the municipal area.

**Unemployed:** Unemployed people *living* in the municipal area.

**Economically Active Population:** Employed and unemployed people who are *living* in an area. It is the number of people who are able and willing to work, who are between the ages of 15 and 65. (Includes both employed and unemployed, but excludes discouraged work seekers who have not recently taken active steps to find employment, people who do not wish to work, students, early retirees, housewives, etc.)

**Poverty indicators**

Table 8: Poverty indicators

<i>Global Insight</i>	% of people living in poverty					No. of people living with less than \$1 per day	No. of people living with less than \$2 per day
	African	White	Coloured	Indian	Total		
1996	37.3%	2.5%	22.5%	6.3%	27.0%	2 808	7 527
2001	47.0%	3.1%	31.1%	23.9%	36.7%	5 259	13 783
2006	40.9%	0.9%	36.3%	23.0%	32.9%	2 481	7 944
2009	38.0%	0.5%	38.6%	23.2%	31.1	936	5 794

### Functional literacy: population older than 20 years who completed grade 7 or higher

Table 9: Functional literacy

<i>Global Insight</i>	Literate	Illiterate
1996	47 763 (73.3%)	17 417 (26.7%)
2001	56 122 (73.0%)	20 810 (27.0%)
2006	68 308 (78.0%)	19 316 (22.0%)
2009	74 094 (80.1%)	18 409 (19.9%)

### Spatial statistics

Table 10: Spatial statistics

<i>Global Insight</i>	Population density <sup>5</sup>	Urban population	Urbanisation rate <sup>6</sup>
1996	63.68	91 057	83.1%
2001	72.23	114 940	92.5%
2006	78.95	132 003	97.2%
2009	81.55	138 692	98.9%

### Percentage distribution of households by water source

<sup>5</sup> Number of people per km<sup>2</sup>

<sup>6</sup> % of people living in urban areas

Table 11: Percentage distribution of households- water source

	Census 2001	CS 2007	GI 2010
Piped water			
inside the dwelling	41,7	73,0	72,4
inside the yard	39,3	16,3	25,2
from access point outside the yard	17,8	10,5	2,3
Borehole	0,2	-	-
Other	0,9	0,2	0,1
<b>Total</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>

### Percentage distribution of households by type of toilet facilities (sanitation)

Table 12: Percentage distribution of households-type of toilet facility

	Census 2001	CS 2007	GI 2010
Flush toilet	70,1	93,4	90,8
Pit latrine with ventilation (VIP)	1,5	8,7	1,3
Pit latrine without ventilation	13,5	-	7,5
Bucket latrine	4,7	1,4	0,3
None	10,4	0,5	0,1
<b>Total</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>

### Percentage distribution of households by type of refuse removal

Table 13: Percentage of households-refuse removal

	Census 2001	CS 2007	GI 2010
Removed by local authority/private company			
at least once a week	60,2	94,5	96,0
less often	2,5	1,3	0,6
Communal refuse dump	9,8	0,3	0,1
Own refuse dump	22,1	1,8	1,5
No rubbish disposal	5,4	2,1	1,8
<b>Total</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>

## OVERVIEW OF THE COUNCIL

The following political parties had representation in the Council of the municipality during the year under review.

African National Congress (ANC)	26
Democratic Alliance (DA)	15
Freedom Front (FF)	1
<b>TOTAL</b>	<b>42</b>

The table below provides a list of Councillors who resigned during 2010/11 and new Councillors who were deployed to the municipality.

**Table 5: Councillor Resignations**

<b>PARTY</b>	<b>OLD COUNCILLOR</b>	<b>NEW COUNCILLOR</b>	<b>YEAR</b>
<b>ANC</b>	K W Bulwane	P Z Mona	2010
<b>ANC</b>	SC Phoofolo(Ms) Passed on	Vacant	2011
<b>DA</b>	L Smith	H J Moolman	2010
<b>UDM</b>	J M Masiteng	A M Mofokeng	2010

The table below provides a list of all ward and proportional representative Councillors of the municipality. The new Council was elected during May 2011

Table 6: List of Ward and PR Councillors

	WARD	ORGANISATION	COUNCILLOR
1	1	ANC	Ms Matsedisio Alina Tamane
2	2	ANC	Mr Malebo Daniel Nthebe
3	3	ANC	Mr Mosiuoa Solomon Poho
4	4	ANC	Mr Dawid Ntja Motlounge
5	5	ANC	Ms Selina Moreki
6	6	ANC	Ms Masontaga Nomsa Sejaki
7	7	ANC	Mr Thabo Emmanuel Mosia
8	8	ANC	Mr Lebohang Samuel Semonyo
9	9	ANC	Ms Caroline Sebatso Phoofolo (Passed on)
10	10	ANC	Mr Letala Sidney Lempe
11	11	ANC	Mr Thabo Kenneth Mabasa
12	12	ANC	Ms Sophia Bulelwa Khunou
13	13	ANC	Ms Julia Masetlhare Phepheng-Lelahla
14	14	DA	Mr Jan Daniel Viljoen
15	15	DA	Mr Jacobus Johannes Grobbelaar
16	16	DA	Mr Hans Jurie Moolman
17	17	DA	Ms Maria Cecilia Van der Walt
18	18	DA	Mr David Mac Millan Oswald
19	19	ANC	Mr Alexis Khomolileng Mare
20	20	ANC	Ms Nombulawa Lucy Mdola
21	21	ANC	Mr Lefu Richard Chebase
	<b>P.R.</b>		
22	1	ANC	Mr Brutus Tshupo Mahlaku ( <i>Executive Mayor</i> )
23	2	ANC	Ms Ms Thandiwe Linah Soetsang
24	3	ANC	Mr Sello Zacharia Matena ( <i>Speaker</i> )
25	4	ANC	Ms Nomsa Josephina Kubheka
26	5	ANC	Mr Malefane Johannes Msimanga
27	6	ANC	Ms Anna Ndutula Radebe
28	7	ANC	Ms Dikeledi Ellen Mokoena
29	8	ANC	Mr Serame Isaac Ramathesele
30	9	ANC	Mr Mnyamezeli Welcome Khonto
31	10	ANC	Ms Sylvia Lindiwe Tshongwe
32	11	DA	Mr Frans Christiaan Coetzer
33	12	DA	Mr Jacobus Johannes Geyser
34	13	DA	Mr Tsietsi Johannes Mofokeng
35	14	DA	Ms Suraya Holt
37	15	DA	Mr Makone Fithalls Machaea
38	16	DA	Mr Velly Johannes Maseko
39	17	DA	Mr Mabaka George Ntoane

40	18	DA	Mr Pretty Jacob Mahlangu
41	19	DA	Mr Johannes du Plassis
42	20	DA	Ms Mmabatho Martie Mosia

### Mayoral Committee

The Mayoral Committee consists of seven (8) members, these are Councillors appointed by the Executive Mayor to perform functions for which the Mayor is responsible. All Members of the Mayoral Committee (MMCs) were allocated portfolios as per the functions of the municipality.

T L Soetsang (Ms)	MMC: Corporate Services
N J Kubheka (Ms)	MMC: Technical Services
A N Radebe (Ms)	MMC: Sports, Arts and Culture
L S Lempe	MMC: Cleansing, Parks and Graves
S Moreki (Ms)	MMC: Urban Planning and Human Settlements
M W Khonto	MMC: Public Safety and Security
L S Semonyo	MMC: Finance and IDP
K T Mabasa	MMC: LED, Tourism and Agriculture

## **Section 80 Committees**

Councillors serving on Section 80 Committees are from political parties represented in the Council. Each Section 80 Committee is chaired by a Member of the Mayoral Committee (MMC) and is responsible for ensuring effective political oversight of departmental activities through the consideration of reports from the Municipal Manager and Directors. Based on the said reports these committees make recommendations for consideration by the Mayoral Committee.

Below is a list of Portfolio Committees and Councillors who served on these committees during the year under review.

### **Portfolio Committee: Corporate Services**

#### **T L Soetsang (Ms)**

S I Ramathesele

S L Tshongwe (Ms)

S B Khunou (Ms)

#### **Vacant S C Phoofolo Passed on**

J Duplessis

M G Ntoane

### **Portfolio Committee: Finance and Audit**

#### **L S Semonyo**

D N Motlounge

T E Mosia

M S Poho (Ms)

D M Oswald

J M Lelahla-Phepheng (Ms)

J D Viljoen

S Holt (Ms)

**Portfolio Committee: Technical Services**

**N J Kubheka (Ms)**

D N Motlounge

T E Mosia

M A Tamane (Ms)

**Vacant S C Phoofolo Passed on**

D M Oswald

J J Geysler

**Portfolio Committee: Public Safety**

**M W Khonto**

M D Nthebe

M N Sejaki

D E Mokoena

K A Mare

H J Moolman

M M Mosia

**Portfolio Committee: Cleansing, Parks and Graves**

**S L Lempe**

S L Tshongwe (Ms)

M J Msimanga

A K Mare

L R Chebase

P J Mahlangu

M C van der Walt

T du Toit

**Portfolio Committee: Urban Planning and Human Settlement**

**S Moreki (Ms)**

N L Mdola (Ms)

M N Sejaki (Ms)

N M Mafika (Ms)

T J Mofokeng

J M Lelahla-Phepheng (Ms)

M M Mosia

M D Nthebe

**Portfolio Committee: LED, Tourism and Agriculture**

**K T Mabasa**

M J Msimanga

S I Ramathesele

M A Tamane (Ms)

N L Mdola (Ms)

F C COetzer

M F Machaea

**Portfolio Committee: Sports, Arts and Culture**

**A N Radebe (Ms)**

D E Mokena

M S Poho

S B Khunou (Ms)

L R Chebase

J J Grobbelaar

V J Maseko

**Council meetings: 2010/2011**

Table 7: Council meetings held in 2010/11

<b>MEETING</b>	<b>DATE</b>
<b>Ordinary Council</b>	28 July 2010 6 October 2010 10 December 2010 3 February 2011 31 March 2011 31 May 2011
<b>Special Council</b>	30 August 2010 9 November 2010 29 April 2011
<b>Informal Council</b>	2 June 2010

# **CHAPTER 2:**

# **PERFORMANCE HIGHLIGHTS**

**This chapter includes the following sections:**

- **Departmental Overview and Highlights**
- **Free Basic Services**
- **Service Delivery Backlogs**
- **Approval of building plan applications**

## **DEPARTMENTAL HIGHLIGHTS**

### **OFFICE OF THE MUNICIPAL MANAGER**

#### **Overview**

The main objective of the Office of the Municipal Manager is to provide institutional leadership and strategic management to the municipal administration and provide executive support and advice to the Executive Mayor and Council.

#### **Description of the activity**

The following main functions have been identified:

- IDP and Strategic Planning
- Financial Governance and Reporting
- Organisational Performance Management
- Internal Audit and Corporate Governance
- Security management

The strategic objectives of the Office of the Municipal Manager are to –

- Enhance a culture of performance and service delivery excellence
- Provide sound strategic planning and strategic management advice and support
- Ensure sound financial governance and management
- Ensure effective and efficient management of intergovernmental relations;
- Effective internal and external communication

#### **The key issues and challenges for 2010/11 were:**

- Filling of critical vacancies of section 57 managers to stabilise and normalise the functioning of departments;
- Implementing a financial management turnaround strategy to improve the municipality's cash flow position and annual audit outcomes;

- Improving corporate governance through the establishment of a functional internal audit unit, better annual audit compliance and the review of the system of delegations;
- Ensuring improvements in compliance in contract management in accordance with the municipality's supply chain management policy; and
- Challenges regarding the improvement in internal and external communications.

## **FINANCIAL SERVICES**

### **Overview**

The main objective of the finance department is to provide a comprehensive and sound financial management service to the municipality.

### **Description of the activity**

The following main functions are located within the department:

- Budget and Expenditure management
- Financial Statements and Asset management
- Revenue collection and management

The strategic objectives of the finance department are to –

- Formulate and implement medium and long-term financial policy;
- Formulate and implement policies, by-laws and regulations;
- Formulate and implement asset management and investment policies;
- Plan and budget for implementation of costing systems;
- Budget preparation and implementation.
- Maintain and implement tariff policies and by-laws;
- Maintain and implement credit control, debt collection and indigent policies; and
- General reporting obligations in terms of the MFMA

### **The key issues and challenges for 2010/11 were:**

- Implementing the action plan to achieve a clean audit by 2014;
- Finalisation of the revised Supply Chain Management Policy;
- Maintaining a positive cash flow position to fund operations and projects;
- Optimising the information and accounting systems (e-venus);
- Implementation of GRAP ;

- Compilation of the Asset Register; and
- Purification of billing data to ensure accurate accounts are sent to customers.

## **ORGANISATIONAL DEVELOPMENT AND CORPORATE SERVICES**

### **Overview**

The main activities of this Directorate relate to –

- Human resource management
- Organisational development
- Administrative support services

### **Description of the activity**

The strategic objectives of the Directorate are –

#### **Human resource management**

- Formulate, maintain and execute the employment equity plan;
- Formulate, maintain and execute the skills development plan;
- Formulate, maintain and execute individual performance management system;
- Manage and handle general human resource administration, including labour relations.

#### **Organisational development**

- Manage and maintain the strategic organisational imperatives of the municipality to ensure effective implementation of the IDP and service delivery priorities.
- Develop, implement and maintain effective OD interventions, systems and policies.

#### **Administrative and legal support services**

- Ensure efficient running of the municipal administration
- Ensure professional legal support services to council and its structures

**Key Performance Areas include:**

- Training and development
- Employment equity
- Performance management
- Human resource administration
- Talent management
- Employee wellness
- Provision of legal assistance to departments, council and its structures
- Handling of labour relations aspects (collective bargaining, disciplinary and grievance cases)
- Delivery of council meeting agendas
- Logging and tracking of council resolutions

**The key issues and challenges for 2010/11 were:**

- Maintaining sound and healthy relations with labour and managing industrial actions;
- Finalisation of the revised organisational structure and its impact on operations and service delivery;
- Finalisation of the individual performance management system – cascading performance management to other management levels below Director level;
- Finalisation of various Corporate Services and Human Resource policies;
- Finalisation of various By-Laws;
- Implementation of job evaluation system as per approved plan;
- Support service rendered to all directorates in relation to disciplinary and grievance procedures;
- Implementation of logging and tracking system of council resolutions; and
- The process of acquiring the IDMS is unfolding and will be finalized by the end of the next financial year

**ECONOMIC DEVELOPMENT AND PLANNING**

## **Overview**

The main activities of the department Economic Development and Planning relate to:

- Local Economic Development
- Urban and Regional Planning
- Housing and Property Administration

## **Description of activity**

The strategic objectives of the department are to:

- Manage and control development in such a manner that there is sufficient provision made for industrial, commercial, agricultural and domestic uses; and
- Enhance, promote, maintain and coordinate economic activities in the municipal area to the benefit of all the inhabitants and communities.

## **Key Performance Areas of the Directorate are:**

- Spatial planning
- Building control
- Land-use management and development control
- Local economic development
- Housing construction
- Hostel/CRU redevelopment projects
- Relocation of informal settlements
- Updating of erf occupational and ownership database
- Purchase of land for development
- Disposal assets ( Land and property)

**Key issues and challenges for 2010/11 were:**

- Promotion of broad-based black economic empowerment
- Compilation and implementation of the LED strategy
- Development of small scale farming
- Spatial Development Framework review
- Development of the Land use management scheme for Metsimaholo
- Planning of a further 5500 erven (3 000 erven in Moidraai-Zamdela and 2 500 erven in Mooiplaats-Refenggotso)
- Review of the Housing Sector Plan
- 2 147 government subsidized houses under construction
- 7 Plots at Vaaldam Small Holdings purchased for urban expansion of Refenggotso – remaining 29 Plots to be purchased by 2012

## SOCIAL SERVICES

### Overview

The main activities of the Directorate relate to:

- Parks and Recreation
  - Community and sports facilities
  - Parks and recreational facilities
  - Cemeteries
  - Cultural activities and facilities
  - Providing a clean environment
- Public Safety
  - Traffic services
  - Fire and rescue services
  - Disaster management.
- Waste management (cleansing services), which includes collection, disposal and recycling of household, commercial and industrial refuse and waste, management of landfill and disposal sites and street cleaning.

### Description of the activity

The strategic objectives of the **Parks and Recreation** division are to –

- Ensure sufficient and accessible burial sites and facilities according to the current and future needs;
- Ensure that all current cemeteries are well managed, maintained and secured and provided with public facilities;
- Create a climate whereby diverse cultures can be accommodated and tolerated
- Ensure that all communities have access to libraries and information centres that are well equipped and maintained and
- Implement a greening plan for the area that will enhance the beauty of the natural environment
- Enhancing and maintaining of sports facilities in communities

The strategic objectives of the **Public Safety** division are to –

- Improve response time to all call-outs
- Provide full service in total municipal area
- Manage and coordinate disaster management with district municipality, local industries and communities
- Improve road safety and reduce accidents

The strategic objectives of the **Waste Management** (Cleansing Services) division include:

- Develop, implement and enforce a comprehensive set of by-laws to regulate the service;
- Develop, implement and maintain an integrated waste management plan; and
- Plan closure and rehabilitation of landfill sites.

**Key performance areas of the Directorate include:**

#### **Parks and Recreation**

- Sufficient and accessible burial sites and facilities
- Promoting cultural diversity and tolerance
- Sufficient and accessible community facilities

#### **Public Safety**

- Efficient and timely response to emergencies
- To provide a safe and secure environment for residents
- Disaster management

#### **Waste management (Cleansing services)**

- To provide reliable and affordable door-to-door waste removal services to all households
- To provide reliable affordable waste removal service to all businesses and industries

- To provide a clean and healthy environment

**The key issues and challenges for 2010/11 were:**

**Parks and Recreation**

- Upgrading of the Community Halls
- Expansion of library services
- Identification of new accessible burial sites and installation of fence and water taps at cemeteries, burial sites and crematorium
- Availability of facilities and maintenance thereof
- Delays in construction a Multi Purpose Centre in Harry Gwala by Anglo Coal (R23 million)

**Public Safety**

- Improve conversion of fines into actual revenue
- Improve visibility and extension of services
- Establishment of a By-Law enforcement unit

**Waste management (Cleansing services)**

- Compilation of Integrated Waste Management Plan;
- Rehabilitation of existing and establishment of new landfill site; and
- Awareness campaigns on illegal dumping and pollution and the eradication of illegal dumps.

## Technical and Infrastructural Services

### **Overview**

This Directorate includes the following functions:

- Waste water management
- Water provision
- Electricity
- Roads and storm water
- Building maintenance

### **Description of the activities**

The strategic objectives of the directorate are to –

#### **Waste water management**

- Provide waterborne sanitation services in an accountable and sustainable manner;
- Provide waterborne sewerage systems completed with toilet structures to each and every household; and
- Effectively and efficiently convey, dispose and purify wastewater.

#### **Roads and storm water**

- Provide roads in an effective, efficient and sustainable manner;
- Ensure the general maintenance and rehabilitation of existing infrastructure; and
- Improve customer care by effectively dealing with service complaints

#### **Water provision**

- Provide water in an accountable and sustainable manner;
- Provide potable and running water to each and every household in the municipal area;

- Establish and maintain of assets and equipment; and
- Manage and reduce technical water losses.

### **Electricity**

- Provide all consumers with an electrical connection at an affordable price;
- Cost effective, efficient, affordable and reliable electricity services;
- Distribution of electricity under licence agreement with the NER;
- Establish and maintain of assets and equipment; and
- Manage and reduce technical electricity losses.

### **Key Performance Areas**

#### **Waste water management**

New sewer networks and toilets

#### **Roads and storm water**

- Construction of new roads and storm water systems
- Upgrading of storm water systems

#### **Water provision**

- Provision of free basic water
- Reduction in unaccounted for water
- Provision of new water network and connections

#### **Electricity**

- Provision of free basic electricity

- Electrification of residential stands
- Network strengthening and upgrading

**The key issues and challenges for 2010/11 were:**

- Progressive reduction in backlogs
- Expansion of services in terms of minimum levels and standards
- Maintaining the complete infrastructure network to ensure that it remains operational
- Ageing infrastructure and the related rehabilitation and maintenance cost implications
- Improved customer care
- Implementation of strategies to reduce water and electricity distribution losses
- Staff attraction and retention
- Insufficient budgetary allocations for new capital projects and maintenance of existing infrastructure

## FREE BASIC SERVICES

Table 14: Free Basic Services

	2008/09	2009/10	2010/11
<b>Free water:</b>			
- residents	6kℓ	6kℓ	6kℓ
- indigent residents	10kℓ	10kℓ	10kℓ
Basic water - all residents	Free	Free	Free
<b>Free Electricity:</b>			
- all resident	50kWh	50kWh	50kWh
- non Municipal supply	Agreement with Eskom	Agreement with Eskom	Agreement with Eskom
Basic Electricity	Free	Free	Free
<b>Sewerage Basic</b>	Free	Free	Free
<b>Free Refuse removal - indigents</b>	Free	Free	Free
<b>Indigent subsidy (property rates)</b>	R50.00	R50.00	R50.00
<b>Income level for registration of indigents</b>	R2 000.00 per month	R2 300.00 per month	R2 400.00 per month
<b>Number of registered indigents</b>	7 543	7 657	8 371 <sup>#</sup>

# There were 2 106 pending indigent applications as at 30 June 2011.

## BASIC SERVICES RENDERED

Table 15: Basic services rendered

	2008/09	2009/10	2010/11
Number of new houses built in municipal areas	1 800	900	1 000
Number of households provided with water	2 204	2 500	0*
Number of households provided with electricity	1 760	1 004	0*
Number of households provided with sanitation	1 475	0	266 <sup>@</sup>

\*The focus during the year under review was on bulk infrastructure

@Sanitation provided in Gortin

## SERVICE DELIVERY BACKLOGS

Table 16: Water backlogs

<b>Water</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>
Number of households	37 320 <sup>7</sup>	37 320	37 320
Minimum standard of service (eg 6kl)	6kl#	6kl#	6kl#
Number of households not receiving the minimum standard of service at the beginning of the financial year	2 500	1 007	2 100
Number of households provided with minimum standard of service during the financial year	1 493	2 500	0
Number of households not receiving the minimum standard of service at end of the financial year	1 007	2 100	2 100

\*The minimum standard of service for metered households is 6 kilolitres per household per month and in un-metered areas it is the provision of a communal standpipe within 200 meters from dwelling

Table 17: Electricity backlogs

<b>Electricity</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>
Number of households	37 320	37 320	37 320
Minimum standard of service (eg 50kWh)	50kWh*	50kWh	50kWh
Number of households not receiving the minimum standard of service at the beginning of the financial year	5 320	3 560	2 560
Number of households provided with minimum standard of service during the financial year	1 760	1 004	0
Number of households not receiving the minimum standard of service at end of the financial year	3 560	2 560	2 560

\*The minimum standard of service for metered households is 50 kilowatt hours per household per month.

---

<sup>7</sup> According to the Statistics South Africa Community Survey (2007)

Table 18: Sanitation backlogs

Sanitation	2008/09	2009/10	2010/11
Number of households	37 320	37 320	37 320
Minimum standard of service	VIP*	VIP*	VIP*
Number of households not receiving the minimum standard of service at the beginning of the financial year	13 579	12 104	12 104
Number of households provided with minimum standard of service during the financial year	1 475	0	266
Number of households not receiving the minimum standard of service at end of the financial year	12 104	12 104	11 838

\*The minimum standard in urban areas is a flush toilet and for non-urban areas is a ventilated improved pit latrine (VIP).

Table 19: Refuse removal backlogs

Refuse removal	2008/09	2009/10	2010/11
Number of households	37 320	37 320	37 320
Minimum standard of service ( <i>eg removed once a week</i> )	Removed once a week	Removed once a week	Removed once a week
Number of households not receiving the minimum standard of service at the beginning of the financial year	3 500	3 500	3 500
Number of households provided with minimum standard of service during the financial year	33 820	33 820	33 820
Number of households not receiving the minimum standard of service at end of the financial year	3 500 (newly proclaimed and informal areas)	3 500 (newly proclaimed and informal areas)	3 500 (newly proclaimed and informal areas)

\*The backlog in so far as refuse removal is concerned in terms of the minimum standard of service agreed to by the municipality is based on the removal of refuse once a week by the municipality.

Table 20: Housing backlogs

Housing	2008/09	2009/10	2010/11
Number of households	37 320	37 320	37 320
Minimum standard of service*	40m <sup>2</sup> *	45m <sup>2</sup> *	45m <sup>2</sup> *
Number of households not receiving the minimum standard of service at the beginning of the financial year	4 600	2 800	1 900
Number of households provided with minimum standard of service during the financial year	1 800	900	1 000
Number of households not receiving the minimum standard of service at end of the financial year	2 800	1 900	900

\*The minimum standard of service for a RDP house was increased from 40m<sup>2</sup> to 45m<sup>2</sup>.

The housing backlog excludes the estimated 5 500 erven which will be created with the formalization and establishment of Mooiplaats and Moidraai.

## APPROVAL OF BUILDING PLAN APPLICATIONS

The information in respect of building plan applications for the 2010/11 financial year is reflected in the table below.

**Table 21: Building plan applications**

<b>Applications Outstanding on 1 July 2010</b>	<b>Category</b>	<b>Number of new applications received during 2010/11</b>	<b>Total value of new applications received R</b>	<b>Number of applications outstanding on 30 June 2011</b>
52	Residential new	47	R13 979 500	2
87	Residential additions	271	R16 438 000	19
3	Commercial	13	R2 600 000	1
5	Industrial	29	R11 536 000	0
4	Other (specify) <b>(Swimming pools, Mast &amp; Advertising boards)</b>	69	R1 265 500	14

### Notes:

1. There are no values available for plans for the months of June 2010 to February 2011 due to the theft of the Plan Register from the Building Control Office.
2. One of the main reasons for the number of outstanding applications on 30 June 2011, is that applicants could not obtain rates clearance certificates due to amounts owing to the municipality.

# CHAPTER 3:

## HUMAN RESOURCES AND ORGANISATIONAL MANAGEMENT

This chapter includes the following sections:

- **Organisational structure**
- **Staffing information**
- **Employment equity**
- **Skills development programmes**
- **Personnel expenditure trends**
- **Pension and medical aid funds**
- **Salary disclosures**
- **Human resource policies**

## ORGANISATIONAL STRUCTURE

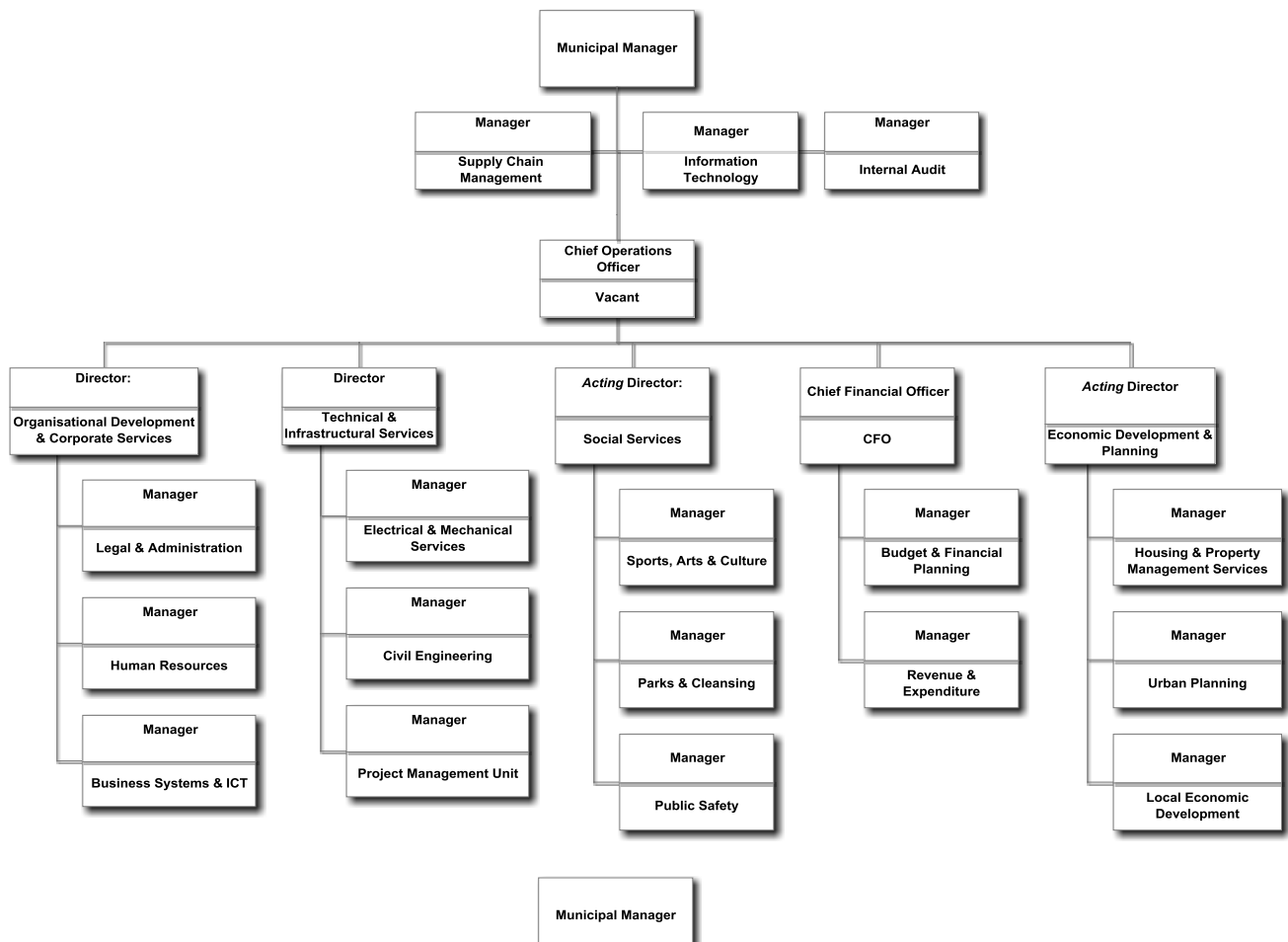


Figure 3: Current MLM Organisational Structure

The municipality is in the process of reviewing its organisational structure to align it to the IDP strategic priorities and critical institutional and service delivery imperatives. It is envisaged that the new structure will be submitted to Council for approval in the new financial year.

## STAFFING INFORMATION

### STAFF ESTABLISHMENT AS AT 30 JUNE 2011

Table 22: Staff establishment per main functions

Function	Total no. of approved posts	No. of filled posts	Vacancies	
			Number	Rate
Office of the Executive Mayor	8	6	2	25.0%
Office of the Speaker	6	4	2	33.3%
Office of the Municipal Manager	7	5	2	28.5%
Finance	105	95	10	9.5%
Corporate Services	64	45	19	29.7%
Economic Development and Planning	36	27	9	25.0%
Social Services	509	394	115	22.6%
Technical Services	344	272	72	20.9%
<b>Total</b>	<b>1 079</b>	<b>848</b>	<b>231</b>	<b>21.4%</b>

Note: The number of filled posts excludes 42 Councillors and any new appointments made after 30 June 2011. It should also be noted that approved posts can only be filled if it is funded or budgeted. The average vacancy rate in the municipality as at 30 June 2011 was 21.4%.

### STAFF TURNOVER

Table 23: Staff turnover categories

	2008/09	2009/10	2010/11
Resignations	7	7	4
Retirements	23	6	5
Dismissals	4	2	1
Death	10	10	0
Disability	4	0	1
Appointments	0	17	93
Promotions	3	0	2

## EMPLOYMENT EQUITY

### WORKFORCE PROFILE 2010/11

Table 24: MLM Workforce profile-2011

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	9	0	0	0	5	0	0	0	0	0	14
Senior management	21	1	1	5	5	1	0	1	0	0	35
Professionally qualified and experienced specialists and mid-management	15	0	0	3	7	0	0	7	0	0	32
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	158	0	0	18	65	0	0	21	0	0	262
Semi-skilled and discretionary decision making	168	1	0	0	46	0	0	1	0	0	216
Unskilled and defined decision making	134	0	0	0	62	0	0	0	0	0	196
<b>TOTAL PERMANENT</b>	<b>505</b>	<b>2</b>	<b>1</b>	<b>26</b>	<b>190</b>	<b>1</b>	<b>0</b>	<b>30</b>	<b>0</b>	<b>0</b>	<b>755</b>
Temporary employees	204	0	0	0	117	0	0	0	0	0	321
<b>GRAND TOTAL</b>	<b>709</b>	<b>2</b>	<b>1</b>	<b>26</b>	<b>307</b>	<b>1</b>	<b>0</b>	<b>30</b>	<b>0</b>	<b>0</b>	<b>1076</b>

Total number of employees (including employees with disabilities) in each of the occupational levels:

Note: A=Africans, C=Coloureds, I=Indians and W=Whites

The gender profile of the workforce in 2010/11 comprised of 68.6% males and 31.4% females compared to 72.1% males and 27.9% females in 2009/10.

Africans made up 94.4% of the workforce in 2010/11 compared to 89.7% in 2009/10. Whites accounted for 5.2% in 2010/11 compared to 9.6% in 2009/10.

## NUMERICAL GOALS

The numerical goals are the workforce profile the MLM projects to achieve at the end of the employer's current employment equity plan (EE Plan). The current EE Plan is for the five year period 1 October 2009 to 30 September 2014.

Table 25: EE Numerical goals-2014

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	9	0	0	0	7	0	0	0	0	0	16
Senior management	21	2	2	8	20	3	1	5	0	0	62
Professionally qualified and experienced specialists and mid-management	30	3	2	5	25	4	3	8	0	0	80
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	206	1	0	30	126	2	0	40	0	0	406
Semi-skilled and discretionary decision making	236	1	0	5	216	1	0	8	0	0	467
Unskilled and defined decision making	184	0	0	0	138	0	0	0	0	0	322
<b>TOTAL PERMANENT</b>	<b>686</b>	<b>7</b>	<b>4</b>	<b>48</b>	<b>532</b>	<b>10</b>	<b>4</b>	<b>61</b>	<b>0</b>	<b>0</b>	<b>1352</b>
Temporary employees											
<b>GRAND TOTAL</b>	<b>686</b>	<b>7</b>	<b>4</b>	<b>48</b>	<b>532</b>	<b>10</b>	<b>4</b>	<b>61</b>	<b>0</b>	<b>0</b>	<b>1352</b>

**BARRIERS AND AFFIRMATIVE ACTION MEASURES**

The table below indicates in which categories of employment policy or practice barriers to employment equity were identified. If the answer is 'Yes' to barriers in any of the categories, indicate whether you have developed affirmative action measures and the timeframes to overcome them.

Table 26: EE barriers and affirmative action measures

Categories	BARRIERS		AFFIRMATIVE ACTION MEASURES		TIMEFRAME FOR IMPLEMENTATION OF AA MEASURES	
	YES	NO	YES	NO	START DATE	END DATE
Recruitment procedures		X		X		
Advertising positions		X		X		
Selection criteria		X		X		
Appointments		X		X		
Job classification and grading	X			X	Job evaluation in progress	Unknown
Remuneration and benefits		X		X		
Terms & conditions of employment		X		X		
Job assignments	X		X			
Work environment and facilities		X		X		
Training and development		X		X		
Performance and evaluation	X		X			
Promotions		X		X		
Transfers		X		X		
Succession & experience planning		X		X		
Disciplinary measures		X		X		
Dismissals		X		X		
Retention of designated groups		X		X		
Corporate culture		X		X		
Reasonable accommodation	X		X			
HIV&AIDS prevention and wellness programmes		X		X		
Appointed senior manager(s) to manage EE implementation		X		X		
Budget allocation in support of employment equity goals		X		X		
Time off for employment equity consultative committee to meet		X		X		

## Skills development programmes

### SKILLS PROGRAMME FOR 2010/11

The programme that was proposed for the 2010/11 financial year is indicated in the table below.

Table 27: Skills development: 2010/11 proposed programme

Course name or qualification	Skills priority	Total to be trained
ABET	ABET	30
Workplace HIV and AIDS programme	Social/community/economic development and planning	50
Annual Labour Law Conference	Corporate, legal and support	3
Auditors course for OHS	Occupational Health and Safety	1
Time Management	Not a Sector Skills Priority Area	20
PAYDAY (Report writer)	Specialist technical	4
Supervisory programme	Corporate, legal and support	20
ICDL	Computer Literacy	30
Employee Assistant Programme	Corporate, legal and support	2
Life guard training	Specialist technical	6
Customer care services	Client service	20
Fire fighter 1 and 2	Social/community/economic development and planning	6
Hazmet Awareness and Responder	Social/community/economic development and planning	6
Interview / Selection Techniques	Corporate, legal and support	1
Plan and Conduct	Occupational Health and Safety	1
First Aid Training	Occupational Health and Safety	30
Search and rescue	Social/community/economic development and planning	4
Skipper	Specialist technical	2
SHE Representative	Occupational Health and Safety	20
Rural and Urban Planning Strategies	Project management /planning	2
GIS	Project management /planning	2
Advanced Project Management	Project management /planning	4
Drawing programme: Micro Station	Specialist technical	4
Law enforcement course for building inspector	Project management /planning	4
BCX E Venus	Financial	12
BCX General Training	Financial	12
Conlog / Cashier / Prepaid training	Financial	10
Training on VAT	Financial	16
Road Grading	Specialist technical	15
Road Construction / Rehab	Specialist technical	15
Storm water Pipe Installation and Manhole building	Specialist technical	15
Concrete Technology - basic	Specialist technical	20
Painting	Specialist technical	12
Carpentry	Specialist technical	10
Bricklaying	Specialist technical	16

<b>Course name or qualification</b>	<b>Skills priority</b>	<b>Total to be trained</b>
Plastering	Specialist technical	16
OEDTDP	Training skills	1
Plumbing	Specialist technical	6
Pump Station maintenance	Specialist technical	10
Water Quality and waste water management	Specialist technical	16
Supply Chain Management Training	Financial	20
Grader operator	Specialist technical	6
Finance for Non Finance expects	Financial	16
Certificate Programme in Municipal Development	Management / leadership	4
Drivers License	Computer Literacy	20
Horticulture	Social/community/economic development and planning	3
Management Skills Programme	Management / leadership	4
		<b>547</b>

**SKILLS PROGRAMMES ATTENDED BY EMPLOYEES**

Table 28: Training programmes implemented

<b>Date</b>	<b>Course (Skills priority)</b>	<b>Number of delegates</b>
02 – 03 August 2010	SHE Representative (Occupational Health and Safety)	30
11 – 13 August 2010	Annual Labour Law Conference (Corporate, legal and support)	3
08 – 10 September 2010	<i>Advanced Electronic Records Management (Specialist Technical)</i>	2
13 – 17 September 2010	Facilitation Community Development Programme (Social/community/economic development and planning)	4
08 – 10 November 2010	Workshop on HR Policies (Corporate, legal and support)	3
18 – 19 November 2010	Handling of Disciplinary Hearings (Corporate, legal and support)	23
17 – 21 January 2011 14 – 18 February 2011 14 – 18 March 2011	Training programme on Human Settlement Policies ((Social/community/economic development and planning)	2
14 – 15 April 2011	Training programme on Risk Based Auditing (Financial)	2
11 – 13 April 2011	Training programme on Risk based primary emergency care (Occupational Health and Safety)	30
29 June – 01 July	Annual Labour Law Conference	2
		<b>101</b>

**BURSARIES AWARDED TO EMPLOYEES**

Bursaries are advertised twice a year in May (for first intake, June registrations) and November (for second intake, January registrations).

Applications received for the year 2010/11 for May intake were 6 and 2 applicants were awarded with bursaries to further their studies. The following employees were awarded with bursaries:-

**Table 29: First intake 2010/2011 (May)**

	<b>Designation</b>	<b>Department</b>	<b>Initials and surname</b>	<b>Course registered</b>	<b>Institution</b>	<b>Duration</b>	<b>Comments</b>
1.	Language practitioner	Corporate Services	S S Mokobe	B.A Hons: Language	UOFS	12 months	Busy with studies
2.	Assistant Internal Auditor	Office of the MM	M R Magatsela	B.Tech: Internal Auditing	UNISA	12 months	Busy with studies

Applications received for the year 2010/11 for the November intake were 14 and 5 applicants were awarded with bursaries to further their studies. The following employees were awarded with bursaries:-

**Table 30: Second intake 2010/2011 (November)**

	<b>Designation</b>	<b>Department</b>	<b>Initials and surname</b>	<b>Course registered</b>	<b>Institution</b>	<b>Duration</b>	<b>Comments</b>
1.	Chief Clerk: Balancing	Finance	T W Hlabahlaba	B.Com (C.A)	UNISA	12 months	Busy with studies
2.	Data Operator	ICT	P D Mofokeng	National Diploma in IT	UNISA	3 years	Busy with studies
3.	Meter reader	Finance	M D Sekere	Logistic and Supply chain Management	INTEC College	2 years	Busy with studies
4.	General Worker	Cleansing	M S Ntsoelengwe	N5 Business Management	Flavious Mareka FET College	2 years	Busy with studies
5.	General worker	Cleaning	J M Konyana	N4 Human Resources Managemetn	Flavious Mareka FET College	3 years	Did not register

## PERSONNEL EXPENDITURE TRENDS

Table 31: Personnel expenditure trends-2002/03 to 2009/10

Financial year	R'000 (Audited actual)	% of total expenditure
2002/03	56 452	31.8%
2003/04	61 464	31.7%
2004/05	71 149	31.3%
2005/06	74 845	26.6%
2006/07	92 711	29.1%
2007/08	100 965	28.2%
2008/09	105 107	28.4%
2009/10	123 527	25.3%
2010/11	142 166	28.5%

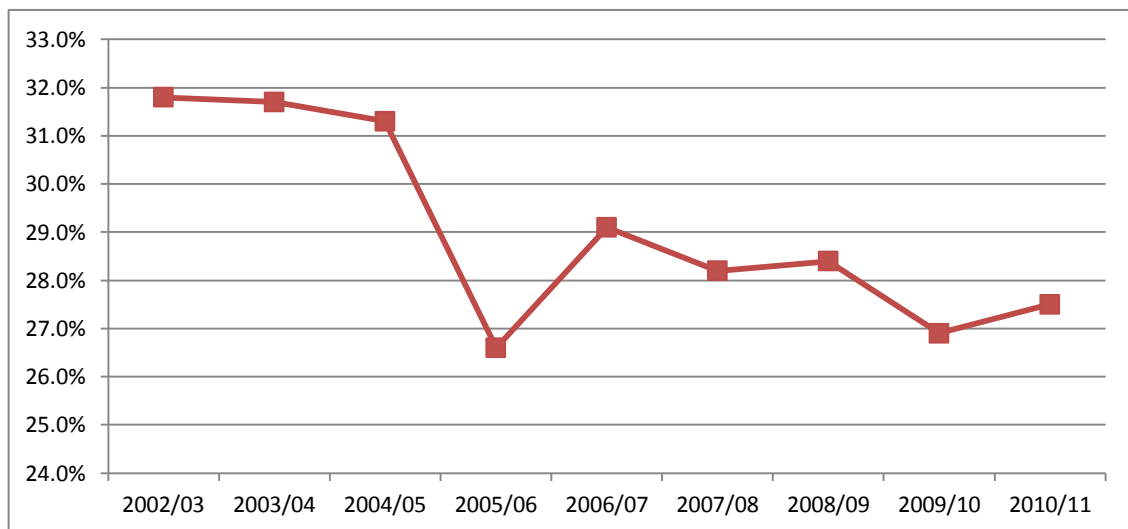


Figure 4: Personnel expenditure as a percentage of total expenditure

The personnel expenditure as a total of the municipality's total operating expenditure showed an increase to 28.5% compared to the previous financial year's percentage of 25.3%.

**PENSION AND MEDICAL AID FUNDS****Pension and provident funds**

Table 32: Pension and provident funds

Name of fund	No. of members	
	30 June 2010	30 June 2011
Vrystaat Pensioen Fonds	42	41
Free State Provident Fund	72	64
SALA Pension fund	30	29
SAMWU Provident fund	545	582
Pension Funds For Councillors	28	17
National Fund for Municipal Workers		20
<b>TOTAL</b>	<b>717</b>	<b>753</b>

**Medical aid funds**

Table 33: Medical aid funds

Name of fund	No. of members	
	30 June 2010	30 June 2011
MUNIMED (Key Health)	79	73
BONITAS	212	211
L A HEALTH	63	74
SAMWUMED	63	58
HOSMED	56	54
<b>TOTAL</b>	<b>473</b>	<b>470</b>

## SALARY DISCLOSURES

### COUNCILLORS

(as per note 24 to the Annual Financial Statements)

Table 34: Councillors remuneration

	2010 R	2011 R
Executive Mayor	440 732	455 935
Speaker	358 738	328 424
Mayoral Committee Members	2 190 121	2 270 276
Councillors	3 579 241	3 953 899
Councillors' pension contributions	245 775	145 765
Councillors' medical contributions	59 908	101 052
Telephone allowances	457 309	474 966
Travelling allowances	1 678 622	1 897 148
Councillors' UIF contributions	102 320	109 807
	9 112 766	9 737 272

### SENIOR MANAGEMENT (SECTION 57 EMPLOYEES)

(as per note 23 to the Annual Financial Statements)

Table 35: Section 57 managers-Remuneration packages

Designation	Remuneration package per annum 2010 R	Remuneration package per annum 2011 <sup>⌘</sup> R
Municipal Manager	1 152 156	1 267 725
Chief Financial Officer	801 979	988 079
Director: Corporate and Transformation Services	794 174	979 878
Director: Social Services	862 237	626 043 <sup>¥</sup>
Director: Economic Development and Planning	384 869 #	549 448 <sup>¥</sup>
Director: Technical and Infrastructural Services	632 561 *	885 131

#This position became vacant on 30 September 2009

\*This position was only filled on 1 September 2009.

⌘The remuneration packages for 2011 include a provision for performance bonuses which was not paid out to section 57 employees.

¥The posts of Director: Social Services and Director: Economic Development and Planning were vacant for the full duration of the financial year. The remuneration packages for the two posts consist mainly of acting allowances paid and provision for performance bonuses.

## HUMAN RESOURCES POLICIES

The following draft HR policies have been developed and workshopped with Council and Labour. These draft policies are due for adoption by Council in the new financial year:

- Confidentiality of information
- Incapacity policy
- Retirement policy
- Group Life policy
- Bursary policy
- Protected disclosure
- Relocation expenditure
- Sexual Harassment
- Dress code
- Bereavement policy
- Recruitment policy
- Employee Performance Management and Development Policy
- Racism and Racial Harassment Policy
- Promotion Policy
- Medical Examinations Policy
- Extraneous Employment (Moonlighting) Policy
- Occupational Health and Safety Policy
- Staff Retention and Exit Policy
- HIV/AIDS Policy
- Employee Wellness Programme Policy
- Gifts to Metsimaholo Local Municipality Employees Policy
- Integrated Human Resources Management Strategy

- Career Pathing Policy
- Career Succession Planning Policy
- Conflict of Interest Policy
- Membership of Professional Societies Policy
- Travelling / Transport Allowance Policy

# **CHAPTER 4:**

## **AUDITED STATEMENTS AND RELATED FINANCIAL INFORMATION**

**This chapter includes the following sections:**

- **Report of the Chief Financial Officer**
- **Report of the Auditor-General**
- **Action plan to address audit issues**
- **Report of the Audit Committee**
- **Annual Financial Statements**

## REPORT OF THE CHIEF FINANCIAL OFFICER

### Introduction

The financial year under review was challenging once more in that the municipality continued to face resource and cash flow constraints within the context of growing community needs and demands. For the year under review the municipality also experienced the effects of the decline in the world economy whereby it resulted in a negative impact on our debtors payments.

