

Baviaans Municipality

Annual Report 2006 / 2007



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1.1 Foreword by Mayor

The following table reflects the accountability and governance framework for municipalities:

	Responsible for	Oversight over	Accountable to
Council	Approving policy and budget	Mayor or Committee	Community
Mayor or Committee	Policy, budgets, outcomes, management of/oversight over municipal manager	Municipal Manager	Council
Municipal Manager	Outputs and implementation	The Administration	Mayor or Committee
Chief Financial Officer and Senior Managers	Outputs and implementation	Financial Management and Operational Functions	Municipal Manager

Local Government in South Africa presents many challenges. A municipality has, inter alia, the objectives of providing democratic and accountable government, ensuring the provision of numerous services and promoting social and economic development. This must be done within its financial and administrative capacity.

In order to ensure service delivery the Municipality must balance the needs of the community against the resources available such as its human and financial capacity. To do this a Municipality must prepare an Integrated Development Plan (IDP) setting out the approach to delivery of

its objectives. Thereafter, an Annual Report is produced to reflect on the achievements and challenges for the past year in relation to the desired performance reflected in the IDP.

This Annual Report is the first report produced to comply with the legislation. Despite the many challenges facing Baviaans Municipality I am proud to present the Annual Report showing progress in service delivery for 2006/7.

My appreciation goes to all staff, every community member and every Councillor for these achievements.

Mayor E Loock

1.2 Baviaans Municipal area

The information supplied hereunder is extracted from the Integrated Development Plan adopted by Council in 2006. The Municipal area consists of the following urban nodes of Willowmore and Steytlerville.

Topography

The municipal area is characterised by central plains and lowlands bordered by low parallel hills and mountains to the north and south thereof. The Groot, Traka, Olifants and Kariega rivers drain the region.

Climate

The region, located in the transitional climatic zone between summer and winter rainfall areas, is prone to fairly harsh climatic conditions whilst average rainfall varies from one sub region to the other.

Vegetation

Vegetation types are typical of those found in the Karoo region, such as Central Lower Nama Karoo, Grassy Fynbos, Succulent Thicket and Mountain Fynbos.

Development Constraints

At a regional level the following development constraints can be identified as having an effect on overall development patterns:

- i. Harsh climatic conditions
- ii. Low rainfall
- iii. Fragile vegetation types that are susceptible to erosion and overgrazing
- iv. Expansive clay conditions
- v. Mountainous areas and steep slopes
- vi. Desertification.

Land Use Pattern

The broad land use pattern of the study area, consisting of two urban nodes, various smaller settlements, a well-developed transportation network, farmlands and conservation areas, is illustrated in Figure 1.

Demographic Profile

Table 2: Number of Households

Households per area	Current number of households in 2004	Short term 2004 - 2010	Medium term 2010 - 2015	Long term 2015 - 2020
Steytlerville	977	1022	1040	1053
Willowmore	1714	1793	1824	1847
Rural area	1428	1494	1520	1539
Total number of households	4120	4309	4385	4440

(Source: Municipal Demarcation Board Census 2001 and estimated projections)

Table 3: Population Size

Year	2004	2010	2015	2020
Population per area	Current population in 2004	Short term 2004 - 2010 (Growth rate = 0,751)	Medium term 2010 - 2015 (Growth rate = 0,35)	Long term 2015 - 2020 (Growth rate = 0,25)
Steytlerville	3811	3986	4056	4107
Willowmore	6685	6992	7115	7205
Rural area	5571	5827	5929	6004
Total population	16067	16805	17101	17316

(Source: Municipal Demarcation Board Census 2001 and estimated projections)

Table 3: Proportional distribution of population

Calculation based on the 2004 figures	% of population of Baviaans
Steytlerville	23.72
Willowmore	41.61
Rural area	34.67
Total population	100

(Source: Municipal Demarcation Board Census 2001 and estimated projections)

Table 4: Age Distribution

	0-4	5-14	15-34	35-64	65 and over
% Male	48.5	51.7	49.3	45.8	43.7
% Female	51.5	48.3	50.7	54.2	56.3
Total	100	100	100	100	100

(Source: Municipal Demarcation Board Census 2000)

Housing

Housing of the poor is an area of concern. Both towns and virtually all settlements are faced with a shortage in low-cost housing.

Table 3 provides a summary of housing conditions in Baviaans.

Table 5: Housing Types

Households	2001	1996
Formal	3609	2775
Informal	69	157
Traditional	192	112
Other	10	18

(Source: Municipal Demarcation Board Census 2001)

This aspect requires holistic research before detailed estimates of the overall need can be provided.

Land and Tenure

Land issues are increasingly becoming a problem. Almost all the settlements require additional land for both urban expansion and for commonage purposes. Funding for land acquisition remains the biggest problem.

Engineering Infrastructure

The provision and maintenance of engineering infrastructure and specifically basic services is and will remain the biggest challenge for the Baviaans Municipality. The municipality consists of two urban nodes, each with its own bulk infrastructure and reticulation systems. Large disparities still exist in the level of services to various sections. The upgrading and maintenance of this infrastructure will provide major challenges to the capacity of the local authority.

The following tables provide a brief summary of the current situation.

Table 6: Power Source for Lighting

Households	2001	1996
Electricity	2688	1368
Gas	11	21
Paraffin	681	1115
Candles	451	578
Solar	17	-
Other	31	0

(Source: Municipal Demarcation Board Census 2001)

Table 7: Water Usage

Households	2001	1996
Dwelling	1487	1032
Inside yard	1852	1041
Community stand	227	549
Community stand over 200m	112	-
Borehole	16	315
Spring	16	128
Rain tank	55	23
Dam/Pool/Stagnant Water	12	-
River/Stream	90	-
Water vendor	4	-
Other	6	0

(Source: Municipal Demarcation Board Census 2001)

Table 8: Refuse Removal

Households	2001	1996
Municipal Weekly	1788	1908
Municipal Other	570	7
Communal dump	5	81
Own dump	1478	1049
No disposal	37	7

(Source: Municipal Demarcation Board Census 2001)

Table 9: Sanitation

Households	2001	1996
Flush toilet	1214	1015
Flush septic tank	794	-
Chemical toilet	20	-
VIP	217	-
Pit Latrine	441	494
Bucket latrine	755	1227
None	436	352

(Source: Municipal Demarcation Board Census 2001)

The collective impact of deficiencies in the bulk infrastructure on the environment is a concern. It is imperative that this aspect be analysed in depth and appropriate mechanisms be introduced.

The municipality now has several rural roads to maintain and certain areas are experiencing very poor infrastructure in this regard.

Social Infrastructure

As with engineering infrastructure, the municipality faces a daunting task in providing social infrastructure to all its inhabitants. Facilities such as libraries, clinics and sports fields are still required in some areas. Although the municipality has committed itself to the provision of these facilities, the serious lack of funds for this purpose will almost certainly result in long waiting periods in some areas.

Environment

Large portions of the entire study area is characterised by sensitive natural areas that require conservation. The developmental needs of the various entities and their associated infrastructural needs pose a real threat to the natural environment unless properly managed.

The natural environment remains one of the most important assets of the region, both from an agricultural and tourism point of view, these sectors having been identified as vital elements of future economic growth.

Economy

Agriculture, tourism and service industries form the basis of the study area's economy, but high levels of unemployment and poverty are still prevalent. These aspects are illustrated in the following tables:

Table 10: Employment levels

Persons	2001	1996
Employed	3186	2982
Unemployed	1014	1007
Not economically active	5378	-
Total labour force	4200	-

(Source: Municipal Demarcation Board Census 2001)

Table 11: Income Patterns

Person	2001	1996
None	9044	8138
R1-400	1527	560
R401-800	3304	3682
R801-1600	592	316
R1601-3200	323	220
R3201-6400	304	324
R6401-12800	168	69
R12801-25600	33	25
R25601-51200	13	8
R51201-102400	7	11
R102401-204800	16	-
Over R204801	4	-

(Source: Municipal Demarcation Board Census 2001)

1.3 Executive summary - Report by Municipal Manager

Before presenting the results for the year under review it is necessary to explain the legal requirements, context and processes to be followed in preparing the Annual Report.

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.

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 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 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.*

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.

SERVICE DELIVERY

The primary function of the Municipality is the delivery of basic services to its community.

The primary basic services such as electricity, water, refuse removal, sewerage and roads were supplied to some 3089 households and other categories of consumers during the year under review. Some 720 indigent households were identified and assisted with a basic level of free services.

The level of service delivery is further detailed as follows:

Electricity

100% of households in urban areas have access to electricity with the exceptions being of houses on private land, certain rural developments and any new housing developments in progress.

Refuse removal

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

Solid waste is removed to two waste disposal sites. These sites are not licensed in terms of National Government requirements.

Roads

The municipality has maintained the road surfaces in 2006/7.

Municipal roads can be analysed as follows:

Tarred surfaces20%
Gravel surfaces80%

Sanitation / sewerage

3089 households have access to sanitation services of which approximately 85% is a waterbourne level of service and the balance of 15% is attributed to all other levels of service such as a the pail removal system. The latter system is subject to a replacement programme.

Water

3089 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.

Municipal Administration

The financial results indicate that this will remain a challenge for the future. Greater emphasis on collection of revenue and maintenance of sound financial management systems and controls will be a requirement for the future.

PREPARATION OF THE ANNUAL REPORT

In order to report the progress for 2006/7 it is necessary that a performance management system is available to support the administration.

The performance management system for Baviaans municipality is in the process of implementation. The Integrated Development Plan (IDP) supported by the Budget and subsequent Service Delivery and Budget Implementation Plans are incomplete. There is therefore an acknowledged shortfall in planned performance requirements and delivery plans on which to base the Annual Report. The Annual Report is likewise deficient in that it is not always possible to report planned activities with specific results. Improving these systems will receive attention in future years.

The performance for 2006/7 contained in this Annual Report, is therefore a combination of the following:

- Planned activities and projects reflected in the adopted IDP.
- Generic targets normally associated with municipal administration.
- Legislative requirements.

APPRECIATION

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 support and commitment during the year under review.

MUNICIPAL MANAGER

2 **PERFORMANCE**

2.1 **Council / Office of the Mayor**

The Office of the Mayor oversees the Administration via various plans and reporting mechanisms. The IDP, as the main planning tool for directing all activities of the municipality towards meeting community needs and yardsticks for measuring performance will be utilised to analyse actual performance of all functional areas. In addition the Office ensures valuable contact between the community, other Institutions or Organisations and the Municipality.

The members of the Council are:

E Loock	Mayor
D Bezuidenhout	Councillor
H Booyesen	Councillor
P Daniels	Councillor
N Miggels	Councillor

This year 10 Ordinary and 6 Special Meetings of Council were held and attended by Councillors. Council has during the year under review approved numerous policies affecting the community. It has also continued the oversight role as required by legislation.

BUDGET PERFORMANCE

Activity	Budget 2006/7 R'000	Actual 2006/7 R'000	Performance %	Target %
Council: General expenses				
Income	50	418	836	100
Expenditure	1 236	832	67	100

2.2 Office of the Municipal Manager

The Municipal Manager as 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.

Challenges, as identified in the IDP, to be addressed by this office are reflected below for information. Although progress was slow, the focus during 2006/7 has been to commence development of many of the systems necessary for service delivery as required by legislation, with a view to implementation in future years:

- Customer care ethos – the ability to react to all complaints by acknowledgement within 7 days and to take the necessary action within 30 days. While some improvement is evident the specified performance targets are not measured and further work will be necessary in this regard.
- Clear policies and by-laws that are user friendly, practical and tailor made to fit the Baviaans Municipality's area. The policies and Bylaws adopted by Council during the year are:

Requirement
Aerodrome By-law
By-law Relating to Community Fire Safety
Commonage By-law
Customer Care and Revenue Management By-Law
Electricity By-law
Fences and Fencing By-Law
Funeral Parlours, Cemeteries and Crematoria By-Laws
Impoundment of Animals Bylaw
Prevention of Public Nuisances and Keeping of Animals Bylaw
Liquor (Trading hours) By-law
Outdoor Advertising and Signage By-Law
Public Amenities By-Law
Roads and Traffic By-Law
Solid Waste Disposal By law
Sporting Facilities By-Law
Stormwater Management By-law
Street Trading By-law
Water Supply and Sanitation Services Bylaw

Other challenges were:

Challenge	Progress
Up to date asset register that must be employed to keep proper records of the municipality's property and make provision for depreciation of value. A clear asset alienation process which is in tandem with the Supply Chain Management policy must be employed and a workable maintenance plan for all assets must be utilised to ensure continuous service delivery;	An asset register exists however it requires further identification of individual assets. Under consideration and development
Proper maintenance of computer hard- and software so as to enable personnel to render services efficiently and effectively. Funds should always be budgeted for maintenance and upgrading of computer software	The necessary accounting and debtors system is in operation but requires further refinement and development. Under consideration and development

Funding for the proper functioning of the municipality in general so as to deliver more than just the basic services;	Under consideration and development
Improvement in over-all revenue management that focuses particularly on correct and accurate billing systems. The Baviaans Municipality must strive towards increasing of collections to a maximum of seventy (70) percent in 2006/07 financial year and engage in a vigorous programme for the recovery of all outstanding debt. To do this the following measures must be employed: <ul style="list-style-type: none"> • Accounts must be billed against the occupants of house; • Correct list of house owners must be kept; • All households must receive accounts on time at the end of the month; • Enough and reliable water and electricity meters must kept in stock for installation whenever it becomes necessary; • Investigation into the utilisation of prepaid water meters for account holders that are in debt; • Cutting electricity and water loss to six (6) and twelve (12) percent respectively; • Preparations for the Implementation of the Property Rates Act 4 of 2004; 	Under consideration and development – implementation is underway in the following year
Implementation of the Performance Management System so as to enhance the performance of management and employees and avoid duplication of tasks;	Implementation is due during 2007/8
Improved security arrangements in all municipal buildings especially in the administrative offices where money transactions are handled; Security mechanisms and early warning systems must be employed to detect and secure outsourced electricity sales	Under consideration
Implementation of the National Environment Management Act as required by national legislation	Under consideration
The finalisation of a land use plan for the entire municipal area that would identify future land use patterns and developmental nodes	Under consideration

KEY PERFORMANCE INDICATORS

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

BUDGET PERFORMANCE

A separate vote is not available for the Office of the Municipal Manager. Expenditure and income relating to this Office is included in the figures for the Office of the Corporate Manager. This will change in future years.

