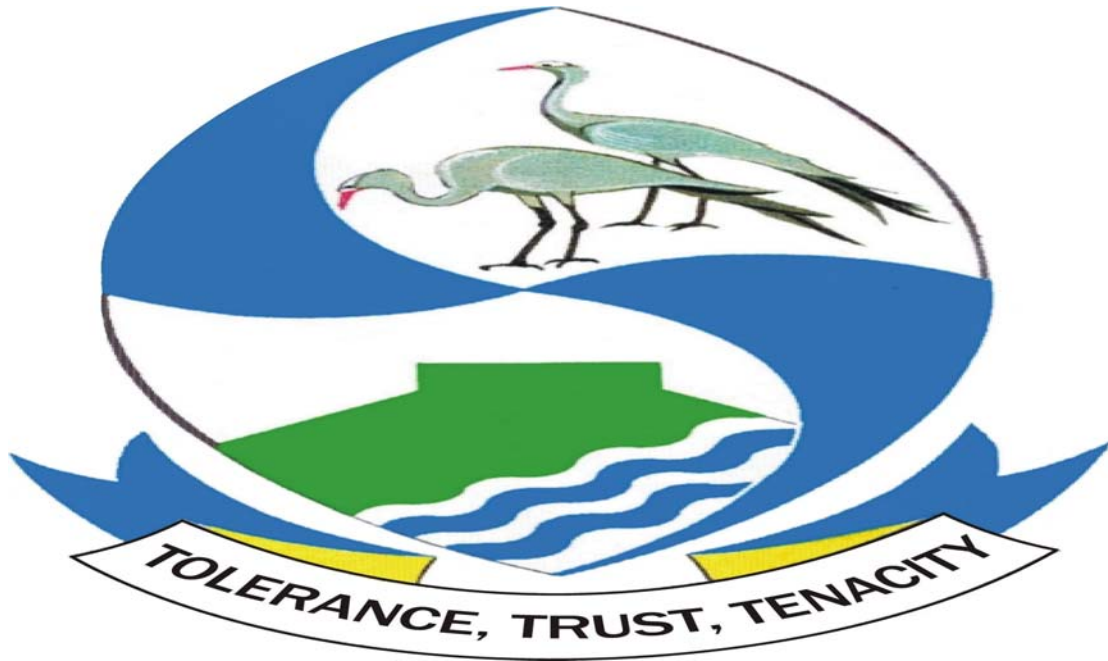


BLUE CRANE ROUTE  
MUNICIPALITY



ANNUAL REPORT

2006/2007

# TABLE OF CONTENTS

## **1 INTRODUCTION AND OVERVIEW**

- 1.1 Foreword by the Mayor
- 1.2 Report of the Municipal Manager
- 1.3 Overview of Blue Crane Route municipal area

## **2 PERFORMANCE HIGHLIGHTS**

- 2.1 Office of the Mayor
- 2.2 Office of the Accounting Officer / Municipal Manager
- 2.3 Budget and Treasury Office
- 2.4 Infrastructure / Technical services
- 2.5 Community and Social Services
- 2.6 Corporate Services

## **3 HUMAN RESOURCE AND ORGANISATIONAL MANAGEMENT**

- 3.1 Introduction
- 3.2 Skills Development Courses
- 3.3 Skills Level of Employees
- 3.4 Demographical Profile and vacancies per Occupational Category as at 30 June 2007
- 3.5 Appointments and Promotions

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

- 4.1 Report of the Auditor General on the Annual Financial Statements and Performance Management
- 4.2 Comments on the Audit Report and of corrective action taken
- 4.3 Annual Financial Statements
- 4.4 Assessment of any arrears on municipal taxes and service charges
- 4.5 Assessment of the measurable performance for revenue collection for each vote in the approved budget
- 4.6 Recommendations of the Audit Committee

## ***Foreword by the Mayor***



It is an honour and privilege to introduce the Annual Report 2006/7 for the financial year 01 July 2006 to 30 June 2007. This is the first annual report that complies with the requirements of the Municipal Finance Management Act. As such it is expected that the report will be refined in years to come increasing the level of accountability and achievement of targets for service delivery.

The Annual Report of the Municipality is a lengthy document with many facts, figures and financial information. The report represents the culmination of a process which started with the identification of human needs of residents for services such as water, refuse removal, housing and safe roads. These needs were included in an Integrated Development Plan (IDP) and subsequently supported by a capital and operating budget.

The most important stage of this process was the execution of the plans to improve the well-being of the residents. It is a record of the main achievements of the Municipality for the year under review. I am proud to have been part of these achievements.

Thank you to all staff, every community member and every Councillor who contributed to these achievements.

MAYOR

SPACE FOR POSSIBLE PICTURES OF COUNCIL AND ITS MEMBERS WHEN  
THE FINAL LAYOUT AND PRINT VERSION IS DEVELOPED

# ***Report of the Municipal Manager***

## LEGAL PRESCRIPTS

In terms of Section 121 of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003), every municipality must for each financial year prepare an annual report and the Council must within nine months after the end of a financial year deal with the annual report of the Municipality.

The purpose of the annual report is:

- *to provide a record of activities of the municipality during the financial year to which the report relates;*
- *to provide a report on performance against the budget of the municipality, and*
- *to promote accountability to the local community for the decisions made throughout the year by the municipality.*

In terms of Section 127 of the Municipal Finance Management Act, 2003, the mayor of a municipality must within seven months after the end of a financial year (by 31 January 2008), table in the municipal council the annual report of the municipality. Section 129 of the same Act states that the council of a municipality must consider the annual report by no later than two months from the date on which the annual report was tabled (that is by 31 March 2008), adopt an oversight report and which must include a statement whether the council,

- has approved the annual report with or without reservations,
- has rejected the annual report,
- has referred the annual report back for revision of those components that can be revised.

The Council meeting where the annual report is to be discussed must be open to the public and written submissions from the public or organs of the state should be discussed.

## HIGHLIGHTS FOR THE YEAR UNDER REVIEW

The primary function of the Municipality is the delivery of basic services to its community. Together with the structures of Council and the internal organisation the following has been achieved during 2006/7:

The primary basic services such as electricity, water, refuse removal, sewerage and roads were supplied to some 8500 households and other

categories of consumers during the year under review. Indigent households were identified and assisted with a basic level of free services.

The high-level status for service delivery of the main services is outlined below:

### **Water**

100% of all households now have access to a basic level of water supply.

Informal areas are being provided with standpipes, except where people are occupying private land or uninhabitable electrical servitudes.

### **Sanitation / sewerage**

100% of households have access to sanitation services of which approximately 70% is waterborne level of service and the balance of 30% is a bucket system. The bucket system is subject to a programme for eradication.



### **Electricity**

100% of households now have access to electricity. A small number without electricity are mainly houses on farms which are receiving attention in an ongoing program.

### **Refuse removal**

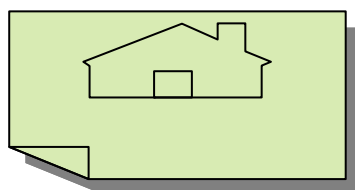
100% of households have a street front collection service of solid waste removal.

Solid waste is removed to three official waste disposal sites, two of which are licensed. The third site is being investigated regarding its future and a license.

### **Roads**

A Master Plan for Roads / Transport is being developed in order to in future improve this service.

### **Other services performed in partnership with government spheres and other institutions or organisations:**



Housing and land delivery

No new houses were built during the year under review. Application for subsidies has however commenced for 200 houses in Old Location and 475 houses in Chris Hani. The latter has been approved.

#### Economic development, tourism and related challenges

While the valuable input of the agricultural sector in providing employment is recognized, high unemployment still remains a priority challenge. An active tourism facility is now provided by the Blue Crane Development Agency and should continue to attract events for the benefit of all communities.

#### VOTE OF THANKS

As the Accounting Officer of this Municipality I would like to express my sincere appreciation and gratitude to the Councillors for their political guidance and leadership and to the staff for their unequivocal support and commitment during the year under review.

#### ***MUNICIPAL MANAGER***

POSSIBLE PICTURES – Management Group etc

## ***Overview of Blue Crane Route Municipal Area***

The Blue Crane Route Municipality is located in the western half of the Eastern Cape, approximately 150km north of the Nelson Mandela Metro. The area comprises of the former Municipal and Transitional Representative Area of Somerset East, Pearston and Cookhouse and a portion of the former Bedford TRC Area.

The area comprises a number of settlements:

- Somerset East, including Aeroville, Mnandi Old Location, New Brighton, Westview and Clevedon.
- Pearston, including Nelsig and Khanyiso.
- Cookhouse, including Bhongweni and Newtown.
- The Department of Water Affairs - Uitkeer established to construct and maintain the Orange Fish River Scheme.

### ***Physical***

The area is characterised mainly by two prominent topographies, namely Bosberg Mountain Range linking the Winterberg Mountain Range in the east to the Coetzeeberg Range in the west. The southern portion of the region is characterised by typical Karoo landscapes comprising grasslands and densely vegetated rivers and valleys.

Harsh climatic conditions are experienced with temperatures averaging between 6°C in winter and 29°C in summer.

Veld types found in the region range from Nama Karoo, Grasslands, thickets to Afromontane Forests in the mountainous region.

### ***Spatial***

The settlement pattern of the Blue Crane Route is characterised by three prominent urban settlements, namely Somerset East, Pearston and Cookhouse.

A number of under-utilised and derelict railway sidings are located in close proximity to the N10 Trunk Road bisecting the region. These sidings, partly habited, include Kommadagga, Sheldon, Middelton, Golden Valley, Klipfontein and Witmos.

The urban areas typify the spatial pattern of towns throughout South Africa, namely segregated economic classes residing in clusters. However this pattern is rapidly changing as vacant tracks of land segregating the neighbourhoods are being identified, planned and developed as housing areas. All three urban centres have been allocated housing subsidies in this regard.



## Demographics

Demographics and socio-economic data for the Blue Crane Route region is derived from, *inter alia*, the 2001 Census figures and the Demarcation Board. A single source of data, namely the Demarcation Board is used for the study area to ensure consistency and a uniform base of comparison.

It should be noted that large discrepancies exist between the latest Central Statistical Services (CSS) (Census 2001) data and other sources of statistics available. Some data sets are only available for Magisterial districts and are reflected as such in this report (Somerset East and Pearston). Attempts were made to find more up to date statistics that would reflect a more up to date situation however this proved difficult. The Provincial Growth and Development Plan (PGDP 2004 – 2014) have had to make use of the 2001 Census Statistics.

Approximately 34 357 people reside in the Blue Crane Route Municipal Area, with by far the majority (47,6%) residing in the Somerset East urban centre. The total population of 34 357 is made up of some 8 011 households with an average size of 4,3 persons per family (Refer to Tables 2 , 3 and 4).

Table 1: Population

DEMOGRAPHIC AREA	POPULATION	PERCENTAGE (%)
Somerset East	16 354	47,6
Cookhouse	5 257	15,3
Pearston	4 020	11,7
Rural	8 726	25,4
<b>TOTAL BLUE CRANE ROUTE</b>	<b>34357</b>	<b>100</b>

Table 2: Population Comparative Analysis

	URBAN (%)	RURAL (%)	TOTAL (%)
<b>Blue Crane</b>	73,6	26,4	100
<b>Eastern Cape</b>	36,6	63,4	100

Table 3: Short-term Population Growth (1996 to 2000) (Urban)

MAGISTERIAL DISTRICT	POPULATION		
	1996	ANNUAL GROWTH RATE (%)	2000
Somerset East	28 073	0,98	29 190
Pearston	4 863	0,94	5 048
Eastern Cape	6 306 264	1,6	6 709 641

### Socio economic

The level of unemployment in the Blue Crane Route has increased dramatically since 1990. The highest increase of 54% was experienced in the Pearston region of the Blue Crane Route. This is due to consolidation of farms and conversion of commercial farms to game farms.

The agricultural sector employs the highest percentage of people, namely 54,5% in Pearston and 37% in Somerset East. This is followed by community service and trade respectively for Somerset East and Pearston. (Refer to [Table 4: Employment per economic sector % \(1999\)](#) and [Table 7 \(2001\)](#)).

Table 4: Employment per economic sector % (1999)

ECONOMIC SECTOR	MAGISTERIAL DISTRICT	
	SOMERSET EAST	PEARSTON
Agriculture	37	54,5
Mining	0	0
Manufacturing	9,2	3,9
Electrification	0,4	0
Construction	3,7	2,8
Trade	12,5	13,5
Transport	4,5	2,2
Finance	5,1	0
Community Service	17,8	12,6
Government	9,8	10,5

Table 5: Employment per economic sector BCRM (2001)

Industry	
Persons	2001
Agriculture/Forestry/Fishing	3100
Community/Social/Personal	1212
Construction	316
Electricity/Gas/Water	27
Financial/Insurance/Real Estate/Business	192
Manufacturing	311
Mining/Quarrying	3
Other	0
Private Households	1208
Transport/Storage/Communication	103
Undetermined	828
Wholesale/Retail	536

The high levels of unemployment are highlighted in the income earned by the population. Approximately 44,3% of the population in the Blue Crane Route earn no income at all.

## Infrastructure

### Water

Bulk water provision for the various urban centres is obtained from various sources. The Greater Somerset East and Cookhouse obtain water from surface run-off into catchment areas, springs, boreholes and the Orange Fish River Scheme, whilst Pearston is dependant on the provision of water from boreholes.

No water treatment plant is available in Pearston, whilst both Cookhouse and Somerset East have adequate treatment facilities.

### Sanitation

Sewer outfall is managed by various methods in the Blue Crane Route. Besides the Chris Hani settlement in Somerset East, the entire community of the Somerset East urban area is serviced with a waterborne sewer system. The BCRM is currently in the process of eradicating the Bucket System in line with the national priority requiring all bucket systems to be completely eradicated by 2007/08.

A substantial capital outlay has been budgeted for and is being spent; further provision must be made for upgrading the facility to a waterborne reticulation.

### Roads and Storm water

The general status of roads in the urban areas range from tar surfaced in central business areas and higher income residential areas to gravel surfaced and graded roads in the middle income areas respectively.

The maintenance of roads throughout the entire Blue Crane Route Municipal Area (urban and rural) is problematic due to the lack of funding. Urgent attention and funding is needed to address this problem.

### **Electricity**

The municipality is the provider of electricity to all urbanised and rural customers. Besides the existing low cost housing projects currently being developed, all communities have direct access to electricity. The supply ranges from a full connection and prepay system to a ready board system.

Street lighting is provided to all urban neighbourhoods except for high mast lighting in Aeroville, Old Location, New Brighton and Francesvale (Somerset East Urban Area).

A major capital outlay is however envisaged to upgrade both urban and rural networks.

### **Refuse Removal**

A door-to-door weekly refuse disposal service is performed by the municipality to all urban inhabitants. Business receives a twice weekly removal service. All three urban centres have refuse tip sites. Builders rubble is not removed by the Municipality as part of the above service. Such rubble would only be removed on payment of additional fees. Financial resources are being sought to improve the management of the disposal sites, such as the need for perimeter fencing.

## 2 **PERFORMANCE HIGHLIGHTS**

By way of introduction it should be noted that the Integrated Development Plan reflects inadequate determination of key performance indicators and lacks clear indication as to the accountable entity or functionary.

As a consequence this annual report has been constructed from portions of the IDP. The portions used were those that indicated targets, projects and funding or activities to which the responsible Office can record performance for 2006/7.

The Municipality has noted such shortcomings and is attending to the various processes necessary. This should in future lead to an IDP that clearly states responsibility for key performance indicators, clearly links such responsibility to the budget and allows for the eventual performance measurement both in terms of physical success in service delivery and matched to the actual financial results.

### 2.1 **Office of the Mayor / Council**

This office includes all functions related to the functioning of Council. While certain key service delivery areas are allocated to this office the execution thereof is supported by the Municipal administration, mainly through the office of Corporate Services.

