

Annual Report

2008 / 2009



The Blue Crane Route



Municipality

Province of the Eastern Cape (EG102)

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Part 1: INTRODUCTION & OVERVIEW

A. Foreword by the Mayor

The Blue Crane Route Municipal Council would like to go through the past Financial Year 2008/09 with you. This will be done by reviewing the Municipality's report on our performance during the period mentioned above. This report was done in accordance with the requirements of the Municipal Finance Management Act (MFMA) and is consistent with our obligation and responsibility to contribute to a better life for the communities we as the Council serve.



The IDP is one of the factors or features that we focused on when accounting on the year's activities under review. Also forming part of the report is the governance side of things. This will talk about, or deal, in detail with Council meetings held, policy, resolutions, public participation, etc. The other focal point for Council for the Financial Year 2008/09, was ensuring the stabilisation of the Municipality, appointing relevant candidates for key Senior Management positions, improving on provisions of basic services, maintaining of infrastructure, intensifying bucket eradication and to further capacitate our staff.

In closing, I would like to thank all who were part of our annual Biltong Festival. The Festival gives us an opportunity to market the Blue Crane Route, and serves as a networking platform for our stakeholders, such as the business people within our Municipality and the community at large. The Festival should be seen as an investment whose returns offers a chance for the people of this municipality to engage in an intercultural exchange that contributes to a more stable understanding and unified community. And all of this is achieved by this fun event, which is our annual Biltong Festival.

I also take this opportunity to introduce to you, the stakeholders, on behalf of Council, the Annual Report for the year 2008/09. Once you have read through this document, it would be of great assistance to us to hear your comments and feedback as this would help us in improving in our aim of creating a better life for all.

Last but not least, I would like to thank my fellow Councillors, Managers, Staff and Community. You have journeyed with us through these difficult times and with your unwavering understanding and support we can hold our heads high and conquer any challenge that threaten to stop our path to greater heights.

Ms. M. SCOTT
Mayor



B. The Yearly Program Priorities' Statement

Local government works within a legislative framework that cuts across demarcation systems, structures and financial modelling. All these impact, primarily, the people on the ground. It is in this context that there are national targets and a five-year Local Government Strategic Plan that allows government to holistically steer the agenda for change. This five-year Local Government Strategic Plan deals with a set of macro issues, as listed below, which are entailed within the activities to be reported in template form.



Macro issues:

- Infrastructure
- Service Delivery
- Local Economic Development
- Financial Management, and
- Public Participation.

The finances of the Blue Crane Route Municipality (BCRM) are much improved as a result of the previously designed turn-around strategy being put in place and maintained. This is confirmed by the reports of both the Audit Committee and the Auditor-General. **The municipal performance against budget has been very effective:**

- MIG allowance - spent 100%
- MSIG allocation - spent 95%
- Capital budget - spent 100%
- Operational budget - spent 100%
- District transfers - spent 100%

All expenditure has been channelled via the Supply Chain Management Process entailing:

- Specification Committee.
- Evaluation Committee.
- Adjudication Committee.
- Quotations, and
- Suppliers registered on the BCRM database.

As implied above, this process is guided by our approved Supply Chain Management Policy.

PERFORMANCE Oversight

IDP

The IDP document was reviewed inline with the guidelines that include community engagement on rearranged and new priorities. The draft was approved in March and the final document, together with its budget implications, finalized in May.

SDBIP/Contracts

The Service Delivery Budget and Implementation Plan (SDBIP) was developed, along with contracts for all the section 57 employees, which are informed by Key Performance Areas (KPA's), Key Performance Indicators (KPI's) and month-to-month project/ budget implications. This in turn makes performance management possible.

Performance Management System (PMS)

Our Council approved the use of a different, but more user-friendly Performance Management System (PMS). The Cacadu District Municipality and BCRM agreed to engage the firm German Technical Support (GTZ) to support the development and implementation thereof. A process was put in place to ensure that the BCRM had the framework to guide the process. Due to the prior engagement of GTZ, with Ndlambe Local Municipality, the BCRM process was delayed and not concluded in time for use in 2008/09. This resulted in the use of an Interim Framework for the assessment of the Senior Manager's performance for the immediate Financial Year.

