



2006/2007 Annual Report









## CONTENTS

### INTRODUCTION AND OVERVIEW

- 1.1 Mayor's Foreword . . . . . 7
- 1.2 Overview of the Tsolwana Municipality . . . . . 8
- 1.3 Executive Summary . . . . . 11

### PERFORMANCE HIGHLIGHTS

- 2.1 Office of the Municipal Manager . . . . . 17
- 2.2 Technical Services Department . . . . . 18
- 2.3 Community Services Department . . . . . 19
- 2.4 Corporate Services Department . . . . . 20
- 2.5 Financial Services Department . . . . . 21

### HUMAN RESOURCES AND OTHER ORGANISATIONAL MANAGEMENT

- 3.1 Organisational Structure . . . . . 24
- 3.2 Labour Relations . . . . . 26
- 3.3 Skills Development and Capacity Building . . . . . 27
- 3.4 Municipal Transformation & Employment Equity . . . . . 28
- 3.6 Occupational Health and Safety . . . . . 32
- 3.5 Staffing and Personnel Expenditure . . . . . 32
- 3.7 Institutional Transformation . . . . . 33

### AUDITED STATEMENTS AND RELATED FINANCIAL INFORMATION

- 4.1. Annual Report for the period 2006/2007 . . . . . 36
- 4.2 Budget Figures for the period 2006/2007 . . . . . 42
- 4.3 General Information to the Municipality . . . . . 48
- 4.4 Approval of the Financial Statements . . . . . 48
- 4.5 Chief Financial Officer's Report . . . . . 49

- 4.6 Report of the Auditor General . . . . . 53
- 4.7 Accounting Policies . . . . . 65
- 4.8 Balance Sheet . . . . . 69
- 4.9 Income Statement . . . . . 70
- 4.10 Cashflow Statement . . . . . 72
- 4.11 Notes to the Financial Statements) . . . . . 73
- 4.12 Income Statement – Electricity Account . . . . . 80
- 4.13 Balance Sheet – Electricity Account . . . . . 81

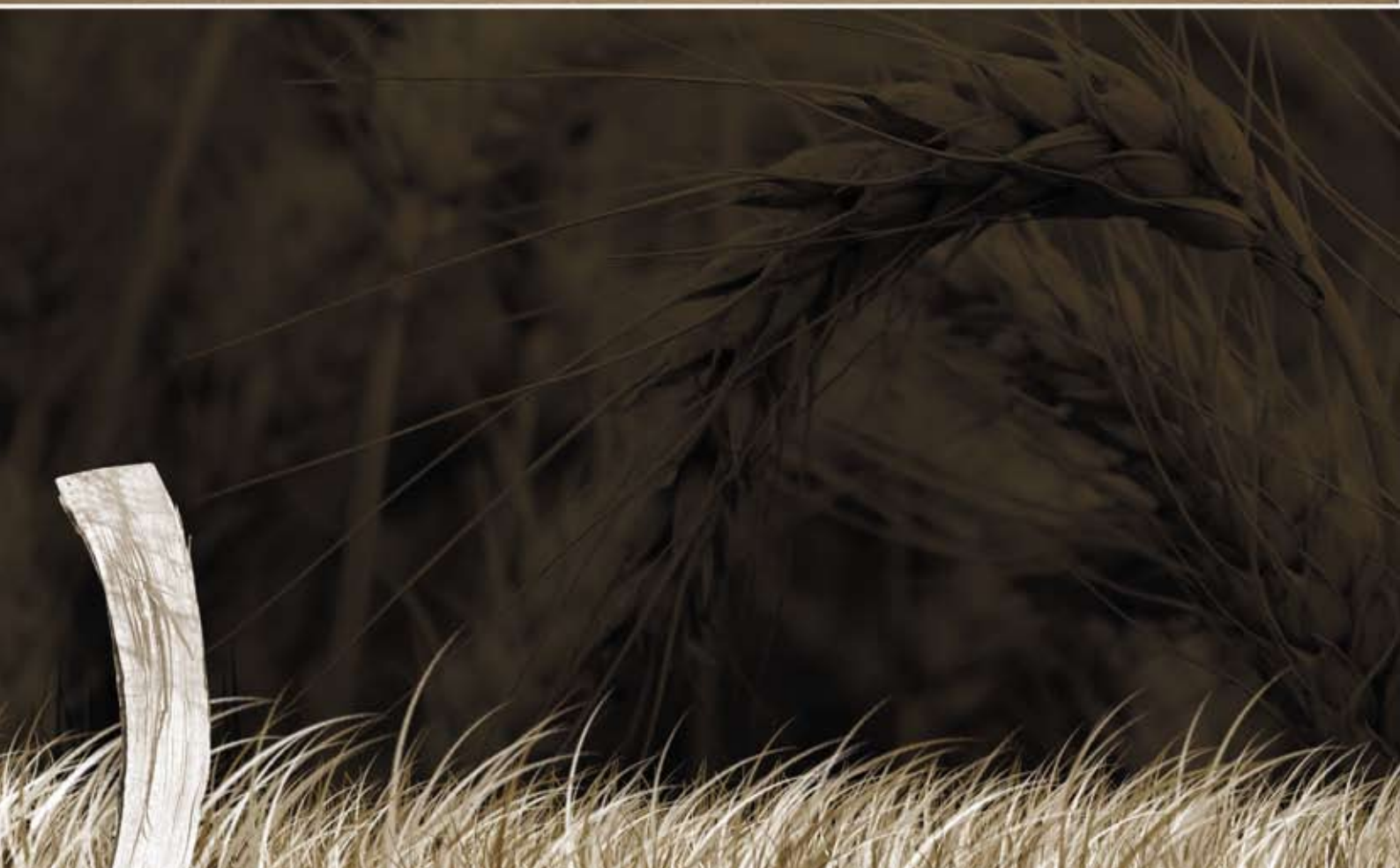
### FUNCTIONAL AREA SERVICE DELIVERY REPORTING

- 5.1 Technical Services Department . . . . . 84
- 5.2 Community Services Department . . . . . 88
- 5.3 Corporate Services Department . . . . . 101
- 5.4 Financial Services Department . . . . . 102

### ANNEXURES

- 6.1 Integrated Development Plan . . . . . 106
- 6.2 Appendix A . . . . . 108
- 6.3 Appendix B . . . . . 111
- 6.4 Appendix C . . . . . 112
- 6.5 Appendix D . . . . . 114
- 6.6 Appendix E . . . . . 116





PART 1

# Introduction and Overview







Mayor  
Marina Bennet



## 1.1 MAYOR'S FOREWORD

Honourable councillors of the Tsolwana Local Municipality, it is a great pleasure to present to you the 2006/2007 Annual Performance Report.

Section 46 of the Local Government: Municipal Systems Act, Act 32 of 2000 and Chapter 12 of the Municipal Finance Management Act, Act 56 of 2003 demand that each municipality must for each financial year, prepare an annual performance report. The following report is compiled in relation to the following criteria as outlined in the above quoted pieces of legislation:

- ❖ Municipalities must provide a record of activities during the financial year;
- ❖ Municipalities must prove the record of performance against the budget of the municipality;
- ❖ Municipalities must promote accountability to the local community for the decisions made throughout the year;
- ❖ Municipalities must provide the annual financial statements of the year;
- ❖ Included must be the Auditor General's report in terms of section 126(3) on those financial statements and section 45(b) of the Municipal Systems Act; and
- ❖ Section 3(a-k).

The South African Constitution makes it a legal obligation for the people's representatives to account to the public periodically on these activities.

The Council has a sound administrative system in place that is committed to fulfilling the constitutional mandate of providing services to the people.

We seriously place emphasis on the communities we serve. The Municipality, through its Integrated Development Plan and the Spatial Development Framework as well as the Tourism Sector Plan, is committed to bettering the lives of its citizens, to the creation of job opportunities through tourism and agriculture and the creation of an enabling environment to encourage local economic growth and development.



## 1.2 OVERVIEW OF THE TSOLWANA MUNICIPALITY



The Tsolwana Municipality comprises the two former Transitional Local Councils (TLCs) of Tarkastad and Hofmeyr and that of the Ntabethemba TRC. The headquarters are situated in Tarkastad. Tarkastad lies in the northern part of the Province of the Eastern Cape; Hofmeyr in the north eastern part and Ntabethemba in the southern part. The two former TLCs are semi-urban areas while Ntabethemba is 100% rural. The municipality's population is estimated at 32,511 as per the 2001 census. The major economic activity in the area is farming and the two towns are surrounded by commercial farms. Some parts of the municipal area in Tarkastad are suitable for crop farming while others specialize mainly in animal farming with a growing trend towards game farming.





Cllr RA Sparrow  
DA Pr

Marina Bennet  
Mayor

Cllr M Mangcotywa  
Ward Cllr (1)

Cllr N Temo  
Ward Cllr (4)

Cllr NPF Meje  
ANC PR

Cllr NS Shumansi  
ANC PR

Absent:

- K Nqiqui - Ward Cllr (5)
- TM Baleng - Ward Cllr (2)
- SJ Nozitho - Ward Cllr (3)
- F Tshambu - ANC PR



The Municipality is a plenary type of a municipality made up of five wards and 10 councillors. Five of the councillors are ward councillors and the other five are political party representatives elected on the basis of proportional representation. In order for councillors to function properly and to ensure that they account directly to their constituencies, Ward Committees were elected to assist them. To ensure that these Ward Committees function properly and effectively, the Department of Housing and Local Government has provided some funding for capacitation and provision of necessary resources for the Ward Committees.

The Council consults with the community through its outreach programmes where Council talks to people about its current and envisaged programmes and also listens to community concerns.

The work of the Ward Councillors and of the Ward Committees is further complemented by the assistance they receive from the Community Development Workers (CDW). Each ward is serviced by one CDW. These two functionaries have not been without challenges in that many of the wards cover vast geographical areas which poses an accessibility challenge to Ward Committee Members and CDWs.

In order for the Council to communicate properly with the community, a communication strategy has been developed. The strategy is aimed at charting the channels of communication between the Municipality and the community. It further outlines issues that inform the communication process. The development of this strategy was the product of a collective effort of all stakeholders which eventually led to the formation of a Local Communicators Forum. The Forum mainly discusses issues pertaining to communication and is also responsible for the annual review of the strategy.





## 1.3 EXECUTIVE SUMMARY

### 1.3.1 VISION

Provide basic services to the communities of Tsolwana with emphasis on economic growth, rural development and agriculture sustainability.

### 1.3.2 MISSION

To create quality living conditions through providing basic services, creating an enabling environment for local economic development, promoting public-private partnership, capacitating communities and sustainable development within the Tsolwana Municipality.

### 1.3.3 IMPACT ON THE COMMUNITY

In terms of s16 (1) (a) of the Local Government : Municipal Systems Act, a municipality must develop a culture of community participation in its activities. In so doing, the municipality must encourage and create conditions for the local community to participate in its affairs. In its endeavour to comply with this section, the Tsolwana Municipality has established a number of forums through which the community can participate in the Municipality's affairs.

The table below illustrates the forums that were established and their achievements

Forum	Objective	Achievement
IDP Reps	Participates in the development of the IDP. Assists municipality in the identification of priority issues in their respective wards	A five year IDP document
Local Economic Development	Identify areas with potential to boost the economy of the municipality Capacitate SMME owners in business management	Trained SMME owners in the municipal area



Forum	Objective	Achievement
Local Communicators' Forum	Develop a strategy by which the municipality intends to communicate with the community	Development of the Municipality's Communication Strategy
Ward Committees	Provision of assistance to Ward Councillors	Establishment and capacitation of Ward Committees

#### 1.1.4 FINANCIAL HEALTH

- ❖ Final Audit Reports have been received from the Auditor-General's Office and it is a disclaimer.
- ❖ A Credit Control Policy is in place.
- ❖ The Municipality has succeeded thus far in being financially sustainable to all its liabilities, for example:
  - ✦ All creditors have been paid promptly;
  - ✦ Eskom has been fully paid monthly;
  - ✦ Raw water from the supplier has been fully paid;
  - ✦ Staff costs and council allowances have been met monthly;
- ❖ All Council services, including free basic services, have been delivered;
- ❖ Asset maintenance has been adhered to, so as to enhance asset lifespan and derive maximum benefit from usage;
- ❖ No new external loans have been taken up in this financial year and
- ❖ All payroll creditors have been paid fully monthly.





### 1.1.5 ADMINISTRATIVE CONSIDERATIONS

Ongoing attention needs to be given to administrative structures in order to maintain the operational and financial viability of the Tsolwana Municipality.

Legislative changes have placed extreme demands on compliance (e.g. Systems Act; MFMA) and in order to meet the required standards, ongoing scrutiny, adjustment and empowerment of staff is needed in order to ensure that they meet these changes in the manner prescribed. Administrative considerations need to be continuous (e.g. Implementation of a Performance Management System and Process for all employees) and it is vital that the organisation remains focused and current regarding all issues and legislative requirements.





PART 2

# Performance Highlights





Corporate Services  
M Siqaza

Community Services  
ZC Nxano

Technical Services  
BP Mjamba

Municipal Manager  
SJ Dayi

Financial Services  
GP De Jager





The Tsolwana Municipality provides a wide range of services to its community. In certain instances this is done independently, and in others it is done together with other organizations; spheres of government; businesses; and/or non-governmental organisations.

This chapter of the report will highlight the services provided by the various departments:

## 2.1 OFFICE OF THE MUNICIPAL MANAGER

Service	Development and Service Delivery Priorities	Performance Measures and Key Successes	Challenges and Opportunities
Development of internal and external communication system	Development of a communication strategy	Existence of a Communication Strategy and implementation of its provisions	Non-participation of all stakeholders in the process of development of the strategy
Performance Management System	Development of PMS in line with the Municipality's IDP	Sign performance Contracts with all S57 employees	Participation of other employees besides s57 Understanding of PMS by Clrs
Corporate IDP process guidance	Develop and maintain effective IDP framework in line with legislation	Developed IDP & budget process plan in line with legislation	Lack of funding for all priority projects
Creation of Strategic partnership alliance	Establishment of IGRF Forum	IGRF Forum meetings held	Some sector departments not attending the meetings



## 2.2 TECHNICAL SERVICES DEPARTMENT

Service	Development and Service Delivery Priorities	Performance Measures and Key Successes	Challenges and Opportunities
<p>Electricification of 308 connections in Twinsville</p> <p>Budget Allocation – R1,232,000</p>	<p>Provide electricity connections to 308 residents in Twinsville township in Hofmeyr and 180 in Greenfields</p>	<p>New connections done on request, as there is currently no backlog in licensed areas</p>	<p>Outsourcing of the function due to staff shortage</p>
<p>Electricification of 308 connections in Twinsville</p> <p>Budget Allocation – R1,232,000</p>	<p>New connections done on request in licensed areas</p>	<p>Electricity faults that are reported are dealt with</p>	<p>Electricity theft Ageing infrastructure</p>
<p>Electricification of 180 connections in the Greenfields</p> <p>Budget Allocation – R810,000</p>	<p>Ongoing maintenance of existing networks</p>	<p>Electricity meters serviced/ replaced from time to time</p>	<p>Establishment of an electrical consumer forum</p>
<p>Upgrading of water supply in Zola and Phakamisa</p> <p>Total Budget Allocation – R610,000</p>	<p>Rehabilitation and the upgrading of the low capacity water supply in Zola and Phakamisa villages</p>	<p>Potable water supplied to the Communities</p>	<p>Shortage of additional funding Capacity of appointed contractors</p>



## 2.3 COMMUNITY SERVICES DEPARTMENT

Service	Development and Service Delivery Priorities	Performance Measures and Key Successes	Challenges and Opportunities
Luncedo Bakery. Hofmeyr	<p>Provision of bread to local schools</p> <p>Poverty reduction</p> <p>Employment opportunities for local people</p>	<p>Machinery has been bought</p> <p>Members are able to share dividends at the end of the year,</p> <p>Members are getting some salaries every month</p> <p>One vehicle for the project has been bought</p>	<p>Not enough space for the project to operate,</p> <p>No strong competition as the town is very small,</p> <p>The project has the potential to grow and to sustain itself,</p> <p>Local schools and shops are supporting this project</p>
Tentergate Irrigation Scheme	<p>Fight against poverty for local community,</p> <p>Creation of job opportunities for local people</p>	<p>43 Ha has been fenced for this project</p> <p>Water pipe system is in place for irrigation purposes</p> <p>The project has been able to make a profit of R43,000 from its sales</p> <p>Each sub project was able to get 100 bags of maize as part of dividends</p>	<p>Shortage of business skills is the key challenge</p> <p>Project management skills is one of the most crucial challenges</p> <p>The project has the potential to grow and sustain itself</p> <p>Market for the produce is inadequate because of the gravel road</p>
Vusisizwe Brick Making Project.	<p>Supply bricks to local communities</p> <p>Make profit for project members</p> <p>Fight poverty and create employment for local communities</p>	<p>The project has been able to supply bricks to the housing project</p> <p>Members have been trained in various management skills</p> <p>The Project has its own truck for the carting of bricks to various sites</p>	<p>Not enough markets for their production</p> <p>No financial and book keeping skills for the project</p> <p>The project has the potential to grow</p> <p>Project management and financial skills are needed</p>
Milk Thysel Project	<p>Creation of jobs opportunities and poverty eradication for local people</p> <p>Assist in government endeavors in fighting against HIV &amp; AIDS</p>	<p>To see that the plant is on site and the market for the plant has been sought</p> <p>The community trust has been formed for the purpose of managing this project</p> <p>Seven permanent jobs have been created</p>	<p>The project is managed from Cape Town by MRC</p> <p>The project has international markets</p> <p>It is a sustainable project as it has been supplemented by the planting of vegetables and it has the support of the local people</p>