PROJECTS

The projects related to this Office during 2006/7 are reflected below. It should be borne in mind that many projects which relate to administrative systems will take

longer than one year to fully implement. Internal capacity also plays a role in the length of time necessary to complete these projects. Numerous other factors such as availability of funding, changing priorities and consultation with other organisations affect progress:

Focus / Service	Project No.	Description	Area	Rand	Funded (F) Un Funded (NF)	Funding source	Progress / comment
Governance	1	Finalising the Organogram for BM	BM	20 000	NF	DPHLG	In progress
Governance	2	Implement the Financial Recovery Plan	BM	300 000	NF	Provincial Treasury/DPH LG	In progress
Governance	3	Complete process of drafting By-laws and policies	BM	30 000	NF	DPH LG	In progress
Governance	5	Implement Performance Management System	BM	384 000	F	DBSA	Council agreed to proceed with the Howard Cook model of the PMS. Agreements must be concluded with all Section 56 & 57 employees. The Corporate Services Manager must be employed in accordance with Section 57 of the MSA.
Governance	8	Finalising the draft Spatial Development Framework	BM	190 000	F	DPH LG	Completed
Economic develop.	46	Economic development and job creation programme for Baviaans Municipality	B	75,000		DEAT, DBSA, BM	In progress / Under consideration
Tourism	66	Website maintenance and online marketing of BM	BM	60 000	NF	DEAT/E CDC/B M	Completed
Tourism	68	Steytlerville Hero's Garden and Monument	S	80,000		DSAC, SAHRA	Project complete
Social	81	Baviaans Resource and Development Centre and the creation of associated learnerships	W	300,000		UYF	Completed
Youth	135	Establishment of a youth unit within the municipality	B	-		-	Completed
Safety / security	9(b)	Preparation of a Disaster Management Plan for Baviaans Municipality	B	55,000		MSP	Completed

Projects allocated to other institutions

<i>Focus / Service</i>	<i>Project No.</i>	<i>Description</i>	<i>Area</i>	<i>Rand</i>	<i>Funding source</i>	<i>Responsible</i>	<i>Progress / comment</i>
Cemeteries	76	Development of cemetery at Fullarton	F	50,000	MIG	BM	Completed
Transport	77c	Upgrading of office, toilets and waiting room at existing taxi rank	W	95,000	CDM	CDM	Completed
Agriculture	65	Steytlerville Pigs Hans Nappes Fencing, Stock water, Abattoir	S	81,500	D. Agric	D Agric.	Complete
Agriculture	68	Siyazondla Food Programme (Tools/fencing R60 000 and Seeds/fertiliser R60 000)	B	120,000	D. Agric	D Agric.	Not completed
Agriculture	64(a)	Willowmore Small Farmers: Fencing	W	100,000	D. Agric	D Agric.	Completed
Agriculture	64(a)i	Willowmore Piggery:	W	100,000	D. Agric	D Agric.	Completed
Agriculture	64(b)	Willowmore Kleinbegin:	W	100,000	D. Agric	D Agric.	
Agriculture	64(c)	Willowmore Poultry Jan Tarrentaal: Abattoir and fencing	W	121,500	D. Agric	D Agric.	Completed
Agriculture	64(d)	Willowmore Maseti Goats Fencing and stock water	W	100,000	D. Agric	D Agric.	Completed
Agriculture	66(a)	Steytlerville Grootvlei: Fencing, dip tank and supplies	S	200,000	D. Agric	D Agric.	Completed
Tourism	53(a)	Western Gateway (Nuwekloof)	BK	400,000	Nat. EAT	Mega-reserve	Completed
Tourism	53(b)	Eastern Gateway (Cambria)	BK	400,000	Nat. EAT	Mega-reserve	Completed
Tourism	53(c)	World Heritage Site Interpretive Centre	BK	5,000,000	Nat. EAT	Mega-reserve	Completed
Tourism	53(d)	Heritage route at Eastern gateway(Cambria)	BK	325,000	Lottery	Mega-reserve	Completed

2.3. Budget and Treasury Office

The Chief Financial Officer supports the Municipal Manager to administer 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 Councillors, 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 position of Chief Financial Officer was vacant for four months of the reporting year. This challenge has been partially overcome by the dedicated work of all staff.

The Budget and Treasury Office has 8 staff in service. The organogram makes provision for 10 posts.

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	Collection rate 97.5%	Collection rate achieved was 70%	Lack of capacity has been a contributing factor
	Ensure total actual expenditure and total income does not deviate from budget	Actual to be within 3% of budget	Expenditure was 19.7% less than budget Income was 14.7% less than budget	Refer below for explanation

BUDGET PERFORMANCE

Activity	Budget 2006/7 R'000	Actual 2006/7 R'000	Performance %	Target %
Income	7 842	4 952	63	100
Expenditure	3 852	1 759	46	100

Government Grants reflected in the Budget were not reflected in the actual income and expenditure and this is the main reason for the variances reflected above.

PROJECTS

Focus / Service	Project No.	Description	Area	Rand	Funded / Not funded	Funding source	Responsibility	Progress / comment
Governance	94	Prepare a Financial Plan: assets, indigence, distribution losses,	B	50,000	F	Province	CFO	Project implementation rescheduled for 2007/8

		revenue enhancement, tariff policy, investment policy						
Governance	4	Implementation of Credit Control Policy	BM	50 000	NF	DPHLG	CFO	Project implemented in following year

SPACE FOR PICTURES IF NECESSARY

2.4 Infrastructure / Technical Services Office

The area that requires servicing is some 7727 square kilometers. The two towns of Steytlerville and Willomore are complimented by large rural areas comprising mainly agricultural land and nature reserves.

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:

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

The work performed by dedicated staff made it possible to regularly service some 3089 customers this year.

The need to upgrade existing infrastructure was identified as an important aspect of future economic growth in the area. This included, amongst others:

- The deteriorating condition of the existing road network within the town and rural communities;
- The need for public transport facilities like bus shelters and taxi pick up points and railway carriage systems;
- The lack of electricity supply to certain areas and poor supply to the towns of Willowmore and Steytlerville;
- Poor water quality in the whole Baviaans Municipal area inclusive of Fullerton and Saaimanshoek;
- Removal of the bucket system and the installation of sanitary provisions within the standards prescribed in the RDP document;
- Housing at Fullerton / Saaimanshoek;
- Upgrading of municipal buildings and premises such as offices, community halls, sports facilities, libraries, swimming pools, etc;
- The erection of multi purpose community centres that would be able to provide one stop government services to inhabitants of the Baviaans Municipality; and,
- Purchase and maintenance of the Baviaans Municipality's service delivery fleet.

There are numerous demands to meet and progress will be dependent on human and financial resources available in future. Specifically during the period of this report access to transport and plant was severely limited. During future IDP revisions more detailed analysis of the service backlogs will be required in order to respond to the achievements in future Annual Reports. The performance for each of the main services is reflected below:

ELECTRICITY

KEY PERFORMANCE INDICATORS

OBJECTIVE	KPI	TARGET 2006/7	RESULT 2006/7	COMMENT FOR VARIANCE
ELECTRICITY: To provide basic services for all residents	No. of new connections	Not determined	133 completed	RDP houses completed
	% HH with access to basic level of service -	100%	100%	Isolated cases exist of households awaiting connections.
	% of network losses	Not determined	21%	
	Indigent households supplied with free basic electricity	All qualifying households subject to application	100%	

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

ROADS AND STORMWATER

KEY PERFORMANCE INDICATORS

OBJECTIVE	KPI	TARGET 2006/7	RESULT 2006/7	COMMENT FOR VARIANCE
ROADS AND STORMWATER improvements / maintenance	No. of kms. of gravel road resurfaced	1.3 kms	100%	Completed
	No of tarred roads resurfaced	Not determined	Nil	

	Provide stormwater drainage on all roads, bus links, link roads	1.3 kms	100%	Completed
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SEWERAGE

KEY PERFORMANCE INDICATORS

OBJECTIVE	KPI	TARGET 2006/7	RESULT 2006/7	COMMENT FOR VARIANCE
SANITATION: To provide basic services for all residents	% HH with access to basic level of service	RDP standard	100%	Households with pail service are subject to a program to eradicate this level of service
	No. of new connections	All	None required / undertaken	
	Pail / Bucket eradication	Approx 30 % to be replaced with new service level	200 completed	Phase 1 is approx. 30% of the total need) Balance of 455 remains and due for completion in 2007/8

WATER

KEY PERFORMANCE INDICATORS

OBJECTIVE	KPI	TARGET 2006/7	RESULT 2006/7	COMMENT FOR VARIANCE
WATER: To provide basic services for all residents	Water provided with set standards of quality	Standard for urban households – yard connection	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	133 undertaken	Balance remaining 240 which are within a housing development and under construction
	Existence of a water demand management plan	Not defined	Not available	
	Network loss %	13%	Not determined	Subject of Council resolution

BUDGET PERFORMANCE

Service	Budget 2006/7 R'000	Actual 2006/7 R'000	Performance %	Target %
Electricity				
Income	3 620	3 582	99	100
Expenditure	3 160	3 070	97	100
Public Works				
Income	524	0	-100	100
Expenditure	2 528	1 480	59	100
Sanitation				
Income	1 230	1 236	100	100
Expenditure	860	1 242	144	100
Water				
Income	1 253	1 303	104	100
Expenditure	1 217	1 122	92	100

The main deviations in the actual income and expenditure compared to the Budget are due to financial constraints and cash flow limitations.

I D P IDENTIFIED PROJECTS

Focus / Service	Project No.	Description	Area	Rand	Funded (F) Un Funded (NF)	Funding source	Progress / comment
Governance	6	Fleet and Asset Maintenance and Acquisition	BM	4 000 000	NF	NT/DPLG/DB SA/CDM/BM	Funds must be solicited to acquire new implements and vehicles to render effective service delivery in BM.
Governance	7	Water and Electricity Loss Minimisation	BM	5 000,000	NF	DWAF/MIG/DME/DPLG/CDM	Completed Jun 2007 – ongoing to strive for maximum distribution loss of 13% for water and electricity to 9%.
Housing	10	Provision of housing to all the inhabitants of Baviaans Municipality, with specific reference to Willowmore and Steytleville	BM	16,000,000	F	MIG, BM	“Willowmore 373” has started, 250 houses built to date. Delayed due to labour problems. “Steytleville 501” in progress, contractors have been appointed and building of show houses has commenced. 118 transfers to date have been completed. Another 300 transfers have been lodged in the Deeds Office.
Housing	11	Transfer of Housing Board houses to occupants/owners	BM	600 000	F	DPHLG	Conveyancers have been appointed to carry out this task.
Housing	12	Water proofing of Willowmore 460 units	BM	658 000	F	DPHLG	Completed June 2007

Housing	13	Investigation into unoccupied houses for possible re-allocation to new beneficiaries	W	10 000	NF	DPH LG	All empty houses that are being vandalised must be recovered from owners and reallocated to new owners who can refurbish them or be demolished. Project is in progress
Housing	14	Investigation into Housing provision in Fullarton	F	50 000	NF	BM/CDM/DPH LG	Land must be identified for new housing units in Fullarton. The transfer of the Railway houses must also be addressed. Project is being monitored together with CDM and is not completed
Housing	15	Investigation of Housing provision in Saaimanshoek	S	50 000	NF	BM/CDM/DPH LG	Land must be identified for housing in Saaimanshoek and the need determined.
Water	16	Augmentation of surface water from Erasmuskloof	S	23 000 000	F	MIG	The preparation of an EIA study is in progress. Depending on the outcome funds from MIG (SMIF) have been committed for this project.
Water	17	Erection of a 1ML Reservoir Tank	S	2 500 000	NF	MIG	Funding must be committed from MIG allocation or Drought Relief Funds
Water	18	Installation of a Telemetry System to monitor water	S	120 000	F	MIG	The project in the process of completion.
Water	19	Water provision to Sports Fields	S	300 000	F	DSRAC	The DSRAC has allocated R 1 000 000 for the sports stadium and it must be investigated if these funds can cater for permanent water supply.
Water	20	Provision of water Treatment Plant	S	4 000 000	NF	MIG	Funds must be sought from MIG for this project.
Water	21	Provision and installation of water pressure pump	S	130 000	F	MIG	The project is in the process of being implemented.
Water	22	Investigation of more boreholes in Wan hoop	W	1 160 000	F	MIG	300m borehole drilling will be investigated
Water	23	Investigation and utilisation of backwash water in Wanhoop plant	W	500 000	NF	MIG	Investigation must be done before funds can be solicited from MIG. Not completed.
Water	24	Provision and installation of Area meters	W	200 000	NF	MIG	Meters must be bought and installed from Crisis funding from CDM or MIG
Water	25	Installation of water pressure pumps	W	500 000	NF	MIG	One pump purchased for Steytlerville.
Water	26	Provision of permanent water supply to Sports Fields	W	400 000	NF	DSRAC	Funds must be sought for the permanent supply of water to Sports Fields. The use of the recycled water from the sewer works must be investigated
Water	27	Bulk water source development and supply Willowmore	W	3,500,000	F	DWAF, MIG	Consultant appointed to investigate (1) additional source west of Wanhoop waterworks; (2) additional reservoir