Council consists of 9 Councillors with the Mayor serving in a full-time capacity. Council is supported by the following Committees:

XXXXXXXXXXXXXXXXXXXXXXXXXXXX  
 XXXXXXXXXXXXXXXXXXXXXXXXXXXX

Council held XX meetings during the year under review.

#### **KEY PERFORMANCE INDICATORS**

OBJECTIVE	KPI	TARGET 2006/7	RESULT 2006/7	COMMENT FOR VARIANCE
<b>Economic development improvement</b>	Decrease the Unemployment rate	By 5% per annum		
	Increase economic growth	By 2 % per annum		
	Increase bed nights	By 20% by 2007		

	Improve access to BEE tourism companies			
Housing	To facilitate building 2600 houses by 2007	100%	30%	Availability

## PROJECTS

### LOCAL ECONOMIC DEVELOPMENT

Project/Activities	Target Group/ Location	Total Cost (R'000)	Source of Funding	Performance	
				2006/7 (R'000)	
Nojoli Weavers	Youth	500	Dept of Science & Technology Nat Dept Arts & Culture	500	
Siyazondla Food Garden	BCRM	200	Dept of Agriculture	200	
Fencing	BCRM	48	Dept of Agriculture	48	
CMT Car Wash Project	BCRM	700	CDM	700	
Nokwambasa Laundry project	BCRM		CDM & ECMEC	276	

### TOURISM

Project/Activities	Target Group/ Location	Total Cost (R'000)	Source of Funding	Performance	
				2006/7 (R'000)	
Prepare Integrated Tourism Development Plan	BCR	200	DEAT / DBSA	200	
Biltong Festival	BCR	-	Dept of Sports Arts and Culture, Dept of Local Govt BCRM	1100	

Project/Activities	Target Group/ Location	Total Cost (R'000)	Source of Funding	Performance	
				2006/7 (R'000)	
Provision of appropriate tourism related signage	BCR	150	PPO, ECT CDM	50	

### DEVELOPMENT AGENCY

Project/Activities	Target Group/ Location	Total Cost (R'000)	Source of Funding	Performance	
				2006/7	
Boschberg Development Node	Somerset East	16200	DBSA, IDC, ECDC, CDM, Developers	6000	

## AGRICULTURE

Project/Activities	Target Group/Location	Total Cost (R'000)	Source of Funding	2006/7	
				(R'000)	Performance
Fruit production projection	Somerset East	430	ECDC	250	
Granadilla Project	BCR	120	ECDC	60	
Vegetable seed production	BCR	450	ECDC	200	

## COMMERCIAL / BUSINESS

Project/Activities	Target Group/Location	Total Cost (R'000)	Source of Funding	2006/7	
				(R'000)	Performance
Airport Project	BCR	4 900	SMIF	3 550	
Cookhouse Petrol Village	Cookhouse	600	IDC	600	
Aviation Project (formerly called "Airport".)	BCR	5 000	DBSA IDC	5 000	
Small Business Unit	BCR	1 000	DBSA	500	
Aviation – Somerset East	Somerset East	30	IDC	30	

Project/Activities	Target Group/Location	Total Cost (R'000)	Source of Funding	2006/7	
				(R'000)	Performance
Upgrade the Bellevue Building	Somerset East	200	CDM	200	
Vegetable/seed cleaning and drying plant.	BCRM	500	IDC, ECDC	500	

## HOUSING

Project/Activities	Target Group/Location	Total Cost (R'000)	Source of Funding	2006/7	
				(R'000)	Performance
Completion of blocked housing project (24 units)	Pearston	170	Dept. HLG&TA	-	
Chris Hani Institution Upgrade (550)	Somerset East	15 550	CDM, Dept. HLG&TA		
14 houses for Addo National Park workers	Somerset East	450	Dept. HLG&TA	150	

## BUDGET PERFORMANCE

Activity	Budget 2006/7 (amended) R'000	Actual 2006/7 R'000	Performance %	Target %
Council:				
Income	520	520	100	100
Expenditure	2 718	2 365	87	100
Housing Administration:				
Income	154	434	281	100
Expenditure	2 157	1 784	83	100

SPACE FOR GRAPHICS / PICTURES



## 2.2 Office of the Accounting Officer / Municipal Manager

The Accounting Officer is responsible for the overall performance of the municipal administration. The main objective is to establish a transparent, sustainable and user-friendly environment and system that serves the community.

This office has been vacant since 2006. While various acting Municipal Managers have been appointed it has not been practically possible to establish key performance criteria.

### KEY PERFORMANCE INDICATORS

The development of these indicators is being considered for subsequent years.

### PROJECTS

No projects were allocated for the Office during 2006/7

### BUDGET PERFORMANCE

Activity	Budget 2006/7 (amended) R'000	Actual 2006/7 R'000	Performance %	Target %
Income	75	0	(100)	100
Expenditure	2 022	1 717	85	100

The deviation from the budget is due to:

- Income was lower than budgeted as a result of .....
- Expenditure relating to ..... was less than budget due to ..... This was the main reason for the under spending indicated above

## • 2.3 Budget and Treasury Office

The Chief Financial Officer supports the Municipal Manager to manage the finances of the Municipality. This office will therefore, inter alia, perform the following functions:

- Provide reliable and accurate financial information to all users including councilors, managers and the public
- Collect revenue due to the municipality and manage the cash-flow
- Control expenditure and payment to creditors
- Prepare annual budgets
- Prepare annual financial statements

The Chief Financial Officer has acted mainly as the Municipal Manager during the year under review and therefore there has been an indirect negative impact on the capacity for financial management due to the vacancy of that office. This challenge has been partially overcome by the dedicated work of all staff.

The financial performance of the municipality is under severe constraints. Expenditure in excess of budgets and the inability to collect revenue due to the municipality, has led to a shortfall in cash which must now be carefully managed on a daily basis. Furthermore, many programs must be curtailed or delayed awaiting the necessary cashflow.

The Budget and Treasury Office has 31 staff in service. However with 7 vacancies the short term goal is to fill this gap in the resources.

### KEY PERFORMANCE INDICATORS

OBJECTIVE	KPI	TARGET 2006/7	RESULT 2006/7	COMMENT FOR VARIANCE
Comply with legal requirements	Produce financial statements on time	31 August each year	Complied	
	Produce budgets on time	Submitted to Council 31 May each year	Complied	
Financial sustainability	Collect all revenue due to municipality	Collect rate 97.5%	83%	Lack of capacity has been a contributing factor
	Ensure actual expenditure and income does not deviate from budget	Actual to be within 3% of budget	Expenditure within 1% - income deviated by 26%	Refer below for explanation

### PROJECTS

Project/Activities	Target Group/ Location	Total Cost (R'000)	Source of Funding		
				2006/7 (R'000)	Performance

Upgrade Financial System Be GAMAP Compliant (formerly financial planning and management)	BCR	680	BCR, DBSA	180	Inadequate money for the entire project – First phase was completed
Establish Customer Care Centre (formerly one stop service centre)	BCR	200	BCRM	100	Unfunded / Lack of internal funds
Electrical Inside/Outside Vending Machines	BCR	400	BCR, DBSA	200	Unfunded / Lack of internal funds
Electronic Meter Reading System	BCRM	230	BCRM	230	Unfunded / Lack of internal funds
Valuations (property for Rates Act)	BCR	1252	DLGH & TA	912	Property Valuations completed

## BUDGET PERFORMANCE

Activity	Budget 2006/7 (amended) R'000	Actual 2006/7 R'000	Performance %	Target %
Income	15 565	14 691	94	100
Expenditure	10 315	10 389	101	100

The deviation in the income against budget was due to an over-statement of the budget.

## 2.4 Infrastructure / Technical services

Infrastructure services ensure that an acceptable quality and quantity of each service are rendered to the entire community within the capacity of the municipality. The main services are:

- Water
- Sewerage
- Refuse
- Electricity
- Roads and Stormwater

The work performed by dedicated staff have allowed some 8500 customers to be serviced regularly this year.

The performance for each of these services is reflected below:

### WATER

#### KEY PERFORMANCE INDICATORS

OBJECTIVE	KPI	TARGET 2006/7	RESULT 2006/7	COMMENT FOR VARIANCE
<b>WATER: To provide basic services for all residents</b>	Water provided with set standards of quality	Standard for urban households	100%	
	% HH with access to basic level of service	On-site tap / water meter – 100%	100%	
	% HH with access to basic level service - Recognised informal areas	On-site tap / water meter – 100%	<100%	Isolated households not supplied directly may exist on privately owned property
	No. of new connections	All	Nil required / undertaken	
	Existence of a demand water management plan	Not defined	Not available	
	% of network losses	Not developed	Not determined	

#### PROJECTS

Project/Activities	Target Group/ Location	Total Cost (R'000)	Source of Funding	Performance	
				2006/7 (R'000)	
Review Water Services Development Plan	BCR	250	CDM/DWAF	250	Completed-

Upgrading of water treatment plant (Bestershoek)	Somerset East	1 500	Cacadu DM MIG	1710	Completed
1ml Reservoir - Khanyiso	Pearston	1000	MIG	1000	Project delayed for further costing / budget allocation

## SEWERAGE

### KEY PERFORMANCE INDICATORS

OBJECTIVE	KPI	TARGET 2006/7	RESULT 2006/7	COMMENT FOR VARIANCE
<b>SANITATION: To provide basic services for all residents</b>	% HH with access to basic level of service	RDP standard	100%	Households with bucket service are subject to a program to eradicate this level of service
	No. of new connections	All	None required / undertaken	
	Bucket eradication	Approx 30 % to be replaced with new service level	completed	Phase 1 is approx. 30% of the total need)

### PROJECTS

Project/Activities	Target Group/ Location	Total Cost (R'000)	Source of Funding		
				2006/7 (R'000)	Performance
Provision sanitation system to waterborne sewerage system (Nelsig & Khanyiso) 472 buckets eradication. Bucket eradication	Pearston	1891	MIG		To be included in Phase 2
Upgrade sanitation system of Bhongweni. 472 buckets eradication. Bucket eradication	Cookhouse	1891	MIG		To be included in Phase 2
Upgrade sewer treatment works in Cookhouse	Cookhouse	1 500	MIG	500	Project approved / waiting for completion of the Environmental Impact study
Upgrade Sewerage Treatment Plant	Somerset East	4 000	MIG	1 000	Project approved / waiting for completion of the

					Environmental Impact study
Upgrade sanitation system of Bhongweni. 1418 buckets eradication. Bucket eradication	BCRM	7 200	MIG	-	Not funded in 2006/7 / project delayed for a future year
Investigation of Storage Dam in the lower Mnandi Area	BCRM	200	BCR	200	Not started – project rescheduled for 2008/9

## REFUSE

### KEY PERFORMANCE INDICATORS

OBJECTIVE	KPI	TARGET 2006/7	RESULT 2006/7	COMMENT FOR VARIANCE
To maintain and improve existing level of service to urban communities and ensure environmentally acceptable disposal methods.	% HH with access to basic level of service	100%	100%	Quality of service is restricted due to financial constraints / cash-flow limitations which is receiving attention

### PROJECTS

Project/Activities	Target Group/ Location	Total Cost (R'000)	Source of Funding	Performance	
				2006/7 (R'000)	
Formulate an integrated waste management plan	BCR	182	DEAT		Not started / rescheduled in 2007/8

## ELECTRICITY

The electricity network covers an area of approximately 9900 square kilometres, including the towns of Somerset East, Cookhouse and Pearston as well as an extensive farming community. This network has one of the largest overhead electricity networks in the country with only Eskom being larger. The supply ranges from a full connection and prepay system to a ready board system. Street lighting is provided to all urban neighbourhoods except for highmast lighting in the Old Location, New Brighton, Mnandi and Khanyiso. Our maximum demand is in the region of 10.3 MVA. The Municipality has its own distribution license to supply electricity to the rural area within the boundaries.

The electricity network is supplied at 11 kV via a main substation at the Electricity Department in Hospital Road.

Due to the current maximum demand and load growth in the area, the distribution network will have to be upgraded to allow for expansion. The current load growth based on applications for new connections will be approximately 11.5% per year over the next three years for the existing reticulated area. The load growth from 1990 to 2002 was below 1.5% per year.

The infrastructure in both the urban and rural areas is struggling to cope with the expansion and this leads to poor quality supply at times. Urgent funding will be needed to address problems identified in this report.

A major challenge is to access other grants from the State Departments and to increase the amounts received from Department of Minerals and Energy (DME) and the Municipal Infrastructure Grant.

With the help of a grant of R3000 per house from DME it has been possible to supply electricity to some 100 farm workers' houses.

Voltage regulators have been obtained to regulate fluctuations in the supply to the consumers in the Middleton and Klipfontein areas. These lines have extremely high load and supply fluctuations.

#### Economic activities and background

The electrical network for the municipal area has grown from 8 MVA in 2002 to 13.5 MVA in 2007. This reflects growth of 11.5% per year.

The excellent agricultural prospects is attracting more development but due to the limited electrical capacity new developments are either delayed or put on hold. The new developments need to be supplied with electrical connections within the current network configuration include a butchery, cheese factory and various other commercial, agricultural and rural developments. Projects that are initiated by the Blue Crane Route Development Agency are Boschberg Resort Development, Lake Bertie Development and Aero Industry.

#### Hydro Power Station

The firm Clackson Power Pty Ltd offered the possibility for a Hydro Power Station. They will design, install, commission and operate the Power Station. They will bear the capital costs and sell electricity to the Municipality at a rate 15% less than the Eskom rate.

The Power Station would be able to deliver a maximum of 7.5 MVA. The water flow is regulated by Department of Water Affairs. And it would be possible to deliver a constant 4 MVA for 48 weeks of the year. Four weeks is required for normal maintenance work.

#### Staff

The Electricity Department delivers a good quality service and strives to deliver an uninterrupted supply to the consumer. The shortage of staff resources places enormous strain on the remaining staff members with work that sometimes needs to

be done under difficult circumstances. However the staff will continue to strive towards excellent service delivery to the consumers.

## KEY PERFORMANCE INDICATORS

OBJECTIVE	KPI	TARGET 2006/7	RESULT 2006/7	COMMENT FOR VARIANCE
<b>ELECTRICITY: To provide basic services for all residents</b>	<b>No. of new connections</b>	<b>Not determined</b>	<b>48 completed</b>	
	<b>% HH with access to basic level of service -</b>	<b>100%</b>	<b>100%</b>	<b>Isolated cases exist of households awaiting connections. This represents 0.3% of total consumers</b>
	<b>% of network losses</b>	<b>Not determined</b>	<b>Not determined</b>	
	<b>Indigent households supplied with free basic electricity</b>	<b>All qualifying households subject to application</b>	<b>100%</b>	

## PROJECTS

Project/Activities	Target Group/ Location	Total Cost (R'000)	Source of Funding	Performance	
				2006/7 (R'000)	
Line inspection, report, data capture	BCR	392	DME	-	Master Plans for urban and rural networks completed-
Farm Houses Electrification	BCR		DME	*	Project completed – approx 120 house connected
Additional cables from ESKOM supply	BCR	430	DME	200	Phase 1 complete

## ROADS AND STORMWATER

### KEY PERFORMANCE INDICATORS

OBJECTIVE	KPI	TARGET 2006/7	RESULT 2006/7	COMMENT FOR VARIANCE
<b>ROADS AND STORMWATER improvements / maintenance</b>	<b>No. of kms<sub>2</sub> of gravel road resurfaced</b>	<b>1.3 kms</b>	<b>100%</b>	<b>Completed</b>
	<b>No of tarred roads resurfaced</b>	<b>Not determined</b>	<b>Nil</b>	
	<b>Provide stormwater on all</b>	<b>1.3 kms</b>	<b>100%</b>	<b>Completed</b>



	roads, bus links, link roads			
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## PROJECTS

Project/Activities	Target Group/ Location	Total Cost (R'000)	Source of Funding	PERFORMANCE	
				2006/7 (R'000)	
Upgrade gravel roads (Urban)	Cookhouse Somerset East Pearston	6 782	MIG	1532	Not available - incomplete
Upgrade and maintenance of rural roads	BCR Rural	40000	Dept. PW Cacadu DM, MIG	15000	Not undertaken by BCRM / other Government spheres responsible

## BUDGET PERFORMANCE

Activity	Budget 2006/7 (amended) R'000	Actual 2006/7 R'000	Performance %	Target %
Public Works				
Income	1 187	221	19	100
Expenditure	3 904	2 958	76	100
Electricity				
Income	26 081	25 334	97	100
Expenditure	21 412	21 395	100	100
Refuse				
Income	4 121	3 691	90	100
Expenditure	4 114	4 883	119	100
Sewerage				
Income	4 204	3 305	79	100
Expenditure	1 819	1 686	93	100
Water				
Income	5 982	6 700	112	100
Expenditure	2 355	3 446	146	100

The deviations are explained as follows:

- Public Works – Municipal Infrastructure Grant funding was incorrectly allocated in the budget.
- Refuse -

- Sewerage – during the year major breakdowns were experienced for which budget provision was not foreseen –the main expenditure being to replace certain pumps.
- Water – This service was previously privatised. In developing the budget there was difficulty in obtaining satisfactory records and data for calculating estimates. The budget is therefore understated both in terms of income and expenditure.