## 2.4 CORPORATE SERVICES DEPARTMENT

Service	Development and Service Delivery Priorities	Performance Measures and Key Successes	Challenges and Opportunities
Human Resources Management	Development of HR strategy and review of HR policies	Reviewed HR policies	
Performance Management System	Development of a Performance Management System for S57 managers	Signed performance contracts	
Labour Relations	Create an orderly relationship between staff and council	Establishment of consultative forums and monthly meetings of the forums	Lack of understanding of roles
Liaison	Development of a Communication Strategy	Communication Strategy developed	Non-attendance by all stakeholders
Conditions of service	Conduct workshops on COS	A number of workshops held	Lack of interest to participate from stakeholders



## 2.5 FINANCIAL SERVICES DEPARTMENT

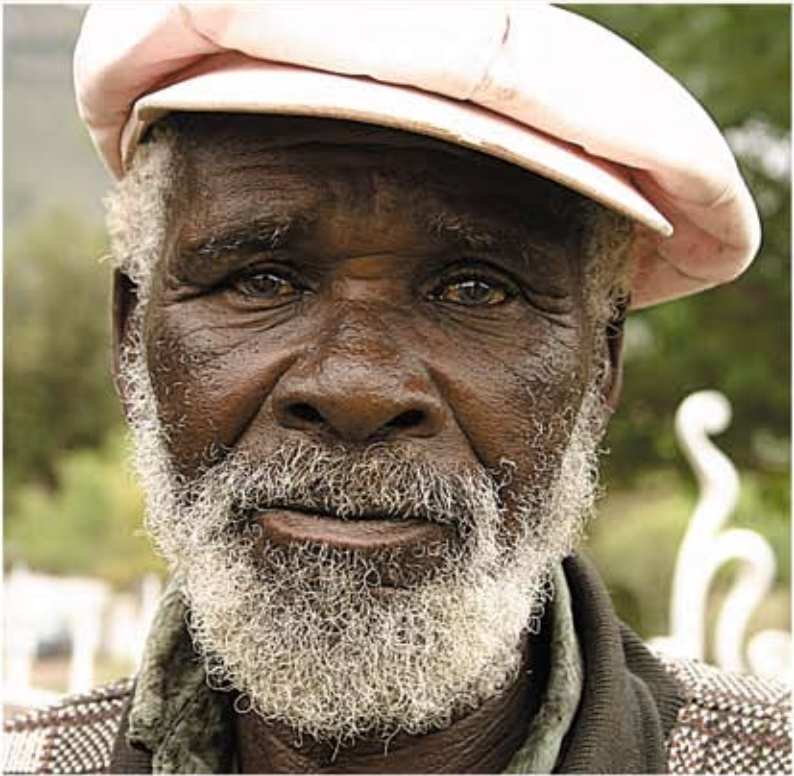
Service	Development and Service Delivery Priorities	Performance Measures and Key Successes	Challenges and Opportunities
To ensure that all consumers get accounts in time	To provide accounts to consumers	To provide accounts to consumers	Depends on the reading of water and electricity meters on time
To collect revenue of Council	To increase the revenue collection of Council	To have a 5 % increase in revue in comparison to previous year	Depends on the on time issuing of accounts Depends on the appointment of Credit Control and Debt Collection official
To manage budget of council	To have an approved budget	To have an approved budget	Depends on all staff and senior managers staying within their budget allocations
To provide financial assistance to indigent consumers	To provide financial assistance to indigent consumers	Registration of indigent consumers and subsidization of them	Depends on the registration of indigents annually Depends on funds available for indigent support
To provide continuous development to staff	To have staff develop so that they can perform their work effectively and efficiently	To train staff and to send them to workshops and courses	Depends on budget provision Depends on the willingness and eagerness of staff to learn and develop further





PART 3

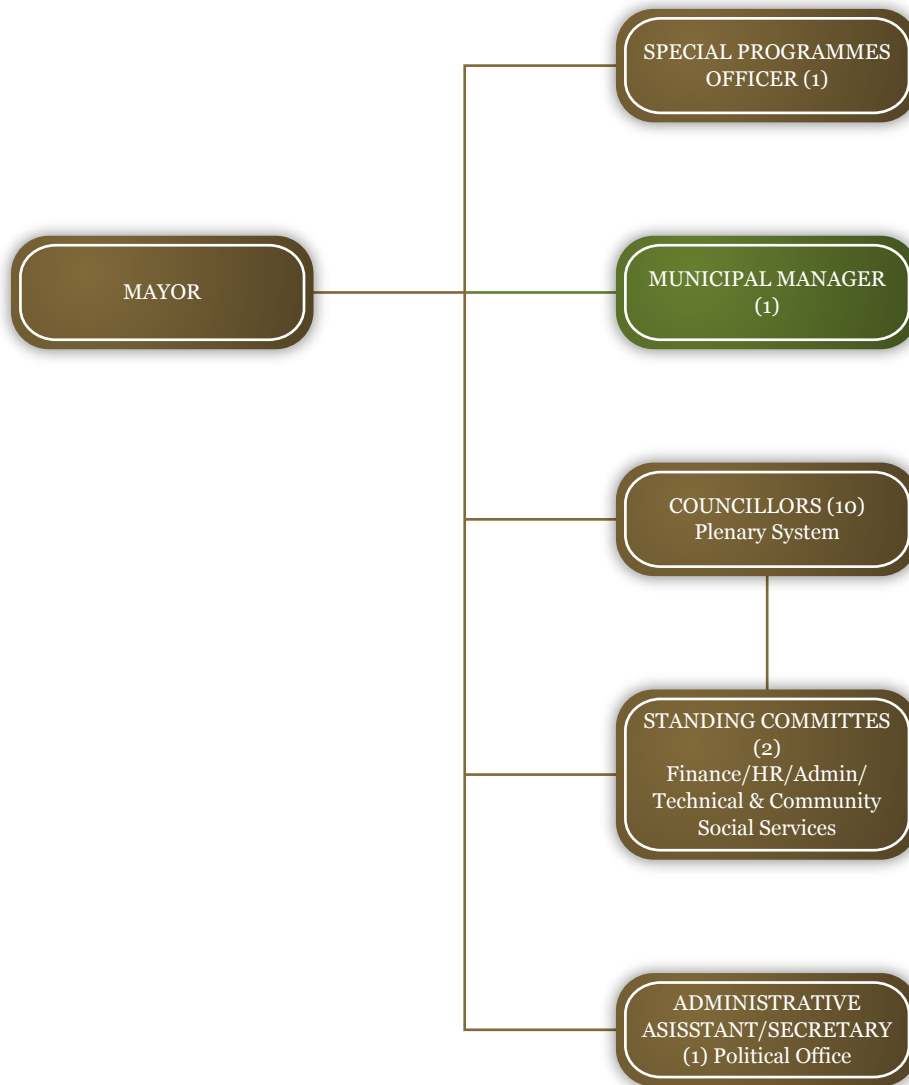
# Human Resources and other Organisational Management

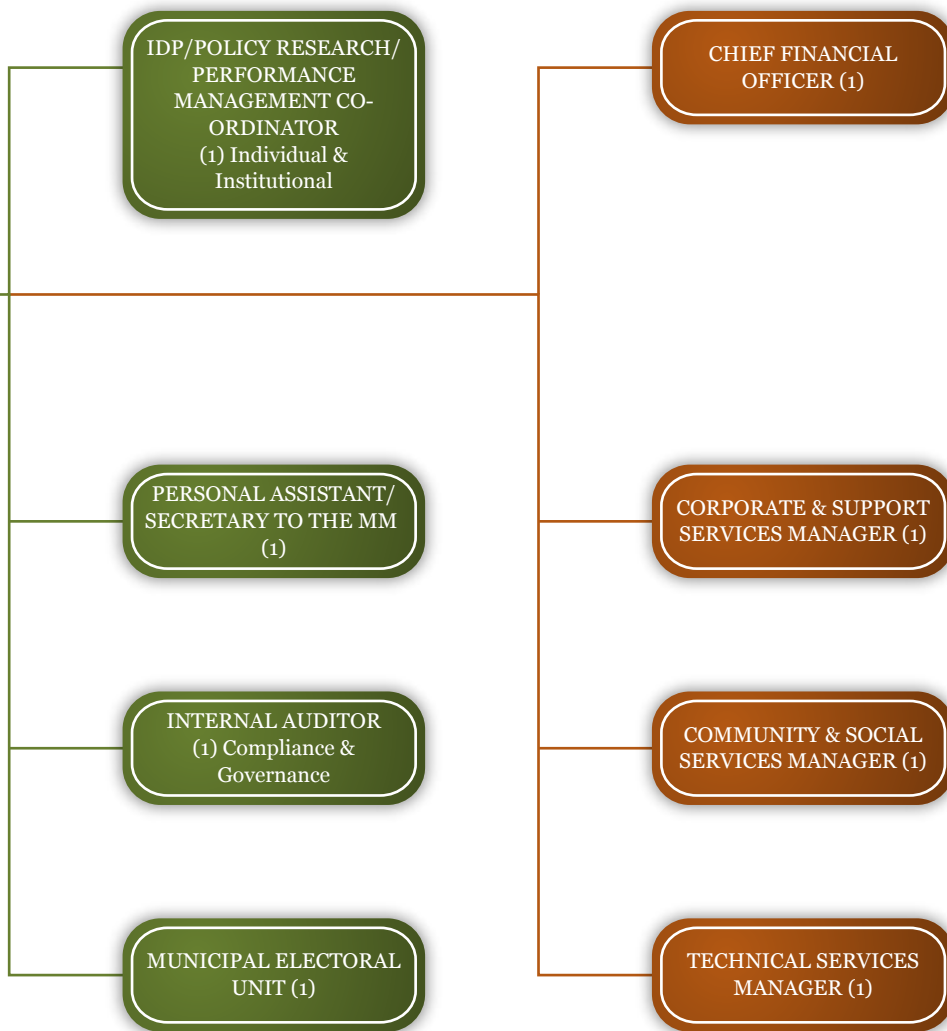




### 3.1 ORGANISATIONL STRUCTURE

Consequent to the ever-changing operations and environment of local government and community needs as outlined in the Municipality’s reviewed IDP, a need to review the organogram arose. The organogram was consequently reviewed to cater for any new functions that may have arisen as a result of the review of the IDP. It is also worth mentioning that some of the posts appearing on the structure were not necessarily going to be filled in that particular financial year.









## 3.2 LABOUR RELATIONS

The Council as the employer has a duty to ensure that relations between itself and its employees remain smooth. This can only be achieved by the existence of a forum and it is on this basis that a Local Labour Forum was established. The main aim of this forum is to discuss issues of mutual interest between the parties. As part of its activities for the financial year, the forum facilitated an information sharing session to explain labour legislation to employees and further workshops were held to explain to staff conditions of service.

The effect of these workshops was that employees had a better understanding of labour legislation and conditions of service.

There were some referrals to the bargaining council by some employees; these were however not actually related to legislation but issues concerning personal matters. Many of these were however dealt with and completed at conciliation stage.

The table below illustrates the number of cases handled during the year under review:

Type Of Case	Nature of Dispute	Outcome/Result	Financial Implications to Council
Conciliation	Provision of information	Matter referred to arbitration	None
Conciliation	Unfair labour practice	Parties to consult further on the matter	none
Arbitration	Unfair labour practice	Case dismissed in favour of Council	None
Disciplinary Hearing	Insubordination	Ruled in favour of Council	None



### 3.3 SKILLS DEVELOPMENT AND CAPACITY BUILDING

The Council has a Workplace Skills Plan (WSP) that is drawn up on annual basis and submitted to the LGSETA. The plan sets out the training plan for that particular financial year and reports on the previous year's training programmes. The WSP is the brainchild of a training committee, which is composed of all stakeholders. The committee is fully functional and discusses all issues relating to skills development. Various training programmes were conducted during this year. These included: computer training, customer care, Abet and Certificate programmes in Management Development for Municipal Finance. The main challenge in this regard is the fact that the Municipality has so far not been able to appoint a dedicated Skills Development Facilitator whose main function would have been the coordination of training programmes. This has had the effect of dividing the focus of the current person between the duties of the SDF and the other functions he is expected to perform.

The table below illustrates the training conducted during the year in review:

Course	No of Beneficiaries	Success Rate	Cost to Council
Basic computer literacy	12	100%	R 12,000
Labour Law Course	4	50%	R 48,000
Customer Care Course	16	No assessment conducted	R 20,000
Certificate Programme in Management Development	1	Course still in progress	R 45,000





### 3.4 MUNICIPAL TRANSFORMATION & EMPLOYMENT EQUITY

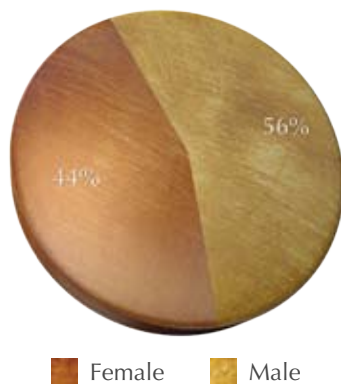
The Municipality has an Employment Equity Plan with a three-year life span. An Employment Equity Committee was established to discuss issues relating to the implementation of the plan. The plan seeks to eradicate any discriminatory practice in the employment and recruitment of staff. The top management of the municipality is 100% composed of people from previously disadvantaged groups. The only challenge in this regard is that it has always been difficult to reach gender equity targets in top management as is required by legislation.

This is mainly due to a number of reasons, namely that whenever a post was advertised there were no qualifying people from the designated groups.

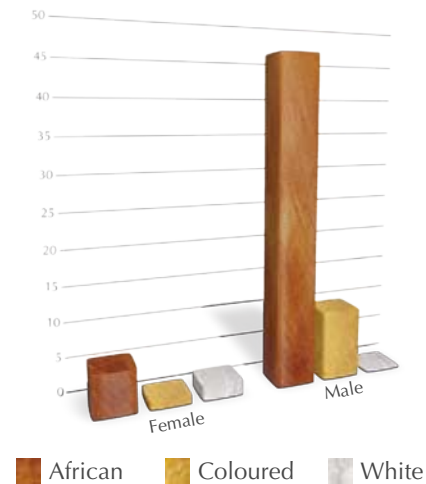
At least one has solace lies in the fact that middle management is 50% made up of people from the designated groups and all of them are involved in capacity building programmes. This is done with the sole purpose of ensuring that they are groomed for top management positions.

The following diagrams represent the composition Council and Staff :

COUNCILLOR PROFILE



STAFF PROFILE





The following tables represent staff composition as at the end of the year under review:

#### Employee Profile according to Occupational Levels

Occupational Levels	Designated								Non-Designated		Total	
	Male				Female				White Males	Foreign Nationals		
	A	C	I	W	A	C	I	W		M		F
Top Management	4	1										5
Senior Management												
Professionally qualified & experienced Specialists & Middle Management	2				1	1			1			5
Skilled technical & academically qualified Workers, Junior Management, Supervisors, Foremen & Superintendents	6				5			2				13
Semi-skilled & discretionary Decision Making	3	2										5
Unskilled & defined Decision Making	31	7										38
<b>Total Permanent</b>	<b>46</b>	<b>10</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>1</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>66</b>
Non-Permanent	4				1	1						6
Councillors	5				3	1			1			10
<b>Grand Total</b>	<b>55</b>	<b>10</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>3</b>	<b>0</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>82</b>



### Training in Occupation Categories

Occupational Levels	Designated								Non-Designated		Total	
	Male				Female				White Males	Foreign Nationals		
	A	C	I	W	A	C	I	W		M		F
Legislators, Senior Officials & Managers	4											4
Professionals	2				1							3
Technical & associated Professionals	1											1
Clerks	5				4			1				10
Service & Sales Workers												
Skilled agricultural & fishery Workers												
Crafts & related Trades												
Plant Machine Operators & Assembly	1											1
Elementary Occupation	32	3			2							37
<b>Total Permanent</b>	<b>45</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>61</b>
Non-Permanent												
<b>Grand Total</b>	<b>45</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>61</b>





### Skills Development – People with Disabilities

Occupational Levels	Designated								Non-Designated		Total	
	Male				Female				White Males	Foreign Nationals		
	A	C	I	W	A	C	I	W		M		F
Legislators, Senior Officials & Managers												
Professionals												
Technical & associated Professionals												
Clerks												
Service & Sales Workers												
Skilled agricultural & fishery Workers												
Crafts & related Trades												
Plant Machine Operators & Assembly												
Elementary Occupation												
<b>Total Permanent</b>	0	0	0	0	0	0	0	0	0	0	0	0
Non-Permanent												
<b>Grand Total</b>	0	0	0	0	0	0	0	0	0	0	0	0



### 3.5 STAFFING AND PERSONNEL EXPENDITURE

The table below illustrates spending patterns on personnel

Function	No of Staff	Skills level (NQF levels)	Actual Expenditure	Budget	Medical Aid Expenditure	Pension Fund Expenditure
			R	R	R	R
Sanitation	15	NQF Lev 3	994,939	150,784	18,435	150,234
Water	9	NQF Lev 3,4,&6	286,293	590,360	3,340	32,159
Roads & Stormwater	4	NQF Lev 3&4	725,413	334,280	N/A	125,643
Refuse removal	17	NQF Lev 1,2,&4	653,043	995,210	6,225	128,604
Electricity	2	NQF Lev 4&5	156,309	79,940	2,044	24,762
Administration	7	NQF Lev 4 & 5	2,327,160	403,429	73,493	225,225
Finance	12	NQF Lev 4 & 5	648,396	937,090	13,949	39,625
<b>Total</b>	<b>66</b>		<u><b>5,791,553</b></u>	<u><b>3,491,093</b></u>	<u><b>117,486</b></u>	<u><b>726,252</b></u>

#### 3.5.1 Medical Aid and Pension Funds

There are two Pension Fund schemes operating in the Council namely; South African Local Authorities (SALA) and Cape Joint pension funds. There are also a number of Medical Aid Schemes operating in the Municipality: Bonitas, LA Health and Hosmed.