							(1,5mL) in Willowmore has been completed.
Water	28	Water provision Saaimanshoek	S	950,000	F	DWAF, MIG	Completed
Water	29	Upgrading of water supply	S	500 000	NF	MIG	Funds must be solicited for project.
Water	30	Installation of water meters	S	300 000	F	DWAF	Completed
Water	31	Upgrading of water supply	F	500 000	NF	MIG	Funds must be sought.
Water	32	Water provision to Waaikraal Outspan	F	200 000	NF	MIG	Investigation must be done.
Water	33	Installation of water meters	S	300 000	F	DWAF	Completed
Sewerage	34	Sewerage and stormwater drainage at Steytlerville:- Oxidation ponds- Internal reticulation	S	1,800,000	F	MIG	Oxidation ponds near completion stage. Internal reticulation for 501 houses complete.
Sewerage	35	Bucket Eradication in both Steytlerville and Willowmore	BM	3 203 200	F	MIG	Project in progress and phase 2 will commence early in next financial year.
Sewerage	36	Sanitation, Saaimanshoek	L	870,000	F	MIG, DBSA	Installation of VIP toilets is complete
Electricity	37	Electrification of 373 housing units in Willowmore	W	500 000	F	DME	133 connections completed
Electricity	38	Electrification of 503 housing units in Stetlerville	S	2 000 000	NF	DME/MIG	Funds must also be sought from NER to electrify these units
Electricity	39	Upgrading and Refurbishment of electricity supply to both Willowmore and Steytlerville	BM	3 540 000	NF	DME/MIG	Funds must also be sought from NER to electrify these units.
Electricity	40	Replacement of Plessey with Conlog meters	BM	190 000	NF	DME/MIG	Funds must also be sought from NER to electrify these units.
Electricity	41	Provision of Street Lighting in Vuyolwethu	S	900 000	NF	DME/MIG	Funds must also be sought from NER to electrify these units.
Electricity	42	Electrification of Saaimanshoek	L	270,000	F	MIG, CDM, DBSA	Completed
Electricity	43	Electrification of farm schools, farms and rural settlements	B	-		ESKOM, NER, SPOORNET	BM to facilitate
Refuse	43	Upgrading of waste disposal sites in Willowmore and Steytlerville	BM	1 000 000	NF	MIG	Funding to be sought.
Refuse	44	Improve collection and removal of refuse in Willowmore and Steytlerville	BM	800 000	NF	MIG	Funding to be sought.
Stormwater	45	The provision of stormwater drainage, Willowmore and Steytlerville	W	1,000,000	NF	MIG, DBSA	Not done – planning stage. Consultants have applied for funding.
Roads	48	Upgrading of R332 (TR397) Road	BM	15 000 000	NF	DEAT/DT	Not done
Roads	49	Upgrading of Cement Road between Steytlerville and Willowmore	BM	10 000 000	NF	DT	Not done
Tourism	54	Repartitioning and refurbishment of old library into a museum and marketing and information centre	W	70 000	F	DEAT/CDM	Completed

		for tourism in Willowmore					
Tourism	55	Upgrading of Museum, Information Office and Monument in Steytlerville	S	500 000	NF	DEAT/CDM	Not done
Housing	84	The rehabilitation of 460 existing houses in Willowmore	W	1,100,000	NF	BM	Funding not available, being sourced
Social	104	Upgrading of community toilets, Willowmore and Steytlerville	W	100,000	NF	MIG	Funding being sought
Social	105	Upgrading of community halls in Willowmore and Steytlerville	W	2,600,000	NF	MIG	Funding being sought
Social	106	Upgrading of TV services to all inhabitants of Baviaans Municipality: tower maintenance, provision of TV dishes at farm schools	B	38,000	NF	BM	BM to facilitate and allocate funding from own budget for maintenance and to source external funding for upgrading.
Roads	107	Upgrading of internal streets, Willowmore and Steytlerville	W	500,000	NF	-	Business plan to be prepared and funding to be accessed
Sport / Recreation	111	Lighting of sportsfields, Steytlerville	S	150,000	NF	MIG, ESKOM, BM	Not done
Sport / Recreation	112	Provision of sportsfields in Saaimanshoek	L	300,000	NF		Not done
Sport / Recreation	113	Investigate the provision of Indoor Sports Centre for Baviaans Municipality	W, S, L	20,000	NF	MIG, BM,	Not done
Sport / Recreation	114	Upgrading of play parks, Willowmore and Steytlerville	W	60,000	NF	MIG, BM,	Not done
Sport / Recreation	115	Upgrading of swimming pool, Willowmore	W	1 500 000	NF	MIG, BM,	Project to be held in abeyance until a sustainable water resource has been secured
Sport / Recreation	116	Investigate the provision of swimming pool, Steytlerville	S	20,000	NF	MIG, BM,	Project to be held in abeyance until a sustainable water resource has been secured
Youth????? Involvement ??	134	Establishment of a fire department	B	-	NF	-	Undertake a feasibility study
Economic – Job creation.	138	Removal of exotic trees to save water	B	-		-	Possible linkage with working for water.
Sport / Recreation	78(a)	Upgrading and extension of sportsfields.	W	300,000	NF	CDM	CDM funded minor upgrading in Willowmore. Additional funding required
Sport / Recreation	78(b)	Upgrading and extension of sportsfields.	S	1000,000	NF	CDM	Steytlerville project not funded. Funding to be sought.
Safety / security	9(d)	Preparation of Water Services Development Plan for Baviaans Municipality	B, S, L	150,000	F	CDM, DWAF	Consultant appointed to review the current WSDP

2.5 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 main focus of the Office is to provide an internal administrative support resource for all other services.

The Office also oversees at present community services such as health, environment library and protection services. The functions of tourism and economic development also resort under this oversight. Many of these services are issues of cooperative governance and rely on funding from Province.

During 2006/7 the determination of key performance indicators was receiving consideration and implementation is due for a future year. Some of the statutory compliance issues are reflected below:

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	Refer chapter 3
	Demographic status	Totally representative	Fairly representative	Refer chapter 3
Efficient administrative systems	Personnel recruitment	Fully operational	Some vacancies exist at year end	
	Archives and filing	Up to date	80%	Some human resource shortages existed
	Minutes and agendas produced on time and accurate	7 days before meeting	80%	
Land administration	Land Audit	100%	10% progress Quotations invited	Received funds late from Department

BUDGET PERFORMANCE

Activity	Budget 2006/7 R'000	Actual 2006/7 R'000	Performance %	Target %
Administration				

Income	143	16	11	100
Expenditure	2 434	1 943	80	100

PROJECTS

<i>Focus / Service</i>	<i>Project No.</i>	<i>Description</i>	<i>Area</i>	<i>Rand</i>	<i>Funded (F) Un Funded (NF)</i>	<i>Funding source</i>	<i>Progress / comment</i>
Tourism	69	Western Baviaans - Tourism Skills Development	BK		F	WBTA	To be funded and implemented by the Western Baviaans Tourism Association
Tourism	70	Western Baviaans – Annual Baviaans Tourism Festival	BK		F	WBTA	To be funded and implemented by the Western Baviaans Tourism Association
Health Care	74	Create a Health Forum/committee that will represent all communities and link to District Health Control body	B	10,000	F	BM, CDM	CDM and BM establishing various Forums. Clinic Committee in Willowmore, Steytlerville. HIV AIDS committee in Willowmore and Steytlerville. Launch of Baviaans HIV/AIDS Advisory Council
Health Care	75	Purchase of mobile clinics	B	160,000	F	CDM	CDM purchased two mobile clinics to service Baviaans Municipality.
Social	79	Create a forum/committee to represent the elderly and to link to government departments	W, S, L	20,000	F	MIG, BM	Steytlerville and Willowmore forums have been established
Social	101	Create infrastructure and facilities to transport patients to doctors, hospitals and clinics for Baviaans residents.	B, S, W	500,000	NF	BM, CDM	Under consideration
Health Care	102	Build clinic shelter points in BM	W	290,000	NF	CDM	Facilitation only / Not commenced.
Educational	109	Lodge fund application for the development of pre-schools where needed in Baviaans Municipality	W	500,000	NF	MIG, BM	Facilitation only / Not commenced.

3 HUMAN RESOURCES

3.1 Human resources data

The staff employed on average during 2006/2007 is analysed as follows:

Division	Number of staff
Office of the Municipal Manager	1
Budget and Treasury	7
Corporate Services	13
Infrastructural Services	44

The demographic profile is

Occupational Categories	MALES			FEMALES			TOTAL
	African	Coloured	White	African	Coloured	White	
Senior Officials & Managers	1	1	2	1			5
Professionals				1	2		3
Technical & Associate Professionals			3				3
Clerks, Sales and other semi skilled	1		1	3	4	1	10
Plant & Machine Operators							
Elementary Occupations	6	33		2	3		44
GRAND TOTAL	8	34	6	7	9	1	65

The total organogram of the municipality makes provision for 76 posts. At the end of June 2007 65 posts were filled leaving 11 vacancies. These vacancies can be analysed in the table below. The average duration for vacancies is approximately 2 years.

Category	Office of the Municipal Manager	Budget and Treasury Office	Corporate Services	Infrastructural Services
Senior Officials & Managers				
Professionals				
Technical & Associate Professionals		2		1
Clerical, sales and other semi skilled	1			
Plant and machine operators				
Elementary Occupations				7

3.2 Disclosure concerning Councillors and Senior Officials

For the period under review the remuneration of Councillors, Senior Officials and other staff was as reflected in the table below:

Disclosure of Salaries, Allowances & Benefits	Salary	Pension Contributions	Medical Aid Contributions	Allowances	Performance Bonuses	Total Package
	R	R	R	R	R	R
Councillors and Officials	488 254	0	0	208 300	0	696 555
1. Mayor	130 995			55 611		186 606
10. Part-time Councillors	357 259			152 689		509 949
Management of the Municipality	3 267 755	484 756	191 771	1 198 218	273 069	5 415 568
1. Accounting Officer	164 580			104 000		268 580
2. SM - Chief Financial Officer	96 000			64 000		160 000
3. SM - Infrastructure	145 587			68 000	11 805	225 392
4. SM - Comm. & Social Serv.						0
5. SM - Corporate Services	135 456	28 148	23 868	64 762		252 233
6. Other employees	2 726 132	456 608	167 903	897 456	261 264	4 509 363
TOTAL COST - REMUNERATION	3 756 009	484 756	191 771	1 406 518	273 069	6 112 122

4 AUDITED STATEMENTS AND RELATED FINANCIAL INFORMATION

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

REPORT OF THE AUDITOR-GENERAL TO THE COUNCIL OF BAVIAANS MUNICIPALITY (AND THE EASTERN CAPE PROVINCIAL LEGISLATURE) ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF BAVIAANS MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2007.

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Baviaans 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 1 to 24.

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 determined by the National Treasury as set out in accounting policy note 1, to the financial statements and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA). This responsibility includes:
 - designing, implementing and maintaining internal control 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 accounting estimates made by management
 - overall presentation of the financial statements.
7. Paragraph 11 et seq. of the Statement of Generally Recognised Accounting Practice, GRAP 1 Presentation of Financial Statements requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is still in the process of being developed, I have determined that my audit of any disclosures made by Baviaans Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.
8. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis of accounting

9. The Municipality's policy is to prepare financial statements on the entity specific basis of accounting determined by the National Treasury as set out in accounting policy note 1, to the annual financial statements.

Basis for adverse opinion

Income

10. Included in total income of R 13, 2 million (2006: R 12, 2 million) as disclosed in the income statement is an amount of R 3, 6million in respect of the sale of electricity. This amount could not be evaluated for completeness, classification, accuracy, occurrence or cut - off due to the municipality not being able to submit all receipts for audit purposes. This is a contravention of section 19 of the Public Audit Act, 2004 (Act No. 25 of 2004) that requires the municipality to render assistance to the authorised auditor in executing his/her general auditing powers. Section 15(1) of the Public Audit Act ,2004 (Act No. 25 of 2004) empowers the auditor to have full and unrestricted access to any document, book or record that relates to the finances of the municipality. The audit team was unable to audit the receipts from consumers due to the required supporting documentation not being readily available. This was as a result of

documentation having been misfiled, inadequate information systems and inadequate monitoring of control activities of the municipality.

Current Liabilities

11.1 Trade creditors unrecorded

Expenditure in the amount of R 2, 2 million was not accounted for at year-end, resulting in the understatement of Creditors and Expenditure and the overstatement of surplus/ (deficit) for the period. This is in contravention with Section 65(2)(b) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) which requires “the accounting officer of a municipality to take all reasonable steps to ensure that the municipality has and maintains a management, accounting and information system, which recognises expenditure when it is incurred, accounts for creditors of the municipality and accounts for payments made by the municipality”.

Included in Creditors, note 14 to the annual financial statements totalling to R1, 2 million (2006: R 1, 4 million) is an amount in respect of receipts from housing projects. It was noted that these funds had been incorrectly described as motor vehicle registration fees and included as part of Creditors. Receipts in respect of housing projects should be recognised as part of Trust Funds. The effect of this is the overstatement of Creditors in the amount of R338 738 and the understatement of Trust Fund's at year-end.

11.2 Motor vehicle registration fees

Included in Creditors, note 14 to the financial statements is an amount of R 338 798 of which R 337 798 was due in respect of motor vehicle registration fees, collected during the 2002 – 03 financial year and still not paid over at 30 June 2007.

As reported in prior audit reports the non-payment of these amounts due to the department of transport was contrary to the stipulations of provincial circular 6/98 dated 4 May 1998. Interest as a result of the late payment of amounts collected on behalf of the province will be regarded as fruitless and wasteful expenditure and should be dealt with by the Municipal Manager in terms of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA).

11.3 Receipts included in creditors

Included in the Creditors balance of R1,2 million as per note 14 to the annual financial statements are amounts incorrectly allocated in respect of proceeds from the disposal of redundant assets amounting to R 108 934, salary advances and refunds from councillors in respect of medical aid contributions amounting to R 59 702 and the unspent portion of Trust Funds in respect of the Municipality's Integrated Development Plan (IDP) in the amount of R 35 176. The effect of this is an overstatement of Creditors by R 203 812, the overstatement of employee costs by R 59 702, the understatement of Revenue by R 108 934 and the understatement of Trust Funds by R 35 176 at year end.