The 2010/11 Medium Term Revenue and Expenditure Framework (MTREF) was adopted by Council in May 2010 and had to balance the different strategic choices and competing priorities.

This report will review the operating results for the 2010/11 financial year, highlight the state of consumer debtors, reflect on capital expenditure, analyse key financial ratios and trends, review the 2010/11 annual audit outcomes and explain critical financial challenges experienced by the municipality during the year under review.

### Review of operating results

Details of the 2010/11 operating results are included in the Statement of Financial Performance and Appendix E attached to the Annual Financial Statements. The table below provides a summary of the operating results.

	2011 R'000	2010 R'000
Operating revenue	535,927	464,888
Operating expenditure	(498,052)	(488,855)
Surplus/(Deficit) before finance cost for the period	37,875	(23,967)
Finance cost	(4,645)	(2,936)
Other	(7,609)	497
Surplus/(Deficit) for the period	25,621	(26,406)

The actual operating revenue of the municipality increased by 15.3% whilst the operating expenditure increased by 1.9%. The largest increases in operating revenue items occurred on interest on investments (118.8%), government grants and subsidies (34.8%), fines (31.5%), rental income (18.5%) and service charges (11.0%). Own revenue constituted 76.8% of the total actual operating revenue of the municipality, whilst government grants and subsidies contributed 23.2% to total revenue. This indicates that the municipality does not rely extensively on grants and subsidies to fund its constitutional mandate of delivering services to the communities.

The expenditure items which showed a higher increase in 2011 compared to 2010 are:

- *Repairs and maintenance (52.6%)*
- *Contracted services (22.2%)*

- *Bulk purchases of water and electricity (20.8%)*

Bulk purchases of electricity and water amounted to R96,2 million and R64,7 million respectively to accommodate the increased demand for the provision of services. Bulk purchases of electricity increased by 23.8% in 2011 compared to 2010 due to the Eskom increases.

- *Depreciation, amortisation and impairments (16.9%)*

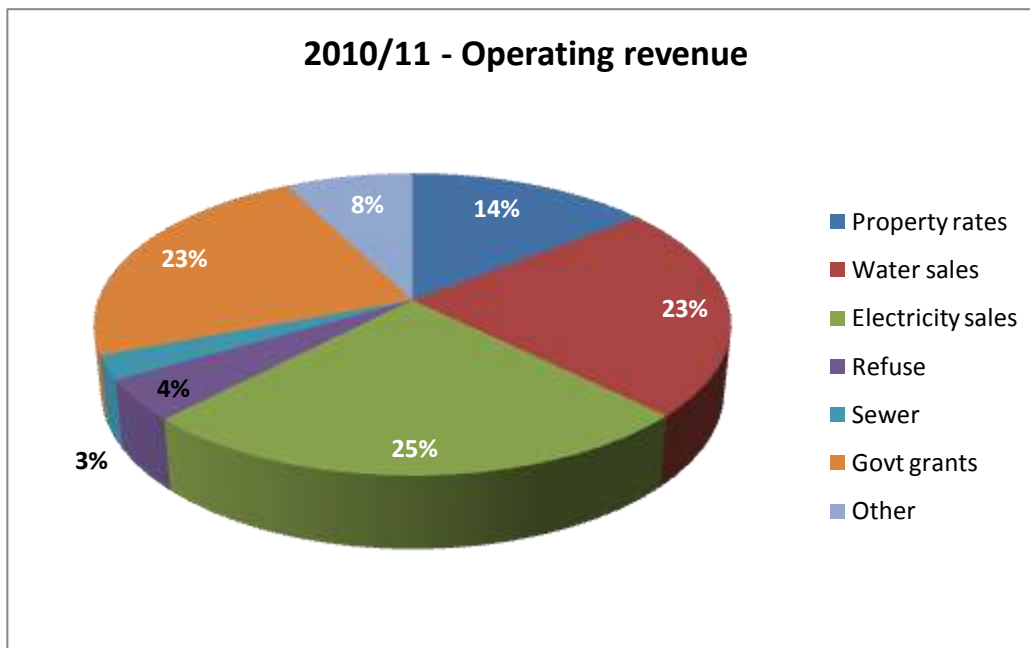
- *Employee costs (15.1%)*

The main contributing factors were the Bargaining Council collective wage agreements which contained higher increases than what was originally anticipated and the filling of critical vacancies and staffing requirements to facilitate effective service delivery.

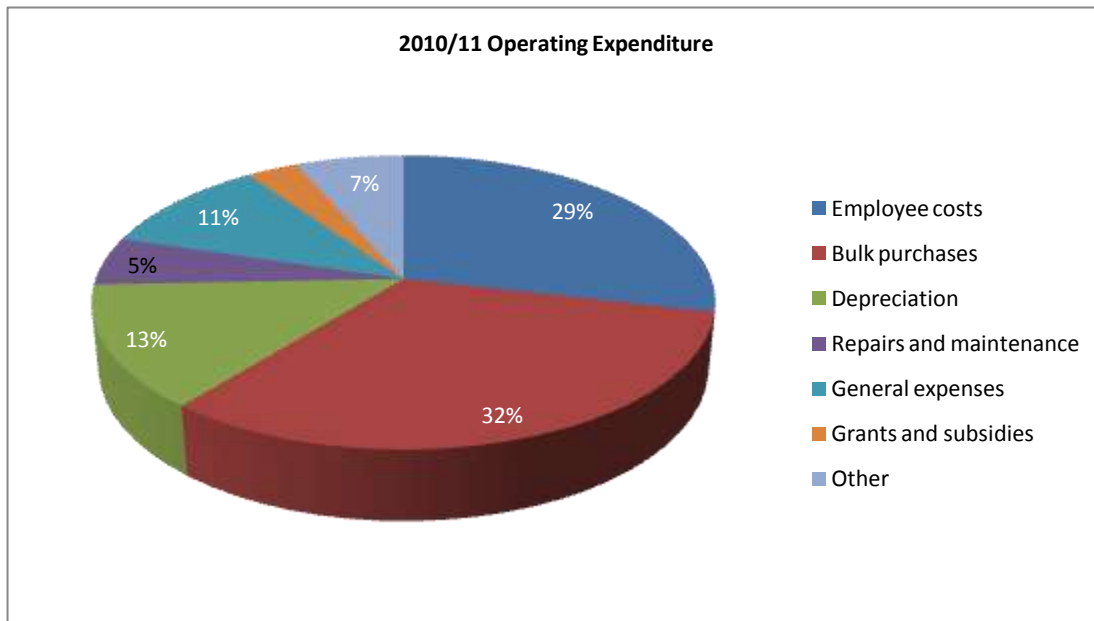
The debt impairment decreased by 80.3% due to significant decreases for trade and other receivables from exchange transactions and the bad debt VAT adjustment.

### Operating revenue

The graph below provides a breakdown of the major sources of revenue.



The graph below provides a breakdown of the main expenditure items and groups.



### Employee costs

The actual employee costs of the municipality expressed as a percentage of total operating expenditure increased from 25.2% in 2010 to 28.5% in 2011. In spite of the slight increase in expenditure it remains below the National Treasury benchmark of 30%.

	2011	2010
Total operating expenditure	498 052 300	488 855 282
Total operating revenue	535 927 207	464 888 439
Employee costs	142 166 142	123 527 448
Ratio: % of total expenditure	28.5%	25.2%
Ratio: % of total revenue	26.5%	26.6%
% growth in employee costs (year-on-year)	15.1%	

**Government grants and subsidies (Note 21)**

The following table shows the amounts received in terms of grants, contributions and subsidies from the National and Provincial Government.

	2011	2010
	R'000	R'000
Equitable share	79 048	62 784
Financial Management Grant (FMG)	1 000	750
Provincial Government	-	13
Fezile Dabi District Municipality	97	-
Department of Minerals and Energy	2 750	3 591
Department of Water Affairs	1 120	1 227
Provincial Government	-	148
Municipal Infrastructure Grant (MIG)	39 546	22 954
Municipal Systems Improvement Grant (MSIG)	750	735
	<b>124 310</b>	<b>92 202</b>

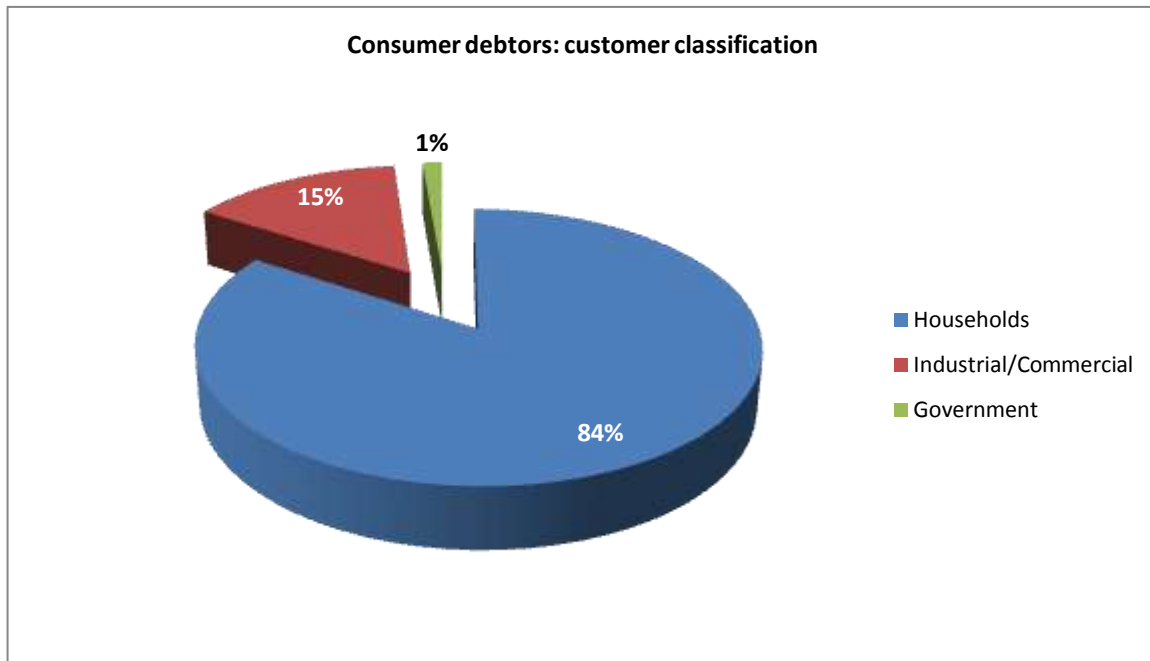
Government grants as percentage of total operating revenue increased from 19.8% in 2010 to 23.2% in 2011 but it remains at relatively acceptable levels. This is also an indication that the municipality does not rely extensively on grants and subsidies to fund its constitutional mandate of delivering services to the communities.

**State of consumer debtors**

Consumer debtors in the 2011 financial year increased in total with an amount of R19,4 million (5.7%) compared to 2010. The increase in debt per customer classification was made up as follows:

Customer classification	2011 R'000	2010 R'000	Increase/(Decrease)	
			R'000	%
Households	301 257	263 026	38 231	14.5%
Industrial/Commercial	52 046	71 619	(19 573)	(27.3%)
National and Provincial Government	4 801	4 088	713	17.4%
	<b>358 104</b>	<b>338 733</b>	<b>19 371</b>	<b>5.7%</b>

The consumer debt for households increased year-on-year by 14.5% and for government by 17.4% respectively in 2011. A positive trend is the 27.3% reduction in the debt of businesses.



The increase in consumer debtors per age analysis was as follows:

Age analysis group	2011 R'000	2010 R'000	Increase/(Decrease)	
			R'000	%
Current	30 692	46 617	(15 925)	(34.2%)
31-60 days	16 053	45 820	(29 767)	(64.9%)
61-90 days	11 727	9 395	2 332	24.8%
90 days plus	299 631	236 900	62 731	26.5%
	<b>358 103</b>	<b>338 733</b>	<b>19 370</b>	<b>5.7%</b>

The following is an indication of the effectiveness of credit control measures as well as the ability of the municipality to convert consumer debtors into cash:

Description	2011 R'000	2010 R'000
Debits levied: consumer debtors	375 413	339 832
Balance of consumer debtors: 1 July	338 737	301 276
Balance of consumer debtors: 30 June	358 103	338 737
Average balance of consumer debtors	348 420	320 007
Debtors turnover: Number of times (levies/average balance)	1.08 times	1.06 times
Debtors turnover: Number of days (days in financial year/number of times)	337.9 days	344.3 days

Although the number of days to recover consumer debt has decreased from 344 to 338 days, it takes the municipality almost a full calendar year to convert consumer debtors into cash compared to an industry average/benchmark of between 30 and 60 days. An average collection rate for 2011 calculated on the total levies compared to the total payments received was used to measure of revenue recovery of 90.6% (2010: 86.3%)

The debtors' turnover and revenue recovery rates are major factors contributing to the cash flow challenges experienced by the municipality and is regarded as a critical KPI in the municipality's revenue enhancement strategy.

### Capital expenditure and financing

The municipality's original approved capital expenditure budget for 2010/11 amounted to R344 million and was accepted by National Treasury. The capital budget was adjusted to R133,2 million in the adjustments budget as a result of reductions in projects not directly implemented by the municipality and other cash flow management interventions.

Actual capital expenditure incurred during the year under review in respect of property, plant and equipment amounted to R44,2 million or 33.2%. Explanations of significant variances greater than 5% of budgeted amounts were:

- The envisaged loan to be taken up did not materialise. No response was received from the main financial institutions on proposals for financing.
- The process of acquiring landfill sites took longer than anticipated. Anglo Coal has since committed to funding the EIA study in the 2011/12 financial year.
- Projects financed from Department of Mineral and Energy Affairs were not completed and funding was rolled over for 2011/12 financial year.

- The introduction of control measures such as the Budget and Loss Control Committee has assisted in curbing unnecessary spending. Departments had to motivate their needs and expenditure only occurred when the necessary approval was granted by the Committee.

The table below depicts the 2010/11 capital expenditure per type of asset:

Type of asset	Budget R'000	Actual R'000	Variance	
			R'000	%
Land and buildings	11 026	0	11 026	100%
Infrastructure	88 516	38 835	49 681	56.1%
Heritage assets	0	0	0%	0%
Other assets	33 627	4 549	29 078	86.5%
	133 169	44 213	88 956	66.8%

## Key financial ratios

The following key financial (accounting) ratios are included in the report to provide further analysis and interpretation of the financial position and financial performance of the municipality for the period under review.

### Current ratio

This ratio mainly applies the financial resources used in the operating cycle of the municipality. Operating capital represents the surplus of current assets over current liabilities and is a useful indicator when determining the ability of the municipality to fund its operating expenditure. The current ratio measures the extent to which current liabilities are covered by current assets. A larger coverage means a lower liquidity risk since short-term debt can be paid and financed from short-term assets.

Description	2011 R'000	2010 R'000
Current assets	223 911	159 201
Current liabilities	133 661	123 705
Net operating capital	(90 250)	(35 496)
Current ratio	1.68:1	1.29:1

The current ratio increased from 1.29:1 to 1.68:1. For both financial years it is clear that the municipality was not in a position to sufficiently fund its short-term obligations and was exposed to significant liquidity risk. The increase in the current ratio can mainly be ascribed to the increase in trade and other receivables from exchange transactions (44.3%), other receivables from exchange transactions (56.7%) and cash and cash equivalents (151.6%). There was an overall increase in current assets of 40.6% compared to a much lower increase in current liabilities of 8.0%.

The private sector sets a benchmark ratio of 2:1 as being acceptable. However, a norm for the local government sector has not yet been established. If the consumer debtors older than 90 days were excluded from the calculation, the ratio would decrease considerably

### Solvability ratio

The solvency ratio is an indication of the municipality's ability to meet its long-term obligations by comparing the total assets to the total liabilities. A ratio of less than 1 is an indication of possible insolvency.

Description	2011 R'000	2010 R'000
Total assets	1 070 328	1 041 791
Total liabilities	193 481	190 565
Solvability ratio	5.53:1	5.47:1

There was a slight increase in the solvability ratio in 2011 (5.53:1) compared to 2010 (5.47:1) and both financial years show a ratio significantly above the accepted benchmark of 1:1.

### Repairs and maintenance to annual operating expenditure and revenue

This ratio is an indication of the extent to which expenditure in respect of repairs and maintenance is covered by operating expenditure and revenue. The percentage is relatively low for both financial years with a slight increase from 3.73% in 2010 to 4.94% in 2011. It is important that sufficient funds are allocated for the maintenance and repairs of existing infrastructure to ensure future sustainability of assets, particularly infrastructure assets.

Description	2011 R'000	2010 R'000
Total operating expenditure	498 052	488 855
Annual operating revenue	535 927	464 888
Repairs and maintenance	26 491	17 360
% of operating expenditure	5.32%	3.55%
% of operating revenue	4.94%	3.73%

## 2010/11 Annual Audit Outcomes

The municipality received a disclaimer opinion from the Auditor-General for the 2010/11 financial year. The major issues raised in the report of the Auditor-General are indicated below. However, the municipality successfully managed to compile a GRAP compliant asset Register to the satisfaction of the Auditor General.

A workshop was arranged with the Audit Committee to properly and timeously review the Annual Financial Statements (AFS) before it could be submitted to the Auditor General. The objective of this was to improve the quality and the credibility of our AFS. Deloitte and Touche was also appointed to review the AFS and to assist with the implementation of the 2009/10 Action plan, including previous financial years.

Considerable progress has been achieved in the implementation of the Auditor General's Action Plan for the 2009/10 financial year (*see pages 82-131*) and we are confident that a clean Audit will be achieved by the set deadline of 2014. The following interventions will be made to ensure that the Audit Outcomes for the 2011/12 financial year are improved.

1. Due to the time limitations placed on the implementation of the action plan by the Audit process, ie, the Municipality only has six months after the issuing of the Audit Report, it was agreed with the Office of the Auditor General to conduct an interim Audit for the 2011/12 financial year. This will allow the Municipality to address deficiencies identified by the Audit process timeously.
2. A VAT review will be done to address all issues raised in the Audit Report.
3. Interim financial Statements will be produced for the first six months of the financial year. This will be used as a basis for the Interim Audit as indicated above.
4. Capacitation and Training for the Supply Chain Unit will be prioritized, including all Committees and non-financial managers dealing with Procurement. Treasury will be approached for assistance.
5. A dedicated Official will be appointed to deal with Contract Management and Document Management in the Supply Chain Unit.
6. The support given to the various Supply Chain Committees will be improved, especially regarding the administration and scheduling of meetings, reports and minutes.

## Challenges of the municipality during 2010/11

Some of the key challenges experienced by the municipality during the period under review included the following:

- The Local Government elections and the election of the new Council. The period before the election, affected major decisions that could not be made by the outgoing Council, and also the orientation of the new Council before it could be fully operational .
- The delay in the approval of the DBSA loan , thus affecting spending on the Capex and the planned cash flow

- Key vacancies that could not be filled as a result of a moratorium placed on appointments.
- The delay in the approval of the reviewed Organogram
- The delay in the approval of key Policies
- Relations with Labour, resulting in staff unrest and loss of productive time.

Continued engagements to address the above challenges will be undertaken, for example, all Councillors have already been Orientated and workshopped, and the DBSA loan was approved by Council in December 2011.

## **Appreciation**

I am grateful to the Executive Mayor, Members of the Mayoral Committee, Councillors, the Municipal Manager and Directors for the support they have given to me and my staff during the 2010/11 financial year. A sincere appreciation to everyone, and in particular the financial services staff, for the hard work, sacrifices and concentrated efforts during the financial year to enable us to finalise and submit the annual financial statements within the prescribed period of two months after the end of the financial year.

**M E Mokoena**

**CHIEF FINANCIAL OFFICER**

**REPORT OF THE AUDITOR-GENERAL ON THE CONSOLIDATED FINANCIAL STATEMENTS AND  
PERFORMANCE INFORMATION**

## **AUDITOR'S REPORT OF THE AUDITOR-GENERAL TO THE FREE STATE LEGISLATURE AND THE COUNCIL ON METSIMAHOLO LOCAL MUNICIPALITY**

### **REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **Introduction**

1. I was engaged to audit the accompanying consolidated financial statements of the Metsimaholo Local Municipality, which comprise the consolidated statement of financial position as at 30 June 2011, the consolidated statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 143 to 244

#### **Accounting officer's responsibility for the consolidated financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and Division of Revenue Act of South Africa, 2010 (Act No. 1 of 2010) (DoRA), and for such internal control as management determines necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor-General's responsibility**

3. As required by section 188 of the Constitution of South Africa, 1996 (Act No. 108 of 1996) and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on the consolidated financial statements based on conducting the audit in accordance with the International Standards on Auditing and *General Notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*. Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

#### **Basis for disclaimer of opinion**

##### **Trade and other receivables**

4. As a result of the audit matters below, I was unable to obtain adequate audit evidence as to the existence, valuation and completeness of and rights to trade and other receivables amounting to R97 206 928 (2010: R67 349 518) as disclosed in the statement of financial performance for the current and previous financial years.
  - A difference of R2 761 358 was identified between the debtors age analysis and the balance presented in the statement of financial position and disclosed in note 4 to the financial statements. Consequently, I was unable to obtain sufficient supporting documentation to confirm the existence and valuation of and the rights and obligations relating to trade and other receivables as well as on long-term receivables and the related revenue.

- I was unable to obtain adequate audit evidence for journals processed to clear the suspense votes of R3 954 410 (2010: R1 479 929), which could not be followed through to the individual debtors' accounts. Consequently, the existence, valuation and completeness of trade and other receivables could not be confirmed.
- I was unable to obtain adequate audit evidence for amounts and balances included in the trade and other receivables reconciliation amounting to R7 361 997. This was as a result of supporting information that could not be obtained for journals processed to the trade and other receivables and items on the reconciliation to the age analysis. Consequently, trade and other receivables are overstated and the opening balance of prior year accumulated surplus by R7 361 997.
- The reversal of the prior year unmetered consumption of service charges in the current year was not completely and accurately processed. Consequently, trade and other receivables are understated by R8 747 337.
- Included in the age analysis of and other receivables are unknown receipt and suspense accounts amounting to R2 625 158 (2010: R544 182). Sufficient appropriate audit evidence could not be provided to verify the nature and source of items included in these balances. Therefore I was unable to determine whether these accounts were complete, existed and were valued correctly and whether the municipality had a right thereto.
- Inter-departmental income is raised by the municipality's departments for monthly usage of their services by other departments. Subsequently, the other department should recognise the related expenditure. For the prior year-end, a balance on the inter-departmental debtors was included in trade and other receivables of R4 802 543. Consequently, I concluded that departmental expenditure for the prior year was understated by R1 921 491 and departmental revenue was overstated by R2 881 052. For the current year, the departmental expenditure is overstated and the departmental revenue understated by the corresponding amounts.

### **Irregular expenditure**

5. Irregular expenditure of R32 315 060 was identified during the audit due to non-adherence to supply chain management (SCM) policy and SCM regulations. This irregular expenditure was not completely disclosed in note 37.3 to the financial statements, as required in terms of section 125(2)(d) of the MFMA. Furthermore, I could not obtain sufficient, appropriate audit evidence that management had properly identified, investigated and recorded all irregular expenditure transactions during the current and prior years. Due to the limitations placed on the scope of the work performed in respect of expenditure and property, plant and equipment procurement, there were no satisfactory alternative audit procedures that I could perform to confirm the completeness, existence and valuation of irregular expenditure of R62 619 282, as disclosed in note 37.3 to the financial statements.

### **Trade and other payables**

6. As a result of the audit matters detailed below, I was unable to verify the completeness, existence and valuation of and the obligations relating to trade and other payables amounting to R85 373 334 (2010: R68 796 051), as disclosed in the statement of financial position and the related detailed disclosure in note 13 to the financial statements.
  - It was noted during this audit as well as the prior year audit that accruals were not complete for invoices in respect of goods and services received during the year. Furthermore, I could not obtain sufficient, appropriate audit evidence that management had properly identified, investigated and recorded all such accruals. Due to the limitations placed on the scope of the work performed in respect of payments for services and goods subsequent to the year-

end, there were no satisfactory alternative audit procedures that I could perform to confirm the completeness of payables and the related expenses.

- Included in note 13 to the financial statements is an amount for other payables of R62 175 284. Sufficient appropriate audit evidence could not be provided to verify the nature and source of items included in this balance to the amount of R1 736 295. Therefore I was unable to determine whether these other payables existed and were valued correctly and whether the municipality had an obligation in respect thereof. The municipality did not investigate the nature and source of these balances and therefore I could not perform alternative procedures.
- Included in the prior year of note 13 to the financial statements is an amount for payments received in advance of R13 068 941. Sufficient appropriate audit evidence could not be provided to verify the nature and source of items making up this balance. Therefore I was unable to determine whether the payments received in advance were complete, existed and were valued correctly; whether the municipality had an obligation in respect thereof, and whether the items are correctly disclosed in this balance. The municipality did not investigate the nature and source of these balances and therefore I could not perform alternative procedures.
- Included in note 13 to the financial statements is an amount of R8 775 324 for accrued leave pay. The incorrect number of leave days was used to calculate this provision, and therefore this amount is overstated by R1 216 299, and the related employee costs, as disclosed in note 23, understated by the same amount.

#### **Contingent liabilities**

7. I was unable to verify the completeness of contingent liabilities as disclosed in note 40 to the financial statements as confirmations could not be obtained from all the attorneys of the municipality.

#### **Revenue**

8. I was unable to verify the occurrence, accuracy, completeness, classification and cut-off of prior year service charges amounting to R268 855 161, as disclosed in note 20 to the financial statements, due to the provision for consumption of service charges from the last meter reading for the year up to year-end being incorrectly calculated. Consequently, service charges were not completely accounted for, resulting in understatement by R13 746 962.
9. The municipality could not provide me with sufficient appropriate audit evidence that there was a system of control over other income on which I could rely for the purpose of my audit, and there were no satisfactory audit procedures that I could perform to obtain reasonable assurance that all other income was properly recorded in the correct accounting period and classified correctly. Consequently, I was unable to satisfy myself as to the completeness, accuracy, cut-off and classification of other income as disclosed in note 22 to the financial statements amounting to R8 536 280 (2010: R10 302 825) and as presented in the statement of financial performance.
10. Rental income
  - Management was unable to provide me with sufficient appropriate audit evidence that there was a contract management system in place for the identification and recognition of rental contract income and there were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance that all rental income was completely recorded and classified correctly. Consequently, I was to satisfy myself as to the completeness and classification of rental income of R4 854 695 (2010: R4 095 241), as disclosed on the statement of financial performance.

- Differences were identified between the rental charges as recorded in the municipal accounting system and the amounts as agreed upon in terms of the signed contracts with tenants. Consequently, rental income amounting to R527 347 was charged in excess of the contract amounts and R1 376 602 was charged less than the contract amounts. This was as a result of a decision taken by the council not to increase rental charges in line with the escalation rate in terms of the signed contracts.

### **Non-current provisions**

11. As a result of the audit matters detailed below, I was unable to verify the completeness, existence and valuation of and the rights and obligations relating to non-current provisions as disclosed in note 16 to the financial statements.
  - The municipality did not provide for the rehabilitation of landfill sites in the current and prior year, as required by section 28(1) of the National Environmental Management Act, 1998 (Act No. 107 of 1998) and in accordance with the SA Standard of GRAP, GRAP 19, Provisions, contingent liabilities and contingent assets. I was unable to quantify the liabilities as at the end of both years due to the complexity of the calculations involved.
  - Included in note 16 to the financial statements is an amount of R765 744 that has been provided for performance bonuses payable to the section 57 managers of the municipality. I was unable to obtain sufficient appropriate evidence to confirm the existence and valuation of and the rights and obligations relating to this provision.

### **Other financial assets**

12. Certain consumer debtors have entered into agreements with the municipality to repay their accounts in periods exceeding 12 months. These debtors are included in other financial assets of R14 633 889 and as per note 6 to the financial statements. I was unable to obtain the arrangements for consumer debtors amounting to R1 858 226 and was therefore unable to determine the accuracy of the amounts. Consequently, the existence and valuation of these balances could not be confirmed.

### **Value-added tax**

13. Misstatements were identified during the audit amounting to at least R365 036 (2010: R1 834 346) in respect of input VAT that was not claimed by the municipality, for valid tax invoices and for input VAT incorrectly claimed to the amount of R1 209 567. Consequently, the existence, valuation and completeness of VAT payable of R10 254 403 (2010: R7 765 634) as per note 17 and input VAT of R301 769 (2010: R1 171 409) as per note 5 to the financial statements could not be confirmed.

### **Cash flow statement**

14. Due to the extent of the audit differences, together with the extensive limitation of scope on the audit as highlighted in the basis for disclaimer of opinion, I was unable to obtain sufficient appropriate audit evidence for amounts and disclosures included in the cash flow statement and notes thereto. As alternative procedures could not be performed, I was unable to practically quantify the misstatements in the cash flow statement and notes thereto. Consequently, I did not obtain all the information and explanations I consider necessary to satisfy myself as to the accuracy, completeness, presentation and disclosure of the cash flow statement and notes thereto.

### **Disclaimer of opinion**

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

### **Emphasis of matters**

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

### **Irregular expenditure**

17. As disclosed in note 37.3 to the financial statements, irregular expenditure to the amount of R62 763 326 (2010: R34 622 248) had been incurred by the municipality which has not yet been condoned by council.

### **Unauthorised expenditure**

18. As disclosed in note 37.2 to the financial statements, unauthorised expenditure to the amount of R82 718 672 (2010: R64 669 6622) had been incurred by the municipality which has not yet been condoned by council.

### **Fruitless and wasteful expenditure**

19. As disclosed in note 37.1 to the financial statements, fruitless and wasteful expenditure to the amount of R5 802 932 (2010: R5 558 277) had been incurred by the Municipality which has not yet been condoned by council.

### **Restatement of corresponding figures**

20. As disclosed in note 39 to the financial statements, the corresponding figures for 30 June 2010 have been restated as a result of errors discovered during the financial year ended 30 June 2011.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

21. As required by the PAA and in terms of *General Notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I include below my findings on the report on predetermined objectives, compliance with the MFMA, Municipal Systems Act (MSA) and financial management (internal control).

### **Predetermined objectives**

#### **Reliability of information**

22. The reported performance information was deficient in respect of the following criteria:

- Accuracy: The amounts, numbers and other data relating to reported actual performance have not been recorded and reported appropriately.

The following audit findings relate to the above criterion:

### **Compliance with laws and regulations**

#### **Procurement and contract management**

23. Contrary to the requirements of section 75 of the MFMA, not all the prescribed documents are available on the website of the municipality.
24. Goods and services with a transaction value of between R10 000 and R200 000 were not procured by obtaining written price quotations from at least three different prospective providers, as per the requirements of SCM regulation 17(a) and (c).
25. Goods and services of a transaction value above R200 000 were not procured by inviting competitive bids as per the requirements of SCM regulations 19(a) and 36(1).
26. Invitations for competitive bidding were not advertised for a required minimum period of days as per the requirements of SCM regulations 22(1) and 22(2).
27. Bid specifications were drafted by the bid specification committees, which did not consist of one or more officials of the municipality, as required by SCM regulation 27(3).
28. Bids were evaluated by the bid evaluation committees, which did not consist of officials from the departments requiring the goods or services and at least one SCM practitioner of the municipality, as per the requirements of SCM regulation 28(2).
29. Final awards and/or recommendation of awards to the accounting officer were not made by an adjudication committee, which consisted of at least four senior managers of the municipality as per the requirements SCM regulation 29(2).
30. Awards were made to providers whose tax matters had not been declared by the South African Revenue Services to be in order as required by SCM regulation 43.
31. Awards were made to suppliers who did not submit a declaration on their employment by the state or their relationship to a person employed by the state as per the requirements of SCM regulation 13(c).
32. The preference point system was not applied in all procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) and SCM regulation 28(1)(a).
33. Awards were not made to suppliers based on preference points that were calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act and its regulations.

#### **Strategic planning and performance management**

34. Contrary to section 95 of the MSA, the municipality did not establish mechanisms for users of services and ratepayers to give feedback to the municipality with regard to the quality of services provided. In addition, the municipality does not have mechanisms to monitor their response time to queries submitted by the users.

### **Budgets**

35. Contrary to the requirements of section 52(d) of the MFMA, the reports to council on the implementation of the budget and financial state of affairs of the municipality were not submitted.
36. Contrary to the requirements of section 71(1) of the MFMA, the monthly submissions to the mayor of the municipality and provincial treasury on the state of the municipality's budget were not made within the prescribed reporting period.

#### **Existence and functioning of a performance audit committee**

37. The performance audit committee did not:
  - meet at least twice during the financial year
  - review the quarterly reports of the internal auditors on their audits of the performance measurements of the municipality
  - review the Metsimaholo Local Municipality's performance management system and make recommendations in this regard to the council of the Metsimaholo Local Municipality
  - submit an auditor's report to the Metsimaholo Local Municipality regarding the performance management system at least twice during the financial year.

#### **Internal auditing of performance measurements**

38. The internal auditors of the Metsimaholo Local Municipality did not audit the performance measurements on a continuous basis and did not submit quarterly reports on their audits to the municipal manager and the performance audit committee.

#### **Annual financial statements, performance and annual report**

39. The financial statements submitted for audit did not comply with section 122 of the MFMA. Material misstatements were identified during the audit. Some of these were corrected by management while those that were not corrected are included in the basis for disclaimer of opinion paragraphs.
40. Contrary to the requirements of section 127(2) and 127(3)(a) of the MFMA, the mayor did not table the annual report to council within the prescribed seven-month period and no explanation was submitted to council detailing the reasons for the delay.
41. Contrary to the requirements of section 32(4) of the MFMA, the current year financial indicators were not presented to council and, consequently, the required reporting to the MEC for local government and the Auditor-General was not done.
42. Contrary to the requirements of section 129(1) of the MFMA, the municipality failed to adopt the oversight report within two months of presentation of the annual report to council.
43. Contrary to the requirements of section 62(1)(c)(i) of the MFMA, the municipality did not have or did not maintain effective, efficient and transparent systems of internal control as required by legislation for guarding against fraud, theft and financial mismanagement.

#### **Human resource management and compensation**

44. Contrary to section 56(a) of the MSA, the appointment of acting director was not authorised by council.

#### **Expenditure management**

45. Contrary to the requirements of section 1 of the MFMA, expenditure was not incurred in accordance with the requirements of the SCM regulations and the Remuneration of Public Office-Bearers Act, as set out in the definition of “irregular expenditure” in the MFMA.
46. Expenditure incurred was made in vain and could have been avoided had reasonable care been exercised. This constitutes fruitless and wasteful expenditure, as defined in section 1 of the MFMA.
47. Contrary to the requirements of section 32(2) of the MFMA, the municipality did not have an investigation committee in place throughout the period to make recommendations to council for the recovery of unauthorised, irregular or fruitless and wasteful expenditure from the person liable for that expenditure.
48. Contrary to the requirements of section 65(2)(e) of the MFMA, payments were not made within the required 30 days from the receipt of an invoice, or such a period as prescribed for certain categories of expenditure.
49. Contrary to the requirements of section 7 of schedule 1 and section 5A of schedule 2 of the MSA, annual declarations of interest were not made by all the councillors and senior managers. I am not aware of any business transactions that occurred between these parties and the municipality.

#### **Revenue management**

50. Contrary to section 15 of the MSA, the municipal code of the municipality is not constantly updated or annotated.

#### **INTERNAL CONTROL**

51. In accordance with the PAA and in terms of *General Notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the basis for disclaimer of opinion, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

- **Leadership**

The accounting officer does not exercise oversight responsibility over reporting and compliance with laws and regulations and internal control, which resulted in non-compliance with the applicable laws and regulations and irregular expenditure.

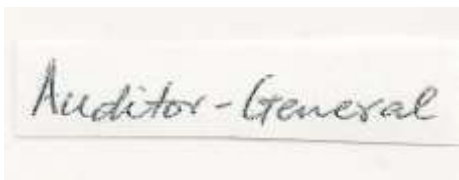
- **Financial and performance management**

Requested information was not available and supplied without any significant delay, which resulted in a limitation on the scope of the audit. Due to supporting documentation not being available, qualifications on revenue, trade and other receivables, non-current provisions, trade and other payables, other financial assets, non-compliance with SCM regulations and contingent liabilities occurred and irregular expenditure was incurred by the municipality.

Internal controls are not appropriate to facilitate the preparation of the financial statements. This resulted in qualifications. The financial statements and other information to be included in the annual report are not effectively reviewed for completeness and accuracy prior to submission for audit purposes.

Manual or automated controls are not adequately designed to ensure that the transactions have occurred, are authorised, and are completely and accurately processed.

Pertinent information is not identified and captured in a form and time frame to support financial reporting.



Auditor-General

Bloemfontein

9 December 2011



*Auditing to build public confidence*

## **ACTION PLAN ON ISSUES RAISED BY THE AUDITOR-GENERAL**

In terms of section 131(1) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003), a municipality must address issues raised by the Auditor-General in an audit report. The action plan addressing the issues raised in the Report of the Auditor-General on the Financial Statements for the year ended 30 June 2011 are indicated below.

## RESOLVED QUERIES

No.	Audit Finding	Plan of Action	Time Frame		Responsible Unit	Responsible Person
			Date of Execution	Date of Completion		
Commitments						
10	Corrected: Commitments: Difference identified during recalculation of balance (EX.193)	Resolved	July 2011	August 2011	Financial Service/ Technical Services(PMU)	A Vorster/H Jacobs
11	Corrected: Commitments: Disclosure note incomplete at yearend (EX.251)	Resolved	July 2011	August 2011	Financial Service	A Vorster
Contingent liabilities						
12	Corrected: Contingent liabilities: Unspent conditional grants incorrectly disclosed (EX.30)	Resolved				
Employee costs						
18	Corrected: Employee cost: UIF incorrectly included in general expenditure (EX.47)	Resolved				

Unauthorised, fruitless and wasteful and irregular expenditure						
73	Trade and other payables: Journal A/10103 processed on incorrect amount due to interest on the creditor statement (EX.198)	Exception resolved	1 July 2010	ongoing	Financial Service	P. Mohamane
84	Corrected: Fruitless and wasteful expenditure: Disclosure in note 36 does not agree (EX.49)	Resolved			Financial Service	A. Vorster
85	Corrected: Fruitless and wasteful expenditure: Prior year disclosure in Note 36 (EX.50)	Resolved			Financial Service	A. Vorster
86	Corrected: Unauthorised expenditure: Prior year disclosure in Note 36 (EX.51)	Resolved			Financial Service	A. Vorster
Mayoral trust						
87	Financial statements: Amounts paid on behalf of the Mayoral Trust not recorded in the records of the trust (EX.152)	Resolved			Financial Service	A. Vorster
Operating expenditure						
121	Expenditure: Proof of receipt of goods not identified (EX.124)	Resolved.			Financial Service	P. Mohamane
122	Expenditure: Payment voucher not authorised (EX.113)	Resolved			Financial Service	P. Mohamane

Metsimaholo Local Municipality – 2010/11 Annual Report

Payable						
128	Trade and other payables: MMS Collections (Pty) Ltd creditor not provided for (EX.253)	Resolved			Financial Service	C. Scheepers
131	Trade and other payables: Insurance claims creditor account (EX.182)	Resolved			Financial Service	H. Jacobs
Performance information						
137	Performance information: Non-compliance to paragraph 14 of the Municipal Planning and Performance Management Regulations (EX.6)	Resolved			Internal Audit	
Provisions						
142	Corrected: Provisions: Medical aid liability not provided for (EX.7)	Resolved			Organisational Dev. & Corporate/ Financial Service	A. Vorster
146	Trade and other receivables: Ageing disclosed in the financial statements does not agree to the notes (EX.188)	Resolved			Financial Service	C. Scheepers / A. Vorster
152	Corrected: Trade and other receivables: Supporting documentation for reconciling item (EX.169)	Resolved			Financial Service	C. Scheepers

Metsimaholo Local Municipality – 2010/11 Annual Report

Revenue						
171	Revenue - Services: Prior year follow up on outstanding supporting documentation (EX.231)	Resolved			Financial Service	C. Scheepers
177	Corrected: Revenue - Other income: Realisation of deferred income incorrectly accounted for (EX.105)	Resolved	April 2011	August 2011	Financial Service	A. Vorster
178	Corrected: Revenue - Services: Prior year completeness of service income (EX.166)	Resolved			Financial Service	C. Scheepers
179	Corrected: Revenue - Other Income: Interest received on investments (EX.236)	Resolved			Financial Service	H. Jacobs
180	Corrected: Revenue - Services: Completeness and cut-off of Conlog payments received (EX.62)	Resolved			Financial Service	C. Scheepers
181	Corrected: Revenue - Services: Offsetting of Conlog commission and prepaid electricity income (EX.63)	Resolved			Financial Service	C. Scheepers
182	Corrected: Revenue - Services: Revenue payments received from Conlog processed including VAT (EX.68)	Resolved			Financial Service	C. Scheepers
183	Revenue - Services: Conlog debtor not provided for at year end (EX.82)	Resolved			Financial Service	C. Scheepers

Taxes						
193	VAT: Interest and penalties not disclosed as fruitless and wasteful (EX.16)	Resolved	ongoing	ongoing	Financial Service	P. Mohamane

**DISAGREEMENT & DISPUTES QUERIES**

No.	Audit Finding	Plan of Action	Time Frame		Responsible Unit	Responsible Person
			Date of Execution	Date of Completion		
Cash and cash equivalents						
8	Cash and cash equivalents: Separate bank account for conditional capital grant monies (EX.35)	In terms of section 8(4) of the MFMA these monies must be transferred into the Municipal bank account. The Municipality has instituted sufficient controls to ensure that all funds transferred are properly accounted for and that unspent grants at year end are properly disclosed. A separate bank account is not a requirement in terms of the MFMA. Disagree with the finding			Financial Service	A Vorster/ P Mohamane
Employee cost						
15	Employee cost: Annual leave (EX.144)	Disagree with finding The Municipality is complying with the provisions of Collective Agreement on leave. Attached as annexure B is explanation given to			Organisational Dev. & Corporate	E. Sediane

Metsimaholo Local Municipality – 2010/11 Annual Report

		this audit query(communication 62.1 of 2010)				
20	Employee cost: Notice of termination of service not followed (EX.75)	Disagree with Findings Clause 11.5 of Sasolburg TLC Conditions of Services allows for either Council or employee to accept shorter period. (communication 31 of 2010)			Organisational Dev. & Corporate	E. Sediane
Compliance						
27	Compliance: Non-compliance with section 16(2) of the MFMA (EX.239)	The Budget for the 2009/10 financial year was tabled by the Mayor 90 days before the start of the financial year. Disagree with the finding.	August 2010	31 May 2011	Financial Service	D Lawson
29	Internal control: Council's assessment of the effectiveness of the audit committee (EX.167)	Disagree with the Finding. There was no non compliance with section 166(5) of the MFMA in terms of the appointment of the members. Furthermore, there is no legislative requirement to assess the effectiveness of the Audit Committee. However, it is good practice to do so.	Annually		Municipal Manager / Internal Audit	K. George
35	Compliance: Non-compliance with section 52(d) of the Municipal Finance Management Act (EX.237)	The Financial Indicators report is submitted on a monthly basis that includes the Section 71 report. Quarterly reports are submitted to Council. Disagree.	Ongoing	Ongoing	Municipal Manager/ Financial Service	A Vorster

Compliance						
40	Compliance: Non-compliance with section 72 of the Municipal Finance Management Act (EX.245)	Mid year assessment of Performance 09/10 was done. Disagree with the finding			Municipal Manager	
42	Compliance: Non-compliance with section 66 of the MSA (EX.4)	Disagree with the finding. An approved organogram exist , and is currently under review	May 2011		Organisational Dev. & Corporate	E . Sediane
44	Compliance: Non-compliance with section 65(2)(i) of the MFMA (EX.97) Management of Working Capital	Disagree with the Finding. This finding is not addressing the section quoted by the AG.			SCM	
47	Procurement and contract management: No controls in place for employees to declare relations benefits (EX.40)	Disagree with the finding. The code only requires disclosure when the Official stands to benefit from the contract. It is a standard requirement in the bid documents for Bidders to indicate if they are related or know any Official in the employ of the Municipality.			Organisational Dev. & Corporate/ SCM	E. Sediane / B.Motloung
Procurement and contract management						
48	Procurement and contract management: No mention of specific measures relating to fraud in the procurement process (EX.45)	Disagree with the finding .The SCM policy adopted by council does make provision for this aspect, under section 38 of the Policy.				
49	Procurement and contract management: Non-compliance with section 116(2)(b) of the MFMA (EX.65)	Disagree Monthly meetings were held with the Contractor			SCM/Financial Service	C. Scheepers

Metsimaholo Local Municipality – 2010/11 Annual Report

		Invoice properly verified before payment MM had a meeting with service provider regarding non performance Letter of intention to cancel was given to the Service Provider				
50	Procurement and contract management: Non-compliance with regulation 14(1) of the Municipal Supply Chain Management Policy (EX.10)	Disagree with the finding. As indicated in the management response, the invitation was done by Radio, as it was considered to be appropriate. This section allows for any other appropriate ways to be used.				
53	Procurement and contract management: Non-compliance with regulation 17(2) of the Municipal Supply Chain Management Policy (EX.110)	Disagree with the Finding. As per management's response , no Supply Chain function has been sub-delegated			SCM	
54	Procurement and contract management: Non-compliance with regulation 6(3) of the Municipal Supply Chain Management Policy (EX.13)	Disagree with the Finding. As per management's response, these reports were made Public through Council Reports and also placed at Libraries.			SCM	
57	Procurement and contract management: Non-compliance with regulation 5(3) and (4); and 42 of the SCM policy (EX.46)	Disagree with the Finding. As per management's response, no supply chain function has been sub delegated. Furthermore, the bid adjudication committee is chaired by the C.F.O and all the reports are submitted to the Municipal Manager after each sitting.			SCM	

Metsimaholo Local Municipality – 2010/11 Annual Report

58	Procurement and contract management: Non-compliance with regulation 18(d) of the Municipal Supply Chain Policy (EX.60)	Disagree with the Finding. As per management's response , no Supply Chain function has been sub-delegated			MM/SCM	
Unauthorised, fruitless and wasteful and irregular expenditure						
64	Employee cost: Councillors' remunerated more than the upper limit (irregular expenditure) (EX.100)	Disagree with the Finding. The excess money was as a result of claims submitted by the Councillors. These were not allocated against the correct code as required by SARS. This will however be corrected in the current financial year See corrective action at 16 above.	1 March 2011		Financial Service	P. Mohamane
72	Procurement and contract management: Non-compliance with section 116(3) of the MFMA (EX.178) Rentokil Marena Munasi Civil Works	Disagree with the finding. These contracts were not amended, but were only given extension until the new contracts are in place, because the services provided are still required by the Municipality. A process of advertising for the appointment of new Service Providers will be done during the current financial year.	30 March 2011		Organisational Dev. & Corporate/ Technical service/ SCM	B . Wanyane / Hlalele / B. Motloung
79	Procurement and contract management: Reporting requirements on emergency procurement not followed (SCM 36(2)) (EX.53) Grass cutting, Patching of Potholes,	Disagree with the Finding. As responded to the Auditor General, the reports were sent to Council.			Technical Service/ SCM	