The assessment was done for:

- July - September Quarter
- October - December Quarter
- January - March Quarter
- April - June Quarter

The final review will be undertaken when the Final Auditor-General Report is out.

SHARED SERVICES

Audit Committee

The BCRM is part of a cluster that shares the services on an Audit Committee. This municipal cluster comprises BCRM, Ikwezi and Camdeboo Local Municipalities. The Audit Committee meets quarterly and is comprised of at least three members. It is presently chaired by Professor David Rosenberg.

Internal Audit Service

The Internal Audit Service is also a shared by the above mentioned cluster i.e. BCRM, Ikwezi and Camdeboo Local Municipalities. The service has been outsourced since there is no internal capacity to undertake the function. They have completed a Risk Assessment analysis that serves as a blueprint for continuous engagement. A major challenge has been that of not having a specialist to deal with performance.

Intergovernmental Relations

Intergovernmental Relations (IGR) is guided by the Framework Act 13 of 2005. There is no specific provision to structure IGR beyond the District Coordinating Forum.

The BCRM participates in:

- The District Mayors' Forum.
- The Municipal Managers' Technical Forum.
- The Technical Managers' Technical Forum.
- Finance Managers' Technical Forum.
- Health Managers' Technical Forum, and
- LED Managers' Technical Forum.

BCRM participates in the Local Government Municipalities and Member of Executive Council (MUNIMEC), both in the Technical and Political Fore as well as a Housing MUNIMEC to specifically deal with housing challenges.

Locally these organisations are active, mainly, during the IDP & Budget Process or when there is a need to consult of a particular matter.

Performance Summation

The overarching strategy to steer the organisational intent needs to be underpinned by a strategy. The BCRM developed a strategy where key performance areas were derived. Subsequent to that a SWOT (Strengths, weaknesses, opportunity and threats) Analysis was undertaken.

This was based on a number of objectives:

- Locate the organisation strategically.
- Derive a financial direction.
- Ensure a going concern is achieved, and
- Deal with the basics.

The IDP was then developed to anchor the priorities. This was then aligned with the budget and a personnel structure was then developed to perform the functions optimally. This was done by coordinating the various departments, tackling special programs, developing the local economy -all supported by information communication technology.

The corporate function acts as a catalyst in the various functions of Council. The administration has to ensure that the organisation flows towards its strategic intent.

This is achieved by providing support to Council in order that Council may:

- Take informed decisions.
- Ensure and oversee the implementation of such decisions.
- Provide political leadership.
- Attend to, and debate, issues, and
- Ensure service delivery.

All of the above will happen only if Council is provided with personnel/ human capital and with solid strategic planning.

Provision of housing, legal services and library services form part of the Municipal role within its corporate function.

The Community Services Department wishes to ensure that the people receive the thirteen programs of Primary Healthcare. This is provided by the BCRM in partnership with the Provincial Department of Health. The Municipal Health function and Protection Services (in particular Disaster Management and Fire Services) are also provided by the BCRM, this time in partnership with the Cacadu District Municipality, while Traffic Services are provided in partnership with the Department of Transport.

All these services are being provided at the best possible standards notwithstanding the teething problems that need attention in order to have a smooth working relationship between the partners.

Cleansing Services are provided to all citizens within a set schedule. There are issues that need attention, like, staff shortages, equipment, vehicles and education of citizens. These are being attended to as finances allow.

When it comes to Water Services, there is a 100% provision of water to citizens, but there are challenges in terms of:

- Water Quality.
- Aging Infrastructure.
- Drought.

- Maintenance and Operations, and
- Equipment.

These matters, once again as finances allow, are receiving serious attention within the priorities of the Water Services Development Plan (WSDP).