11.4 Creditors showing no movement

It was noted that Creditors, as disclosed in the annual financial statements, included an amount of R36 127. This creditor's balance has shown no

movement since the 2003-04 financial year. We were unable to establish whether the liability actually existed at year-end.

11.5 Payments incorrectly allocated to creditors

It was noted that creditors at year-end included payments made during July 2006, which had not been accrued for at the previous year-end. The effect of this is the overstatement of Creditors and Expenditure and the understatement of Surplus /(Deficit) for the period under review by R48 210 at year-end.

Debtors

12.1 Consumer debtors – provision for bad debts

It was noted that the Municipal Council has not introduced a policy for the handing over of long-outstanding debts. This is a contravention of Section 98(1) of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA) which states :“(1) A municipal council must adopt by – laws to give effect to the municipality’s credit control and debt collection policy, its implementation and enforcement.”

The total Consumer Debtors disclosed in note 10 to the financial statements at 30 June 2007 amounted to R 8, 8 million (2006: R 7, 1million). Payments by consumer debtors subsequent to year-end revealed a recovery rate of 29%.

Based on a 29% recovery rate, the provision for bad debts are overstated and consumer debtors understated by approximately R1,5 million (2006: overstatement R435 673).

The above was due to inadequate control activities combined with inadequate monitoring of controls related to debtors (a financial management discipline issue).

12.2 Overstatement of debtors

Debtors were overstated and accordingly Accumulated Deficit understated in the balance sheet by R 157 218. The following issues were as a result of the Municipality not having implemented financial policies and procedures to enable proper monitoring over control activities by management.

- (a) An amount of R400 000 disclosed in note 10 to the financial statements as being “IGG to be received from Bisho”. This amount had been brought forward from the accounts of the former Willowmore TLC and had been due to council since the 1998-99 year-end. We are unable to ascertain the recoverability of this amount. No provision has been made in the annual financial statements for the non-recovery thereof.
- (b) Note 10 to the financial statements reflects advances made to certain municipal staff members and councillors at the former Steytlerville Municipality to the amount of R168 267. These debtors has been outstanding since 1997. It should be noted that in terms of the MFMA, the Municipality must recover any advances made to political office bearers and that such amounts advanced may not be written off.

- (c) A difference between the debtor's age analysis and the book of accounts amounting to R594 224 could not be explained as management was unable to determine the reason for the difference.
- (d) Note 10 to the financial statements includes suspense accounts with a balance of R32 125. However, management failed to identify who was responsible for the repayment and therefore the recoverability of these amounts was extremely doubtful. The municipality failed to make provision for the non-payment of these amounts.
- (e) Included in note 10 is an amount of R151 050 in respect of the council's portion of the medical aid contributions relating to retired councillors and were incorrectly disclosed as debtors as opposed to being expensed.

12.3 Value-Added Tax return

Included in Debtors in note 10 to the financial statements is an amount of R 1, 6 million (2006: R 281 914) in respect of "VAT – Net SARS claims at year-end". The municipality has not complied with the Value Added Tax Act, Section 28 (1)(a) and (b), as it has neither compiled nor submitted the required VAT returns (form VAT 201s) since August 2006. We were unable to satisfy ourselves as to the accuracy and completeness of the balance as disclosed in the financial statements, due to the non-availability of the necessary documentation in support of the balance. The non-rendering of the returns is considered an offence and any penalty and interest charges that may emanate from this would be considered fruitless and wasteful expenditure, which is in contravention with the MFMA and should be dealt with by the municipal manager in terms of the applicable legislation.

Investments

- 13. It was found that Short Term Investments disclosed as R8, 6 million (2006: R2, 3 million) in the Balance Sheet did not include all Municipal Investments at year-end. The amount held by the Municipality exceeded the amount disclosed in the financial statements by R284 326, resulting in the misstatement of Investments and accumulated deficit at year-end by this amount. This was due to the fact that the municipality had failed to implement procedures to ensure that their accounting records and those of the financial institutions reconcile.

Bank and cash

- 14. Bank and Cash balances as disclosed in the Balance sheet in the amount of R2,68 million (2006: R2, 6 million) was found to be understated due to the following:
 - (a) The accounting records maintained by the Municipality reflected a balance of R583 724 while the bank reconciliation prepared in support of this reflected the balance as being R688 705, resulting in a unexplained difference of R 104 981.
 - (b) It was noted that the Municipality had maintained no cash book in respect of the housing current account. In addition it was noted that this account was not reconciled, therefore an unexplained difference of R 126 627

existed between the balance as reflected in note 5 to the financial statements of R 2,1 million and the balance as per the bank statement.

The net effect of the above was the understatement of bank and cash balances at the year-end by R176 354, while overstating expenditure and other balances by R198 000 and R21 646, respectively.

Fixed assets

15. Fixed Assets in the Balance sheet totalling R337 435 (2006: R443 456) was understated due to assets totalling R232 363 being incorrectly classified as repairs and maintenance expenses for the year. This further resulted in an overstatement of repairs and maintenance expenditure for the year and an understatement of the Surplus/ (Deficit) and Fixed assets balances for the period. This was the result of inadequate policies and procedures implemented by the Municipality for the identification and recording of assets.

Unauthorised expenditure

16. It was noted that, that the actual expenditure for the following expenditure items exceeded the authorised budget. This is a contravention with sections 1 and 15 of the MFMA as the funds overspent had not been approved and in addition no appropriate adjustments to the budget was made.

The expenditure items in respect of which over spending occurred and the value of the overspending are:

Councillors' allowances	R 118 416
Administration	R 319 402
Public works	R 20 116
Water	R 4 113

Adjustment to financial statements

17. In respect of all of the above findings Management were provided the opportunity to adjust the annual financial statements but elected not to. In addition Management did not provide the auditors with management comments on issues raised and did not provide a management representation letter.

Adverse opinion

18. In my opinion, because of the significance of the matters described in the Basis for adverse opinion paragraphs, the financial statements of Baviaans 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 the entity specific basis of accounting as set out in accounting policy note 1 to the annual financial statements and in the manner required by the MFMA.

Emphasis of matter

I draw attention to the following matters:

Going concern

19. The Mayoral foreword set out on page 4 of the annual financial statements indicates a concern that the Baviaans Municipality will face serious financial problems if consumer debt is not controlled. At 30 June 2007 the Municipality's liabilities exceeded its assets by R 2, 1 million (2006: R 2,8 million). This, in combination with other factors as described below, may indicate that the Municipality is at risk to continue operating as a going concern:
- (a) At least 35% of funds were not financed by investments.
 - (b) Debtors, before taking into account the effect of the provision for bad debts, increased by R 1, 7 million from R 7, 1 million to R 8, 8 million. The average number of days outstanding was 514 days, which was considered to be high.
 - (c) The average repayment rate by consumers was 29%.
 - (d) Consumer deposits represented less than 2% of total outstanding consumer debtors.
 - (e) Accumulated deficit totalled R 2, 1 million before the effect of audit differences mentioned in this audit report.
 - (f) The continued reliance on funding in the form of subsidies and grants from Provincial and National Government.
 - (g) Average creditor days outstanding equalled 38 days. This was in contravention of section 65(2)(e) of the MFMA which requires that "*the accounting officer must take all reasonable steps to ensure that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise*".

Deficiencies in the annual financial statements

20. During our review of the annual financial statements various shortcomings were identified that indicate that the financial statements do not comply with the minimum disclosure requirements of IMFO. These, inter alia, includes:
- (a) Contingent liabilities at year end had not been disclosed.
 - (b) No details on capital commitments at year end.
 - (c) Classification of leases are not disclosed.

- (d) Insufficient disclosure in note 16 to the annual financial statements on councillor remuneration paid.
- (e) The disclosures in note 15 to the annual financial statements on assessment rates is incomplete
- (f) The disclosures in note 10 to the annual financial statements on debtors are incomplete.
- (g) The chief financial officer report in the annual financial statements is incomplete.
- (h) Details disclosed in Appendix F to the annual financial statements is incomplete.

OTHER MATTERS

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

Non-compliance with applicable legislation

21. The following non compliance with legislation was in evidence during the audit:

22.1 Municipal Finance Management Act No.56 of 2003

- (a) No disclosure of details and amounts in respect of amounts owed by councillors in respect of services (MFMA Section 124(1)(b)).
- (b) The Municipality did not charge interest in respect of outstanding accounts (MFMA Section 64(2) (g)).
- (c) Non-implementation of accounting, management and information systems to achieve the desired effects as set out in the act with respect to asset and liability management (MFMA Section 63(2) (a)).
- (d) Monthly reports in respect of the budget were not tabled (MFMA Section 71).
- (e) Disclosure relating to intergovernmental and other allocations and other compulsory disclosure have not been made in the financial statements.(MFMA Sections 123 and 125).

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

The Municipality has not conducted a general valuation since August 2000 which is contrary to section 30(2) of the act. .

22.3 Municipal Systems Act, 2000 (Act No. 32 of 2000)

- (a) The Municipality failed to ensure that the Municipal Manager had an annually revised performance contract. (MSA Section 57(1)(b))
- (b) Employment contracts have not been introduced for all financial staff. (MSA Section 57(1)(a))
- (c) The Municipality did not ensure that the Municipal Manager had an annually revised performance contract (MSA Section 57(2)(b)).

22.4 Division of Revenue Act, Act 2 of 2006 (DoRA)

The Municipality failed to prepare the required reconciliations and maintain the required payment schedules as determined by section 33(2) of the DoRA.

Internal control

23. 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
Basis for opinion					
Income	X		X		
Current Liabilities	X		X		X
Debtors	X		X		X
Investments			X		X
Bank and Cash			X		X
Fixed assets			X		X
Unauthorised expenditure	X				X
Adjustment to financial statement	X			X	
Emphasis of matter					
Going concern	X	X			
Deficiencies in the annual financial statements			X		
Other matters					
Non-compliance					

Reporting item	Control environment	Assessment of risks	Control activities	Information and communication	Monitoring
with applicable laws and regulations			X		X

23.1 Control environment

The Municipality did not establish and maintain an environment throughout the organisation that set a positive and supportive attitude toward internal control and conscientious management.

23.2 Risk assessment

The Municipality did not establish clear and consistent entity-wide objectives and supporting activity level objectives following a thorough process of identification of risks, both from internal and external sources which may affect the ability of the Municipality to meet these objectives. The Municipality has not performed an analysis of risks, nor has it developed an appropriate approach for risk management. This did not enable the Municipality to implement mechanisms to identify changes that may affect the Municipality's ability to achieve its missions, goals and objectives.

23.3 Control activities

The Municipality did not manage and implement appropriate policies, procedures, techniques and control mechanisms to ensure adherence to established directives, which would ensure that proper control activities have been developed for each of the Municipality's activities and that the activities were properly applied.

23.4 Monitoring

The Municipality did not manage to implement procedures to monitor internal control on an ongoing basis as part of the process of carrying out its regular activities. This should ensure that management are aware of their responsibility for internal control and control monitoring, and that separate evaluations of internal control are periodically performed and that deficiencies found are investigated.

OTHER REPORTING RESPONSIBILITIES

Reporting on performance information

24. I was engaged to audit the performance information.

Responsibility of the accounting officer for the performance information

25. 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 Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

Responsibility of the Auditor-General

26. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 646 of 2007*, issued in *Government Gazette No. 29919 of 25 May 2007* and section 45 of the MSA.
27. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
28. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

Non-compliance with regulatory requirements

29. The following requirements of the MSA in respect of the Municipality's Integrated Development Plan (IDP) and performance measurement system have not been adhered to:
- (a) A financial plan which included budgeted projections for at least the following three years. (MSA Section 26 (h))
 - (b) An indication of the financial resources that was available for capital project developments and operational expenditure.
 - (c) The inclusion of a financial strategy which defined sound financial management and expenditure control and the identified means of increasing revenues and external funding for the municipality.
 - (d) The budget should include all development priorities and measurable objectives that have been formulated to be specific and clear.
 - (e) The performance management system should set appropriate key performance indicators as a yardstick for measuring performance, including the outcomes and impact in relation to the development priorities and objectives detailed in the IDP. (MSA Section 41(1) (a))