Metsimaholo Local Municipality – 2010/11 Annual Report

83	Irregular expenditure: Non-compliance with section 125(2)(d) disclosure requirements (EX.133)	Compliance with section 125(2)(d)(ii and iii) can only be preceded by section 32(2)(b). A Council Committee has been appointed in terms of section 32(2)(b) to investigate all Irregular expenditure incurred . Based on their report , all the disclosure requirements in terms of section 125(2)(d)(ii and iii) will be made. Disagree with the finding			Financial Service	A. Vorster
Financial statements						
89	Internal control: Internal audit recommendation not implemented by management (EX.107)	Disagree with the finding.			Municipal Manager	K. George
92	Internal control: Weaknesses identified in the control environment (EX.171)	Dispute,  see managements comments COM 48.1 , attached.	Ongoing	Ongoing	MM/ Organisational Dev. & Corporate/ Financial Service	C. Scheepers / A. Vorster/ P. Mohamane/E Sediane
94	Internal control: Weaknesses identified in the monitoring process (EX.173)	It is not true to say that Council does not have an action plan to ensure that the entity wide objectives are achieved. The following strategic documents were adopted by Council <ul style="list-style-type: none"> <li>• The Service Delivery and Budget Implementation Plan</li> <li>• The Revenue Enhancement Strategy</li> <li>• The Municipal Turnaround</li> </ul>			All directors	C. Scheepers / A. Vorster/ P. Mohamane

		<p>Strategy in consultation with COGTA.</p> <ul style="list-style-type: none"> <li>The Municipal Strategic Plan</li> </ul> <p>The purpose of compiling these documents was to address the gaps identified and also challenges hampering the achieving of objectives.</p> <p>Dispute</p>				
Operating expenditure						
120	Expenditure: Credit cards not correctly disclosed in the annual financial statements (EX.112)	We disagree with the finding. The credit card account numbers are linked to the primary account of the Municipality. No separate bank accounts were opened in terms of section 125(2)(a) of the MFMA.			Financial Service	A. Vorster
Revenue						
167	Revenue - Services: Meter readings per supporting documentation does not agree to Venus (EX.201)	Do not agree with Audit finding. The documents were supplied to the Auditors.			Financial Service	C. Scheepers
172	Revenue - Services: Prior year follow up on incorrectly posted meter readings (EX.232)	Do not agree with the finding The meter readings are captured by one person and the readings are verified per another via the Deviation report. The other accounts where readings was amended was due to the recheck of the meter readings.			Financial Service	C. Scheepers

		<p>The original meter reading supplied was incorrect.</p> <p>The following accounts were correctly processed according to the meter reading sheets: Account 399132, 18189,102513 and 513623 were all correct readings and therefore we do not agree with exception raised on these account. Information was supplied to the Auditors.</p>				
--	--	---	--	--	--	--

**EXEMPTIONS WHICH WERE NOT ISSUED**

No.	Audit Finding	Plan of Action	Time Frame		Responsible Unit	Responsible Person
			Date of Execution	Date of Completion		
43	<p>Audit Committee: Duties and functions of the audit committee (EX.254)</p> <p>EX never Issued</p>				Municipal Manager	
133	<p>Performance information: Targets set in the IDP (EX.256)</p> <p>EX never issued</p>				Municipal Manager	
134	<p>Performance information: Performance audit committee (EX.258)</p> <p>EX never issued</p>				Municipal Manager	

135	Performance information: Performance management not audited (EX.261) EX never issued				Municipal Manager	
138	Performance information: Non-compliance - Deficiencies regarding the annual performance report (EX.259) EX never issued				Municipal Manager	
139	Performance information: Key controls (EX.260) EX never issued				Municipal Manager	

## FINANCIAL SERVICES

No.	Audit Finding	Plan of Action	Time Frame		Responsible Unit	Responsible Person
			Date of Execution	Date of Completion		
1	Corrected: Cash and cash equivalents: Year-end bank reconciliation of the main bank account (EX.151)	The variances identified from the monthly bank reconciliation will be followed up and cleared monthly. The bank recon will be reviewed and signed by the Assistant Manager: Expenditure.	Monthly	ongoing	Financial Service	P Mohamane

Employee costs						
16	Corrected: Employee cost: No UIF deducted for full-time councillors (EX.25)	A SARS representative has been invited to give guidance regarding All tax related matters. A workshop has been scheduled for February 2011. Thereafter assistance will be requested as and when required.	February 2011		Organisational Dev. & Corporate/ Financial Service	P Mohamane
22	Employee cost: Weaknesses identified in the travel allowances policy (EX.98)	Interdepartmental Meetings to be held with HR to address all Legacy HR Matters which arose as a result of the amalgamation process.	Monthly	Monthly	Organisational Dev. & Corporate/ Financial Service	P Mohamane / E Sediane
23	Employee cost: Employee not removed from Payday system (EX.142)	All information regarding previous employees must be kept for 5years on payday system. These employees are marked inactive on the system to avoid erroneous payments.			Financial Service	P Mohamane
Compliance						
28	Compliance: Non-compliance with section 65(2) (e)of the MFMA (EX.3)	A Payment procedure workshop will be arranged with all the Departments to clarify the process to ensure that payments are made on time. The Budget and loss control committee has been established to better plan and manage our cash flow A tracking document for payments has been implemented	February 2011	ongoing	Financial Service	P Mohamane

Metsimaholo Local Municipality – 2010/11 Annual Report

43	Compliance: Non-compliance with section 28(1) of the VAT Act (EX.5)	The Municipality will register as an e-filer to avoid the late submission of the VAT returns.	1 March 2011	30 March 2011	Financial Service	P Mohamane/ H. Jacobs
Unauthorised, fruitless and wasteful and irregular expenditure						
68	Expenditure: Interest on Eskom invoices (EX.138)	All payments for Eskom, Telkom, Huger telecom and Randwater for the 2009/10 and 2010/11 financial years will be inspected to ensure that where interest has been charged, it is allocated accordingly and properly disclosed. Also see corrective measures at 28 above	15 March 2010	ongoing	Financial Service	P. Mohamane
76	Fruitless and wasteful expenditure: Overpayments made in respect to projects (EX.215)	All 09/10 and 10/11 invoices to be rechecked	1 July 2010	ongoing	Financial Service/ Technical Services	P. Mohamane / Hlalele
78	Expenditure: Interest on Telkom invoices (EX.33)	See corrective measures at 68 above	1 July 2010	ongoing	Financial Service / Corporate Services	P. Mohamane/ B. Oanyane
80	Expenditure: Interest on Huger telecom statements (EX.59)	See corrective measures at 68 above	1 July 2010	ongoing	Financial Service / Corporate Services	P. Mohamane / B. Oanyane
Immovable assets						
95	PPE: Infrastructure assets not updated and accurately accounted for (EX.177)	A process to compile a GRAP compliant Asset Register has been commenced with . It is envisaged that this process will be finalised by	May 2010	June 2011	Financial Service	P. Mohamane /T Motaung

Metsimaholo Local Municipality – 2010/11 Annual Report

		June 2011. Four progress reports have already been compiled in this regard.				
96	PPE: Immovable asset register not updated and complete (EX.92)	See corrective action at 95 above	May 2010	June 2011	Financial Service	P. Mohomane /T Motaung
97	PPE: No signed contracts in place for projects (EX.250)	See corrective action at 9 above .	1 March 2011	ongoing	Financial Service/ PMU/ SCM	P. Mohomane/ Hlalele
98	PPE: No controls to ensure that the project budget is not overspent (EX.212)	See corrective action at 9 above	March 2011	Ongoing	Financial Service/ Technical/ PMU	D. Lawson / P. Mohomane
Movable assets						
103	PPE: Prior year useful life adjustment not made to each individual line item (EX.111)	See corrective action at 95 above	May 2010	June 2011	Financial Service	P. Mohomane /T Motaung
104	Depreciation: Residual values and useful lives are not reviewed annually (EX.179)	See corrective action at 88 and 95 above	May 2010	June 2011	Financial Service	P. Mohomane /T Motaung
105	Depreciation: Differences identified during the recalculation of the depreciation expense (EX.180)	See corrective action at 88 and 95 above	April 2011	July 2011	Financial Service	P. Mohomane /T Motaung
106	PPE: Prior year completeness exception not cleared (EX.199)	See corrective action at 88 and 95 above	May 2010	June 2011	Financial Service	P. Mohomane /T Motaung
107	PPE: Assets not posted to the fixed asset register (EX.229)	See corrective action at 88 and 95 above	May 2010	June 2011	Financial Service	P. Mohomane /T Motaung

Metsimaholo Local Municipality – 2010/11 Annual Report

108	PPE: Assets could not be physically verified (prior year) (EX.247)	See corrective action at 88 and 95 above	May 2010	June 2011	Financial Service	P. Mohomane /T Motaung
109	PPE: Assets could not be physically verified (EX.248)	See corrective action at 88 and 95 above	May 2010	June 2011	Financial Service	P. Mohomane /T Motaung
110	PPE: No monthly asset counts performed (EX.116)	Given the magnitude of our Asset base , it is not practical to perform monthly Counts. However, since this is not a legislative requirement , quarterly Counts will be done. The Annual Stock Count will be complied with .	May 2010	June 2011	Financial Service	P. Mohomane /T Motaung
111	Depreciation: Handling of impairment losses not included in the asset policy (EX.181)	The revised Asset Management Policy and procedure Manual is to be submitted to Council for adoption. A draft has already been submitted to Senior Management .	May 2010	June 2011	Financial Service	P. Mohomane /T Motaung
112	PPE: Firearms not recorded on fixed asset register (EX.228)	See corrective action at 88 and 95 above	May 2010	June 2011	Financial Service	P. Mohomane /T Motaung
113	PPE: Assets could not be physically verified - stolen but still on asset register (EX.249)	See corrective action at 88 and 95 above	May 2010	June 2011	Financial Service	P. Mohomane /T Motaung
114	PPE: Weaknesses identified in the asset register detail (EX.39)	See corrective action at 88 and 95 above	May 2011	July 2011	Financial Service	P. Mohomane /T Motaung
115	PPE: Monthly reconciliations not performed (EX.44)	A dedicated person will be appointed to deal with Municipal assets. Currently an Intern, assisted	August 2010	Ongoing	Financial Service	P. Mohomane /T Motaung

Metsimaholo Local Municipality – 2010/11 Annual Report

		by the Assistant Manager : Expenditure , is assign to assist with the function.				
116	PPE: Assets written-off not deleted from asset register (EX.90)	See corrective action at 88 and 95 above	March 2011	June 2011	Financial Service	P. Mohamane /T Motaung
Operating expenditure						
123	Expenditure: Order not attached or not authorised by appropriate official (EX.127)	A Payment procedure workshop will be arranged with all the Departments to clarify the process to ensure that payments are made on time, based on appropriate supporting documentation , after being properly authorised.	February 2011	ongoing	Financial Service	P. Mohamane
124	Expenditure: Authorisation as proof of satisfactory receipt of goods/services not identified (EX.136)	See corrective measures at 123 above .	February 2011	ongoing	Financial Service	P. Mohamane
125	Expenditure: Invoices do not agree to purchase orders (EX.137)	See corrective measures at 123 above .	February 2011	ongoing	Financial Service	P. Mohamane
Payable						
126	Trade and other payables: Accruals incomplete (EX.155)	All outstanding orders at year end will be printed to ensure that they are properly accounted for. The payments made from 1 July 2010 to Dec 2010 will be checked to identify all expenses relating to the 2009/10 financial year. If identified , these will	1 July 2010	ongoing	Financial Service	P. Mohamane

Metsimaholo Local Municipality – 2010/11 Annual Report

		be included in the 2009/10 Accruals. Also see corrective action at 123 above.				
129	Trade and other payables: Insufficient controls over creditors - water and electricity deposit (EX.153)	A list of all stale cheques for water and electricity deposit refunds will be given to the income section to credit the relevant accounts. Where information is not available on the system, this will be sourced from manual records. If this process fails to identify the beneficiaries, this money will be recognised as income , after following the necessary procedures . All customers closing off accounts are now requested to indicate a forwarding address for any future contacts. Refunds are paid electronically to avoid this situation.	1 March 2011	31 May 2011	Financial Service	C. Scheepers / P. Mohamane
Receivables						
148	Trade and other receivables: Suspense accounts no supporting documentation for journal 9/0028 (EX.207)	See corrective measures at 3 above.	February 2011	Ongoing	Financial Service	P. Mohamane/D Lawson
Taxes						
188	Expenditure: VAT not processed although valid tax invoices were received (EX.120)	A reconciliation of the interest received will be performed bi-annually	31 December 2010	30 June 2011	Financial Service	P. Mohamane

Metsimaholo Local Municipality – 2010/11 Annual Report

189	Expenditure: VAT not processed although valid tax invoices were received (EX.132)	All payment vouchers from 09/10 Until 10/11 will be scrutinized to ensure that VAT was correctly claimed where applicable	1 March 2011	ongoing	Financial Service	P. Mohamane
190	Expenditure: VAT not processed although valid tax invoices were received or incorrectly processed (EX.143)	See corrective measures at 189 above.	1 March 2011	ongoing	Financial Service	P. Mohamane
191	VAT: Expense recorded as VAT inclusive when providing for payables (EX.196)	Where expenses have been provided for as vat inclusive, the revenue provision will also be vat inclusive	30 June 2011	30 June 2011	Financial Service	P. Mohamane
192	Expenditure: VAT not claimed where valid tax invoices were received (EX.226)	See corrective measures at 189 above.	1 March 2011	ongoing	Financial Service	P. Mohamane
194	Expenditure: VAT processed where valid tax invoices were not received (EX.134)	See corrective measures at 189 above.	1 March 2011	ongoing	Financial Service	P. Mohamane
195	Trade and other payables: Creditors - water and lights deposits account to be partly recognised as revenue (EX.154)	See corrective measures at 129 above.	1 March 2011	31 May 2011	Financial Service	P. Mohamane
196	VAT: Apportionment percentage used (EX.156)	See corrective measures at 16 above.	1 March 2011	30 June 2011	Financial Service	P. Mohamane
197	VAT: VAT not declared on unclaimed deposits (EX.160)	See corrective measures at 16 above.	1 March 2011	30 June 2011	Financial Service	P. Mohamane
198	Expenditure: No supporting documentation/invoices received for sample selected (EX.17)	All payment Vouchers will be checked to ensure that supporting documentation exist .	1 July 2010	ongoing	Financial Service	P. Mohamane

Metsimaholo Local Municipality – 2010/11 Annual Report

199	Expenditure: VAT accounted for where valid tax invoices were not received (EX.225)	See corrective measures at 189 above.	1 March 2011	ongoing	Financial Service	P. Mohamane
9	Commitments: Difference between supporting documentation and contract register (EX.191)	<p>A separate commitment reconciliation file for 09/10 and 10/11 will be compiled with supporting documentation.</p> <p>All contracts issued will be requested monthly from Supply Chain. This will be reconciled to the Contract Register monthly as well as expenditure reports.</p> <p>The job costing function on Venus will be used to allocate the Budget and expenditure per project .</p>	1 March 2011	30 June 2011	Financial Service/ Technical Services(PMU)	H Jacobs/ Tumelo Motaung
Immovable assets						
95	PPE: Infrastructure assets not updated and accurately accounted for (EX.177)	A process to compile a GRAP compliant Asset Register has been commenced with . It is envisaged that this process will be finalised by June 2011. Four progress reports have already been compiled in this regard.	May 2010	June 2011	Financial Service	P. Mohomane /T Motaung
96	PPE: Immovable asset register not updated and complete (EX.92)	See corrective action at 95 above	May 2010	June 2011	Financial Service	P. Mohomane /T Motaung

Metsimaholo Local Municipality – 2010/11 Annual Report

Movable assets						
103	PPE: Prior year useful life adjustment not made to each individual line item (EX.111)	See corrective action at 95 above	May 2010	June 2011	Financial Service	P. Mohomane /T Motaung
104	Depreciation: Residual values and useful lives are not reviewed annually (EX.179)	See corrective action at 88 and 95 above	May 2010	June 2011	Financial Service	P. Mohomane /T Motaung
105	Depreciation: Differences identified during the recalculation of the depreciation expense (EX.180)	See corrective action at 88 and 95 above	April 2011	July 2011	Financial Service	P. Mohomane /T Motaung
106	PPE: Prior year completeness exception not cleared (EX.199)	See corrective action at 88 and 95 above	May 2010	June 2011	Financial Service	P. Mohomane /T Motaung
107	PPE: Assets not posted to the fixed asset register (EX.229)	See corrective action at 88 and 95 above	May 2010	June 2011	Financial Service	P. Mohomane /T Motaung
108	PPE: Assets could not be physically verified (prior year) (EX.247)	See corrective action at 88 and 95 above	May 2010	June 2011	Financial Service	P. Mohomane /T Motaung
109	PPE: Assets could not be physically verified (EX.248)	See corrective action at 88 and 95 above	May 2010	June 2011	Financial Service	P. Mohomane /T Motaung
110	PPE: No monthly asset counts performed (EX.116)	Given the magnitude of our Asset base , it is not practical to perform monthly Counts. However, since this is not a legislative requirement ,	May 2010	June 2011	Financial Service	P. Mohomane /T Motaung

Metsimaholo Local Municipality – 2010/11 Annual Report

		quarterly Counts will be done. The Annual Stock Count will be complied with .				
111	Depreciation: Handling of impairment losses not included in the asset policy (EX.181)	The revised Asset Management Policy and procedure Manual is to be submitted to Council for adoption. A draft has already been submitted to Senior Management .	May 2010	June 2011	Financial Service	P. Mohomane /T Motaung
112	PPE: Firearms not recorded on fixed asset register (EX.228)	See corrective action at 88 and 95 above	May 2010	June 2011	Financial Service	P. Mohomane /T Motaung
113	PPE: Assets could not be physically verified - stolen but still on asset register (EX.249)	See corrective action at 88 and 95 above	May 2010	June 2011	Financial Service	P. Mohomane /T Motaung
114	PPE: Weaknesses identified in the asset register detail (EX.39)	See corrective action at 88 and 95 above	May 2011	July 2011	Financial Service	P. Mohomane /T Motaung
115	PPE: Monthly reconciliations not performed (EX.44)	A dedicated person will be appointed to deal with Municipal assets. Currently an Intern, assisted by the Assistant Manager : Expenditure , is assign to assist with the function.	August 2010	Ongoing	Financial Service	P. Mohomane /T Motaung
116	PPE: Assets written-off not deleted from asset register (EX.90)	See corrective action at 88 and 95 above	March 2011	June 2011	Financial Service	P. Mohomane /T Motaung

Metsimaholo Local Municipality – 2010/11 Annual Report

2	Compliance: Non-compliance with section 23 of the Municipal Property Rates Act (EX.8)	Withdrawn by the AG			Financial Service	C Scheepers
3	Accumulated surplus: No supporting documentation for journal A/10155 attached (EX.114)	Council Resolution, item5 of 30/8/2010 was given to the Auditor General as supporting documentation for the journal. In future , no journals will be processed without supporting documentation. All journals for the 2010/11 financial will be verified to ensure that supporting documentation is attached.	1 February 2011	July 2011	Financial Service	A Vorster / Clive
40	Compliance: Non-compliance with section 75 of the MSA (EX.26)	By –laws to be drawn up by Corporate Services and has been presented to Council . What is still outstanding is the public participation process.	April 2011	June 2011	Organisational Dev. & Corporate/ Financial Service	C. Scheepers/ T. Mosouane
117	Expenditure: Departmental charges (EX.122)	See corrective action at 88 above	Monthly	Monthly	Financial Service	C. Scheepers
132	Consumer deposits: Insufficient deposits (EX.29)	We are currently busy with a project to identify all accounts without deposits , and also to review all consumer deposits . Currently , the deposit is increased when a consumer default on payment.	15/03/2011	ongoing	Financial Service	C. Scheepers
143	Trade and other receivables: Under and over banking suspense accounts (EX.162)	Over and under banking reconciliation are done on a daily basis and also monthly – These are then recovered from cashiers.	Monthly	Ongoing	Financial Service	C. Scheepers

Metsimaholo Local Municipality – 2010/11 Annual Report

144	Trade and other receivables: Thembaletu Hostel not treated as a departmental debtor (EX.176)	See corrective measures at 88 above .	March 2011	28/02/2011	Financial Service	C. Scheepers/ Amanda
145	Trade and other receivables: Unknown receipts and suspense accounts (EX.183)	The Municipality has engaged the Bank to assist by not taking the deposits if the correct reference number is not provided. The accounts are monitored on a daily basis to clear the suspense accounts.	July 2010	31/05/2011 (ongoing)	Financial Service	C. Scheepers
147	Trade and other receivables: Debtors with credit balances (EX.197)	A list of all debtors with credit balances is drawn on a monthly basis and the validity of each balance is assessed. Corrective journals are passed where applicable. All valid credit balances to be correctly classified at year end.	Monthly	31/05/2011	Financial Service	C. Scheepers/ Amanda
149	Trade and other receivables: No supporting documentation for Journal A/10127 (EX.221)	See corrective measures at 3 above.	February 2011	31/03/2011	Financial Service	C. Scheepers
150	Long term receivables: Prior year exception on long term consumer receivables (EX.223)	All old arrangement accounts were cancelled. Contracts were concluded with debtors with arrangements longer than 12months. For all new arrangements less than 12 months , the system will automatically cancel those who default on their arrangements after 90 days. The arrangement will be checked monthly by the credit control section	Monthly	Ongoing	Financial Service	C. Scheepers

Metsimaholo Local Municipality – 2010/11 Annual Report

151	Trade and other receivables - Indigent debtors: Non-restriction of consumption by indigent debtors (EX.149)	The Finance Department in collaboration with the Technical Department is investigating the Smart Metering Solution to assist with the restriction of water for IGG customers. It is envisaged that the investigation will be concluded in the current financial year, with implementation expected in the new year.	May 2011	December 2011	Financial Service/ Technical Services	C. Scheepers/ M.C. Botha
153	Trade and other receivables: R/D Cheques not written back and reconciled (EX.184)	All R/D cheques are now written back, a reconciliation is done monthly to ensure that all cheques are write back timeously. .	Monthly	Ongoing	Financial Service	C. Scheepers
154	Trade and other receivables: Consumer agreements not signed by debtor (EX.234)	All outstanding consumer agreements have now been signed by both parties . The Manager Income checks all new agreements concluded on a weekly basis .	Weekly	Ongoing	Financial Service	C. Scheepers
155	Long term receivables: No policy adopted in respect of long term receivables (EX.67)	A separate Policy is not necessary as this is covered under our Debt Collection and Credit Control Policy, item 18.			Financial Service	C. Scheepers
Revenue						
160	Revenue - Services: Green consumer agreement for new connections (Limitation) (EX.139)	See corrective measures at 154 above . The forms are available for verification by the auditors.	13/11/2010	13/11/2010	Financial Service	C. Scheepers

Metsimaholo Local Municipality – 2010/11 Annual Report

161	Revenue - Services: Unmetered consumption (EX.157)	<p>The formula for consumption on will be done as follows:                      Unmetered Services = <math>A \div Y \div X \times Z</math>                      A : represents the billing integration for the year                      Y : months in a year                      Z : the unmetered consumption days based on the household consumption as it represents 70 % of the total consumption. These are read within the first two weeks of the month                      X : Number of days in a month                      This calculation will be done at year end</p>		30/06/2011	Financial Service	C. Scheepers
162	Revenue - Services: Estimates not implemented to ensure completeness of income (EX.158)	<p>A monthly report will be drawn for the Billing system Venus to identify accounts without estimates. These account will be manually update with estimations ensure completeness of revenue</p>	Monthly	Monthly	Financial Service	C. Scheepers
168	Revenue - Services: Supporting documentation not supplied for journals (EX.202)	<p>A spreadsheet was done to identify the accounts to be adjusted and a provisional amount was done on the journal A/10128 to ensure we do not over state our revenue. The problem was as a result of clock over meters readings that were not rectified on time. These accounts have now been adjusted to rectify the mistake. All the supporting documentation have been kept for verification by the Auditors.</p>	February 2011	February 2011	Financial Service	C. Scheepers

Metsimaholo Local Municipality – 2010/11 Annual Report

176	Revenue - Rental: Completeness of rental income (EX.81)	See corrective measures at 159 above	8/3/2011		Financial Service	C. Scheepers
185	Revenue - Rental: Rental contracts (EX.87)	See corrective measures at 159 above	Monthly	Monthly	LED/ Financial Service	C. Scheepers
186	Revenue - Services: Authorization of application forms for new connections (EX.93)	All the other applications forms were signed by the customers and measure has been put in place to ensure that both signatures are on the form to confirm completeness. The process will be monitored weekly going forward.	Weekly	Weekly	Financial Service	C. Scheepers
187	Revenue - Services: Unusual fluctuation on exception report for meter readings not followed up (EX.206)	Check readings will be done during deviation reports analysis. A check reading template has been creating for this purpose.	Monthly	Monthly	Financial Service	C. Scheepers
Commitments						
9	Commitments: Difference between supporting documentation and contract register (EX.191)	<p>A separate commitment reconciliation file for 09/10 and 10/11 will be compiled with supporting documentation.</p> <p>All contracts issued will be requested monthly from Supply Chain . This will be reconciled to the Contract Register monthly as well as expenditure reports .</p> <p>The job costing function on Venus will be used to allocate the Budget and expenditure per project .</p>	1 March 2011	30 June 2011	Financial Service/ Technical Services(PMU)	H Jacobs/ Tumelo Motaung

Metsimaholo Local Municipality – 2010/11 Annual Report

Compliance						
43	Compliance: Non-compliance with section 28(1) of the VAT Act (EX.5)	The Municipality will register as an e-filer to avoid the late submission of the VAT returns.	1 March 2011	30 March 2011	Financial Service	P Mohamane/ H. Jacobs
Operating expenditure						
130	Trade and other payables: Creditors general stale cheque account (EX.161)	See corrective measures at 129 above .	1 July 2010	ongoing	Financial Service	H. Jacobs
Revenue						
173	Revenue - Grants: Differences on reconciliations (EX.233)	The reconciliations are done on a monthly basis through the section 71 Reports and are confirmed to Treasury on a quarterly basis.	01 July 2010	ongoing	Financial Service	D. Lawson / H. Jacobs
3	Accumulated surplus: No supporting documentation for journal A/10155 attached (EX.114)	Council Resolution, item5 of 30/8/2010 was given to the Auditor General as supporting documentation for the journal. In future , no journals will be processed without supporting documentation. All journals for the 2010/11 financial will be verified to ensure that supporting documentation is attached.	1 February 2011	July 2011	Financial Service	A Vorster / Clive

Metsimaholo Local Municipality – 2010/11 Annual Report

4	Accumulated surplus: Prior year exception on unspent conditional grants not corrected (EX.222)	Reconciliations are done on a monthly basis , and quarterly confirmations are done to Treasury against the section 71 reports. These outcomes are published on a quarterly basis based on conformation by the Municipality.	Monthly	Monthly	Financial Service	A Vorster/ D Lawson
5	Accumulated surplus: Prior period errors incorrectly accounted for (EX.118)	The accumulated surplus will be verified on a monthly basis and a working paper will be prepared as audit trail to indicate all entries per financial year.	March 2011	30 June 2011	Financial Service	A Vorster
6	Corrected: Accumulated surplus: Weaknesses identified in disclosure note (EX.119)	Same as 5 above	July 2011	31 August 2011	Financial Service	A Vorster
7	Corrected: Accumulated surplus: No supporting documentation attached to journal A/10190 (EX.91)	No journals will be processed without supporting documentation.  See corrective action at 3 above.	Monthly	Ongoing	Financial Service	A Vorster
Compliance						
30	Other disclosure: Non-compliance to section 123(1) of the MFMA (disclosure of intergovernmental and other allocations) (EX.216)	Preliminary AFS to be compiled for the 2010/2011 financial year. These will be submitted to the following structures for review : External Review Internal Audit Audit Committee	August 2011	August 2011	Financial Service	A Vorster

Metsimaholo Local Municipality – 2010/11 Annual Report

34	Compliance: Non-compliance with section 17(3) of the MFMA (budget format) (EX.230)	The non compliance was only with regard to the 09/10 financial. This has now been corrected for the 10/11 financial year.	February 2011	April 2011	Financial Service	A Vorster/ D Lawson
36	Compliance: Non-compliance with section 71 of the Municipal Finance Management Act (EX.240)	The late submission was as a result of System problems identified and as a result the ledger could not be closed on time. We believe with the update of our IT system, the problem will be resolved.	March 2011		IT/Finance	G. Nhlapo/ A Voster .
37	Compliance: Non-compliance with section 70 of the Municipal Finance Management Act (EX.242)	All the expenditure and revenue shortfalls are included in our monthly financial indicators report (section 71) which also is submitted to Council as well as to the Budget and Loss control meeting. Furthermore, an explanation of reasons why there are under recoveries can be found in the notes to the AFS. The over expenditure on bad debts and contribution to provision is as a result of the accounting entries and not necessarily actual expenditure	Monthly	Monthly	Financial Service	A Vorster
42	Compliance: Non-compliance with section 18 of the Municipal Finance Management Act (EX.252) Revenue Budget not realistic, Fines and Sale of Assets	Sale of Assets At the time of the Budget , it was anticipated that the moratorium on the sale of land would be lifted and this was however not done. This has now been lifted. The reasonability of the budgeted revenue will however be assessed in the new year. Fines The Municipality believes that the	February 2011	May 2011	LED / Social Services / Finance	G. Steenkamp / M. Penkin / A. Voster

Metsimaholo Local Municipality – 2010/11 Annual Report

		target is realistic and achievable. Since the collection of traffic fines is outside the normal credit control processes, the responsible Department will compile an action plan on the recovery of fines.				
Procurement & contract						
70	Procurement and contract management: Procurement procedures not followed on appointment of Lesedi Consultants (SCM 36(1)) (EX.150)	The expenditure to be disclosed as irregular in the 2010/11 financial year	September 2011		Finance	Amanda
77	Procurement and contract management: Awards made to service providers who are in service of the state (SCM 44) (EX.255)	The expenditure to be disclosed as irregular in the 2010/11 financial year	September 2011		Finance	Amanda
Financial statements						
88	Financial statements: No budget information included as required by GRAP 1 (EX.208)	Preliminary AFS to be compiled for the 2010/2011 financial year . These will be submitted to the following structures for review : External Review Internal Audit Audit Committee	April 2011	August 2011	Financial Service	A. Vorster
90	Internal control: No formal documented procedures in place to identify subsequent events	All Directors , including the Municipal Manager will be formally requested , either by memo or email , if they are	1 September 2011		Financial Service	Amanda

Metsimaholo Local Municipality – 2010/11 Annual Report

	(EX.135)	aware of any event that occurred after the reporting date that could potentially influence the amounts in the Financial Statements .				
Provisions						
140	Provisions: No provision for rehabilitation of landfill site (EX.174)	The Directorate of Social Services is currently busy with the assessment.R2 500 000 has been budget for this project(SS)	February 2011	June 2012	Social Service/ Financial Service	A. Vorster/ Lappies
141	Provisions: No provision for long service award provided for (EX.175)	Tenders has already been requested for the appointment of an Actuarial Valuer . A proper provision will be made for the 2010/11 financial year. .	February 2011	August 2011	Organisational Dev. & Corporate/ Financial Service	A. Vorster
144	Trade and other receivables: Thembalethu Hostel not treated as a departmental debtor (EX.176)	See corrective measures at 88 above .	March 2011	28/02/2011	Financial Service	C. Scheepers/ Amanda
147	Trade and other receivables: Debtors with credit balances (EX.197)	A list of all debtors with credit balances is drawn on a monthly basis and the validity of each balance is assessed. Corrective journals are passed where applicable. All valid credit balances to be correctly classified at year end.	Monthly	31/05/2011	Financial Service	C. Scheepers/ Amanda
4	Accumulated surplus: Prior year exception on unspent conditional grants not corrected (EX.222)	Reconciliations are done on a monthly basis , and quarterly confirmations are done to Treasury against the section 71 reports. These outcomes are published on a quarterly basis based on conformation by the Municipality.	Monthly	Monthly	Financial Service	A Vorster/ D Lawson

Metsimaholo Local Municipality – 2010/11 Annual Report

34	Compliance: Non-compliance with section 17(3) of the MFMA (budget format) (EX.230)	The non compliance was only with regard to the 09/10 financial. This has now been corrected for the 10/11 financial year .	February 2011	April 2011	Financial Service	A Vorster/ D Lawson
148	Trade and other receivables: Suspense accounts no supporting documentation for journal 9/0028 (EX.207)	See corrective measures at 3 above.	February 2011	Ongoing	Financial Service	P. Mohamane/D Lawson
Revenue						
159	Revenue - Other Income: No reconciliations performed to ensure the completeness of sundry income (EX.121)	On a monthly basis , the finance division runs a report on all sundry Income collected. This is distributed to all Departments to confirm the accuracy of the amounts recorded against supporting documentation. All discrepancies identified are reported to Finance to effect the necessary adjustments.	January 2010 March 2011	Ongoing June 2011	All Directors	D. Lawson/ Social Services
163	Revenue - Other income: Completeness of application fees (EX.185)	See corrective measures at 159 above	January 2010	Ongoing	Financial Service/ LED	D. Lawson
164	Revenue - Other Income: Completeness building plan fees (EX.186)	See corrective measures at 159 above	January 2010	Ongoing	Financial Service/ LED	D. Lawson
165	Revenue - Other Income: Private phone calls (EX.187)	See corrective measures at 159 above	January 2010	Ongoing	Organisational Dev. & Corporate/ Financial Service	D. Lawson

Metsimaholo Local Municipality – 2010/11 Annual Report

166	Revenue - Other income: Completeness of street trading licenses (EX.200)	See corrective measures at 159 above	January 2010 March 2011	Ongoing June 2011	Financial Service/ Social Service	D. Lawson/ Social Services
169	Revenue - Other income: Completeness of cemetery fees (EX.203)	See corrective measures at 159 above	January 2010 March 2011	Ongoing June 2011	Financial Service/ Social Service	D. Lawson/ Social Services
170	Revenue: Other income: Supporting documentation for entrance fees not supplied (EX.205)	See corrective measures at 159 above	January 2010 March 2011	Ongoing June 2011	Financial Service/ Social Service	D. Lawson/ Social Services
173	Revenue - Grants: Differences on reconciliations (EX.233)	The reconciliations are done on a monthly basis through the section 71 Reports and are confirmed to Treasury on a quarterly basis.	01 July 2010	ongoing	Financial Service	D. Lawson / H. Jacobs

**ORGANISATIONAL DEVELOPMENT & CORPORATE SERVICES**

No.	Audit Finding	Plan of Action	Time Frame		Responsible Unit	Responsible Person
			Date of Execution	Date of Completion		
13	Employee cost: Payment of overtime to employee earning above the threshold (EX.36)	Circular to be distributed to all employees regarding Ministerial Determination and Financial Services will be informed accordingly in terms of this earning threshold.	28 February 2011		Organisational Dev. & Corporate	E. Sediane
14	Employee cost: Overtime paid more than 30% of employees' monthly basic salary (EX.54)	Matter already implemented. Council took resolution on 28 July 2010. Memo dated 20 October 2010 was circulated to all Directors, Managers, Assistant Managers and Supervisors. Attached as annexure A	01 November 2010		Organisational Dev. & Corporate	E. Sediane
17	Employee cost: Failure to comply with the Basic Conditions of Employment Act on overtime (EX.37)	See corrective measures at 14 above	01 November 2010		Organisational Dev. & Corporate	E. Sediane
19	Employee cost: No prior approval of overtime (EX.55)	Overtime Request Form was developed in order to control and monitor overtime. This Form was distributed to all Directors. Also refer to EX 54	01 November 2010		Organisational Dev. & Corporate	E. Sediane
21	Employee cost: Confirmation of appointment by HOD (EX.78)	The recommendations will be strictly adhered to. Form was designed as attached annexure E.	01 February 2011		Organisational Dev. & Corporate	E. Sediane

Metsimaholo Local Municipality – 2010/11 Annual Report

22	Employee cost: Weaknesses identified in the travel allowances policy (EX.98)	Interdepartmental Meetings to be held with HR to address all Legacy HR Matters which arose as a result of the amalgamation process.	Monthly	Monthly	Organisational Dev. & Corporate/ Financial Service	P Mohamane / E Sediane
24	Employee cost: Compulsory leave not taken by employees (EX.57)	The attachment was not received by the Auditor (communication 52.1 of 2010). Attached please find a copy as annexure C			Organisational Dev. & Corporate	E. Sediane
25	Employee cost: Maximum cumulative leave days not mentioned in the employment contracts (EX.58)	There is clause in the appointment letter which makes reference to code of conduct and conditions of services, these copies are attached to the appointment contract. This matter is communicated to the employees from time to time (communication 64.1 of 2010) – see annexure D			Organisational Dev. & Corporate	
26	Employee cost: Outstanding employees files not received (EX.76)	The documents were located and are available for inspection (communication 53.1 of 2010)			Organisational Dev. & Corporate	
Compliance						
31	Compliance: Non-compliance with section 15 (2) of the MSA (update of municipal code)  A list of all Bylaws, bound or electronically (EX.219)	A list of all existing By-laws will be posted on the Municipal Website. This will be updated regularly with new By-laws.	30 March 2011	On going	Organisational Dev. & Corporate Services	T. Mosouane / G. Alberts
32	Compliance: Non-compliance with section 67 of the MSA (HR development) (EX.220)	PMS to be cascaded to Managers and Assistant Managers (communication 61.2 of 2010)	30 June 2011		Organisational Dev. & Corporate	

Metsimaholo Local Municipality – 2010/11 Annual Report

33	Compliance: Non-compliance with section 96, 97 and 98 of the MSA (EX.227)	By-laws to be compile by Corporate Services(legal)	February 2011	June 2011	Organisational Dev. & Corporate/ Financial Service	T. Mosuane / C. Scheepers
40	Compliance: Non-compliance with section 75 of the MSA (EX.26)	By –laws to be drawn up by Corporate Services and has been presented to Council . What is still outstanding is the public participation process.	April 2011	June 2011	Organisational Dev. & Corporate/ Financial Service	C. Scheepers/ T. Mosouane
78	Expenditure: Interest on Telkom invoices (EX.33)	See corrective measures at 68 above	1 July 2010	ongoing	Financial Service / Corporate Services	P. Mohamane/ B. Oanyane
80	Expenditure: Interest on Huge telecom statements (EX.59)	See corrective measures at 68 above	1 July 2010	ongoing	Financial Service / Corporate Services	P. Mohamane / B. Oanyane

**MUNICIPAL MANAGER**

No.	Audit Finding	Plan of Action	Time Frame		Responsible Unit	Responsible Person
			Date of Execution	Date of Completion		
36	Compliance: Non-compliance with section 71 of the Municipal Finance Management Act (EX.240)	The late submission was as a result of System problems identified and as a result the ledger could not be closed on time. We believe with the update of our IT system , the problem will be resolved.	March 2011		IT/Finance	G. Nhlapo/ A Voster .
38	Compliance: Non-compliance with section 127 of the Municipal Finance Management Act (EX.243)	The Tabling of the Annual Report will in future be done in compliance with the MFMA.	Dec 2011	On going	Municipal Manager / PMS Cordinator	L. Malibi
39	Compliance: Non-compliance with section 121 of the Municipal Finance Management Act (EX.244)	The Action Plan to address AG's issues will in future be included in the Annual Report	Dec 2011	On going	Municipal Manager / PMS Cordinator	L. Malibi
41	Compliance: Non-compliance with section 53(3)(b) of the Municipal Finance Management Act (EX.246)	Contracts of section 57 Managers will in future be posted on the Municipal website. These are however submitted to the M.E.C for Local Government in the Province.	Dec 2011	On going	Municipal Manager / PMS Cordinator	L. Malibi
41	Compliance: Non-compliance with section 15 (5) of WSA (IDP) (EX.31)	Water Services Development Plan currently under review. The process to be finalised for the plan to be included in the reviewed IDP for 2012/2013 Budget year.	June 2011		Technical Service/IDP	M.C Botha /S. Mokoena

Metsimaholo Local Municipality – 2010/11 Annual Report

45	Procurement and contract management: Supporting information for tenders procured in prior years not obtained (EX.209) INCA/Minolta Huge Telekom YB Mashalaba Altimax	The procurement documentation to be obtained and submitted to the Auditor General for Audit. In future , copies of tenders will be made after finalisation of tenders. One copy will be given to end-user dept , one copy kept in the SCM and the original copy will be kept at archives	July 2011		SCM	B. Motloung
46	Procurement and contract management: Internal audit did not evaluate the Supply Chain Management Unit (EX.12)	Audit of SCM function included in the operational plan.	04.04.2011	13.05.2011	Internal Audit	K George
51	Procurement and contract management: Non-compliance with regulation 50 of the Municipal Supply Chain Management Policy (EX.109)	The Municipal Manager will appoint an impartial person to assist with the resolution of all disputes resulting from supply chain processes.	May 2011		SCM /MM	B. Motloung
52	Procurement and contract management: Non-compliance with regulation 23(c) of the Municipal Supply Chain Management Policy (EX.11)	The entries in the bid register will in future be published on the website	March 2011		SCM/ Communication s	B. Motloung / G. Alberts
55	Procurement and contract management: Non-compliance with regulation 3(1) the Municipal Supply Chain Management Policy (EX.14)	A review of the implementation of the Policy was done. A report on the amendment of the Policy will be submitted to Council.	June 2011		SCM / MM	B. Motloung
56	Procurement and contract management: Non-compliance with regulation 13(a) of the Municipal Supply Chain	In future, no quotation will be considered unless the required information is submitted by the Service Provider	On going		SCM	B. Motloung

Metsimaholo Local Municipality – 2010/11 Annual Report

	Management Policy (EX.148)					
60	Procurement and contract management: Insufficient actions taken to address risk relating to supply chain management function (SC (EX.66)	The finding to be addressed as part of the risk assessment process.	May 2011	June 2011	SCM/ Risk Officer	B. Motlounge / M.Mokhaneli
61	Procurement and contract management: Use of the 80/20 point system (EX.88)	The 80/20 point system will be used in the current financial year.	March 2011	On going	SCM	B.Motlounge
62	Procurement and contract management: Non-compliance with regulation 18(1)(a) of the Municipal Supply Chain Management Policy (EX.89)	Provision for the Advertisement of quotations will be made on the website. Furthermore , all notice board adverts will be safely kept for audit purposes.	March 2011	On going	SCM	B.Motlounge
63	Procurement and contract management: Non-compliance with section 119 of the MFMA (EX.41)	Training of Officials involved in supply Supply chain to conducted in the current financial year.	March 2011		SCM	B.Motlounge
Unauthorised, fruitless and wasteful and irregular expenditure						
65	Expenditure: Non-adherence to the Credit Card Policy (1) (EX.103)	A report to be submitted to Council for the condonation of the credit card expenses.	April 2011		Municipal Manager	T. Mosuoane
66	Procurement and contract management: Original tax clearance certificates for winning providers not obtained (SCM 43(1)) (EX.123)	In future, no contract will be awarded to a Service Provider without a valid tax clearance certificate.	On going		SCM	B. Motlounge

Metsimaholo Local Municipality – 2010/11 Annual Report

69	Procurement and contract management: 80/20 points system not applied (PPP 2(1)(a) + 3(1)) (EX.146)	The 80/20 point system will be used in the current financial year.	March 2011	On going	SCM	B.Motloung
71	Procurement and contract management: Supporting information for bid number 39/2009: Datacentrix (SCM 43(1) + 38(1)(d)(i) (EX.168)	All the necessary documentation are available for verification by the Auditors	March 2011	On going	SCM	B.Motloung
74	Procurement and contract management: Direct debit order contract amount incorrect (SCM 43(1) + 38(1)(d)(i)) (EX.210) HP Contract , total debit order amounts exceeds the approved amount by R11,2 million Quarterly amounts R3,6 million, instead of R2,7 million	The matter to be investigated and a report be submitted to Council on how the matter is to be rectified.	April 2011		Municipal Manager/ IT	.G. Nhlapo
81	Procurement and contract management: Non-compliance with regulation 13(c) of the Municipal Supply Chain Management Policy (EX.94)	All the necessary documentation are available for verification by the Auditors	March 2011	On going	SCM	B.Motloung
82	Procurement and contract management: Non-compliance with the Municipal Supply Chain Management policy 12(1)(c) + 17(1)(a)-(c) (EX.95)	The reasons for not obtaining three quotations will be properly motivated for approval by the C.F.O or delegate . These will be properly kept for verification by the Auditors.	March 2011	On going	SCM	B.Motloung

Financial statements						
91	Internal control: IT steering committee not functioning (EX.170)	Committee to be established in the current financial year .	April 2011		Municipal Manager	G. Nhlapo
93	Internal control: Weaknesses identified in the risk assessment (EX.172)	Risk assessment to be reviewed to ensure that all the issues raised by the A.G , have been considered.	April 2011		Municipal Manager	M. Mokhaneli
127	Trade and other payables: Completeness of income from tender deposits (EX.189)	See corrective measures at 159 above			SCM	
136	Performance information: Misstatements (EX.262)	Will be audited quarterly – included in the operational plan.	Quarterly (Q3 & Q4)	30 days after each quarter.	Internal Audit	K George
Related parties						
156	Related parties: Irregular expenditure in transactions with councilor's entity (EX.20) (Mamohato)	The expenditure to be disclosed in the 2010/11 financial year.	September 2011		Municipal Manager/ SCM / Finance	
157	Related parties: Non-compliance to paragraph 7(1) of schedule 1 of the MSA (EX.1)	The forms will be distributed to the Councillors to disclose the additional interests as identified by the Auditor General	March 2011		Municipal Manager	
158	Related parties: Non-compliance to paragraph 5A(1) of schedule 2 of the MSA (EX.2)	The forms will be distributed to the Directors to disclose the business interests as required.	March 2011		Municipal Manager	

**TECHNICAL SERVICES**

No.	Audit Finding	Plan of Action	Time Frame		Responsible Unit	Responsible Person
			Date of Execution	Date of Completion		
41	Compliance: Non-compliance with section 15 (5) of WSA (IDP) (EX.31)	Water Services Development Plan currently under review. The process to be finalised for the plan to be included in the reviewed IDP for 2012/2013 Budget year.	June 2011		Technical Service/IDP	M.C Botha /S. Mokoena
76	Fruitless and wasteful expenditure: Overpayments made in respect to projects (EX.215)	All 09/10 and 10/11 invoices to be rechecked	1 July 2010	ongoing	Financial Service/ Technical Services	P. Mohamane / Hlalele
97	PPE: No signed contracts in place for projects (EX.250)	See corrective action at 9 above .	1 March 2011	ongoing	Financial Service/ PMU/ SCM	P. Mohomane/ Hlalele
151	Trade and other receivables - Indigent debtors: Non-restriction of consumption by indigent debtors (EX.149)	The Finance Department in collaboration with the Technical Department is investigating the Smart Metering Solution to assist with the restriction of water for IGG customers. It is envisaged that the investigation will be concluded in the current financial year, with implementation expected in the new year.	May 2011	December 2011	Financial Service/ Technical Services	C. Scheepers/ M.C. Botha

**SOCIAL SERVICES**

No.	Audit Finding	Plan of Action	Time Frame		Responsible Unit	Responsible Person
			Date of Execution	Date of Completion		
42	Compliance: Non-compliance with section 18 of the Municipal Finance Management Act (EX.252) Revenue Budget not realistic, Fines and Sale of Assets	<p>Sale of Assets</p> <p>At the time of the Budget , it was anticipated that the moratorium on the sale of land would be lifted and this was however not done. This has now been lifted. The reasonability of the budgeted revenue will however be assessed in the new year.</p> <p>Fines</p> <p>The Municipality believes that the target is realistic and achievable. Since the collection of traffic fines is outside the normal credit control processes, the responsible Department will compile an action plan on the recovery of fines.</p>	February 2011	May 2011	LED / Social Services / Finance	G. Steenkamp / M. Penkin / A. Voster
140	Provisions: No provision for rehabilitation of landfill site (EX.174)	The Directorate of Social Services is currently busy with the assessment.R2 500 000 has been budget for this project(SS)	February 2011	June 2012	Social Service/ Financial Service	A. Vorster/ Lappies
159	Revenue - Other Income: No reconciliations performed to ensure the completeness of sundry income (EX.121)	On a monthly basis , the finance division runs a report on all sundry Income collected. This is distributed to all Departments to confirm the accuracy of the amounts recorded against supporting documentation.	January 2010 March 2011	Ongoing June 2011	All Directors	D. Lawson/ Social Services

Metsimaholo Local Municipality – 2010/11 Annual Report

		All discrepancies identified are reported to Finance to effect the necessary adjustments.				
166	Revenue - Other income: Completeness of street trading licenses (EX.200)	See corrective measures at 159 above	January 2010  March 2011	Ongoing  June 2011	Financial Service/ Social Service	D. Lawson/ Social Services
169	Revenue - Other income: Completeness of cemetery fees (EX.203)	See corrective measures at 159 above	January 2010  March 2011	Ongoing  June 2011	Financial Service/ Social Service	D. Lawson/ Social Services
170	Revenue: Other income: Supporting documentation for entrance fees not supplied (EX.205)	See corrective measures at 159 above	January 2010  March 2011	Ongoing  June 2011	Financial Service/ Social Service	D. Lawson/ Social Services

**ALL DIRETORS**

No.	Audit Finding	Plan of Action	Time Frame		Responsible Unit	Responsible Person
			Date of Execution	Date of Completion		
Procurement and contract management						
59	Procurement and contract management: Non-compliance with section 116(1)(b)(iii) of the MFMA (EX.61)	The Municipality has conducted a review of all existing contracts to ensure that they comply with the MFMA. The implementation of the recommendations of the report to be done in the current financial year.	May 2011	On going	All Directors	

**ECONOMIC DEVELOPMENT & PLANNING**

No.	Audit Finding	Plan of Action	Time Frame		Responsible Unit	Responsible Person
			Date of Execution	Date of Completion		
Revenue						
42	Compliance: Non-compliance with section 18 of the Municipal Finance Management Act (EX.252) Revenue Budget not realistic, Fines and Sale of Assets	Sale of Assets At the time of the Budget , it was anticipated that the moratorium on the sale of land would be lifted and this was however not done. This has now been lifted. The reasonability of the budgeted revenue will however be assessed in the new year. Fines The Municipality believes that the target is realistic and achievable. Since the collection of traffic fines is outside the normal credit control processes, the responsible Department will compile an action plan on the recovery of fines.	February 2011	May 2011	LED / Social Services / Finance	G. Steenkamp / M. Penkin / A. Voster
175	Revenue - Rental: Completeness of rental income (EX.79)	An audit of all rental contracts in respect of Council facilities will be done to ensure that the signed contract exists.	March 2011	June 2011	LED	G. Steenkamp
184	Revenue - Rental: Escalation of rental income (EX.85)	The Municipality has conducted a review of all existing contracts to ensure that they comply with the	May 2011	On going	LED	G. Steenkamp

Metsimaholo Local Municipality – 2010/11 Annual Report

		MFMA. The implementation of the recommendations of the report to be done in the current financial year.				
--	--	---	--	--	--	--

## **REPORT OF THE AUDIT COMMITTEE**

The Audit Committee is pleased to present the report for the financial year ended 30 June 2011 as required by the Municipal Finance Management Act No.56 of 2003.