### 3.6 OCCUPATIONAL HEALTH AND SAFETY

Health and Safety in the workplace is regulated by the Occupational Health and Safety Act No.85 of 1993.

The purpose of this act is to provide for the following:

- ❖ Health and safety of employees in their daily operations;
- ❖ Health and safety regarding the utilization of plant and machinery;



- ❖ The establishment of an advisory forum for occupational health and for other related matters and
- ❖ The protection of people other than people at work, against hazards to health and safety arising out of or in connection with activities of people at work.

To ensure that the objectives of this act are complied with, the following programmes were engaged in:

- ❖ Appointment of Health and Safety Representatives as is contemplated in S17 of the Act. Their main function is to provide advice to fellow employees on hazardous or dangerous practices. Furthermore they are to advise the employer on practices that are likely to cause diseases or injuries to employees. In order to ensure that these representatives are effective in their function, a level one first aid course was organized.
- ❖ Establishment of the Health and Safety Committee as is contemplated by S19 of the Act .The main function of this committee is to promote, initiate, develop, maintain and review measures to ensure health and safety in the workplace. This committee is by law supposed to sit quarterly to review its operations and to identify any hazards in the workplace and report them to the management for ratification. Initially the committee was not as effective as it should have been, due to the lack of capacity of its members. This was however, dealt with by an information sharing session organized and conducted by a specialist in the field of Occupational Health and Safety.

### 3.7 INSTITUTIONAL TRANSFORMATION

A number of policies had been developed in order to ensure smooth running of the Municipality. In order to complement these policies, it is required by law that the Municipality should develop By-Laws. A process for the development of by-laws has been set in motion in that workshops for the Ward Committees were held and the next step was to hold public hearings.

The main challenge in this instance was that the Municipality was not able to acquire the services of experts to develop by-laws due to inadequate funding. However, the Department of Housing and Local Government offered to provide their specialist in this regard and this has made a significant difference.





PART 4

# Audited Statements and Related Financial Information







## 4.1 ANNUAL REPORT FOR THE PERIOD 2006/2007

### 4.1.1 Annual Reporting as of 2006/2007

Municipality	Capacity	06/07	06/07 Reports Received	06/07 Audit status	06/07 Annual Report Tabled on Time	06/07 Report on Website
AFS	L	O	Y		X	N
Audit Reports	L	O	Y		X	N
Audit Status	L	O	Y	D	X	N
Annual Report Tabled	L	O	Y		X	N

Capital projects are directly linked to the budget after consultation with communities. The needs are then prioritized and included in the budget. Council receives a monthly financial report, i.e. income and expenditure of budget. Cash is monitored daily to ensure an overview of available cash at hand. Financial Statements have been submitted up to end of June 2007. These financial statements were prepared in IMFO format.

### 4.1.2 Equitable Share

The Council receives an equitable share from national treasury. The grant allocations assist the municipality to provide free basic services to its registered indigents. The free basic services include water and sanitation, electricity and refuse removal.

The actual figures for equitable share are as follows:

Year	Amount (R)
2003	6,311,903
2004	7,249,920
2005	8,237,859
2006	6,788,757
2007	8,114,049



Equitable Share Allocation 2006/2007

	General expenditure	Indigent expenditure	Income budget	% of Total	Indigent expenditure	Councillor remun.	E/Share allocation	% of Total
	R	R	R		R	R	R	
Councillors expenses	100	355,050	200,000	5	1,195,700	790,000	405,700	5
Administration	205	614,350	24,740	9	730,260		730,260	9
Estates & Buildings	220	710,100		10	811,400		811,400	10
Disaster Management	240							
Traffic	255							
Treasury	300	124,677	280,080	5,7	462,490		462,490	5.7
Roads & Storm water	445	1,065,150		20	1,217,100		1,217,100	15
Sanitation	470	69,970	611,140	11	892,540		892,540	11
Refuse Removal	475	136,120	402,970	8	730,260		730,260	9
Parks	480							
Cemeteries	595							
Library	615							
Water	800	1,189,023	465,510	23.3	1,890,570		1,890,570	23.3
Electricity	805	341,430	510,690	8	973,680		973,680	12
<b>Total</b>		<b>4,605,870</b>	<b>2,495,130</b>		<b>8,904,000</b>	<b>790,000</b>	<b>8,114,000</b>	



#### 4.1.2 Indigents

Council's indigent policy includes all registered indigents throughout the Tsolwana Municipality's jurisdiction. The Council endeavours to assist the poorest of the poor by giving the free basic services.

#### 4.1.3 MFMA Compliance and Implementation Plan

Risk exposure	MFMA Ref	Given Analysis	Action to be taken
Compliance with prescriptions of National Treasury	s.5(2)	Average	Finance Manager/staff to be workshopped for compliance
Well-functioning finance department	s.68	Average	Training on Excel programme and communication of new legislative development
Appropriate Cash Management and Investment Policy	S.13 (2)	Average	Investment policy to be completed.
Municipal Adjustment Budget Management	s.28	Average	Capital budget to get priority in adjustment budget and monitoring of votes
Operational Budget Management	s.30-33	Average	More attention is needed for complete compliance
Budget Responsibilities	S43-54	Average	More budget education and compliance need to be done to all officials, especially officials not in the finance department
Accountability: Revenue and Expenditure Management	s.64-66	Average	Accounting system to be improved to be accurate and integrated for information/data
Accountability: Budget matters & Expenditure control	S67-70	Average	Monthly reporting
Financial Management and Budget Function	s.83 and Ch.15	Average	Competency levels of Finance Officials need attention. To be revived by formal training by an expert.



Time Frame	By Whom	Estimated Costs	Progress
Dec 2006	National Treasury	Nil	No workshop
Jul 06 – Dec 06	External Service Provider	R20 000	Action not yet taken
Jul 06 – Dec 06	CFO, Dep CFO and Accountants	Nil	Investment policy not drafted
Jan 06	CFO, Dep CFO and Accountants	Nil	Adjustment budget done during January 07
Continues	All Finance staff and Accounting Officer	Nil	Monitored by expenditure Section
Continues	Financial officials and Accounting Officer	Nil	Budgetary controls monitored. More meetings with Managers needed.
Continues	CFO, Dep CFO and Accountants	R50 000	Revenue and expenditure management but not integrated.
	CFO, Dep CFO and Accountants	Nil	Budget monitoring still needs attention. Submit monthly reports on Operation and Capital Budgets
Jul 06- Jun 07	Accounting Officer, CFO and Dep. CFO and Accountants	R100 000	Training through CPMD programme.





Risk exposure	MFMA Ref	Given Analysis	Action to be taken
Annual Financial Statements and Annual Auditing of Statements	s.121-122	Average	Compilation of Financial Statements to be timeously completed.
Financial Reporting and Public Accountability	S129-134	Average	Data must be easily manipulated for reporting at any time. Public will be invited to council meeting where comments on audit report will be tabled
Audit Committee and its function	s.166	Average	Council needs to appoint a well-established Audit Committee. The Audit Committee to advise Municipal Council, Political Office-Bearers, Accounting Officer, Management and Internal Audit

#### 4.1.4 Financial Statements

The Financial Statements for 2006/2007 were submitted to the office of the Auditor-General on 24 August 2007.

#### Comparison of Arrears Age Analysis for 30 June 2006 and 30 June 2007

Type of service	0-30 Days		31-60 Days	
	2006 R	2007 R	2006 R	2007 R
Rates	23,946	30,393	28,596	36,597
Electricity	15,411	143,335	(2,541)	58,976
Water	49,578	38,386	(3,855)	26,120
Sanitation	60,822	65,623	4,309	51,434
Refuse Removal	38,563	43,012	3,049	35,562
Other	2,059	2,256	2,042	2,922
	<u>190,379</u>	<u>323,005</u>	<u>31,600</u>	<u>211,611</u>



Time Frame	By Whom	Estimated Costs	Progress
Aug 07	Accounting Officer, CFO and All other Senior Managers	R200 000	Financial Statements have been completed and submitted for Audit purposes on 23 Aug 07
Febr-March 08	Accounting Officer, CFO and All other Senior Managers	Nil	Statements were audit and report were issued
Aug 08	Mayor, Accounting Officer, Council	R200 000	Audit Committee needs to be established.

61-90 Days		Over 90 Days		Totals	
2006	2007	2006	2007	2006	2007
R	R	R	R	R	R
28,298	35,190	13,189	1,670,085	94,029	1,772,265
42,649	45,320	54,567	551,600	110,086	799,231
15,935	24,664	32,872	415,240	94,530	504,410
40,378	48,536	137,005	1,793,364	242,514	1,958,957
28,850	33,852	83,141	1,154,610	153,603	1,667,036
2,042	2,256	12,457	1,249,236	16,762	1,256,670
<u>158,152</u>	<u>189,818</u>	<u>333,231</u>	<u>6,834,135</u>	<u>711,524</u>	<u>7,958,569</u>



## 4.2 BUDGET FIGURES FOR THE PERIOD 2006/2007

The following tables represent a detailed synopsis of the budget:

### 4.2.1 Operating Expenditure 2003/2004 to 2006/2007

Budget	Medium Term Expenditure Estimates					
	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009
Operating expenditure	Actual	Actual	Actual	Actual	Estimate	Estimate
	R	R	R	R	R	R
Salaries, wages and allowance	5,498,271	6,737,173	6,568,544	7,220,089	10,011,000	10,761,690
General expenses	2,720,302	2,473,116	7,210,806	5,370,648	6,651,050	7,350,040
Repairs and maintenance	287,041	411,642	460,469	530,144	1,016,150	1,092,410
Capital charges	77,180	135,443	134,023	72,817	201,730	213,400
Contribution to funds	63,346	253,027	29,014	–	30,000	22,233,540
Electricity purchase	1,489,005	1,472,105	1,450,590	1,949,001	1,665,570	1,790
Contribution to fixed assets	179,574	–	–	–	–	–
<b>Gross Expenditure</b>	<b><u>10,314,718</u></b>	<b><u>11,482,506</u></b>	<b><u>15,853,445</u></b>	<b><u>15,142,699</u></b>	<b><u>18,345,280</u></b>	<b><u>22,233,540</u></b>

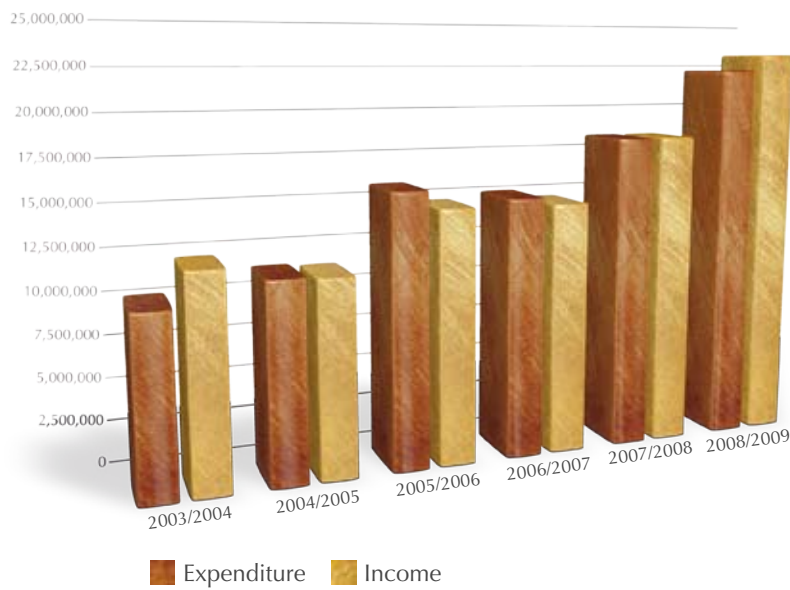




#### 4.2.2 Operating Income 2003/2004 to 2006/2007

Budget	Medium Term Income Estimates					
	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009
Operating expenditure	Actual	Actual	Actual	Actual	Estimate	Estimate
	R	R	R	R	R	R
Grants and Subsidies	6,686,241	4,997,623	7,546,454	6,421,140	9,069,000	10,447,500
Assessment Rates	386,852	993,976	1,183,470	1,068,937	1,366,910	157,950
Electricity	1,973,173	1,819,164	2,282,059	2,290,415	2,441,330	2,624,430
Water	470,841	751,102	1,194,288	1,411,575	1,511,980	1,625,380
Interest on Investments	203,710	37,230	100,376	328,851	110,000	118,250
Other	2,526,530	2,768,748	2,460,785	3,183,685	3,956,060	8,208,920
<b>Total Income</b>	<b><u>12,247,347</u></b>	<b><u>11,367,843</u></b>	<b><u>14,767,433</u></b>	<b><u>14,704,602</u></b>	<b><u>18,345,280</u></b>	<b><u>23,182,430</u></b>

#### BUDGET EXPENDITURE VS INCOME





#### 4.2.3 Analysis of Budget EXPENDITURE – 30 June 2006

Department	Salaries	General X's
	R	R
Council	1,019,920	1,284,430
Corporate services	1,594,860	371,630
Community halls	35,850	415,150
Fire services		32,400
Traffic	71,910	5,870
Finance & Admin	968,540	365,930
Technical services	257,510	49,130
Sewerage/Sanitation	1,293,340	642,130
Refuse	866,980	444,690
Sport & Recreation		4,400
Cemetaries		1,300
Libraries	131,090	4,630
Water	542,620	583,835
Electricity	76,400	630,720
	<u>6,859,020</u>	<u>4,836,245</u>



Repairs	Electricity	Capital Chrgs	Contrib to Funds	Total
R	R	R	R	R
21,750				2,326,100
6,200		12,000		1,984,690
				451,000
500				32,900
1,500				79,280
			50,000	1,384,470
397,850			100,000	804,490
52,100		24,720	25,000	2,037,290
46,250			25,000	1,382,920
1,500				5,900
3,200				4,500
200				135,920
498,070		49,160		1,673,685
82,370	1,177,000			1,966,490
<u>1,111,490</u>	<u>1,177,000</u>	<u>85,880</u>	<u>200,000</u>	<u>14,269,635</u>





#### 4.2.4 Analysis of Budget INCOME – 30 June 2006

Department	Equit. Share	Grants	Assess Rates	Electricity
	R	R	R	R
Council	355,050	1,635,320		
Corporate services	639,090		548,925	
Community halls	710,100			
Fire services		3,760		
Traffic				
Finance & Admin	404,757		371,080	
Technical services	1,065,150			
Sewerage/Sanitation	781,110			
Refuse	639,090			
Sport & Recreation				
Cemetaries				
Libraries				
Water	1,654,533			
Electricity	852,120			1,605,400
	<u>7,101,000</u>	<u>1,639,080</u>	<u>920,005</u>	<u>1,605,400</u>



Water	Interest Invest	Other Income	Total Income	Total X's	Surplus/Deficit
R	R	R	R	R	R
		-	1,990,370	2,326,100	-335,730
	48,500	21,040	1,257,555	1,984,690	-727,135
		96,790	806,890	451,000	355,890
		2,000	5,760	32,900	-27,140
		51,800	51,800	79,280	-27,480
		225,670	1,001,507	1,384,470	-382,963
		-	1,065,150	804,490	260,660
		1,173,917	1,955,027	2,037,290	-82,263
		737,800	1,376,890	1,382,920	-6,030
		7,043	7,043	5,900	1,143
		4,750	4,750	4,500	250
		1,950	1,950	135,920	-133,970
547,000		10,500	2,212,033	1,673,685	538,348
		75,390	2,532,910	1,966,490	566,420
<u>547,000</u>	<u>48,500</u>	<u>2,408,650</u>	<u>14,269,635</u>	<u>14,269,635</u>	<u>-</u>



### 4.3 GENERAL INFORMATION TO THE MUNICIPALITY

Grading Of Local Authority	Grade 1		
Auditors	Office of the Auditor General		
Bankers	First National Bank ,Tarkastad		
Registered Office	12 Murray Street Tarkastad 5370		
Postal Address	P.O.Box 21 Tarkastad 5370		
Telephone Number	045 846 0033		
Municipal Manager	Mr SJ Dayi		
Chief Financial Officer	Mr. GP De Jager		
Mayor (Speaker)	Mrs M Bennett		
Councillors		WARD	
	Mr K Nqiqhi	5	W
	Mrs M Bennett	4	PR
	Mr RA Sparrow	4	PR
	Mrs N Temo	4	W
	Mr SJ Nozitho	3	W
	Ms F Tshambu	3	PR
	Mr T M Baleng	2	W
	Mr N S Shumani	1	PR
	Ms NFP Meje	1	PR
	Mr M Mangcotywa	1	W

### 4.4 APPROVAL OF THE FINANCIAL STATEMENTS

The annual financial statements set out on pages 65 to 81 were approved by the Municipal Manager and presented to and approved by the Council.