APPRECIATION

30. The assistance rendered by the staff of the Baviaans Municipality during the audit is sincerely appreciated.

Port Elizabeth

30 November 2007



A U D I T O R - G E N E R A L

4.2 RESPONSE BY THE BAVIAANS MUNICIPALITY TO THE REPORT OF THE AUDITOR-GENERAL ON THE ANNUAL FINANCIAL STATEMENTS.

Basis for Adverse Opinion by A-G	A-G Ref.	Comments by Auditor-General	Response
Income	10	<p>Included in total income of R 13, 2 million (2006: R 12, 2 million) as disclosed in the income statement is an amount of R 3, 6million in respect of the sale of electricity. This amount could not be evaluated for completeness, classification, accuracy, occurrence or cut - off due to the municipality not being able to submit all receipts for audit purposes. This is a contravention of section 19 of the Public Audit Act, 2004 (Act No. 25 of 2004) that requires the municipality to render assistance to the authorised auditor in executing his/her general auditing powers. Section 15(1) of the Public Audit Act ,2004 (Act No. 25 of 2004) empowers the auditor to have full and unrestricted access to any document, book or record that relates to the finances of the municipality. The audit team was unable to audit the receipts from consumers due to the required supporting documentation not being readily available. This was as a result of documentation having been misfiled, inadequate information systems and inadequate monitoring of control activities of the municipality.</p>	<p>The financial statements are prepared on the accrual basis:</p> <ul style="list-style-type: none"> - income is accrued when collectable and measurable, - expenditure is accrued in the year it is incurred. <p>The amount of R3.582 181 reflected in the Income Statement represents total sales for the electricity service (credit sales and pre-paid sales) and cannot be expected to be supported by receipts as a portion of the credit sales are outstanding at year-end. The records in respect of pre-paid sales and debtor receipts are available for audit purposes.(Ex 22)</p>
Current Liabilities: Trade creditors unrecorded	11.1	<p>Expenditure in the amount of R 2, 2 million was not accounted for at year-end, resulting in the understatement of Creditors and Expenditure and the overstatement of surplus/ (deficit) for the period. This is in contravention with Section 65(2)(b) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) which requires "the accounting officer of a municipality to take all reasonable steps to ensure that the municipality has and maintains a management, accounting and information system, which recognises expenditure when it is incurred, accounts for creditors of the municipality and accounts for payments made by the municipality".</p> <p>Included in Creditors, note 14 to the annual financial statements totaling to R1, 2 million (2006: R 1, 4 million) is an</p>	<p>A sub-ledger in respect of trade creditors was introduced in the 2007/2008 financial year and integrated with the SAMRAS GL system which will ensure that this situation does not recur. The relevant staff were trained to operate the new creditors system.</p> <p>Noted. The necessary correcting entries will be processed in the 2007/2008 financial year.</p>

		amount in respect of receipts from housing projects. It was noted that these funds had been incorrectly described as motor vehicle registration fees and included as part of Creditors. Receipts in respect of housing projects should be recognised as part of Trust Funds. The effect of this is the overstatement of Creditors in the amount of R338 738 and the understatement of Trust Fund's at year-end.	
Motor vehicle registration fees	11.2	<p>Included in Creditors, note 14 to the financial statements is an amount of R 338 798 of which R 337 798 was due in respect of motor vehicle registration fees, collected during the 2002 – 03 financial year and still not paid over at 30 June 2007.</p> <p>As reported in prior audit reports the non-payment of these amounts due to the department of transport was contrary to the stipulations of provincial circular 6/98 dated 4 May 1998. Interest as a result of the late payment of amounts collected on behalf of the province will be regarded as fruitless and wasteful expenditure and should be dealt with by the Municipal Manager in terms of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA).</p>	<p>Council decided to pay the amount relating to motor vehicle license fees that were not paid over in the past in regular monthly installments of R 10 000.00 which was not implemented.</p> <p>The balance owing will, however, be fully repaid once the additional inter governmental grant is received during February 2008.</p> <p>Presently all monies collected on behalf of the Department of Transport are regularly (fort-nightly) paid over to the department.</p>
Receipts included in creditors	11.3	Included in the Creditors balance of R1,2 million as per note 14 to the annual financial statements are amounts incorrectly allocated in respect of proceeds from the disposal of redundant assets amounting to R 108 934, salary advances and refunds from councillors in respect of medical aid contributions amounting to R 59 702 and the unspent portion of Trust Funds in respect of the Municipality's Integrated Development Plan (IDP) in the amount of R 35 176. The effect of this is an overstatement of Creditors by R 203 812, the overstatement of employee costs by R 59 702, the understatement of Revenue by R 108 934 and the understatement of Trust Funds by R 35 176 at year end.	Noted. The necessary correcting entries will be processed during the 2007/2008 financial year. The medical aid contributions are not in respect of councillors. These medical contributions are in respect of retired employees.
Creditors showing no movement	11.4	It was noted that Creditors, as disclosed in the annual financial statements, included an amount of R36 127. This creditor's balance has shown no movement since the 2003-04 financial year. We were unable to establish whether the liability actually existed at year-end.	The amount owing to Council will be further investigated and appropriate action taken.
Payments incorrectly allocated to creditors.	11.5	It was noted that creditors at year-end included payments made during July 2006, which had not been accrued for at the previous year-end. The effect of this is the overstatement of Creditors and Expenditure and the understatement of Surplus /(Deficit) for the period under review by R48 210 at year-end.	Noted. The correcting entries will be processed in the 2007/2008 financial year.
Debtors: Consumer debtors – provision for bad debts	12.1	It was noted that the Municipal Council has not introduced a policy for the handing over of long-outstanding debts. This is a contravention of Section 98(1) of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA) which states :“(1) A municipal council must adopt by – laws to give effect to the municipality's credit control and debt collection policy, its implementation and enforcement.”	Noted. The municipality has introduced a financial mentorship program, which inter alia is aimed at improving consumer debtor records, revenue collection and revenue management procedures. The project addresses the whole spectrum of customer care and revenue management issues and includes the handing over of debts to attorneys in instances where all

		<p>The total Consumer Debtors disclosed in note 10 to the financial statements at 30 June 2007 amounted to R 8, 8 million (2006: R 7, 1million). Payments by consumer debtors subsequent to year-end revealed a recovery rate of 29%.</p> <p>Based on a 29% recovery rate, the provision for bad debts are overstated and consumer debtors understated by approximately R1,5 million (2006: overstatement R435 673).</p> <p>The above was due to inadequate control activities combined with inadequate monitoring of controls related to debtors (a financial management discipline issue).</p>	<p>internal processes fail to produce the required results.</p> <p>The project is starting to show positive results.</p> <p>Accounting policies relating to the assessment of potential bad debts will also come into effect during the 2007/2008 financial year.</p> <p>These accounting policies combined with the consumer debtor "cleansing" exercise currently being undertaken should result in an improved assessment of the recoverability of consumer debtors.</p> <p>The staff structure for the Budget and Treasury office is also in the process of review to improve controls and revenue management.</p>
Overstatement of debtors	12.2	<p>Debtors were overstated and accordingly Accumulated Deficit understated in the balance sheet by R 157 218. The following issues were as a result of the Municipality not having implemented financial policies and procedures to enable proper monitoring over control activities by management.</p> <p>(a) An amount of R400 000 disclosed in note 10 to the financial statements as being "IGG to be received from Bisho". This amount had been brought forward from the accounts of the former Willowmore TLC and had been due to council since the 1998-99 year-end. We are unable to ascertain the recoverability of this amount. No provision has been made in the annual financial statements for the non-recovery thereof.</p> <p>(b) Note 10 to the financial statements reflects advances made to certain municipal staff members and councillors at the former Steytleville Municipality to the amount of R168 267. These debtors has been outstanding since 1997. It should be noted that in terms of the MFMA, the Municipality must recover any advances made to political office bearers and that such amounts advanced may not be written off.</p> <p>© A difference between the debtor's age analysis and the book of accounts amounting to R594 224 could not be explained as management was unable to determine the reason for the difference.</p> <p>(d) Note 10 to the financial statements includes suspense accounts with a balance of R32 125. However, management failed to identify who was responsible for the repayment and therefore the recoverability of these amounts was extremely doubtful. The municipality failed to make provision for the non-payment of these amounts.</p> <p>(e) Included in note 10 is an amount of R151 050 in respect of the council's portion of the medical aid contributions relating to retired councillors and were incorrectly disclosed</p>	<p>Noted.</p> <p>The necessary entry to extinguish this debtor will be processed in the 2007/2008 financial year.</p> <p>The amount is in the process of being recovered and has been handed over to the municipality's attorneys.</p> <p>This amount is made up of VAT at the end of 2005/2006 financial year and the necessary correcting entry will be processed in the 2007/2008 financial year. The debtors age analysis will in future be reconciled regularly with the book of accounts.</p> <p>The origin of the amounts reflected as suspense accounts will be investigated and recovered or adjusted as appropriate.</p> <p>The amount of R151 050 relates to medical aid contributions owing by retired employees and not councillors. This will be corrected in</p>

		as debtors as opposed to being expensed.	the new financial year.
Value-Added Tax return	12.3	Included in Debtors in note 10 to the financial statements is an amount of R 1, 6 million (2006: R 281 914) in respect of "VAT – Net SARS claims at year-end". The municipality has not complied with the Value Added Tax Act, Section 28 (1)(a) and (b), as it has neither compiled nor submitted the required VAT returns (form VAT 201s) since August 2006. We were unable to satisfy ourselves as to the accuracy and completeness of the balance as disclosed in the financial statements, due to the non-availability of the necessary documentation in support of the balance. The non-rendering of the returns is considered an offence and any penalty and interest charges that may emanate from this would be considered fruitless and wasteful expenditure, which is in contravention with the MFMA and should be dealt with by the municipal manager in terms of the applicable legislation.	The required VAT returns have subsequently been submitted to South African Revenue Services and are up to date as at January 2008. The necessary controls were introduced to ensure regular and timeous VAT returns. The Municipal Manager will initiate the necessary investigations to deal with any fruitless or wasteful expenditure which may emanate from the non- submission of returns in terms of section 32 of the MFMA.
Investments	13	It was found that Short Term Investments disclosed as R8, 6 million (2006: R2, 3 million) in the Balance Sheet did not include all Municipal Investments at year-end. The amount held by the Municipality exceeded the amount disclosed in the financial statements by R284 326, resulting in the misstatement of Investments and accumulated deficit at year-end by this amount. This was due to the fact that the municipality had failed to implement procedures to ensure that their accounting records and those of the financial institutions reconcile.	The amount reflected as short-term investments in the financial statements at 2006/2007 year-end will be reconciled with the amount invested and the necessary remedial actions taken/accounting entries processed to correct the situation. Procedures will be introduced to ensure regular reconciliation of the amount invested with the accounting records.
Bank and Cash	14	Bank and Cash balances as disclosed in the Balance sheet in the amount of R2,68 million (2006: R2, 6 million) was found to be understated due to the following: (a) The accounting records maintained by the Municipality reflected a balance of R583 724 while the bank reconciliation prepared in support of this reflected the balance as being R688 705, resulting in a unexplained difference of R 104 981.	The unexplained difference of R104 981 will be investigated and the necessary steps taken to reconcile the records.

		<p>(b) It was noted that the Municipality had maintained no cash book in respect of the housing current account. In addition it was noted that this account was not reconciled, therefore an unexplained difference of R 126 627 existed between the balance as reflected in note 5 to the financial statements of R 2,1 million and the balance as per the bank statement.</p> <p>The net effect of the above was the understatement of bank and cash balances at the year-end by R176 354, while overstating expenditure and other balances by R198 000 and R21 646, respectively.</p>	<p>The necessary accounting procedures will be introduced in the 2007/2008 financial year to ensure the correct accounting treatment of the Vuyoulwethu housing scheme income and expenditure and bank reconciliations will be done regularly.</p> <p>The necessary investigation will be done to ensure the correct treatment of the R 198 000 incorrect receipt (R22 000 receipted as R220 000).</p>																
Fixed Assets	15	<p>Fixed Assets in the Balance sheet totalling R337 435 (2006: R443 456) was understated due to assets totalling R232 363 being incorrectly classified as repairs and maintenance expenses for the year. This further resulted in an overstatement of repairs and maintenance expenditure for the year and an understatement of the Surplus/ (Deficit) and Fixed assets balances for the period. This was the result of inadequate policies and procedures implemented by the Municipality for the identification and recording of assets.</p>	<p>Noted. The necessary correcting entries will be done in the 2007/2008 financial year.</p>																
Unauthorised expenditure	16	<p>It was noted that, that the actual expenditure for the following expenditure items exceeded the authorised budget. This is a contravention with sections 1 and 15 of the MFMA as the funds overspent had not been approved and in addition no appropriate adjustments to the budget was made.</p> <p>The expenditure items in respect of which over spending occurred and the value of the overspending are:</p> <table border="0"> <tr> <td>Councillors' allowances</td> <td>R</td> </tr> <tr> <td>118 416</td> <td></td> </tr> <tr> <td>Administration</td> <td>R</td> </tr> <tr> <td>319 402</td> <td></td> </tr> <tr> <td>Public works</td> <td>R</td> </tr> <tr> <td>20 116</td> <td></td> </tr> <tr> <td>Water</td> <td>R</td> </tr> <tr> <td>4 113</td> <td></td> </tr> </table>	Councillors' allowances	R	118 416		Administration	R	319 402		Public works	R	20 116		Water	R	4 113		<p>Noted. The municipal Manager will implement the necessary steps for recovery/ regularisation in terms of section 32 of the MFMA.</p>
Councillors' allowances	R																		
118 416																			
Administration	R																		
319 402																			
Public works	R																		
20 116																			
Water	R																		
4 113																			
Adjustment to financial statements	17	<p>18. In respect of all of the above findings Management were provided the opportunity to adjust the annual financial statements but elected not to. In addition Management did not provide the auditors with management comments on issues raised and did not provide a management representation letter.</p>	<p>Noted. Responses were omitted due to time constraints coupled to a lack of resources. However, all matters reported will be addressed as part of a comprehensive action plan to be introduced by the Municipal Manager.</p>																
Adverse opinion	18	<p>In my opinion, because of the significance of the matters described in the Basis for adverse opinion paragraphs, the financial statements of Baviaans 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 the entity specific basis of accounting as set out in accounting policy note 1 to the annual financial statements and in the manner required by the MFMA.</p>	<p>Noted. The intended action plan will also address the issues contributing to the adverse opinion.</p>																