### **1. Audit Committee Members and Attendance**

The Audit Committee consisted of the members listed below and are required to meet at least four times a year or more when the need arises. During the current year meetings were held on seven occasions in terms of section 166(4) of the MFMA and the approved Audit Committee charter. Three of these focused mainly on a diagnosis of the report of the Auditor General at which the Committee interfaced with Finance officials and the Municipal Manager on shortcomings in the Report. Decisions of far-reaching financial implications had to be taken and implemented by the Municipal Manager.

#### **Audit Committee Members**

EP Ababio, Professor, Financial Management (Chairperson)

R Najjaar, Accountant & Certified Internal Auditor

P Lessing, Auditor

PE Mahonko, Accounting Educator

M Tlou, Accountant

#### **Audit Committee Responsibility**

The Audit Committee reports that it has complied with its roles and responsibilities as outlined by section 166 of the MFMA and the approved charter.

### **2. The effectiveness of internal control**

The system of controls is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. In line with the MFMA, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective for the focus areas reviewed. This is achieved by means of the risks management process, as well as the identification of corrective actions and suggested enhancement to the controls and processes.

The instances of non-compliance reported in the various reports of the Internal Auditors, the Audit report of the Auditor-General are noted. The Audit Committee accepts Management's undertaking to address these matters and hereby directs Internal Audit to review progress in this regard.

The Audit Committee, on regular occasions, interfaced with Directors

Chief Financial Officer;

Corporate Services;

Technical Services;

Economic Development;

Social Services;

Manager, Supply Chain

The interface with Directors was prompted by Audit Committee concerns on serious lack of internal control on issues such as:

- Lack of documentation to cover transactions on Supply Chain Management and tenders;
- Breakdown of effective communication between strategic sections and the office of the Director, Corporate Services;
- Several issues on wasteful and unauthorized expenditure

Action Plans to redress lapses have been outlined and noted. A positive indicator from the Auditor General is a comment that there is a financial management turn-around at the Municipality, and a programme of quarterly follow-up visits by the Auditor General.

### **3. Evaluation of Financial Statements**

The Audit Committee has:

- Reviewed the financial statements prior to its submission to the Auditor-General. It should however be noted the financial statements were incomplete as management could not provide completed statements in a timely manner to the Audit Committee;
- Reviewed and discussed the Auditor-General Management letter and the audit report with the Management and the Internal Audit unit.

The Audit Committee concurs and accepts the conclusion of the Auditor General on the annual financial statements and is of the opinion that the audited financial statements be accepted and read together with the report of the Auditor General

**PROF E P ABABIO**

**CHAIRPERSON**

**Metsimaholo Local Municipality**

**CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011**

**GENERAL INFORMATION**

**Members of the Executive Mayoral Committee**

**Executive Mayor** BT Mahklaku

**Speaker** S Z Matena

**Mayco (term end 17/5/2011)**  
 NJ Kubekha  
 LS Lempe  
 RJ Mabefu  
 KJ Makhoba  
 DN Motloung  
 NM Mtimkulu  
 TL Soetsang

**Mayco (appointed 1 June 2011)**  
 M W Khonto  
 N J Kubkeka  
 S L Lempe  
 T K Mabasa  
 S Moreki  
 L S Semonyo  
 T L Soetsang  
 A N Radebe

**Members of Local Municipality**

<b>Councillors (term end 17/05/11)</b>	FC Coetzer	S Moreki
	J du Plessis	HJ Moolman
	T du Toit	ZP Mona
	JJ Grobbelaar	TN Mosai
	S Holt	MM Nemalalangwa
	DJ Keyser	DM Oswald
	MW Khonto	MR Raboroko
	JM Lelahla	AN Radebe
	NM Mafika	PE Ramagole
	M Mashinini	SI Ramathesele
	MJ Matiseng (till July 2010)	SS Sejake
	A M Mofokeng (From 18/8/10)	LS Semonyo
	TJ Mofokeng	TK Mabasa

	D E Mokoena	MC van der Walt
<b>Councillors (Term start 31 May 2011)</b>	FC Coetzer	D N Motloung
	L R Chebase	HJ Moolman
	J du Plessis	M M Mosia
	T du Toit	T E Mosia
	J J Geyser	M D Nthebe
	JJ Grobbelaar	M G Ntoane
	S Holt	DM Oswald
	S B Khunou	C S Phoofolo
	M F Machaea	M S Poho
	P J Mahlangu	SI Ramathesele
	A K Mare	M N Sejaki
	V J Maseko	M A Tamane
	N L Mdola	S L Tshongwe
	M J Msimanga	J M Phepheng-Lelahla
	TJ Mofokeng	MC van der Walt
	D E Mokoena	J D Viljoen

**Grading of Local Authority**

Metsimaholo Local Municipality is a Grade 9 Local Authority in terms of item IV of Government Notice R999 of 2 October 2001, published in terms of the Remuneration of Public Office Bearers Act, 1998

**Jurisdiction of Local Authority**

Sasolburg  
 Vaalpark  
 Zamdela  
 Deneysville  
 Refengkgotso  
 Oranjeville  
 Metsimaholo

**General Information**

**Registered office**

Civic Centre  
 Fichard Street  
 Sasolburg  
 PO BOX 60  
 1947

**Postal address**

PO Box 60  
 Sasolburg  
 1947

**Tel:** (016) 973 8000  
**Fax:** (016) 976 3030

**Bankers** ABSA Bank

**Auditors** The Auditor General: Free State

**Municipal Manager** XW Msweli  
**Chief Financial Officer** ME Mokoena

**Attorneys** Lebea and Associates Attorneys  
Majavu Incorporated  
Melato Attorneys  
Mollenaar & Griffiths  
Ndobela Attorneys  
Nkaiseng Attorneys  
Skinner and Lodewyckx

**Metsimaholo Local Municipality**

Consolidated Annual Financial Statements for the year ended June 30, 2011

**INDEX**

The reports and statements set out below comprise the following:

Index	Page
Accounting Officers' Responsibilities and Approval	139
Statement of Financial Position on 30 June 2011	141
Statement of Financial Performance	142
Statement of Changes in Net Assets	144
Cash Flow Statement	145
Accounting Policies	146-190
Notes to the Annual Financial Statements	191-232

The following supplementary information which form part of the annual financial statements but no opinion will be express by the Office of the Auditor-General:

Appendix A	233
Appendix B	234-235
Appendix C	236
Appendix D	237-239
Additional Information on Budget	240-241
Appendix F	242

## **Metsimaholo Local Municipality**

Consolidated Annual Financial Statements for the year ended June 30, 2011

### **ACCOUNTING OFFICER'S RESPONSIBILITY AND APPROVAL**

The Accounting Officer is required by the Metsimaholo Local Municipality, a Grade 9 Local Authority in terms of item IV of Government Notice R999 of 2 October 2001, published in terms of the Remuneration of Public Office Bearers Act, 1998, to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is his responsibility to ensure that the financial statements fairly present the state of affairs of the Municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with Generally Recognised Accounting Practice (GRAP). The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with Generally Recognised Accounting Practice (GRAP) and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

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

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

The Accounting Officer has reviewed the Municipality's cash flow forecast for the year to June 30, 2011 and, in the light of this review and the current financial position, he is satisfied that the Municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

The financial statements have been examined by the Municipality's external auditors and their report is presented from page 73 to 81

The financial statements set out on pages 143 to 244, which have been prepared on the going concern basis, were approved by the Municipal Manager and Chief Financial Officer on August 31, 2011 and were signed on its behalf by:

---

Mr R Thekiso  
Acting Municipal Manager

---

Ms M E Mokoena  
Chief Financial Officer

**Metsimaholo Local Municipality**

Consolidated Annual Financial Statements for the year ended June 30, 2011

**STATEMENT OF FINANCIAL POSITION**

Figures in Rand	Note(s)	2011	2010
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	3	60927370	51036455
Trade and other receivables from exchange transactions	4	97206928	67349518
Other receivables from non-exchange transactions	5	15939942	9829587
Other Financial Assets	6	14633889	16995590
Cash and cash equivalents	7	35203211	13990224
		<b>223911340</b>	<b>159201374</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	8	791458966	827996400
Intangible assets	9	39149	151261
Investment Assets	10	43724480	45680398
Other Financial Assets	6	11194156	8761320
		<b>846416751</b>	<b>882589379</b>
<b>Total Assets</b>		<b>1070328091</b>	<b>1041790753</b>
<b>Net assets and Liabilities</b>			
<b>Net assets</b>			
Net surplus		876847346	851225929
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Current portion of other financial liabilities	11	0	1229736
Finance lease obligation	12	15626051	16373739
Trade and other payables	13	85373336	68796051
Consumer deposits	14	9558303	8340711
Unspent conditional grants and receipts	15	11759860	15567421
Provisions	16	765743	0
Vat payable	17	10254403	7765634
Bank overdraft(cash book)	7	0	5308368
Current Tax Payable		323348	323348
		<b>133661044</b>	<b>123705008</b>
<b>Non-Current Liabilities</b>			
Other Financial liabilities	11	0	0
Finance lease obligation	12	9209342	24835393
Provision Employee Benefit	18	50610359	42024424
		<b>59819701</b>	<b>66859817</b>
<b>Total Liabilities</b>		<b>193480745</b>	<b>190564825</b>
<b>Total Net Assets and Liabilities</b>		<b>1070328091</b>	<b>1041790754</b>

**Metsimaholo Local Municipality**

Consolidated Annual Financial Statements for the year ended June 30, 2011

**STATEMENT OF FINANCIAL PERFORMANCE**

Figures in Rand	Note(s)	2011	2010
Revenue			
Property rates	19	77041129	70976764
Services charges	20	298371817	268855161
Government grants and subsidies	21	124310459	92202361
Fines		4373552	3325190
Rental income		4854695	4095241
Other income	22	8536280	10302825
		<b>517487932</b>	<b>449757542</b>
Other income			
Income Joint Venture		-	188772
Interest on Investment		4175942	1908820
Dividends on Shares		52249	47251
Interest on Debtors		14211135	12986211
Sub-total		18439275	15130897
Expenses			
Employee costs	23	(142166142)	(123527448)
Remuneration of Councillors	24	(9737272)	(9112766)
Debt Impairment	25	(9915367)	(72180411)
Bulk purchases	26	(160943953)	(133254171)
Depreciation, amortisation and impairments		(67359487)	(57643559)
Contracted services		(12308988)	(10075152)
Increase in provisions		(719781)	(1774426)
Repairs and maintenance		(26491612)	(17359888)
Grants and subsidies paid	27	(15409288)	(4996260)
General Expenditure	28	(53000410)	(58931201)
		<b>(498052300)</b>	<b>(488855282)</b>
Surplus before finance cost for the period		37874958	(23966686)
Gains on disposal of property, plant and equipment		2529856	683966
Surplus on inventory	3	139662	-
Loss on inventory	3	(128398)	(206992)
Loss on disposal of property, plant and equipment		(5042939)	(83481)
(Loss)/gain Actuarial Valuation		(5105260)	(152962)
Fair value of Shares		216712	257288
Fair value and Discounting		(218489)	(978)
Finance costs	29	(4644685)	(2936182)
Surplus/(Deficit) for the period		<b>25621417</b>	<b>(26406027)</b>



## Metsimaholo Local Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2011

### STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand

	Capital Replacement Reserve CRR	Housing Development Fund	Capital Reserve	Total reserves	Accumulated surplus/(deficit)	Total Net Assets
<b>Opening balance as previously reported</b>					<b>275639606</b>	<b>275011549</b>
Prior period adjustments					7971887	7971887
Provision					(21952922)	(21952922)
Asset take on					616601442	616601442
<b>Balance at July 1, 2009 as restated</b>					<b>878260013</b>	<b>877631956</b>
Changes in Net Assets						
Property, plant and equipment purchased						-
Expenditure						
Transfer						
Sub total					878260013	877631956
Loss for the year					(26406027)	(26406027)
Total recognised income and expenses for the year					851853986	851225929
Transfers to accumulated surplus					-	-
Total changes					851853986	851225929
<b>Balance at July 1, 2010 as restated</b>					<b>851853986</b>	<b>851225929</b>
Changes in Net Assets defer						
(Loss)/Surplus for the year					25621417	25621417
Off set depreciation					-	-
Total changes					25621417	25621417
<b>Balance at June 30, 2011</b>					<b>877475403</b>	<b>876847346</b>

## Metsimaholo Local Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2011

### CASH FLOW STATEMENT

Figures in Rand	Note(s)	2011	2010
Cash flows from operating activities			
Receipts		513520877	430643678
Taxation (Property rates)		73365834	63879087
Sale of goods and service		290066410	226110530
Grants		83228330	101882759
Interest received		19754849	18315547
Other receipts		47105454	20455755
<b>Payments</b>		<b>425111637</b>	<b>380430322</b>
Employee cost		152030151	132926299
Suppliers		252660998	219334785
Interest paid		4430479	2630595
Other payments		15990009	25538643
Net cash from operating activities	30	<b>88409240</b>	<b>50213356</b>
Cash flows from investing activities			
Purchase of property, plant and equipment		(44213996)	(61054731)
Proceeds from sale of Property, Plant and Equipment		-	
(Increase)/decrease in non-current other financial assets		(2432836)	(1475682)
(Increase)/decrease in current other financial assets		2362422	(11247058)
Net cash from investing activities		<b>(44284410)</b>	<b>(73777471)</b>
Cash flows from financing activities			
Decrease in long-term liabilities		(1229736)	(1335007)
Payment of Finance lease liabilities		(16373739)	24790721
Net cash from financing activities		<b>(17603475)</b>	<b>23455714</b>
Total cash movement for the year		<b>26521355</b>	<b>(108401)</b>
Cash at the beginning of the year		8681856	8790257
Total cash at end of the year		<b>35203211</b>	<b>8681856</b>

## Metsimaholo Local Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2011

### ACCOUNTING POLICIES

#### 1. Basis of preparation

The principal accounting policies adopted in the preparation of these financial statements are set out below.

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, unless specifically stated otherwise.

The annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No. 56 of 2003).

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

The accounting policies are applied consistently with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

The standards included in the GRAP reporting framework, as determined in Directive 5 issued by the Accounting Standards Board, are summarised as follows:

<b>Standard</b>	<b>Title of Standard</b>
GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 8	Interest in Joint Venture
GRAP 9	Revenue from Exchange Transactions
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the reporting date
GRAP 16	Investment Property
GRAP 17	Property Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-current Assets held for Sale and Discontinued Operations
GRAP 102	Intangible Assets
GRAP 21	Impairment of non-cash-generating assets
GRAP 23	Revenue from Non- Exchange Transactions
GRAP 24	Presentation of Budget information on Financial Statements

GRAP 26	Impairment of Cash generated assets
GRAP 103	Heritage assets
IFRS 3 (AC 140)	Business Combinations
IFRS 7 (AC 144)	Financial Instruments: Disclosures
IAS 12 (AC 102)	Income Taxes
IAS 19 (AC 116)	Employee Benefits
IAS 32 (AC 125)	Financial Instruments: Presentation
IAS 39 (AC 133)	Financial Instruments: Recognition and Measurement

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, as detailed above, have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3 and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

### **STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

#### **1. New standards and interpretations**

##### **1.1 Standards and interpretations issued, but not yet effective**

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after **01 July 2011 or later periods**:

##### **GRAP 18: Segment Reporting**

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality.

The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region. This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

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

**The municipality expects to adopt the standard for the first time in the 2012 annual financial statements.**

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

**GRAP 25: Employee benefits**

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires a municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when a municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP25 defines, amongst others, the following:

- Employee benefits as all forms of consideration given by a municipality in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which a municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;
- Defined benefit plans as post-employment benefit plans other than defined contribution plans;
- Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:
  - pool the assets contributed by various entities that are not under common control; and
  - use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the municipality that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which a municipality provides post employment benefits for one or more employees;
- Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;
- State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as employee benefits payable as a result of either:
  - an entity's decision to terminate an employee's employment before the normal retirement date; or
  - an employee's decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.

**The standard states the recognition, measurement and disclosure requirements of:**

- Short-term employee benefits;
  - All short-term employee benefits;
  - Short-term compensated absences;
  - Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

**The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:**

- Multi-employer plans;
- Defined benefit plans where the participating entities are under common control;
- State plans;
- Composite social security programmes;
- Insured benefits.

**The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:**

- Recognition and measurement;
- Presentation;
- Disclosure;
- Accounting for the constructive obligation;
- Statement of financial position;
- Asset recognition ceiling;
- Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;
- Statement of financial performance.

**The standard prescribes recognition and measurement for:**

- Present value of defined benefit obligations and current service cost:
  - Actuarial valuation method;
  - Attributing benefits to periods of service;
  - Actuarial assumptions;
  - Actuarial assumptions: Discount rate;
  - Actuarial assumptions: Salaries, benefits and medical costs;
  - Actuarial gains and losses;
  - Past service cost;
  - Plan assets;
  - Fair value of plan assets;
  - Reimbursements;
  - Return on plan assets.

**The standard also deals with Entity combinations and Curtailments and settlements.**

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

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

**The municipality expects to adopt the standard for the first time in the 2012 annual financial statements.**

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

#### **GRAP 104: Financial Instruments**

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments.

Financial instruments are defined as those contracts that results in a financial asset in one municipality and a financial liability or residual interest in another municipality. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

One of the key considerations in initially recognising financial instruments is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests. Financial assets and financial liabilities are distinguished from residual interests because they involve a contractual right or obligation to receive or pay cash or another financial instrument. Residual interests entitle a municipality to a portion of another municipality's net assets in the event of liquidation and, to dividends or similar distributions paid at management's discretion.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, a municipality considers the substance of the contract and not just the legal form.

Where a single instrument contains both a liability and a residual interest component, the issuer allocates the instrument into its component parts. The issuer recognises the liability component at its fair value and recognises the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or loss is recognised by separating the instrument into its component parts.

Financial assets and financial liabilities are initially recognised at fair value. Where a municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transaction costs are included in the cost of the asset or liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.

Concessionary loans are loans either received by or granted to another municipality on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of

GRAP on Revenue from Non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. A municipality measures a financial instrument at fair value if it is:

- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

Derivatives are measured at fair value. Combined instruments that include a derivative and non-derivative host contract are accounted for as follows:

- Where an embedded derivative is included in a host contract which is a financial instrument within the scope of this Standard, a municipality can designate the entire contract to be measured at fair value or, it can account for the host contract and embedded derivative separately using GRAP 104. A municipality is however required to measure the entire instrument at fair value if the fair value of the derivative cannot be measured reliably.
- Where the host contract is not a financial instrument within the scope of this Standard, the host contract and embedded derivative are accounted for separately using GRAP 104 and the relevant Standard of GRAP.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, a municipality can however designate such an instrument to be measured at fair value.

A municipality can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Once a municipality has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

A municipality derecognises a financial asset, or the specifically identified cash flows of an asset, when:

- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, an municipality has transferred control of the asset to another municipality.

A municipality derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where a municipality modifies the term of an

existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

A municipality cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

GRAP 104 requires extensive disclosures on the significance of financial instruments for a municipality's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that a municipality is exposed to as a result of its annual financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

GRAP 104 does not prescribe principles for hedge accounting. A municipality is permitted to apply hedge accounting, as long as the principles in IAS 39 are applied.

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

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

**The municipality expects to adopt the standard for the first time in the 2012 annual financial statements.**

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

### **GRAP 23: Revenue from Non-exchange Transactions**

Revenue from non-exchange transactions arises when a municipality receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipality.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

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

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

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

#### **GRAP 24: Presentation of Budget Information in the Financial Statements**

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

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

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

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

#### **GRAP 103: Heritage Assets**

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

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

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

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

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

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

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

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

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

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

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

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

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

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset's deemed cost for subsequent

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

The carrying amount of a heritage asset should be derecognised:

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

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

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

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

#### **GRAP 21: Impairment of non-cash-generating assets**

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

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

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

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

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

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

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

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

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

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

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

#### **GRAP 26: Impairment of cash-generating assets**

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

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

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

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

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

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

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and

- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

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

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

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

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

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

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

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

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

## **1.2 Significant judgements**

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

### **Loans and receivables**

The Municipality assesses its loans and receivables for impairment at each balance sheet date. In determining whether an impairment loss should be recorded in the income statement, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

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

### **Allowance for slow moving, damaged and obsolete inventory**

An allowance is made for slow-moving, damaged and obsolete inventory to write the inventory down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down, if any, is included in the Statement of Financial Performance.

### **Fair value estimation**

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

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

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

### **Impairment testing**

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment (i.e. carrying amount is less than recoverable amount) may have occurred, estimates are prepared of expected future cash flows for each group of assets.

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values.

### **Post employment benefits**

The present value of the post employment obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate.

Any changes in these assumptions will impact on the carrying amount of post employment obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 18.

#### ***Effective interest rate***

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

#### ***Provisions***

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

#### ***Useful lives and residual values***

The municipality re-assess the useful lives and residual values of property, plant and equipment on an annual basis. In re-assessing the useful lives and residual values of property, plant and equipment management considers the condition and use of the individual assets, to determine the remaining period over which the asset can and will be used.

#### ***Presentation currency***

The financial statements are presented in South African Rand, which is the functional currency of the municipality, and are rounded off to the nearest Rand.

#### ***Going concern***

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

#### ***Comparative concern***

Budget information in accordance with GRAP 1 and based on IPSAS 24, has been provided in an annexure to these financial statements and does not form part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

### **Useful lives of waste and water network and other assets**

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm.

Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

### **Allowance for doubtful debts**

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

### **1.3 Investment property**

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

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

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

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

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

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

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

### **Fair value**

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

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

#### **1.4 Property, plant and equipment**

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

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

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

Property, plant and equipment is initially measured at cost.

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

Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost).

If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

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

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

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment

which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land and buildings which is carried at a cost less accumulated depreciation less subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus.

The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period.

The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

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

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

<b>Item</b>	<b>Average useful life</b>
Roads	1 - 50 years

Electricity	1 - 50 years
Water	1 - 55 years
Sewerage	1 - 55 years
Housing	30 years
Buildings	30 years
Recreational facilities	20 - 30 years
Specialist vehicles	10 years
Other vehicles	3 - 20 years
Office equipment	3 - 5 years
Furniture and fittings	3 - 7 years
Bins and containers	5 - 10 years
Specialised plant and equipment	5 - 15 years
Other items of plant and equipment	2 - 5 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The residual value on all assets is zero except for the following assets:

<b>Item</b>	<b>Residual Value</b>
Motor Vehicles	10%
Trucks/LDV	10%
Graders	10%
Tractors	10%

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

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities are transferred to inventories when the rentals end and the assets are available-for-sale.

These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

## **1.5 Financial instruments**

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

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

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

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

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

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

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

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

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.
- A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or

- on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
- non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

#### Classification

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

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Trade and other receivables from non-exchange transactions	Financial asset loans and receivables at amortised cost
Trade and other receivables from exchange transactions	Financial asset loans and receivables at amortised cost
Non current investments	Financial asset measured at amortised cost
Other non current investments (shares)	Financial asset measured at amortised cost
Other	Financial asset measured at fair value

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

Class	Category
Borrowings	Financial liability measured at amortised cost
Trade and other payables	Financial liability loans and receivables at amortised cost
Other	Financial liability measured at amortised cost

#### Initial recognition

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

The entity recognises financial assets using trade date accounting.

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

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

The municipality measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

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

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

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

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

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

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

#### Fair value measurement considerations

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

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

#### **Reclassification**

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

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

Where the municipality cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value.

This requires a reclassification of the instrument from amortised cost or cost to fair value.

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

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

### **Gains and losses**

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

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

### **Impairment and uncollectibility of financial assets**

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

Financial assets measured at amortised cost:

- If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly which through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.
- If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly which by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

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

## Derecognition

### Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

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

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract.

If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

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

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

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

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

### **Financial liabilities**

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

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

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

### **Presentation**

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

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

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

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

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

## **1.6 Inventories**

Initial recognition:.

Inventories are measured at the lower of cost and net realisable value, except where the paragraph mentioned below applies.

Where inventories are held for consumption in the production process of goods to be distributed at no charge or for a nominal charge, these inventories are held at net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The following cost formulas are applied for every inventory class:

Inventory class:	Measure:
Consumable stores	First-in-first-out
Water	Cost
Unsold houses	First-in-first-out

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

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

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

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all deficits of inventories are recognised as an expense in the period the write-down or deficit occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is at cost.

### **1.7 Non-current assets held for sale and disposal groups**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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

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

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

### **1.8 Impairment of cash-generating assets**

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return.

When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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

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

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

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

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

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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

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

#### **Identification**

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

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

#### **Value in use**

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

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

#### **Basis for estimates of future cash flows**

In measuring value in use the municipality:

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

#### **Composition of estimates of future cash flows**

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

### **Cash-generating units**

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset.

If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

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

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

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

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

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

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

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

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

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

### **Reversal of impairment loss**

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

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

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

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

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

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

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

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

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

### **Redesignation**

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### **1.9 Impairment of non-cash-generating assets**

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

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

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

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

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

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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

Useful life is either:

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

### **Identification**

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

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

### **Value in use**

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

#### **Depreciated replacement cost approach**

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential.

This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

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

services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

### **Restoration cost approach**

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

### **Service units approach**

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

### **Recognition and measurement**

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

### **Reversal of an impairment loss**

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

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount.

The increase is a reversal of an impairment loss.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

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

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

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

### **Redesignation**

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### **1.10 Leases**

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

### **Finance leases - lessor**

The municipality recognises finance lease receivables on the Statement of Financial Position at the commencement of the lease term. The finance lease receivable is measured at an amount equal to the net investment in the lease upon initial recognition.

Finance income is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

### **Municipality as lessee**

The following situations would normally individually or in combination lead to a lease being classified as finance lease and have been considered by the municipality:

- lease transfers ownership of the asset to the lessee by the end to the lease term;
- the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at inception of the lease, that the option will be exercised;
- the lease term is for the major part of the economic life of the asset even if title is not transferred at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the asset;
- the leased asset is of such a specialised nature that only the lessee can use them without major modification;
- if the lessee can cancel the lease, the lessor's deficits associated with the cancellation are born by the lessee;
- gains or deficits from the fluctuation in the fair value of the residual accrue to the lessee; and
- the lessee has the ability to continue the lease for a secondary period at a rent that is substantial lower than market rent.

Finance leases are recognised as assets and liabilities in the Statement of Financial Position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, at the commencement of the lease term. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

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

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. The classification of the lease is determined using GRAP 13 Leases.

### **Operating leases - lessor**

Operating lease income is recognised as an income on a straight-line basis over the lease term.

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

Income for leases is disclosed as a separate line item in the Statement of Financial Performance. Contingent rentals received / receivable are recognised in income in the period when they become due and are not included in the straight-line lease income.

### **Operating leases - lessee**

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

This liability is not discounted.

Any contingent rents are expensed in the period they are incurred and are not included in the straight-line lease expense.

## **1.11 Intangible assets**

### **Initial recognition**

Metsimaholo Local Municipality classifies assets that are non-monetary without physical substance as intangible assets.

When software is not an integral part of the related hardware, computer software is treated as an intangible asset; otherwise it is treated as property, plant and equipment.

An intangible asset is recognised when:

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

Intangible assets are measured at cost upon initial recognition.

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

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

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

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. Amortisation commences when the asset is available for use and ceases at the earlier of the disposal

of the asset or when the residual value of the asset is equal to or exceeds the carrying value of the asset.

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

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

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

An item of intangible assets shall be eliminated from the statement of financial position on disposal or when the asset is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. Gains or losses arising from the disposal are recognised in surplus / (deficit) for the period during which the asset is disposed.

The residual value and the useful life of each asset are reviewed annually.

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

Item	Useful life
Computer software	3 years

## **1.12 Employee benefits**

### **Short-term employee benefits**

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

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

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

### **Defined contribution plans**

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution plan.

### **Defined benefit plans**

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method. Actuarial valuations are conducted on a regular basis by independent actuaries separately for each plan.

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

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

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

Gains or deficits on the curtailment or settlement of a defined benefit plan are recognised when the municipality is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset.

The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In the Statement of Financial Performance, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the Statement of Financial Position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and deficits and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to un-recognised actuarial deficits, plus the present value of available refunds and reduction in future contributions to the plan. For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method. Actuarial valuations are conducted on a regular basis by independent actuaries separately for each plan.

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

### **Multi-employer plans**

A multi-employer plan is classified as either a defined benefit plan or a defined contribution plan. If the plan is a defined benefit plan, an actuarial valuation should be obtained. Normal defined benefit accounting would be applied to the proportionate share of the obligation and assets relating to the municipality. If actuaries are unable to provide the municipality with an actuarial valuation, the municipality accounts for the plan as if it were a defined contribution plan.

### **Medical Aid post employment benefits**

The cost of the of employment medical benefits is determined using actuarial valuation.

The actuarial valuation involves making assumptions about discount rates, expected rates on return of assets, future salary increase, mortality rates and future medical aid increases. Due to the long term nature of these plans, such estimates are subject to a significant uncertainty.

The municipality has elected to recognise the actuarial gain and losses immediately, in full, in the profit and loss account

### **1.13 Investment income**

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

### **1.14 Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.9 and 1.10. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

### **1.15 Conditional grants and receipts**

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations

embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

### **1.16 Investments**

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

#### **1.16.1 Investments Held to Maturity**

All Sanlam investments are classified as held to maturity investments as all are non derivative financial assets with fixed or determinable payments and fixed maturity.

The municipality has the positive intention and ability to hold these policies to maturity.

### **1.17 Provisions and contingencies**

Provisions are recognised when:

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

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

The Municipality uses a pre-tax rate that reflects current market assessments of the time value of money and the risks for which future cash flow estimates have been adjusted.

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

Provisions are not recognised for future operating deficits.

If a municipality has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when the municipality:

- has a detailed formal plan for the restructuring, identifying at least:
- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

## **1.18 Revenue**

### **Revenue from exchange transactions:**

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of agency fee or commission payable to the municipality as compensation for executing the agreed services.

### **Revenue from non - exchange transactions:**

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non -exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

### **Grants, transfers and donations:**

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

#### **1.19 Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and

- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.9 and 1.10. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

### **1.20 Unauthorised expenditure**

Unauthorised expenditure means:

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

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

### **1.21 Irregular expenditure**

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

### **1.22 Fruitless and wasteful expenditure**

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is

classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### **1.23 Going concern**

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

### **1.24 Investment in joint venture**

An investment in a joint venture is carried at fair value and classified as fair value through profit or loss.

Profits and losses resulting from contributions or sale of assets to joint ventures are only recognised to the extent of other venturers' interests in the joint venture.

The group's share of profits or losses, resulting from purchase of assets from joint ventures are recognised only when the assets are resold to an independent party.

In respect of its interests in jointly controlled operations, the municipality recognises in its:

- the assets that it controls and the liabilities that it incurs; and
- the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the joint venture.

In respect of its interest in jointly controlled assets, the municipality recognises in its :

- its share of the jointly controlled assets, classified according to the nature of the assets;
- any liabilities that it has incurred;
- its share of any liabilities incurred jointly with the other venturers in relation to the joint venture;
- any income from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture; and
- any expenses that it has incurred in respect of its interest in the joint venture.

### **1.25 Related parties**

The municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. All national departments of government and state-controlled entities are regarded as related parties in accordance with Circular 4 of 2005: Guidance on the term "state controlled entities" in context of IAS 24 (AC 126) - Related Parties, issued by the South African Institute of Chartered Accountants. Other related party transactions are also disclosed in terms of the requirements of the accounting standard

### **1.26 Comparative figures**

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

### **1.27 Use of estimates**

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

### **1.28 Budget information**

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

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

The annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements.

Refer to note .

## Metsimaholo Local Municipality

### Consolidated Annual Financial Statements for the year ended June 30, 2011

#### NOTES TO FINANCIAL STATEMENTS

Figures in Rand

2011

2010

#### 2. Change in Accounting Policy

The annual financial statements have been prepared in accordance with South African Statements of generally Recognised Accounting Practice on a basis consistent with the prior year except for the withdrawal of the following new or revised standards as per Directive 5 as issued by the Accounting Standard Board and for the adoption of the following new or revised standards:

- \* IAS 32 Financial Instruments: Presentation withdrawal
- \* IAS 32 Financial Instruments: Recognition and Measurement withdrawal
- \* IAS 19 Employee Benefits withdrawn but the municipality opted to continue till GRAP 25 becomes operative.
- \* IFRS 7 Financial Instruments: Disclosures withdrawal
- \* Policy for financial Instruments based on GRAP 104 adopted.
- \* Policies for Impairments based on GRAP 21 and GRAP26 adopted
- \* Policy for Non-exchange Transactions based on GRAP 23 adopted.

#### 3. Inventories

Consumable stores	1360235	1959001
Unsold properties	59444974	49027939
Water reservoir	250559	256507
	<u>61055768</u>	<u>51243447</u>
Less Inventory write down	(128398)	(206992)
	<u>60927370</u>	<u>51036455</u>

The Municipality has recognised purchased water stock on hand on 30 June 2011. This amount has been estimated using water in reservoirs and water networks and the different purchase prices of water.

There was a loss on inventory written off to the amount of R128 398 at 30 June 2011.

A surplus on inventory of R139 662 was register with the stock count on 30 June 2011.

No inventory pledge as security to overdraft facility.

#### 4. Trade and other receivables from exchange transactions

Trade and other receivables from exchange transactions	97206928	67349518
Service receivables		
Rates	59407354	58853321
Electricity	46432526	37071174
Water	208065939	202143980
Sewerage	21533955	21006360
Refuse	22663461	19657875
Less: Allowance for Debt Impairment	(260896307)	(271383192)
	<u>97206928</u>	<u>67349518</u>

Ageing: Trade debtors are disclose before impairment

Trade receivables:

Rates

Current	5307949	5614717
30 - 60 days	2850735	3511085
61 - 90 days	1759005	2247218
90 days plus	49489665	47480301
	<u>59407354</u>	<u>58853321</u>

Services (Electricity, Water, Sewerage and Refuse)

Current	25383870	41002378
30 - 60 days	13202670	42309328
61 - 90 days	9967894	7147989
90 days plus	250141447	189419694
	<u>298695881</u>	<u>279879389</u>

Housing Rentals  
+ 365 days

- 61805

**Summary of receivables by customer classification 2011**

	Consumers	Industrial / Commercial	National and Provincial Government
Current	16178559	13877912	635346
30 - 60 days	11238930	4152483	661992
61 - 90 days	9162254	2254865	309780
90 days plus	264676977	31760728	3193409
	<b>301256720</b>	<b>52045988</b>	<b>4800527</b>

**Summary of receivables by customer classification 2010**

	Consumers	Industrial / Commercial	Provincial Government
Current	19518498	26484744	613853
30 - 60 days	37867243	7447332	505838
61 - 90 days	6658276	2469121	267810
90 days plus	198981535	35217814	2700646
	<b>263025552</b>	<b>71619011</b>	<b>4088147</b>

**Reconciliation of provision for impairment of trade and other receivables**

Opening balance		271383192	236831829
Provision for impairment		7319007	50531864
Amounts written off as uncollectible		17805892	15980501
Closing Balance		<b>260896307</b>	<b>271383192</b>

## Impairment consist of:

Services		211882485	223616237
Interest		49013822	47766955
Total		<b>260896307</b>	<b>271383192</b>

**The ageing of amounts past due but not impaired is as follows:**

Current		13727236	7450552
1 month past due		7806381	14440658
2 months past due		4342253	3937944
3 months past due		71331058	41520364
		<b>97206928</b>	<b>67349518</b>

**Trade and other receivables impaired****The ageing of these receivables are as follows:**

Current		11177622	13938404
1 month past due		8247027	31379756
2 months past due		7384651	5457262
3 months past due		257218918	242877292
		<b>284028218</b>	<b>293652714</b>

**Credit quality of service receivables**

The credit quality of consumers debtors that are neither past nor due nor impaired can be assessed by reference to historical information about counter party defaults rates. Although credit quality can be assessed the entity did not apply any methods to evaluate the credit quality.

**Consumer debtors impaired**

As at 30 June 2011, consumers debtors of R287 890 784 (2010: R293 652 714) were provided for.

Amounts totalling R17 805 892 (2010:R15 980 501) were written off as uncollectable against the debt impairment account.

These represents 3.55% (2010:3.5%) of the total operating income for the year.

The VAT on impairment of consumers debtors are written back against VAT creditor and amount to R23 131 910(2010/2011) and R 24 829 107(2009/2010) respectively.

These amounts best represent the maximum exposure to credit risk at the end of the reporting period.

The municipality does not hold any collateral as security.

None of these receivables were pledged as security.

No portion is past due date or impairment.

**5.Other receivables from non-exchange transactions**

Sundry receivables - general	5014555	3270146
Input VAT / capital receivables	301769	1171409
Conlog pre paid electricity	5606112	4460931
MIG Grant receivable	3630584	
Mayor's Trust	-	315979
Other deposits	1386916	611115
Rent Prepaid	6	7
	<b>15939942</b>	<b>9829587</b>

**Reconciliation of provision for impairment of other receivables from non-exchange transactions**

Opening balance	7944973	6042960
Provision for impairment	1281222	1902013
Amounts written off as uncollectible	-	-
	<u>9226195</u>	<u>7944973</u>
Impairment consist of:		
Services	7180225	6044250
Interest	2045970	1900723
Total	<u>9226195</u>	<u>7944973</u>

**Trade and other receivables pledge as security**

No portion of accounts receivable was pledged as security for any financial liabilities.

No security is held for any accounts receivable.

These amounts best represents the maximum exposure to credit risk at the end of the reporting period, without taking into account of any collateral held or credit enhancements.

**Credit quality of service receivables**

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings. information about counter party default rates. Although credit quality can be assessed the entity did not apply any methods to evaluate the credit quality.

**Fair value of trade and other receivables**

Due to the short term nature of trade and other receivable they are disclosed at face value.

**6. Other Financial Assets****6.1. Long-term receivables**

Staff housing loans	8750	11465
The loans were discontinued, see section 164 of MFMA. The instances below happened before implementation of the MFMA.		
The loan was granted to a staff member in 1984 at an interest rate of 5%.		
The loan will be fully redeemed in 2014.		
Car loans	-	127527
The loan was granted to a staff member at 8.5% interest. The member has passed away. The balance is to settled as part of the estate. A claim has been submitted to ABSA.		
Loans are granted for the purchase of the land (stands).		
Consumer Debtors made long term arrangement to pay off their debt	6590950	2356897
	<u>6599700</u>	<u>2495889</u>
<b>Non-current assets</b>		
Staff housing loans	5912	8956
Long term debt consumers	4183904	2068569
	<u>4189816</u>	<u>2077525</u>
<b>Current assets</b>		
Staff housing loans	2838	2509
Car loans	-	127527
Consumers	2407046	288328
<b>Current Portion of long term receivables</b>	<u>2409884</u>	<u>418364</u>
<b>Total Long term receivables</b>	<u>6599700</u>	<u>2495889</u>

**Reconciliation of provision for impairment of other financial assets (long term receivables)**

Opening balance	4411	116120
Provision for impairment (interest)	(718)	(111709)
Amounts written off as uncollectible	-	-
	<u>3693</u>	<u>4411</u>

Consumer debtors made arrangements to repay the debt over a period exceeding 12 months.

No security is held for any of the long term receivables.  
No long term receivables receivables defaulted and no terms of any of the long term receivables were re-negotiated.  
No portion of the long term receivables was pledge as a security for any financial liabilities.

**Credit quality of trade and other receivables**

The credit quality of long term receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings.  
Although credit quality can be assessed the entity did not apply any methods to evaluate the credit quality.

No portion is past due or impairment

These amounts best represents the maximum exposure to credit risk at the end of the reporting period, without taking into account of any collateral held or credit enhancements.

**6.2. Investments****Listed Shares**

Sanlam Ltd - Money market (2011:788 230 units @ 100 cents; 2010: 668 479,35 units @ 100 cents)	788230	668579
Sanlam Ltd - Term annuity investment	707942	1026249
Sanlam Ltd - Investment policies	5479065	4960257
	<u>6975237</u>	<u>6655085</u>

**Council's valuation of unlisted investments**

Other deposits (Collateral housing deposits)	29103	28710
	<u>29103</u>	<u>28710</u>

**Total Investments**

	<u>7004340</u>	<u>6683795</u>
--	----------------	----------------

**Market value of listed investments**

Sanlam Ltd	7004340	6683795
	<u>7004340</u>	<u>6683795</u>

**Allocation of external investments:**

**In terms of legislation, surplus cash is invested until used for specific purposes. Investments are allocated on the following basis:**

Repayment of fixed period external loans	6975237	6655085
	<u>6975237</u>	<u>6655085</u>

**6.3. At Fair value through profit and Loss**

Shares- fair value through profit and loss  
(2011:46 109 shares@2756cents;2010:46 109 shares@2286cents)

	<u>1270764</u>	<u>1054052</u>
--	----------------	----------------

**6.4. Investments Held to Maturity**

30 day deposits  
Deposits are held at registered Financial Institutions

	<u>10953241</u>	<u>15523174</u>
--	-----------------	-----------------

**Total other financial assets**

Less:Total current portion other financial assets	25828045	25756910
Total non-current portion other financial assets	14633889	16995590
	<u>11194156</u>	<u>8761320</u>

**7. Cash and cash equivalents**

Cash and cash equivalents consist of:

Cash on hand	5315	5315
Bank balances	8135683	8970
Bank overdraft	-	5308368
Call and 30 days deposits	27062213	13975939
	<b>35203211</b>	<b>8681856</b>

Current assets	35214535	13937260
Current liabilities	-	5308368
	<b>35214535</b>	<b>8628892</b>

Guarantee: Eskom as electricity deposit	990000	990000
Guarantee: Post Office as post deposit	80000	80000
	<b>1070000</b>	<b>1070000</b>

**Bank balances/(overdrafts) consist of:****Current Account (primary bank account)****ABSA [Acc no. 520 000 038]**

Cash book balance at the beginning of year	(5308368)	6319849
Cash book balance at end of year	8127145	(5308368)
Bank balance at beginning of the year	2893442	8104495
Bank balance at end of year	5629482	2893442

**Transmission Account****ABSA [Acc no. 520 000 062]**

Cash book balance at beginning of year	-	-
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	-	-

**Bank Balance Mayor Trust****ABSA (Account number 4058956766)**

Cash book balance at beginning of year	8970	9271
Cash book balance at end of year	8538	8970
Bank statement balance at beginning of year	8970	9271
Bank statement balance at end of year	8538	8970

Total cash book balance at beginning of year	(5294083)	6329120
Total cash book balance at end of year	8140998	(5299398)

No cash and cash equivalents (or portions thereof) were pledge as security for any financial liabilities.

No restriction exist with the regard to the use of cash.

No portion is due or impaired.

These amounts best represents the maximum exposure to credit risk at the end of the reporting period, without taking into account of any collateral held or credit enhancements.

**Credit quality of cash at bank and short term deposits, excluding cash on hand**

The credit quality of of cash at bank and short term deposits, excluding cash on hand that are neither past due nor nor impaired can be assessed by reference to external credit ratings.

Although credit quality can be assessed the entity did not apply any methods to evaluate the credit quality.