SJ DAYI  
MUNICIPAL MANAGER

G P DE JAGER  
CHIEF FINANCIAL OFFICER





## 4.5 CHIEF FINANCIAL OFFICER'S REPORT

### Review of operating results

Details of the operating results per department, classification and object of expenditure are disclosed in the detailed income statement. The overall operating results for the year ended 30 June 2007 are as follows:

#### 4.5.1 OPERATING RESULTS

	Actual 2006	Actual 2007	Variance 2006 X 2007	Budget 2007	Variance Actual/ Budget
	R	R	%	R	%
<b>INCOME</b>					
Opening surplus	4,725,874	2,649,933			
Operating income for the year	14,767,433	14,704,602	0%	14,269,635	3%
	<u>19,493,307</u>	<u>17,354,535</u>		<u>14,269,635</u>	
<b>EXPENDITURE</b>					
Operating expenditure for the year	15,853,445	15,142,699	-4%	14,269,635	6%
Sundry transfers	989,928	3,782,276			
Closing surplus (deficit)	2,649,933	(1,570,441)			
	<u>19,493,307</u>	<u>17,354,535</u>		<u>14,269,635</u>	

#### Reasons for significant variances:

Variances insignificant.



#### 4.5.1.1 Rate and General Services

	Actual 2006	Actual 2007	Variance 2006 X 2007	Budget 2007	Variance Actual/ Budget
	R	R	%	R	%
Income	9,350,626	8,663,155	-7%	8,129,291	6%
Expenditure	(12,099,697)	(11,976,564)	-1%	(8,694,422)	27%
<b>Surplus/(deficit)</b>	<u>(2,749,071)</u>	<u>(3,313,408)</u>		<u>(565,131)</u>	
Surplus/(deficit) as % of total income	-29%	-38%		-7%	

#### Reasons for significant variances:

Decrease in income largely attributable to allocation decreases in government subsidies.  
Decrease in expenditure largely attributable to improved budget control.

#### 4.5.1.2 Trading Services

##### *Electricity*

	Actual 2006	Actual 2007	Variance 2006 X 2007	Budget 2007	Variance Actual/ Budget
	R	R	%	R	%
Income	2,416,442	2,753,142	14%	2,252,362	18%
Expenditure	(2,507,016)	(2,508,458)	0%	(1,842,740)	27%
<b>Surplus/(deficit)</b>	<u>(90,574)</u>	<u>244,683</u>		<u>409,622</u>	
Surplus/(deficit) as % of total income	-4%	9%		18%	

#### Reasons for significant variances:

Increase in Income largely due to increase in consumer connections.  
Variance in expenditure is insignificant.



### Water Service

	Actual 2006	Actual 2007	Variance 2006 X 2007	Budget 2007	Variance Actual/ Budget
	R	R	%	R	%
Income	3,000,365	3,288,305	10%	1,662,602	0
Expenditure	(1,246,733)	(657,677)	-47%	(1,507,093)	(1)
<b>Surplus</b>	<u>1,753,632</u>	<u>2,630,628</u>		<u>155,509</u>	
Surplus as % of total income	58%	80%		9%	

#### Reasons for significant variances:

Water income increased due to additional households.

Decrease in expenditure due to decreased costs.

### 4.5.2 CAPITAL EXPENDITURE AND FINANCING

	Actual 2007	Budget 2007	Actual 2006
	R	R	%
Community Services	2,360,271	5,851,000	1,709,315
Economic Services	–	11,500,000	1,600
Housing Infrastructure	1,777,794	3,506,870	2,055,591
Trading Services	2,059,197	8,989,034	2,283,307
	<u>6,197,261</u>	<u>29,846,904</u>	<u>6,049,813</u>





Resources used to finance the fixed assets were as follows:

	Actual 2007	Budget 2007	Actual 2006
	R	R	%
CMIP	–	–	1,228,104
District Municipality	9,733	22,789,034	1,600
Grants & Subsidies	4,866,538	5,557,870	4,820,109
Revolving Fund	1,320,990	1,500,000	–
	<u>6,197,261</u>	<u>29,846,904</u>	<u>6,049,813</u>

#### 4.5.3 INVESTMENTS AND CASH RESOURCES

Operating account investments and cash resources at 30 June 2007 amounted to R 3,469,961 (2006 : R6,339,564).

#### 4.5.4 FUNDS AND RESERVES

More information regarding funds and reserves are disclosed in notes 1 to 3 and Appendix A to the financial statements.

G P DE JAGER  
Chief Financial Officer



## 4.6 REPORT OF THE AUDITOR GENERAL

Report of the Auditor-General to the Eastern Cape provincial Legislature on the financial statements and performance information of Tsolwana Municipality for the year ended 30 June 2007

### Report on the Financial Statements

#### Introduction

1. I was engaged to audit the accompanying statements of the Tsolwawa Municipality which comprise the balance sheet as at 30 June 2007, income statement, cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 65 to 81.

#### 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 standards laid down by the institute of Municipal Treasurers and Accountants and in the manner required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA). This responsibility includes:
  - ❖ designing, implementing and maintaining internal 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 responsible 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) and Section 126(3) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003), my responsibility is to express an opinion on these financial statements Based on my audit in accordance with the International Standards on Auditing. Because of the matters discussed in the Basis for disclaimer of opinion paragraphs, However, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.



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 mistreatment.
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 mistreatment 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 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### **Basis of accounting**

8. The municipality's policy is to prepare financial statements on the basis of the standards laid down by the institute of Municipal Treasurers and Accountants as set out in accounting policy note 1.1.

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

##### *Expenditure*

- 9.1 Payments totaling the amount of R2.3 million did not have any returned cheques Attached to payment authorized slips. This represents a material scope limitation as it is not possible to verify that the payment had been made to the correct payee, nor if the payment was authorized by the correct staff members.





- 9.2 It was evident during the audit that deficiencies exist in the procurement process at the municipality. Audit testing of a sample of expenditure items revealed that goods to the value of R335 050 were not produced according to the requirements of the supply chain managements policies and principles.
- 9.3 Furthermore goods purchased to the value of R803 097 did not have adequate orders to support the purchase.
- 9.4 There is inadequate supporting documentation maintained by the municipality to support its expenditure transactions. It was found that payments were made to the amount of R1.08 million without the necessary supporting documentation present.
- 9.5 The expenditure budget for the year was exceeded by an amount of R2.1 million, this represents unauthorized expenditure.
- 9.6 No supporting documentation was submitted for journals that had been passed to capture expenditure into the accounting records of the municipality. As a result it was not possible to verify expenditure to the amount of R335688.

#### *Employee Costs*

- 9.7 Personnel and leave records were found to be unsatisfactory and mostly not authorized.
- 9.8 Employees lacked employment contracts and in some instances employee files did not exist.
- 9.9 Employees had taken leave that had not been authorized and had accumulated more than the maximum leave allowed considered in fruitless and wasteful expenditure.
- 9.10 In addition some employees had not taken the minimum amount of leave.
- 9.11 It was also found that incorrect payouts had occurred and overtime and deductions were not adequately authorized.



- 9.12 A provision for leave pay had been calculated but this was overprovided for at an amount of R3441.
- 9.13 It was also not possible to confirm existence of certain casual employees.
- 9.14 There was also a lack of documentation relating to salary scales so it was not possible to determine if employees were paid according to salary scales as set by the SALGBC.
- 9.15 In March 2006 an employee's contract had expired. He was however continued to be paid up until June 2007. Amounts totaling R465 347 were paid to him and this is considered to be fruitless and wasteful expenditure.
- 9.16 The municipality received conditional grants during the year. Contracts relating to The spending of these conditional grants were requested for audit purposes but these were not provided. As a result it was not possible to determine if R815 487 had been spent in accordance with the conditions of the grant.

#### *Revenue*

- 10.1 No supporting documentation was submitted for journals that had been passed to capture the debtors and revenue for various months throughout the year. As a result it was not possible to verify revenue to the amount of R3.8 million.
- 10.2 It was not possible to confirm interest of R533 723 included under other income as referred to on page 20 as there was no supporting documentation supporting the calculations used in determining the interest figure nor could the staff of the municipality indicate how these calculations were performed.
- 10.3 It was also not possible to determine the balance of the other income as referred to on page 20 as lists of water meters, income registers and rental contracts were not provided for audit purposes.
- 10.4 Certain properties in the municipal region are classified as non-rateable. These details are disclosed in part b of the property register. This was not supplied for audit purposes and as a result it is not possible to determine if all the non-rateable properties are in fact non-rateable and thus the completeness of revenue cannot be determined.



#### *Fixed Assets*

- 11.1 There is inadequate supporting documentation maintained by the municipality for its additions to fixed assets and thus additions to fixed assets to the value of R3.3 million could not be verified.
- 11.2 During the performance of our audit, we were unable to determine the individual values of assets relating to the former Hofmeyr TLC as their values had been consolidated into a single amount. Inspection of the fixed asset register revealed that balances have merely been brought forward from Hofmeyr and Luxolweni as no Fixed Asset register was maintained by Hofmeyr prior to the amalgamation. Accordingly no opinion can be expressed on the opening balances brought forward for these amounts. All additions were however included in their consolidated fixed asset register. The aggregated amounts represent R3.1 million.

#### *Creditors*

- 12.1 Audit procedures revealed that an amount of R313 529 had not been accrued at year end.
- 12.2 Furthermore an amount of R50 905 had been excluded from the creditors listing, this represented Vat on the individual creditors that had not been included when calculating the total. This is partly due to the fact that creditors are not accrued as they are incurred but only once at year end.

#### *Debtors*

- 13.1 During the year a journal had been passed for an internal advance. The journal had been incorrectly processed and as a result debtors are overstated by an amount of R39 501.
- 13.2 Audit procedures revealed that long outstanding debtors that cannot be collected are not being written off, despite the provision for doubtful debts having increased.
- 13.3 Problems have been identified in verifying the completeness of income, due to lack of monthly debtors' printouts confirming the accrual of amounts relating to rates and services. Consequently amounts raised not be agreed to supporting documentation, this no opinion can be presented on the existence of debtors.





#### *Value Added Tax*

- 14.1 Journals to the value of R516 067 were passed to capture vat into the accounting records but were not authorized.
- 14.2 During the audit of vat inputs it was found that there was no tax invoices present To support inputs claimed to the value of R66143.

#### *Long Term Liabilities*

- 15. No supporting documentation could be provided to confirm the balance outstanding on external loans amounting to R295 721, thus the balance owing could not be confirmed.

#### *Trust Funds*

- 16.1 Audit procedures revealed that expenditure to the value of R4 276 604 during the year had no supporting documentation attached. This represent a material scope limitation as it is not possible to verify whether payment has been made to valid contractors for work actually performed.
- 16.2 Contracts relating to capital commitments were also not made available for inspection.

#### **Disclaimer of opinion**

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



## Other Matters

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

18. The suspension of two municipal officials due to irregularities with regards to housing projects arising from allegations of shifting of funds and alleged misappropriation of funds. The matter is still under forensic investigation and thus no amounts could be determined.

### 19. Internal control

#### 19.1 *Control environment*

Management and employees should establish and maintain an environment throughout the organization that sets a positive and supportive attitude toward internal control and conscientious management.

- ❖ The municipality does not have a commitment ensuring that staff are adequately trained in the functions that they perform. This was evident from the fact that staff did not know how all of the functions of the Sebata and TurboMunex system work
- ❖ The municipality does not ensure that positions are filled and that staff are monitored. This was evident from the fact that evidence could not be obtained that staff are monitored to ensure that they perform their duties properly and that there are current vacancies in key positions at the municipality.
- ❖ The municipality has various weaknesses in its control environment, which has led to overall weakness in the internal control. This was evident from the following:
  - Weak access controls over documentation
  - ◆ Lack of isolation of responsibility
  - ◆ The incorrect banking details appearing on their debtors invoices
  - ◆ Insufficient records and registers being kept
  - ◆ Oversubsidisation of indigent debtors
  - ◆ Lack of supporting documentation to support the transactions that took place
  - ◆ Ineffective procedures in the disconnection process
  - ◆ Lack of a risk assessment process



## 19.2 *Control activities*

Internal control activities are the policies, procedures, techniques and mechanisms that help ensure that management's directives to mitigate risks identified during the risk assessment process are carried out. Control activities should form an integral part of management's planning, implementing and reviewing.

- ❖ The municipality does not have adequate policies, procedures, techniques and mechanisms in place over all of its functional areas. As a result the municipality is unable to ensure that transactions and events are carried out free of error. This was evident from the lack of policies, procedures, techniques and mechanisms over revenue, receivables, expenditure, inventory, compliance and internal control.
- ❖ The municipality does not have adequate review processes in place to ensure that transactions and events occurred free of error. This was evident as during the audit it was found that various transactions and processes had taken place, but they had not been reviewed but a second independent person and the existence of various employee files and contracts could not be determined. In addition various transactions took that place were found not to have the necessary supporting documentation present, nor were any bad debts identified.
- ❖ The municipality also has a lack of senior staff and management involvement in the various transactions and events that take place during the year. This was evident from the lack of authorization that took place over and errors found in leave, employee costs, expenditure, revenue and journals as well as disclosure and presentation of the financial statements. This was also evident from the fact that delegations were not adequate nor were there adequate reviews over senior management.
- ❖ The municipality has also not adequately implemented controls over its functional areas. This has resulted in staff not following the correct procedures. This was evident from the fact that there was a lack of adherence to SCM policies, a lack of reconciliations performed, inadequate authorizations ineffective budget process, incorrect calculations and disclosure and incorrect valuations used for revenue calculation .



- ❖ The municipality does not employ safeguards to ensure that documentation is securely maintained. This was evident from the following:
  - ◆ Documentation relating to expenditure, fixed assets, value added tax, revenue and receivables could not be provided for audit purposes.
  - ◆ Documents used for the recording of expenditure and revenue were found easily accessible by most staff members.
  - ◆ Lack of access control to the computer system.

#### **Material non-compliance with applicable legislation**

##### *Municipal Finance Management Act*

20. There was no performance evaluation performed for a S57 Manager
21. Audit work performed on the Integrated Development Plan revealed the document to be so incomplete that it could not be as a result of a properly designed and developed system for the department of an IDP in direct contravention with the Municipal Finance Management Act and Municipal Systems Act.
22. Section 125(2) (d) requires the disclosure of fruitless and wasteful as well as unauthorized expenditure per the Notes to the Annual Financial Statements, as such compliance has not been met as matters reported under paragraphs 29.1, 29.2, 29.3 has not been disclosed.

##### *Municipal Systems Act*

23. The municipality has not complied with section 6 of the Municipal Systems Act in that they have not put adequate control and monitoring mechanisms in place.
24. Section 95 of the Municipal Systems Act has not been complied with in that no formal policy of customer care has been implemented.
25. Section 73 of the Municipal System Act requires the Municipality to exercise their functions having regard to the provision of basic services and the constitutional rights and needs of the community, in manner that would promote economic sustainability. In view of the general lack of internal controls this duty cannot be seen to be discharged.





26. Section 55 of the Municipal Systems Act has not been compiled with evidence by the inadequate system of internal control.
27. Section 15 of the Municipal Systems Act has not been compiled with in that no copy of the municipal code, containing the Municipal Bylaws could be produced and was not available for public inspection.

#### *Division of Revenue Act*

28. Section 26(2) b of the Division of Revenue Act has not been compiled with as monthly reports were not submitted to National Treasury.

#### **Value for money matters**

29. Audit procedures that work on Tarka 671, Tarka 1004, Thornhill 1400 and Hofmeyr 1000 housing projects have been ceased due to alleged irregularities resulting in the contractors not being able to complete the projects within the required timeframes.

#### **Cashflow Statements**

30. Cash generated by operations has been overstated by R10 395 915. Furthermore the cash contributions by State has been understated by R12 876 134, this is in direct contravention with section 123(a)(i) of the Municipal Finance Management Act, which requires all allocations to be disclosed.

#### **Unauthorized, Fruitless and Wasteful Expenditure**

- 31.1 Increase in the provision for doubtful debts of R3 553 017 have been accounted for under appropriations. This allocation is considered incorrect as amount actually reflects overspending by the municipality and as such is considered to be unauthorized expenditure.
- 31.2 Referring to matters as listed under paragraphs 9.8, 9.9, 9.10 and 9.15. These matters are all considered to be unauthorized expenditure.



#### **Disclosure Matters**

32. Capital charges of R117 710 per note 12 of the Annual Financial Statement does not reconcile with capital charges of R72 817 per Appendix D.
33. Contributions from income per Appendix C are reflected as R486 274, whereas Appendix D does not indicate and contributions to fixed assets.
34. The balance of fixed assets of R2 007 374 does not reconcile to the total of internal and external loans of R2 098 737.