## 2.5 Community and Social Services

A number of functions are administered under this heading. The major functions are inter alia health, environmental challenges, social development, education, protection and libraries. Many of the functions are jointly performed under arrangements with Provincial Government.

### HEALTH

#### KEY PERFORMANCE INDICATORS

OBJECTIVE	KPI	TARGET 2006/7	RESULT 2006/7	COMMENT FOR VARIANCE
Provision of primary health care	Reduce the impact of HIV and AIDS	Citizens in need / especially the youth	Not determined	
	Access to quality primary health care	All citizens	Provided to all in need	

#### PROJECTS

Project/Activities	Target Group/ Location	Total Cost (R'000)	Source of Funding		
				2006/7 (R'000)	Performance
Provision of new ambulance	Cookhouse	750	CDM/DoH	Not determined-	
Aids Awareness Campaign and counselling plan	BCR	100	CDM/DoH	Not determined-	
Drafting AIDS plan/policy	BCR	150	DOH, BCRM	Not determined-	

#### New projects

Project/Activities	Target Group/ Location	Total Cost (R'000)	Source of Funding		
				2006/7 (R'000)	Performance
Conversion of Pearston Clinic into a Community Health Centre	Pearston	750	Dept of Health	Not determined	

## ENVIRONMENT

### KEY PERFORMANCE INDICATORS

OBJECTIVE	KPI	TARGET 2006/7	RESULT 2006/7	COMMENT FOR VARIANCE
None determined				

### PROJECTS

Project/Activities	Target Group/ Location	Total Cost (R'000)	Source of Funding		
				2006/7 (R'000)	Performance
Tree Planting	BCR	120	DWAF	-	Project rescheduled for 2008/9
Environmental Awareness Campaigns	BCR	TBD	NMMM Donors	-	Project implemented / ongoing annual program
Prepare/maintain the Environmental Conservation Plan. CDM is the lead agent in this regard	BCR	150	CDM	75	In progress

#### New projects

Project/Activities	Target Group/ Location	Total Cost (R'000)	Source of Funding		
				2006/7 (R'000)	Performance
Greening of Urban areas and biodiversity programmes.	BCR	520	DWAF, DEAT		Project implemented / ongoing annual program
Management Plan for Borrow Pits and Brickfields	BCR	150	CDM/ DBSA	150	Not implemented / funding to be sourced

## SOCIAL DEVELOPMENT

### KEY PERFORMANCE INDICATORS

OBJECTIVE	KPI	TARGET 2006/7	RESULT 2006/7	COMMENT FOR VARIANCE
Not determined				

## PROJECTS

Project/Activities	Target Group/ Location	Total Cost (R'000)	Source of Funding	)	
				2006/7	Performance
Construction of new public toilets	BCRM	136	BCR	136	Project rescheduled for 2007/8 for funding
Renovation of library facilities,	Cookhouse, Pearston	500	BCR, Sports, Arts and Culture & DoE	250	Not started
Provide Multi- Purpose Community Centre - Feasibility Study	BCRM	200	GIS	200	Funding withdrawn

## EDUCATION, PROTECTION SERVICES AND LIBRARY

The Integrated Development Plan does not reflect key performance indicators for these functions. As indicated previously in this report the performance management system is being developed for the Municipality and in future it is expected that all functions will be subject to set indicators and objectives.

Some projects however were identified and these are reflected below

## PROJECTS

Project/Activities	Target Group/ Location	Total Cost (R'000)	Source of Funding	)	
				2006/7 (R'000)	Performance
Education programs	BCR	50	CDM	15	
Training and provision of equipment for Traffic Department	BCR	250	BCR	35	
Prepare disaster management plan under the auspices of CDM	BCR	250	CDM	125	

Project/Activities	Target Group/ Location	Total Cost (R'000)	Source of Funding	)	
				2006/7 (R'000)	Performance
Disaster Management container and equipment	Somerset East	100	CDM	100	
Disaster Management container and equipment	Cookhouse	100	CDM	100	
Traffic lights at Worcester/LouisTric hart/Glen Avon	Somerset East	200	DOT	-	

Establishment of a classroom for learners and offices for officers	Somerset East	350	DOT	350	
Fire Engine	Somerset East	1500	CDM	1500	

## BUDGET PERFORMANCE

Activity	Budget 2006/7 (amended) R'000	Actual 2006/7 R'000	Performance %	Target %
Cemeteries / open spaces				
Income	37	32	86	100
Expenditure	1 442	1 038	72	100
Fire Brigade				
Income	1	0	-	100
Expenditure	383	145	38	100
Libraries				
Income	519	17	3	100
Expenditure	1 692	1 175	69	100

The major variations or deviations compared to budget are

- Cemeteries expenditure .....
- Fire Brigade expenditure .....
- Libraries expenditure and income.....

## 2.6 Corporate Services

Corporate services is responsible for the following:

- Secretarial support to the Council
- General administration including aspects of legal compliance
- Human resources
- Legal services administration
- Information and communication technology

The Office is an internal support resource for all other services.

### KEY PERFORMANCE INDICATORS

OBJECTIVE	KPI	TARGET 2006/7	RESULT 2006/7	COMMENT FOR VARIANCE
Statutory compliance	Skills development	100% skilled work force	Majority of General Workers still unskilled	Limited Resources
	Gender equality	Totally representative	Fairly representative	No EE Plan
	Demographic status	Totally representative	Fairly representative	No EE Plan
Efficient administrative systems	Personnel recruitment	Fully operational	100%	None
	Archives and filing	Up to date	80%	Short of staff
	Minutes and agendas produced on time and accurate	7 days before meeting	80%	Departments submit reports late
Land administration	Land Audit	100%	10% progress Quotations invited	Received funds late from Department

### PROJECTS

Project/Activities	Target Group/ Location	Total Cost (R'000)	Source of Funding	Performance	
				2006/7 (R'000)	
Populate new organogram	BCR	2 100	MUN	700	Little progress Budget constraints
Prepare a performance management system	BCR	300	CDM	100	Implementation at 1 <sup>st</sup> level Managers
Establish A GIS	BCR	300	DBSA	200	Unfunded Project – No funding yet.
Establish and implement a Gender Equity program	BCR	100	Dept. Labour/ BCRM	50	40% progress
Formulate an Institutional Programme (Skills Development Plan)	BCR	200	BCRM	100	20% progress Budget constraints

Fleet Purchase and Management System	BCR	4000	BCR	954	No progress Budget constraints
Tractor Purchase	BCR	300	Dept of Agriculture	300	

## BUDGET PERFORMANCE

Activity	Budget 2006/7 (amended) R'000	Actual 2006/7 R'000	Performance %	Target %
Income	160	0	(100)	100
Expenditure	1 872	2 165	115	100

Comment by the Office Manager explaining the reasons for the deviations.....(A deviation of more than 3% from target should be used as a benchmark)

### **3 HUMAN RESOURCE AND ORGANISATIONAL MANAGEMENT**

#### 3.1 Introduction

The human resource component is vital for service delivery aspects. It is also the function that is able to provide support for the transformation of the labour force within the municipality.

#### 3.2 Skills Development Courses

Skills development is a national priority and to this end the Municipality has undertaken training in the following fields for 2006/7:

- Municipal Administration
- Finance Management
- Performance Management
- Peace Officer Course
- Traffic Officer Course

#### 3.3 Skills Level of Employees.

The majority of staff from Senior Management Level to Junior Management Level are skilled in jobs they are performing, however, there is always room for improvement. Skills of General Workers need to be improved as the majority are unskilled. Council has prioritized the training of General Workers, taking into account the challenge of limited resources.

#### 3.4 Demographical Profile and vacancies per Occupational Category as at 30 June 2007

Through planned strategies the Municipality has the following demographic profile

Occupational Categories	MALES			FEMALES			TOTAL
	African	Coloured	White	African	Coloured	White	
Legislators, Senior Officials & Managers	6	2	8	6	2	2	26
Professionals						1	1
Technical & Associate Professionals	14	1	1	9	3	2	30
Clerks	7	1	1	8	6	11	34
Service and Sales Workers	2	1	-	4	1	-	8
Skilled Agricultural and Fishery Workers	-	-	1	-	-	-	1
Craft and Related Trades Workers	-	4	4	-	-	-	8



Plant & Machine Operators & Assemblers	18	3	-	1	-	-	<b>22</b>
Elementary Occupations	116	41	-	13	4	-	<b>174</b>
<b>GRAND TOTAL</b>	<b>163</b>	<b>53</b>	<b>15</b>	<b>41</b>	<b>16</b>	<b>16</b>	<b>304</b>

### 3.5 Appointments and Promotions

The smooth running of an organization is supported by a process of effectively dealing with resignations, retirements and other exits from the municipal environment. To this end the municipality has performed as follows in 2006/7:

- Vacancies carried for 12 months
  - Municipal Manager
  - Manager : Technical Services
  - Skills Development Facilitator
  - Building Inspector
  - Accountant Expenditure
  
- Vacancies carried for 6 months
  - Manager : Technical Services
  - Special Projects Officer



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

### **4.1 Report of the Auditor General on the Financial Statements and Performance Management**

#### **REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL LEGISLATURE ON THE FINANCIAL STATEMENTS OF THE BLUE CRANE ROUTE MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2007**

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

##### **Introduction**

1. I have audited the accompanying financial statements of the Blue Crane Route Municipality which comprise the balance sheet as at 30 June 2007, income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the accounting officer's report, as set out on pages [xx] to [xx].

##### **Responsibility of the accounting officer for the financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the entity-specific basis of accounting, as set out in accounting policy note 1 and in the manner required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA). This responsibility includes:
  - designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
  - selecting and applying appropriate accounting policies
  - making accounting estimates that are reasonable in the circumstances.

##### **Responsibility of the Auditor-General**

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant

to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

6. An audit also includes evaluating the:
  - appropriateness of accounting policies used
  - reasonableness of the accounting estimates made by management
  - overall presentation of the financial statements.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Basis of accounting**

8. The municipality's policy is to prepare financial statements on the entity specific basis of accounting, as set out in accounting policy note 1.

### **Basis for adverse opinion**

#### **9. Statutory funds**

The total amount of statutory funds as at 30 June 2007 as reflected in the financial statements amounted to R7 113 619, whereas total cash and investments to support the existence of the statutory funds amounted to R4 392 771. This implies that cash and investments at 30 June 2007 could only finance 62% of statutory funds.

#### **10. Trust funds**

The total amount of trust funds as at 30 June 2007 as reflected in the financial statements amounted to R2 703 857, whereas total cash to support the existence of the trust funds amounted to R147 152. This implies that at 30 June 2007 cash could only finance 5% of trust funds.

#### **11. Fixed assets**

In terms of the entity-specific basis of accounting as set out in accounting policy note 1, assets are written off to the extent that they have been financed by way of public contributions, grants and subsidies, contributions from operating income or loans redeemed and advances repaid. The effect of this is that the net fixed asset balance at year-end is comprised only of fixed assets acquired by way of external loans or advances to the extent that these have not been repaid at year-end. The net fixed asset balance at year-end should and did agree with the balance of external loans at year-end. However, the municipality's fixed asset register only reflected details of the cost of fixed assets amounting to R119 924 828 and not the details pertaining to those assets that have been written off as described above amounting to R104 312 793. Consequently, the municipality's fixed asset register did not identify those specific assets that comprise the balance of net fixed asset amounting to R15 612 035. As a result of this lack of detail:

- 11.1 the existence of fixed assets as per the fixed asset register with a cost of R47 013 762, could not be verified due to the inadequate description of these assets in the fixed asset register.

11.2. The valuation of land in accordance with the municipality's accounting policy as described in the financial statements could not be verified.

11.3 The existence, valuation and completeness of fixed assets written off with a value of R3 604 664 could not be verified.

The municipality's rights to land with a cost amounting to R9 485 148 could not be verified as, based on the results of a title deed search, this land was not registered in the name of the municipality.

The valuation of fixed asset additions and creditors was understated by an amount of R489 324 due to additions being recorded on a cash basis and not on an accrual basis as described in the basis of preparation accounting policy note to the financial statements.

As a result of the above the existence, valuation, rights and completeness of fixed assets amounting to R15 612 035 as per the financial statements (including appendix C to the financial statements) could not be verified.

## **12. Provision for bad debts**

The provision for bad debts based on the outstanding consumer debtor balances and the age of debtors at 30 June 2007 amounted to R15 995 524. The provision for bad debts as calculated and recorded by the municipality amounted to R12 649 035 therefore resulting in an understatement of the bad debt provision and bad debt expense of R3 346 488.

## **13. Credit balances in receivables**

Information relating to credit balances in receivables could not be supplied for audit purposes and, as such, the existence and valuation of credit balances in receivables could not be verified.

## **14. Trade creditors**

14.1 Trade creditors and expenditure were understated by R707 545 as a result of inadequate cut-off procedures at year-end.

14.2 Cheque payments dated prior to year-end with a value of R226 149 in respect of goods and/or services received prior to year-end were not included in either the outstanding cheque list or the creditors balance at 30 June 2007 and therefore did not appear to have been recorded.

14.3 Cheques dated post-year-end with a value of R131 849 have been recorded as being paid prior to year-end and, as such, have been incorrectly recorded in the outstanding cheque list and general ledger bank account balance at year-end.

14.4 The entity-specific basis of accounting used by the municipality to prepare financial statements, as set out in accounting policy note 1 to the financial statements, is an accrual basis of accounting. However, testing of creditors and expenditure revealed that a cash basis of accounting was being used for expenditure and that not all accruals were being raised at year-end. This represented a significant departure from the basis of accounting disclosed in the financial statements. The total effect of this departure could not be quantified.

As a result of the above the completeness of trade creditors amounting to R7 892 496 as per the financial statements could not be verified.

## **15. Provision for leave pay**

The occurrence, accuracy and completeness of the provision for leave pay amounting to R1 969 622 could not be verified due to the unsatisfactory state of the leave records used for calculating the provision.

## **16. Assessment rates income**

16.1 A ratable valuation reconciliation between the valuation roles and rates charged in support assessment rates income amounting to R3 171 274 for the year was not performed.

16.2 The 1999 valuation rolls applied for the purpose of calculating and levying assessment rates for the financial year ended 30 June 2007 were not the valuation rolls as per the most recent general valuation performed in 2006.