**8. Property, plant and equipment  
30 June 2011**

	Cost / Valuation	Accumulated Impairment	Accumulated depreciation	Carrying value
Land and Buildings	196656073	-	(90055501)	106600572
Infrastructure	1469810938	-	(830454370)	639356568
Heritage	561000	-	-	561000
Leasehold property	52213995	-	(26124198)	26089797
Other	48291409	-	(29440380)	18851029
<b>Total</b>	<b>1767533415</b>	<b>-</b>	<b>(976074449)</b>	<b>791458966</b>

**Reconciliation of property, plant and equipment - 2011**

	Opening Balance	Additions	Impairment	Write off	Depreciation	Total
Land and Buildings	126122781			(13504055)	(6018154)	106600572
Infrastructure	633682395	43474217			(37800044)	639356568
Heritage	561000			-	-	561000
Assets held under finance lease agreeme	41570199			-	(15480402)	26089797
Other	26060025	739779		-	(7948775)	18851029
	<b>827996400</b>	<b>44213996</b>		<b>-</b>	<b>(67247375)</b>	<b>791458966</b>

**30 June 2010**

	Cost / Valuation	Accumulated Impairment	Accumulated depreciation	Carrying value
Land and Building	223327749		(97204968)	126122781
Infrastructure	1426336721		(792654326)	633682395
Heritage	561000		-	561000
Leasehold property	52213995		(10643796)	41570199
Other	47551630		(21491605)	26060025
<b>Total</b>	<b>1749991095</b>		<b>(921994695)</b>	<b>827996400</b>

**Reconciliation of property, plant and equipment - 2010**

	Opening Balance	Additions	Impairment	Write off	Depreciation	Total
Land and Buildings	132956667				(6833886)	126122781
Infrastructure	632499016	38835490			(37652111)	633682395
Heritage	561000			-	-	561000
Assets held under finance lease	14857592	32466161		-	(5753554)	41570199
Other	28793538	4548776		-	(7282289)	26060025
	<b>809667813</b>	<b>75850427</b>		<b>-</b>	<b>(57521840)</b>	<b>827996400</b>

Also refer to Appendix B for additional analysis of property plant and equipment.

### Infrastructure Assets

During the previous financial year the municipality implemented a process to identify, record, value and manage infrastructure assets as required in terms of GRAP 17. This resulted in a reconstructed fixed asset register for infrastructure assets. The key issues in this regard were as follows:

#### Physical verification and valuation

- All the infrastructure assets have been physically verified during the year by specialists. During this process the asset location, condition and maintenance history was recorded and evaluated.
- The assets have been valued by an independent valuer and are effective on 30 June 2009.
- Due to the specialised nature of the assets, and market availability of information, the Depreciated Replacement Cost method was used. A 100% verification and condition assessment was done except for sub soil assets due to the nature of the assets and the fact that the assets are underground.
- In the case of inaccessible assets various methods were employed to record and value the assets. These assets are reflected in the asset register as "polygon assets". A polygon asset is an asset that is referenced by a geographically referenced area and the actual position and detail of the asset estimated within this geographical area.
- As the assets are maintained or a process implemented to more accurately record these assets the polygon can be broken down into detailed components.

#### Retrospective application of the effects of implementation of GRAP 17

- The implementation of GRAP 17 is a change in accounting policy. In terms of GRAP 3 changes in accounting policies should be applied retrospectively. On initial application the municipality applied prospective application of the infrastructure assets during the 2009 financial year. This was corrected during the current financial year by applying the application retrospectively. The methodology followed for the retrospective application corrections were done as follows:

#### Disclosure of the asset information

The deemed cost was determined on 30 June 2010 by using the depreciated replacement values (DRC).

In order to apply the retrospective application as required for the infrastructure assets, the DRC values were adjusted to reflect as at 30 June 2008,

- For the movable assets actual values were used where supporting information was available. For the remaining assets the DRC methodology was followed to determine the deemed cost of the assets.
- The opening for the take on values of the assets as well as for accumulated depreciation is restated. This adjustment is made directly to accumulated surplus.
- Depreciation for the year has been based on the new asset values and is calculated on the straight line method.
- During the financial year the municipality also identified and measured investment properties in terms of GRAP 16.

### Movable Assets

During the current financial year the municipality implemented a process to identify, record and value movable assets as required in terms of GRAP 17. This resulted in a reconstructed fixed asset register for movable assets. The key issues in this regard were as follows:

#### Physical verification and valuation

- All the movable assets have been physically verified during the year. During this process the asset location, condition, description and custodian was recorded and evaluated.
- A 100% verification and condition assessment was done.

#### Retrospective application of the effects of GRAP 17 implementation

- The implementation of GRAP 17 is a change in accounting policy. In terms of GRAP 3 changes in accounting policies should be applied retrospectively. The methodology followed for the retrospective application corrections was done as follows:

#### Disclosure of the asset information

- Actual values were used where supporting information was available. For the remaining assets the DRC methodology was followed to determine the deemed cost of these assets.
- The opening for the take on values of the assets as well as for accumulated depreciation is restated. This adjustment is made directly to accumulated surplus.
- Depreciation for the year has been based on the new asset values and is calculated on the straight line method.

### Heritage Assets

During the current financial year the municipality implemented a process to identify, record and value Heritage assets as required in terms of GRAP 17. This resulted in a reconstructed fixed asset register for Heritage assets. The key issues in this regard were as follows:

## Physical verification and valuation

- All the movable assets have been physically verified during the year. During this process the asset location, condition, description and custodian was recorded and evaluated.
- A 100% verification and condition assessment was done.
- During the financial year the municipality identified and measured Heritage properties.

## Retrospective application of the effects of GRAP 17 implementation

- The implementation of GRAP 17 is a change in accounting policy. In terms of GRAP 3 changes in accounting policies should be applied retrospectively. The methodology followed for the retrospective application corrections was done as follows:

## Disclosure of the asset information

- Actual values were used where supporting information was available. For the remaining assets the DRC methodology was followed to determine the deemed cost of these assets.
- The opening for the take on values of the assets is restated. This adjustment is made directly to accumulated surplus.

**9.Intangible assets**

<b>30 June 2011</b>	<b>Opening Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Total</b>
<b>Cost</b>					
Computer Software	341671		-		341671
<b>Accumulated Amortisation</b>					
Computer Software	(190410)	(112112)			(302522)
<b>Carrying Value</b>	<u>151261</u>	<u>(112112)</u>	<u>0</u>	<u>0</u>	<u>39149</u>

**Reconciliation of intangible assets - 2011**

	<b>Opening Balance</b>	<b>Additions</b>	<b>Depreciation</b>	<b>Total</b>
Computer software	<u>151261</u>		<u>(112112)</u>	<u>39149</u>

<b>30 June 2010</b>	<b>Opening Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Total</b>
<b>Cost</b>					
Computer Software	341671				341671
<b>Accumulated Amortisation</b>					
Computer Software	(68691)	(121719)			(190410)
<b>Carrying Value</b>	<u>272980</u>	<u>(121719)</u>	<u>-</u>	<u>-</u>	<u>151261</u>

**Reconciliation of intangible assets - 2010**

	<b>Opening Balance</b>	<b>Additions</b>	<b>Depreciation</b>	<b>Total</b>
Computer software	<u>272980</u>		<u>(121719)</u>	<u>151261</u>

## Physical verification and valuation

- All the intangible assets have been verified during the year. During this process the asset location and description was recorded and evaluated.

## Retrospective application of the effects of GRAP 102 implementation

- The implementation of GRAP 102 is a change in accounting policy. In terms of GRAP 3 changes in accounting policies should be applied retrospectively. The methodology followed for the retrospective application corrections was done as follows:

## Disclosure of the asset information

- Actual values were used to determine the cost of these assets.
- The opening for the take on values of the assets as well as for accumulated amortisation is restated. This adjustment is made directly to accumulated surplus.
- Amortisation for the year has been based on the new asset values and is calculated on the straight line method.

**10. Investment Property****30 June 2011**

	<b>Opening Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Impairment</b>	<b>Transfers</b>	<b>Total</b>
Cost	45680398		(1955918)		0	43724480
Accumulated Depreciation	0	0	0		0	0
Carrying Value	<u>45680398</u>	<u>0</u>	<u>(1955918)</u>	<u>0</u>	<u>0</u>	<u>43724480</u>

**30 June 2010**

	<b>Opening Balance R</b>	<b>Additions R</b>	<b>Disposals R</b>	<b>Impairment</b>	<b>Transfers R</b>	<b>Total R</b>
Cost	45680398					45680398
Accumulated Depreciation	0	0	0		0	0
Carrying Value	<u>45680398</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>45680398</u>

During the financial year the municipality identified and measured investment properties in terms of GRAP 16.

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

The fair value of the above properties is R43 724 480 (2010 : R 45 680 398). Investment properties have been valued in accordance with the new municipal valuation roll which became effective on XXX and has been adjusted to take into account current market conditions.

**11. Other financial liabilities**

<b>Held at amortised cost</b>	-	<u>1229736</u>
-------------------------------	---	----------------

The loans have been taken up to finance Infrastructure and the purchase of vehicles. The interest rate vary between 9.1% and 15.6%. The terms of the loans vary and were redeemed at 30/4/2011.

**Non-current liabilities**

Long term liabilities	-	-
-----------------------	---	---

**Current liabilities**

Current portion long term liabilities	-	1229736
	<u>-</u>	<u>1229736</u>

**12. Finance lease obligation**

<b>Minimum lease payments due</b>		
- within one year	17754696	20522282
- in second to fifth year inclusive	<u>9759669</u>	<u>27514365</u>
	27514365	48036647
less: future finance charges	<u>(2678972)</u>	<u>(6827515)</u>
<b>Present value of minimum lease payments</b>	<u>24835393</u>	<u>41209132</u>

**Present value of minimum lease payments due**

- within one year	15626051	16373739
- in second to fifth year inclusive	<u>9209342</u>	<u>24835393</u>
	<u>24835393</u>	<u>41209132</u>

Non-current liabilities	9209342	24835393
Current liabilities	<u>15626051</u>	<u>16373739</u>
	<u>24835393</u>	<u>41209132</u>

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

The average lease term is 2-5 years and the average effective borrowing rate is 11.91%. Interest rates are fixed at the contract date. Some leases have fixed repayment terms and other escalate between 10%-15% per annum. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 8.

### 13. Trade and other payables

Trade payables	5820443	25357034
Other payables	62175284	19276842
Payments received in advance	5564593	13068941
Accrued leave pay	8775324	8464349
Accrued bonus	3037691	2628885
	<b>85373336</b>	<b>68796051</b>

### 14. Consumer deposits

Electricity and water	9558303	8340711
	<b>9558303</b>	<b>8340711</b>
Guarantees in lieu of electricity and water deposits	45300	45300
	<b>45300</b>	<b>45300</b>

### 15. Unspent conditional grants and receipts

Conditional grants from other spheres		
Municipal Infrastructure Grant	19862	3639101
Department of Minerals and Energy	10933379	10682983
District Municipality - Fezile Dabi	66695	66695
Financial Management Grant	782	-
Provincial Government	694895	1134395
	<b>11715613</b>	<b>15523174</b>

### Other Conditional Receipts

SETA	1186	1186
Public Contribution - Sasol Chemical Industries	43061	43061
	<b>44247</b>	<b>44247</b>
	<b>11759860</b>	<b>15567421</b>

Department of Water Affairs and Forestry  
The amount has been restated.

See Note 19 for reconciliation of grants from National/Provincial Government.  
These amounts are invested in a ring-fenced investment until utilised.  
Refer to Appendix F for more detail on grants from National/Provincial Government

### 16. Provisions

#### Performance bonus

Opening Balance	-	-
Additions	765743	-
Utilised in year	-	-
Closing Balance	<b>765743</b>	<b>-</b>

### 17. VAT Liability

Amount payable	10254403	7765634
----------------	----------	---------

VAT is payable on the pmt basis. VAT is only declared to SARS on receipt of of payment from consumers.

**18. Provision (Non-current)****18.1. Post Employment Health Care Benefits**

Balance at beginning of year	18097600	16803798
Current-service cost	463254	409306
Interest cost	1608798	1508427
<b>Actuarial (Gain)/Loss</b>	3776955	230661
<b>Employer Benefit Payments</b>	(947184)	(854592)
<b>Balance at end of year</b>	<b>22999423</b>	<b>18097600</b>

**Continue Medical aid membership**

Metsimaholo Municipality employees contribute to accredited medical schemes

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income.

In-service members that were employed prior to 2001 are entitled to a post-employment medical aid subsidy of 60% of the contribution payable. All current continuation members receive a 60% subsidy

Upon a member's death-in-service or death-in-retirement, the surviving dependants will continue to receive the same 60% subsidy.

The obligation in respect of medical care contributions for retirement benefits is valued every year by independent qualified actuaries.

An actuarial valuation has been performed of the Municipality's liability in respect of benefits to eligible retirees and retired employees of the Municipality. The provision is utilised when eligible employees receive the value of the vested benefits.

The Projected Unit Credit Method has been used to value the liabilities.

<b>Accrued Liability</b>	<b>(R millions)</b>	<b>(R millions)</b>
<b>Category of Member</b>		
In-service members	8.955	6.911
Continuation members	14.044	11.186
<b>All members</b>		
Total liability	22.999	18.098
Value of assets	0.000	0.000
<b>Unfunded liability</b>	<b>22.999</b>	<b>18.098</b>

Liabilities and experience adjustment made

Table summarises the accrued liabilities and the plan assets for the current period and the previous period.

<b>History of liabilities and assets</b>	<b>(R millions)</b>	<b>(R millions)</b>
Present value of accrued liability	22.999	18.098
Fair value of plan asset		
Surplus / (deficit)	<b>-22.999</b>	<b>-18.098</b>

Table summarises the experience adjustments for the current period. Experience adjustments are the effects of differences between the previous actuarial assumptions

History of experience adjustments: Gains and losses	(R millions)
Experience adjustment	
Liabilities: (Gain) / loss	1.711
Assets: Gain / (loss)	0.000

<b>Best estimate of benefits payments expected in next annual period</b>	<b>2011/2012</b>
<b>Opening Accrued liability</b>	<b>22999423</b>
Current service cost	581061
Interest cost	1892225
Benefit Vestings	(1134156)
Total Annual Expense	1339130
<b>Closing Accrued Liability</b>	<b>24338553</b>

**Key Financial Assumptions**

The table summarised the financial assumption used.

<b>Assumption</b>	<b>Value p.a</b>
Discount Rate	8.43%
Health care cost inflation rate	7.24%
Non effective discount rate	1.11%

The next contribution rate increase is assumed to occur at 1 January 2012

Average retirement age	65
Continuation of membership at retirement	70%
Proportion assumed married at retirement	70%
Mortality during employment	SA 85-90
Mortality post-retirement	PA90-1 ultimate

Withdrawal from service (sample annual rates)	Age	Females	Males
	20	24%	16%
	30	15%	10%
	40	6%	6%
	50	2%	2%
	>55	0%	0%

Number eligible members	81	1
Number of pensioners	53	51

**Summarises the results of the sensitivity analysis.**

<b>Sensitivity Analysis on the Accrued Liability (R Millions)</b>					
Assumption	Change	In-service	Continuation	Total	% change
Central Assumptions		8.955	14.044	22.999	
Health care inflation	1%	10.956	15.43	26.386	15
	-1%	7.377	12.84	20.216	(12)
Post-retirement mortality	-1 yr	9.27	14.638	23.907	4
Average retirement age	-1 yr	9.576	14.044	23.621	3
Withdrawal Rate	-50%	9.6	14.044	23.644	3

Note: The post-retirement mortality adjustment assumes that someone aged 70 will experience the mortality of someone aged 69.

The liability is expected to increase under this scenario because members are expected to live longer.

The table above indicates, for example, that if medical inflation is 1% greater than the long-term assumption made, the liability will be 15% higher than that shown.

**18.2 .Long term Service Awards**

Balance at beginning of year	23926824	21952932
Current-service cost	1883497	1810842
Interest cost	1868190	1456777
Actuarial (Gain)/Loss	1328305	(77699)
Employer Benefit Payments	(1395880)	(1216028)
<b>Balance at end of year</b>	<b>27610936</b>	<b>23926824</b>

**Accrued Liability(30/06/2011)**

Value of long-service awards	27037834
Retirement gifts	573102
<b>Accrued liability</b>	<b>27610936</b>

**Best estimate of benefits payments expected in next annual period**

2011/2012

<b>Opening Accrued liability</b>	<b>27610936</b>
Current service cost	2173966
Interest cost	1874048
Benefit Vestings	(1825895)
Total Annual Expense	2222119
<b>Closing Accrued Liability</b>	<b>29833055</b>

**Long Service awards**

An actuarial valuation has been performed of the Municipality's liability in respect of benefits to eligible employees of the Municipality.

The provision is utilised when eligible employees receive the value of the vested benefits.

	Female	Male	Total
Number of eligible employees	219	516	735
Average annual salary	117173	243474	205842
Salary-weighted average age	41.5	45.4	44.7
Salary-weighted average past service	10.2	17.9	16.6

Metsimaholo Municipality offers employees Long Service Awards for every 5 years of services completed. There is two policies in place.

**Completed Service (in years)**

Completed Service (in years)	Long Service Bonuses %Annual Salary	Description
5	4.0%	(5/250+2%) x annual salary
10	7.0%	(10/250+3%) x annual salary
15	10.0%	(15/250+4%) x annual salary
20	11.0%	(15/250+5%) x annual salary
25,30,35,40,45	12.0%	(15/250+6%) x annual salary

735 Employees benefit from this policy

**Special Leave Pay**

77 of the employees receive an additional six days of annual leave once they reach the five years of service.

**Retirement Gifts**

283 employees are entitled to receive a retirement gift of 2% of annual salary at retirement. Employees must have at least 20 years of service to be eligible for the benefit.

The Projected Unit Credit Method has been used to value the liabilities.

Correction of error: refer to note 37

Adjustment amounting to R23 926 824 were made in respect of long service awards.

**Key Financial Assumptions**

The table summarised the financial assumption used.

<b>Assumption</b>	<b>Value p.a</b>
Discount Rate	7.17%
Health care cost inflation rate	5.85%
Non effective discount rate	1.24%

The salaries used in the valuation include an assumed increase in July 2011 of 6.08%  
The next salary increase was assumed to take place in July 2012.

Average retirement age	65
Mortality during employment	SA 85-90

Withdrawal from service (sample annual rates)	Age	Females	Males
	20	24%	16%
	30	15%	10%
	40	6%	6%
	50	2%	2%
	>55	0%	0%

Summarises the results of the sensitivity analysis.

#### Sensitivity Analysis on the Accrued Liability (R Millions)

<b>Assumption</b>	<b>Change</b>	<b>Liability</b>	<b>% change</b>
Central Assumptions		27.611	
General Salary inflation	1%	29.446	7%
	-1%	25.955	-6%
Average retirement age	-2 yrs	24.63	-11%
	2 yrs	28.393	3%
Withdrawal Rates	-50%	31.137	13%

The table above indicates, for example, that if salary inflation is 1% greater than the long-term assumption made, the liability will be 7% higher than that shown.

#### 19. Property rates

Actual

Residential	51894422	48130299
Commercial	6920213	6405882
Industries	16541038	13032273
Farm	5317219	6612676
State	5624745	3407982
Sub-total	86297637	77589112
Less Forgone income	(9256508)	(6612348)
	<b>77041129</b>	<b>70976764</b>

#### Valuations

	<b>R,000</b>	<b>R'000</b>
Residential	9510746	9641502
Commercial	609706	727879
Heavy/Light industries	1016700	962429
State	484020	513022
Municipality	389658	370037
Agriculture	631810	627290
Churches	93733	90262
Public benefit organisations/Service Infrastructure	64871	60638
Allocated ,unregister stands	1950969	1624733
	<b>14752213</b>	<b>14617792</b>

The phase in approach to tax private development and agricultural land was approved for 3 years ending June 2011, in line with the COGTA regulations issued in December 2007.

The following properties are exempted from Property Rates:  
 Properties owned by religious body or organisation and residential property occupied by a minister of religion in full time of service of such a church.  
 Road Reserves  
 Railway Reserves

Rates are levied on a monthly basis, except farmland that is levied on an annual basis.  
 Interest at prime plus 1% is levied on rates outstanding after due date for payment.

**Sasolburg / Zamdela**

Residential:		
- Sasolburg	0.00572	cents per Rand
- Zamdela	0.00572	cents per Rand
Commercial	0.01145	cents per Rand
Light Industries	0.02862	cents per Rand
Heavy Industries	0.02862	cents per Rand
State	0.01145	cents per Rand

**Deneysville/Refenggotso/Phomolong**

Residential:		
Deneysville	0.00572	cents per Rand
Businesses	0.01145	cents per Rand
State	0.01145	cents per Rand
Refenggotso	0.00572	cents per Rand

**Oranjeville / Metsimaholo**

Residential:		
-Oranjeville	0.00572	cents per Rand
Businesses	0.01145	cents per Rand
Metsimaholo :		
Residential	0.00572	cents per Rand
Businesses	0.01145	cents per Rand
State Property	0.01145	cents per Rand

**Farmland**

Residential	0.00215	cents per Rand
Businesses	0.00429	cents per Rand
Industries	0.010733	cents per Rand
Private owned towns, Body Corporate,		
Sectional Titles	0.00215	cents per Rand
Mining	0.010733	cents per Rand
Agricultural	0.001073	cents per Rand

**20. Service charges**

Sale of water	138060564	132180255
Sale of electricity	145697257	117292794
Refuse removal	23629311	16514235
Sewerage and sanitation charges	19653323	15102483
Sub total	327040455	281089767
Less: Forgone Income	(28668638)	(12234606)
Water	(15227482)	(1250200)
Electricity	(11757742)	(9593545)
Sewerage and sanitation	(1683414)	(1390861)
	<b>298371817</b>	<b>268855161</b>

**21. Government grants and subsidies**

Equitable share	79048032	62784760
Financial Management Grant	1000000	750000
Provincial Government	-	13195
District Municipality: Fezile Dabi	97000	
Department Minerals & Energy	2749604	3590866
Department of Water Affairs and Forestry	1120000	1227000
Sasol Chemical Industries	-	
Provincial Government	-	148000
Provincial Government Municipal Infrastructure Grant	39545823	22953540
Municipal Systems Improvement Grant	750000	735000
	<b>124310459</b>	<b>92202361</b>

**Equitable Share**

79048032	62784760
----------	----------

Equitable share was received in terms of section 214(1) of the Constitution (Act No. 108 of 1996).

A Council Resolution was taken to use some of the grant for free basic services to residents.

Households receive 6kl water, 50 kWh electricity and basic sewer per month

plus 4kl water, additional sewer, refuse and R60 per month on Rates to approved indigents.

**Financial Management Grant**

Balance unspent at beginning of the year	-	-
Current year receipts	1000000	750000
Conditions met - transferred to revenue	(999217)	(750000)
	<b>783</b>	<b>-</b>

The Municipality received the Financial Management Grant from National Treasury. It is used for capacity building and assistance to financial services to improve service delivery.

**Provincial Government**

Current year receipts	-	148000
Conditions met - transferred to revenue	-	(148000)
	<b>-</b>	<b>-</b>

Funds received from Provincial Government to assist with library function.

**District Municipality: Fezile Dabi**

Balance unspent at the beginning of the year	66695	66695
Current year receipts	97000	
Conditions met - transferred to revenue	(97000)	
	<b>66695</b>	<b>66695</b>

Contribution received from Fezile Dabi Districts Municipality on the Integrated Development Plan

**Department of Minerals & Energy**

Balance unspent at beginning of the year	10682983	2773851
Current year receipts	3000000	11500000
Conditions met - transferred to revenue	(2749604)	(3590868)
	<b>10933379</b>	<b>10682983</b>

Installation of electricity in the Municipality's area, financed by the Department of Mineral & Energy.

**Department of Water Affairs and Forestry**

Current year receipts	1120000	1227000
Conditions met - transferred to revenue	(1120000)	(1227000)
	-	-

Funds for waterworks at Deneysville restated.

## Provincial Government

Balance unspent at beginning of the year	1134395	632590
Current year receipts	-	515000
Conditions met - transferred to revenue	(439500)	(13195)
	<b>694895</b>	<b>1134395</b>

Funds for waterworks at laboratory.

Funds for development programs.

Funds received from Housing award to purchase computers.

**Sasol Chemical Industries**

Balance unspent at beginning of the year	43061	43061
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
	<b>43061</b>	<b>43061</b>

Chairs Theatre (07/08).

**Provincial Government Municipality Infrastructure Grant**

Balance unspent at beginning of the year	3639101	2369641
Current year receipts	32296001	24223000
Conditions met - transferred to revenue	(39545823)	(22953540)
MIG debtor	3630583	
	<b>19862</b>	<b>3639101</b>

Funds received for installation of infrastructure.

**Sector Education Training Authority Grant**

Balance unspent at beginning of the year	1186	1186
	<b>1186</b>	<b>1186</b>

The Municipality received funds from Sector Education Training Authority for excellence performance by human resources division.

**Municipal Systems Improvement Grant**

Current year receipts	750000	735000
Conditions met - transferred to revenue	-	(735000)

To assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems.

**Changes of levels in Government Grants**

Based on the allocations set out in Division of Revenue Act (Act no 53 of 2000) no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

**22. Other income**

**22. Other income**

Consists of the following material items:

Building plan fees	219841	250682
Cemetery fees	195266	207453
Clearances and Valuations	177186	163342
Connection fees	1673899	1657804
Entrance fees Abrahamrust	864602	468051
Levies: Refuse dumpyard	487203	867897
Income - Legal costs	1334277	665338
Non payment fees	1545819	1947447
Private Telephone calls	344922	243635
Sport meetings	207770	174505
Training Income	344408	665338
Other income	1141087	2991333
	<b>8536280</b>	<b>10302825</b>

**23. Employee related costs**

The following emoluments were paid to the employees during the year.

**Total employee costs:**

Salaries and wages	88202809	76332007
Council contributions - UIF, pension, medical, group Ins.	22764274	19676431
Travel, motor car, accommodation and subsistence allowance	7148636	6423846
Housing benefits and allowance	783963	972030
Overtime payments	12530324	11415396
Bonus	6489718	5593006
Provision for Performance bonus	765743	-
Contribution post retirement	1124868	1063141
Contribution long service awards	2355807	2051591
	<b>142166142</b>	<b>123527448</b>

**Remuneration of Municipal Manager**

Annual remuneration	741870	528934
Acting Allowance	18875	200718
Car allowance	235599	140317
Contributions - UIF,pension, medical, group insurance.	-	6515
Travel, motor car, accommodation and subsistence allowance	3558	-
Provision for Performance Bonus	151872	-
Other remuneration	115951	275672
	<b>1267725</b>	<b>1152156</b>

**Remuneration of Chief Financial Officer**

Annual remuneration	595942	549357
Car allowance	237478	220794
Contributions - UIF,pension, medical, group insurance.	-	-
Travel, motor car, accommodation and subsistence allowance	-	-
Provision for Performance Bonus	120131	-
Other remuneration	34528	31828
	<b>988079</b>	<b>801979</b>

**Remuneration of Directors**

	<b>2011</b>	<b>Technical services</b>	<b>Corporate Services</b>	<b>Social Services</b>	<b>Economic Development</b>
Annual remuneration		544581	595944		
Acting allowance				488440	421500
Car allowance		149237	229278		
Provision for Performance Bonus		108057	120131	137603	127948
Other		83256	34525		
		<b>885131</b>	<b>979878</b>	<b>626043</b>	<b>549448</b>

2010	Technical services	Corporate Services	Social Services	Economic Development
Annual remuneration	418209	537358	438408	131340
Acting allowance	34216		7544	184150
Travel, motor car, accommodation and subsistence allowance	1490		-	
Car allowance	114258	212989	134329	55422
Contributions - UIF, pension, medical, group insurance	1055	0	76733	-
Other	63333	43827	205223	13957
	<b>632561</b>	<b>794174</b>	<b>862237</b>	<b>384869</b>

**No performance bonuses were paid.**

The calculation was made on a maximum of 14% of the remuneration.

The MM and Directors will be evaluated in line with their performance contracts and there after payments will be made.

**24. Remuneration of Councillors**

Executive Mayor	455935	440732
Speaker	328424	358738
Mayoral Committee Members	2270276	2190121
Councillors	3953899	3579241
Councillors' pension contribution	145765	245775
Councillors' medical contribution	101052	59908
Telephone allowance	474966	457309
Travelling allowance	1897148	1678622
Councillors' UIF contribution	109807	102320
	<b>9737272</b>	<b>9112766</b>

**Other benefits**

The Executive Mayor, Speaker and Mayoral Committee Members are full-time employees of the municipality. Each is provided with an office and secretarial support at the cost of Council.

The Executive Mayor has use of a council owned vehicle for official duties and a bodyguard.

**25. Debt Impairment**

Trade and other receivables from exchange transactions	7319006	50531864
Other receivables from non-exchange transactions	1281222	1902013
Other Financial assets	(718)	(111709)
Provision Bad debt VAT adjustment	-	19858243
Selling Scheme Zamdela	1315857	
	<b>9915367</b>	<b>72180411</b>

**26. Bulk purchases**

Electricity	96214253	77748453
Water	64729700	55505718
	<b>160943953</b>	<b>133254171</b>

**27. Grants and subsidies paid**

Grant to community chest	-	20000
Donations Schools	110000	-
Equitable share	15299288	4976260
	<b>15409288</b>	<b>4996260</b>

Council contributes annually to the community chest(2009/2010). One of the Mayoral Committee members sits on the Governing body of the community chest.

Equipment was purchase and donated to schools

Equitable share is used to subsidise registered indigents.

**28. General expenditure**

Advertising	602035	282536
Audit fees	3336769	2775885
Bank charges	1274032	1266168
Books and Magazines	232177	37950
Bursaries	396419	132496
Computer systems	490604	437266
Conference and delegations	624924	574804
Connection charges	554697	599514
Consulting and professional fees	5337736	5976255
Departmental consumption	2877134	8499455
Entertainment	505653	582004
Financial management grant	-	45500
Fuel and oil	3665698	3537805
Insurance premium	1570161	1277896
Legal fees	2901763	1514810
License fees vehicles	159842	144325
Marketing	82500	106200
Membership fees	807187	670999
Postage	1139929	1137458
Printing and stationery	1087887	875884
Publicity	101390	15000
Public Programme	4699799	2392535
Rental: External equipment	210961	79727
Sewerage treatment charges	10970601	14654872
Skills development levy	1151841	975821
Stock and materials	1092029	2183254
Tea and Coffee	57952	36254
Telephone expense	3132521	2894815
Training	435870	836827
Transport claims	588147	460606
Uniforms	686674	640322
Valuation costs	272279	966759
Ward committee expenses	215540	64817
Waterworks DWAF	263638	119742
Youth Programme	-	690330
Other general expense	1474021	1444310
	<b>53000410</b>	<b>58931201</b>

**29. Finance costs**

Finance lease	4332339	2630595
Loan cost	63005	216282
Eskom	341	4501
Rand Water	16367	
Telkom	14118	12750
Auditor General	214206	3117
Huge telecom	105	5605
SARS	-	63332
Inca Fin	228	
Free State Provincial Government (Licence Fee)	1228	
Stones plant hire	2748	
	<b>4644685</b>	<b>2936182</b>

**30. Cash generated from operations**

(Loss) profit before taxation	25621417	(26406027)
Adjustments for:		-
Depreciation and amortisation	67359487	57643559
Interest Income	-	-
Loss on disposal of fixed assets	5042939	(83481)
Loss on stock written off	128398	206992
Transfer PPE to Inventory	10417034	
Transfer PPE to Inventory	(10417034)	
Gain on disposal of fixed assets	-	-
Gain on stock written off	(139662)	
Provision Employee benefits	8585935	3267704
Performance bonus	765743	
Contribution Bad debts	9915367	72180411
Contribution on current provision	719781	1774426
Operating surplus before working capital changes	117999405	108583584
Changes in working capital:		
(Increase)/decrease in Inventories	537383	44143
(Increase)/decrease in consumer debtors	(37176417)	(79783620)
(Increase)/decrease in other receivables	(8707433)	1920456
Increase/(decrease) in VAT	2488769	1198488
Increase/(decrease) in conditional grants	(3807561)	9998218
Increase/(decrease) in trade and other payables	15857502	7306020
Increase/(decrease) in consumer deposit	1217592	946067
Net cash from operating activities	<b>88409240</b>	<b>50213356</b>

**31. Additional disclosure in terms of Municipal Finance Management Act.****Contributions to SALGA**

Council subscriptions		797731	725430
Amount paid - current year		(797731)	(725430)
		<u>                    </u>	<u>                    </u>

**VAT**

VAT output payables and VAT input receivables are shown in Note 17

**Audit fees**

Opening balance		2030792	1462582
Current year audit fee		3847551	2758075
Interest		214205	3117
Amount paid - current year		(3646221)	(2192982)
		<u>2446327</u>	<u>2030792</u>

**PAYE and UIF**

Current year payroll deductions		29649768	14783039
Amount paid - current year		(29649768)	(14783039)
		<u>-</u>	<u>-</u>

**Pension and Medical Aid Deductions**

Current year payroll deductions		35332759	31472906
Amount paid - current year		(35332759)	(31472906)
		<u>-</u>	<u>-</u>

**Councillor's arrear accounts**

L R Cease (Acc no 601490)	Handed over	18816	17757
S Holt (Acc no 794737)	Arrangements	6151	-
M W Kyoto (Acc no 528629)		7968	7861
S B Khunou (Acc no 103351)	Indigent	760	13451
M D Nthebe (Acc no 104154)	Arrangements	69399	63201
T J Mofokeng (Acc no 511539)		4614	3879
M M Mosia (Acc no 555731)		5747	3530
D N Motloung (Acc no. 510127)	Arrangements	4824	7263
S Moreki (Acc no 526465)	Owner deceased	10614	9279
M Msimanga (Acc no 556692)	Handed over	14673	10655
J M Phepheng Lelahla (Acc no 102107)		3754	3547
C S Phoofolo (Acc no 560704)	Arrangements	7933	5256
M S Poho (Acc no 512681)		1433	234
N A Radebe (Acc no 526972)		1669	543
M N Sejaki (Acc no 6012077)	Arrangements	31217	23962
M A Tamane (Acc no 551238)	Arrangements	1865	1569
		<u>191437</u>	<u>171987</u>

These councillor's account were in arrear for more than 90 days at the reporting date or during the year.

**Supply Chain Management Regulations**

In terms of Section 36 of the Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council.

Quotations received outside the official procurement process  
More detail available in note 36

1932869

**32. Commitments**

**Capital Commitments**

**Already contracted for but not provided for**

?? Infrastructure

16613398                      34910670

This expenditure will be financed from:

- Government grants

16613398                      34910670

**Operating Lease Government Garage**

Minimum lease payments due

- within one year

1107793                      -

- in second to fifth year inclusive

3013502                      -

- later than five years

317772                      -

4439067

Operating lease payment represent rentals payable by the municipality for certain of its motor vehicles. Leases for motor vehicle are negotiate for an average of seven years and rentals fixed for the full term of the lease.

The contingent rental of R87 920 was paid during the year.

**Operating leases - lessee (Abrahamsrust)**

Minimum lease payments due

- within one year

1                                      1

- in second to fifth year inclusive

5                                      5

- later than five years

-                                      1

6                                      7

Operating lease payments represent rentals payable by the entity for rental of property situated on Abrahamsrust. The entity has a 50 year lease option that expires on 31 March 2017.

**33. Retirement benefits****Defined contribution plan**

The following are defined contribution plans: Municipal Councillors Pension Fund, Free State Municipal Pension Fund, Free State Municipal Provident Fund and SAMWU Provident Fund. Employees can contribute to the Free State Municipal Pension Fund, Free State Municipal Provident Fund and SAMWU Provident Fund. These Funds are classified as defined contribution plans. These contributions have been expensed.

**Defined benefit plan**

The defined benefit plans are the SALA Pension Fund and the Government Employment Pension Fund. These are not treated as defined benefit plans as defined by IAS19 (AC 116), but as a defined contribution plans. According to the actuaries it is not possible to report separately for each municipality on the fund, thus the reason for treating them as defined contribution plans in terms of IAS 19 (AC116) par. 30.

The latest available actuarial valuation of SAMWU Provident Fund indicate that the fund is fully funded by assets of R 511 million as on 30 June 2005.

Free State Provident Fund is fully funded with assets worth R579 011million and liabilities of R15 175 millions on 30 June 2010.

Some employees of various municipalities belongs to the SALA Pension Fund. The latest actuarial valuation of SALA Pension Fund was on 1 July 2010. These valuations indicate that the fund is 96% funded. The estimated liability of the fund is R7 417.90 million which is financed by assets worth R7 110 million.

Some employees of various municipalities belongs to the Government Employment Pension Fund. The latest actuarial valuation of Government Employment Pension Fund was on 31 March 2006. These valuations indicate that the funds are in a sound financial position. The estimated liability of the fund is R447,474 million which adequately financed by assets of R545,563 million.

The Free State Municipal Pension Fund last valuation was performed at 30 June 2005 with nett assets available R 1 530 million and total liabilities of R 1 308 million.

The actuarial valuation and figures above are latest information available.

**34. Post balance sheet events**

Key management are not aware of any matter or circumstance arising since the end of the financial year to date of this report, not otherwise dealt with in the financial statements, which significantly affect the financial position of the entity or the results of its operations that would require adjustments to or disclosure in the annual financial statements.

**35. Reconciliation of Budget Surplus/Deficit with the surplus/deficit in Statement of Performance**

Net Surplus/ (Deficit) per Statement of Performance	25621417	(26406027)
<b>Adjusted for:</b>		
Fair Value Adjustment	218489	978
Impairments recognised/ Reversed	(29768653)	34180411
Surplus/Deficit on on inventory	(11264)	290473
Loss on demolish of Hostel	5042939	2317517
Loss on Actuarial Valuation	5105260	233080
Revenue deviation	9388068	3839221
Expenditure deviation	(31836649)	(14440294)
<b>Net surplus/(Deficit) per Approved Budget</b>	<b>(16240393)</b>	<b>15359</b>

To support the comparison of the Municipality's actual financial performance with that budget, see additional information provided from page 73 to74, based on the disclosure requirements of GRAP 24

**36. Related parties**

## Relationships

Councillor's interest	Asazi Funeral Parlour Asazi Inn Batho Pele Housing Development Foundation Belperizm project management services Corpco 393 Dynamo-Duck Trading and projects Mahlohlojane Trading Enterprise Mama's Touch Day Care Centre Modise Meat Suppliers Mona Druksenberg Construction MqustiMtimande trading and projects Ndingi J Construction and Projects Retail Beauty and Hair Salon Re-Ya-Bouwa Construction SMCP cc SOXI Electronics and IT Centre Uhuru Property Builds
Director's interest	Thete Consulting Engineers and Project Managers Teane and Thekiso Consulting Engineers Gaboilelwe Trading Two

Post employment benefit plan for employees

Refer to note 32

Executive Council Members

Refer to note 22

**Related party transactions****Purchases from related parties**

Mamohato Construction CC	-	319193
Modise Meat Suppliers	27740	-
	<b>27740</b>	<b>319193</b>

At the time of preparation on the Financial Statements no transactions were incurred with the above related parties.

**37. Unauthorised, irregular, fruitless and wasteful expenditure****FRUITLESS AND WASTEFULL EXPENDITURE****Reconciliation of fruitless and waste less expenditure**

Opening balance	5558277	4427298
Fruitless and wasteful expenditure current year	358174	1130979
Condoned by Council	(113519)	-
	<b>5802932</b>	<b>5558277</b>

**37.1.Fruitless and wasteful expenditure during previous and current year**

<b>Incident</b>	<b>Actions taken</b>		
Interest on Eskom	Payment was made Report to Council	-	4341
Suspended Employees	Two employees won their case in CCMA Report to Council	-	974319
Bursaries	Bursaries were paid out but students did not completed the studies Report to Council	-	24899
Penalties and interest on VAT	Late payment was made Report to Council	-	63332
Interest on Telkom	Late payment was made Report to Council	-	12750
Interest on Huger Telecom	Late payment was made Report to Council	214206	5605
Interest on Auditor General	Arrangements made for payments Report to Council	-	3117
Jampe Construction	Overpayments To be report to Council		38952
Ms T M Tladi	Motor vehicle damaged during strike To be recover from SAMWU	17359	
Ms P Tshabalala	Motor vehicle damaged during strike To be recover from SAMWU	740	
TELKOM	Interest Late payment Report to Council	14118	
Huger Telekom	Interest Late payment Report to Council	105	
ESKOM	Interest Late payment Report to Council	310	
Free State Province	Interest on licence fees Report to Council	1228	
Inca Fin	Interest on copy cost(BHR) Report to Council	228	
ESKOM	Interest Housing O/V Report to Council	31	
Marena Printers	Budget books(wrong document submitted) Report to Council	62616	
STONES Plant Hire	Interest to Service provider To be reported to Council	2748	
Employees	Employees that participate in the SAMWU strike during January 2011. No information available to determine the amount.		

Park Travel	Missed flight re-issued and change fee To be reported to Council		3664
Chromatic Productions	Show never took place although payment was made Report to Council	5000	
Lundi	Artist did not perform at theatre To be reported to Council	35088	
Executive Mayor	Expenditure does not meet requirements of credit card To be reported to Council	1372	
Speaker	Expenditure does not meet requirements of credit card To be reported to Council	289	
Water Institute of Africa	Payment for late registration To be reported to Council	2736	
		<b>358174</b>	<b>1130979</b>
The following fruitless and waste full expenditure is approved Council:			
Interest Imaging Catering (2006/2007)	Interest charged on payment delayed due to cash flow problems Amount irrecoverable and be written off	1950	
Bank overdraft (2007/2008)	Interest charged to authorised overdraft due to cash flow problems Amount irrecoverable and be written off	111569	
		<b>113519</b>	

**37.2.Unauthorised expenditure**

## Reconciliation of Unauthorised expenditure

Opening balance	64669662	64414528
Unauthorised expenditure current year	18674591	255134
Condoned	(625581)	
	<u>82718672</u>	<u>64669662</u>

<b>Incident</b>	<b>Actions taken</b>		
Executive Mayor	Limit of credit card exceeded	:	0
MM	Limit of credit card exceeded		436
Speaker (previous)	Limit of credit card exceeded		11436
Speaker	Limit of credit card exceeded		1492
Employees	Staff appointed in positions that is not on approved structure Report to Council	1407033	120385
Employees	Staff act in positions that is not on approved structure Report to Council	444968	121385
Office of Municipal Manger	Depreciation increase on update of Asset register Compliance GRAP standard To be reported to Council	2129211	
Finance	Depreciation increase on update of Asset register Compliance GRAP standard (Assets,provision for leave) (Assets,provision for leave, Off set depreciation)) To be reported to Council	11618906	
LED	Depreciation increase on update of Asset register Compliance GRAP standard (Asset register) Loss on demolishment of hostel To be reported to Council	3074473	
		<u>18674591</u>	<u>255134</u>

The following unauthorised expenditure (2008/2009) is reported to Council

Bad Debts	56080683
Provisions	1494531
General Expenditure	1822436
Finance Cost	3987835
	<u>63385485</u>

The following unauthorised expenditure is approved Council:

Valuation Roll(2006/2007)	Additional appointment(Mr Notsi was not part of contract) Amount irrecoverable and be written off	499265
Fencing of dumpsite(2008/2009)	Variation order to unforeseen circumstance. Amount irrecoverable and be written off	126316
		<u>625581</u>

**37.3. IRREGULAR EXPENDITURE**

Reconciliation of irregular expenditure

Opening balance	34766292	9842754
Irregular expenditure current year	29105489	24923538
Condome	(1108455)	
	<b>62763326</b>	<b>34766292</b>

**Irregular expenditure previous and current year**

<b>Incident</b>	<b>Actions taken</b>		
Minolta	Photocopiers tender procedure not followed Investigation in process Report to Council	6347766	7574754
Various Service Providers	Procurement Principle of 80/20 point formula not applied for procurement between R30 000 and R200 000 Report to Council	-	2506303
Executive mayor	Credit card expenditure not in line with Policy		3693
Municipal Manger	Credit card expenditure not in line with Policy		616
Previous Speaker	Credit card expenditure not in line with Policy		23686
Speaker	Credit card expenditure not in line with Policy		2888
Various service providers	Original tax clearance certificates for the winning providers were not obtained, as well as no declaration made when supplier apply to be listed as accredited supplier. Report to Council	6000560	7326704
Lesedi Consultants	Procurement procedures not followed on appointment of service provider. Report to Council		1395393
Tshwanelo Trading Enterprise	Awards to service provider who is in the service of the State. Report to Council		134680
Abelanang trading & projects	Awards to service provider who is in the service of the State. Original tax clearance certificates for the winning providers were not obtained, as well as no declaration made when supplier applied to be listed as accredited supplier. Report to Council		572357

BBE Trading 4	Awards to service provider who is in the service of the State. Report to Council	456100	
Steadfast engineering	Original tax clearance certificates for the winning providers were not obtained. Report to Council	144406	
Lebea & Associates Attorneys	No declaration made when supplier applied to be listed as accredited supplier. Report to Council	36030	
L J Events and Marketing Solutions	Three quotations were not obtained. Original tax clearance certificates for the winning providers were not obtained, as well as no declaration made when supplier applied to be listed as accredited supplier. Report to Council	133000	
Tshwanelo Trading Enterprise	Awards to service provider who is in the service of the State. Report to Council	1202579	
Abelanang trading & projects	Awards to service provider who is in the service of the State. Report to Council	185928	
Ukwasiwe Force	Contract amended but not following proper procedures To be reported to Council	794149	
Chippa Waste Management	Appointment made without following proper procurement procedures Report to Council	701250	
Mothepe General Services	Appointment made without following proper procurement procedures Report to Council	765343	
J M Industries	Appointment made without following proper procurement procedures To be reported to Council	95968	
STONES Plant Hire	Appointment made without following proper procurement procedures Report to Council	140297	
UIF Councillors	UIF was not deducted from all the full time Councillors To be reported to Council	62678	102320
Councillors allowance	Councillors remuneration exceeded upper limit To be reported to Council	144044	
Modise Meat Suppliers	Purchased from a related party To be reported to Council	27740	
Mamohato Construction	Purchased from a related party To be reported to Council	319193	
Various service providers	Awards to service providers who are in the service of the State. To be reported to Council	562488	

Datacentrix	Debit order exceeds contract with Datacentrix/ Computer Ink and Media solutions Report to Council	13012892	3253223
		<b>29105489</b>	<b>24923538</b>
The following irregular expenditure was approved by Council:			
Jacobsco	Inadequate quotations Amount irrecoverable and be written off Measures introduced to rectify and prevent further incurrence of this expenditure	722041	
Zenfer	No tender Amount irrecoverable and be written off Measures introduced to rectify and prevent further incurrence of this expenditure	386414	
		<b>1108455</b>	

**38. Comparative figures**

Certain comparative figures have been reclassified for fairer presentation of the information due to prior period errors. Refer to note 38 for prior period errors.

**39. Prior period errors**

The correction of errors results in adjustments for the 2009 year as set out below:

1) Data centrix is included as a Finance Lease.

The comparative figure for the year prior to 2011 has been restated as follows:

Decrease in PPE	(3253223)
Increase in PPE lease	32466161
Increase in Lease liability	(32466161)
Decrease in Lease liability	2293683
Net effect on Statement of Financial Position	<u>959540</u>
Increase in Finance charges	959540
Net effect on Statement of Financial Performance	<u>(959540)</u>

2) Corrections made to Payments in advance.