Emphasis of Matter		I draw attention to the following matters:	
Going concern	19	<p>The Mayoral foreword set out on page 4 of the annual financial statements indicates a concern that the Baviaans Municipality will face serious financial problems if consumer debt is not controlled. At 30 June 2007 the Municipality's liabilities exceeded its assets by R 2, 1 million (2006: R 2,8 million). This, in combination with other factors as described below, may indicate that the Municipality is at risk to continue operating as a going concern:</p> <p>(a) At least 35% of funds were not financed by investments.</p> <p>(b) Debtors, before taking into account the effect of the provision for bad debts, increased by R 1, 7 million from R 7, 1 million to R 8, 8 million. The average number of days outstanding was 514 days, which was considered to be high.</p> <p>© The average repayment rate by consumers was 29%.</p> <p>(d) Consumer deposits represented less than 2% of total outstanding consumer debtors.</p> <p>(e) Accumulated deficit totalled R 2, 1 million before the effect of audit differences mentioned in this audit report.</p> <p>(f) The continued reliance on funding in the form of subsidies and grants from Provincial and National Government.</p> <p>(g) Average creditor days outstanding equalled 38 days. This was in contravention of section 65(2)(e) of the MFMA which requires that <i>"the accounting officer must take all reasonable steps to ensure that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise"</i>.</p>	<p>An additional inter-governmental grant allocated to Baviaans municipality by Province will be utilised to finance the funding shortfall.</p> <p>Noted. Please refer to comments under item 12.1.</p> <p>The accounting treatment of trade creditors was changed in the 2007/2008 financial year and integrated with the SAMRAS GL system which will improve expenditure control and compliance with the MFMA.</p>
Deficiencies in the annual financial statements	20	<p>During our review of the annual financial statements various shortcomings were identified that indicate that the financial statements do not comply with the minimum disclosure requirements of IMFO. These, inter alia, includes:</p> <p>(a) Contingent liabilities at year end had not been disclosed.</p> <p>(b) No details on capital commitments at year end.</p> <p>© Classification of leases are not</p>	<p>The matters reported under this item will be dealt with as part of the action plan to address all reported matters.</p> <p>Noted.</p> <p>Noted</p> <p>Noted</p>

		disclosed. (d) Insufficient disclosure in note 16 to the annual financial statements on councillor remuneration paid. (e) The disclosures in note 15 to the annual financial statements on assessment rates is incomplete (f) The disclosures in note 10 to the annual financial statements on debtors are incomplete. (g) The chief financial officer report in the annual financial statements is incomplete. (h) Details disclosed in Appendix F to the annual financial statements is incomplete	Noted Noted Noted Noted Noted
Other Matters		I draw attention to the following matters that are ancillary to my responsibilities in the audit of the financial statements:	
Non-compliance with applicable legislation	21	The following non compliance with legislation was in evidence during the audit:	
	22.1	Municipal Finance Management Act No.56 of 2003 (a) No disclosure of details and amounts in respect of amounts owed by councillors in respect of services (MFMA Section 124(1)(b)). (b) The Municipality did not charge interest in respect of outstanding accounts (MFMA Section 64(2)(g)). (c) Non-implementation of accounting, management and information systems to achieve the desired effects as set out in the act with respect to asset and liability management (MFMA Section 63(2) (a)). (d) Monthly reports in respect of the budget were not tabled (MFMA Section 71). (e) Disclosure relating to intergovernmental and other allocations and other compulsory disclosure have not been made in the financial statements.(MFMA Sections 123 and 125).	Noted Raising of interest on all overdue amounts owing to the municipality has been reintroduced during October 2007. The municipality adopted an Asset Management Policy which addresses all the issues reported. The implementation of the policy will be addressed as part of the action plan. The present monthly budget reports will be improved to fully comply with the MFMA. Noted.
	22.2	Municipal Property Rates Act, 2004 (Act No. 6 of 2004) The Municipality has not conducted a general valuation since August 2000, which is contrary to section 30(2) of the act.	The Municipal Property Rates Act will only come into operation on 01 July 2009 in the Baviaans Municipality.
	22.3	Municipal Systems Act, 2000 (Act No. 32 of 2000) (a) The Municipality failed to ensure that the Municipal Manager had an annually revised performance contract. (MSA Section 57(1)(b))	Performance contracts for all Section 57 managers were finalised in the 2007/2008 financial year and a process is under way to introduce performance measures for all other

		(b) Employment contracts have not been introduced for all financial staff. (MSA Section 57(1)(a)). © The Municipality did not ensure that the Municipal Manager had an annually revised performance contract (MSA Section 57(2)(b)).	levels of employees.
	22.4	Division of Revenue Act, Act 2 of 2006 (DoRA) The Municipality failed to prepare the required reconciliations and maintain the required payment schedules as determined by section 33(2) of the DoRA.	The required returns and reconciliations in terms of section 33(2) of the Division of Revenue Act (2 of 2006) will be done in the 2007/2008 financial year.
Internal control	23	Section 62(1)©(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. <i>(The table referred to above appears on page 8 of the attached report by the Auditor-General)</i>	The business plan for the Financial Mentorship Project currently underway addresses most of the components of internal control contained in the report and will be aligned with the findings of the Auditor-General as part of the action plan.
Control environment	23.1	The Municipality did not establish and maintain an environment throughout the organisation that set a positive and supportive attitude toward internal control and conscientious management.	Noted. Please refer to the comments contained under 23 above.
Risk assessment	23.2	The Municipality did not establish clear and consistent entity-wide objectives and supporting activity level objectives following a thorough process of identification of risks, both from internal and external sources which may affect the ability of the Municipality to meet these objectives. The Municipality has not performed an analysis of risks, nor has it developed an appropriate approach for risk management. This did not enable the Municipality to implement mechanisms to identify changes that may affect the Municipality's ability to achieve its missions, goals and objectives.	Noted. A Risk Management Policy will be considered in the 2007/2008 financial year.
Control activities	23.3	The Municipality did not manage and implement appropriate policies, procedures, techniques and control mechanisms to ensure adherence to established directives, which would ensure that proper control activities have been developed for each of the Municipality's activities and that the activities were properly applied.	Noted. Please refer to the comments contained under item 23 above.
Monitoring	23.4	The Municipality did not manage to implement procedures to monitor internal control on an ongoing basis as part of the process of carrying out its regular activities. This should ensure that management are aware of their responsibility for internal control and control monitoring, and that separate evaluations of internal control are periodically performed and that deficiencies found are investigated.	Noted. Please refer to the comments contained under item 23 above.
		OTHER REPORTING	

RESPONSIBILITIES			
Reporting on performance information	24	I was engaged to audit the performance information.	
Responsibility of the accounting officer for the performance information	25	In terms of section 121(3)© 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 Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).	Noted. The annual performance report required in terms of section 46 of the Local Government Systems Act (32 of 2000) will be prepared for the 2007/2008 financial year.
Responsibility of the Auditor-General	26	In terms of section 121(3)© 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 Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).	Noted.
	27	In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.	Noted.
	28	I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.	Noted.
Non-compliance with regulatory requirements			
	29	<p>The following requirements of the MSA in respect of the Municipality's Integrated Development Plan (IDP) and performance measurement system have not been adhered to:</p> <p>(a) A financial plan which included budgeted projections for at least the following three years. (MSA Section 26 (h))</p> <p>(b) An indication of the financial resources that was available for capital project developments and operational expenditure.</p> <p>© The inclusion of a financial strategy which defined sound financial management and expenditure control and the identified means of increasing revenues and external funding for the municipality.</p> <p>(d) The budget should include all development priorities and measurable objectives that have been formulated to be specific and clear.</p>	<p>The budget reflects projected revenue and expenditure for the following three years. This will in future be incorporated in the IDP.</p> <p>The capital budget reflects the financial resources for funding of the respective projects.</p> <p>A financial strategy will be adopted during the 2007/2008 financial year.</p> <p>The budget for 2007/2008 includes all development priorities and objectives.</p>

		(e) The performance management system should set appropriate key performance indicators as a yardstick for measuring performance, including the outcomes and impact in relation to the development priorities and objectives detailed in the IDP. (MSA Section 41(1)(a))	A Performance Management System is in place for all Section 57 managers and is aligned with the priority development objectives contained in the IDP for 2007/2008.
APPRECIATION	30	The assistance rendered by the staff of the Baviaans Municipality during the audit is sincerely appreciated.	Noted

4.3 Annual Financial Statements

Foreword by the Mayor

During the book year 2006/2007 management succeeded in:

- a. Maintaining a positive cash flow through out the year.
- b. Increasing the payment rate from 35% to 69.7%
- c. Improving the administration and water supply to a point where the water account showed a surplus of R 181 048 (2005/2006 – Deficit R 172 316).
- d. Showing a surplus of R 512 322 without raising the tariff of electricity.
- e. Keeping the salaries, wages and allowances near the level of 40% of total expenditure.
- f. Bringing down the deficit on sanitation from R 116 150 in 2005/2006 to R 6 109 in 2006/2007.

However there are areas of concern:

- a. Consumer debt increased by 24%. The Baviaans Municipality will face serious financial problems if consumer debt gets out of hand.
- b. The year ended with a surplus of R 784 112 which could have been spent to better service delivery.
- c. Statutory funds and reserves are not backed by cash as required.

A special word of thanks to the Municipal Manager and Administration for their commitment in making the Baviaans Municipality a better place for the people of the Baviaans

MAYOR / COUNCILLOR E. LOOCK

REPORT OF THE CHIEF FINANCIAL OFFICER ON THE FINANCIAL STATEMENTS FOR THE YEAR 2006/2007

I have the pleasure in presenting my annual report together with the financial statements for the year ended 30 June 2007.

The primary objective of the Financial Department is to assist the Head of Departments to control their budgets and to ensure effective application of financial resources.

1. OPERATING BUDGET

Details of the operating results per department, classification and object of expenditure are included in appendices D and E. The overall operating results are as follows: (Please note the Budget figures represents the Amended Budget).

INCOME	Actual 2007	Actual 2006	Variance 2006/2007	Budget 2007	Variance Actual/ Budget
	R	R	%	R	%
Operating income	13,182,562	12,194,461	7.50	15,451,807	14.69
Appropriations					
Closing Deficit	2,155,477	2,843,310	-31.91		
Total	15,338,039	15,037,771	1.96	15,451,807	

EXPENDITURE					
Opening Deficit	2,843,310	2,909,734	-2.34		
Operating expenditure	12,398,450	11,594,111	6.49	15,440,520	19.70
Appropriations	96,279	533,926	-454.56		
Total	15,338,039	15,037,771	1.96	15,440,520	

The net operating surplus for the year was R 784 112. The surplus was generated after a contribution towards a provision for bad debts of R 411 538. The accumulated deficit at year end was R 2 155 447 (2005/2006 - R 2 843 310) and the total provision for bad debts stands at R 7 261 199 which is equal to the total debtors outstanding at 30 June 2007 for 120 days and longer.

The reason for the surplus is that in three sections the income generated was more than what was budgeted for.

Section	Income Surplus	Budget Surplus	Surplus
	R	R	R
Electricity	512,322	101,514	410,808
Water	181,048	60,970	120,078
Traffic	356,867	55,033	301,834
Total	1,050,237	217,517	832,720

Furthermore there was a saving on personnel expenditure of R 104 796 and the actual cost on

repair and maintenance increased from R 556 198 (2005/2006) to R 858 380 (2006/2007).

1.1 RATES AND GENERAL SERVICES

DETAILS	Actual	Actual	Variance	Budget	Variance
	2007	2006	2006/2007	2007	Actual/Budget
	R	R	%	R	%
Income	8,297,052	7,576,130	8.69	10,851,598	23.54
Expenditure	8,206,311	7,542,164	8.09	11,005,849	25.44
Surplus/(Deficit)	90,741	33,966		154,251	

1.2 TRADING SERVICES

ELECTRICITY	Actual	Actual	Variance	Budget	Variance
	2007	2006	2006/2007	2007	Actual/Budget
	R	R	%	R	%
Income	3,582,181	3,466,793	3.22	3,268,932	-9.58
Expenditure	3,069,858	2,728,093	11.13	3,167,418	3.08
Surplus/(Deficit)	512,323	738,700		101,514	

WATER	Actual	Actual	Variance	Budget	Variance
	2007	2006	2006/2007	2007	Actual/Budget
	R	R	%	R	%
Income	1,303,330	1,151,538	11.65	1,331,277	2.10
Expenditure	1,122,281	1,323,854	-17.96	1,267,253	11.44
Surplus/(Deficit)	181,049	-172,316		64,024	

2. CAPITAL EXPENDITURE AND FINANCING

The expenditure on fixed assets during the year amounted to R 19 101 618 (2005/2006 - R 4 959 729) Hereunder is a summary of the capital expenditure for the year 2006/2007.

DETAILS	Actual 2007	Budget 2007	Actual 2006
	R	R	R
Capital Expenditure			
Land			120,000
Buildings	367,513	963,000	52,558
Municipal Building		80,000	52,558

Community Halls		300,000	
Upgrading Libraries	367,513	583,000	
Infrastructure	18,572,289	23,631,045	4,291,587
Sewerage and Sanitation	4,591,536	4,668,300	1,650,774
Water	3,314,039	2,954,745	1,935,885
Electricity	1,012,511	850,000	11,017
Housing	9,572,913	14,858,000	693,911
Streets	81,290	300,000	
Other fixed assets	161,816	624,000	495,584
Vehicles			413,118
Furniture and Equipment		54,000	82,466
Administration	161,816	270,000	
Finance		200,000	
Water		100,000	
TOTAL	19,101,618	25,218,045	4,959,729

Resources used to finance the fixed assets were as follows:

Resources

TOTAL	19,101,618	25,218,045	4,959,729
Grants and Subsidies	18,946,899	24,964,045	4,531,505
Bankfin Loans			376,585
Operating Income	154,719	254,000	51,639

A complete analysis of capital expenditure per department and a classification of service are included in appendix C. More detail regarding external loans used to finance fixed assets is shown in appendix B.

3. EXTERNAL LOANS , INVESTMENTS AND CASH

External loans outstanding on 30 June 2007 amounted to R 337 435 (2006 - R 443 456) as set out in appendix B.

Investments and cash amount to R 11 313 162 (2006 - R 4 902 485)

It must be noted that the cash amount above represent Trust funds of R 11 325 686. No money was therefore available for special funds.

4. EXPRESSION OF APPRECIATION

I am grateful to the Mayor, members of the Council, Heads of Departments for the support they have given me by controlling their budget in such away that savings were generated that contributed towards the net surplus for the year.

I would also like to express my appreciation to the staff of the Auditor-General for their co-operation and assistance during the audit of the Council's financial statements.