16.3 The valuation rolls applied for the purpose of calculating and levying assessment rates for the financial year ended 30 June 2007 have not been updated for improvements made to properties over the past two years.

The occurrence and completeness of assessment rates income could therefore not be verified.

## **17. Rental expense**

The occurrence, completeness and accuracy of the rental expense could not be verified due to the fact that the municipality did not have lease agreements available for all rentals, and those that were available were outdated.

## **18. Employee costs**

The occurrence, accuracy and completeness of the salaries, wages and allowances expense amounting to R26 544 557 per the financial statements could not be verified due to the lack of documentation on employee files in respect of gross salaries or wages, allowances and deductions.

In addition, information relating to vacancies, promotions and severance pay could not be supplied for audit purposes.

## **19. Fruitless and wasteful expenditure**

Penalties and interest amounting to R321 250 were paid by the municipality in respect of late payment on accounts. This constituted fruitless and wasteful expenditure as defined in section 1 of the MFMA and was not disclosed in the financial statements as required in terms of section 125 (2)(d)(i) of the MFMA.

The above amount was identified through audit testing. Therefore the completeness of fruitless and wasteful expenditure could not be verified.

## **20. Irregular expenditure**

Goods and services amounting to R505 271 were acquired without following established supply chain management policies and procedures. This constituted irregular expenditure as defined in section 1 of the MFMA and has not been disclosed in the financial statements as required in terms of section 125(2)(d)(i) of the MFMA.

## **21. Internal advances**

The existence, valuation and completeness of internal advances to borrowing services amounting to R8 119 132 as per appendix B of the financial statements could not be verified due to a lack of supporting documentation.

### **Adverse opinion**

22. In my opinion, because of the significance of the matters described in the Basis for adverse opinion paragraphs, the financial statements of the Blue Crane Route Municipality as at 30 June 2007 and its financial performance and cash flows for the year then ended have not been prepared, in all material respects, in accordance with entity-specific basis of accounting, as set out in accounting policy note 1 and in the manner required by the MFMA.

### **Emphasis of matter**

I draw attention to the following matter:

#### **23. Going concern**

The going concern concept assumes that the municipality will continue in operational existence for the foreseeable future. It further implies that the municipality has neither the intention nor the need to discontinue or curtail materially the scale of its operations or the services rendered in terms of its mandate. The financial statements have been prepared on the going concern basis which assumes that it will be able to meet its future obligations and commitments as they occur in the ordinary course of business. However, certain matters came to our attention that placed uncertainty on the municipality's ability to continue as a going concern. The aforementioned factors included the following:

- 23.1 The municipality's total liabilities exceeded its total assets by R7 398 466.
- 23.2 The municipality had traded at a loss for a number of years and the accumulated deficit amounted to R14 524 085.
- 23.3 An inability to service the biannual interest payments on the long-term loan with the Development Bank of South Africa (DBSA). The interest payments due for the financial year were in arrears.
- 23.4 An inability to settle creditors as and when they fall due. Creditors were not settled within 30 days as required in terms of section 65(2)(e) of the MFMA.

The municipality may therefore be unable to realise its assets and discharge its liabilities in the normal course of business. The financials did not disclose this fact.

### **OTHER MATTERS**

I draw attention to the following matters that are ancillary to my responsibilities in the audit of the financial statements:

#### **24. Non-compliance with applicable legislation**

- 24.1 Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA)
- 24.1.1 All monies owing by the municipality were not paid within 30 days of receiving the relevant invoice or statement as required in terms of section 65(2)(e) of the MFMA. Bank account details were not submitted in writing to the relevant provincial treasury and the

Auditor-General annually before the start of the financial year as required in terms of section 9(b) of the MFMA.

24.1.2 Details of the bank overdraft were not submitted to the National Treasury in the prescribed format as required in terms of section 70(2) of the MFMA.

24.2 Municipal Property Rates Act, 2004 (Act No. 6 of 2004)

24.2.1 The municipality has not compiled and maintained a register of properties situated within the municipality and updated it with supplementary valuation rolls as required in terms of section 23 of the act.

24.2.2 The municipality has not caused a supplementary valuation to be made in respect of any ratable property of which the market value has substantially increased or decreased for any reason since the last general valuation as required in terms of section 78(1) of the act.

24.3 Value-Added Tax Act, 1991 (Act No. 89 of 1991) (VAT Act)

24.3.1 The municipality's VAT number was not reflected on all supplier invoices as required in terms of section 20(4) of the VAT Act.

24.3.2 The municipality did not submit and pay all VAT returns within 25 days after the tax period-end as required in terms of section 28(1) of the VAT Act.

24.4 Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA)

24.4.1 The municipality has not adopted and implemented a tariff policy on the levying of fees for municipal services as required in terms of section 74 (1) of the said act.

24.5 Basic Conditions of Employment Act, 1997 (Act No. 75 of 1997)

24.5.1 The municipality has not complied with the overtime limits as set out in section 10 (1) of the said act as some employees have worked more than 10 hours' overtime a week.

24.6 Skills Development Levies Act, 1999 (Act No. 9 of 1999)

24.6.1 The municipality did not pay skills development levies (SDL) to the commissioner within seven days after month-end as required in terms of section 6(2) of the said act.

24.7 Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000)

24.7.1 The municipality has not established a preference point system as required in terms of section 2(1)(a) of the said act.

24.8 National Environmental Management Act, 1996 (Act No. 108 of 1996)

24.8.1 The municipality did not have an environmental policy, detailed plans or clear strategies relating to environment management and/or achieving a sustainable environment as required by section 16(1)(1).

24.9 Environment Conservation Act, 1989 (Act No. 73 of 1989) and the National Water Act, 1998 (Act No. 36 of 1998)

24.9.1 Permit conditions and the minimum requirements for waste disposal were not complied with at the Pearsten landfill site and the animal



offal site in Kirkwood as required by section 20(1) of the Environment Conservation Act, 1989 (Act No. 73 of 1989).

24.9.2 Cleaning of sewer buckets into the immediate environment at Pearston did not conform to the requirements stated in the National Environmental Management Act and the National Water Act.

## 25. Matters of governance

The municipality did not have a risk management policy and fraud prevention plan in place for the 2006-07 financial year.

## 26. Internal control

Section 62(1) (c) (i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes of the matters indicated, as they relate to the five components of internal control. In some instances deficiencies existed in more than one internal control component.

Reporting item	Control environment	Assessment of risks	Control activities	Information and communication	Monitoring
<b>Basis for adverse opinion</b>					
Statutory funds					X
Trust funds					X
Fixed assets			X		X
Provision for bad debts					X
Credit balances in receivables				X	
Trade creditors			X		
Provision for leave pay			X		
Assessment rates income			X		
Traffic fine revenue			X		
Rental expense			X		
Employee costs			X		
Fruitless and wasteful expenditure					X
Irregular expenditure			X		
Internal advances					X
<b>Emphasis of matter</b>					
Going concern					X
<b>Other matters</b>					
Non-compliance with					X

Reporting item	Control environment	Assessment of risks	Control activities	Information and communication	Monitoring
applicable legislation					

## 27. Investigations in progress or completed

The council has initiated a forensic investigation into various matters and activities of the municipality. The investigation, which has been outsourced to a third party, has been ongoing and had not been finalised at the time of the audit. The matters under investigation included the following:

- 28.1.1 Activities and conduct of the previous municipal manager, including the transaction with suppliers in contravention of supply chain management policies.
- 28.1.2 Acquisition of computer and office equipment from Pinnolta and Virtual Data, respectively.

## 28. Unaudited supplementary schedules

The supplementary statistical information set out in appendix E does not form part of the financial statements and is presented as additional information. I have not audited this schedule and accordingly I do not express an opinion on it.

## OTHER REPORTING RESPONSIBILITIES

### Reporting on performance information

29. I was engaged to audit the performance information

### Responsibility of the accounting authority

30. In terms of section 121(3)(c) of the MFMA, 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 MSA.

### Responsibility of the Auditor-General

- 31. I conducted my engagement in accordance with section 13 of the Public Audit Act, 2004 (Act No. 25 of 2004) read with *General Notice 646 of 2007*, issued in *Government Gazette No. 29919 of 25 May 2007*.
- 32. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate audit evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgment.
- 33. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

## Audit findings

**34. Non-compliance with regulatory requirements**

The integrated development plan of Blue Crane Route Municipality did not include an organogram as required by section 26, regulation 2(a), of the MSA and the key performance indicators and performance targets in terms of the performance management system as required by section 26(i) of the MSA.

**35. Lack of sufficient appropriate audit evidence**

Performance information was not received in time and consequently I was unable to determine whether a performance management system was in place as required by chapter 6 of the MSA. I was also unable to verify whether the IDP adoption process was in compliance with chapter 4 of the MSA.

**APPRECIATION**

36. The assistance rendered by the staff of the Blue Crane Route Municipality during the audit is sincerely appreciated.

**Port Elizabeth**

30 November 2007

## 4.2 Comments on the Audit Report and corrective action taken

<b>Basis for Adverse Opinion by Auditor-General</b>	<b>A-G Ref.</b>	<b><u>Comments by Auditor-General</u></b>	<b><u>Response</u></b>
<b>1.1 Statutory funds</b>	9	The total amount of statutory funds as at 30 June 2007 as reflected in the financial statements amounted to R7 113 619, whereas total cash and investments to support the existence of the statutory funds amounted to R4 392 771. This implies that cash and investments at 30 June 2007 could only finance 62% of statutory funds.	Noted. The Municipality has developed a turnaround strategy to address ongoing issues of concern as well as funding the deficit in respect of funds and reserves.
<b>Trust funds</b>	10	The total amount of trust funds as at 30 June 2007 as reflected in the financial statements amounted to R2 703 857, whereas total cash to support the existence of the trust funds amounted to R147 152. This implies that at 30 June 2007 cash could only finance 5% of trust funds	Noted. The Municipality has developed a turnaround strategy to address ongoing issues of concern as well as the funding deficit in respect of funds and reserves and trust funds.
<b>Fixed Assets</b>	11	In terms of the entity-specific basis of accounting as set out in accounting policy note 1, assets are written off to the extent that they have been financed by way of public contributions, grants and subsidies, contributions from operating income or loans redeemed and advances repaid. The effect of this is that the net fixed asset balance at year-end is comprised only of fixed assets acquired by way of external loans or advances to the	The Annual Financial Statements for the 2006/2007 financial year were prepared on the IMFO basis of accounting and the asset values reflected in terms thereof. With the conversion to GAMAP the values of assets will be redetermined/revalued in terms of the new accounting policy which should address the issues reported.

		<p>extent that these have not been repaid at year-end. The net fixed asset balance at year-end should and did agree with the balance of external loans at year-end. However, the municipality's fixed asset register only reflected details of the cost of fixed assets amounting to R119 924 828 and not the details pertaining to those assets that have been written off as described above amounting to R104 312 793. Consequently, the municipality's fixed asset register did not identify those specific assets that comprise the balance of net fixed asset amounting to R15 612 035. As a result of this lack of detail:</p>	
	11.1	<p>the existence of fixed assets as per the fixed asset register with a cost of R47 013 762, could not be verified due to the inadequate description of these assets in the fixed asset register</p>	<p>A comprehensive Asset Management policy has been adopted and implemented in the 2006/2007 financial year. A fixed asset register is in place and reconciles with the general ledger. A stock take of fixed assets will be undertaken in the 2007/2008 financial year.</p>
	11.2	<p>The valuation of land in accordance with the municipality's accounting policy as described in the financial statements could not be verified.</p>	<p>Noted. The valuation of land will be done in terms of the municipality's Asset Management Policy in the 2007/2008 financial year.</p>
	11.3	<p>The existence, valuation and completeness of fixed assets written off with a value of R3 604 664 could not be verified.</p> <p>The municipality's rights to land with a cost amounting to R9 485 148 could not be verified as, based on the results of a title deed search, this land was not registered in the name of the municipality.</p>	<p>A comprehensive reconciliation of the fixed asset ledger and the main ledger as well as the asset register will be undertaken during the 2007/2008 financial year and the necessary corrections made.</p> <p>The write-offs were a result of an asset verification process undertaken by the municipality.</p> <p>The problem with verification of the municipality's rights to land is noted and will be addressed in the</p>

		<p>The valuation of fixed asset additions and creditors was understated by an amount of R489 324 due to additions being recorded on a cash basis and not on an accrual basis as described in the basis of preparation accounting policy note to the financial statements.</p> <p>As a result of the above the existence, valuation, rights and completeness of fixed assets amounting to R15 612 035 as per the financial statements (including appendix C to the financial statements) could not be verified.</p>	<p>2007/2008 financial year.</p> <p>The practice of accruing the acquisition of assets on a cash basis will be reviewed.</p>
<b>Provision for Bad Debts</b>	12	<p>The provision for bad debts based on the outstanding consumer debtor balances and the age of debtors at 30 June 2007 amounted to R15 995 524. The provision for bad debts as calculated and recorded by the municipality amounted to R12 649 035 therefore resulting in an understatement of the bad debt provision and bad debt expense of R3 346 488.</p>	<p>Noted. The municipality is currently undertaking a debtors "cleansing" exercise, which will influence the future assessment of potential bad debts.</p>
<b>Credit balances in Receivables</b>	13	<p>Information relating to credit balances in receivables could not be supplied for audit purposes and, as such, the existence and valuation of credit balances in receivables could not be verified.</p>	<p>Noted. The information is available.</p>
<b>Trade Creditors</b>	14.1	<p>Trade creditors and expenditure were understated by R707 545 as a result of inadequate cut-off procedures at year-end.</p>	<p>Noted. The matter will be addressed in the 2007/08 financial year and cut off procedures will be reviewed.</p>
	14.2	<p>Cheque payments dated prior to year-end with a value of R226 149 in respect of goods and/or services received prior to year-end were not included in either the outstanding cheque list or the creditors balance at</p>	<p>Noted. The matter will be further researched. Cut-off procedures for the 2007/ 2008 financial year will be reviewed.</p>

		30 June 2007 and therefore did not appear to have been recorded	
	14.3	Cheques dated post-year-end with a value of R131 849 have been recorded as being paid prior to year-end and, as such, have been incorrectly recorded in the outstanding cheque list and general ledger bank account balance at year-end.	Noted. Management will address the matter in the 2007/08 financial year and cut off procedures will be reviewed.
	14.4	<p>The entity-specific basis of accounting used by the municipality to prepare financial statements, as set out in accounting policy note 1 to the financial statements, is an accrual basis of accounting. However, testing of creditors and expenditure revealed that a cash basis of accounting was being used for expenditure and that not all accruals were being raised at year-end. This represented a significant departure from the basis of accounting disclosed in the financial statements. The total effect of this departure could not be quantified.</p> <p>As a result of the above the completeness of trade creditors amounting to R7 892 496 as per the financial statements could not be verified.</p>	The sub-ledger for trade creditors was introduced in the new financial year and is integrated with the GL system.
<b>Provision for leave pay</b>	15	The occurrence, accuracy and completeness of the provision for leave pay amounting to R1 969 622 could not be verified due to the unsatisfactory state of the leave records used for calculating the provision.	Noted. A manually kept leave register exists and the necessary controls will be implemented and the provision adjusted accordingly in the 2007/2008 financial year.
<b>Assessment rates income</b>	16.1	A ratable valuation reconciliation between the valuation roles and rates charged in support assessment rates income amounting to R3 171 274 for the year was	Noted. A reconciliation will be done in the 2007/2008 financial year.