The road network is also aging and other alternatives like paving, maintenance, repairing potholes and the upgrade of the storm water system are being planned and some has already been implemented.

The electricity distribution is undertaken by BCRM within its jurisdiction. The grid is presently operating at full capacity. New economic initiatives, business investment, expanding business, consumers and others needing additional energy has necessitated the Department looking at Eskom for possible additional supply as well as alternative energy sources (Hydro and Wind) and mechanisms to reduce consumption (implementation of a solar geyser system).

The Municipal Infrastructure Grant (MIG) is managed by a Programme Management Unit (PMU). The PMU plans programs and projects together with all departments that have a stake in the MIG. The MIG expenditure has been consistently 100%, with visible projects on the ground. A re-occurring challenge in this area is the undertaking of an Environmental Impact Assessment (EIA) where it takes time for the granting of a Record of Decision (ROD), which in turn delays the progress of the related project.

The above challenge will only be conquered once the BCRM receives and spend taxpayer's money efficiently, effectively and economically. That is underpinned by high ethical values as prescribed in the King II and the recently published King III report on good governance.

The assets need to be taken care of, planned for, budgeted for, used and replenished timelessly.

In the final analysis, the BCRM received an unqualified Auditor-General report for the Financial Year. This is an achievement to be proud of.

CONCLUSION

This report is as a result of a combination of factors by different role player:

- The Committee of BCRM.
- The personnel of BCRM.
- The Council.
- Support from CDM and Province, and
- Organs of Oversight.

Let an appeal be made to the Committee and all its role players that, with engaging within the ambit of the BCRM, they do everything within their power to better the conditions of all the citizens, with specific reference to the poor.



Mr. M. A. Mene
Municipal Manager



C. Overview of the Municipality

a) Geographic and Demographic profile

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



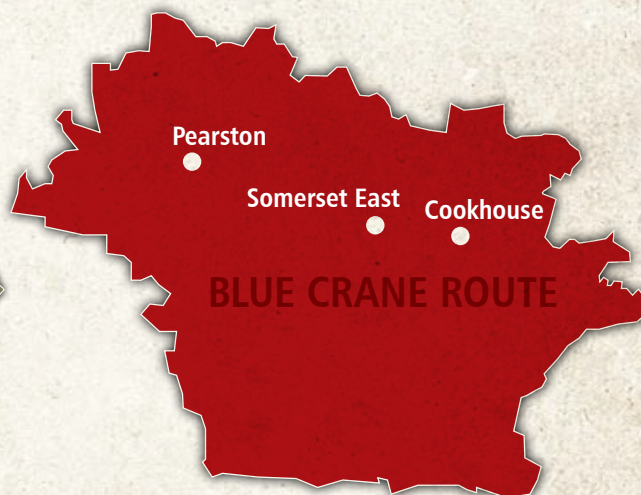
It comprises a number of settlements: Somerset East - including Aeroville, Mnandi Old Location, New Brighton, Westview and Clevedon; Pearston- including Nelsig and Khanyiso; and Cookhouse - including Bhongweni and Newtown. The Department of Water Affairs - Uitkeer was established to construct and maintain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

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

Harsh climatic conditions are experienced with temperatures averaging between 6°C in winter and 29°C in summer. Veld types found in the region range from Nama Karoo, grasslands, and thickets to Afromontane forests in the mountainous region.

The settlement pattern of the Blue Crane Route is characterised by three prominent urban settlements, namely Somerset East, Pearston and Cookhouse. A number of under-utilised and derelict railway sidings are located in close proximity to the N10 Trunk Road bisecting the region. These sidings, partly habited, include Kommadagga, Sheldon, Middelton, Golden Valley, Klipfontein and Witmos.

The graphical representation of the BCRM is illustrated by the maps below. Information contained within this socio-economic profile is based on the global insight database and was compiled by the Cacadu District Municipality .



b) Socio-economic context

The percentage of people in poverty has increased from 46% in 1996 to 55% in 2007 representing a total population of 19, 859 people living in poverty.