Johann H Doyle
Chief Financial Officer
Baviaans Municipality
29 August 2007

**BALANCE SHEET AS AT 30 JUNE
2007**

	Notes	2007	2006
		R	R
<u>Capital Employed</u>			
Funds and Reserves		4 093 973	3 958 648
Statutory Funds	1	3 496 577	3 396 443
Reserves	2	597 396	562 205
(Accumulated deficit)/ Retained Income	19	-2 155 477	-2 843 310
		1 938 496	1 115 338
Trust Funds	3	13 424 246	4 453 728
Long term liabilities	4	173 576	279 597
Consumer's Deposits	6	106 662	102 029
		15 642 980	5 950 692
<u>Employment of Capital</u>			
Fixed Assets	7	337 435	443 456
<u>Net current assets/(liabilities)</u>		15 305 545	5 507 236
<u>Current Assets</u>		17 043 431	7 434 558
Inventory	9	-	20 885
Debtors	10	5 730 269	2 511 188
Bank and Cash	5	2 682 283	2 586 516
Short-term investments	11	8 630 879	2 315 969
<u>Current liabilities</u>		1 737 886	1 927 322
Provisions	13	357 500	357 500
Creditors	14	1 216 527	1 405 963
Short-term of long-term liabilities	4	163 859	163 859
		15 642 980	5 950 692

**INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE
2007**

Actual Income 2006	Actual Expenditure 2006	Surplus/(Defecit) 2006		Actual Income 2007	Actual Expenditure 2007	Surplus/ (Defecit) 2007	Budget Surplus/(deficit) 2007
R	R	R					
7 576 130	7 542 164	33 966	Rates and General Services	8 297 052	8 206 311	90 741	-152 764
6 414 866	6 017 369	397 497	Community Services	7 018 788	6 631 283	387 505	-91 800
60 801	308 182	-247 381	Subsidies Services	42 127	332 781	-290 654	-282 368
1 100 463	1 216 613	-116 150	Economic Services	1 236 137	1 242 246	-6 109	221 404
4 618 331	4 051 947	566 384	Trading Services	4 885 510	4 192 140	693 370	162 484
4 618 331	4 051 947	566 384	Water	1 303 330	1 122 281	181 048	60 970
			Electricity	3 582 181	3 069 858	512 322	101 514
12 194 461	11 594 111	600 350	TOTAL	13 182 562	12 398 450	784 112	9 720
		-533 926	Appropriation for the year (refer note 17)			-96 279	
		66 424	Nett surplus/(deficit) for the year			687 833	
		-2 909 734	Accumulated surplus/(deficit) at the beginning of the year			-2 843 310	
		-2 843 310	Accumulated surplus/(deficit) at the end of the year			-2 155 477	

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	NOTES	2007	2006
<u>Cash retained from operating activities</u>			
		24 305 117	6 278 844
Cash generated by operation	20	-5 902 287	-4 402 592
Investment income	18	129 542	222 739
(Increase)/decrease in working capital	21	-3 383 000	-692 318
Less: External interest paid	18	-	-58 453
Cash available from operations		-9 155 745	-4 930 624
Cash contributions from public and the State		33 459 362	11 207 161
Nett proceeds on disposal of fixed assets		1 500	2 307
<u>Cash utilised in investing activities</u>			
Investment in fixed assets	7	-17 788 419	-4 959 729
Net cash flow		6 516 698	1 319 115
<u>Cash effects of Financing activities</u>			
Increase/(decrease) in long-term loans	22	-106 021	159 765
(Increase)/decrease in cash investments	23	-6 314 910	200 233
(Increase)/decrease in cash	24	-95 767	-1 679 233
		-6 516 698	-1 319 235

ACCOUNTING POLICIES:

1. Basis of presentation

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 Report on Standardisation of Financial Statements of Local Authorities. (second edition – 1996)

The financial statements are prepared on the historical cost basis. The accounting policies are consistent with those applied in the previous year, except when indicated otherwise.

The financial statements are prepared on the accrual basis:

- income is accrued when collectable and measurable,
- expenditure is accrued in the year it is incurred.

2. Consolidation

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

3. Property, Plant and Equipment

Property, plant and equipment are stated at historical cost while they are in existence and fit for use, except in the case of bulk assets, which are written off at the end of their estimated life as determined by the Chief Financial Officer.

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

- Appropriations from operating income. Where the full cost of the assets forms an immediate and direct charge against operating income, and therefore it is unnecessary to make any further provision for depreciation.
- Grants of donation, where the amount representing the value of such grant or donation is immediately credited to the “Loans Redeemed and other Capital Receipts” account.

All nett proceeds from the sale of property and proceeds from the sale of all assets are credited to the Revolving Fund.

Capital assets are financed from different sources, including external loans, operating income and Government Grants. These loans are repaid within the estimated lives of the assets acquired from such loans. Interest is charged to the service concerned at the ruling interest rate applicable at the time the advance is made.

4. Funds and Reserves

Revolving Fund

The Municipal Ordinance, No. 20 of 1974 section 74(1)(a) requires a minimum contribution equal to 20% more than the previous year's contribution.

5. Provisions

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

6. Retirement Benefits

Baviaans Municipality and its employees contribute to the Cape Joint Pension Fund, South African Local Authority Pension Fund and SAMWU National Provident Fund.

7. Surplus and Deficits

Any surplus or deficit arising from the operating of electricity and water services are transferred to Rates and General Services to alleviate the tax burden of rate payers.

8. Investments

Investments are shown at market value and are invested according to the provisions contained in Circular 43 of 1993 issued by the Provincial Administration.

9. Income Recognition

Electricity and Water Billings

Electricity and water meters are read and billed monthly. 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.

Assessment Rates

Assessment Rates are levied at the same rate on the value of land and buildings.

NOTES TO THE FINANCIAL STATEMENTS

Note Number	2007	2006
	R	R
1 Statutory Funds	3 496 577	3 396 443
Capital development fund	9 342	9 342
Revolving fund	2 821 038	2 720 904
Dog tax fund	134 246	134 246
Housing development fund	531 951	531 951
(Refer to Appendix A for more details)		
2 Reserves	597 396	562 205
Leave reserve fund	597 396	562 205
Television relay fund		
Electrical maintenance fund		
(Refer to Appendix A for more details)		
3 Trust funds	13 424 246	4 453 728
MSP Projects	-27 566	232 469
Fire Fighting Trust (Cacadu)	5 738 929	50 000
Project Consolidated	834 273	
Spatial Development Framework	73 192	73 192
Land Sales	1 500	
Housing Project 460	97 032	
LED Paper project (Steytlerville)	716 890	691 038
Electricity donation fund	8 325	8 325
FMG Grant	664 445	94 071
HIV Luanch	9 429	7 531
Willowmore Housing Repairs (Cacadu)	21 087	24 837
Drought Relief fund	392 104	408 732
CMIP Steytlerville sewerage project	156 425	374 802
CMIP Steytlerville reservoir	-12 105	35 000
Steytlerville Housing Project	4 700 286	2 147 268
Steytlerville Sewer treatment works	-	256 463
PMS/IDP	50 000	50 000
(Refer to Appendix A for more details)		
4 Long-term Liabilities	173 576	279 597
Long term loans	337 435	443 456

Less: Short term portion	163 859	163 859
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(Refer to Appendix B for more details)

These loans bears interest at a rate that vary between 11.00% and 18.75%. These loans are redeemable in bi-annual payments. Vehicle loans are redeemable in monthly payments

5 Bank and Cash	2 682 283	2 586 516
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Baviaans General Account (ABSA and Standard Bank)	583 724	487 957
Vuyolwethu Housing Account (ABSA Bank)	2 098 560	2 098 559

6 Consumer Deposits	106 662	102 029
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Water and Electricity	106 662	102 029
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7 Fixed Assets

Fixed assets at the beginning of the year	43 511	38 551 590
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Capital Expenditure during the year	19 101	4 959 729
Less: Assets written off, transferred or disposal of during the year	618	

Total fixed assets	62 612	43 511 319
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Less: Loans redeemed and other capital receipts	62 275	43 067 863
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Nett fixed assets	337 435	443 456
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8 Long-trem Debtors	-	-
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Housing loans	-	707 296
Less: Provision for bad debts	-	707 296

9 Inventory	-	20 885
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Inventory represents only fuel		20 885
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10 Debtors	5 730 269	2 511 188
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Consumers	1 589 740	980 374
Less: Provision for bad debts	8 850 939	7 122 739
	7 261 199	6 142 365

Other debtors	4 140 529	1 530 814
Sundry debtors	1 249 385	31 351
Cacadu claims	576 725	73 149
Suspence account	32 125	42 477

VAT - Nett SARS claims at year end	1 680 227	281 914
VAT - after year end adjustments & creditors payments		
VAT - Consumer debtors		493 499
IGG to be received from Bisho	400 000	400 000
Salary advances - Steytleville	168 267	168 267
Pre-paid sales - outstanding deposit (Lucky 7)	33 800	35 673
Fuel paid in advance		4 484

11 Short term investments

8 630 879 2 315 969

Unlisted

ABSA Bank

Standard Bank

7 921 191 1 657 522

709 688 658 447

Market value of unlisted investments

8 630 879 2 315 969

Average rate of return on investments

7.90% 5.00%

Investments consists of savings accounts and 32 days notice deposits. All funds are invested in terms of Ordinance 23 of 1935

No investment were pledged as security for any funding activities of the Council

Although no investments have been written off, an investment account of R 7 744 was closed by Standard Bank and transfer to their unclaimed funds account. A claim is submitted for this funds and is shown under debtors.

12 Deferred charges

No deferred charges were applicable as at 30 June 2007.

13 Provisions

357 500 357 500

Audit Fees 2004/2005

Audit Fees 2005/2006

157 500 157 500

200 000 200 000

14 Creditors

1 216 526 1 405 963

Trade Creditors

Motor vehicle registration fees

Auditor-General

Gaurantee Electricity project

Deposit's Halls

VAT - Nett SARS claim

VAT - Income not yet paid by debtors

362 893 380 217

338 798 411 106

- -

62 434 62 434

917 917

493 499 493 499

Suspence account	155 499	48 135
Other creditors	296 901	9 655
15 Assessment rates	922 811	834 252
All properties	922 811	834 252
16 Councillor's Remuneration	705 688	174 169
Councillor's allowances	705 688	174 169
17 Auditor's Remuneration	281 728	357 500
Audit fees		
Current year	281 728	200 000
Prior year	-	157 500
18 Finance Transaction	129 542	281 192
Total external interest earned or paid		
Interest earned	129 542	222 739
Interest paid		58 453
Capital charges debited to operating account		
Interest:	91 688	58 452
External	91 688	58 452
Internal		
Redemption:	115 411	216 820
External	115 411	216 820
Internal		
19 Appropriations		
Appropriation Account:		
Accumulated deficit at the beginning of the year	-2 843 310	-2 909 734
Operating (deficit)/surplus for the year	784 112	600 350
Appropriation for the year	-96 279	-533 926
Adjustment - Steytlerville duplicate receipts		-117 095
Re-create sewerage pond Trust fund Steytlerville		-259 915
Adjust leave reserve fund		54 557
Adjust audit cost provision for previous years		-45 624
Fees for VAT recovery audit		-88 511
Nett other adjustments		-77 338
Audit Cost 02/03	-22 656	
Audit Cost 02/03 & 03/04	-35 181	
Audit Cost 02/03 & 03/04	-84 474	
VAT Sanitation truck	46 032	-
Accumulated deficit at the end of the year	-2 155 477	-2 843 310

Operating account:	74 565	51 639
Capital expenditure	74 565	51 639

Contributions to:	561 672	912 990
Revolving fund	100 134	83 445
Leave reserve fund	50 000	
Provision for bad debts	411 538	829 545

20 Cash generated by operations

(Deficit)/Surplus for the year	784 112	600 350
Adjustments in respect of:		
Previous years operating transactions	-96 279	-533 926

Appropriations charged against income	808 562	1 324 419
Revolving fund	100 134	83 445
Leave Reserve Fund	50 000	
Provisions	658 428	1 029 545
Fixed assets	-	51 639
Interest to internal funds		159 790

Less: Operating contr. From Central and Prov. Govern.	-5 534 205	-5 426 216
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Capital Charges	207 099	275 273
Interest paid to internal funds on external funds	91 688	58 453
Redemption of internal advances of external loans	115 411	216 820

Investment income (operating account)	-129 542	-80 946
Non-operating income:		
Loans received	-101 078	
Net income from provisions and reserves		14 770
Non - Operating expenditure		
Expenditure charged against provisions and Reserves	-1 840 958	-576 316
	-5 902 289	-4 402 592

21 (Increase)/decrease in working capital

(Increase)/decrease in inventory	20 885	-5 912
(Increase)/decrease in debtors, long-term debtors	-3 219 081	-435 106
Increase/(decrease) in creditors, consumers deposit	-184 804	-298 111
Less: Outstanding grant for Steytleville Library		46 811

22	Increase/(decrease) in long-term loans (external)	-106 021	159 765
	Loans realised	337 435	376 585
	Loans repaid	443 456	216 820
23	(Increase)/decrease in external cash investments	-6 314 910	200 353
	Investments realised	2 315 969	3 703 480
	Investments made	8 630 879	3 503 127
24	(Increase)/decrease in cash on hand	-95 767	-1 679 233
	Cash balance at the beginning of the year	2 586 516	907 283
	Less: Cash balance at the end of the year	2 682 283	2 586 516
25	Retirement benefits		
	The employees of the former Willowmore Municipality are members of the Cape Joint pension fund as well as SAMWU Provident fund. Employees of the former Steytlerville Municipality are members of the SALA pension fund		
26	Revolving fund		
	Outstanding advances to borrowing services		
	Accumulated fund		
	Less: Internal investment in the Rates and General Account	2 821 038	2 720 904
	External investments	-2 821 038	-2 720 904
		-	-