		not performed.	
	16.2	The 1999 valuation rolls applied for the purpose of calculating and levying assessment rates for the financial year ended 30 June 2007 were not the valuation rolls as per the most recent general valuation performed in 2006.	The new valuation role compiled in terms of the Municipal Property Rates Act only came into operation in the 2007/2008 financial year.
	16.3	The valuation rolls applied for the purpose of calculating and levying assessment rates for the financial year ended 30 June 2007 have not been updated for improvements made to properties over the past two years.  The occurrence and completeness of assessment rates income could therefore not be verified.	Noted. The new valuation roll compiled in terms of the Municipal Property Rates Act came into operation in July 2007.  A system to capture valuation roll amendments will be introduced.
<b>Rental Expense</b>	17	The occurrence, completeness and accuracy of the rental expense could not be verified due to the fact that the municipality did not have lease agreements available for all rentals, and those that were available were outdated.	The matter will be attended to in the 2007/2008 financial year.
<b>Employee costs</b>	18	The occurrence, accuracy and completeness of the salaries, wages and allowances expense amounting to R26 544 557 per the financial statements could not be verified due to the lack of documentation on employee files in respect of gross salaries or wages, allowances and deductions.  In addition, information relating to vacancies, promotions and severance pay could not be supplied for audit purposes	Exception has been noted and will be addressed in 2007/2008 financial year.
<b>Fruitless and Wasteful expenditure</b>	19	Penalties and interest amounting to R321 250 were paid by the municipality in respect of late payment on	The non-disclosure of fruitless expenditure of R321 250 in the notes to the AFS is confirmed and will be reported in the required manner to



		<p>accounts. This constituted fruitless and wasteful expenditure as defined in section 1 of the MFMA and was not disclosed in the financial statements as required in terms of section 125 (2)(d)(i) of the MFMA.</p> <p>The above amount was identified through audit testing. Therefore the completeness of fruitless and wasteful expenditure could not be verified.</p>	Council in terms of MFMA section 32(2)(b) for write-off.
<b>Irregular expenditure</b>	20	<p>Goods and services amounting to R505 271 were acquired without following established supply chain management policies and procedures. This constituted irregular expenditure as defined in section 1 of the MFMA and has not been disclosed in the financial statements as required in terms of section 125(2)(d)(i) of the MFMA.</p>	Noted. A system to obviate any recurrences will be introduced during the 2007/2008 financial year.
<b>Internal advances</b>	21	<p>The existence, valuation and completeness of internal advances to borrowing services amounting to R8 119 132 as per appendix B of the financial statements could not be verified due to a lack of supporting documentation.</p>	The matter will be reported to Council in the 2007/2008 financial year and the necessary correcting accounting entries passed..
<b>Adverse opinion</b>	22	<p>In my opinion, because of the significance of the matters described in the Basis for adverse opinion paragraphs, the financial statements of the Blue Crane Route Municipality as at 30 June 2007 and its financial performance and cash flows for the year then ended have not been prepared, in all material respects, in accordance with entity-specific basis of accounting, as set out</p>	Noted

		in accounting policy note 1 and in the manner required by the MFMA.	
<b>Going concern</b>	23	The going concern concept assumes that the municipality will continue in operational existence for the foreseeable future. It further implies that the municipality has neither the intention nor the need to discontinue or curtail materially the scale of its operations or the services rendered in terms of its mandate. The financial statements have been prepared on the going concern basis which assumes that it will be able to meet its future obligations and commitments as they occur in the ordinary course of business. However, certain matters came to our attention that placed uncertainty on the municipality's ability to continue as a going concern. The aforementioned factors included the following:	Noted. The Municipality has developed a turnaround strategy to address ongoing issues of concern as well as the funding deficit in respect of funds and reserves and the accumulated deficit.
	23.1	The municipality's total liabilities exceeded its total assets by R7 398 466.	Noted.
	23.2	The municipality had traded at a loss for a number of years and the accumulated deficit amounted to R14 524 085.	Noted.
	23.3	An inability to service the biannual interest payments on the long-term loan with the Development Bank of South Africa (DBSA). The interest payments due for the financial year were in arrears.	The DBSA and the municipality are engaged in negotiations regarding the arrear interest.
	23.4	An inability to settle creditors as and when they fall due. Creditors were not settled within 30 days as required in terms of section 65(2)(e) of the MFMA. The municipality may therefore	Noted.

		be unable to realise its assets and discharge its liabilities in the normal course of business. The financials did not disclose this fact.	
<b>2.0 Other Matters contained in the A-G's report</b>			
<b>Non-compliance with applicable legislation-</b> □ <b>Municipal Finance Management Act</b>	24.1.1	All monies owing by the municipality were not paid within 30 days of receiving the relevant invoice or statement as required in terms of section 65(2)(e) of the MFMA. Bank account details were not submitted in writing to the relevant provincial treasury and the Auditor-General annually before the start of the financial year as required in terms of section 9(b) of the MFMA.	Noted. Due to a cash flow shortfall the full amounts owing to individual creditors were not paid to them by arrangement with them. Bank account details for the financial year was reported late.
	24.1.2	Details of the bank overdraft were not submitted to the National Treasury in the prescribed format as required in terms of section 70(2) of the MFMA.	Noted. The prescriptions required to be issued by National Treasury in terms of the Municipal Finance Management Act are, however, not yet available.
<b>Non-compliance with applicable legislation-</b> □ <b>Municipal Property Rates Act</b>	24.2.1	The municipality has not compiled and maintained a register of properties situated within the municipality and updated it with supplementary valuation rolls as required in terms of section 23 of the act.	Noted. The prescripts of the Municipal Property Rates Act will only become operative in July 2007 with the introduction of the new valuation roll compiled in terms of the Act.
	24.2.2	The municipality has not caused a supplementary valuation to be made in respect of any ratable property of which the market value has substantially increased or decreased for any reason since the last general valuation as required in terms of section 78(1) of the act.	Noted. The Municipal Property Rates Act only came into operation in July 2007 in the Blue Crane Route municipality and interim valuations will be undertaken in future years as required by the Act.
<b>Non-compliance with applicable</b>	24.3.1	The municipality's VAT number was not reflected on all	The necessary controls to ensure compliance with the VAT Act will be

<b>legislation-</b> <b>□ Value Added Tax Act</b>		supplier invoices as required in terms of section 20(4) of the VAT Act.	introduced in the 2007/2008 financial year.
	24.3.2	The municipality did not submit and pay all VAT returns within 25 days after the tax period-end as required in terms of section 28(1) of the VAT Act.	Noted. The necessary controls will be instituted to ensure compliance with the VAT Act.
<b>Non-compliance with applicable legislation-</b> <b>□ Municipal Systems Act</b>	24.4.1	The municipality has not adopted and implemented a tariff policy on the levying of fees for municipal services as required in terms of section 74 (1) of the said act.	A Tariff Policy has been adopted and promulgated as part of the Customer Care and Revenue Management By-law introduced during November 2006. The tariff policy requires execution.
<b>Non-compliance with applicable legislation-</b> <b>□ Basic Conditions of Employment Act</b>	24.5.1	The municipality has not complied with the overtime limits as set out in section 10 (1) of the said act as some employees have worked more than 10 hours' overtime a week.	Noted. The necessary controls will be introduced to ensure future compliance.
<b>Non-compliance with applicable legislation-</b> <b>□ Skills Development Levies Act</b>	24.6.1	The municipality did not pay skills development levies (SDL) to the commissioner within seven days after month-end as required in terms of section 6(2) of the said act.	Noted. The necessary controls will be introduced to ensure future compliance.
<b>Non-compliance with applicable legislation-</b> <b>□ Preferential Procurement Policy Framework Act</b>	24.7.1	The municipality has not established a preference point system as required in terms of section 2(1)(a) of the said act.	Council adopted the Supply Chain Management Policy during December 2006, which inter alia contains a preference point system as required.
<b>Non-compliance with applicable legislation-</b> <b>□ National Environmental Management Act</b>	24.8.1	The municipality did not have an environmental policy, detailed plans or clear strategies relating to environment management and/or achieving a sustainable environment as required by section 16(1)(1).	Noted. A follow-up implementation plan will be introduced.

<p><b>Non-compliance with applicable legislation-</b>  <input type="checkbox"/> <b>Environmental Conservation Act</b></p>	<p><b>24.9.1</b></p>	<p>Permit conditions and the minimum requirements for waste disposal were not complied with at the Pearsten landfill site and the animal offal site in Kirkwood as required by section 20(1) of the Environment Conservation Act, 1989 (Act No. 73 of 1989</p>	<p>Noted. An industrial waste management plan for the municipality is in the process of being drafted and will be implemented during the 2008/2009 financial year.</p>
	<p><b>24.9.2</b></p>	<p>Cleaning of sewer buckets into the immediate environment at Pearston did not conform to the requirements stated in the National Environmental Management Act and the National Water Act.</p>	<p>The cleaning of buckets is now done at the sewerage works.</p>
<p><b>3.0 Matters of governance</b></p>			
<p><b>Absence of a Risk Management Policy</b></p>	<p>25</p>	<p>The municipality did not have a <b>risk management policy</b> and fraud prevention plan in place for the 2006-07 financial year.</p>	<p>A Risk Management Policy will be considered in the 2007/2008 financial year.</p>
<p><b>A Fraud Prevention Plan not in place</b></p>	<p>25</p>	<p>The municipality did not have a risk management policy and <b>fraud prevention plan</b> in place for the 2006-07 financial year.</p>	<p>Noted</p>

<p><b>4.0 Internal Control</b></p>	<p>26</p>	<p>Section 62(1) (c) (i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes of the matters indicated, as they relate to the five components of internal control. In some instances deficiencies existed in more than one internal control component.</p> <p><i>Please refer to the Auditor-general's report for the table referred to above.</i></p>	<p><input type="checkbox"/> As indicated under the above headings, management is in the process of developing policies and procedures to address most of the risks identified.</p> <p><input type="checkbox"/> Policies, procedures and control activities in respect of the financial accounting processes will be documented.</p>
<p><b>Investigations in progress</b></p>	<p>27</p>	<p>The council has initiated a forensic investigation into various matters and activities of the municipality. The investigation, which has been outsourced to a third party, has been ongoing and had not been finalised at the time of the audit. The matters under investigation included the following:</p>	<p>Noted.</p>
	<p>28.1.1</p>	<p>Activities and conduct of the previous municipal manager, including the transaction with suppliers in contravention of supply chain management policies.</p>	<p>Noted.</p>
	<p>28.1.2</p>	<p>Acquisition of computer and office equipment from Pinnolta and Virtual Data, respectively.</p>	<p>Noted.</p>
<p><b>Unaudited supplementary schedules</b></p>	<p>28</p>	<p>The supplementary statistical information set out in appendix E does not form part of the financial statements and is presented as additional information. I have not audited this schedule and accordingly I</p>	<p>Noted. The supplementary information is contained in "Appendix F".</p>

		do not express an opinion on it	
<b>Audit of the performance of the Municipality</b>	29	I was engaged to audit the performance information	Noted.
	30	In terms of section 121(3)(c) of the MFMA, 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 MSA.	Noted.
	31	I conducted my engagement in accordance with section 13 of the Public Audit Act, 2004 (Act No. 25 of 2004) read with <i>General Notice 646 of 2007</i> , issued in <i>Government Gazette No. 29919 of 25 May 2007</i> .	Noted.
	32	In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate audit evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgment.	Noted.
	33	I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.	Noted.
<b>Non-compliance with regulatory requirements</b>	34	The integrated development plan of Blue Crane Route Municipality did not include an organogram as required by section 26, regulation 2(a), of the MSA and the key performance indicators and performance targets in terms of the performance management system as required by section 26(i) of the MSA	Noted. This deficiency will be addressed with the next review of the IDP in the 2008/2009 financial year.

<b>Lack of sufficient appropriate audit evidence</b>	35	Performance information was not received in time and consequently I was unable to determine whether a performance management system was in place as required by chapter 6 of the MSA. I was also unable to verify whether the IDP adoption process was in compliance with chapter 4 of the MSA.	<input type="checkbox"/> Noted. Performance agreements were only concluded with Section 57 Managers during the year and will be continued into the 2007/2008 financial year <input type="checkbox"/> The public participation process in respect of the IDP adoption process was partly complied with and will be improved in the 2007/2008 financial year.
<b>4.1 Appreciation</b>	36	The assistance rendered by the staff of the Blue Crane Route Municipality during the audit is sincerely appreciated.	Noted

**Corrective Action taken**

A comprehensive Business Plan has been compiled to address all the issues contained in the Auditor-General's Report.



### 4.3 Financial Statements

#### BLUE CRANE ROUTE MUNICIPALITY ACCOUNTING OFFICER'S REPORT

##### 1. OPERATING RESULTS

Details of the operating results per department, classification and object of expenditure are included in appendices D and E. The overall operating results for the year ended 30 June 2007 are as follows:

	Actual 2006	Actual 2007	Variance 2006 /200 7 %	Budget 2007	Variance Actual Budget
	R	R		R	%
<b>Income</b>					
Opening deficit	(6 796 212)	(16 646 733)			
Appropriations for the year	1 033 497	4 542 645			
Operating income for the year	52 900 105	59 534 258	13%	63 426 534	-6%
	<b>47 137 390</b>	<b>47 430 170</b>		<b>63 426 534</b>	

<b>Expenditure</b>					
Operating expenditure for the year	63 784 122	61 954 255	-3%	63 426 534	-2%
Appropriations for the year					
Closing deficit	(16 646 733)	(14 524 085)			
	<b>47 137 390</b>	<b>47 430 170</b>		<b>63 426 534</b>	

**Significant variances:** The actual figures above excludes income and expenditure for Grants received while the budget amounts does include all the grants (except MIG grants that is totally excluded from both the budget and actual and shown under Trust Funds)

- Rates and**  
**1 General**  
**. Services**  
**1**

	Actual 2006	Actual 2007	Variance 2006/ 2007 %	Budget 2007	Variance Actual Budget
	R	R		R	%
Income	24 891 604	27 500 342	10%	31 363 741	-12%
Expenditure	42 576 202	37 112 864	-13%	39 659 460	-6%

Deficit	(17 684 598)	(9 612 522)	-46%	(8 295 719)	16%
Deficit as % of total income	-71%	-35%		-26%	

**Significant variances:**

Capital recharges towards MIG projects for the year had a significant impact on the actual expenditure.  
The Income budgeted for grants are shown under Trust Funds and therefore the total Income is 12% less than the budget.

1. **Summary of the operating results of the local authority's Trading Service:**  
2

**Water Service**

	Actual 2006 R	Actual 2007 R	Variance 2006/2007 %	Budget 2007 R	Variance Actual Budget %
Income	5 364 373	6 700 069	25%	5 982 298	12%
Expenditure	3 675 600	3 445 898	-6%	2 355 339	46%
(Deficit)/Surplus	1 688 773	3 254 171	93%	3 626 959	-10%
Surplus/(Deficit) as % total income	31%	49%		61%	

**Significant variances:**

Provision for bad debts to this service increased the total expenditure for this service while the sale of water realised much more than suspected.

**Electricity Service**

	Actual 2006 R	Actual 2007 R	Variance 2006/2007 %	Budget 2007 R	Variance Actual Budget %
Income	22 644 128	25 333 847	12%	26 080 495	-3%
Expenditure	17 532 320	21 395 493	22%	21 411 735	0%
(Deficit)/Surplus	5 111 808	3 938 354	-23%	4 668 760	-16%
Surplus/(Deficit) as % total income	23%	16%		18%	

**Significant variances:**

Interest levied for a external loan at DBSA was charged to this service and led to the decrease in the surplus.

**2. CAPITAL EXPENDITURE AND FINANCING**

The expenditure on fixed assets during the year amounted to R10,946,765. (2006 - R 3,071,388).