#### **Trust Funds**

- 35.1 Revolving fund has not been fully cash backed. The Revolving fund is reflected at R2 454 355 whereas the invested amount is only R429 456.
- 35.2 No contribution has been made to revolving fund during the year as required.

#### **Matters from prior year audit report that could affect current year**

- 36.1 Misallocation of an amount of R249 552 relating to fixed assets that should be disclosed under Street and Stormwater and not land and buildings.
- 36.2 Unreconciled amounts per the cashbook to the amount of R73 160 that could result in overstatement of bank balance amount.

### **Other Reporting Responsibilities**

#### **Reporting on performance information**

37. We were not able to review the performance information as no annual performance report has been prepared by the municipality. This is a direct contravention of section 121(3) (c) of the MFMA. As a result no opinion can be expressed on the performance information.

#### **Responsibility of the accounting officer**

38. In terms of section 122(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)



#### **Responsibilities of the Auditor-General**

39. I conducted my engagement in accordance with section 13 of the Public Audit Act, 2004 (Act No. 25 of 2004) read with General Notice 646 of 2007, issued in Government Gazette No.646 of 25 May 2007 and section 45 of the MSA.
  
40. 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 auditors judgement.

#### **Appreciation**

41. The assistance rendered by the staff of the Tsolwawa Municipality during the audit is sincerely appreciated.

East London  
24 November 2007



**AUDITOR - GENERAL**



## 4.7 ACCOUNTING POLICIES

### 4.7.1 Basis of presentation

- 4.7.1.1 These financial statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Treasurers and Accountants in its Code of Accounting Practice (1997) and Report on Published Annual Financial Statements (Second edition - January 1996).
- 4.7.1.2 The financial statements have been prepared on the historical cost basis, adjusted for fixed assets as more fully detailed in Accounting Policy note 6. The accounting policies are consistent with those applied in the previous year, except if otherwise indicated.
- 4.7.1.3 The financial statements are prepared on the accrual basis as stated:
- Income is accrued when measurable and available to finance operations. Certain direct income is accrued when received, such as traffic fines and certain licences.
  - Expenditure is accrued in the year it is incurred.

### 4.7.2 Consolidation

The financial statements include the Rate and General services, Housing service, Trading services and the different funds and reserves. All inter departmental charges are set-off against each other, with the exception of assessment rates, refuse removal, sewerage, electricity, water and premiums charged by the insurance fund, which are treated as income and expenditure in the respective departments.

### 4.7.3. Fixed Assets

- 4.7.3.1 Fixed Assets are stated:
- at historical cost, or
  - at valuation (based on the market price at date of acquisition), where assets have been acquired by grant or donation, while they are in existence and fit for use, except in the case of bulk assets which are written off at the end of their estimated life as determined by the Treasurer.





#### 4.7.3.2 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 “Provision” assets are written down over their estimated useful life. Apart from advances from the various council funds, assets may also be acquired through:

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

4.7.3.3 All net proceeds from the sale of fixed property are credited to the Revolving Fund.

4.7.3.4 Fixed assets are financed from different sources, including external loans, operating income, endowments and internal advances. These loans and advances are repaid within the estimated lives of the assets acquired from such loans or advances. Interest is charged to the service concerned at the ruling interest rate applicable at the time that the advance is made.

### 4.7.4 Funds and Reserves

#### 4.7.4.1 Loan Redemption Fund

Internal loans are repaid in relation to the life of an asset. Redemption on government loans is paid half yearly on an annuity basis.

#### 4.7.4.2 Revolving Fund

In order to finance the provision of infrastructure and other items of property, plant and equipment amounts are set aside from unappropriated surpluses to the Revolving Fund.

#### 4.7.4.3 Trust Funds

Transactions relating to funds held by the Council for the benefit of third parties are accounted for only in the balance sheet with no recognition of income or expenditure in the income statement.



#### 4.7.4.4 Project Funds

From time to time, the National and Provincial Government provide funds to Municipalities for the undertaking of certain prescribed projects. The funds so provided are not treated as operational grants upon receipt, but revenue is recognised only upon spending of the funds for the designated purpose, to the extent of the expenditure.

#### 4.7.4.5 Employee Leave Reserve

This reserve was created to finance the sale of leave by employees' and is required to be fully cash backed.

#### 4.7.4.6 Working Capital reserve

This reserve was created from surplus amounts emanating from the amalgamation of the erstwhile units and is classified as part of the operating account funds to be utilised as and when required to augment cash flows.

### 4.7.5 Retirement Benefits

Tsolwana Municipality and its employees and councilors contribute to the Cape Joint Pension Fund and the SALA Pension Fund which provides retirement benefits to those contributors.

The retirement benefit plan is subject to the Pensions Funds Act, 1956, with pensions being calculated on the final pensionable remuneration paid. Current contributions are charged against operating income on the basis of current services costs. Unfavourable experience adjustments and the cost of securing increased benefits are written off over the lesser of the remaining period of service of employees or five years. Favourable experience adjustments are retained in the retirement benefit plan.

### 4.7.6 Surpluses and Deficits

Any surplus or deficit arising from the operation of the Electricity, Transport and Water services are transferred to Rate and General services.



#### 4.7.7 Treatment of administration and other overhead expenses

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

#### 4.7.8 Investments

Investments are shown at the lower of cost or market value if a permanent decline in the value occurred.

#### 4.7.9 Deferred charges

The balance outstanding of the costs incurred in raising loans on the capital market, are recovered from operating income over the periods of the various loans involved.

#### 4.7.10 Revenue Recognition

##### 4.7.10.1 Electricity and Water Billings

Revenue from the sale of water and electricity is recognised when the monthly meter reading has been performed. Availability charges are billed at a flat rate approved by council.

##### 4.7.10.2 Assessment Rates

Assessment rates income is recognised once a rates assessment has been issued to ratepayers. All rateable properties are are charged assessment rates based on the Municipal valuation of properties.

#### 4.7.11 Assessment Rates

The Municipality of Tsolwana applies a differential site rating system. In terms of this system the assessment rates are levied on the value of the property, and rebates are granted according to the use to which a particular property is put. Rebates of 100% were granted to Churches and rebates of 20% were granted to government and educational institutions.



#### 4.8 BALANCE SHEET (AS AT 30 JUNE 2007)

		2007	2006
	Note	R	R
<b>Capital Employed</b>			
<b>Funds and Reserves</b>		5,630,620	5,121,534
Revolving Fund	1	2,454,355	2,367,122
Working Capital Reserve	2	2,463,196	2,309,527
Employee Leave Reserve	2	713,069	444,885
<b>Accumulated Surplus</b>		<u>(1,570,441)</u>	<u>2,649,933</u>
		4,060,179	7,771,467
<b>Trust Funds</b>	3	9,854,767	10,102,137
<b>Long Term Liabilities</b>	4	268,251	296,062
Consumer Deposits	5	142,572	129,133
		<u>14,325,769</u>	<u>18,298,799</u>
<b>Employment of Capital</b>			
<b>Fixed Assets</b>	6	2,007,314	576,784
<b>Investments</b>	7	<u>13,555,858</u>	<u>16,686,646</u>
		15,563,172	17,263,430
<b>Net Current Assets</b>		(1,237,404)	1,035,369
<b>Current Assets</b>		1,273,987	3,881,383
Debtors	8	1,191,256	3,606,846
Bank		77,730	269,537
Cash		5,000	5,000
<b>Current Liabilities</b>		2,511,391	2,846,014
Provisions	9	0	463,000
Creditors	10	2,483,919	2,355,883
Bank Overdraft			
Short-term Portion Of Long Term Liabilities	4	27,471	27,131
		<u>14,325,769</u>	<u>18,298,799</u>





#### 4.9 INCOME STATEMENT (FOR THE YEAR ENDED 30 JUNE 2007)

	2006	2006	2006
	Actual Income	Actual Expenditure	Actual Surplus/ (Deficit)
	R	R	R
<b>Rates and General Services</b>	9,350,626	12,099,697	(2,749,071)
Community Services	6,282,453	8,645,458	(2,363,005)
Subsidised Services	592,702	300,955	291,747
Economic Services	2,475,471	3,153,284	(677,813)
<b>Trading Services</b>	5,416,807	3,753,749	1,663,058
<b>Total</b>	<u>14,767,433</u>	<u>15,853,446</u>	<u>(1,086,013)</u>
Appropriations for the Year (Note 11)			(989,928)
Net Deficit for the Year			(2,075,941)
Accumulated Surplus at the Beginning of the Year			<u>4,725,874</u>
<b>Accumulated Surplus (Deficit) at the End of the Year</b>			<u>2,649,932</u>

(Refer to Appendices D and E for more detail)



	2007	2007	2007	2007
	Actual Income	Actual Expenditure	Actual Surplus/ (Deficit)	Budgeted Surplus/ (Deficit)
	R	R	R	R
<b>Rates and General Services</b>	8,663,155	11,976,564	(3,313,408)	(1,104,768)
Community Services	5,723,731	9,110,626	(3,386,895)	(1,212,648)
Subsidised Services	155,489	406,743	(251,254)	196,173
Economic Services	2,783,935	2,459,195	324,740	(88,293)
<b>Trading Services</b>	6,041,447	3,166,136	2,875,311	1,104,768
<b>Total</b>	<u>14,704,602</u>	<u>15,142,699</u>	<u>(438,097)</u>	<u>0</u>
Appropriations for the Year (Note 11)			<u>(3,782,276)</u>	
Net Deficit for the Year			(4,220,373)	
Accumulated Surplus at the Beginning of the Year			<u>2,649,932</u>	
Accumulated Surplus (Deficit) at the End of the Year			<u>(1,570,441)</u>	



#### 4.10 CASHFLOW STATEMENT (FOR THE YEAR ENDED 30 JUNE 2007)

		2007	2006
	Note	R	R
<b>Cash Retained from Operating Activities</b>		2,902,137	7,540,956
Cash Generated by Operations	12	(7,070,378)	(8,570,328)
Investment Income	14	328,851	100,326
(Increase)/Decrease in Working Capital	13	2,750,213	(9,626)
Less: External Interest Paid		(3,991,314)	(8,479,628)
		45,346	49,129
<b>Cash Available from Operations</b>		<b>(3,945,968)</b>	<b>(8,430,499)</b>
Cash Contributions from the Public and State		6,848,105	15,971,455
<b>Cash Utilised in Investing Activities</b>		<b>14,325,769</b>	<b>18,298,799</b>
<b>Employment of Capital</b>			
Investments in Fixed Assets		(6,197,261)	(6,049,813)
<b>Net Cash Flow</b>		<b>(3,295,124)</b>	<b>1,491,143</b>
<b>Cash Effects of Financing Activities</b>			
(Decrease)/Increase in Long-Term Loans	15	(27,471)	(25,122)
(Increase)/Decrease in Cash on Hand	16	191,807	(478,007)
(Increase)/Decrease in Cash Investments	17	3,130,788	(988,014)
		<b>3,295,124</b>	<b>(1,491,143)</b>

Note: The comparatives for 2005 have been restated to include the investment in fixed assets made during that year.



#### 4.11 NOTES TO THE FINANCIAL STATEMENTS (FOR THE YEAR ENDED 30 JUNE 2007)

	2007	2006
	R	R
<b>1) Statutory Funds</b>		
Revolving Fund	<u>2,454,355</u>	<u>2,367,122</u>
(Refer to Appendix A for more detail)		
<b>2) Reserves</b>		
Working Capital Reserve (Invested per Note 7)	2,463,196	2,309,527
Employee Leave (Invested per Note 7)	713,069	444,885
	<u>3,176,265</u>	<u>2,754,411</u>
(Refer to Appendix A for more detail)		
<b>3) Trust Funds</b>	<u>9,854,767</u>	<u>10,102,137</u>
Invested per Note 7		
(Refer to Appendix A for more detail)		
<b>4) Long Term Liabilities</b>		
Annuities	295,722	323,193
Less: Short term portion	(27,471)	(27,131)
	<u>268,251</u>	<u>296,062</u>
(Refer to Appendix B for more detail)		
<b>5) Consumer Deposits</b>		
Electricity & Water Deposits	<u>142,572</u>	<u>129,133</u>
(Invested per Note 7)		





	2007	2006
	R	R
<b>6) Fixed Assets</b>		
Fixed assets at the beginning of the year	58,836,599	52,786,787
Capital expenditure during year	<u>6,197,261</u>	<u>6,049,813</u>
	65,033,860	58,836,600
Less : Loans Redeemed and Other Capital Receipts	(63,026,547)	(58,259,816)
Less : Disposals		
	<u><u>2,007,314</u></u>	<u><u>576,784</u></u>
( Refer to appendix C for more details )		
<b>7) Investments</b>		
First National Bank - Call Accounts & Capital Current Account		
- Capital projects and trust funds	10,168,627	10,621,619
- Revolving fund	429,456	1,813,208
- Working capital reserve	2,463,196	2,309,527
- Employees leave reserve	344,325	379,299
- Equitable share	7,681	1,433,859
- Consumer deposits	142,572	129,133
	<u><u>13,555,858</u></u>	<u><u>16,686,646</u></u>
Management's valuation of unlisted investments	<u><u>13,555,858</u></u>	<u><u>16,686,646</u></u>
<b>8) Debtors</b>		
Rates and Services	7,655,617	6,203,231
Less: Provision for Bad Debts:	<u>6,654,632</u>	<u>3,101,615</u>
	1,000,985	3,101,616
Project Debtors	46,400	337,654



	2007	2006
	R	R
Sundry Debtors	143,872	74,850
VAT Control		92,726
	<u>1,191,256</u>	<u>3,606,846</u>
The provision for bad debts has been increased to 50% of rates & services debtors outstanding at 30 June 2007		
<b>9) Provisions</b>		
Provision for Audit Fees		463,000
No provision for audit fees has been made as audit fees are accounted for in the year in which they are paid. No audit fees were outstanding at year end		
<b>10) Creditors</b>		
Sundry Creditors	569,807	562,332
Project Accounts	4,300	112,266
VAT due to Capital Projects	635,916	1,681,284
VAT Control	1,273,896	
	<u>2,483,919</u>	<u>2,355,883</u>



	2007	2006
	R	R
<b>11) Appropriations</b>		
<b>Appropriations</b>		
Increase in provision for bad debts	3,553,017	845,768
<b>Prior year adjustments</b>	<u>229,259</u>	<u>144,160</u>
Temporary advances - leave reserve		(257,345)
Adjustments to loans redeemed		168,536
Prior year creditor paid this year	1,609	
Provision for audit fees in prior years reversed (refer note 9)	227,649	282,033
Stale cheques prior year		(49,064)
	<u><u>3,782,276</u></u>	<u><u>989,928</u></u>
<b>12) Cash Generated In Operations</b>		
Deficit for the year	(438,097)	(1,086,013)
<b>Appropriations charged against income:</b>		
- Revolving fund	0	29,014
Capital charges:	117,710	133,501
Interest paid:		
- to internal funds	15,878	19,363
- on external loans	45,346	49,129
Redemption:		
- of internal advances	29,015	38,900
- of external loans	27,471	26,108
Investment Income	(328,851)	(100,376)
Grants and subsidies received from the State	(6,421,140)	(7,546,454)
	<u><u>(7,070,378)</u></u>	<u><u>(8,570,328)</u></u>



	2007	2006
	R	R
<b>13) <u>(Increase)/Decrease In Working Capital</u></b>		
(Increase)/Decrease in Debtors	2,415,590	33,576
(Increase)/Decrease in Current Liabilities	334,623	(43,202)
	<u>2,750,213</u>	<u>(9,626)</u>
<b>14) <u>Investment Income</u></b>	<u>328,851</u>	<u>100,376</u>
<b>15) <u>(Decrease)/Increase in Long Term Loans</u></b>		
Loans Repaid	<u>27,471</u>	<u>26,108</u>
<b>16) <u>Decrease/(Increase) in Cash on Hand</u></b>		
Cash and Cash Equivalents at start of year	274,537	(203,470)
Cash and Cash Equivalents at end of year	82,730	274,537
	<u>191,807</u>	<u>(478,007)</u>
<b>17) <u>Increase/(Decrease) in Investments</u></b>		
Investments made (withdrawn) during year	<u>(3,130,788)</u>	<u>(1,441,548)</u>
<b>18) <u>Assessment Rates</u></b>		
Site Valuations as at 1 July 2002: Residential, Commercial, State and Municipal:		
Rateable	16,911,587	16,911,587
Exempt	7,343,712	7,343,712
	<u>24,255,299</u>	<u>24,255,299</u>
<b>Actual Income</b>	<u>1,068,937</u>	<u>1,183,470</u>
A general valuation was undertaken in 2004 but values were not adjusted For the years ended 2005, 2006, and 2007. The above values are those which came into effect in 1989 for Hofmeyr and 1995 for Tarkastad		
(Refer to Appendix F for more detail)		





	2007	2006
	R	R
<b>19) <u>Councillor's Remuneration</u></b>		
Mayor's Allowance	316,507	311,626
- Salary	214,502	197,667
- Telephone	7,399	12,684
- Pension	17,680	23,371
- Medical Aid	1,116	
- Travelling	75,810	77,904
<b>Councillors Allowances</b>	<b>1,090,063</b>	<b>1,266,494</b>
- Salary	738,324	756,683
- Telephone	41,580	71,280
- Pension	53,094	204,306
- Travelling	257,066	234,225
	<u>1,406,570</u>	<u>1,578,120</u>
<b>20) <u>Section 57 Managers Remuneration</u></b>		
Municipal Manager	548,180	442,320
Community Services Manager	372,647	355,452
Corporate Services Manager	371,028	355,452
Chief Financial Officer (Suspended November 2006)	104,824	322,356
Acting Chief Financial Officer (4.5 Months)	66,904	
Chief Financial Officer (Appointed May 2007)	64,932	
Technical Manager	309,630	
	<u>1,838,145</u>	<u>1,475,580</u>



	2007	2006
	R	R
21) <u>Municipal Entity</u>		
The Municipality does not have a Municipal Entity		
22) <u>Outstanding Obligations</u>		
There were no amounts outstanding at year end in respect of Audit Fees, Taxes, Levies, Duties, and Pension and Medical Aid contributions		
23) <u>Post Balance Sheet Events</u>		
1. Two senior municipal officials have been suspended pending allegations of misappropriation of funds related to housing projects. A forensic investigation has been initiated, the results of which are not yet available.		
2. Actions against the municipality have been instituted by 4 contractors alleging non payment of contractual amounts due to them.		