The comparative figure for the year prior to 2011 has been restated as follows:

Increase Accumulated Surplus (Fines)(before 2010)	(733721)
Increase in Accumulated Surplus (sale of land) (before 2010)	(26618)
Decrease in Payment in advance(other payables)	1052288
Net effect on Statement of Financial Position	<u>291949</u>

Increase in Fines	(295484)
Decrease in Other income (Fire)	3535
Net effect on Statement of Financial Performance	<u>(291949)</u>

3) Provision is made for Long service awards (Employee benefits)

Decrease in Accumulated surplus(employee cost) (before 2010)	21952932
Increase in Provision Employee Benefit	(23926824)
Net effect on Statement of Financial Position	<u>1973892</u>

Increase in Employee Remuneration	1820930
Increase in Loss of actuarial valuation	152962
Net effect on Statement of Financial Performance	<u>(1973892)</u>

4) Unclaimed deposits were transfer

Increase in Accumulated surplus( before 2010)	(16595)
Decrease in Other payables	16595
Net effect on Statement of Financial Position	<u>-</u>

5) Unmetered water and electricity consumption adjusted

Increase in Accumulated surplus( before 2010)	(7006920)
Increase in Consumer debtors	19247831
Net effect on Statement of Financial Position	<u>12240911</u>

Increase in Service Charges Water	(5160744)
Increase in Service Charges Electricity	(7080167)
Net effect on Statement of Financial Performance	<u>(12240911)</u>

6) Joint venture restated Copper Moon incorrectly included as joint venture

Increase in Contracted Service Fines	1722059
Increase in Fines	(3023421)
Decrease in other income	1301362
Net effect on Statement of Financial Performance	<u>-</u>

7) VAT correction on invoices

Decrease in VAT	113676
Decrease in Accumulated surplus VAT(before 2010)	230480
Net effect on Statement of Financial Position	<u>344156</u>

Increase in Maintenance Sewer	9579
-------------------------------	------

Increase in Maintenance Sewer	9579
Decrease in General expenditure	<u>(353735)</u>
Net effect on Statement of Financial Performance	<u>(344156)</u>
8) Provision for Ukwasi Force 2009/2010 for higher price in contract	
Increase in Other payables	<u>(794151)</u>
Net effect on Statement of Financial Position	<u>(794151)</u>
Increase in Contracted service	
	794151
Net effect on Statement of Financial Performance	<u>794151</u>
9) Consumer debtors that made arrangements for longer than 12 months, reclassified as Long term Debtors	
Decrease in Trade and receivables from exchange transactions	(2357784)
Increase in Other financial assets (Long term Debtors)	2357784
Increase in Accumulated surplus (before 2010)	(1010806)
Increase in Trade and other receivables from exchange transactions (Decrease in Provision Bad Debt)	<u>1863415</u>
Net effect on Statement of Financial Position	<u>852609</u>
Decrease in Contribution Bad debt	
	(852609)
Net effect on Accumulated surplus	<u>(852609)</u>
10) Provision for UIF of Councillors	
Increase in Trade and other Payables	(102319)
Decrease in Trade and other payables	<u>13476</u>
Net effect on Statement of Financial Position	<u>(88843)</u>
Increase Councillor remuneration UIF	
	88843
Net effect on Accumulated surplus	<u>88843</u>
11) Departmental Charges not cleared in prior year	
Decrease in trade and other receivables from exchange transactions	<u>(5559415)</u>
Net effect on Statement of Financial Position	<u>(5559415)</u>
Increase in Departmental Charges	
	5559415
Net effect on Accumulated surplus	<u>5559415</u>
12) Rental adjust of staff housing	
Decrease in Sundry Debtor	(13137)
Increase in Accumulated surplus (rental income) (before 2010)	<u>13137</u>
Net effect on Statement of Financial Position	<u>-</u>
13) Adjust accruals	
Increase in Trade and other payables	(363483)
Accumulated surplus (before 2010)	<u>6211</u>
Net effect on Statement of Financial Position	<u>(357272)</u>
Increase in General expenditure	
	207611
Increase in Employee Remuneration	150277
Increase in Sundry income	<u>(616)</u>
Net effect on Statement of Financial Performance	<u>357272</u>
14) Investment adjustment	
Decrease in Other Financial Assets (Investments)	<u>(252)</u>
Net effect on Statement of Financial Position	<u>(252)</u>
Increase in Interest	
	252
Net effect on Statement of Financial Performance	<u>252</u>
15) Adjustments on Receivables	
Increase in Other receivables	<u>32128</u>
Net effect on Statement of Financial Position	<u>32128</u>

Decrease in General expenditure	(7000)
Decrease in Employee Remuneration	(25128)
Net effect on Statement of Financial Performance	<u>32128</u>
16) Housing Fund	
Increase in Creditor	(11320)
Net effect on Statement of Financial Position	<u>(11320)</u>
Decrease in Sale of land	
Net effect on Statement of Financial Performance	<u>11320</u>
17) Tembalethu hostel	
Decrease in Accumulated surplus (rental income) (before 2010)	13500
Decrease in Consumers	(54000)
Net effect on Statement of Financial Position	<u>(40500)</u>
Decrease in Rental Income	
Net effect on Statement of Financial Performance	<u>40500</u>
18) Provision for leave	
Decrease in Provision leave Other payables	462136
Net effect on Statement of Financial Position	<u>462136</u>
Decrease in Contribution leave	
Net effect on Statement of Financial Performance	<u>(462136)</u>
19) Stale cheques	
Increase in Accumulated surplus (before 2010)	(15605)
Other payables	15605
Net effect on Statement of Financial Position	<u>-</u>
20) Restated fair value	
Increase Service charges	(3138336)
Decrease Interest on debtors	3116182
Increase General expenditure	2801552
Decrease Finance Charges	(2779488)
Decrease Other Financial Assets (long term receivables)	(888)
Increase Fair value and Discounting	978
Net effect on Statement of Financial Position	<u>-</u>

21) Restatement of PPE, Intangible assets and Investment Property- GRAP 17 compliant	
Increase in PPE	489879088
Increase in Intangible assets	139933
Increase in Investment property	45680398
Accumulated surplus take on	(567625159)
Net effect on Statement of Financial Position	<u>(31925740)</u>
Depreciation	31925740
Net effect on Statement of Financial Position	<u>31925740</u>
22) Inventory Unsold Property	
Increase Inventory	22700000
Increase Inventory	26276282
Net effect on Statement of Financial Position	<u>(48976282)</u>
23) Reclassification Dividends	
Interest on Investment	47251
Dividends on Shares	(47251)
Net effect on Statement of Financial Performance	<u>-</u>
24) Joint Venture: Contracted Services Fine Expense incorrectly matched	
Decrease Contracted Services	(257217)
Net Effect on Statement of Performance	<u>257217</u>
25) Reclassification from Short term investments to Bank	
Increase Cash and cash equivalents	13975939
Decrease in Other Financial Assets (Investments)	(13975939)
Net effect on Statement of Financial Position	<u>-</u>
26) Reclassification from different receivables to other financial assets	
Decrease in non current long term receivables	(8956)
Decrease Investments	(7737847)
Decrease in current long term receivables	(130036)
Decrease in Investment held to maturity	(29499366)
Increase in Other Financial Assets	37376205
Net effect on Statement of Financial Position	<u>-</u>
27) Current: Other financial assets:	
The following were reclassified:	
Decrease in non current Other Financial Assets	(16995590)
Increase in Other Financial Assets	16995590
Net effect on Statement of Financial Position	<u>-</u>
28) Current: Finance lease obligation:	
The following were reclassified:	
Decrease in non current Finance lease obligation	(9871959)
Increase in Current Finance Lease Obligation	9871959
Net effect on Statement of Financial Position	<u>-</u>
29) Other Income reclassified	
Decrease Other income (interest)	18315847
Increase Interest on Investments	(2213454)
Increase Interest on debtors	(16102393)
Net effect on Statement of Financial Position	<u>-</u>
30) Property Rates: Income forgone reclassified to Revenue	
Forgone income reclassified from	
Property Rates	6612348
Forgone income	(6612348)
Net effect on Statement of Financial Position	<u>-</u>

31) Loss on inventory shown separately as:	
Loss on inventory	(83481)
Loss on disposal of PPE	83481
Net effect on Statement of Financial Position	<u>-</u>
32) Fair value of Shares	
Decrease Interest on Investments	257288
Increase Fair value of Shares	(257288)
Net effect on Statement of Financial Position	<u>-</u>
33) Provision for training (correction of accrual)	
Decrease in Other payables	47880
Net effect on Statement of Financial Position	<u>(47880)</u>
Decrease Training	(47880)
Net effect on Statement of Financial Performance	<u>47880</u>
34) Re-allocation of Councillors' re-imbursive transport allowance	
Decrease in Councillors' remuneration	(286085)
Increase in General Expenditure (Transport claims)	286085
Net effect on Statement of Financial Performance	<u>-</u>
35) Correction of interest paid	
Increase in Finance charges	2917
Decrease in Bulk Purchase Electricity	(2917)
Net effect on Statement of Financial Performance	<u>-</u>
36) Movement in disclosures:	
36.1) Fruitless and wasteful expenditure (refer to note 37.1)	(7317871)
36.2) Unauthorised expenditure (refer to note 37.2)	(64812500)
36.3) Irregular expenditure (refer to note 37.3)	15236122

**Statement Of Financial Position****Assets**

Inventories	48976282
Current portion long term receivables	(130036)
Investments held to maturity	(29499366)
Trade and other receivables from exchange transactions	13140046
Other receivables from non-exchange transactions	18994
Current Other Financial Assets	16995590
Cash and cash equivalents	13975939
Property, plant and equipment	519092026
Intangible assets	139933
Non current Long term receivables	(8956)
Investment Assets	45680398
Non current Other Financial Assets	8761320
Investments	(7737847)
<b>Total Assets</b>	<b>629404323</b>

**Net assets and Liabilities**

Net surplus	575755405
-------------	-----------

**Liabilities**

Current Finance lease obligation	9871959
Trade and other payables	(336708)
Vat payable	(113676)
Non current Finance lease obligation	20300520
Provision Employee Benefit	23926824
<b>Total Net Assets and Liabilities</b>	<b>629404324</b>

**Statement of financial performance****Revenue**

Property rates	(6612348)
Services charges	15379248
Fines	3318905
Rental income	(40500)
Other income	(2919)

Other Income	(19617212)
Interest on Investment	1908663
Dividends on Shares	47251
Interest on Debtors	12986211

**Expenses**

Employee costs	(1946076)
Remuneration of Councillors	197241
Debt Impairment	852609
Bulk purchases	2917
Depreciation, amortisation and impairments	(31925740)
Contracted services	(2258993)
Increase in provisions	462136
Forgone income	6612348
Repairs and maintenance	(9579)
General Expenditure	(8446044)
Gains on disposal of property, plant and equipment	(11320)
Surplus on inventory	-
Loss on inventory	(83481)
Loss on disposal of property, plant and equipment	83481
(Loss)/gain Actuarial Valuation	(152962)
Fair value of Shares	257288
Fair value and Discounting	(978)
Finance costs	1817031
<b>Surplus/(Deficit) for the period</b>	<b>(27182823)</b>

**Statement of Changes in Net Assets**

Balance at 1 July 2009	602938228
Loss for the year	<u>(27182823)</u>
Balance at 1 July 2010	<u><u>575755405</u></u>

**40. Contingencies**

Housing Loans

Guarantees for housing loans to employees at financial institutions

29103	28710
-------	-------

Case: Axton Matrix Construction cc

923815

The case is not yet settled. The Municipality is appealing the court order.

The Matter is currently are High Court.

<u>923815</u>
---------------

The following cases are pending and information is not available to supply reliable figures:

Siza Mekaar Construction cc

The Municipality was summonsed for the payment of services rendered on electricity projects.

INCA Bank/Minolta

The Municipality was sued for outstanding monies relating to the lease of copier machines

L M Segoati

Civil suit against the Municipality by a previous employee.

SP Surfacing cc

The case is not yet settled. The Municipality is appealing the court order.

The Matter is currently are High Court.

Alse Investment (PTY)Ltd

Civil action against the Municipality, based on breach of contract signed for disposal of land.

**41. Risk management****Capital risk management****Liquidity risk**

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

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

The Council has a R 5 million overdraft facility with ABSA Bank to ensure adequate borrowing facilities are available. The cash flow of the Council is managed on a daily basis and any problems are communicated to the management and members of the Mayoral Committee in time to ensure arrangements with major suppliers can be reached. The situation was managed and Council took drastic action to improve the matter.

A Budget and Loss Control Committee was established to ensure proper management of the cash flow and budget.

A data cleansing project is in the process to improve the liquidity of the Municipality.

The Revenue Enhancement Strategy was approved by Council and currently being implemented..

The general liquidity of the Council is managed by a bank and investment policy with properly defined duties and responsibilities supported by adequate delegated authority by the Council.

The exposure of Council's risk to liquidity are due to the non payment of receivables. There are insufficient consumer deposits to cover outstanding trade receivables. These will be address through the data cleansing exercise

The Council has the following financial instruments that can be cashed in on a very short notice to relieve cash flow matters that cannot be addressed in the normal course of business.

-Paid up annuity

-Shares Sanlam Ltd

-Non paid up annuity

-Approved additional credit facility available

In terms of Section 137 and 139 of the Municipal Financial Management Act, (Act no 56 of 2003) provision is made for provincial intervention when serious financial problems are experienced.

The above instruments are available if the current funds are not enough to cover the future commitments and are sufficient to cover any normal liquidity risk of the Council.

The Council is empowered to perform tariff adjustments and budget for any unforeseen operational changes in the nature of the Council's business subject to applicable regulations.

The table below analyses the municipality's financial liabilities and net -settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

<b>At June 30, 2011</b>	<b>Less than 1 year</b>	<b>Between 1 and 5 years</b>	<b>Later than 5 years</b>
Annuity loans		0	
Finance lease obligations	15626051	9209342	
Trade and other payables	8537334		
VAT	10254403		
Consumer deposits	9558303		
<b>At June 30, 2010</b>	<b>Less than 1 year</b>	<b>Between 1 and 5 years</b>	<b>Later than 5 years</b>
Annuity Loans	1229736		
Finance lease obligations	16373739	24835393	
Trade and other payables	68796051		
VAT	7765634		
Consumer deposits	8340711		

**Risk from environmental assets**

The Council is not exposed to financial risks arising from changes in any purchased biological bulk services.

The Council operates two water purification plants as well as two sewer purification plants in Oranjeville and Deneysville which is considered an ecologically sensitive and national key resource area. (upper and lower Vaal Dam). The Council has established a disaster management committee and forum to ensure any disaster can be managed. The main bulk services for the area is purchased and these resources are negotiated through a national negotiation forum that ensures that bulk service purchase price increases are fair. The sewer purification for the Sasolburg and Zamdela services is purchased from SASOL group. The annual price increase is forwarded to the consumers to ensure that financial risks is managed. No joint or separate responsibility for sewer outfall exists on the Sasolburg and Zamdela plant.

The Council reviews its water and sewer purification prices annually, considering the need for active financial risk management.

The Council operates seven cemeteries. The Council is in process to procure adequate land for these cemeteries to ensure the major financial risk relating to cemeteries are catered for.

The Council operates three demarcated refuse removal sites. The operation of these sites are considered adequate and current studies are underway to ensure that the sustainability, operation and rehabilitation of these sites are adequate. These studies will ensure that adequate financial risks is identified and managed.

The financial risk for storm water is managed through the non acceptance of any risk for down flow storm water in title deeds and the inclusion of operational and financial risk controls in the title deeds of all stands and the town planning scheme.

Adequate (R100 million) public liability insurance is secured annually from the insurers of the Council.

The recoverability of long-term debtors, with a carrying value of R542 940, are considered to be irrecoverable and adequately provided for.

**Interest rate risk**

At reporting date the interest rate profile of the municipality's interest bearing financial instruments was:

**Fixed rate instruments**

Financial Assets: R11 194 156 (2010: R8 761 320)  
Financial Liabilities: R 0 (2010:R1 229 736 )

**Variable rate instruments**

Financial Assets: R 14 633 889 (2010: R16 995 590)  
Financial Liabilities: R11 759 860(2010: R15 567 421)

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. During 2011 and 2010, the municipality's borrowings at variable rate were denominated in the Rand.

**Credit risk**

Credit risk consists mainly of cash deposits, cash equivalents and trade receivables. The Council only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. Only approved major financial institutions are utilised. An extensive investment policy and delegated authority is approved by Council and is adhered to.

Minimal cash on hand is kept in the form of receipts and cashier floats. The income is daily collected by a collection service and sufficient categories of safes and strong rooms are utilised to keep cash until collection. There is security services at the building.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. The collection of arrears is a priority. The credit control and debt collection policy is reviewed annually to ensure the credit risk is managed. The Council budgets for adequate working capital and a bad debt write off policy is being developed.

Deposits are levied with new connections. The indigent register is regularly reviewed and updated. A credit collection section is functioning and any arrear accounts duly followed up. Action is taken timeously against defaulters. Proceeds of the sale of property is attached for amounts owed during the transfer of properties by issuing clearance certificates as required.

Cash, fidelity and money handlers insurance are taken out annually to ensure adequate risk cover exist.

**42. Financial liabilities by category**

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

<b>2011</b>				
	<b>Financial liabilities at amortised cost</b>	<b>Fair value through profit or loss - held for trading</b>	<b>Fair value through profit or loss - designated</b>	<b>Total</b>
Long term payables	9209342			-
Other financial liabilities	15626051			-
Trade and other payables	107387597			-
Bank overdraft	0			-
Consumer deposits	9558303			-
	<b>141781293</b>	<b>0</b>		<b>-</b>
<b>2010</b>				
	<b>Financial liabilities at amortised cost</b>	<b>Fair value through profit or loss - held for trading</b>	<b>Fair value through profit or loss - designated</b>	<b>Total</b>
Long term payables	26065129			1229736
Other financial liabilities	16373739			11036653
Trade and other payables	92129106			90661148
Consumer deposits	8340711			5308368
Bank overdraft	5308368			8340711
	<b>148217053</b>	<b>0</b>		<b>- 116576616</b>

**43. Non-compliance with MFMA**

The following sections of the Municipal Finance Management Act were not adhered to during the year under review:

- Section 65(2) (e) of MFMA, 2003(Act no. 56 of 2003)
- Section 52 of MFMA, 2003(Act no. 56 of 2003) Partially compliant
- Section 32 of MFMA, 2003(Act no. 56 of 2003)
- Section 71 of MFMA, 2003(Act no. 56 of 2003) partially compliant
- Section 62 (1) of MFMA, 2003(Act no. 56 of 2003)
- Section 112 of MFMA, 2003(Act no. 56 of 2003)
- Section 116 of MFMA, 2003(Act no. 56 of 2003)
- Section 70(1) of MFMA, 2003(Act no. 56 of 2003) Partially compliant
- Section 65(2)(i) of MFMA, 2003(Act no. 56 of 2003)
- Section 72(1)(a) of MFMA, 2003(Act no. 56 of 2003)
- Section 53(2) of MFMA, 2003(Act no. 56 of 2003)
- Section 16(2) B1125 of MFMA, 2003(Act no. 56 of 2003)
- Section 17(3) of MFMA, 2003(Act no. 56 of 2003)
- Section 63 of MFMA, 2003(Act no. 56 of 2003)
- Section 115(1) A1129 of MFMA, 2003(Act no. 56 of 2003)
- Section 116(1) of MFMA, 2003(Act no. 56 of 2003)
- Section 119 of MFMA, 2003(Act no. 56 of 2003)
- Section 121(3) of MFMA, 2003(Act no. 56 of 2003)
- Section 127 of MFMA, 2003(Act no. 56 of 2003)

**44. Financial assets by category**

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

2011						
	Amortised Cost	Fair value through profit or loss - held for trading	Fair value through profit or loss - designated	Held to maturity investments	Available for sale	Total
Other financial assets	18806326		0	7004340	0	25810666
Other receivables	15939642					15939642
Trade and other receivables	88843721					88843721
Cash and cash equivalents	35194673					35194673
	<b>158784362</b>		<b>0</b>	<b>7004340</b>	<b>0</b>	<b>165788702</b>

2010						
	Amortised Cost	Fair value through profit or loss - held for trading	Fair value through profit or loss - designated	Held to maturity investments	Available for sale	Total
Other financial assets	19074002		0	6683795	0	25757797
Other receivables	10145567		0			10145567
Trade and other receivables	52737390		0			52737390
Cash and cash equivalents	13981254		0			13981254
	<b>95938213</b>		<b>0</b>	<b>6683795</b>	<b>0</b>	<b>102622008</b>

**45. Change in estimate****Property, plant and equipment**

The useful life of certain property, plant and equipment was re-assessed during the year.

**46. Income foregone**

The income foregone relates to rebates granted to consumers on services rendered and free basic services that is allocated to all residents.

**47. Offset Depreciation**

The surplus/(deficit) calculated R 25 305 870(2010:(R26 403 726)) is before taken into account the offset depreciation which arose through the application of GRAP 17. The offset depreciation is included in the accumulated surplus. The municipality will the offset depreciation into consideration to ensure that this will not be recovered.

The purpose of this is to promote community equity by ensuring that future depreciation expenses incurred will be offset against this amount.

**METSIMAHOLO LOCAL MUNICIPALITY**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011**

			R	R	R	R	R	R
	Loan Number	Redeem-able	Balance at 1 July 2010	Received during period	Redeemed/ Written off during the period	Balance at 30 June 2011	Carrying Value of property plant and equipment	Other costs in accordance with MFMA
<b><u>Long Term loans</u></b>								
<b><u>Annuity loans</u></b>								
	INCA	3	30/4/2011	1229287	-	-	1229287	-
	TOTAL			1229287	-	-	1229287	-

**METSIMAHOLO LOCAL MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2011**

	Cost / Revaluation				Accumulated Depreciation						Budget Additions	
	R Opening Balance	R Additions	R Impair ment	R Disposals	R Closing Balance	R Opening Balance	R Additions	R Impair ment	R Disposals	R Closing Balance		R Carrying Value
<b>Land and Buildings</b>												
Land	72702887	-		6339189	66363698	-	-		-	-	66363698	9736000
Buildings	150624862	-	-	20332487	130292375	97204968	6018154	-	13167621	90055501	40236874	1290000
Dwellings	42899212			248167	42651045	28378285	1706707		158827	29926165	12724880	
Non Residential structures	107725650			20084320	87641330	68826683	4311447		13008794	60129336	27511994	1290000
	<b>223327749</b>	<b>-</b>	<b>-</b>	<b>26671676</b>	<b>196656073</b>	<b>97204968</b>	<b>6018154</b>	<b>-</b>	<b>13167621</b>	<b>90055501</b>	<b>106600572</b>	<b>11026000</b>
<b>Infrastructure</b>												
Roads and Stormwater	666349302	20812039	-		687161341	393708908	21928031			415636939	271524402	53266000
Sewerage	181082043	5751473	-		186833516	81333380	2921701			84255081	102578435	5230000
Electricity	197656156	8902505	-		206558661	88309572	5923297			94232869	112325792	19820000
Water	380513400	6036566	-		386549966	228827297	6957376			235784673	150765293	7000000
Solid waste Disposal	85719		-		85719	58060	4629			62689	23030	-
Cemetery Infrastructue	650101	1971634			2621735	417109	65010			482119	2139616	3200000
	<b>1426336721</b>	<b>43474217</b>	<b>-</b>	<b>-</b>	<b>1469810938</b>	<b>792654326</b>	<b>37800044</b>	<b>-</b>	<b>-</b>	<b>830454370</b>	<b>639356568</b>	<b>88516000</b>
<b>Heritage</b>												
Heritage site	561000		-		561000						561000	
	<b>561000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>561000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>561000</b>	<b>-</b>
<b>Investment</b>												
Property	21664371			622000	21042371						21042371	
Developed Land	19946027			1333918	18612109						18612109	
Dwellings	4070000				4070000						4070000	
	<b>45680398</b>	<b>-</b>	<b>-</b>	<b>1955918</b>	<b>43724480</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43724480</b>	<b>-</b>
<b>Other Assets</b>												
Furniture and Office equipment	5381212	321363	-		5702575	2963525	884885	-		3848410	1854165	168000
Transport assets	22429027		-		22429027	10112893	3966230	-		14079123	8349904	16160000
Computer equipment	7804042		-		7804042	2395381	1560809	-		3956190	3847852	6181000
Machinery and equipment	11937349	418416	-		12355765	6019806	1536851	-		7556657	4799108	11118410
	<b>47551630</b>	<b>739779</b>	<b>-</b>	<b>-</b>	<b>48291409</b>	<b>21491605</b>	<b>7948775</b>	<b>-</b>	<b>-</b>	<b>29440380</b>	<b>18851029</b>	<b>33627410</b>
<b>Intangible Assets</b>												
	<b>341671</b>				<b>341671</b>	<b>190410</b>	<b>112112</b>			<b>302522</b>	<b>39149</b>	
<b>Leases</b>	<b>52213995</b>	<b>-</b>			<b>52213995</b>	<b>10643796</b>	<b>15480402</b>			<b>26124198</b>	<b>26089797</b>	
<b>Total</b>	<b>1796013164</b>	<b>44213996</b>	<b>-</b>	<b>28627594</b>	<b>1811599566</b>	<b>922185105</b>	<b>67359487</b>	<b>-</b>	<b>13167621</b>	<b>976376971</b>	<b>835222595</b>	<b>133169410</b>

**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010**

	Cost / Revaluation					Accumulated Depreciation						Budget Additions
	R Opening Balance	R Additions	R Impair ment	R Disposals	R Closing Balance	R Opening Balance	R Additions	R Impair ment	R Disposals	R Closing Balance	R Carrying Value	
<b>Land and Buildings</b>												
Land	72702887	-			72702887	-	-			-	72702887	3050000
Buildings	150624862	-	-	-	150624862	90371082	6833886	-		97204968	53419894	-
Dwellings	42899212				42899212	26661651	1716634			28378285	14520927	
Non Residential structures	107725650				107725650	63709431	5117252			68826683	38898967	
	<b>223327749</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>223327749</b>	<b>90371082</b>	<b>6833886</b>	<b>-</b>	<b>-</b>	<b>97204968</b>	<b>126122781</b>	<b>3050000</b>
<b>Infrastructure</b>												
Roads and Stormwater	666349302	-	-		666349302	371780878	21928030			393708908	272640394	-
Sewerage	159157971	21924072	-		181082043	78411679	2921701			81333380	99748663	19013751
Electricity	193395689	4260467	-		197656156	82528426	5781146			88309572	109346584	12770000
Water	367862449	12650951	-		380513400	221875702	6951595			228827297	151686103	15922938
Solid waste Disposal	85719		-		85719	53431	4629			58060	27659	800000
Cemetery Infrastructue	650101				650101	352099	65010			417109	232992	3125000
	<b>1387501231</b>	<b>38835490</b>	<b>-</b>	<b>-</b>	<b>1426336721</b>	<b>755002215</b>	<b>37652111</b>	<b>-</b>	<b>-</b>	<b>792654326</b>	<b>633682395</b>	<b>51631689</b>
<b>Heritage</b>												
Heritage site	561000		-	-	561000	-	-			-	561000	-
	<b>561000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>561000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>561000</b>	<b>-</b>
<b>Investment</b>												
Property	21664371				21664371					-	21664371	
Developed Land	19946027				19946027						19946027	
Dwellings	4070000				4070000						4070000	
	<b>45680398</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45680398</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45680398</b>	
<b>Other Assets</b>												
Furniture and Office equipment	4917630	463582	-	-	5381212	2073850	889675	-	-	2963525	2417687	1163150
Transport assets	22429027	-	-	-	22429027	6136597	3976296	-	-	10112893	12316134	10930000
Computer equipment	3951611	3852431	-	-	7804042	1454142	941239	-	-	2395381	5408661	1031500
Machinery and equipment	11704586	232763	-	-	11937349	4544727	1475079	-	-	6019806	5917543	17813870
	<b>43002854</b>	<b>4548776</b>	<b>-</b>	<b>-</b>	<b>47551630</b>	<b>14209316</b>	<b>7282289</b>	<b>-</b>	<b>-</b>	<b>21491605</b>	<b>26060025</b>	<b>30938520</b>
<b>Intangible Assets</b>	<b>341671</b>				<b>341671</b>	<b>68691</b>	<b>121719</b>			<b>190410</b>	<b>151261</b>	
<b>Leases</b>	<b>19747834</b>	<b>32466161</b>			<b>52213995</b>	<b>4890242</b>	<b>5753554</b>			<b>10643796</b>	<b>41570199</b>	
<b>Total</b>	<b>1720162737</b>	<b>75850427</b>	<b>-</b>	<b>-</b>	<b>1796013164</b>	<b>864541546</b>	<b>57643559</b>	<b>-</b>	<b>-</b>	<b>922185105</b>	<b>873828059</b>	<b>85620209</b>

**METSIMAHOLO LOCAL MUNICIPALITY**  
**SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2011**

	COST					ACCUMULATED DEPRECIATION					
	R	R	R	R	R	R	R	R	R	R	R
	Opening Balance	Additions	Impairment	Disposals	Closing Balance	Opening Balance	Additions	Impairment	Disposals	Closing Balance	Carrying Value
Office of the municipal manager	1392932	350246	0	0	1743178	510771	303918		0	814689	928489
Corporate services	24038126	409646	0	354857	24092915	13667743	1248425	0	41628	14874540	9218375
Information technology	55611227	-2076683	0	0	53534544	10950200	15520953	0	0	26471153	27063391
Cleansing services	263167	212791	0	0	475958	153673	77466		0	231139	244819
Public safety	6823155	243891	0	6000	7061046	3516747	1033795		3600	4546942	2514104
Parks and recreation	44760769	140212	0	3190206	41710775	4713041	1631587	0	74145	6270483	35440292
Pleasure resorts	553786	25963	0	0	579749	311334	78613		0	389947	189802
Community centres	1812613	34806	0	0	1847419	1110365	245554		0	1355919	491500
Stadiums	4506952	0	0	12944	4494008	2896430	194463		10873	3080020	1413988
Swimming pools	582270	0	0	0	582270	484769	24877		0	509646	72624
Cemeteries	1090738	1971634	0	0	3062372	157387	21943		0	179330	2883042
Libraries	818924	3083	0	0	822007	538221	119446		0	657667	164340
Technical services	508605	15875	0	0	524480	234122	96459	0	0	330581	193899
Electricity	199479017	8981880	0	0	208460897	89296882	6321177	0	0	95618059	112842838
Mechanical workshop	4009210	41318	0	0	4050528	2291007	625458		0	2916465	1134063
Streets and stormwater	667925409	20831598	0	0	688757007	394704890	22002508	0	0	416707398	272049609
Buildings	1539439	15875	0	0	1555314	733080	281959		0	1015039	540275
Sewerage	200894615	6794492	0	76197	207612910	93607031	3900215	0	49629	97457617	110155293
Water	367884841	5028344	0	0	372913185	220165347	6763950	0	0	226929297	145983888
Financial services	10733128	754014	0	0	11487142	4945353	1869643	0	0	6814996	4672146
Economical development and plann	171736	123837	0	0	295573	78775	66896		0	145671	149902
Housing administration	6862543	254000	0	2705	7113838	3574695	341818		2164	3914349	3199489
Property administration	193749961	57174	0	24984685	168822450	73543242	4588364		12985580	65146026	103676424
				0							
<b>TOTAL</b>	<b>1796013163</b>	<b>44213996</b>	<b>0</b>	<b>28627594</b>	<b>1811599565</b>	<b>922185105</b>	<b>67359487</b>	<b>0</b>	<b>13167619</b>	<b>976376973</b>	<b>835222592</b>

**METSIMAHOLO LOCAL MUNICIPALITY**  
**SEGMENTAL INCOME STATEMENT FOR YEAR ENDED 30 JUNE 2011**

2010 Actual Income	2010 Actual Expenditure	2010 Surplus/ (Deficit)	2011 Actual Income	2011 Actual Expenditure	2011 Surplus/ (Deficit)	2011 Budget Surplus/ (Deficit)
R	R	R	R	R	R	R
<b>170104715</b>	<b>236401520</b>	<b>(66296805)</b>	<b>222637132</b>	<b>266942739</b>	<b>(44305607)</b>	<b>(73278480)</b>
<b>117674441</b>	<b>165231959</b>	<b>(47557518)</b>	<b>160507823</b>	<b>190689400</b>	<b>(30181577)</b>	<b>(59022125)</b>
3184	5395325	(5392141)	4500	8350237	(8345737)	(6678970)
-	1110751	(1110751)	-	519976	(519976)	(450350)
-	87001	(87001)	-	21335	(21335)	(59050)
1239	2130919	(2129680)	-	2591338	(2591338)	(4331315)
-	3248223	(3248223)	-	3411541	(3411541)	(4091000)
-	5308271	(5308271)	-	5463558	(5463558)	(5717930)
547473	7585621	(7038148)	1213298	10710626	(9497328)	(13356350)
-	134157	(134157)	97000	206996	(109996)	(244360)
-	200441	(200441)	-	261086	(261086)	(1561550)
185948	588197	(402249)	121097	634676	(513579)	(967830)
-	382813	(382813)	-	516155	(516155)	(609510)
256900	4940496	(4683596)	361920	2564185	(2202265)	(602980)
755753	1833430	(1077677)	344408	1365703	(1021295)	(5498540)
-	1074805	(1074805)	-	1896670	(1896670)	(6496880)
-	2859217	(2859217)	-	2296918	(2296918)	(1825260)
-	448950	(448950)	-	377568	(377568)	(31270)
-	1532148	(1532148)	-	16201778	(16201778)	(7089790)
-	1235139	(1235139)	-	901050	(901050)	(1505930)
-	2285920	(2285920)	-	1778356	(1778356)	(1241380)
-	68153	(68153)	-	36312	(36312)	(437680)
-	4348524	(4348524)	-	5925432	(5925432)	(6266900)
3545042	6880829	(3335787)	4509410	8662607	(4153197)	(4669470)
2787	11789259	(11786472)	30341	14306288	(14275947)	(13121990)
-	678619	(678619)	-	1261560	(1261560)	(1324380)
-	1894828	(1894828)	-	2648335	(2648335)	(4334320)
20196	1955610	(1935414)	15054	2264375	(2249321)	(1891660)
3705920	19774178	(16068258)	21432065	46451926	(25019861)	(32092570)
-	3280096	(3280096)	-	4419501	(4419501)	(4779930)
-	308872	(308872)	-	533641	(533641)	(558500)
34979667	64470725	(29491058)	51986792	24073165	27913627	12269020
-	659462	(659462)	75248	1084830	(1009582)	(2116020)
73259018	-	73259018	79895759	-	79895759	78088080
-	584915	(584915)	-	376680	(376680)	(939600)
-	757912	(757912)	-	751925	(751925)	(751925)

3705920	19774178	(16068258) Streets & Stormwater	21432065	46451926	(25019861)	(32092570)
-	3280096	(3280096) Building Maintenance	-	4419501	(4419501)	(4779930)
-	308872	(308872) Director : Financial Services	-	533641	(533641)	(558500)
34979667	64470725	(29491058) Financial Services : Administration	51986792	24073165	27913627	12269020
-	659462	(659462) Supply Chain Management	75248	1084830	(1009582)	(2116020)
73259018	-	73259018 Assessment Rates	79895759	-	79895759	78088080
-	584915	(584915) Director : Economic Dev. & Planning	-	376680	(376680)	(939600)
-	727613	(727613) Housing prop. & Urban Plan. : Administration	-	534867	(534867)	(578570)
-	1161500	(1161500) Property Administration	-	11741325	(11741325)	(1907840)
411314	3699377	(3288063) Urban Planning	420931	2735073	(2314142)	(4399030)
-	526575	(526575) Econ. Development : Administration	-	697382	(697382)	(1430030)
-	41000	(41000) Marketing and Tourism	-	-	-	(49200)
-	-	- Public Relations	-	42496	(42496)	(179510)
<b>1298285</b>	<b>17206944</b>	<b>(15908659) Subsidised Services</b>	<b>618059</b>	<b>18824483</b>	<b>(18206424)</b>	<b>(18599615)</b>
130048	7288424	(7158376) Fire Protection Services	159610	8642126	(8482516)	(7688430)
673414	1510894	(837480) Etienne Rousseau Theatre	97669	1467931	(1370262)	(1283465)
7851	-	7851 Zamdela Arts and Culture Centre	7273		7273	39680
175	986	(811) Refengkgotso Hall	7737	662	7075	12810
-	18249	(18249) Metsimaholo Hall	-	18611	(18611)	1380
-	285472	(285472) Zamdela Community Hall	360	224838	(224478)	(278600)
19333	1161702	(1142369) D P de Villiers Stadium	13564	1250809	(1237245)	(1435970)
-	608154	(608154) Moses Kotoane Stadium	2370	625206	(622836)	(897450)
-	7563	(7563) Refengkgotso Stadium		1567	(1567)	(17110)
-	4008	(4008) Metsimaholo Stadium		4022	(4022)	(40640)
3319	1280375	(1277056) Penny Heyns Swimming pool	15268	1128709	(1113441)	(1486700)
-	419537	(419537) Zamdela Swimming pool		385501	(385501)	(658890)
114493	513944	(399451) Sasolburg Cemetery	64833	552583	(487750)	(462880)
42340	134195	(91855) Zamdela Cemetery	50697	139066	(88369)	(220100)
36120	42423	(6303) Deneysville Cemetery	62429	18106	44323	(21580)
14500	-	14500 Oranjeville Cemetery	16263	3186	13077	18880
209240	2893508	(2684268) Sasolburg Library	57223	3103322	(3046099)	(3020840)
30229	654503	(624274) Zamdela Library	39692	818338	(778646)	(723480)
-	276777	(276777) Deneysville Library	2645	319373	(316728)	(309470)
661	81714	(81053) Oranjeville Library	1018	93548	(92530)	(101380)
16562	24516	(7954) Refengkgotso Library	19408	26979	(7571)	(25380)

<b>51131989</b>	<b>53962617</b>	<b>(2830628)</b>	<b><u>Economical Services</u></b>	<b>61511250</b>	<b>57428856</b>	<b>4082394</b>	<b>4343260</b>
22670232	20325805	2344427	Cleansing Services	30610962	25506127	5104835	7527750
798155	2127098	(1328943)	Abrahamsrust Holiday Resort	1659214	1679974	(20760)	(1360780)
156610	5302	151308	Deneysville Shore facility	151956	-	151956	75440
66640	3982	62658	Oranjeville Shore facility	97464	769	96695	90210
27440352	31500430	(4060078)	Sewerage	28991654	30241986	(1250332)	(1989360)
<b>3776786</b>	<b>2442621</b>	<b>1334165</b>	<b><u>Housing Services</u></b>	<b>6554547</b>	<b>3198827</b>	<b>3355720</b>	<b>4817340</b>
3776786	2442621	1334165	Housing Administration	6554547	3198827	3355720	4817340
<b>283516669</b>	<b>220941433</b>	<b>62575236</b>	<b><u>Trading Services</u></b>	<b>309629323</b>	<b>243373567</b>	<b>66255756</b>	<b>36605200</b>
118289120	99485571	18803549	Electricity : Administration	147900579	121684429	26216150	20881150
6004246	17973000	(11968754)	Electricity : Distribution	8902505	17595872	(8693367)	(24961290)
124293366	117458571	6834795	Electricity	156803084	139280301	17522783	(4080140)
159223303	103482862	55740441	Water Service	152826239	104093266	48732973	40685340
<b>457398170</b>	<b>459785574</b>	<b>(2387404)</b>	<b><u>Total</u></b>	<b>538821002</b>	<b>513515133</b>	<b>25305869</b>	<b>(31855940)</b>

## Additional Information on Budget: Appendix E

**METSIMAHOLO LOCAL MUNICIPALITY**  
**Statement of Comparative and Actual Information as at 30 June 2011**

Description	Original Budget R'000	Budget Adjustment R'000	Virements R'000	Final Budget R'000	Actual outcome R'000	Unauthorised Expenditure	Actual	Actual
							% of final budget	outcome as % of original budget
<b>Financial Performance</b>								
Property Rates	74488	74788		74788	77041	2253	103	103
Service Charges	327924	318075		318075	295789	-22286	93	90
Investment Revenue	12700	15380		15380	18384	3004	120	145
Transfers recognised Operating	110166	98234		98234	124310	26076	127	113
Other own Revenue	54774	41733		41733	23297	-18436	56	43
<b>Total Revenue(Excluding Capital Transfers and Contribution)</b>	<b>580052</b>	<b>548210</b>	<b>0</b>	<b>548210</b>	<b>538821</b>	<b>-9389</b>	<b>98</b>	<b>93</b>
Employee Costs	160345	162441		161640	141382	-20258	87	88
Remuneration of Councillors	10769	10769		10769	9892	-877	92	92
Debt Impairment	40000	40000		40000	40000	0	100	100
Debt Impairment additional					-29769			
Depreciation and Asset impairment	18848	18848		18848	67359	48511	357	357
Finance Charges	10128	4800		4800	2232	-2568	47	22
Bulk Purchases	164966	164966		164966	160944	-4022	98	98
Transfers and Grants	27559	22559		22559	15299	-7260	68	56
Other expenditure	128814	93307		141183	106176	-35007	75	82
<b>Total Expenditure</b>	<b>561429</b>	<b>517690</b>	<b>0</b>	<b>564765</b>	<b>513515</b>	<b>-21481</b>	<b>91</b>	<b>91</b>
<b>Surplus/(Deficit)</b>	<b>18623</b>	<b>30520</b>	<b>0</b>	<b>-16555</b>	<b>25306</b>	<b>12092</b>	<b>-153</b>	<b>136</b>
Transfers Recognised-Capital Contributions Recognised- Capital and Contribute assets	344317	-207508		136809	42565		31	12
<b>Surplus/(Deficit) for the year</b>	<b>-325694</b>	<b>238028</b>	<b>0</b>	<b>-153364</b>	<b>-17259</b>	<b>12092</b>	<b>11</b>	<b>5</b>

Transfers Recognised-Capital	344317	-207508	136809	42565	31	12
Contributions Recognised- Capital and Contribute assets						
<b>Surplus/(Deficit) for the year</b>	<b>-325694</b>	<b>238028</b>	<b>0</b>	<b>-153364</b>	<b>-17259</b>	<b>12092</b>
	<b>11</b>	<b>5</b>				

**Capital Expenditure & Funds Sources****Capital Expenditure**

Transfers Recognised- Capital	94829	-13590	81239	2219	3	2
Public Contributions & Donations	245538	-190573	54965	40345	73	16
Borrowing						
Internal Generated Funds	3950	-3345	605	0	0	0
<b>Total Source of Capital Funds</b>	<b>344317</b>	<b>-207508</b>	<b>0</b>	<b>136809</b>	<b>42564</b>	<b>0</b>
	<b>31</b>	<b>12</b>				

**Cash Flows**

Net cash from(Used)Operating	193169	4341	4341	88409	2037	46
Net cash from(Used)Investing	-311904	-125700	-125700	-44284	35	14
Net cash from(Used)Financing	73883	29872	29872	-17603	-59	-24
<b>Cash/Cash at the end of the year</b>	<b>-44852</b>	<b>-91487</b>	<b>-91487</b>	<b>26522</b>	<b>-29</b>	<b>-59</b>

METSIMAHOLO LOCAL MUNICIPALITY  
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

GRANTS AND SUBSIDIES RECEIVED FOR YEAR ENDED 30 JUNE 2011

Name of grants	Name of organ of state or municipal entity	Quarterly receipts				Quarterly expenditure				Grants and subsidies delayed/w withheld				Reason for delay/w withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework ork in the latest Division of Revenue Act	Reason for non-compliance
		Sept R	Dec R	March R	June R	Sept R	Dec R	March R	June R	Sept R	Dec R	March R	June R			
Financial Management Grant		1000000				80800	332422	298918	287077						Yes/No	
Municipal Infrastructure Grant		13772000		18524000		5264357	3084639	11210518	19876210							
Department of Minerals & Energy		1000000	1500000	500000		60066	163351		2526186							
Department of Water Affair and Forestry		610000	255000	255000		408766	56126	75542	579564							
Municipal System Improvement Grant			750000			78800	330411	111699	229091							

# **CHAPTER 5:**

## **PERFORMANCE AND SERVICE DELIVERY INFORMATION**

**This chapter includes the following sections:**

- **Introduction**
- **Legislative provisions**
- **Municipal Performance Management System**
- **2009/10 Report of the Auditor-General**
- **Progress made since the 2009/10 Report of the Auditor-General**
- **2010/11 Performance Information**

## INTRODUCTION

The Annual Performance Report of the Metsimaholo Local Municipality (MLM) for the 2010/11 financial year has been compiled in accordance with the dictates of the Municipal Systems Act, 2000 and the Municipal Finance Management Act, 2003 and reflects the actual performance of the municipality against its pre-determined objectives contained in the Integrated Development Plan (IDP) and Service Delivery and Budget Implementation Plan (SDBIP).

The MLM's Framework for Institutional Performance Management and Employee Performance Management and Development Policy, which constitute the municipality's Performance Management System (PMS) have been compiled and are awaiting formal approval by the Council. The key elements and salient features of the draft framework and policy are included in this report.

The 2010/11 Annual Performance Report, is incorporated into 2010/11 Annual Report in accordance with section 46 of Municipal Systems Amendment Act of 2003, therefore:

- covers the requirements of the legislative provisions in regard to performance management,
- reports on the municipality's actual performance against the service delivery targets contained in the approved 2010/11 SDBIP for each cluster and directorate per municipal key performance area (KPA) and IDP priority, and
- reflects on measures that were taken or are to be taken to improve performance in cases of non- or under-performance, and

It is expected that this report will assist all stakeholders to objectively assess the overall performance of the MLM for the year under review and further clearly demonstrate the municipality's unwavering commitment to the principles of improved service delivery, sound governance and accountable local government.

## LEGISLATIVE PROVISIONS

The relevant legal provisions regarding the performance management system and annual performance report as contained in the following laws and regulations are outlined below:

- Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000)
- Local Government: Municipal Planning and Performance Regulations, 2001 (Regulation No. R796 of 2001)
- Local Government: Municipal Systems Amendment Act, 2003 (Act No. 44 of 2003)
- Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003)

### **MUNICIPAL SYSTEMS ACT, 2000**

The following sections from Chapter 6 of the Municipal Systems Act, 2000 relate to the performance management system.