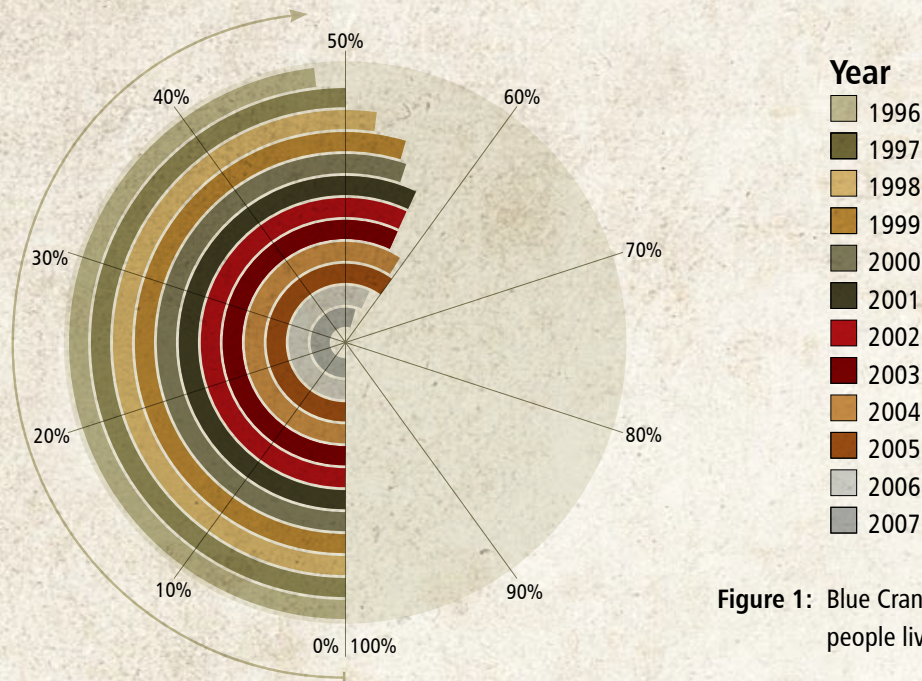


Figure 1: Blue Crane Route – Percentage of people living in poverty.

The level of education composition reveals that there has been an increase in higher levels of schooling within the Blue Crane Route Municipal area. Eight percent (8%) of the population had a minimum of matric (Grade 12) in 1996, whereas 14% of the population had a minimum of matric (Grade 12) in 2007. Considering the skills shortages that currently exist, greater emphasis must be placed on the delivery of educational services.

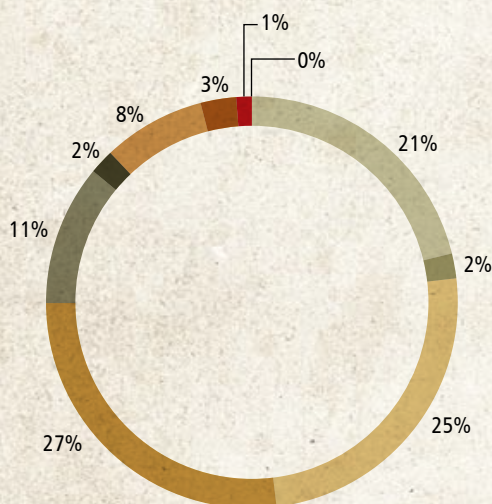


Figure 2: Highest level of Education, 1996.