The actual expenses were less than the amount budgeted for and consist off the following: -

	Actual 2006 R	Budget 2007 R	Actual 2007 R
Community Services ex Old Pearston TLC	155 928		
Airfield		2 900 000	2 138 585
Clinics	26 717	135 000	
Commonage and Pound	3 659		
Council's Generated Expenses	4 804	75 000	
Estates and Properties	1 234 338		
Public Works		1 400 000	524 856
Town Planning		35 000	44 613
Municipal Manager, Corporate and Finance	17 755	1 498 320	124 648
Traffic	39 383	50 000	6 431
Cemetries	16 916		
Fire Brigade	13 146		
Parks and Recreation	191 605		
Refuse Removal Services	26 436		
Sewerage Services	347 689	4 880 000	4 391 042
Electricity Services	993 010	2 500 000	509 913
Libraries		510 000	168 627
Water Services		1 315 000	3 038 050
	<b>3 071 388</b>	<b>15 298 320</b>	<b>10 946 765</b>

Resources used to finance the fixed assets were as follows:

- Internal Sources	234 801	86 320	415 188
- External Sources	2 836 587	15 212 000	10 531 577
Other Sources	293 668	745 000	280 180
External Loans			1 178
Government Grants	2 542 919	14 467 000	10 250 219
	<b>3 071 388</b>	<b>15 298 320</b>	<b>10 946 765</b>

**Significant variances:**

The underspend in relation to the budgeted amount is attributable to the lack of finance. The majority of projects were not completed by year end.

A complete analysis of capital expenditure (budgeted and actual) per department, classification or service is included in appendix C. More details regarding external loans and internal advances used to finance fixed assets are shown in appendix B.

**3. EXTERNAL LOANS, INVESTMENTS AND CASH**

External loans outstanding on 30 June 2007 amounted to R15,612,035 (2006 - R17,672,810). The decrease is due to the adjustment in the accounting policy to show the outstanding interest payable on the external loan as a creditor and not part of the loan as in the previous year.

Cash resources and short-term deposits less bank overdraft at 30 June 2007 amounted to a surplus of R1,100,043 (2006 - R7,504,228 deficit).

Investments as at 30 June 2007 amounted to R1,288,614 (2006 - R1,288,614). This investment is held as security for the Development Bank of South Africa. The investment matures in 2014.

More information regarding loans and investments are disclosed in the notes (4 and 7) and appendix B to the financial statements.

**4. MUNICIPAL ENTITY**

The Blue Crane Route Development Agency was established during the 2005 financial year. The main objective of the Agency is to act as a agent on behalf of the Municipality for all tourism, agriculture and business development issues in the demarcated development zone. Any cost funded by the Municipality will be refunded once grant funding is received by the agency.

**5. POST BALANCE SHEET EVENTS**

Subsequent to 30 June 2007 the Council apply to the Development Bank of South Africa to do a recalculation on their arrear interest levies that could result in a lessor amount owned to them, which currently is R4,976,821.

**6. EXPRESSION OF APPRECIATION**

I am grateful to the Mayor, Councillors and to the Municipal staff for their assistance and support during the year.

.....  
**ACTING MUNICIPAL MANAGER: BLUE CRANE ROUTE MUNICIPALITY: -  
D Sauls**

# BLUE CRANE ROUTE MUNICIPALITY ACCOUNTING POLICIES

## 1. Basis of preparation

- 1.1 These financial statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Treasurers and Accountants in its Code of Practice for Local Government Accounting (1997) and the Published Annual Financial Statements for Local Authorities (2nd edition - January 1996).
- 1.2 The financial statements are prepared on the historical cost basis, adjusted for fixed assets as more fully detailed in Accounting Policy note 3. The accounting policies are consistent with those applied in the previous year, except if otherwise indicated.
- 1.3 The financial statements are prepared on the accrual basis as stated:
  - \* Income is accrued when measurable and available to finance operations. Certain direct income is accrued when received, such as traffic fines and certain licences.
  - \* Expenditure is accrued in the year it is incurred.

## 2. Consolidation

The balance sheet includes Rates and General Services, Trading Services and the different funds and reserves. All inter-departmental charges are set off against each other with the exception of assessment rates, refuse removal, sewerage, electricity and water which are treated as income and expenditure in the respective departments.

## 3. Fixed assets

- 3.1 Fixed assets are stated at historical cost or at valuation (based on the market price at date of acquisition), where assets have been acquired by grant or donation, while they are in existence and fit for use, except in the case of bulk assets which are written off at the the end of their estimated useful life as determined by the Treasurer. In this year (2007) the valuation of all properties that are registered in the name of the Municipality is taken up in the asset register at the Valuation as determined by the Valuer appointed by the Municipality. The Ledger accounts for these assets were adjusted accordingly.
- 3.2 Depreciation

The balance shown against the heading "Loans Redeemed and other Capital Receipts" in the notes to the financial statements is tantamount to a provision for depreciation, however certain structural differences do exist. By way of this "provision" assets are written down over their estimated useful life. Apart from advances from the various coucil funds, assets may also be aquired through:

  - \* Appropriations from operating income, where the full cost of the asset forms an immediate and direct charge against the operating income, and therefor it is unnecessary to make any further provision for depreciation.
  - \* Grant or donation, where the amount representing the value of such grant or dontation is immediately credited to the "Loans Redeemed and other Capital

Receipts" account.

- 3.3 All net proceeds from the sale of fixed property are credited to the Revolving Fund.
- 3.4 Fixed assets are financed from different sources, including external loans, operating income, endowments and internal advances. These loans and advances are repaid within the estimated lives of the assets acquired from such loans or advances. Interest is charged to the service concerned at the the ruling interest rate applicable at the time that the advance is made.

#### **4. Funds and reserves**

##### **4.1 Revolving Fund**

The fund requires a minimum contribution of 7.5% of the product of the assessment rates that were levied for the immediately preceding financial year. It is not required from Council to contribute an amount that is 20% more than the amount required to be contributed in the immediately preceding financial year.

Net proceeds from the sale of fixed property are invested in the Revolving Fund. Funds accumulated in the Revolving Fund are utilised for the purpose of providing advances to borrowing services and to finance the acquisition or upgrading of land or fixed property.

##### **4.2 Other funds and reserves**

Other funds and reserves, which are disclosed in the notes (1 - 3) and appendix A to the financial statements, are built up either by appropriations made on an annual basis from the operating account to the relevant funds and reserves or from contributions received from the public and the State with the objective of providing community facilities and funds to finance bad debts.

#### **5. Provisions**

Provisions are created for liabilities or contingencies that are known at the date of the balance sheet but for which the amounts involved cannot be determined with substantial accuracy.

#### **6. Inventory**

Inventory is reflected in the Balance Sheet at the weighted average cost.

#### **7. Retirement benefits**

The Council and its employees contribute to various pension, provident and retirement funds. The larger funds include the SAMWU National Provident Fund, the Cape Joint Retirement Fund and the SALA Pension Fund.

The retirement benefits are calculated in accordance with the rules of the respective funds. Current contributions by the Council are charged against operating income at the rate of a fixed percentage of the basic salary paid to employees.

Full actuarial valuations are performed at least every three years.

#### **8. Surpluses and deficits**

Any surpluses and deficits arising from the operation of Electricity and Water Services are transferred to Rates and General Services.

## 9. Treatment of administration and other overhead expenses

The costs of internal support services are transferred to the different services in accordance with the IMTA's Report on Accounting for Support Services (June 1990).

## 10. Investments

Investments are disclosed at the lower of cost or market value if a permanent decline in value has occurred and are invested on such conditions as the Minister may approve.

## 11. Income recognition

11.1 All meters are read and billed monthly. Income is recognised when meters are read and the monthly levies debited to the respective consumer account. Where meters cannot be read during a particular month, they are provisionally billed with the necessary adjustments made in the month they are indeed read.

### 11.2 Assessment rates

The local authority applies a uniform system of rating. In terms of this system the assessment rates are levied on the land value of property and improvements, at the same rate. Rebates of 20% are granted on state-owned properties.

Income is recognised when such levies are raised and debited to the respective ratepayer account.

### 11.3 Other income

Income from services such as refuse removal and sewerage, recovered by way of debtors, is recognised when such levies are raised and debited against the respective consumer account. Income from other sources is recognised when paid.

## **BLUE CRANE ROUTE MUNICIPALITY**

### **BALANCE SHEET AT 30 JUNE 2007**

<b>NOTE S</b>
-------------------

<b>2007</b>
<b>R</b>

<b>2006</b>
<b>R</b>



**CAPITAL EMPLOYED**

<b>Funds and Reserves</b>		7 125 619	6 472 222
- Statutory funds	1	7 113 619	6 460 222
- Reserves	2	12 000	12 000
<b>Accumulated Deficit</b>	19	<u>(14 524 085)</u>	<u>(16 646 733)</u>
		(7 398 466)	(10 174 511)
<b>Trust funds</b>	3	2 703 857	2 350 076
<b>Long-term liabilities</b>	4	15 580 515	15 638 576
<b>Consumer deposit's</b>	5	751 637	559 455
		<u><b>11 637 543</b></u>	<u><b>8 373 596</b></u>

**EMPLOYMENT OF CAPITAL**

<b>Fixed assets</b>	6	15 612 035	11 863 479
<b>Longterm Debtors</b>	8	135 598	34 469
<b>Investments</b>	7	1 288 614	1 641 642
<b>Net current assets/(liabilities)</b>		(5 398 704)	(5 165 994)
<b>Current assets</b>		14 759 808	13 356 698
- Inventory	9	421 314	419 883
- Debtors	10	12 251 093	12 855 674
- Bank and Cash	11	1 733 040	79 254
- Short-term portion of Long-term debtors	8	19 313	1 887
- Short-term investments	11	335 048	-
<b>Current liabilities</b>		(20 158 512)	(18 522 692)
- Provisions	12	2 569 622	3 050 222
- Bankoverdraft	14	968 045	7 936 510
- Creditors	13	16 589 325	5 501 726
- Short-term portion of long-term liabilities	4	31 520	2 034 234
		<u><b>11 637 543</b></u>	<u><b>8 373 596</b></u>

**BLUE CRANE ROUTE**  
**MUNICIPALITY**  
**INCOME STATEMENT FOR THE YEAR ENDED**  
**30 JUNE 2007**

Actual Income 2006 R	Actual expenditure 2006 R	Surplus/ (deficit) 2006 R		Actual Income 2007 R	Actual expenditure 2007 R	Surplus/ (deficit) 2007 R	Budget Surplus/(d eficit) 2007 R
			<b>RATES AND GENERAL SERVICES</b>				
24 891 604	42 576 202	(17 684 598)		27 500 342	37 112 864	(9 612 522)	(8 295 719)
18 244 224	31 208 714	(12 964 490)	Community services	20 329 792	27 663 396	(7 333 604)	(7 255 373)
191 499	2 792 792	(2 601 293)	Subsidised services	174 551	2 880 780	(2 706 229)	(3 433 095)
6 455 881	8 574 696	(2 118 815)	Economic services	6 995 999	6 568 688	427 311	2 392 749
28 008 501	21 207 920	6 800 581	<b>TRADING SERVICES</b>	32 033 916	24 841 391	7 192 525	8 295 719
<b>52 900 105</b>	<b>63 784 122</b>	<b>(10 884 017)</b>	<b>TOTAL</b>	<b>59 534 258</b>	<b>61 954 255</b>	<b>(2 419 997)</b>	<b>-</b>
		1 033 497	Appropriations for the year (refer to note 19)			4 542 645	
		(9 850 521)	Nett surplus/(deficit) for the year			2 122 648	
		(6 796 212)	Accumulated deficit at the beginning of the year			(16 646 733)	
		<b>(16 646 733)</b>	<b>ACCUMULATED DEFICIT AT THE END OF THE YEAR</b>			<b>(14 524 085)</b>	

**BLUE CRANE ROUTE**  
**MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE**  
**YEAR ENDED 30 JUNE 2007**

						<b>NOTE S</b>	<b>2007</b>	<b>2006</b>
							<b>R</b>	<b>R</b>
<b>CASH (UTILISED)/ RETAINED FROM OPERATING ACTIVITIES</b>								
							19 577 578	(3 261 970)
Cash utilised from operations						<b>20</b>	(12 462 175)	(16 073 891)
Investment income						<b>18</b>	20 894	35 007
(Increase)/decrease in working capital						<b>21</b>	4 581 240	4 774 222
Less: External interest paid						<b>18</b>	(2 942 587)	(2 649 074)
Cash (utilised in)/available from operations							(10 802 628)	(13 913 736)
Cash contributions from the public and the state							29 953 505	10 651 767
Nett proceeds on disposal of fixed assets							426 701	
<b>CASH UTILISED IN INVESTING ACTIVITIES</b>								
Investment in fixed assets						<b>6</b>	(10 946 765)	(3 071 388)
<b>NET CASH FLOW</b>								
							<b>8 630 813</b>	<b>(6 333 357)</b>
<b>CASH EFFECTS OF FINANCING ACTIVITIES</b>								
Increase/(decrease) in long-term loans						<b>22</b>	(26 541)	2 141 672
(Increase)/decrease in cash investments						<b>23</b>	17 980	4 544 714
(Increase)/decrease in cash						<b>24</b>	(8 622 252)	(353 028)
							<b>(8 630 813)</b>	<b>6 333 357</b>

<b>BLUE CRANE ROUTE MUNICIPALITY</b>			
<b>NOTES TO THE FINANCIAL STATEMENTS</b>			
		<b>2007</b>	<b>2006</b>
		<b>R</b>	<b>R</b>
<b>1</b>	<b>ACCUMULATED FUNDS</b>		
	Revolving fund	6 886 923	6 460 222
	Housing Development Fund	226 696	
		7 113 619	6 460 222
	<i>(Refer to Appendix A for more details)</i>		
<b>2</b>	<b>RESERVES</b>		
	Game Reserve	12 000	12 000
		12 000	12 000
	<i>(Refer to Appendix A for more details)</i>		
<b>3</b>	<b>TRUST FUNDS</b>		
	Dr. WH Craib Fund	17 015	17 015
	WD West Library Fund		(1 207)
	Skills Development Fund		123 597
	LED Zama Fund	63 158	63 158
	Additional Drug Allocation		636 935
	Integrated Development Plan	122 809	28 425
	Zoning Map Fund	30 843	45 436
	Pearston Small Farmers Association	4 043	4 043
	Cookhouse 313 Houses	72 041	145 343
	Municipal Administration	10 729	35 000
	Water Treatment Plan		702 068
	Environmental Impact Study Fund	63 000	63 000
	Spatial Development Framework		30 020
	Bulk Water Pipeline - CHO	-	232 523
	Security Fence - Nature Reserve	-	94 484
	MIG - Revolving Fund	1 470 874	
	Cacadu ITC	4 868	
	MSIG Funds	15 959	
	Fire Management	30 000	
	Water Services Fund	65 000	
	NER Trust Fund	334 726	
	FMG Grant	159 439	130 236
	CMIP - Trust Funds	151 861	
	Pearston 300 Houses	87 492	
		2 703 857	2 350 076
<b>4</b>	<b>LONG-TERM LIABILITIES</b>		
	Development Bank of South Africa	15 532 316	17 565 372
	ABSA - Vehicle and Asset Finance	79 719	107 438
	Less: Short Term portion transferred to	(31 520)	(2 034 234)