#### 4.12 INCOME STATEMENT – ELECTRICITY ACCOUNT (FOR THE YEAR ENDED 30 JUNE 2007)

	2007	2006
	R	R
<b>Capital Employed</b>		
Funds and Reserves	–	–
Accumulated Surplus	<u>6,979,649</u>	<u>6,239,510</u>
	6,979,649	6,239,510
Consumer Deposits	142,572	129,133
	<u>7,122,221</u>	<u>6,368,643</u>
<b>Employment of Capital</b>		
Fixed Assets	6,300,317	5,523,490
Net Current Assets	821,904	845,153
Current Assets	821,904	845,153
Debtors	679,322	716,020
Short-Term Investments	142,572	129,133
Current Liabilities	–	–
	<u>7,122,221</u>	<u>6,368,643</u>



#### 4.13 BALANCE SHEET – ELECTRICITY ACCOUNT (FOR THE YEAR ENDED 30 JUNE 2007)

	2006/2007 Actual	2006/2007 Budget	2005/2006 Actual
	R	R	R
<b>Revenue</b>			
Electricity Sales	2,290,415	1,757,940	2,202,614
Street Lights	45,166	62,000	75,285
Government Grants	340,205	973,680	134,382
Connection Fees	4,549	11,890	4,160
Sundry Income	<u>72,807</u>	<u>–</u>	<u>–</u>
	2,753,142	2,805,510	2,416,442
<b>Less Expenditure</b>	2,508,458	2,096,610	2,507,016
Salaries & Wages	204,780	79,940	179,194
Electricity Purchases	1,949,001	1,300,000	1,450,590
Free Basic Services	–	460,000	510,690
Maintenance & Repairs	230,458	81,600	194,069
Redemption Internal Loans	5,068	14,000	13,997
Interest Internal Loans	3,328	4,950	4,949
General Expenditure	115,823	156,120	153,527
<b>Nett (Deficit)/Surplus for the year</b>	<u>244,684</u>	<u>708,900</u>	<u>(90,574)</u>







PART 5

# Functional Area Service Delivery Reporting





## 5.1 TECHNICAL SERVICES DEPARTMENT

The Technical Services Department is one of the key service delivery functional departments of the Municipality. Due to National Treasury requirements with regards to staffing, it is the most understaffed department of the municipality. This department is composed of a head of department with two foremen for each unit (Tarkastad and Hofmeyr). Because of the vast rural areas of the Ntabethemba villages, services in these areas have not yet been extended. The municipality is still lobbying for funding of a feasibility study to address this backlog.

### **KPA 1 : Service Delivery and Infrastructure Development**

This Key Performance Area is divided into five main elements and these are:-

- Water Services
- Sanitation Services
- Electricity supply and distribution
- Roads and storm streets
- Project management unit

#### 5.1.1 Water Services

The Tsohwana Municipality is a water services provider on behalf of the Water Services Authority, Chris Hani District Municipality. This status was obtained after a Section 78 assessment was conducted and a service level agreement signed in April 2007. During the Section 78 assessment, road shows were held jointly with the Chris Hani District Municipality. The main aim of these road shows was to make communities aware and to assist their understanding of the implications of the powers and functions in their respective wards with regard to water and sanitation.

The Chris Hani District is rolling out a number of water-related capital projects in order to make sure that the National targets are realized and the communities have access to potable water. Because the Chris Hani District Municipality is implementing all these capital projects it is not possible to give expenditure breakdown.



### 5.1.2 Sanitation Services

As a way of realizing the national targets on water and sanitation, Chris Hani District Municipality allocated an amount of R11m for the eradication of buckets in Hofmeyr this financial year. This project could not be finished in the current year due to problems beyond control. In addition to the above, an amount of R2,3m was also allocated for the Tarkastad bucket eradication. This project also could not be finished in this financial year due to non-performance of the contractors.

Rural sanitation was also launched to various villages in the Ntabethemba. This has resulted in the rural communities having access to the VIP toilet. These rural sanitation projects are funded every financial year in order to realize the sanitation national targets of 2008.

These projects include, but are not limited to, the provision of VIP toilets to Khwezi, Thembaletu, Springroove, Tendergate and Khayaletu.

### 5.1.3 Electricity Supply and Distribution

Tsolwana Municipality is divided into two areas of electricity distribution. Eskom is the supplier for all the rural parts of the Municipality. The Municipality is the supplier for Tarkastad and part of Hofmeyr.

The Department of Minerals & Energy approved an amount of R360,000 for the connection of 100 houses in the Greenfields Housing area. This project has been completed in the financial year under review. The Municipality has also embarked on rectification of the previous financial year where two transformers had to be replaced and completion of the necessary connections to about 180 houses, at an amount of R1,158 000.

This project was delayed due to technical specification errors that were identified at a later stage. The contractor had to be called back to site to rectify all the errors. This was mainly due to unavailability of the technical manager at the time the project was initiated.

Due to Eskom load shading, the Municipality has experienced a number of power cuts that has resulted in a number of complaints by the communities. However, the maintenance section managed to cope with the power cuts and made sure that communities have energy.





#### 5.1.4 Roads and Storm Water/Streets

Access roads to the residential areas are generally in a poor state of repair. Internal roads in the urban areas of Hofmeyr and Tarkastad generally need upgrading with specific emphasis on main access roads, bus routes and storm water drainage systems.

Access roads in the Ntabethemba rural area (ward 1,2 & 3) are in a very poor state and in some areas access by vehicle is not possible. Specific reference is made to the access road from Zola village to the Tsolwana Game Reserve.

The Department of Roads and Transport has recently launched a Household Contractor Programme to assist with minor roads maintenance. Under this programme, local residents assist with minor repairs such as potholes, storm drainage, grass cutting etc. This project is seen as one way of alleviating poverty by means of job creation without compromising the quality standards. The municipal Infrastructure Grant has approved an amount of R1,551,000 for the rehabilitation of the rural access roads, this being phase one of the MIG roads projects. It is also worth mentioning that this Council has prioritized roads for the utilization of the MIG to improve the condition of roads status.



### 5.1.5 PROJECT MANAGEMENT UNIT

The Project Management Unit (PMU) is normally funded from a 5% portion of the municipality's allocation. Tsolwana Municipality is receiving an allocation less than R2m. In terms of the Division of Revenue Act (DSRA), any local municipality that receives less than R2m, has that allocation channelled through the District Municipality. In view of the above DORA requirements, the Municipality does not have a legitimate PMU.

All the functions of the PMU are performed by the Head of Department of Technical Services.

These functions include but not limited to the following:

- ❖ Identify development/infrastructure projects through the normal IDP and community participation processes;
- ❖ recommend the appointment of Service Providers through the procurement processes (if required);
- ❖ prepare business plans for minor projects;
- ❖ prepare proposals to the relevant authorities if the above is not required;
- ❖ forward to possible funders for consideration;
- ❖ monitor implementation of all infrastructure projects within the jurisdiction of the municipality;
- ❖ report implementation progress to Council from time to time and
- ❖ scrutinize and recommend progress payments for all service providers engaged by Council on projects.



## 5.2 COMMUNITY SERVICES DEPARTMENT

### 5.2.1 Introduction

The Community Services Unit has a manager, Development Officer, two Assistant Librarians, two pound masters, one Land and Estate Officer and 17 general workers. According to the current organogram, the Community Services Department has 15 Vacancies that still need to be filled, but due to the financial constraints remain vacant. Based on the Integrated Development Planning (IDP) priorities, these gaps have been identified as crucial posts that need to be filled.

This report therefore will touch on a variety of projects that were identified as per the IDP. Various sector departments have assisted the Municipality in terms of funding some of the community projects while the Local Municipality, based on powers and functions, assisted administratively, financially and technically.

Based on the above brief introduction of the Community Services Department, the full report of the unit is as follows:

### 5.2.2 Environmental Management

Cleaning campaigns are held with local schools in order to make sure that townships are clean and every year the Chris Hani District Municipality (CHDM) has been funding a clean up campaign for both urban areas within the Municipality i.e. Tarkastad and Hofmeyr.

The above two projects seek to create an awareness and provide education for both students and local residents. A partnership with the Departments of Health and Education has been established and approximately 300 temporary jobs are created every year as a poverty-alleviation exercise.

Together with the Department of Health, three environmental practitioners have been deployed throughout the municipality. Their main task is to make sure that they educate both communities and the business community regarding the basic principles of hygienic food handling and personal hygiene.



### 5.2.3 Waste Disposal Sites

Both in Hofmeyr and in Tarkastad waste disposal sites are still facing the severe challenge of proper maintenance and control. Communities are dumping waste in an irresponsible manner, particularly at weekends. This has created a highly undesirable situation.

Consequently, the Council has earmarked another site in Skaapkraal at Tarkastad. This has been developed in order to address the above challenge. Both sites are in the process of registration and regular collection of refuse removal is done in both urban areas.

Additional equipment was purchased including a new refuse truck, a TLB and tipper truck.

Regular meetings are held with the community regarding the issue of illegal dumping.

### 5.2.4 Housing

It remains the function of the Community Services Department of the Tsolwana Municipality to provide the disadvantaged communities with safe and affordable housing. This includes responsibility for application procedures and administration of housing projects in conjunction with the Technical Department; all the technical work involved and the management of housing finances by the Finance Department.

The funding of the housing subsidy is a function of the Provincial Government's Department of Housing, Local Government and Traditional Affairs.

#### DHLC & TA Allocated Funds:

No.	Project Name	Funding 2006/7 Financial Year
1	Tarkastad 1000 PHP Housing Project	244,884
2	Tarkastad 671 PHP Housing Project	650 001
3	Hofmeyr 1000 PHP Housing Project	827 749
4	Thornhill 1400 PHP Housing Project	181 824





Sinako Consultancy has been appointed by the Municipality to quickly commit the above funds and to manage all aspects of the project. In the past five years, applications for 4071 housing subsidies were forwarded to Bhisho and allocated as follows:

❖ Thornhill, Zola and Phakamisa:	1400 houses
❖ Tarkastad:	1000 houses
❖ Tarkastad;	671 houses
❖ Hofmeyr:	1000 houses.

Many houses have been built from the 4071 subsidies that were applied for by the Municipality. Some have been completed and some are at various stages of construction. From all the projects that were approved by the DHLG& TA only 477 new houses are still to be built.

The four blocked projects are in need of top-up funding from DHLG&TA. As the housing backlog is still a challenge, the problem exists of about 4400 on the housing backlog at the villages and about 1000 from Hofmeyr and Tarkastad. Waiting-lists therefore amount to about 5400 from all five wards of the Tsolwana Municipality.

#### **Town Planning & Building Control**

Town Planning & Building Control is a Community Services Department and Technical Services Department responsibility.

#### **Area Based Planning (ABP)**

On this issue, the government has a programme of bringing back to its communities 30% of the land. The Department of Land Affairs appointed the Umhlaba Consultancy and Tsolwana Municipality has held two workshops. The matter is still receiving attention and the final meeting is scheduled shortly.

#### **Mapping**

The Municipality was funded last year with R583 000 by the DHLG&TA planning division for mapping for the whole Tsolwana Municipal area. The municipality in conjunction with the department will proceed to appoint a consultancy to deal with the matter.

#### **Valuation**

The DHLG&TA funded the municipality with R199 604.57. This amount has accrued interest and now totals R202 107.68. The Municipality advertised for tenders to develop the Rates



Policy and is now ready to proceed with the development of the policy and appoint a Municipal Valuer. This process and its implementation will be dependent upon the availability of funds.

### **Cemeteries**

R100 000.00 was allocated by the DHLG&TA Planning Unit for investigation of new cemetery sites for both Tarkastad and Hofmeyr. The Department will assist the Municipality with Terms of Reference (ToR). Cemeteries are cleaned every six months.

In the entire Tsolwana Municipal area there are thirty-two graveyards with various challenges. An application was made to CHDM's Department of Public Works for the beautification of graveyards. There were about five cases of pauper burials.

### **Building Control**

The Municipality has a consultation program with all the wards in terms of enforcing the Council's Regulations and Bye-Laws to deal with all building control. Should the Bye-Laws be approved a better buildings control policy will be in place. This also includes Bye-Laws for commonages, parking, cemeteries and neglected buildings.

### **Transfers**

The following transfers were recorded:

- ❖ Hofmeyr: 204 housing projects: 201 registered
- ❖ Tarkastad: 671 housing projects: Kwezi V3: Only 500 were registered. The 171 remaining will be registered when they are built.
- ❖ Thornhill: 1400 registered. About 400 Deeds of Sale were sent to Bows and McDougal for transfer.
- ❖ Ivanlew: Out of 119, 59 were submitted. 60 remain and are currently being processed.
- ❖ Zola: 112 applications submitted, most of which are still at Lexicon or the Deeds Office. Only 73 title deeds were received from the Deeds Office.

### **Community Facilities**

Three community halls were renovated and are up to standard. Hiring tariffs were adjusted to make it affordable for communities to make use of these facilities. Both community halls in the urban areas are cleaned on a regular basis after use. Two other community halls in Tarkastad and Mitford are under renovation and will be completed soon.

Sports fields are in a bad state of repair and are gravelled once annually.



Mobile Library facilities were donated by the Department of Sport and will be set up in communities where there is no library available. A detailed library report is as follows:

- ❖ From September to December 2007 schools conducted examinations. This created a positive increase in library usage as learners utilised library facilities for reading and research. Statistics indicate 14 library members and an increase in users. Those who are able to afford it, travel from Ntabethemba to utilize the library.
- ❖ In February, a local library week was held in the Tarkastad town hall. A competition was run between library users for the best reader. The winner was Mrs van Heerden. In early March, a district library week was held in Mzivumbu and once again, Mrs van Heerden was pronounced the winner. The provincial library week was held in Humansdorp.
- ❖ In April, a literary day was held in Ntabethemba and surrounding farms. The event cost close to R16000.00 of which the District spent R10000. The Tsolwana Municipality spent R6000. The aim of the literary day was to educate the people who stay in Ntabethemba about libraries and their advantages as they are in need of a library. All schools, school farms and old age homes surrounding the Tsolwana Municipality were visited twice a week. Transport difficulties and a shortage of staff prevented visits to further outlying areas.

#### 5.2.5 LOCAL ECONOMIC DEVELOPMENT

Owing to the rural nature of Tsolwana Municipality, there is no economic anchor project for Local Economic Development. However there are projects that are geared for the development of the communities as well as poverty alleviation and to some extent, creation of small jobs.

##### **Local Economic Development Forum:**

Tsolwana Municipality is one of the smallest municipalities in the Eastern Cape but it operates as any other municipality which is guided and governed by the various local government legislations of the Republic of South Africa. The Municipality consists of five wards of which all have their representatives in the Local Economic Development Forum (LED Forum). The focus of this forum is to make sure that all the concerns of the local communities relating to LED are taken care of by the local municipality and thus implemented accordingly. The challenge that this forum is faced with is the non-participation of the white communities as well as the minimal participation of the sector departments. The forum is supposed to be a multi-stakeholder forum that will assist in the development of local economies.



Local Economic Development, according to the new approaches to LED, should be led by the government, driven by the private sector and be community-based. To achieve the sustainability of LED, the above-mentioned stakeholders should actively participate in the LED forum to make sure that all stakeholders know what is needed by different communities. This is the importance of a vibrant Local Economic Development Forum. The challenge remains to change the mindset of some of the business people and instill in their minds the importance of their working together with the local municipality for the sustainability of their own businesses and ultimately the creation of jobs for the local communities.

In a Local Competitive Advantage Training Initiative workshop held in 2007, it was stressed that the community projects that were initially mistakenly referred to as LED projects are not LED projects but social projects. This definition therefore created the need to shift from Local Government to actively lobby for the local business people to participate in the Local Economic Development forums and also to attend to Integrated Development Planning forums (IDP forums).