APPENDIX A**STATUTORY FUNDS, RESERVES AND TRUST FUNDS**

	Balance at 30/06/2006	Contributions during the year	Interest on investments	Other income	Operating expenditure during the year	Capital expenditure during the year	Balance at 30/06/2007
	R	R	R	R	R	R	R
Statutory Funds							
Capital development fund	9 342						9 342
Revolving fund	2 720 904	100 134					2 821 038
Dog tax fund	134 246						134 246
Housing development fund	531 951						531 951
Sub Total	3 396 443	100 134	-	-	-	-	3 496 577
Reserves							
Leave reserve fund	562 205	50 000			14 809		597 396
Television relay fund							-
Electrical maintenace fund							-
Sub Total	562 205	50 000	-	-	14 809	-	597 396
Trust funds							
MSP Projects	232 469	-		462 537	722 572		-27 566
Fire Fighting Trust (Cacadu) (MIG)	50 000	169 587		13 296 988		7 777 646	5 738 929
Project Consolidated		-	56 546	953 525	175 798		834 273
Spatial Development Framework	73 192						73 192
Land Sales		-		1 500			1 500
Housing Project 460		-		784 613		687 581	97 032
LED Paper project Steytlerville	691 038		61 201		35 349	-	716 890
Electricity donations fund	8 325						8 325
FMG Grant	94 071	-	150 051	1 010 895	590 572		664 445

HIV Launch	7 531	-		11 442	9 544		9 429
Willowmore Housing Repairs (Cacadu)	24 837				3 750		21 087
Drought Relief	408 732		15 472		32 100		392 104
CMIP - Steytlerville sewer project	374 802	-		256 463		474 840	156 425
CMIP - Steytlerville sewer reservoir	35 000				-	47 105	-12 105
Steytlerville Housing project	2 147 268	-	205 570	11 148 694	-	8 801 247	4 700 286
Steytlerville Sewer treatment works	256 463	-			256 463	-	-0
PMS/IDP	50 000	-				-	50 000
Sub Total	4 453 728	169 587	488 841	27 926 657	1 826 149	17 788 419	13 424 245
TOTAL FUNDS	8 412 376	319 721	488 841	657	27 926	1 840	17 788 419
					958		17 518 218

APPENDIX B
EXTERNAL LOANS AND INTERNAL
ADVANCES

		Balance at 30/06/2006	Received during the year	Redeemed or written off during the year	Balance at 30/06/2007
		R			
External loans	Redeemable				
Issued					
Development Bank:					
1990 - R 35 000 @ 16.52%	2007	7 858	10 034	5	2
1990 - R 52 000 @ 13.75%	2007	10 338	10 667	6	3
Sub Total		18 196	20 701	11	6
ABSA Bank					
2002 - R 341 695 @ 14.87%	2007	103 182	6 633	182	17
2005 - R 376 585 @ 11.00%	2010	322 078	75 385	176	313
Sub Total		425 260	82 018	358	330
TOTAL		443 456	82 038	059	435

APPENDIX C
ANALYSIS OF FIXED ASSETS

Expenditure 2006		Budget 2007	Balance at 30/06/2006	Expenditure during the year	Written off, transferred or disposed	Balance at 30/06/2007
R		R	R	R	R	R
	Rates and General Services	6 155 300	9 630 125	5 202 154	-	14 832 279
201 216	Community Services	524 000	5 202 251	243 106	-	5 445 357
81 216	Administration	524 000	819 572	152 668		972 240
120 000	Public Works	-	2 285 325	81 290		2 366 615
	Swimming Pool		54 110			54 110
	Civil Defence		1 304			1 304
	Traffic Services		221 976			221 976
	Television relay station		98 545			98 545
	Council General Expenses		1 556 889	9 147		1 566 036
	Health Services		164 530			164 530
52 558	Subsidies Services	963 000	1 636 634	367 513	-	2 004 147
	Fire Protection		16 625			16 625
52 558	Civil Buildings	963 000	494 662	367 513		862 175
	Sport Complex		550 351			550 351
	Parks & Recreation		318 017			318 017
	Cemetery		61 687			61 687
	Properties		195 292			195 292
2 063 893	Economic Services	4 668 300	2 791 240	4 591 536	-	7 382 776
2 063 893	Sanitation	4 668 300	2 791 240	4 591 536		7 382 776

693 911	Housing Services	14 858 000	7 305 864	9 572 913	-	16 878 777
693 911	Housing Schemes	14 858 000	7 305 864	9 572 913		16 878 777
1 948 151	Trading Services	4 204 745	26 575 330	4 326 551	-	30 901 881
11 017	Electricity	850 000	6 446 565	1 012 511		7 459 076
1 937 134	Water	3 354 745	20 127 959	3 314 039		23 441 998
	Abattoir		806			806
4 959 729	TOTAL	25 218 045	43 511 319	19 101 618	-	62 612 937
	Less: Loans redeemed and other capital receipts	25 218 045	43 067 863	19 289 678	82 038	62 275 502
	Loans redeemed and advances paid		3 981 276	188 059	82 038	4 087 297
	Contributions from operating income	254 000	2 003 149	154 719		2 157 868
	Grants	24 964 045	37 083 438	18 946 899		56 030 337
	NET FIXED ASSETS	-	443 456	-188 059	-82 038	337 435

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

Actual 2006 R		Actual 2007 R	Budget 2007 R
Income			
5 426 216	Government - Grants and Subsidies	5 534 205	5 706 998
6 768 245	Operating Income	7 648 357	9 744 809
834 252	Assessment Rates	922 811	922 478
3 430 819	Sale of Electricity	3 582 181	3 268 932
946 755	Sale of Water	1 303 330	1 331 277
1 100 463	Sanitation and refuse services	1 236 137	1 583 756
455 956	Other Services	603 899	2 638 366
12 194 461	TOTAL INCOME	13 182 562	15 451 807
Expenditure			
4 920 097	Salaries, wages and allowances	5 406 336	5 511 132
5 078 833	General Expenditure	5 550 370	8 495 947
1 898 398	Purchase of Electricity	1 680 033	2 082 471
3 180 435	Other	3 870 337	6 413 476
556 198	Repair and Maintenance	858 380	929 288
275 273	Capital Charges	207 099	330 375
51 639	Contribution to fixed assets	74 565	64 500
912 990	Contribution to funds	561 672	531 518
-200 919	Less: Charged out	-259 973	-422 240
11 594 111	TOTAL EXPENDITURE	12 398 450	15 440 520

APPENDIX E
DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE
2007

Actual Income 2006	Actual Expenditure 2006	Surplus/(deficit) 2006		Actual Income 2007	Actual Expenditure 2007	Surplus/(deficit)) 2007	Budget Surplus/(deficit) 2007
R	R	R					
7 576 130	7 542 164	33 966	Rates and General Services	8 297 052	8 206 311	90 741	-152 764
6 414 866	6 017 369	397 497	Community Services	7 018 788	6 631 283	387 505	-91 800
834 252	83 445	750 807	Assessment Rates	922 811	100 134	822 677	852 498
4 696 328	4 125 424	570 904	Administration	16 367	1 943 834	-1 927 467	-1 905 705
			Finance	4 952 020	1 759 340	3 192 679	2 907 290
583 111	460 164	122 947	Health Services	342 122	505 456	-163 334	
12 000	350 324	-338 324	Council General Expenses	418 032	831 862	-413 830	-609 702
139 963	987 761	-847 798	Public Works		1 480 087	-1 480 087	-1 391 214
149 212	10 251	138 961	Traffic Services	367 437	10 570	356 867	55 033
60 801	308 182	-247 381	Subsidies Services	42 127	332 781	-290 654	-282 368
55 352	25 678	29 674	Civil Buildings	39 291	54 459	-15 167	-13 291
	21 720	-21 720	Parks & Recreation		21 885	-21 885	-23 245
5 425	46 936	-41 511	Cemetery	2 815	46 950	-44 135	-45 613
24	213 848	-213 824	Library	20	209 487	-209 467	-200 219
1 100 463	1 216 613	-116 150	Economic Services	1 236 137	1 242 246	-6 109	221 404
1 100 463	1 216 613	-116 150	Sanitation	1 236 137	1 242 246	-6 109	221 404
4 618 331	4 051 947	566 384	Trading Services	4 885 510	4 192 140	693 370	162 484
3 466 793	2 728 093	738 700	Electricity	3 582 181	3 069 858	512 322	101 514

1 151 538	1 323 854	-172 316	Water	1 303 330	1 122 281	181 048	60 970
12 194 461	11 594 111	600 350	TOTAL	13 182 562	12 398 450	784 112	9 720
		-533 926	Appropriations for the year (refer to note 19)			-96 279	
		66 424	Nett surplus/(deficit) for the year	13 182 562	12 398 450	687 833	9 720
		-2 909 734	Accumulated deficit at the beginning of the year			-2 843 310	
-	-	-2 843 310	Accumulated deficit at the end of the year	13 182 562	12 398 450	-2 155 477	9 720

**APPENDIX F
STATISTICAL
INFORMATION**

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2007

2006

2005

2004

2003

General statistics

Population		16 805	15 336	15 336	10 026	10 026
Registered Voters		7 802	7 802	7 802	7 734	7 218
Valuation of taxable property						
Land	Rand	2 244 820	2 244 820	2 244 820	2 244 820	3 588 975
Improvements	Rand	80 789 301	80 789 301	80 789 301	80 789 301	70 315 241
Valuation of non taxable property						
Land	Rand	2 191 170	2 191 170	2 191 170	2 191 170	1 226 270
Improvements	Rand	8 527 900	8 527 900	8 527 900	8 527 900	7 613 300
Assessment rates						
Willowmore Residential	Rand	0.01128	0.01025	0.00847	0.0077	0.0077
Willowmore Commercial	Rand	0.01499	0.01363	0.01059	0.00963	0.00963
Steytlerville Residential	Rand	0.01128	0.01025	0.00847	0.0077	0.0209
Steytlerville Commercial	Rand	0.01499	0.01363	0.01059	0.00963	0.0261
Number of plots		3854	3854	3851	3544	3467
Number of employees		81	74	67	76	76

Electricity Statistics

Units bought	Kwh		8 074 219	8 520 263	7 833 602	5 984 587
Units sold	Kwh		6 443 848	6 012 625	5 843 167	5 188 135
Units lost in distribution	Kwh		1 630 371	2 507 638	1 990 435	796 452
Units lost as a percentage	Perc		20.19%	29.43%	25.41%	13.31%
Cost per unit sold	Rand		R 0.42	R 0.45	R 0.47	R 0.53

Water Statistics

Units purified	Kl		429 280	531 260	398 687	328 000
Units sold	Kl		362 962	442 717	332 239	230 650
Units lost in distribution	Kl		66 318	88 543	66 448	97 350
Units lost as a percentage	Perc		15.45%	16.67%	16.67%	29.68%
Cost per unit sold	Rand		R 3.65	R 2.35	R 3.31	R 5.06

4.4 Assessment by the Municipal Manager of any arrears on municipal taxes and service charges.

The Municipal Finance Management Act (Act 56 of 2003) requires an assessment by the Municipal Manager of any arrears on municipal taxes and service charges owing to the municipality to be contained in the Annual Report.

At 30 June 2007 the total debtors balance was R5 730 269. This represents an increase of R3 219 081 since 1 July 2006, mainly due to certain debts other than service charges or property rates. Consumer debtors increased from R7 122 739 to R8 850 939 before deduction of the provision for doubtful debts. The provision for bad debts has increased from R6 142 365 (2006) to R7 261 199 (2007).

Consumer debtors at year-end represented 115% of revenue derived from service charges and property rates (that is income that excludes Government grants and subsidies). As indicated by the Auditor-General the average number of days debts are outstanding is 514 days. The generally accepted target for debtors turnover would be approximately 30 to 40 days.

The Municipality will in subsequent years have to implement the debt collection policy to improve these results. The implementation of the By-law on debt collection will also assist the Municipality to determine the likelihood of collecting existing debt and the required level for a provision for doubtful debts.

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 is therefore not possible to analyse debtors by service in this Annual Report.

4.6 Recommendations of the Audit Committee

In terms of the Municipal Finance Management Act the Committee must advise the municipal Council, political office-bearers and staff on matters relating to inter alia internal control, risk management, accounting policies, performance management, effective governance and compliance with applicable legislation.

Besides the advisory role, the Committee must also review the financial statements and provide Council with an authoritative and credible view of the financial position, its efficiency and effectiveness and its overall compliance with legislation. The Committee must also 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

The Committee consists of X members and are all independent. The Audit Committee has adopted formal terms of reference. At least four meetings are required to be held in terms of legislation. During the 2007 financial year X meetings were held. The Committee members and their meeting attendance is reflected hereunder:

	No. of Meetings attended
Member	X
Member	X
Member	X

5 FUNCTIONAL AREA SERVICE DELIVERY REPORTING.

5.1 Functional area analysis

The more detailed analysis of each functional area by the respective managers in terms of the Government Finance Statistics functional classification system is not available and will be included in future annual reports.

The required analysis has been partly done in paragraph 2.

5.2 Abbreviations

B	Baviaans
BK	Baviaanskloof
BM	Baviaans Municipality
CDM	Cacadu District Municipality
CFO	Chief Financial Officer
D. Agric	Department of Agriculture
DBSA	Development Bank of South Africa
DEAT	Department of Environment and Tourism
DME	Department of Minerals and Energy
DPHLG	Department Provincial Housing and Local Government
DPHLGTA	Department of Provincial Housing, Local Government and Traditional Affairs
DPLG	Department of Privincial and Local Government
DPW	Department of Public Works
DSRAC	Department of Sport, Recreation and Culture
DT	Department of Transport
DWAF	Department of Water Affairs
F	Funded
IDP	Integrated Development Plan
MIG	Municipal Infrastructure Grant
MM	Municipal Manager
MSP	Municipal Support Programme
Nat EAT	National Environment and Tourism
NF	Not Funded
NT	National Treasury
S	Steytlerville
SAHRA	South African Heritage Resources Association
SAOSPB	South African Organic Seed project Baviaanskloof
SMIF	Special Municipal Infrastructure Fund
UYT	Umzobomvu Youth Trust
W	Willowmore
WBTA	Western Baviaans Tourism Association