	Current			
	Liabilities			
		15 580 515		15 638 576
	The annuity loan reflected above is secured by a Promissory Note (Certificate Number TR1652). The investment has a guaranteed amount of R12,000,000 on the assumption that it is held to maturity in 2014.			
	<i>(Refer to Appendix B for more details)</i>			
	<b>BLUE CRANE ROUTE MUNICIPALITY</b>			
	<b>NOTES TO THE FINANCIAL STATEMENTS</b>			
		<b>2007</b>		<b>2006</b>
		<b>R</b>		<b>R</b>
<b>5</b>	<b>CONSUMER DEPOSITS: SERVICES</b>			
	Service Deposits	751 637		559 455
		751 637		559 455
<b>6</b>	<b>FIXED ASSETS</b>			
	Fixed assets at the beginning of the year	97 051 589		94 125 733
	Capital expenditure during the year	10 946 765		3 071 388
	Less: Assets written off, transferred or disposed of during the year	(11 926 474)		145 532
	<b>Total fixed assets</b>	119 924 828		97 051 589
	Less: Loans redeemed and other capital receipts	104 312 793		85 188 110
	<b>Nett fixed assets</b>	15 612 035		11 863 479
	<i>(Refer to Appendix C for more details)</i>			
<b>7</b>	<b>INVESTMENTS</b>			
	<b>Name of Bank</b>	<b>Acc Nr</b>	<b>Type</b>	
	ABSA Bank	9062642914	Call Acc	968
	ABSA Bank	2053825035	Fixed	7 500
	Deposit			
	ABSA Bank	2055844786	Fixed	14 691
	Deposit			
	ABSA Bank	2064372621	32 Days	248
	ABSA Bank	2084303510	32 Days	10 141
	ABSA Bank	9061468660	Active	
	Save			60 189
	ABSA Bank	9067623600	Call Acc	147 152
	ABSA Bank	3064335048	32 Days	18 315
	ABSA Bank	4064313202	32 Days	10 866
	ABSA Bank	5024312404	32 Days	24 056
	ABSA Bank	9064335011	32 Days	10 610

	ABSA Bank	9073206933	32 Days	23 688		22 420
	ABSA Bank	9117216620	Call Acc	1 243		1 230
	ABSA Bank	9117216777	Call Acc	1 384		1 370
	Nedbank Market	1263036023	Money	7 222		7 667
	Nedbank Deposit	18312483	Fixed	4 000		4 000
	Nedbank Deposit	18312491	Fixed	4 600		4 600
	Nedbank Market	1263034756	Money	48 364		45 245
				335 048		353 028
	Circular no 19 of 1984 issued by the Provincial Administration Community Development Branch, requires Local Authorities to invest funds, which are not immediately required, with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a plenary rate to meet commitments.					
	<b>Annuity Investments</b>					
	Investec			<b>1 288 614</b>		1 288 614
				1 288 614		1 288 614
	The annuity investment has been pledged as security for loan facilities granted to the Municipality. The investment has a guaranteed amount of R12,000,000 on the assumption that it is held to maturity in 2014. (Refer to note 4). The market value of the investment as at 30 June 2007 is R4,022,652.					
	<b>BLUE CRANE ROUTE MUNICIPALITY</b>					
	<b>NOTES TO THE FINANCIAL STATEMENTS</b>					
				<b>2007</b>		<b>2006</b>
				<b>R</b>		<b>R</b>
<b>8</b>	<b>LONG-TERM DEBTORS</b>					
	Sportclub Loans			34 469		36 356
	Housing Loans			120 442		
				154 911		36 356
	Less: Short-term portion transferred to current assets			19 313		1 887
				135 598		34 469
<b>9</b>	<b>INVENTORY</b>					
	Inventory represents consumable stores, raw materials, work in progress and finished goods. Where necessary specific provision is made for obsolete stock.					
				421 314		419 883
				421 314		419 883
<b>10</b>	<b>DEBTORS</b>					

	Current Debtors (Consumers)	20 940 532		19 950 679
	Less: Provision for bad debts	(12 649 035)		(7 500 133)
		8 291 497		12 450 547
	Local Economic Development			2 880
	Cacadu District Municipality capital claims	329 692		
	Biltong Festival Suspense	145 136		
	Insurance Claims	99 951		
	VAT on Debtor Consumers	2 070 793		
	Work in Progress	315 817		
	VAT claimable (Creditors not yet paid)	878 347		
	Sundry Debtors	119 860		402 247
		12 251 093		12 855 674
<b>11</b>	<b>CASH AND CASH EQUIVALENT</b>			
	<b><i>Current Bank Account: Absa Bank (Acc 4064779134)</i></b>			
	Bankstatement balance at the end of the year	1 742 832		703
	<b><i>Current Bank Account: Absa Bank (Acc 4064779134)</i></b>			
	Cashbook balance at the end of the year	1 719 622		703
	<b><i>Current Bank Account: Absa Bank (Acc 4049180033)</i></b>			
	Bankstatement and Cashbook balance at the end of the year	6 853		1 568
	<b><i>Current Bank Account: Absa Bank (Acc 4055469366)</i></b>			
	Bankstatement and Cashbook balance at the end of the year	814		1 217
	<b><i>Current Bank Account: Absa Bank (Acc 4053048314)</i></b>			
	Bankstatement and Cashbook balance at the end of the year	3 349		72 627
	<b><i>Current Bank Account: Absa Bank (Acc 4051973385)</i></b>			
	Bankstatement and Cashbook balance at the end of the year	937		1 474
		1 731 575		77 589
	Cash Floats	1 465		1 665
		1 733 040		79 254
	<b><u>BLUE CRANE ROUTE MUNICIPALITY</u></b>			
	<b><u>NOTES TO THE FINANCIAL STATEMENTS</u></b>			
		<b>2007</b>		<b>2006</b>
		<b>R</b>		<b>R</b>

<b>12</b>	<b>PROVISIONS</b>		
	Leave Pay Provision	1 969 622	1 681 870
	Audit Fee Provision	600 000	1 368 352
		2 569 622	3 050 222
	Provisions are not cash backed.		
<b>13</b>	<b>CREDITORS</b>		
	Trade creditors	7 892 496	1 744 640
	DBSA - Interest on Ext Loan in arrears	4 976 821	
	Creditors - Settlement		1 756 819
	Nett VAT returns	99 549	582 052
	VAT Levied on consumers but not yet Paid	2 070 793	1 029 373
	Auditor-General	1 195 218	
	Income Tax	130 324	
	Consumers paid in advance	158 226	
	Sundry Creditors	65 898	388 841
		16 589 325	5 501 726
<b>14</b>	<b>BANK OVERDRAFT</b>		
	<b><i>Current Bank Account: Absa Bank (Acc 2200000008)</i></b>		
	Overdraft bankstatement balance at the end of the year	778 042	2 381 716
	Overdraft cashbook balance at the end of the year	968 045	7 936 510
		968 045	7 936 510
<b>15</b>	<b>ASSESSMENT RATES</b>		
	Valuation of land and improvements as at 1 July 2001:-		
	All properties	270 100 020	270 100 020
		270 100 020	270 100 020
	Actual Rateable Income	3 171 274	3 010 200
<b>16</b>	<b>REMUNERATIONS</b>		
<b>16.1</b>	<b><i>Council</i></b>		
	<b>Mayor's allowance</b>	384 746	223 048
	Salary	264 611	147 533
	Travelling allowance	88 203	28 829
	Telephone allowance	12 684	11 627
	Backpay	19 248	
	Housing allowance	-	35 059
	<b>Councillor's allowance</b>	1 110 492	539 226
	Salaries	779 409	338 133
	Travelling allowance	259 803	94 697
	Telephone allowance	71 280	73 904



	Housing allowance	-		4 010
	Other allowances			28 483
	Councillor's Total Allowances	1 495 238		762 275
	<b>BLUE CRANE ROUTE MUNICIPALITY</b>			
	<b>NOTES TO THE FINANCIAL STATEMENTS</b>			
		<b>2007</b>		<b>2006</b>
		<b>R</b>		<b>R</b>
<b>16</b>	<b>REMUNERATIONS (continue)</b>			
<b>16.2</b>	<b><i>Municipal Manager (Only employed for 2 months)</i></b>			
	Annual Remuneration	51 714		
	Travel Allowance	20 000		
	Municipal Contributions	2 735		
	Total for 2 months	74 449		-
<b>16.3</b>	<b><i>Chief Finance Officer/Acting Municipal Manager</i></b>			
	Annual Remuneration	214 291		
	Travel Allowance	96 000		
	Municipal Contributions	12 826		
		323 117		-
<b>16.4</b>	<b><i>Manager: Corporative Services</i></b>			
	Annual Remuneration	282 510		
	Travel Allowance	188 782		
	Municipal Contributions	17 784		
		489 076		-
<b>16.5</b>	<b><i>Manager: Health Services</i></b>			
	Annual Remuneration	366 256		
	Travel Allowance	96 000		
	Municipal Contributions	1 435		
		463 691		-
<b>16.6</b>	<b><i>Manager: Electricity Services (Only employed for 6 months)</i></b>			

	Annual Remuneration	126 903	
	Travel Allowance	67 451	
	Municipal Contributions	715	
	Total for 6 months	195 069	-
<b>17</b>	<b>AUDITOR'S REMUNERATIONS</b>		
	Audit Fee: Previous year	1 630 974	88 407
	Audit Fee: Previous year paid	(435 756)	
	Audit fees: Provision for Current year	600 000	
	Total Audit fees outstanding (included in creditors and provisions)	1 795 218	-
	<b>BLUE CRANE ROUTE MUNICIPALITY</b>		
	<b>NOTES TO THE FINANCIAL STATEMENTS</b>		
		<b>2007</b>	<b>2006</b>
		<b>R</b>	<b>R</b>
<b>18</b>	<b>FINANCE TRANSACTIONS</b>		
	<i>Total external interest earned or paid</i>		
	- Interest earned	20 894	35 007
	- Interest paid: External loans	2 942 587	2 649 074
	- Interest paid: Overdraft Bank account	236 736	
	<i>Capital charges debited to operating account:</i>		
	<b>Interest:</b>		
	- External	2 942 587	2 649 074
	- Internal		-
	<b>Redemption:</b>		
	- External	27 719	23 817
	- Internal		-
		2 970 306	2 672 890
<b>19</b>	<b>APPROPRIATIONS</b>		
	<b>Appropriation account:</b>		
	Accumulated deficit at the beginning of the year	(16 646 733)	(6 796 212)
	Operating (deficit)/surplus for the year	(2 419 997)	(10 884 017)
		(19 066 730)	(17 680 229)
	Less: Appropriations for the year:	4 542 645	1 033 497
	Backpay to Councillors	(275 590)	
	Adjustment to Provision for Bad debts	(181)	

		025)		
	SDL Levies claimed	123 594		
	Health drug allocations - prior years	636 935		
	Trust Funds already spent - mistake in allocations	796 552		
	Balances of funds for work in progress that is completed	231 165		
	Provision for Former CFO's Package	(755 962)		
	MAX Prof VAT Audit Fees	(387 003)		
	Adjustment on Audit cost for Auditor-General - Previous years	(62 327)		
	Adjustment on Audit cost for Internal Auditors - Previous years	(92 644)		
	Traffic Fines not received as raised in 2005/06	(158 560)		
	Unknown balances of previous years (Charters & Barnes)	1 305 634		
	Loss on MSS expenditure written off	(669 486)		
	Nett additional VAT Claims - MAXPROF	344 851		
	Adjustment on Loans Redeemed and Other receipts	3 775 097		
	Other adjustments	(88 586)		1 033 497
	Accumulated deficit at the end of the year	(14 524 085)		(16 646 733)
	<b>Operating account:</b>			
	Capital expenditure - Fixed assets	415 188		234 801
	<b>Contributions to:</b>			
	- Revolving Fund			3 845 427
	- Provision for bad debts	5 037 128		
	- Leave Provision	495 317		
		5 532 445		4 080 228

**BLUE CRANE ROUTE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

	<b>2007</b> <b>R</b>	<b>2006</b> <b>R</b>
<b>20 CASH GENERATED BY OPERATIONS</b>		
(Deficit)/Surplus for the year	(2 419 997)	(10 884 017)
Adjustments in respect of:		
- Prior Year Adjustments	4 542 645	1 033 497
Appropriations charged against income	2 953 561	4 080 228
Revolving fund	6 313 471	211 325
Provisions	(3 775 098)	3 634 102
Adjustment to loans redeemed and other receipts	415 188	234 801
Fixed assets		
Investment income (operating account)	(20 839)	(35 007)
Less: Operating contr from Central and Prov. Govmnt	(15 699 550)	(11 418 506)
Capital charges:	2 970 306	2 672 890
Interest Paid on External Loans	2 942 587	2 649 073
Redemption on External Loans	27 719	23 817
Non Operating Expenditure	(5 014 997)	(2 008 130)
- Expenditure charged against funds	(3 369 828)	(1 154 193)
- Expenditure charged against provisions	(1 645 169)	(853 937)
Non Operating Income	226 696	485 154
- Income Credited to Funds	226 696	339 622
- Income Credited to Assets		145 532
	<b>(12 462 175)</b>	<b>(16 073 891)</b>
<b>21 (INCREASE)/DECREASE IN WORKING CAPITAL</b>		
(Increase)/Decrease in inventory	(1 431)	139 200
(Increase)/Decrease in Debtors, Long term Debtors	(4 662 876)	1 862 773
Increase/(Decrease) in Creditors, Consumers deposits	9 245 547	2 772 249
	<b>4 581 240</b>	<b>4 774 222</b>
<b>22 INCREASE/(DECREASE) IN LONG-TERM LIABILITIES</b>		

Loans raised	1 178	2 165 489
Loans repaid	(27 719)	(23 817)
	<u>(26 541)</u>	<u>2 141 672</u>

**23 (INCREASE)/DECREASE IN EXTERNAL CASH INVESTMENTS**

Investments realised	17 980	
Investments made		(353 028)
	<u>17 980</u>	<u>(353 028)</u>

**BLUE CRANE ROUTE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

<b>2007</b>	<b>2006</b>
<b>R</b>	<b>R</b>

**24 (INCREASE)/DECREASE IN CASH ON HAND**

Cash balance at the beginning of the year	(7 857 257)	(3 312 543)
Less: Cash balance at the end of the year	764 995	(7 857 257)
	<u>(8 622 252)</u>	<u>4 544 714</u>

**25 CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS**

The Municipality currently has unresolved labour disputes. No financial value can be assigned to the disputes.

**26 RETIREMENT BENEFITS**

The employees of the municipality and the municipality contribute to various Pensions, Provident and Retirement Funds. The main funds being SAMWU, SALA and the Cape Joint Retirement Fund.