The Municipality was instrumental in organizing that workshop together with Internationale Weiterbildung und Entwicklung (inwent) which is the German company tasked to capacitate LED practitioners in all local municipalities. This workshop was attended by various role-players including Councillors, Community Development Workers, LED representative forum members, senior managers, business people and LED practitioners.

#### **Poverty alleviation projects:**

There are various poverty alleviation and social projects that are active within the Municipality in different wards. Most of these projects are funded by the Department of Social Development because of their social nature. Previously, it was mistakenly thought that these social projects were LED projects. Again, because the Municipality is one of the smallest in the province, insufficient funding is available for projects and reliance on external funding is necessary. Project members are given assistance by the Municipality to obtain funding.

The following social projects are acknowledged as viable projects:

- ❖ that is operating in ward 4 (Tarkastad area). This project has been funded by the Department of Social Development to the value of R1 million. The Municipality has donated land to the local communities for this project. The project is viable and communities are committed to the project. A poultry project has also been attached to this project and has been funded by the Department of Agriculture.





- ❖ **Luncedo Hofmeyr Women's Co-op Bakery** is the pride of the Tsolwana Municipality. This project has also been funded by the Department of Social Development to the value of R1 million. This funding provided all the implements for bread making and a vehicle to deliver fresh products to various destinations and shops. A market for products exists as local shops and schools are supplied. The challenge here is that the space within which the project is operating is inadequate as the business is showing signs of growth. This project is currently viewed as a social project but it has excellent growth potential to graduate to a fully fledged LED project within a short space of time.
- ❖ **Thobelani Crafts Project** is regarded as a fully fledged LED project that is operating on Mr Guy Levy's farm. It has diverse ownership and it contributes to the principles of Black Economic Empowerment (BEE) in the area. This project has strong markets nationally and internationally as the site is strategically located next to a tourist attraction (Scott of Africa) which is a hunting destination for tourists. This project specializes in clay-pots and various clay materials that are indigenous in nature. The challenge for this project is that it is located 18 kilometers away from town and so it lacks the support and exposure to the local communities. The signs are there but transport to the project is awkward and the local communities find it difficult to buy locally produced clay-pots.

#### **Other projects**

The following projects are social projects that have been funded but lack the potential to grow.

- ❖ **The Tarkastad Brick-making Project** received various funding from the Department of Housing, Local Government and Traditional Affairs LED section as well as from the Chris Hani District Municipality. The beneficiaries of this project, with the assistance of the Municipality, have been trained in various skills that include among other things, financial management and book-keeping. But all these endeavors have been in vain. This project started well but as it progressed member commitment to the project declined and as the result the project has collapsed.
- ❖ **Sinako Sewing and Gardening Project** is one of the projects that were initially promising but due to lack of funding is unable to grow. Old fashioned sewing machines were utilised and this retarded production. Quality materials for production were also not able to be purchased. Recently the Municipality intervened by purchasing one sewing machine in an effort to increase production. While this was a small step, it was nevertheless in the right direction.



- ❖ **Tentergate Irrigation Scheme** received funding from the Chris Hani District Municipality (CHDM) to the value of 2.5 million for infrastructural development which includes pipe-laying, water connection and the fencing of the allocated land for the project. CHDM also provided some small financial amounts that assisted in buying seeds, fertilizers and pest controls.. Beneficiaries are committed to the project and some of them work tirelessly for the benefit of the project. In the 2005/6 season the project made a significant profit of of R42 000.00 from sales. Dividends were allocated to the beneficiaries per project. It is worth mentioning once again that these people were also trained in various project management skills.
- ❖ **Mitrock Irrigation Project** is also one project that was initially making progress in terms of profit making. The challenge in this project is that its location is far from where the beneficiaries stay and this therefore decreases the commitment of the beneficiaries to this project. Also the other challenge to these people is that they do not have a tractor that belongs to them for ploughing their crops. They have made some profit though under those difficult circumstances.
- ❖ **Bambanani Youth Project** is a project intended to cater for the youth of Ward 3 and has been allocated a budget of R1 million from the Department of Social Development. This amount was to be allocated in two phases R500 000 each. A portion of this amount has been utilized for buying fencing and potato seeds. The main purpose of this project is for the production of cotton and lucerne in that area. There is huge potential for this project to grow as the area was initially used by white farmers and they produced volumes of lucerne some years ago.  
  
The Municipality intends to resuscitate that culture of lucerne production for the benefit of local communities.
- ❖ **Masiphathisane Women's Co-op** is a project that focuses on the production of vegetables in Thornhill. This project has been given R1 million by the Department of Social Development. There is commitment shown by the project beneficiaries. The challenge that is clear in that area is the lack of underground irrigation water to sustain the project. The beneficiaries rely on rain water and the river water for the sustainability of the project.
- ❖ **Milk Thysel Project** in Hofmeyr is one project that can be classified as an LED project as per the new approach to local economic development. This project has been funded by the Medical Research Council (MRC). The initial amount that was allocated for this project by the MRC in 2004 was R800 000. The project focuses on the production of a plant called



Milk Thysel. This plant is mixed with other medicines that help boost the immune system of people living with HIV and AIDS. There is a huge market for this project internationally. The Municipality classifies this project as an LED project because local people have benefited in terms of employment, sustainable and short term employment. Currently the project has employed 6 permanent people and 9 seasonal workers. This project is operating on municipal land and the lease agreement was signed between the Municipality and the MRC.

- ❖ **The Nguni Project** in Thornhill is one of the initiatives started by the District Municipality in collaboration with Fort Hare University. The project is intended to change the current breed in the Province. The Tsolwana Municipality is one of the municipalities that benefited from this initiative. The District Municipality has allocated a sum of R650 000 to kick-start the project. The Nguni breed has been bought and has been kept on a farm that has been hired by beneficiaries.
- ❖ **The Goat Project** is one of the initiatives of the Chris Hani District Municipality in an attempt to improve current livestock. This project has been allocated some funds to support local emerging farmers to improve their livestock. Beneficiaries of the project have been identified in Ward 3 which is in the Ntabethemba area. Currently the Municipality is in the process of forming commodity groups in all the villages that are within Ward 3 and the process is still underway.
- ❖ **The Vlekpoort Project** is operating in Ward 5 (Hofmeyr) and is a community game farming project that has potential sustainability. The project is currently run independently by white individuals who are willing to cooperate with the local communities in Hofmeyr. The project is located on state land and this information has been included in the situational analysis of the tourism sector plan. An inclusive Steering Project Committee was established with its Exco in full operation. This project received R300 000 funding from the Department of Economic Affairs. Currently the Municipality is in the process of developing a business plan for that project.

The following projects have contributed to the Local Economic Development of the Municipality and towards the endeavours of poverty eradication:

Through the Siyazondla Programme, the Department of Agriculture has funded some of the small projects that are within the Municipal jurisdiction. These projects are as follows:



Location	Project Name	Type of Project	Allocated Amount (R)
Hofmeyr	Hofmeyr DRC primary school	4-H Youth	15,000
Hofmeyr	Hofmeyr community grade	Community garden	5,000
Hofmeyr	Pakama high school	Youth at school	15,000
Tarkastad	Tarkastad clinic	Community garden	5,000
Tarkastad	Eluxolweni clinic	Cynic garden	15,000
Tarkastad	Vulindlela Lucerne project	Community garden	15,000
Tarkastad	Sikhokele vegetable	Community garden	10,000
Tarkastad	Sakhuluntu vegetable	Community garden	15,000
Ntabethemba	Nkqubela vegetable	Community garden	10,000
Ntabethemba	Thornhill home garden	Community garden	2,000
Ntabethemba	Dumezweni vegetable	Community garden	10,000
Ntabethemba	Ward 4 home garden	Community garden	2,000
Ntabethemba	Rock lands clinic	Community garden	10,000
Ntabethemba	Tentergate, Kwezi, Springroove.	Community garden	2,000
Ntabethemba	Khayaletu vegetable	Community garden	
Ntabethemba	Sofikelela vegetable	Community garden	
<b>CASP FUNDED PROJECTS</b>			
Ntabethemba	Springroove	Shearing shed	240,000
Ntabethemba	Tentergate	Shearing shed	10,000
Ntabethemba	Springroove	Fencing of arable land	10,000
Hofmeyr	Mbewu family farm(LRAD)	On farm infrastructure	120,000
Hofmeyr	Faku family farm	On farm infrastructure	50,000
Tarkastad	Tarkastad youth	Fencing youth project	25,5000





Location	Project Name	Type of Project	Allocated Amount (R)
Ntabethemba	Phakamisa vegetable	Fencing	11,000
Ntabethemba	Mzamomhle poultry project	Construction of poultry project	22,000
Hofmeyr	Hofmeyr piggery project	Construction of piggery	25,000

### 5.2.6 Tourism

#### Tourism sector plan

The Municipality has received a R200 000 grant from the Development Bank of Southern Africa (DBSA) to develop a tourism sector plan for the Municipality. A Project Steering Committee was established to spearhead the process of identifying a suitable service provider that will assist in the development of the Tsolwana tourism sector plan. Invitations were issued to service providers and they responded very well. From those who responded, Intengu Communications was identified as the service provider to develop our Tourism Sector plan.

Data collection has been undertaken and the situational analysis has been completed and tabled before the Steering Committee. The Steering Committee identified some gaps and asked the service provider to revisit and revise the situational analysis. This plan was supposed to have been finished by September 2007 but due to some problems that were encountered by the service provider the plan could not be finished on time and we hope to finish it in February 2008.

#### Training of Tourism sector steering committee members

Five members from the Steering Committee were identified for training on responsible tourism.

They have been trained in five modules which are:

- ❖ Responsible Tourism Context and Concepts;
- ❖ Institutional Arrangements for Tourism;
- ❖ Tourism Sector Planning;
- ❖ Managing infrastructure, heritage, environment, built environment and safety for tourists and
- ❖ Tourism Destination Marketing.



Training was completed towards the end of 2007 and the graduation of all five members who completed the course has taken place.

### 5.2.7 Disaster Management

The manner in which disaster risk management is approached in South Africa has undergone major changes since 1994 when government took the decision to move away from the customary perception that disasters are inevitable and therefore could only be dealt with when they had occurred. According to the Chris Hani District Municipality's Disaster Risk Management Policy Framework, Enabler no 3, all the municipalities have to budget for Disaster Management.

It is also a requirement that 1% of the municipal budget must be allocated to Disaster Management and that each department within the Municipality must have its own budget for Disaster Management.

This is not to be the case for the Tsolwana Municipality because this is a very small municipality with a limited budget. The Municipality only budgeted for relief and recovery for emergency purposes. Out of the amount that was allocated for relief and recovery, another portion of that budget was used for International Strategy on Disaster Reduction (ISDR) which is the annual event competition that is designed to create disaster awareness in schools.

For the past 3 years, the Municipality has carried the burden of funding this project (ISDR) with its own limited financial resources. In one of CHDM Disaster Management Forum meetings, the issue of funding this project by the Municipality was raised very strongly and the agreement was reached that this must be a shared responsibility between the Chris Hani District Municipality, the Department of Education and the local municipalities. It was agreed that all the above-mentioned role players must budget for this project. Therefore, beside the Municipality budgeting for relief and recovery, it must also budget specifically for ISDR.

Disasters in reality are not the core function of local municipalities as it is the District and Provincial government's core function. In terms of cooperative governance, the district municipalities must devise and maintain workable relationships with municipalities within



their areas of jurisdiction, hence the creation of satellite offices in local municipalities that includes Tsolwana Municipality.

### 5.2.8 Fire Services

The Municipality has a satellite office for the emergency services division and two trained volunteers are running this division. The primary objective is to render services to communities.

The fleet consists of two major fire appliances, one old ford truck and a mini engine. There are other community volunteers who are helpful to the communities.

The disaster satellite office has employed two volunteers who are remunerated by the CHDM and they have an office within the municipal buildings. Because they are seconded to Tsolwana Municipality by CHDM, they have been attached to the office of the Community Services Manager.

There have not been huge disasters in the area that has been declared and gazetted by the Minister of Local government. But there are skirmish disasters that affect people's lives. Most areas that are usually affected by the heavy rains and hail storms are at Ntabethemba which comprises homes which are mostly mud structures. The Municipality has been instrumental in trying to assist the affected communities.

The Municipality received R3.7 million from the MIG fund to attend to disaster houses and infrastructure. 107 houses have been identified; the bridge in Bacclesfarm, weir in Thornhill and the bridge connecting Tarkastad and Tentergate. Tenders were issued towards the end of 2007 and the appointment of contractor has been concluded. It is expected that the contractor will commence work early in 2008. Again the bulk of the houses that are to be built are from the Ntabethemba area.



## 5.3 CORPORATE SERVICES DEPARTMENT

### 5.3.1 Administration

Management ensures that council meetings are held quarterly through the distribution of the agenda within the required period of time. In the year under review, four council meetings were held and a number of special council meetings were also held. In between council meetings there are monthly standing committee meetings. The minutes are signed in the council meeting once they have been confirmed to be a true record of the previous meetings.

### 5.3.2 Archives and Records

As a legal requirement, an organisation is supposed to have a well-resourced and staffed registry and archives section. This has been hard to achieve in Tsolwana, in that there are no personnel dedicated to this function. As a temporary measure the secretaries double up as the archivist clerks. In order to ensure they perform this work diligently they were enrolled in a course organized by the District Municipality which was facilitated by UNISA. Even though this has been of some assistance, it does not really achieve the expected results.





## 5.4 FINANCIAL SERVICES DEPARTMENT

### 5.4.1 Introduction

The Finance Section consists currently of an Expenditure and Income Section. Both Sections are headed by an Accountant.

### 5.4.2 Institutional

- ❖ There is a big staff shortage within finance departments.
- ❖ 50% of the organogram is filled.
- ❖ There are no staff dealing with debt collection although accounts go out to consumers.
- ❖ There is a need to appoint 2 debtors clerks who will look after debt collection of Council.
- ❖ The cost for these two posts is R240 000
- ❖ Supply chain processes need better coordination
- ❖ Safekeeping of records is also a high priority as it is constantly raised in the Auditor-General reports.
- ❖ Safekeeping of records will cost R60 000
- ❖ There is no internal audit function and audit committee as required by MFMA.
- ❖ The cost for this R200 000

### 5.4.3 Revenue Improvement

- ❖ There is a need to improve revenue of Council for sustainability of Council.
- ❖ Revenue improvement strategies need to be developed.
- ❖ An important tool to improve Council's revenue is the compilation of a new valuation roll??as Council is still using the 1989 and 1992 valuation rolls in its areas of jurisdiction.
- ❖ The cost for this is R1 300 000



#### 5.4.4 Correction of data

- ❖ To improve the revenue capabilities of Council, it is important that data on the financial system is correct.
- ❖ For this to be achieved, data cleansing should be undertaken.
- ❖ This will also enhance information in terms of free basic service information such as indigent information.
- ❖ The estimated cost for data cleansing is R800 000-00.
- ❖ A new indigent register should have been compiled by April 2007 as per national guidelines.
- ❖ The cost for this R50 000-00.

#### 5.4.5 Projects Needed

- ❖ Data cleansing
- ❖ Internal Audit/Committee
- ❖ Asset Register
- ❖ Compilation of General Valuation roll - R1.5 million DPLG





PART 6

Annexures







## 6.1 INTEGRATED DEVELOPMENT PLAN

As required by Section 127 (1) of the Local Government: Municipal Finance Management Act (MFMA), Act 56 of 2003 read in conjunction with section 46(1) of the Local Government: Municipal Systems Act (Systems Act) a Budget and IDP activity list or Process Plan has to be tabled before the Council by 31 July. For the financial year 2006/07 the process plan was duly submitted to the Council in July 2006 for adoption by Council. The process plan was strictly adhered to.

The 2007/08 Reviewed IDP document was adopted by the Council in a Special Council meeting that was held on 25 May 2007.

### Public Participation

As part of the Council's commitment to ensure maximum public participation in the IDP development process, community representatives (5 members per ward) are transported to attend all IDP Representatives Forum meetings. All the other stakeholders are expected to attend such meetings at their own cost and it has to be emphasized that the attendance of other stakeholders and sectors, in particular, business, farmers and the White section of the community did not participate at all in the IDP development process.

To further enhance public participation, public meetings were held in various communities throughout the municipality as follows:

Date	Venue
22 April 2007	Ivanlew Township (ward 4)
23 April 2007	Zola Village (ward 1)
23 April 2007	Phakamisa village (ward 1)
23 April 2007	Thornhill village (ward 1)
24 April 2007	Mitford village (ward 2)
24 April 2007	Rocklands village (ward 2)
04 May 2007	Tendergate village (ward 3)
04 May 2007	Thembaletu village (ward 3)
04 May 2007	Khwezi village (ward 3)
04 May 2007	Springgroove village (ward 3)
04 May 2007	Bacleasefarm village (ward 3)



### **Sector Departments Participation**

This is one area that has always been a problem for not only IDP development but also for implementation. Only three provincial sector departments participated in the IDP review process during the financial year that is being reported.

One other issue that could have assisted in the alignment of the sector department's programmes and those of the Municipality is the Master Plans as they should contain all the funded programmes for that particular year. A request for submission of sector master plans was circulated to all sector departments via a correspondence dated 09 January 2007 to which no response was received.