#### **Establishment of performance management system**

- 38. A municipality must—*
- (a) establish a performance management system that is—*
    - (i) commensurate with its resources;*
    - (ii) best suited to its circumstances; and*
    - (iii) in line with the priorities, objectives, indicators and targets contained in its integrated development plan;*
  - (b) promote a culture of performance management among its political structures, political office bearers and councillors and in its administration; and*
  - (c) administer its affairs in an economical, effective, efficient and accountable manner.*

#### **Development of performance management system**

- 39. The executive committee or executive mayor of a municipality or, if the municipality does not have an executive committee or executive mayor, a committee of councillors appointed by the municipal council must-*
- (a) manage the development of the municipality's performance management system;*
  - (b) assign responsibilities in this regard to the municipal manager, and*
  - (c) submit the proposed system to the municipal council for adoption*

## **Monitoring and review of performance management system**

- 40.** *A municipality must establish mechanisms to monitor and review its performance management system.*

## **Core components**

- 41. ( 1 )** *A municipality must in terms of its performance management system and in accordance with any regulations and guidelines that may be prescribed—*

- (a) set appropriate key performance indicators as a yardstick for measuring performance, including outcomes and impact. with regard to the municipality's development priorities and objectives set out in its integrated development plan;*
  - (b) set measurable performance targets with regard to each of those development priorities and objectives;*
  - (c) with regard to each of those development priorities and objectives and against the key performance indicators and targets set in terms of paragraphs (a) and ( b )*
    - (i) monitor performance; and*
    - (ii) measure and review performance at least once per year;*
  - (d) take steps to improve performance with regard to those development priorities and objectives where performance targets are not met: and*
  - (e) establish a process of regular reporting to—*
    - (i) the council, other political structures, political office bearers and staff of the municipality; and*
    - (ii) the public and appropriate organs of state.*
- (2) The system applied by a municipality in compliance with subsection ( 1 )(c) must be devised in such a way that it may serve as an early warning indicator of under-performance.*

## **Notification of key performance indicators and performance targets**

- 44.** *A municipality, in a manner determined by its council, must make known both internally and to the general public, the key performance indicators and performance targets set by it for purposes of its performance management system*

## **Audit of performance measurements**

- 45.** *The results of performance measurements in terms of section 41 (1)(c) must be audited-*
- (a) as part of the municipality's internal auditing processes: and*
  - (b) annually by the Auditor General*

## **MUNICIPAL PLANNING AND PERFORMANCE REGULATIONS, 2001**

The paragraphs below from Chapter 3 of the Municipal Planning and Performance Regulations, 2001 stipulate the following in respect of the municipality's performance management system.

### **Nature of performance management system**

7. (1) *A municipality's performance management system entails a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role-players.*
  
- (2) *In developing its performance management system, a municipality must ensure that the system-*
  - (a) *complies with all the requirements set out in the Act;*
  - (b) *demonstrates how it is to operate and be managed from the planning stage up to the stages of performance review and reporting;*
  - (c) *clarifies the roles and responsibilities of each role-player, including the local community, in the functioning of the system;*
  - (d) *clarifies the processes of implementing the system within the framework of the integrated development planning process;*
  - (e) *determines the frequency of reporting and the lines of accountability for performance;*
  - (f) *relates to the municipality's employee performance management processes; and*
  - (g) *provides for the procedure by which the system is linked to the municipality's integrated development planning processes.*

### **Adoption of performance management system**

8. A performance management system must be adopted before or at the same time as the commencement by the municipality of the process of setting key performance indicators and targets in accordance with its integrated development plan.

### **Monitoring, measurement and review of performance**

13. (1) *A municipality must, after consultation with the local community, develop and implement mechanisms, systems and processes for the monitoring,*

*measurement and review of performance in respect of the key performance indicators and performance targets set by it.*

- (2) *The mechanisms, systems and processes for monitoring in terms of subregulation (1) must-*
  - (a) *provide for reporting to the municipal council at least twice a year;*
  - (b) *be designed in a manner that enables the municipality to detect early indications of under-performance; and*
  - (c) *provide for corrective measures where under-performance has been identified.*
  
- (3) *Performance measurement in terms of subregulation (1) must include the measurement of -*
  - (a) *costs, resources and time used to produce outputs in accordance with the input indicators referred to in regulation 9;*
  - (b) *the extent to which the municipality's activities or processes produced outputs in accordance with the output indicators referred to in regulation 9; and*
  - (c) *the total improvement brought by outputs in accordance with the outcome indicators referred to in regulation 9.*
  
- (4) *The mechanisms, systems and processes for review in terms of subregulation (1) must at least —*
  - (a) *identify the strengths, weaknesses, opportunities and threats of the municipality in meeting the key performance indicators and performance targets set by it, as well as the general key performance indicators prescribed by regulation 10;*
  - (b) *review the key performance indicators set by the municipality in terms of regulation 9; and*
  - (c) *allow the local community to participate in the review process.*

## **MUNICIPAL SYSTEMS AMENDMENT ACT, 2003**

**Section 46** of the Municipal Systems Amendment Act, 2003 (Act No. 44 of 2003), provides for the following in relation to the annual performance report of a municipality.

*(1) A municipality must prepare for each financial year a performance report reflecting—*

- *the performance of the municipality and each external service provider during that financial year;*

- *a comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year; and*
- *measures taken to improve performance.*

*(2) An annual performance report must form part of the municipality's annual report in terms of Chapter 12 of the Municipal Finance Management Act.*

## **MUNICIPAL FINANCE MANAGEMENT ACT, 2003**

**Section 121** of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) states, *inter alia*, the following in regard to the preparation and tabling of annual reports:

Section 121(2): The purpose of the annual report is –

- (a) To provide a record of the activities of the municipality or municipal entity during the financial year to which the report relates;*
- (b) To provide a report on the performance against the budget of the municipality or municipal entity for that financial year; and*
- (c) To promote accountability to the local community for the decisions made throughout the year by the municipality or municipal entity.*

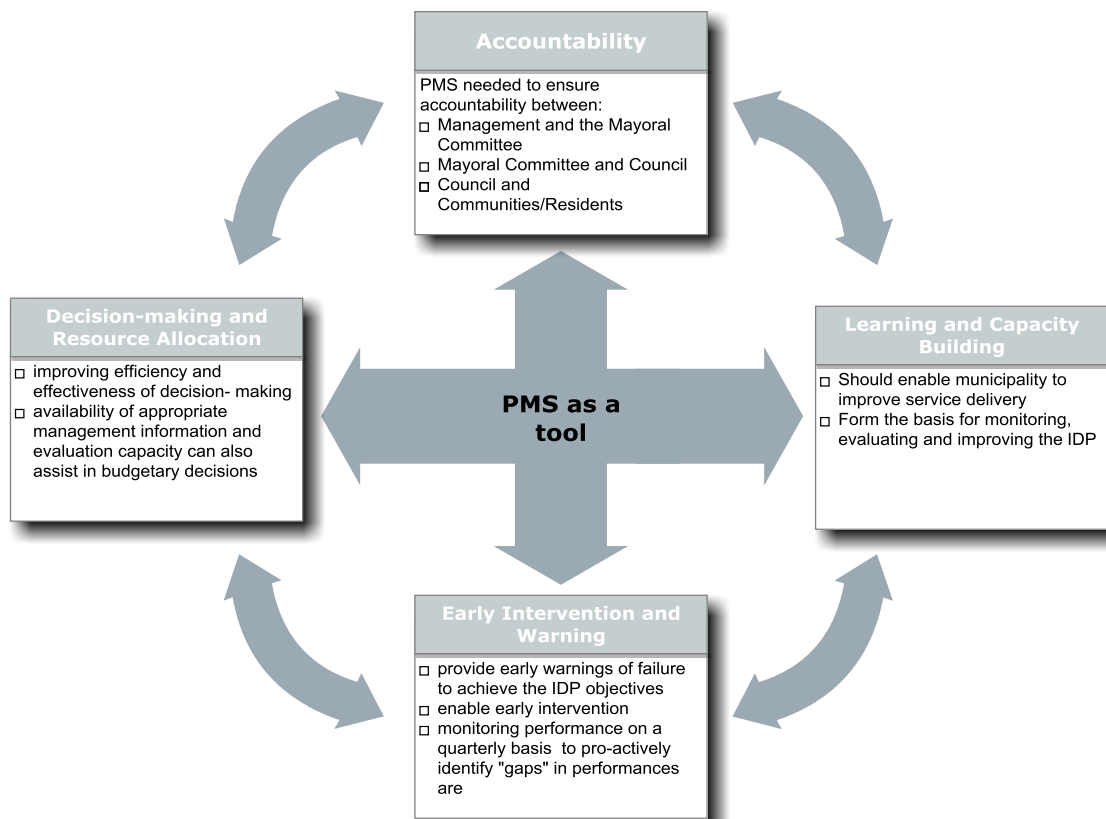
Section 121(3)(c) further states that *the annual report of a municipality must include the annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal Systems Act.*

## MUNICIPAL PERFORMANCE MANAGEMENT SYSTEM (PMS)

The MLM's Revised Performance Management Framework will regulate the performance management system in the municipality and provide guidelines on the development and implementation of the organisational performance management system.

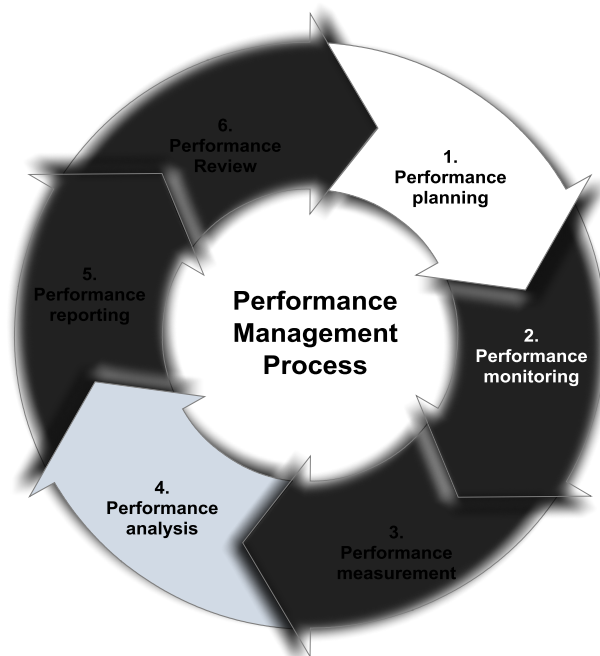
The objectives of institutionalising a Performance Management System, beyond the fulfilling of legislative requirements, is to serve as a primary mechanism to monitor, review and improve the implementation of the municipality's IDP. In doing so, it should fulfill the following functions:

- Promoting accountability
- Decision-making and resource allocation
- Guiding development of municipal capacity-building programmes
- Creating a culture for best practice, shared-learning within the municipality
- Develop meaningful intervention mechanisms and early warning system
- Create pressure for change at various levels
- Contribute to the overall development of the Local Government System



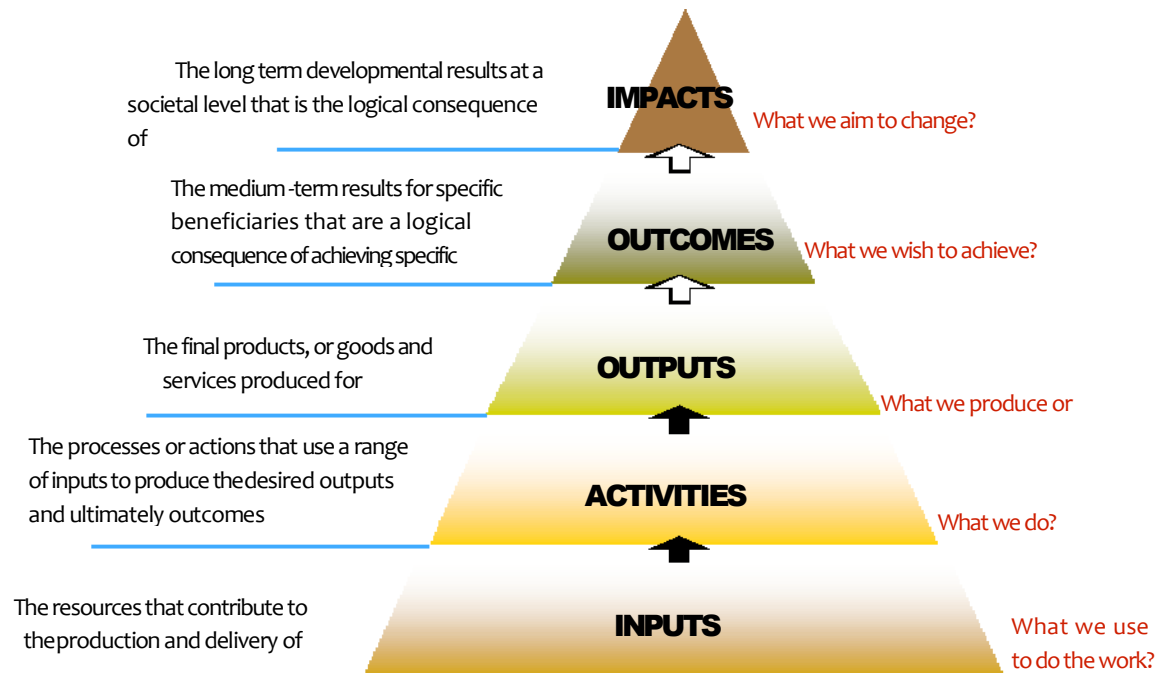
Adapted from the Balanced Scorecard by Robert S. Kaplan and Dave P. Norton. Harvard Business School Press. 1996.

The annual process of managing performance at institutional level in the Municipality involves the steps as set out in the diagram below.



1. **Performance planning** - The performance of the Municipality is to be managed in terms of its IDP and the process of compiling an IDP and the annual review thereof therefore constitutes the process of planning for performance.
2. **Performance monitoring** - ongoing process by which a Director accountable for a specific indicator as set out in the institutional scorecard or SDBIP continuously monitors current performance against targets set to ensure that appropriate and immediate interim (or preliminary) action is taken in case of under-performance.
3. **Performance measurement** - formal process of collecting and capturing performance data to enable reporting to take place for each key performance indicator and against the target set for such indicator.
4. **Performance analysis** - interpretation of the measurements as conducted in terms of the previous step to determine whether targets have been met and exceeded and to project whether future targets will be met or not.
- 5&6. **Performance reporting and review** – these two steps deal with both the in-year reporting (monthly, quarterly and mid-year) and annual reporting requirements.

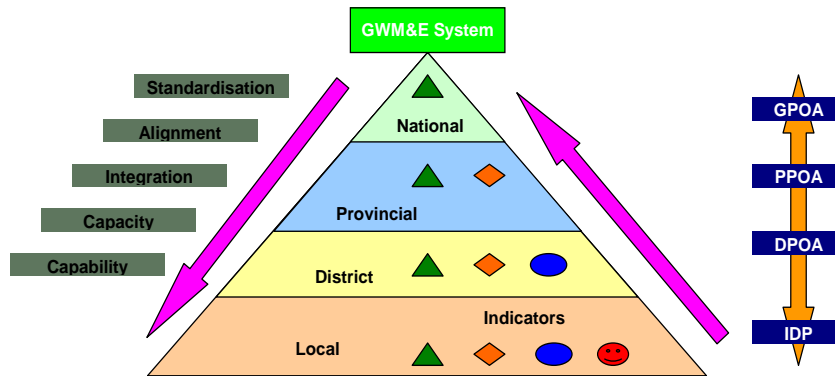
The draft PMS is also aligned to the new **outcomes approach to performance management in government** which is designed to ensure that government is focused on achieving the expected real improvements in the life of all South Africans. The outcomes approach clarifies what we expect to achieve, how we expect to achieve it and how we will know whether we are achieving it. It will help spheres of government to ensure that results improve the lives of citizens rather than just carrying out our functions. This approach involves management using a logic model which links inputs, activities, outputs, outcomes and impacts. The diagram below demonstrates these links more clearly.



According to the *Monitoring and Evaluation Framework in support of Cooperative Governance*<sup>8</sup>, a new set of national Key Performance Indicators (KPIs) have been developed and all provinces and key sector departments were consulted during this process. Although there is a need to have indicators for the different levels of the results chain, that is, inputs, activities, outputs, outcomes and impacts. There is however a need to have a set of national KPIs that address the reporting requirements for the local government sector at national level. The national KPIs will enable the reporting of local government performance at a strategic level. Line function departments will still need to continue to monitor their programmes as required by their mandate. Similarly, provinces and municipalities may still develop their own set of indicators which help measure the projects or programmes which are unique to their situation.

<sup>8</sup> Draft Monitoring and Evaluation Framework in support of Cooperative Governance. Department of Cooperative Governance. October 2010

The diagram below illustrates this process, with the green triangles representing the national KPIs, the orange diamonds representing provincial KPIs, the blue circles representing district and circle with a smile representing local municipality KPIs.



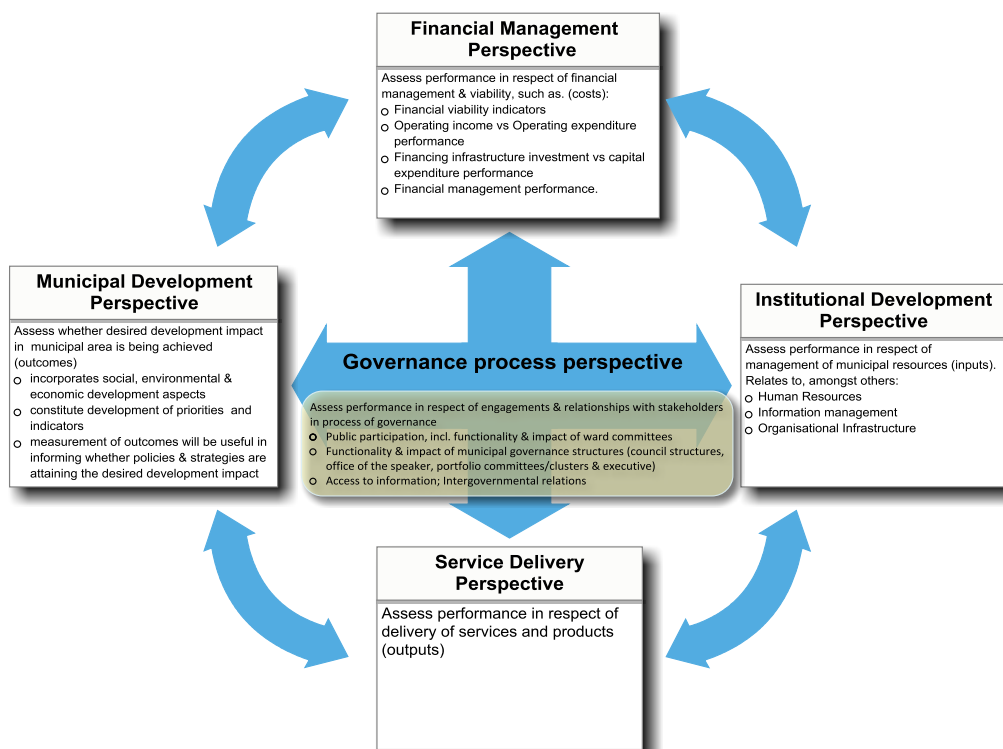
The draft national set of KPIs addresses both the reporting requirements in terms of existing legislation, the various programmes within the department including the LGTAS, the Ten Point Plan and the Minister’s Performance Agreement. Once approval is granted by the Minister, this set of national KPIs will be legislated to replace the seven currently found in the Municipal Planning and Performance Management Regulations of 2001. The reporting in terms of section 46, 47 and 48 of the Municipal Systems Act, 32 of 2000 (Act No. 32 of 2000) (MSA) will be informed by these national KPIs.

## Municipal Scorecard

The MLM has chosen the Municipal Scorecard (MS) as its preferred performance management model. In terms of the MS model all indicators are grouped together into five perspectives as depicted in the figure below e.g. inputs, process, outputs and outcomes.

A Municipal Scorecard Model is a balanced scorecard adapted for measuring key performance on developmental areas that are relevant to municipal service delivery and the public sector. This municipal scorecard model groups indicators together under the 5 Year Local Govt Strategic Agenda Key Performance Areas (KPA's). There are five KPA's that municipalities are required to align their strategic planning on and these cut across every functional area of a municipality. The municipal scorecard measures a municipality's performance through grouping the municipal indicators under these perspectives:

- I. The Municipal Development Perspective
- II. The Service Delivery Perspective
- III. The Institutional Development Perspective
- IV. The Financial Management Perspective
- V. Governance Process Perspective



Adapted from the Balanced Scorecard by Robert S. Kaplan and Dave P. Norton. Harvard Business School Press. 1996.

## 2009/10 REPORT OF THE AUDITOR-GENERAL

The following issues were raised in the final auditor's report of the Auditor-General for the 2009/10 financial year on predetermined objectives.

### **Non-compliance with regulatory and reporting requirements Municipal Finance Management Act**

#### **Existence and functioning of a performance audit committee**

*The performance audit committee did not:*

- *meet at least twice during the financial year*
- *review the quarterly reports of the internal auditors on their audits of the performance measurements of the municipality*
- *review the Metsimaholo Local Municipality's performance management system and make recommendations in this regard to the council of the Metsimaholo Local Municipality*
- *submit an auditor's report to the Metsimaholo Local Municipality regarding the performance management system at least twice during the financial year.*

#### **Internal auditing of performance measurements**

*The internal auditors of the Metsimaholo Local Municipality did not audit the performance measurements on a continuous basis and did not submit quarterly reports on their audits to the municipal manager and the performance audit committee.*

#### **Usefulness of reported performance information**

*The following criteria were used to assess the usefulness of the planned and reported performance:*

- *Consistency: Has the municipality reported on its performance with regard to its objectives, indicators and targets in its approved strategic plan, annual performance plan and integrated development plan, i.e. are the objectives, indicators and targets consistent between planning and reporting documents?*
- *Relevance: Is there a clear and logical link between the objectives, outcomes, outputs, indicators and performance targets?*
- *Measurability: Are objectives made measurable by means of indicators and targets? Are indicators well defined and verifiable, and are targets specific, measurable, and time bound?*

*The following audit findings relate to the above criteria:*

*For the selected objectives, 63% of the planned and reported targets were not:*

- *specific in clearly identifying the nature and the required level of performance*
- *measurable in identifying the required performance*

- *time bound in specifying the time period or deadline for delivery.*

### **Reliability of reported performance information**

*The following criteria were used to assess the reliability of the planned and reported performance:*

- *Validity: Has the actual reported performance occurred and does it pertain to the municipality i.e. can the reported performance information be traced back to the source data or documentation?*
- *Accuracy: Amounts, numbers and other data relating to reported actual performance has been recorded and reported appropriately.*
- *Completeness: All actual results and events that should have been recorded have been included in the reported performance information.*

*The following audit findings relate to the above criteria:*

*For the following reported target, number stands connected to new sewer network, that is material by nature, the validity, accuracy and completeness of the reported target could not be established as sufficient appropriate audit evidence and relevant source documentation could not be provided for audit purposes.*

## **Progress made since the 2009/10 Report of the Auditor-General**

### **Performance Audit Committee**

It was the intention of the municipality to share the services of the Performance Audit Committee of the District Municipality, as provided for in terms of section 166(6) of the Municipal Finance Management Act, 2003. However, the indication received from the District is that the shared arrangement will not be practically possible or feasible.

A decision has therefore been taken that the new Audit Committee, which will be constituted after the expiry of the term of office of the current committee at the end of August 2011, will also advise the municipality on matters relating to performance management as provided for in section 166(2)(v) of the Municipal Finance Management Act, 2003.

Once the new Audit Committee has been established it will be able to perform its statutory performance management responsibilities as raised in the 2009/10 report of the Auditor-General.

### **Internal auditing of performance measurements**

During the year under review the Internal Audit Unit did not audit the performance measurements on a continuous basis and did not submit quarterly reports on their audits due to capacity constraints. The Unit however plans to do a full audit on the 2010/11 Annual Performance Report and will issue and submit a detailed report to the Municipal Manager and the Audit Committee thereafter. Further, the quarterly auditing of performance measures is included in the annual internal audit plan for the 2011/12 financial year and quarterly reports will accordingly be submitted to the Municipal Manager and Audit Committee.

### **Usefulness and reliability of reported performance information**

It should be noted that significant improvements have been registered in the 2010/11 financial year and the municipality will continue to review and refine its performance information as part of enhancing the quality, usefulness and reliability of its performance management system on an ongoing basis.

## 2010/11 PERFORMANCE INFORMATION

### CLUSTER: ECONOMIC AND INFRASTRUCTURE DEVELOPMENT (EID)

#### DIRECTORATE: TECHNICAL AND INFRASTRUCTURAL SERVICES

#### Key Performance Area: Basic Service Delivery and Infrastructure Investment

#### IDP Priority: Water provision

Strategic Objectives	Key Performance Indicator (KPI)	Baseline <sup>9</sup>	2010/11 SDBIP Annual target	Actual performance: 30 June 2011	Reason for under- or non-performance	Corrective measures taken or to be taken to improve performance
To ensure access to potable water by providing a network inclusive of house connections and water meters to all current and future un-serviced erven.	Bulk water supply provided to number of envisaged future erven to address backlogs	09/10: 2 500	100% of bulk supply completed <i>(Bulk supply will enable the following connections: 1 868 erven in Amelia 2 500 erven in Mooiplaats 2 500 erven in Moodraai)</i>	100%	Target achieved	
To provide water reticulation by ensuring effective and efficient management of water resources, sufficient bulk supply of purified water with a holding capacity of no less than 48 hours are available at all times and to	% completed reservoir to assist in supplying 9 850 households with water	09/10: 10%	100% completed by June 2011 <i>(Designs completed; Foundations completed)</i>	95% Complete Reservoir		
	Provision of network connections to all envisaged future erven	09/10: 2 500	100% completed business plan for Amelia (18 68 erven) <i>(submitted to COGTA/MIG)</i>	100% Complete Business Plan, submitted to CoGTA and DWA, Project approved	Target achieved	
		07/08: 3 200 08/09: 2 204 09/10: 0	3 800 connections to RDP houses in Zamdela and 600 in Metsimaholo <i>(Only 400 connections funded by FDDM)</i>	3500 connections done and awaiting Reservoir to be completed	Contractor started late due to unavailability of beneficiaries	Matter has been discussed with relevant councillors to cascade information to beneficiaries

<sup>9</sup> Baseline reflects the previous years' actual performance

Strategic Objectives	Key Performance Indicator (KPI)	Baseline <sup>9</sup>	2010/11 SDBIP Annual target	Actual performance: 30 June 2011	Reason for under- or non-performance	Corrective measures taken or to be taken to improve performance
extend bulk supply to densely populated rural areas.		09/10: 0	Connections to 133 “un-serviced” erven (Vaalpark) <i>(To be funded from external loan)</i>	Funding approved	Awaiting the approval from DBSA	Project will be put on tender as soon as funding from DBSA is secured
	% of preserved water and water usage	09/10: 12%	Reduced water losses from 12% to 10%	Water loss is calculated at 3% loss to date	Target exceeded	
		09/10: 0%	100% completed water meter audit pilot project <i>(To be funded from external loan)</i>	No funding, audit not done	No funding	Awaiting approval of funding
		09/10: 93%	95% of water leaks repaired within 48 hours	92% of water leaks within 48 hours (Complaints Received- 2 107; Handled-1 938)	Shortage of staff , vehicles and materials	Approval of proposed structure to increase capacity and appointment of service providers for supply and delivery of plumbing material
		new	4 zonal meters installed	0, No funding for zonal meters	No application made	Awaiting outcome of WDM project
		new	100% completed water maintenance plan	Maintenance plan approved by Council in Dec. 2010	Target achieved	
		new	90% compliance with “blue drop” water quality accreditation system for Rand Water supply and purification plant in Refenggotso/ Deneysville	50% Compliance as per DWA report	Sampling not taken in Sasolburg network and unqualified staff	Sampling and testing done on monthly basis and operator are trained for level 2/3
		07/08: 80% 08/09: 100% 09/10: 82%	95% faulty meters repaired: domestic (10 days) & industrial (60 days)	87% meters repaired (Complaints Received-272; Handled-237)	Shortage of staff , vehicles and materials	Approval of proposed structure to increase capacity and appointment of service providers for supply and delivery of plumbing material
To enhance the provision of water supply and eliminate water supply interruptions by constructing a ring feed water system to the noxious industrial area of Sasolburg and other essential residential areas.	Number of kms of ring feed line constructed	new	2,5km of ring feed line constructed <i>(Not funded)</i>	No funding	Not budgeted for	Awaiting possible capital contribution from OMNIA

**IDP Priority:** Sanitation provision

Strategic Objectives	Key Performance Indicator (KPI)	Baseline	2010/11 SDBIP Annual target	Actual performance: 30 June 2011	Reason for under- or non-performance	Corrective measures taken or to be taken to improve performance
To provide water-borne sanitation system to ensure access to decent sanitation services by all households in formalised and informal areas	Number of stands provided with sewer network in identified backlog areas	09/10: 0	368 stands in Metsimaholo (network/bulk supply) <i>Business plans completed</i>	Business Plan submitted to CoGTA for funding	Awaiting approval of funding by CoGTA	Project will be implemented on approval and receipt of funding
	Number of new sewer connections provided	09/10: 1 475	133 “un-serviced stands” 925 in Gortin	Funding has been approved	Awaiting approval of tender	Tender stage for approval of service provider
		new	100% completed sanitation maintenance plan	Maintenance plan approved by Council in Dec. 2010	Target achieved	
		new	100% approved sanitation master plan (WSDP)	WSDP not yet completed	Delays in procurement processes	Tender evaluation and adjudication stages completed & service provider is expected to be appointed by Aug. 2011
		new	75% completed extension of water purification plant in Refengkgotso	Project on evaluation stages, Service provider to be appointed by AUGUST 2011	Delays in procurement processes	
	% blockages attended to within 24 hours	07/08: 100% 08/09: 100% 09/10: 100%	100% of blockages attended to within 24 hours	100% sewer blockages attended to within 24 hours (Complaints Received-1 615; Handled-1 615)	Target achieved	
	% compliance with green-drop quality accreditation system	new	90% compliance with green-drop quality accreditation system	65% green-drop compliance DWA report	Non compliance monitoring and operations	Sedibeng Water is assisting the municipality with operations and monitoring
Km of main gravitational outfall sewer replaced	new	2km of main gravitational outfall sewer replaced	Awaiting appointment of suppliers, local supplier to be appointed	Delays in procurement process	Directorate to write deviation report for appointment of service provider	

## IDP Priority: Roads and storm water

Strategic Objectives	Key Performance Indicator (KPI)	Baseline	2010/11 SDBIP Annual target	Actual performance: 30 June 2011	Reason for under- or non-performance	Corrective measures taken or to be taken to improve performance
To ensure sufficient roads and storm water networks to all communities in Metsimaholo by improving accessibility of roads and improvement in road safety and storm water drainages	% roads maintenance plan and roads master plan developed and approved	new	100% roads maintenance plan developed and approved	Maintenance plan approved by Council		
		new	100% roads master plan developed and approved	Project on Evaluation stage	Delays in procurement processes	Final master plan to be available by the end of Dec. 2011
	Number of kms of roads and storm water upgraded and maintained in identified areas	new	5kms of roads & storm water in Gortin	Project in progress, 60% complete	Shortage of skilled labourers, plants and material	Planning and scheduling and appointed service provider to assist in maintenance
		new	5kms of roads upgraded in Deneysville and Refengkgotso	3km upgraded	Unfavourable weather conditions	Work has commenced to reduce any delays
		new	2kms of roads upgraded in Oranjeville	3km upgraded		
		new	2kms sealed in Vaalpark	2km sealed in Vaalpark		
		new	25kms of critical roads maintained in priority areas (To be funded from external loan)	5km sealed in Town	Delays on approval of the loan	Tender stage for appointment of service provider
	% of pavement management system developed and approved	new	100% of pavement management system developed and approved	0% completed	No funding	
	% of storm water master plan developed and approved	new	100% of master plan developed and approved	Project on Evaluation stage	Delays in procurement processes	Final master plan to be available by the end of Dec. 2011
	Kms of storm water networks erected in identified areas	09/10: 0	3kms in Gortin 1km in Zamdela 1km in Amelia, Deneysville, small holdings and farms	3kms in Gortin; 1km in Zamdela; 1km in Amelia, Deneysville, small holdings and farms		
	% complaints relating to roads & storm water handled within 2 days	09/10: 85%	85% of complaints handled within 2 days	85% Complaints handled	Target achieved	
	Number of taxi ranks constructed/upgraded	08/09: 0 09/10: 0	3 taxi ranks in Metsimaholo, Refengkgotso and Vaalpark	No funding,	Insufficient funding to complete the project	Vaalpark construction to commence in Sept. 2011
	Kms of pedestrian and bicycle lane networks erected in targeted areas	new	2km pedestrian sidewalks and bicycle lanes erected (Funded by FDDM)	2km of pedestrian sidewalks completed	Target achieved	
Number of local emerging contractors appointed	07/08: 2 08/09: 9	6 local emerging contractors appointed (On EPWP and MIG projects)				

Strategic Objectives	Key Performance Indicator (KPI)	Baseline	2010/11 SDBIP Annual target	Actual performance: 30 June 2011	Reason for under- or non-performance	Corrective measures taken or to be taken to improve performance
	through EPWP and MIG projects	09/10: 6				
	Number of temporary jobs created through EPWP and MIG projects	07/08: 250 08/09: 350 09/10: 183	600 temporary jobs created (On EPWP and MIG projects)	278 (126 technical +152 other)	Not sufficient projects executed as EPWP projects	More projects to be executed as EPWP projects

### IDP Priority: Public transport

Strategic Objectives	Key Performance Indicator (KPI)	Baseline	2010/11 SDBIP Annual target	Actual performance: 30 June 2011	Reason for under- or non-performance	Corrective measures taken or to be taken to improve performance
To promote an efficient, competitive and responsive economic infrastructure network through the implementation of an integrated public transport system in the Metsimaholo area	% Integrated Transportation Plan (ITP) developed	new	25% ITP developed and approved (Feasibility study to be completed)	0% completed	No funding	

### IDP Priority: Electricity provision

Strategic Objectives	Key Performance Indicator (KPI)	Baseline	2010/11 SDBIP Annual target	Actual performance: 30 June 2011	Reason for under- or non-performance	Corrective measures taken or to be taken to improve performance
To ensure access to electricity for all communities by: <ul style="list-style-type: none"> <li>Providing, maintaining and upgrading infrastructure and networks</li> <li>Increasing electricity</li> </ul>	Number of new electricity connections erected in the identified areas	09/10: 1 004	456 new connections (368 Metsimaholo Extension and 88 infills in Zamdela)	Projects in progress excavation and poling done	Late appointment of the service provider	Supervision and implementation process to be fast-tracked
	% of electrified household's receiving free basic electricity	09/10: 90%	100% of households receiving free basic electricity (DTIS to finalise agreement for HHs in Eskom supplied areas by Dec 2010)	100%	Target achieved	
	Number of pre-paid meters installed	09/10: 694	800 pre-paid meters installed on request (demand-driven)	378 pre-paid meters installed	Demand driven	

Strategic Objectives	Key Performance Indicator (KPI)	Baseline	2010/11 SDBIP Annual target	Actual performance: 30 June 2011	Reason for under- or non-performance	Corrective measures taken or to be taken to improve performance
distribution and accessibility <ul style="list-style-type: none"> <li>Improving the management of distribution networks</li> </ul>	Reduced number of outages reported within the municipality (to be quantified)	To be determined	Outages minimised by 25% <i>(Current baseline to be quantified/calculated by end of July 2010)</i>	Report outstanding		
	Reduced average response time to reported outages from three days to 2 hours	To be determined	Response rate reduced to average of 2 hours	Response rate is within 2 hours	Target achieved	
	% complaints handled within 24 hours (excluding street lights & outages)	07/08: 100% 08/09: 100% 09/10: 80%	80% of complaints handled within 24 hours	85% of complaints handled within 24 hours  (Complaints received-3 600; Handled-3 060)	Target exceeded	
	% of electricity master plan developed and approved	new	100% of master plan developed and approved	Project on Evaluation stage	Delays in procurement processes	Final master plan to be available by the end of Dec. 2011
	% of electricity maintenance plan developed and approved	new	100% of maintenance plan developed and approved	Maintenance plan approved by Council in Dec. 2010		
	% completed investigation into security measures for transformers and mini-substations	new	100% completed investigation	0% completed	No funding	
	Number of electricity 80transformers repaired / replaced	new	4 transformers replaced/ repaired	6 transformers repaired	Target exceeded	
	% replaced and audited conventional meters	new	100% of industrial meters repaired/replaced	100% industrial meters repaired	Target achieved	
		new	200 additional meters audited per month	0% completed	No funding	
	Introduced differentiated electricity tariffs	new	100% completed investigation on feasibility of introducing differentiated electricity tariffs (DTIS)	Report completed and submitted to the CFO	Target achieved	
Number of new high mast lights provided in identified priority areas	09/10: 2	15 high mast lights provided	Project in progress, 4 high-mast installed	Insufficient funding		

Strategic Objectives	Key Performance Indicator (KPI)	Baseline	2010/11 SDBIP Annual target	Actual performance: 30 June 2011	Reason for under- or non-performance	Corrective measures taken or to be taken to improve performance
	% of street and high mast lights maintained	09/10: 50%	100% of street and high mast lights maintained <i>(Q1 – fill critical posts and procure required vehicles)</i>	80% of high mast lights maintained	Shortage of skilled staff and material	Unforced the capacity and availability of material
	% of substation and bulk supply line completed (Leitrim, Amelia & Moodraai)	09/10: 0%	30% of substation and bulk supply line completed	Project on progress and 20% to date	Late appointment of the service provider	Fast-track the project
	Quantified electricity losses	new	100% meter audit pilot project completed	0% completed	No funding	
	% reduction in electricity distribution losses	new	Submit report to Council on measures to deal with unaccounted for electricity and water <i>(Joint report by DTIS and CFO which will include analysis of contributing factors, basis for calculating losses, measures to be taken to combat losses, etc.)</i>	0% completed	No internal capacity	
		07/08: 6.4% 08/09: 6% 09/10: 10%	Reduced losses from 10% to 9% <i>(Unaccounted For Electricity – encourage HH conversion to prepaid meters/ reduction in illegal connections/theft of scratch cards)</i>	Report outstanding		

**Cluster: Economic and Infrastructure Development (EID)****DIRECTORATE: ECONOMIC DEVELOPMENT AND PLANNING****Key Performance Area: Basic Service Delivery and Infrastructure Investment****IDP Priority: Housing**

Strategic Objectives	Key Performance Indicator (KPI)	Baseline	2010/11 SDBIP Annual target	Actual performance: 30 June 2011	Reason for under- or non-performance	Corrective measures taken or to be taken to improve performance
To provide sustainable human settlements and improved quality of household life through accelerated delivery of housing opportunities and access to basic services	% completed feasibility report on the establishment of social housing	09/10: 20%	100% of feasibility study completed by end of March 2011 <i>(Draft report already prepared)</i>	80% progress  Legal Services commented during Aug 2011  Report to be submitted to Management, Portfolio MMC, Mayoral Committee and Council during Sept – Oct 2011	The proposals involved establishment of a private entity and the POLICY to be adopted by Council must comply with Government Guidelines	Draft Report amended for consideration by Council
	% of Housing Sector Plan updated	09/10: 0%	100% of Housing Sector Plan updated <i>(Funded by Province (Review ito housing chapters))</i>	80% progress Reviewing process involved specific research work in line with Housing Code and Regulations. It follows that the appointment of a Consultant has been considered to assist with the process. Notwithstanding the Division also identified the need for reviewing the 2002-Sector Plan and 50% of the research work has already been executed internally since 2009 / -10. On completion Provincial Government requested for electronic submission of the	The process of reviewing, research and analysing the 2002 - Housing Sector Plan data is time-consuming with the under capacitated staff situation. Provincial comments is still outstanding	Instead to opt for appointment of an external Consultant on TENDER basis which will delay the process further, the Director decided to execute the Housing Sector Plan internally with available resources.

Strategic Objectives	Key Performance Indicator (KPI)	Baseline	2010/11 SDBIP Annual target	Actual performance: 30 June 2011	Reason for under- or non-performance	Corrective measures taken or to be taken to improve performance
				"Draft Sector Plan" during December 2011 for their inputs / corrections, before submission and adoption by Council		
	% formalised township establishment (Mooibraai and Mooiplaats) including infill planning in Zamdela	09/10: 90%	100% formalised township by (2 500 erven in Mooiplaats)	The process for township establishment for an estimated 2'500 erven is 80% completed (planning and surveying).	Provincial Government has not approved the layouts and reasons not provided.	Letters sent to the office of the MEC
		09/10: 90%	100% formalised township by (3000 erven in Mooibraai)	The process for township establishment for an estimated 3'500 erven is 80% completed (planning )	Provincial Government has not approved the layouts and reasons not provided.	No Letters sent to the office of the MEC
	Number of RDP houses constructed	08/09: 1700 09/10: 3 100	2300 RDP houses completed in Amelia (Project managed by Province)	The MEC responsible for Co-operative Governance, Traditional Affairs and Human Settlements made an announcement during <u>August 2009</u> for the construction of <u>2'300 houses</u> An estimated 700 remaining erven in ZAMDELA Extension 16 (Amelia)	Further project announcements subject to subsidy allocations by MEC for 2011	MEC has been informed about backlogs for region during July 2011
	Number of new Community Residential Units (CRUs) constructed	09/10: 0%	Hostel 4 (420 units – Phase 1&2)) completed  Only Phase 1: 200 units to be completed  (Phase 1 entails rolling out of services to vacant land and construction of 200 units; Phase 2 includes the demolition of existing hostel and construction of 220 units)	The Free State Provincial Government:  - submitted designing proposals for the CRU Project March 2009 - Invited TENDERS in Oct. 2010 & April 2011 - Approved the project by MEC June 2011 - Council await Appointment of the Contractor &	This CRU Project is subject to MEC approval	The Council is in process to execute surveys in Thembaletu, Phomolong, Hostels 1, 2, 3 & 4 to determine the existing community need and who might qualify for CRU (must be able to pay rent)

Strategic Objectives	Key Performance Indicator (KPI)	Baseline	2010/11 SDBIP Annual target	Actual performance: 30 June 2011	Reason for under- or non-performance	Corrective measures taken or to be taken to improve performance
				<p>Announcement Sept. 2011</p> <p>The Municipality initiated:</p> <ul style="list-style-type: none"> <li>- An Erf creation process (subdivision / consolidation) Feb. 2011</li> <li>- A survey to determine the No. &amp; interest in CRU March 2010 &amp; MEC requested a review / update Oct. 2011</li> </ul>		
	% of subsidy applicants assisted	08/09: 100% 09/10: 100%	100% of subsidy applicants assisted <i>(This includes the allocation for 1 000 units in Amelia)</i>	As soon as the MEC made an announcement for housing delivery Land Availability Agreements are concluded and the process to identify beneficiaries initiated. Therefore NO applications are outstanding	This activity is linked to Project Announcements by the MEC An estimated 700 remaining erven in ZAMDELA Extension 16 (Amelia) need houses	MEC has been informed about backlogs for region during July 2011
	Number of properties sold through unsolicited bids	09/10: 140	120 properties sold	<p><b>192 Residential and 17 Church Stands</b> processed this far as Unsolicited Bid Sales, involving:</p> <ul style="list-style-type: none"> <li>- Applications and Recommendation by the Director LED</li> <li>- Delegated Power Approval by MM</li> <li>- Conclusion of Contracts with beneficiaries</li> <li>- Opening of Accounts (CFO)</li> <li>- Monitoring of Payments and on full payment</li> <li>- Instructions to Attorneys for Transfer Arrangements</li> </ul>	Target exceeded	This matter is dependent from public inquiries / responses and NOT guaranteed (Therefore set as 10 x per month)

**IDP Priority: Land availability**

Strategic Objectives	Key Performance Indicator (KPI)	Baseline	2010/11 SDBIP Annual target	Actual performance: 30 June 2011	Reason for under- or non-performance	Corrective measures taken or to be taken to improve performance
To ensure more effective land utilisation to facilitate integrated human settlements in line with approved Spatial Development framework	Land secured as per Spatial Development Framework	09/10: 25%	Funding secured and land purchased (Vaaldam & Refengkotso) – transfers finalised  <i>(Province committed R6m; Valuers to be appointed and valuation expected to be completed by end of Q1; Purchasing and transfers to follow after valuations)</i>	In line with the SDF 36 x Plots Vaaldam Small Holdings has been earmarked for the expansion of Refenggotso  With the cooperation from Provincial Government 9 x Plots has been purchased and registered in name of the Council in May 2011  The Remainder will have to be expropriated. Following the MEC and in terms of Section 5 of the Expropriation Act 63 of 1975 and Section 9 of the Housing Act, 1997 (Act 107 of 1997) must accede thereto.	The MEC's approval for expropriation and securing of funding thereto outstanding since March 2011	Communication letter to MEC to consider the matter
	% rezoning, sub-divisions and consolidation applications processed by municipality within 30 days	07/08: 90% 08/09: 60% 09/10: 80%	90% of applications processed within 30 days	<ul style="list-style-type: none"> <li>- Removal of restrictions and rezoning (21)</li> <li>- Consolidations (8)</li> <li>- Sub Division (3)</li> <li>- Amendment of the Vaal River Complex Structure Plan (1)</li> <li>- Township Establishment Applications (2)</li> <li>- Consent use (6)</li> </ul>		



## IDP Priority: Urban and regional planning

Strategic Objectives	Key Performance Indicator (KPI)	Baseline	2010/11 SDBIP Annual target	Actual performance: 30 June 2011	Reason for under- or non-performance	Corrective measures taken or to be taken to improve performance
To renew the ageing Central Business District (CBD)	% Urban Revitalization Strategy completed	09/10: 0%	100% strategy completed (Q1: Appoint service provider Q2: First draft Q3: Submit to Council)	Strategy not completed	Tender advertisement was not approved.	Tender specifications to be resubmitted
To identify development nodes and corridors in order to guide development and investment	% of Spatial Development Framework (SDF) reviewed/updated	07/08: 100% 08/09: 100% 09/10: 100%	100% of SDF reviewed/ updated (Q1: appoint service provider Q2: stakeholder meetings Q3: Finalise draft SDF Q4: Submit to Province)	100% SDF approved by Council and sent to Province		
	% of Integrated Land Use Management Scheme finalised	07/08: 80% 08/09: 90% 09/10: 100%	100% finalised by June 2011	80% finalised		
Effective management of buildings section	% of building plans approved within 30 days of receipt of completed applications	07/08: 100% 08/09: 100% 09/10: 70%	95% of completed building plans approved within 30 days of receipt	481 building plans received and 336 approved (70%)	Building plans not approved because of incomplete and/or incorrect information on applications	A checklist has been drawn and notices placed on the notice board to indicate what is required for submission of a plan
	% of approved plans inspected as per prescribed standards	07/08: 70% 08/09: 80% 09/10: 80%	95% of approved plans inspected	630 inspections were conducted		
	% complaints of violations responded to within 48 hours	07/08: 100% 08/09: 100% 09/10: 75%	90% of complaints handled within 48 hours	10 complaints were received and 8 attended to.(80%)	There were no vehicles	