	Employee	Employer
SAMWU Provident Fund	5.00%	12.00%
SALA Pension Fund	8.60%	20.78%
Cape Joint Retirement Fund.	9.00%	18.00%

**27 CAPITAL COMMITMENTS**

Commitments in respect of capital expenditure	13 394 720	7 235 000
---	------------	-----------

This expenditure will be funded financed from:-

- Internal Sources		
- External Sources	13 394 720	7 235 000
Other sources	<u>13 394 720</u>	<u>4 035 000</u>
Government Grants		<u>3 200 000</u>
	<u>13 394 720</u>	<u>7 235 000</u>

**28 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE**

***Reconciliation of unauthorised expenditure***

Opening balance		
Unauthorised expenditure current year		
Approved by Council or condoned		
Unauthorised expenditure awaiting authorising	-	-
<b><i>Reconciliation of wasteful expenditure</i></b>		
Opening balance		
Fruitless and wasteful expenditure current year		
Approved by Council or condoned		
Fruitless and wasteful expenditure awaiting	-	-
condonement		
<b><i>Reconciliation of irregular expenditure</i></b>		
Opening balance		
Irregular expenditure current year		
Approved by Council or condoned		
Irregular expenditure awaiting condonement	-	-

**BLUE CRANE ROUTE**  
**MUNICIPALITY**  
**APPENDIX A**  
**STATUTORY FUNDS, RESERVES AND TRUST FUNDS**

	<b>Balance at 30/06/2006 R</b>	<b>Contr. For the year R</b>	<b>Interest received R</b>	<b>Other income R</b>	<b>Operating expenditure during the year R</b>	<b>Capital expenditure during the year R</b>	<b>Balance at 30/06/2007 R</b>
<b>STATUTORY FUNDS</b>							
Revolving fund	6 460 222			426 701			<b>6 886 923</b>
Housing development fund				<b>226 696</b>			<b>226 696</b>
	<u>6 460 222</u>	<u>0</u>	<u>0</u>	<u>653 397</u>	<u>0</u>	<u>0</u>	<u>7 113 619</u>
<b>RESERVES</b>							
Game Reserve	12 000						<b>12 000</b>
	<u>12 000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>12 000</u>
<b>TRUST FUNDS</b>							
Dr. WH Craib Fund	17 015						<b>17 015</b>
WD West Library Fund	(1 207)			1 207			<b>0</b>
Skills Development Fund	123 597				123 597		<b>0</b>
LED Zama Fund	63 158						<b>63 158</b>
Additional Drug Allocation	636 935				636 935		<b>0</b>
Integrated Development Plan	28 425			100 000	5 616		<b>122 809</b>
Zoning Map Fund	45 436					14 593	<b>30 843</b>

Pearston Small Farmers Association	4 043				<b>4 043</b>
Cookhouse 313 Houses	145 343	70 962	144 264		<b>72 041</b>
Municipal Administration	35 000		24 271		<b>10 729</b>
Water Treatment Plan	702 068		702 068		<b>0</b>
Environmental Impact Study Fund	63 000				<b>63 000</b>
Spatial Development Framework	30 020			30 020	<b>0</b>
Bulk Water Pipeline - CHO	232 523		232 523		<b>0</b>
Security Fence - Nature Reserve	94 484		94 484		<b>0</b>
MIG - Revolving Fund		11 895 806	528 098	9 896 834	<b>1 470 874</b>
Cacadu ITC		118 590	2 170	111 552	<b>4 868</b>
MSIG Funds		150 000	134 041		<b>15 959</b>
Fire Management		30 000			<b>30 000</b>
Library Grant - Cacadu		168 627		168 627	<b>0</b>
Project Consolidate Water Services Fund		151 162	151 162		<b>0</b>
NER Trust Fund		643 500		308 774	<b>334 726</b>
FMG Grant	130 236	500 000	470 797		<b>159 439</b>
CMIP - Trust Funds		151 861			<b>151 861</b>
Pearston 300 Houses		55	207 240	119 803	<b>87 492</b>
	<b>2 350 076</b>	<b>55</b>	<b>14 253 955</b>	<b>3 369 829</b>	<b>10 530 400</b>
					<b>2 703 857</b>



**BLUE CRANE ROUTE MUNICIPALITY**  
**APPENDIX B**  
**EXTERNAL LOANS AND INTERNAL**  
**ADVANCES**

		Balance at 30/06/2006 R	Received during the year R	Redeemed or written off during the year R	Balance at 30/06/2007 R
<b>EXTERNAL LOANS</b>					
<b>Issued</b>	<b>Redeemable</b>				
<b>Development bank:</b>		<b>17 565 372</b>	<b>1 178</b>	<b>2 034 234</b>	<b>15 532 316</b>
DBSA @ 17.00% - Bi Annually 2016	30-09-	15 531 138	1 178		15 532 316
DBSA @ 11.00% - (Shown as creditor in 2006/07)		2 034 234		2 034 234	0
ABSA Vehicle % Asset Finance 2009	30-10-	107 438		27 719	79 719
<b>TOTAL EXTERNAL LOANS</b>		<b>17 672 810</b>	<b>1 178</b>	<b>2 061 953</b>	<b>15 612 035</b>
<b>INTERNAL LOANS</b>					
Internal advances to borrowing services		<b>8 119 132</b>			<b>8 119 132</b>

*The Internal Advances could not be linked to any assets and therefore not taken up in the Asset Register*

**BLUE CRANE ROUTE MUNICIPALITY**  
**APPENDIX C**  
**ANALYSIS OF FIXED ASSETS**

<b>Expenditure 2006 R</b>		<b>Budget 2007 R</b>	<b>Balance at 30/06/2006 R</b>	<b>Expenditure during the year R</b>	<b>Written off transferred redeemed or disposed R</b>	<b>Balance at 30/06/2007 R</b>
	<b>RATES AND GENERAL SERVICES</b>	11 483	52 767	7 398	(20 579	80 744
2 078					001)	955
378		320	152	802		
<b>1 482</b>	<b>Community services</b>	<b>3 193</b>	<b>42 167</b>	<b>700</b>	<b>(20 775</b>	<b>63 643</b>
585		320	433	548	617)	598
155	Community Services ex Old Pearston TLC		2 496		2 496	-
928			761		761	
	IDP	75	143		143	-
		000	551		551	
	Town Planning	35		44		44
		000		613		613
	Bestershoek and Nature Reserve		1 124		672	452
			537		009	528
26	Clinics	135	719		439	279
717		000	278		878	400
3	Commonage and Pound		122		122	-
659			233		233	
4	Council's General Expenses		800		793	6
804			193		493	700
1 234	Estates and Properties		6 672		(16 882	23 554
338			549		368)	917
	Public Works	1 400	28 052	524	(8 967	37 544
		000	484	856	502)	842
17	Municipal Manager, Corporate and Finance	1 498	1 327	124	130	1 321
756		320	214	648	350	512

39	Traffic	50	451	6	30	427
383	Stores	000	893	431	501	823
	Workshop		29		29	-
			567		567	
			227		215	11
			173		910	263
221	<b>Subsidised services</b>	3 410	3 105	2 307	3 105	2 307
667		000	302	212	302	212
	Subsidised services ex old Pearston TLC		63		63	-
	Airfield	2 900	762	2 138	762	2 138
		000		585		585
16	Cemetries		36		36	-
916	Fire Brigade		205		205	-
13	Libraries		55		55	-
146			629		629	
	Parks and Recreation	510	517	168	517	168
		000	222	627	222	627
191			2 432		2 432	-
605			484		484	
374	<b>Economic services</b>	4 880	7 494	4 391	(2 908	14 794
126		000	417	042	686)	145
	Economic Services Ex Old Pearston TLC		441		441	-
	Refuse Removal Services		774		774	
26			1 094		794	300
437	Sanitation and Vacuum Tank Services		470		470	000
		3 380	2 659		2 659	-
		000	703		703	
347	Sewerage Services	1 500	3 298	4 391	(6 804	14 494
689		000	470	042	633)	145
-	<b>HOUSING SERVICES</b>	-	6 718	-	6 718	-



**BLUE CRANE ROUTE MUNICIPALITY**

**APPENDIX**

**D**

**ANALYSIS OF OPERATING INCOME AND EXPENDITURE FOR THE YEAR ENDED  
30 JUNE 2007**

<b>Actual 2006 R</b>		<b>Actual 2007 R</b>	<b>Budget 2007 R</b>
<b>INCOME</b>			
11 418 506	Government - Grants & Subsidies	15 699 550	20 268 651
41 446 592	Operating income	43 813 869	43 157 883
3 010 200	- Assessment Rates	3 171 274	3 100 164
20 975 839	- Sale of Electricity	23 223 886	22 015 718
5 341 257	- Sale of Water	5 861 857	5 119 899
3 443 536	- Refuse	3 690 759	3 542 996
3 039 774	- Sewerage and Sanitation	3 292 012	3 204 471
5 635 986	- Tariffs, Other Service charges and Sundries	4 574 081	6 174 635
35 007	- Interest Received	20 839	35 000

52 900 105	<b>Total Income</b>	59 534 258	63 426 534
<b>EXPENDITURE</b>			
26 740 348	Salaries,wages and allowances	26 544 557	26 975 467
27 814 486	General expenses	31 010 900	26 267 135
12 801 159	- Bulk Purchases - Electricity	12 195 056	12 093 856
79 628	- Bulk Purchases - Water		
14 933 699	- Other General Expenditure	18 815 844	14 173 279
3 462 682	Repairs and maintenance	1 656 047	2 565 969
2 672 890	Capital charges	2 970 306	3 887 179
234 801	Contributions to fixed assets	415 188	4 878 320
3 845 427	Contributions to funds	5 532 445	307 925
986 512	Less: Charged out	6 175 188	1 455 461
63 784 122	<b>Total Expenditure</b>	61 954 255	63 426 534

*MIG Exp/Income is deducted from these figures and is shown in Appendix "A" under Trust Funds*

**APPENDIX E**  
**BLUE CRANE ROUTE MUNICIPALITY**  
**DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007**

Actual Income	Actual expenditure	Surplus/(deficit)		Actual Income	Actual expenditure	Surplus/(deficit)	Budget
2006	2006	2006		2007	2007	2007	Surplus/(deficit)
R	R	R		R	R	R	2007
							R
24 891	42 576	(17 684)	<b>RATES AND GENERAL SERVICES</b>	27 500	37 112	(9 612)	(8 295 719)
604	202	598)		342	864	522)	
18 244	31 208	(12 964)	<b>Community services</b>	20 329	27 663	(7 333)	(7 255 373)
224	714	490)		792	396	604)	
3 010	442	2 567	Assesment rates	3 171		3 171	3 100 164
200	573	627		274		274	
697	1 401	(704	Biltong Festival	481	481		(6 087)
723	901	178)		347	347	-	
2 740	3 488	(747	Clinics	2 449	3 052	(602	(768 810)
792	768	976)		675	475	800)	
72	528	(455	Commonage and Pound	90	494	(403	(435 693)
515	235	720)		937	904	967)	
	2 195	(2 195	Coporate Services		2 165	(2 165	(1 712 879)
825	860	035)			704	704)	
	2 851	(2 851	Council's General Expenses	520	2 364	(1 844	(2 197 796)
	684	684)		243	788	545)	
516	547	(31	Environmental Health	432	593	(160	(115 686)
312	746	434)		888	333	445)	
8 955	10 586	(1 631	Financial Services	11 519	10 389	1 130	2 148 983
210	560	350)		339	171	168	
147	409	(261	Housing Administration	433	1 783	(1 350	(2 003 037)
309	087	778)		711	797	086)	

134	1 017	(882)	Properties and Leasing				
973	764	791)				-	
717	2 868	(2 151	Public Works	220	2 957	(2 736	(2 717 215)
022	363	341)		599	575	976)	
	2 833	(2 833	Municipal Manager		1 716	(1 716	(1 947 102)
	480	480)			687	687)	
862	1 144	(282	Traffic	865	1 012	(147	(243 134)
848	949	101)		770	967	197)	
130	285	(155	Stores			-	
461	518	057)				-	
258	606	(348	Workshop	144	650	(506	(357 081)
034	226	192)		009	648	639)	
			<b>Subsidised services</b>	174	2 880	(2 706	(3 433 095)
191	2 792	(2 601		551	780	229)	
499	792	293)					
36	964	(928	Cemetries & Open Spaces	32	1 038	(1 005	(1 404 606)
020	544	524)		406	157	751)	
	125	(125	Fire Brigade		145	(145	(382 058)
	839	839)			055	055)	
14	1 063	(1 048	Libraries	17	1 175	(1 157	(1 172 755)
942	258	316)		339	240	901)	
140	639	(498	Parks and Recreation	124	522	(397	(473 676)
537	151	614)		806	328	522)	
			<b>Economic services</b>	6 995	6 568	427	2 392 749
6 455	8 574	(2 118		999	688	311	
881	696	815)					
3 443	3 254	188	Refuse	3 691	4 882	(1 191	7 491
556	798	758		356	669	313)	
3 012	5 319	(2 307	Sewerage and Sanitation	3 304	1 686	1 618	2 385 258
325	898	573)		643	019	624)	
			<b>TRADING SERVICES</b>	32 033	24 841	7 192	8 295 719
28 008	21 207	6 800		916	391	525	
501	920	581	Electricity	25 333	21 395	3 938	4 668 760
22 644	17 532	5 111					



128	320	808		847	493	354	
5 364	3 675	1 688	Water	6 700	3 445	3 254	3 626 959
373	600	773		069	898	171	
<b>52 900</b>	<b>63 784</b>	<b>(10 884</b>	<b>TOTAL</b>	<b>59 534</b>	<b>61 954</b>	<b>(2 419</b>	<b>-</b>
<b>105</b>	<b>122</b>	<b>017)</b>		<b>258</b>	<b>255</b>	<b>997)</b>	
		1 033	Appropriations for the year (refer to note 19)			4 542	
		497				645	
		(9 850	Nett surplus/(deficit) for the year			2 122	
		521)				648	
		(6 796	Accumulated deficit at the beginning of the year			(16 646	
		212)				733)	
		(16 646	<b>ACCUMULATED DEFICIT AT THE END OF THE YEAR</b>			<b>(14 524</b>	
		733)				<b>085)</b>	

**BLUE CRANE ROUTE**  
**MUNICIPALITY**  
**APPENDIX F**  
**STATISTICAL INFORMATION**

		<b><u>2007</u></b>	<b><u>2006</u></b>
<b><u>a) General statistics</u></b>			
- Population		34 357	34 357
- Valuation of "taxable" property			
- Residential	Rand	150 021 619	150 021 619
- Commercial	Rand	3 223 210	3 223 210
- Assessment rates:			
Somerset East properties	Rand	0.01409	0.01329
Pearston properties	Rand	0.01409	0.01329
Cookhouse properties	Rand	0.01409	0.01329
Clevedon properties	Rand	0.00987	0.00931
Unvalued properties	Rand	0.01409	0.01329
- Number of residential properties		7 128	7 128
- Number of employees		285	275
<b><u>b) Electricity statistics</u></b>			
- Units bought	Kwh	66 173 020	64 936 770
- Units sold	Kwh	58 818 198	51 023 022
- Units lost in distribution	Kwh	7 354 822	13 913 748
- Units lost as a percentage	Perc	11.11%	21.43%
<b><u>c) Water statistics</u></b>			
- Units purified	Kl	N/A	64 936 770
- Units sold	Kl	N/A	51 023 022
- Units lost in distribution	Kl	N/A	13 913 748
- Units lost as a percentage	Perc	N/A	21.43%

#### **4.4 Assessment of any arrears on municipal taxes and service charges**

At 30 June 2007 the debtors balance was R20 940 532. This represents an increase of R989 853 since 1 July 2006 despite having written off bad debts amounting to R.....during the year.. The increase for the previous financial year was R.....

The provision for bad debts has been increased from R7 500 133 to R12 649 035. This is insufficient when compared to the age of the debts as indicated by the Auditor-General.

Total debtors now represent 48% (Xx% for 2005/6) of the total revenue derived from the Municipality's own sources, or a debtors turnover ratio of 174 days (XXX days for 2005/6). The generally accepted target would be 30 to 40 days which would mean debtors should be between R3.6m and R4.8m.

The inability to collect the revenue due to the municipality is aggravating the financial position and is a primary factor causing severe cash-flow shortages.

The Municipality has undertaken the following with the objective of substantially improving the collection rate:

- X
- X
- X

The target for improvement is XXX by the XXXXXXXX??

#### **4.5 Assessment of the measurable performance for revenue collection for each vote in the approved budget**

As indicated in previous sections of this report and confirmed by the Auditor-General's Performance Audit Report, the Municipality has inadequate data and targets to indicate performance. This is also the case with regard to targets that should be set for each revenue source.

It therefore serves little purpose to analyse debtors by service at this stage. The overall budget performance is reflected in chapter 2 for each office and an explanation of the main deviations is contained therein.

## 4.6 Recommendations of the Audit Committee

### Audit Committee

The Audit Committee has adopted formal terms of reference. The Committee consists of X members and are all independent.

At least four meetings are required to be held. During the 2007 financial year only three meetings were held.

	No. of Meetings attended
Member Prof D Rosenberg	2
Member Mr R Botha	3
Member Ms R Blignaut	3

Besides it's advisory role, the Committee must also review the financial statements and respond to Council on any issues raised by the Auditor-General in the audit report. Accordingly, the Committee has considered the Auditor-General's report for the 2006/2007 financial year and has responded as follows:

#### Financial Statements Report

.....To be inserted once documents submitted

#### Performance Report

.....To be inserted once documents submitted