### **Funding**

An amount of R 50,000 was received by the Municipality from Chris Hani District Municipality (CHDM) for the 2007/08 IDP review process.

### **Implementation**

Due to limited revenue sources, the Council is unable to fund the revised IDP for the 2007/8 financial year and that impacts negatively upon service delivery. What is aggravating matters is the non-participation of sector departments in the IDP development process as alluded to under A1. The non-participation results in programmes run by the sector departments being excluded in the IDP document. In many instances, sector departments implement projects within the Municipality without having even notified the Municipality. This works against the government's endeavors to encourage integrated planning and service delivery.

### **Audit Committee and the Internal Audit Function**

In terms of the above, the Municipality approached the Chris Hani District Municipality to assist in meeting the above legislative requirements. As the result, CHDM has initiated a project of establishing audit committees throughout the district. A project steering committee, in which the Municipality is represented by the Mayor, the Municipal Manager and the Chief Financial Officer, was established to oversee this particular project. As part of the deliberations in the steering committee, it was agreed that the municipalities be clustered and share audit committees and Tsolwana, Inxuba, Yethemba and Inkwanca municipalities have been clustered to form the Western Cluster.



## 6.2 APPENDIX A

### ACCUMULATED FUNDS, TRUST FUNDS, PROVISIONS AND RESERVES

	Vote	Balance as at 30 June 2006		Income during the year		Interest on Investments		Expenditure during the Year		Balance as at 30 June 2007	
		R		R		R		R		R	
<b>Statutory Funds</b>											
Revolving Fund	61501	2,367,122				87,232					2,454,355
		<u>2,367,122</u>				<u>87,232</u>					<u>2,454,355</u>
<b>Reserves</b>											
Working Capital Reserve	64801	2,309,527				155,811		2,141			2,463,196
Employee Leave Reserve	64901	444,885		246,532		21,652					713,069
		<u>2,754,412</u>		<u>246,532</u>		<u>177,462</u>		<u>2,141</u>			<u>3,176,265</u>
<b>Trust Funds</b>											
Financial Statements	91540	6,896				139					7,035
Development Plan	78501	61,851		118,810		2,862		59,621			123,902
Valuations Tarkastad	64301	184,064				10,131					194,195
Rightsizing	91542	275,006				15,782					290,787
Transitional Grant	91550	184,245		170,241		9,787		340,481			23,791
Water Supply Fund	63001	3,583,363		418,366		178,357		1,588,277			2,591,809
671 Housing Fund CMIP	63101	340,635				2,809		341,968			1,475
671 Housing Scheme	62201	92,655				4,194		105			96,744
671 Housing Estab Grant	63301	2,115				41					2,156
671 Tarka housing No2	65401			650,000		3,976					653,976
Bulk Sewer	62901	188,498				10,594					199,092
Councillor Allowances	63401	134,253				7,444		67,000			74,697
Housing Site Fund	63201	49,049				1,906		10,000			40,955
Systems Improvement	63801	65,976		203,638		4,033		243,201			30,467

	Vote	Balance as at 30 June 2006		Income dur- ing the year		Interest on Investments		Expendi- ture during the Year		Balance as at 30 June 2007	
		R	R	R	R	R	R	R	R	R	R
Free Basic Services	63701	155,343			6,638		130,217		31,764		
Transition Operation Costs	63601	3,957		67			1,100		2,924		
Unidentified Funds	63501	11,247		274					11,521		
1004 Housing Fund	64401	49,864		266,000		23,400		335,455		3,809	
1400 Houses	64501	1,025,690				24,483		934,539		115,633	
1400 Housing Estab Fund	64601	2,277				43		1,000		1,320	
1004 Houses	64701	6,415		2,806		131				9,351	
Hofmeyr 1000 Top Structure	65101	774,400		435,283		71,384				1,281,066	
Hofmeyr 1000 Infrastructure	65201	103,655		285,937		5,966		215,250		180,308	
Electricity Zola/Ivanlew	78909	155,983		130,744				201,458		85,268	
Rudimentary Infrastructure	50001	639								639	
Library Extension	79401	17								17	
New Hall Ivanlew	57101	3,694								3,694	
New Hall SDR	56601	6,663		13,928				19,220		1,371	
Schaapkraal	79004	75,133								75,133	
Service Site Pilot Scheme	78101	11,709								11,709	
Water Meters Zola	77901	939		10,000						10,939	
Water Scheme Ntabathemba	80801	37,565								37,565	
Municipal Finance Manage.	91595	528,588		624,115		25,539		477,442		700,799	
Full Ownership Houses	610	5,447				110				5,556	
Stormwater Hofmeyr	81701	23,908								23,908	
Housing Development Fund	62001	77,317				2,241		36,311		43,247	



	Vote	Balance as at 30 June 2006		Income during the year		Interest on Investments		Expenditure during the Year		Balance as at 30 June 2007	
		R	R	R	R	R	R	R	R	R	R
CH E/Share Refunds	63901	376,560			15,287	183,235	208,613				
Spatial Devel. Framework	64001	145,649	8,289	6,399		137,388	22,949				
Luxolweni Plan Fund	64101	39,283		1,403		40,687					
HR Related Projects	64201	160,989	83,543	5,485		167,560	82,457				
Dawn Park Plan Fees	79201	5,442	104				5,546				
Management Support Prog.	91569	788,049	1,138,941	76,831		1,324,210	679,610				
Sports Facilities	79801	250				250					
National Electricity Escom	80701	172,732	689,363			678,988	183,106				
LED Brickmakers Programme	82901	34,342				18,754	15,589				
1000 Tarka housing No2	65501		266,000	6,216		25,076	247,140				
1000 Tarka housing No2	65601		827,749	10,632			838,381				
671 Housing	79601	149,787					149,787				
1004 Housing	80601		400,113			380,906	19,207				
Tendergate Hall	81501		179				179				
Tarka Upgrade	82101		67,437			65,484	1,953				
Emerging Water	84801		2,251,749			1,876,961	374,789				
Water Dawn Park	85001		15,897				15,897				
		<u>10,102,137</u>	<u>9,079,129</u>	<u>534,708</u>	<u>9,861,207</u>	<u>9,854,767</u>					



## 6.3 APPENDIX B

### EXTERNAL LOANS AND INTERNAL ADVANCES

	Rate	Redeemable	Balance as at 30 June 2006	Receive during the Year	Redeemed, written off during the year	Balance as at 30 June 2007
	%		R	R	R	R
<b>External Loans</b>						
LALAF - Sewerage Reticulation	10.75	2011	96,602		14,265	82,337
LALAF - Water Augmentation Scheme	15.34	2015	226,591		13,207	213,384
			<u>323,193</u>		<u>27,471</u>	<u>295,722</u>
<b>Internal Loans ex Revolving Fund</b>						
Water Augmentation Scheme	Interest free	2025	225,752		12,542	213,210
Islands van Reenen Street	12.0	2014	25,276		2,505	22,771
Upgrading Electricity Reticulation	11.5	2008	2,562		2,562	0
Earth dams	16.0	2012	78,439		11,406	67,033
Road Machinery (Repayments start 06/2008)	5.0	2027		1,500,000		1,500,000
			<u>332,029</u>	<u>1,500,000</u>	<u>29,015</u>	<u>1,803,014</u>

## 6.4 APPENDIX C

### ANALYSIS OF FIXED ASSETS

Expended 2006	Service	Budget 2007	Balance At 2006-07-01	Expended 2007	*	Balance At 2007-06-30
R		R	R	R	R	R
1,710,915	<b>Rates and General Services</b>	17,351,000	22,923,529	2,360,271		25,283,800
1,709,315	<b>Community services</b>	5,851,000	18,316,446	2,360,271		20,676,717
1,635,787	Land & buildings	2,800,000	11,044,419	377,343		11,421,762
73,528	Streets & stormwater	1,551,000	5,229,551	9,733		5,239,284
	Plant & equipment	1,500,000	547,119	1,320,990		1,868,109
	Office Equipment		324,389	504,400		828,789
	Parks, recreation and cemetery		546,141	0		546,141
	Town planning		92,039	128,806		220,845
	Motor vehicles		532,788	19,000		551,788
1,600	<b>Economic services</b>	11,500,000	4,607,083	0		4,607,083
1,600	Sewerage/Sanitation	11,500,000	3,904,695	0		3,904,695
	Civil services		702,389			702,389
2,055,591	<b>Housing Services</b>	3,506,870	15,845,224	1,777,794		17,623,017
2,283,307	<b>Trading Services</b>	8,989,034	20,067,846	2,059,197		22,127,043
329,820	Electricity		5,523,490	776,827		6,300,317
1,953,487	Water	8,989,034	14,544,356	1,282,369		15,826,726
6,049,813	<b>Total Fixed Assets</b>	<b>29,846,904</b>	<b>58,836,599</b>	<b>6,197,261</b>		<b>65,033,860</b>
	<b>Less : Loans Redeemed and other Capital Receipts</b>		<b>58,259,816</b>		<b>4,766,731</b>	<b>63,026,547</b>
	Loans redeemed		1,908,304		56,486	1,964,791
	Contributions from current income		4,260,107		486,274	4,746,381
	Grants and subsidies	29,846,904	52,091,405		4,223,970	56,315,375
6,049,813	<b>NET FIXED ASSETS</b>		576,785	6,197,261	(4,766,731)	2,007,314

\*Written off, transferred, redeemed or disposed of during the year



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

Actual 2006	Income	Actual 2007	Budget 2007
R		R	R
7,546,454	<b>Grants and subsidies</b>	6,421,140	8,740,080
7,546,454	Provincial government	6,421,140	8,740,080
7,220,979	<b>Operating Income</b>	8,283,462	5,529,555
1,183,470	Assessment rates	1,068,937	920,005
2,282,059	Sale of electricity	2,290,415	1,605,400
1,194,288	Sale of water	1,411,575	547,000
100,376	Interest on Investment	328,851	48,500
2,460,785	Other income	3,183,685	2,408,650
<u>14,767,433</u>	<b>Total Income</b>	<u>14,704,602</u>	<u>14,269,635</u>
	<b>Expenditure</b>		
6,568,544	Salaries, wages and allowance	7,220,089	6,859,020
7,210,806	General expenses	5,370,648	4,836,245
460,469	Repairs and maintenance	530,144	1,111,490
134,023	Capital charges	72,817	85,880
29,014	Contribution to funds		200,000
1,450,590	Electricity purchases	1,949,001	1,177,000
<u>15,853,445</u>	<b>Gross expenditure</b>	<u>15,142,699</u>	<u>14,269,635</u>





ANALYSIS OF APPENDIX D – INCOME AND EXPENDITURE

Expenditure	Salaries	Repairs	Redemption	Interest	Contrib. Assets
	R	R	R	R	R
Council	747,069	12,669			
Public Works	839,311	120,603			
Treasurer	2,087,042	8,033			
Traffic	83,057				
Sewerage	1,281,362	58,054	14,264	10,455	
Refuse	816,080	14,153			
Cemeteries		291			
Civil Buildings		47,971			
Fire					
Library	184,356				
Parks	52,044				
Secretariat	550,872				
Electricity	211,838	222,145	5,068	3,328	
Water	367,057	46,225			
	<u>7,220,089</u>	<u>530,144</u>	<u>19,332</u>	<u>13,782</u>	<u>-</u>

Income	Equitable Share	Govt. Grants	Assess. Rates	Electricity
	R	R	R	R
Assessment Rates			218,707	
Council	236,968	917,689		
Public Works	585,710			
Secretariat	392,105			
Treasurers	1,505,992		850,230	
Traffic				
Refuse	259,073			
Sewerage	275,150			
Cemeteries				
Civil Buildings	80,366			
Parks				
Electricity	340,205			2,290,415
Water	1,827,881			
	<u>5,503,451</u>	<u>917,689</u>	<u>1,068,937</u>	<u>2,290,415</u>



	Contrib. Funds	Electricity	General Xs	Total
	R	R	R	R
Council			3,613,190	4,372,928
Public Works			89,214	1,049,128
Treasurer			708,091	2,803,166
Traffic			6,926	89,983
Sewerage			148,355	1,512,489
Refuse			116,473	946,706
Cemeteries			5,218	5,509
Civil Buildings			76,966	124,937
Fire			28,051	28,051
Library			6,679	191,036
Parks			5,167	57,211
Secretariat			244,548	795,421
Electricity		1,949,001	117,079	2,508,458
Water			244,395	657,677
	-	1,949,001	5,410,351	15,142,699

	Water	Invest. Interest	Other Income	Total
	R	R	R	R
Assessment Rates				218,707
Council				1,154,657
Public Works				585,710
Secretariat		328,851	78,676	799,632
Treasurers			520,099	2,876,321
Traffic			88,704	88,704
Refuse			1,131,769	1,390,843
Sewerage			1,117,943	1,393,092
Cemeteries			4,557	4,557
Civil Buildings			69,059	149,425
Parks			1,506	1,506
Electricity			122,522	2,753,142
Water	1,411,575		48,849	3,288,305
	1,411,575	328,851	3,183,685	14,704,602



## 6.6 APPENDIX E

### DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	2006	2006	2006
	Actual	Actual	Actual
	Income	Expenditure	Surplus/ (Deficit)
	R	R	R
<b>Rates and General Services</b>			
<b>Community Services</b>	<b>6,282,453</b>	<b>8,645,458</b>	<b>(2,363,005)</b>
Assessment Rates	1,183,470	–	1,183,470
Council's General Expenses	1,558,368	3,562,748	(2,004,380)
Town Secretariat	612,405	1,103,218	(490,813)
Town Treasurer	1,720,347	2,784,734	(1,064,387)
Public Works	1,141,146	1,121,715	19,332
Traffic Services	66,717	72,944	(6,227)
<b>Subsidised Services</b>	<b>592,702</b>	<b>300,955</b>	<b>291,747</b>
Civil Buildings	587,279	140,895	446,384
Fire Protection	–	7,664	(7,664)
Library	–	143,541	(143,541)
Parks, Recreation & Cemeteries	5,423	8,855	(3,432)
<b>Economic Services</b>	<b>2,475,471</b>	<b>3,153,284</b>	<b>(677,813)</b>
Cleansing	1,004,418	1,219,143	(214,725)
Severage	1,471,053	1,934,141	(463,088)
<b>Housing Services</b>			
<b>Trading Services</b>	<b>5,416,807</b>	<b>3,753,749</b>	<b>1,663,058</b>
Electricity	2,416,442	2,507,016	(90,574)
Water	3,000,365	1,246,733	1,753,632
<b>Total</b>	<b><u>14,767,433</u></b>	<b><u>15,853,446</u></b>	<b><u>(1,086,013)</u></b>
Appropriations for the Year (Note 11)			(989,928)
Net Deficit for the Year			(2,075,941)
Accumulated Surplus at the Beginning of the Year			4,725,874
<b>Accumulated Surplus (Deficit) at the End of the Year</b>			<b><u>2,649,932</u></b>



	2007	2007	2007	2007
	Actual	Actual	Actual	Budgeted
	Income	Expenditure	Surplus/ (Deficit)	Surplus/ (Deficit)
	R	R	R	R
<b>Rates and General Services</b>				
<b>Community Services</b>	<b>5,723,731</b>	<b>9,110,626</b>	<b>(3,386,895)</b>	<b>(1,212,648)</b>
Assessment Rates	1,068,937	–	1,068,937	–
Council's General Expenses	1,154,657	4,372,928	(3,218,271)	(335,730)
Town Secretariat	799,632	795,421	4,211	(727,135)
Town Treasurer	2,026,091	2,803,166	(777,075)	(382,963)
Public Works	585,710	1,049,128	(463,418)	260,660
Traffic Services	88,704	89,983	(1,279)	(27,480)
<b>Subsidised Services</b>	<b>155,489</b>	<b>406,743</b>	<b>(251,254)</b>	<b>196,173</b>
Civil Buildings	149,425	124,936	24,489	355,890
Fire Protection	–	28,051	28,051	(27,140)
Library	–	191,036	(191,036)	(133,970)
Parks, Recreation & Cemeteries	6,064	62,719	(56,656)	1,393
<b>Economic Services</b>	<b>2,783,935</b>	<b>2,459,195</b>	<b>324,740</b>	<b>(88,293)</b>
Cleansing	1,390,843	946,706	444,137	(6,030)
Severage	1,393,092	1,512,489	(119,397)	(82,263)
<b>Housing Services</b>				
<b>Trading Services</b>	<b>6,041,447</b>	<b>3,166,136</b>	<b>2,875,311</b>	<b>1,104,768</b>
Electricity	2,753,142	2,508,458	244,683	566,420
Water	3,288,305	657,677	2,630,628	538,348
<b>Total</b>	<b><u>14,704,602</u></b>	<b><u>15,142,699</u></b>	<b><u>(438,097)</u></b>	<b><u>0</u></b>
Appropriations for the Year (Note 11)			(3,782,276)	
Net Deficit for the Year			(4,220,373)	
Accumulated Surplus at the Beginning of the Year			2,649,932	
<b>Accumulated Surplus (Deficit) at the End of the Year</b>			<b><u>(1,570,441)</u></b>	











TSOLWANA MUNICIPALITY  
Municipal Manager: Mr S.J. Dayi  
12 Murray Street Tarkastad 5370  
P.O.Box 21 Tarkastad 5370  
Tel.: +27 (0)45 846 0033