## Key Performance Area: Local Economic Development

### IDP Priority: LED and Poverty alleviation

Strategic Objectives	Key Performance Indicator (KPI)	Baseline	2010/11 SDBIP Annual target	Actual performance: 30 June 2011	Reason for under- or non-performance	Corrective measures taken or to be taken to improve performance
To facilitate decent employment through inclusive economic growth by stimulating the growth of SMMEs to contribute towards the reduction of unemployment and poverty in the region.	% of LED Strategy with implementable plans approved	07/08: 50% 08/09: 60% 09/10: 80%	100% approved LED Strategy by August 2010 <i>(Draft LED strategy completed; Implementation plan to be finalised)</i>	70% complete Draft strategy presented to council LED implementation plans presented to management, MAYCO and IDP Steering committee	The LED report was withheld by the MMC from being presented to council.	New date needs to be set to be presented to the council
	% of Commonage Policy approved to stimulate agricultural activities	09/10: 0%	100% approved Commonage Policy <i>(Q1: Draft policy prepared Q2: Consultative meetings Q3: Submit for approval)</i>	Draft commonage policy is being prepared in conjunction with the Dept of Agriculture.	Delays experienced with the Dept. of Agriculture.	The proposal developed by legal was resubmitted with inputs from LED. Moidraai and Rosendal farms have been planned by Dept of Agriculture as commonage
	% of SMME Development plan finalised	09/10: 0%	100% approved SMME Development plan <i>(Q1: Advertise tender Q2: Appoint service provider Q3: Prepare draft plan Q4: Submit plan for approval)</i>	0% completed	SMME development will form part the LED strategy and implementation plan	The LED strategy needs to be presented and be adopted by council first. There after the SMME development plan can be developed.
	Number of self sufficient and sustainable SMME appointed	09/10: 6	8 SMMEs appointed <i>(This is municipal-wide and includes DTIS targets)</i>	2 SMME's were appointed from Technical Services	Lack of coordination between LED and SCM on targeted procurement goals	Structured meetings between LED and SCM on targeted procurement
To continue to effectively contribute a higher proportion of economic growth rate within District	Number of jobs created	09/10: 255	2 000 jobs to be created <i>(This is municipal-wide and includes DTIS targets)</i>	121 jobs were created through projects and 60 employed by the Municipality 447 jobs created through the housing project(2300)		

Strategic Objectives	Key Performance Indicator (KPI)	Baseline	2010/11 SDBIP Annual target	Actual performance: 30 June 2011	Reason for under- or non-performance	Corrective measures taken or to be taken to improve performance
	Number of cooperatives established and supported	09/10: 0	4 cooperatives established and supported	4 cooperatives were established and registered. Sisonke Cooperative, Shooting Stars Multipurpose Primary Co-operative, Solnjo Construction and Projects primary co-operative limited & Heart of Success primary co-operative	Target achieved	A workshop has been arranged to assist prospective cooperatives with their applications for registration.
	% completed MOU with Public Works	09/10: 0%	MOU completed by July 2010 <i>(MOU to facilitate implementation of EPWP projects)</i>	MOU has not been signed	EPWP projects must first be registered with Public Works	PMU must finalise the process
	Completed Social Labour Projects	09/10: 20%	100% of Bricks and Paving Project completed <i>(Site and 14 beneficiaries already identified)</i>	Land for the project has been identified in Zamdela 14 beneficiaries were appointed 4 members of the cooperative were trained in Brick making Sisonke cooperative has been registered	Lack of openness from Sasol Mining and constant meetings affected the progress of the project.	DMR meeting was arranged with Mining Houses to address these challenges. Monthly reports are to be compiled by mining houses and be submitted to the Municipality.
09/10: 0%		100% of vegetable farm project completed	Land earmarked for the project Mooibraai The Municipality is still in negotiation with the Dept . of Agriculture for the planning of the land.	Planning has not been completed by Dept of Agriculture since 10/08/2010	Meetings were held with the Dept. A letter to the MEC of the Dept of Agriculture was written seek support and accelerate the project. Meeting request has been to the District Municipality to fast track the planning	
09/10: 20%		100% of Poultry and Piggery Project completed <i>(Feasibility study already completed)</i>	The project is earmarked to be at Rosendal 20 beneficiaries were identified.	Awaiting on Sasol Mining to give an action plan with dates	DMR meeting was arranged with Mining Houses to address these challenges. Monthly reports are to be compiled by mining houses	

Strategic Objectives	Key Performance Indicator (KPI)	Baseline	2010/11 SDBIP Annual target	Actual performance: 30 June 2011	Reason for under- or non-performance	Corrective measures taken or to be taken to improve performance
						and be submitted to the Municipality.
	% of Marketing and Tourism Plan compiled and approved	09/10: 0%	20% of Marketing and Tourism Plan developed <i>(Q4: Advertise tender and award contract)</i>	No progress on Marketing and Tourism	Funding is still being sought for the project	Calls are made to relevant institutions to solicit funding and non financial support. Chemcity has been approached to fund the plan

**CLUSTER: SOCIAL DEVELOPMENT AND COMMUNITY PROTECTION (SDCP)****DIRECTORATE: SOCIAL SERVICES****Key Performance Area: Basic Service Delivery and Infrastructure Investment****IDP Priority: Refuse removal**

Strategic Objectives	Key Performance Indicator (KPI)	Baseline	2010/1: 1Annual SDBIP target	Actual performance: 30 June 2011	Reason for under- or non-performance	Corrective measures taken or to be taken to improve performance
To ensure effective and efficient waste management services and systems by reviewing and extending the refuse removal programme to all areas	% developed and implemented Integrated Waste Management Plan (IWMP)	07/08: 75% 08/09: 95% 09/10: 90%	100% developed IWMP approved	IWMP 100% developed but not yet approved by Council	Shortage of funds and Council resolution is required For both adoption and implementation	IWMP will be submitted to Council for approval in Sept. 2011
	Number of refuse removal trips to the dump site per week within the municipal areas	09/10: 150 trips p/week (2 trucks @ 3 trips p/day and 4 trucks @ 6 trips p/day)	Additional 30 trips per week (2 trucks @ 3 trips per day for 5 days) <i>Procurement of 2 additional compactor trucks (Amelia, Gortin, Mooiplaats &amp; Moidraai)</i>	The status quo is maintained as the trucks have not been procured	Compactor trucks not procured	Compactor trucks will be procured under contract with the Government Garage
	Number of additional refuse removal points in Gortin	09/10: 0	2 500 additional points incorporated in Gortin	Same as above	Same as above	Same as above
	Increased number of refuse service points in Metsimaholo municipal area	09/10: 34 120	Increase number of points from 34 120 to 36 620	Same as above	Same as above	Same as above
	Percentage notification of finance department of new service points within 5 days	09/10: 0%	100% notification to finance department within 5 days	100% notification, Fin Dept is informed of new service points	Target achieved	

Strategic Objectives	Key Performance Indicator (KPI)	Baseline	2010/1: 1Annual SDBIP target	Actual performance: 30 June 2011	Reason for under- or non-performance	Corrective measures taken or to be taken to improve performance
To ensure all public transport facilities are effectively and efficiently managed and maintained	% cleaning and management of public toilets on a daily basis	09/10: 80%	90% cleaning and management of public toilets on a daily basis (Sasolburg and Vaalpark)	90 % of public toilet is cleaned on daily basis	Target achieved	
To ensure sufficient and well-managed landfill sites that is compliant with all legislative requirements	% finalised investigation into the establishment of new landfill sites	09/10: 10%	100% finalised investigation <i>(Tender was already advertised)</i>	0% progress	Tender not yet approved	Expedite the approval of the tender
	% compliance with audit report recommendations	09/10: 20%	100% compliance with audit recommendations <i>(Feasibility study funded by Sasol addressed issues)</i>	0% progress	No funding for implementation	Request MIG funding
	% effective management of existing landfill sites	09/10: 20%	50% effective management of landfill sites	0% progress	Finalisation of tender by SCM	Expedite the process of appointing the contractor
To promote a clean and healthy environment by conducting intensive awareness and cleaning campaigns to discourage illegal dumping	Number of awareness programmes on illegal dumping conducted	07/08: 3 08/09: 38 09/10: 14	18 programmes conducted (one per ward)	No programmes conducted	Shortage of resources	Will collaborate with the newly elected ward committees to address this matter
	Implemented clean ward competition and gardening projects	09/10: 50%	All logistics and criteria finalised by Sept 2010 100% finalisation of competition and projects by June 2011 <i>Report was already submitted and funding secured from Sasol (R25k)</i>	Report and plan submitted to council and approved	Proposal for adjudication panel and sourcing of sponsor for prizes	The project will be run concurrently with Greening of Zamdela project
	Number of illegal dumping sites removed	09/10: 12	5 illegal dumping removed	+ 5000 loads of illegal dumping was removed	Target exceeded	Additional resources to be procured to increase output
	% enforcement of by-law on illegal dumping	09/10: 20%	100% review of by-law <i>(Draft By-Law was already prepared)</i>	By-Laws submitted to Senior Management, but referred back for refinement	Lack of By-Law Unit	Fast-Track the establishment of the BY-Law Unit

## Key Performance Area: Community Development and Social Cohesion

### IDP Priority: Sport and recreation and community facilities

Strategic Objectives	Key Performance Indicator (KPI)	Baseline	2010/11 Annual SDBIP target	Actual performance: 30 June 2011	Reason for under- or non-performance	Corrective measures taken or to be taken to improve performance
To provide access to new and upgraded multi-purpose sport and recreation facilities for all wards.	Number of open spaces to be revitalised into soccer playgrounds	09/10: 0	5 soccer playgrounds completed (2 in O/ville & D/ville 3 in Zamdela, Gortin & Amelia)	10 soccer field scraped	Target exceeded	
	Number of developed community parks	09/10: 0	5 community parks developed (Ward 2 Zamdela)	No parks developed	Areas were not identified	4 parks are in the process of being established
	% completed multi-purpose centre (MPC)	08/09: 25% 09/10: 30%	100% completed MPC in Harry Gwala township (Contractor has already been appointed)	The process did proceed as expected, however it was revived in June 2011	Challenges in procurement process on the part of Anglo Coal	Project is back on track and sod turning expected in Sept. 2011
	% established High Performance Centre (HPC)	09/10: 60%	100% established HPC in Sasolburg by Sept 2010	100% completed	Target achieved	Proper Marketing of the Facility
To have all current community halls, recreational and sport facilities fully upgraded and maintained	Number of community halls upgraded	07/08: 3 08/09: 2 09/10: 0%	Zamdela Hall and Theatre stage curtains completed	100% completed	Target achieved	Maintain the standard
	Number or upgraded sport facilities	09/10: 0%	Zamdela swimming pool	0% achieved	Cable theft and Slow process to procure and replace	Tender went out awaiting SCM to appoint contractor
	Number of recreational facilities upgraded	09/10: 2	Facilities at Abrahamsrust and Day Visitors upgraded	50% of Facilities have been upgraded	Lack of funding	Request for funding has been submitted to FDDM

**IDP Priority: Education**

Strategic Objectives	Key Performance Indicator (KPI)	Baseline	2010/11 Annual SDBIP target	Actual performance: 30 June 2011	Reason for under- or non-performance	Corrective measures taken or to be taken to improve performance
To ensure that all communities have access to well-equipped and managed library facilities to encourage greater interest in reading and literature in communities	Number of functional and well equipped libraries	09/10: 5	In all rural areas <ul style="list-style-type: none"> <li>• Refengkgotso</li> <li>• Harry Gwala</li> <li>• Vaalpark</li> </ul> <i>Libraries currently in Sasolburg, Zamdela, Refengkgotso, Deneysville and Oranjeville</i>	All libraries are well equipped	Target achieved	Explore the Mobile Library option in the rural areas
	Number of "A re ithuteng" reading programmes conducted	07/08: 13 08/09: 51 09/10: 88	80 programmes conducted during school holidays			

## IDP Priority: Special programmes

Strategic Objectives	Key Performance Indicator (KPI)	Baseline	2010/11 Annual SDBIP target	Actual performance: 30 June 2011	Reason for under- or non-performance	Corrective measures taken or to be taken to improve performance
To embark on programmes focusing on vulnerable groups such as youth, women, elderly, disabled, and children	Convened local Youth Summit	09/10: 0%	Youth Summit convened by Sept 2010 <i>(Office of the Executive Mayor)</i>	Summit was not convened	Lack of internal capacity and funding	Summit to be convened by March 2012
	% of implementation plan finalised on youth development programmes	09/10: 0%	100% of implementation plan finalised by Dec 2010 <i>(Office of the Executive Mayor)</i>	Implementation plan was not developed	Plan can only be developed after youth summit is convened	Plan to be developed immediately after youth summit
	% of action plan developed for implementation of Provincial Women's Summit resolutions	09/10: 20%	100% of action plan developed by Sept 2010 <i>(Office of the Executive Mayor)</i>	Action plan was not developed	Lack of internal capacity	Action plan to be developed by end of Dec. 2011
	% of plan developed for support to the elderly and people with disabilities	09/10: 20%	100% of plan developed by Sept 2010 <i>(Office of the Executive Mayor)</i>	Plan was not developed	Lack of internal capacity	Plan to be developed by end of Dec. 2011
	% of a facility established for the mentally challenged persons	09/10: 20%	100% of facility established by Dec 2010 <i>(Office of the Executive Mayor)</i>	Facility has not been established	Delays in identifying suitable land and/or building	Facility is expected to be established by end of March 2012

## IDP Priority: Safety and security

Strategic Objectives	Key Performance Indicator (KPI)	Baseline	2010/11 Annual SDBIP target	Actual performance: 30 June 2011	Reason for under- or non-performance	Corrective measures taken or to be taken to improve performance
To facilitate the provision of adequate facilities and resources (police stations) in partnership with SAPS to improve police visibility and community safety.	% availability of municipal land and services to establish policing facilities/stations	09/10: 100%	100% availability of municipal land and services as and when requested by SAPS	New police station built in Zamdela	Target achieved	Maintain the standards
To support the “fight against crime” campaign in partnership with SAPS and other key stakeholders	Level of participation and support for crime awareness/prevention campaigns and forums (sectoral policing forum)	09/10: 100%	100% participation and support for crime prevention initiatives such as “Arrive Alive”, Safety & Security of Children, Business & Community Protection	100% participation taking place on an ongoing programmes	Target achieved	Keep on taking part
	Number of Community Safety Forums (CSFs) and Neighbourhood Watches (NHWs) established in partnership with SAPS and District	09/10: 0	2 CSFs and NHWs established	This has been replaced by Sector Policing Forums (SPFs)	Change in government policy	SPF to be established by Nov. 2011
	Number of routine road blocks at strategic points in partnership with SAPS	09/10: 30	30 road blocks per annum in identified priority areas <i>(Frequency increases over festive season and public holidays)</i>	20 road blocks held to date	Dependent on the SAPS programme	Work very close with SAPS to develop the programme and the dates
	% finalisation of application for drivers' license testing centre	09/10: 80%	100% finalisation of application <i>(Application already submitted)</i>	Application submitted to the Provincial Traffic Directorate	Awaiting response from the Province	Fast track the process
	Investigate the alternative usage and/or demolition of unused buildings for criminal activities <b>(LED/Building Control)</b>	09/10: 0%	Submit report to Council by end of Sept 2010 (in conjunction with Urban Planning)	Report not completed	Lack of coordination between Public Safety and Urban Planning	Meeting to be convened between two directorates/divisions
	Number of scholar patrol and road safety training programmes conducted	09/10: 4	6 scholar patrols operational in identified “high-risk” areas <i>(Programmes are normally conducted at</i>	10 Scholar patrols operational	Target exceeded	Extend the patrol to other areas

Strategic Objectives	Key Performance Indicator (KPI)	Baseline	2010/11 Annual SDBIP target	Actual performance: 30 June 2011	Reason for under- or non-performance	Corrective measures taken or to be taken to improve performance
	(SGB's)		<i>the start of the school year</i>			
	Number of erected traffic signs	09/10: 49 new & 114 replaced	100 signs erected	50 signs erected to date	Lack of funding	Request for funding from province
	Number of traffic calming erected	08/09: 8 09/10: 0	6 speed humps to be erected	0% achieved	Lack of funding	Request funding on MIG
	Number of tourism information boards erected	08/09: 0 09/10: 25	10 information boards erected	3 boards implanted to date	FDDM is slow in responding to the process	Requested the MMC s intervention

**IDP Priority: Cemeteries**

Strategic Objectives	Key Performance Indicator (KPI)	Baseline	2010/11 Annual SDBIP target	Actual performance: 30 June 2011	Reason for under- or non-performance	Corrective measures taken or to be taken to improve performance
To ensure that all existing cemeteries are well-managed, maintained and upgraded to provide sufficient and accessible burial sites and facilities according to the current and future needs	% of cemeteries upgraded	09/10: 0%	100% extension of Sasolburg cemetery (fencing & EIA)	100% extension	No funds for EIA	Apply for MIG funding
	Number of accessible and sufficient burial sites and facilities	09/10: 25%	Finalise completion of Refenggotso cemetery by Sept 2010	100% completed	Target achieved	Maintain the cemetery
	% of cemeteries maintained and cleaned	09/10: 50%	Formulation of cemetery management plan by Sept 2010	Plan served at Senior management	Plan to be converted into a By-Law	Submit proposed by-law to council by Oct 2011
		09/10: 80%	90% of cemeteries maintained and cleaned as per schedule	100% cemeteries were maintained and cleaned	Target achieved	Keep maintaining

**IDP Priority: Disaster management**

Strategic Objectives	Key Performance Indicator (KPI)	Baseline	2010/11 Annual SDBIP target	Actual performance: 30 June 2011	Reason for under- or non-performance	Corrective measures taken or to be taken to improve performance
To ensure increased awareness by supporting and co-resourcing awareness programmes to increase the preparedness of all communities	Number of trial disaster management exercises completed	09/10: 2	4 trial exercises completed	2 exercises completed	Insufficient funding	Request financial from FDDM
	Number of disaster management awareness campaigns completed	09/10: 0	4 awareness campaigns completed	2 awareness campaigns completed	Insufficient funding	Request funding from FDDM
To enhance capacity development by encouraging recruitment and training of sufficient volunteers to implement the disaster management plan	Number of volunteers recruited and trained	09/10: 0	50 Volunteers recruited and trained	No volunteers trained	Lack of funding	Request funding from FDDM

**IDP Priority: Environmental management**

Strategic Objectives	Key Performance Indicator (KPI)	Baseline	2010/11 Annual SDBIP target	Actual performance: 30 June 2011	Reason for under- or non-performance	Corrective measures taken or to be taken to improve performance
To develop sustainable infrastructure provision/ development and use of natural resources that will ensure the protection of ecological integrity and protection of biodiversity	Finalise the review of the Environmental Master Plan	09/10: 0%	Adopted revised Environmental Master Plan by end of June 2011 <i>(Draft plan already compiled)</i>	Adoption of master plan still outstanding	Funding	Reviewed draft to be submitted to Council by end of Sept. 2011
	% implementation of the Environmental Master Plan (EMP)	09/10: 0%	25% implementation of EMP	0% implementation	Dependent on approval of master plan	
To ensure compliance with NEMA and other applicable legislation in respect of every relevant development	% compliance with environment legislations and regulations.	09/10: 25%	50% compliance	Level of compliance not quantifiable at this stage	Dependent on approval of master plan	

**IDP Priority: HIV/AIDS**

Strategic Objectives	Key Performance Indicator (KPI)	Baseline	2010/11 Annual SDBIP target	Actual performance: 30 June 2011	Reason for under- or non-performance	Corrective measures taken or to be taken to improve performance
To facilitate and support measures that will contribute to a significant reduction of HIV/AIDS infection levels in communities.	Re-launching and capacitation of Local Aids Council (LAC)	09/10: 50%	Re-launched by end of Sept 2010 <i>(Office of the Executive Mayor)</i>	LAC was launched	Target achieved	Focus on support and resources for LAC
	% action plan on HIV/AIDS developed	09/10: 80%	100% action plan developed and approved <i>(Office of the Executive Mayor)</i>	0% of action plan developed	No internal capacity	Partnerships with Provincial Government and Community Based Organisations to be enhanced
	Number of HIV/AIDS awareness programmes conducted	07/08: 6 08/09: 2 09/10: 3	6 HIV/AIDS awareness programmes conducted <i>(Office of the Executive Mayor)</i>	No programmes were conducted	No internal capacity	Partnerships with Provincial Government and CBOs to be enhanced
	% increase of charitable organisations supported through proceeds of District HIV/AIDS Festival	09/10: 30%	By end of Dec 2010 <i>(Office of the Executive Mayor)</i>	Support is still at 30%	No growth in proceeds from festival	Assist District in marketing festival

**IDP Priority: Arts and Culture**

Strategic Objectives	Key Performance Indicator (KPI)	Baseline	2010/11 Annual SDBIP target	Actual performance: 30 June 2011	Reason for under- or non-performance	Corrective measures taken or to be taken to improve performance
To develop and promote arts and culture on performing arts, music, culture, art, language in schools and the community in partnership with government departments and NGOs/CBOs	Number of collaborative programmes with relevant stakeholders	09/10: 0	2 collaborative programmes	0% achieved	Stakeholders not identified	Identify stakeholders
	Developed action plan to involve the local artists in theatre programmes	09/10: 0%	100% of action plan developed and approved by Council	0% achieved	Action plan not developed	Action plan to be developed by end of March 2012
	Number theatre and cultural development programmes conducted	09/10: 60	60 programmes conducted	0% achieved	No developed cultural programmes	Develop cultural programmes
	Launched municipal choir	09/10: 80%	Launched by July 2010 <i>(Choir has already been established)</i>	0% achieved	No time to practice and no funding for uniforms	Place in the special programme in office of the executive mayor
	Hosting of arts and culture festival	09/10: 10%	Festival hosted by end of Sept 2010 <i>(Draft report has already been prepared)</i>	Festival took place as planned	Target achieved	Focus on the next festival

**CLUSTER: GOVERNANCE AND ADMINISTRATION****DIRECTORATE: ORGANISATIONAL DEVELOPMENT AND CORPORATE SERVICES****Key Performance Area: Municipal Transformation and Institutional Development****IDP Priority: Institutional Capacity and Development**

Strategic Objectives	Key Performance Indicator (KPI)	Baseline	2010/11 SDBIP Annual target	Actual performance: 30 June 2011	Reason for under- or non-performance	Corrective measures taken or to be taken to improve performance
To provide sufficient and skilled human capital in order to enable all departments to function optimally in order to enhance service delivery and institutional capacity.	Recruitment of targeted and qualified individuals in line with the critical posts identified	09/10: 40%	98 posts (50% of 196) of critical vacancies filled	139 vacant posts have been filled and this constitutes 70% of the target of 196	Target exceeded	
	% of organisational structure reviewed and approved	08/09: 60% 09/10: 80%	100% of organisational structure approved	80% of organisational structure has been completed	The consultation with departments, Labour and MAYCO was extensive	The envisaged date for the finalisation of the structure is the end of September 2011
	% grading of the municipality and job evaluation completed	09/10: 0%	100% grading and job evaluation completed <i>(Job evaluation done at provincial level)</i>	The job evaluation documentation has been submitted to the provincial job evaluation committee in August 2008	The job evaluation process is handled by the provincial job evaluation committee	The municipality has been in constant contact with the provincial office of job evaluation
	% of trained categories of staff members as per the annual Workplace Skills Plan (WSP)	09/10: 60%	80% of trained categories of staff as per WSP	55% of staff was trained as per the WSP	Budgetary constraints affected the implementation of the plan	The plan will be vigorously implemented
	% of comprehensive capacity building program for Councillors developed and approved by Council	new	100% of skills audit conducted for Councillors by end of Sept 2010	27% skills audit for councillors was conducted	Out of 36 councillors only 10 councillors responded to the audit despite numerous requests for their cooperation	Since the previous council's term has expired, the skills audit for new councillors should be conducted by end of September 2011
	% compliance with Employment Equity (EE) regulatory framework	09/10: 50%	75% compliance with EE provisions	80% of compliance with EE provisions can be reported	The EE plan has expired and is being reviewed	The EE plan and report will be submitted to the Department of labour by end of Oct. 2011
To ensure a working	Number of organisational	09/10: 0	2 OD interventions deployed	The interventions could not be deployed	Budgetary constraints affected the deployment of	The university of North west has been engaged to provide

Strategic Objectives	Key Performance Indicator (KPI)	Baseline	2010/11 SDBIP Annual target	Actual performance: 30 June 2011	Reason for under- or non-performance	Corrective measures taken or to be taken to improve performance
environment that enables good staff morale, high performance, sound employment and customer relations and sustainable service delivery	development intervention strategies deployed				the interventions	assistance
		09/10: 10%	100% of service excellence awards finalised <i>(Awards launched in December 2009)</i>	The criteria has been developed and report has to be approved by senior management	The interaction with the departments, at the level of the reward committee, has been extensive	The service excellence awards session will be held in September 2011
	% implementation of institutional PMS	09/10: 0%	Reviewed PM framework	The framework has been developed	The framework was tabled before council meeting but the report was deferred to the subsequent meeting	The framework will be tabled before the council meeting in September 2011
		09/10: 0%	50% of PM framework implemented	The implementation of the framework is yet to take place	The framework is yet to be approved by council	The framework will be tabled before the council meeting in September 2011
		09/10: 100%	Signed performance agreements for all s57 managers	The performance agreements have been signed	Target achieved	
		09/10: 0%	PMS cascaded to all divisional and assistant managers	The PMS framework is yet to be approved by council	The framework was tabled before council meeting but the report was deferred to the next meeting	The framework will be tabled before the council meeting in September 2011
	09/10: 0%	Signed delivery agreements for identified political office bearers <i>(Implementation will depend on directive from Premier's Office)</i>	The agreements have not been implemented	The Premier's office has not issued the instruction on how the this matter should be handled	The Premier's office will be urged to provide direction	
% functional customer care system	09/10: 60%	100% adoption of customer care policy and implementation plan <i>(Draft policy has already been compiled)</i>	The draft policy has been compiled	The draft policy has been submitted on more than occasion to senior management but could not be processed and as a result approval was delayed	The draft policy will be resubmitted to senior management so that it can finally be adopted	
To provide efficient and effective legal and administrative support services	Percentage agendas delivered at least 48 hours before all meetings	09/10: 90%	100% of agenda items received on time delivered within 48 hours of meetings	100% of agenda has been delivered on time	Target achieved	
	Effective management of all municipal data and information	07/08: 100% 09/10: 0%	100% of IDMS acquired and deployed	80% of IDMS has been acquired	The scanner has to be linked to the system to be fully operational	The scanner has already been purchased
	% resolutions logged and implementation tracked	08/09: 70% 09/10: 50%	100% of resolutions logged and implementation tracked <i>(Linked to implementation of IDMS)</i>	30% of resolutions has been tracked and implemented	The success of this project is heavily dependent on the IT	The IT department has been previously engaged and regular meetings with

Strategic Objectives	Key Performance Indicator (KPI)	Baseline	2010/11 SDBIP Annual target	Actual performance: 30 June 2011	Reason for under- or non-performance	Corrective measures taken or to be taken to improve performance
						department will be arranged
	Sound and conducive labour relations environment	09/10: 70%	Conclusion of MoU with labour <i>(Conclusion will depend on the nature of the ER climate)</i>	The MOU has not been concluded	Management and SAMWU agreed that a bosberaad has to be convened to improve relations	The Bosberaad will be held in September 2011
	Effective management of labour disputes	08/09: 80% 09/10: 90%	95% of disputes and grievances handled in terms of collective agreements	97% of disputes and grievances have been handled in accordance with the collective agreement	Target exceeded	
		09/10: 90%	95% of LLF meetings convened as planned <i>(Depend on the nature of the ER climate)</i>	70% of LLF meetings has convened as planned	The conflict ridden ER environment has negatively affected the LLF meetings	The bosberaad with SAMWU will be held in September in 2011 to address the challenge
	% audit of existing service contracts and improved contract management	09/10: 50%	100% audit of all existing contracts by 30 Sept 2010	100% audit of all existing contracts was conducted by 31 August 2011		
		09/10: 50%	Pro forma contract and SLA developed	Pr o forma contract and SLA are in place	Target achieved	
	Effective management of municipal fleet	09/10: 0%	Centralised fleet management policy and function finalised	The policy has not been developed	The benchmark exercise is yet to be embarked upon and research has to be conducted	The policy will be finalised by December 2011
		09/10: 0%	50% procured and deployed fleet management system	40% of fleet has been procured and deployed	The Government garage is yet to dispatch the outstanding number of fleet	The municipality is in constant contact with the Government garage
To facilitate and support measures that will contribute to the reduction of HIV/AIDS infection levels among municipal employees	% of employee HIV/AIDS Policy developed	09/10: 0%	100% of policy developed and approved by Council by end of Sept 2010 <i>(Draft has been prepared; Consultations will take place at LLF and thereafter submitted to Council for approval)</i>	The draft policy has been developed	The policy was discussed with labour and submitted to the Mayoral committee but was referred back to the LLF	The policy will be referred back to the LLF and will form of the work shop with councillors

**Cluster: Governance and Administration****DIRECTORATE: FINANCIAL SERVICES****Key Performance Area: Financial Viability and Financial Management****IDP Priority: Financial accountability and compliance**

Strategic Objectives	Key Performance Indicator (KPI)	Baseline	2010/11 SDBIP Annual target	Actual performance: 30 June 2011	Reason for under- or non-performance	Corrective measures taken or to be taken to improve performance
To implement an effective, efficient and economical system of supply chain management (SCM) system that is 100% compliant with MFMA and Treasury regulations	Reduced number of internal and external audit queries on supply chain management processes	09/10: 50%	60% reduction in audit queries from prior year	There was an increase in the number of Audit Queries on supply chain management processes	User Departments not complying to approved Procurement procedures.	Payment procedure Manual workshopped with all Councillors and Officials.  Also to be workshopped with Our Service Providers.
	Annual review of the SCM policy	09/10: 0%	Annually by end of June (if necessary)  <i>SCM policy to include provisions relating to preferential procurement</i>	90 % Achieved. Policy was reviewed and submitted to Council for Approval.	Policy was referred back for further discussion at a workshop. The workshop was held in Oct. 2010.	Final re- submission to Council to done in Oct. 2011
	Filling of critical vacancies in SCM unit	09/10: 0%	100% of critical vacancies filled	50 % of posts have been filled to date. SCM Practitioner (Demand and Acquisition Management) appointed from Oct. 2010.  Advertisement for 4 practitioners made in Feb. 2011.	The delay in finalising the appointment of the 4 practitioners was as a result of the delay in the finalisation of the Structure. These positions were not on the approved structure.	The reviewed structure to be approved by Council in Sept. 2011.

Strategic Objectives	Key Performance Indicator (KPI)	Baseline	2010/11 SDBIP Annual target	Actual performance: 30 June 2011	Reason for under- or non-performance	Corrective measures taken or to be taken to improve performance
	Development of SCM procurement plans before the beginning of the financial year for the approved projects	09/10: 0%	Annual procurement plans by end of June each year  <i>(Annual procurement plan based on approved capital projects)</i>	The procurement plan was compiled and approved by Management..	Target achieved	A procurement plan is being implemented and reviewed annually after the approval of the SDBIP.
	Funding of Mayoral Bursary Fund (between 0.5% and 1.0% of all new contracts awarded above R500 000)	new	Incorporate into tender specifications and conditions for new contracts	To be finalised during the review of the SCM policy.		
	Effective management of stores/inventory	new	Determine departmental stock item requirements by end of July 2010	Incorporated as part of the procurement plan.		
		new	100% availability of departmental stock items	60 % achieved.	The reason for not achieving the target is as a result of the under utilisation of the Supply Chain module.	The module will be upgraded and activated on E- venus . Training of staff will take place during Nov. 2011.
To ensure full compliance with MFMA and GRAP with regard to financial management and reporting	Monthly and quarterly reports compiled and submitted in terms of MFMA and DORA	07/08: 80% 08/09: 90% 09/10: 100%	100% of financial reports submitted on time  <i>(S71 monthly budget statements</i>  <i>MFMA/NT returns</i>  <i>DoRA returns)</i>	All monthly returns to National and Provincial Treasury submitted on time (Appendix B returns), except <ul style="list-style-type: none"> <li>• July 2010 (7 days)</li> <li>• Aug. 2010 (4 days)</li> <li>• Nov. 2010 (12 days)</li> <li>• 3 returns of Jan. 2011 between 1 &amp; 9 days late</li> </ul>	The reason for the late submission was as a result of systems problems experienced, which had an impact on the closing of the Ledger.	IT problems have been resolved with the lease agreement concluded with HP. We have also upgraded our accounting system to E-VENUS.

Strategic Objectives	Key Performance Indicator (KPI)	Baseline	2010/11 SDBIP Annual target	Actual performance: 30 June 2011	Reason for under- or non-performance	Corrective measures taken or to be taken to improve performance
	2011/12 MTREF completed in terms of MFMA and GRAP requirements by end of May 2011	07/08: 90% 08/09: 100% 09/10: 100%	100% of 2011/12 MTREF completed by end of May 2011 <i>(Q1: Budget preparation time schedule Q2: Internal consultations Q3: Draft budget tabled Q4: Public participation and final budget approval)</i>	2011/12 MTREF was approved by Council at the end of April 2011.	Target exceeded	
	GRAP Compliant Financial Statements produced year on year	08/09: 100% 09/10: 95%	100% AFS submitted by 31 August 2010	AFS was submitted to the AG on 31 Aug. 2010	Target achieved	
		09/10: 70%	70% GRAP/IAS compliant AFS <i>(GRAP 17 on Fixed Assets not yet complied with)</i>	The assets register for both movable and immovable Assets has been compiled and submitted to the Municipality. The compliance to be confirmed by the Auditor General's Office.	Target achieved	
	Elimination of legacy issues: <ul style="list-style-type: none"><li>• Zamdela selling schemes</li><li>• Mayor's trust (MM's office)</li><li>• Trade and receivables</li><li>• Assets</li></ul>	09/10: 0%	100% elimination of legacy issues from Auditor-General Report <i>(Q1: Trade receivables Q2: Assets of disestablished councils/Zamdela selling scheme)</i>	Reports on trade and other receivables as well as assets submitted to Council. The Zamdela selling schemes and the Mayor's trust still outstanding.	The CFO has no control over the legal processes relating to the two outstanding legacy issues, i.e. the Zamdela Selling Scheme and the Mayor's Trust.	
	% GRAP compliant fixed asset register (FAR)	09/10: 5%	75% GRAP compliant FAR compiled	The assets register for both movable and immovable Assets has been compiled.	Target achieved	

Strategic Objectives	Key Performance Indicator (KPI)	Baseline	2010/11 SDBIP Annual target	Actual performance: 30 June 2011	Reason for under- or non-performance	Corrective measures taken or to be taken to improve performance
	compiled		<i>(PwC appointed to compile FAR)</i>	The compliance to be confirmed by the Auditor General's Office		
	% provision for impairments	09/10: 40%	50% provision for impairments on AFS	50% provision made for impairments on AFS	Target achieved	
	% clearance of suspense account	08/09: R19m 09/10: R6m	100% of unidentified deposits cleared from suspense account  <i>(Remaining R6m to be cleared from suspense account)</i>	<ul style="list-style-type: none"> <li>98 % Unidentified deposits</li> <li>100% suspense accounts cleared</li> </ul>	These are deposited without proper remittance advice. The process of obtaining these advices are sometimes very long , due to the fact that the amounts involved have accumulated over a long period of time.	These deposits are now cleared on a monthly basis. An arrangement was made with the Banks not to accept any Deposit without a proper reference. In future, provision will be made on our Municipal Accounts to include all the correct information to be used for direct deposits.
	% of clean audit achieved	09/10: 40%	50% of clean audit achieved  <i>(Compliant FAR still to be compiled)</i>	<p>The issue regarding Assets is still not addressed. As indicated previously, it is expected that the Asset Register will be finalised by JUNE 2011.</p> <ul style="list-style-type: none"> <li>Accounting for VAT</li> </ul>		

Strategic Objectives	Key Performance Indicator (KPI)	Baseline	2010/11 SDBIP Annual target	Actual performance: 30 June 2011	Reason for under- or non-performance	Corrective measures taken or to be taken to improve performance
				<ul style="list-style-type: none"> <li>• Properties without municipal services</li>   <li>• Supply Chain, Fruitless and wasteful expenditure , irregular expenditure</li> </ul>	<p>Contract cancelled due to non performance by the Service provider. No payments were made to the Service Provider. The appointment was on risk, depending on how much will be claimed.</p> <p>The appointed contractor appointed by the District did not have capacity to implement the project</p>	<p>The VAT Review Service to be advertised again. The other issues relating to VAT are currently being attended as part of the Audit Report Action plan.</p> <p>The Data Purification Process will be done internally using the preliminary findings. Unemployed Graduates will be used to augment our internal capacity.</p> <p>The SCM policy has been reviewed and has to be re-workshopped to the new Councillors before being taken to Council for final approval.</p> <p>A procurement plan is being implemented and reviewed annually after the approval of the SDBIP.</p>

Strategic Objectives	Key Performance Indicator (KPI)	Baseline	2010/11 SDBIP Annual target	Actual performance: 30 June 2011	Reason for under- or non-performance	Corrective measures taken or to be taken to improve performance
						Staff capacity is still a challenge but will be addressed with the approval of the reviewed organogram. These are newly created positions on the structure.
	% of creditor payments made within 30 days	09/10: 68%	100% of creditor payments made within 30 days <i>(User departments to submit invoices to finance within 2 working days)</i>	80% achieved.	User Departments not complying to approved Procurement procedure.	Payment procedure Manual workshopped with all Councillors and Officials.  Also to be work shopped to Our Service Providers.

**IDP Priority:** Financial liquidity and viability

Strategic Objectives	Key Performance Indicator (KPI)	Baseline	2010/11 SDBIP Annual target	Actual performance: 30 June 2011	Reason for under- or non-performance	Corrective measures taken or to be taken to improve performance
To expand and improve the revenue base of the municipality through the implementation of the revenue enhancement strategy	% completed VAT review	09/10: 60%	100% VAT review completed	80% completed	Contract cancelled due to non performance by the service provider. No payments were made to the Service Provider.	The VAT Review Service to be advertised again.
	% completed data cleansing project	09/10: 30%	100% of data cleansing project completed  <i>Data cleansing project includes the following:</i> <ul style="list-style-type: none"> <li>• Accounts data</li> <li>• Tariff structure</li> <li>• Linking properties to services</li> <li>• IGG register</li> </ul> <i>Operational procedure</i>	Project not completed.	The appointed contractor (appointed by the District) did not have capacity to implement the project.	The data purification process will be done internally using the preliminary findings. Unemployed Graduates will be used to augment our internal capacity.
		09/10: 0%	50% of all returned customer accounts monitored and followed-up monthly  <i>(Linked to data cleansing project)</i>	100 % of all returned customer accounts monitored and followed-up monthly	The challenge is that new cases are identified monthly. This is as a result of the challenges experienced with the Data Cleansing project.	Linked to data purification process.
		09/10: 0%	100% of all properties billed for municipal services consumed  <i>(Linked to data cleansing project)</i>	95 % of properties billed for all municipal services rendered by Dec 2010	The reason for not achieving the target is as a result of the challenges experienced with the Data Cleansing project.	Linked to data purification process.

Strategic Objectives	Key Performance Indicator (KPI)	Baseline	2010/11 SDBIP Annual target	Actual performance: 30 June 2011	Reason for under- or non-performance	Corrective measures taken or to be taken to improve performance
	% e-venus system implemented	09/10: 40%	100% of e-venus system implemented <i>(Software has been installed and staff training done)</i>	100% of e-venus installed Training has been provided to staff other staff	Target achieved	
	% credit control and debt collection policy and programme reviewed	09/10: 30%	100% of review finalised <i>(Linked to data cleansing project)</i>	80% achieved. The Policy has been reviewed and presented to Council. However, the public participation process is still outstanding.	The public participation process was delayed as a result of the Local Government Elections.	A new schedule has been drawn up to be implemented in Oct. 2011.
		09/10: 50%	Credit control By-Law finalised <i>(Draft By-Law drafted. To be submitted to Council for approval and public participation)</i>	40% achieved. A draft has been presented to Council. Public participation still outstanding..	The public participation process was delayed as a result of the Local Government Elections.	A new schedule has been drawn up to be implemented in Oct. 2011.
		09/10: 0%	100% of outstanding debt of section 21 schools collected <i>(Debt estimated at R500k)</i>	There was a 35% increase in the balance.	Due to the nature of issue identified, which had to be resolved by the Municipality.	A meeting was held with the schools concerned to identify issues impacting on the payment of Municipal Services. A follow up meeting to be held in Aug. 2011 to assess progress.
		07/08: 89% 08/09: 75% 09/10: 86%	80% of consumer services levied collected on average monthly	An average of 90.63 % collection rate achieved	Target exceeded.  This was as a result of linking credit control action to all customers to allow for credit control action to be done.	
		08/09: +8%	20% reduction in consumer debt older	2.1% increase. Although there is an increase, there has been	The reason for not achieving the target was a	Linked to data purification

Strategic Objectives	Key Performance Indicator (KPI)	Baseline	2010/11 SDBIP Annual target	Actual performance: 30 June 2011	Reason for under- or non-performance	Corrective measures taken or to be taken to improve performance
		09/10: +3%	than 90 days	an improvement from the prior year.	result of challenges experienced with the data purification process. Most of the balances still need to be cleansed to identify amounts that could be written off, as an incentive to encourage payment. Furthermore, more than 50 % of this balance has been impaired.	process.
	Monitored impact of campaign to promote responsible citizenship	09/10: 0%	Report on effectiveness/impact of campaign completed and submitted to Council  <i>(Campaign to be launched end of July 2010; Reports to be prepared by Speaker's Office)</i>	Report not completed.	The delay was as a result of the Local Government Elections.	The following interventions have been instituted :  Mayoral Imbizo's and  Operation Patala to be launched.  Improve communication with Councillors
To promote inter-departmental synergy and efficiency by implementing appropriate service level agreements	Developed and signed SLAs with relevant departments (Technical, IT, HR, Communications)	09/10: 0%	100% of SLAs developed and signed  <i>(SLAs to be signed by finance and relevant department)</i>	50 % Achieved.	Specimen agreements have been obtained from various Municipalities, and must still be customised. Due to nature of inter-departmental services and the bench marking that had to be done, this took longer than anticipated.	The SLA to be finalised by the end of Oct. 2011.

**Cluster: Governance and Administration****OFFICE OF THE MUNICIPAL MANAGER****Key Performance Area: Good Governance and Community Participation**

IDP Priority: Corporate and democratic governance

Strategic Objectives	Key Performance Indicator (KPI)	Baseline	2010/11 SDBIP Annual target	Actual performance: 30 June 2011	Reason for under- or non-performance	Corrective measures taken or to be taken to improve performance
To ensure that sound governance processes and systems of internal control are developed and maintained	% effective and sound systems and internal controls	09/10: 50%	100% review of system of delegations of powers and functions	Draft delegations presented at Council policy workshop in Oct. 2010. Sub-delegations by MM to Directors finalised.	Council and Mayoral delegations delayed due to local elections.	Council and Mayoral delegations to be finalised by end of Sept. 2011
		09/10: 80%	100% of PROPAC resolutions implemented	80% completed.		PROPAC resolutions are part of Operation Clean Audit.
	% establishment of internal audit function	09/10: 3 out of 7 posts filled	50% of unit established <i>(Head of unit to be appointed)</i>	Manager: Internal Audit appointed in Jan. 2011	Target achieved.	
		09/10: 50%	100% of internal audit charter reviewed	Charter was reviewed	Target achieved.	Annual review planned.
		09/10: 100%	100% execution of internal audit coverage plan	Coverage plan not fully executed	Insufficient internal capacity.	
	% of improved systems developed for optimal institutional efficiency	09/10: 50%	100% execution of organisational risk assessments <i>(Draft risk register has been compiled)</i>	Risk treatment plans for all directorates and office of the MM finalised.	Target achieved	
		09/10: 0%	50% monitoring and implementation of approved fraud prevention strategy	Not completed.	Lack of capacity.	100% implementation planned by end of June 2012
		09/10: 0%	50% of systems audit/review completed <i>(To be included in annual audit plan)</i>	Not completed.	Lack of capacity	Systems review included in 2011/12 internal audit plan.
		09/10: 20%	100% of system for declaration of interests implemented <i>(Revised policy to be drafted)</i>	System has been developed but not fully implemented.	Lack of capacity	Full implementation planned during 2011/12 financial year
	% of 2011/12 Revised IDP approved by Council in terms of MSA and MFMA provisions	07/08: 100% 08/09: 90% 09/10: 75%	100% of Revised IDP approved by Council by March 2011 <i>(This target includes the convening of the annual strategic planning session)</i>	Revised IDP was approved by Council at the end of April 2011	Target achieved	
	2009/10 Annual Report submitted to Council by end of January 2011	07/08: 0% 08/09: 100% 09/10: 75%	100% of 2009/10 Annual Report submitted to Council	Draft 2009/10 Annual Report (excluding finance chapter) was submitted to Council at	Report from Auditor -General was received late.	Communication with Auditor-General to ensure that all audit issues are finalised on

Strategic Objectives	Key Performance Indicator (KPI)	Baseline	2010/11 SDBIP Annual target	Actual performance: 30 June 2011	Reason for under- or non-performance	Corrective measures taken or to be taken to improve performance
				the end of Jan. 2011		time.
To ensure that the municipality's ICT capacity is enhanced	% ICT policy developed and approved	08/09: 60% 09/10: 80%	100% ICT policy developed and approved <i>(Draft policy has already been compiled)</i>	Draft policy was submitted to Senior Management	Delays experienced in submitting policy to Council and Mayco.	Policy to be re-submitted to Mayco and Council in Sept. 2011
	% of network and systems upgraded	09/10: 90%	100% of network and cabling installed	20% completed.		Full installation expected by end of Dec. 2011
		09/10: 0	250 new computers deployed			
	% downtime of critical systems reduced as a percentage of total time	08/09: 80% 09/10: 90%	90% downtime of critical systems reduced	90% achieved	Target achieved	
	% of workstations on line	08/09: 80% 09/10: 80%	85% of workstations on line	85% achieved	Target achieved	
	% of services complaints resolved within 24 hours	08/09: 50% 09/10: 85%	90 % of services complaints resolved within 24 hours	90% achieved	Target achieved	
% of pre-paid vending system linked	09/10: 30%	100% linked pre-paid vending systems to main server	90% completed.		100% links expected by end of Sept. 2011	
To improve the municipal communication system and public participation processes to ensure effective internal and external communication with all stakeholders and meaningful engagement of communities in the affairs of the municipality	% of MLM communication policy and strategy developed in line with National and Provincial frameworks	09/10: 20%	100% of MLM communication policy developed and approved <i>(Draft strategy and policy already developed)</i>	Draft policy has been developed.		Policy will be submitted for approval by end of Sept. 2011
	% developed and implemented communications and marketing campaign	09/10: 0%	100% popularising of municipal logo and signage <i>(Q1: Service provider appointed Q2: completed samples)</i>			
		09/10: 0	Introduction of monthly MLM newsletter	No newsletters were produced.		Bi-monthly newsletter are planned for the 2011/12 financial year
		09/10: 50%	Secured radio and media editorial and advertorial slots (monthly/weekly)	Regular slots were secured on various radio stations		
		09/10: 90%	100% functional municipal website <i>(To include intranet)</i>	95% functional website		
	% IGR and stakeholder management	new	100% management of IGR and stakeholders <i>(Attendance of IG &amp; stakeholder engagements and meetings)</i>	100% of IG and stakeholder meetings attended	Target achieved	
% of public/community participation strategy developed,	09/10: 0%	100% of public participation strategy developed and approved	Draft policy has been developed		Policy will be submitted for approval by end of Sept.	

Strategic Objectives	Key Performance Indicator (KPI)	Baseline	2010/11 SDBIP Annual target	Actual performance: 30 June 2011	Reason for under- or non-performance	Corrective measures taken or to be taken to improve performance
	approved and implemented					2011
		09/10: 13 wards	Functional and effective committees in all 18 wards	100% achieved	Target achieved	Speaker's Office currently launching and establishing ward committees in all 21 wards
		09/10: 100%	100% public participation on IDP, Budget, By-Laws, etc.	100% public participation on budget and IDP was done.	Target achieved	