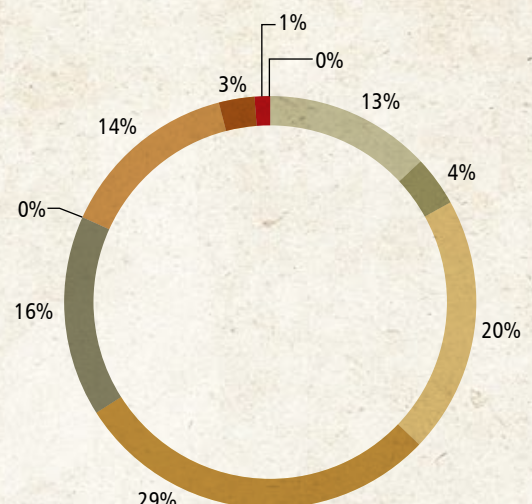
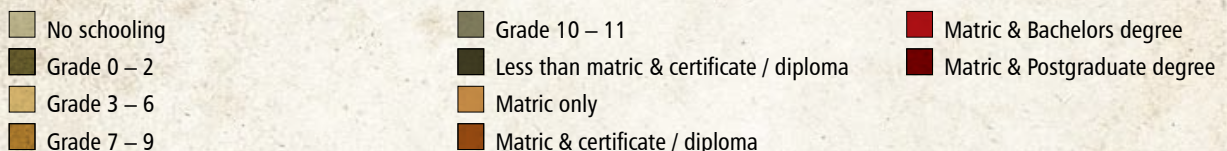


Figure 2: Highest level of Education, 2007.



In 2007, the Blue Crane Route Local Municipality was 68.8% urbanised, compared to 71.4% of the Cacadu District Municipality.

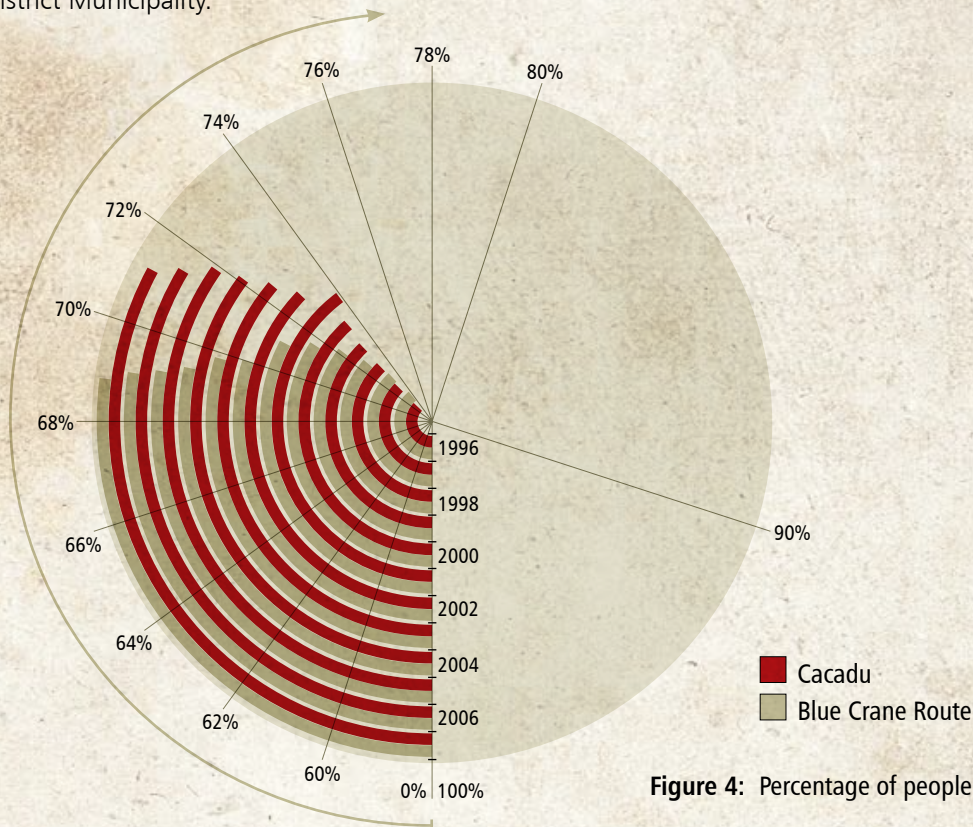


Figure 4: Percentage of people living in urban areas.

LABOUR

The percentage of people unemployed within the Blue Crane Route Municipal area in 2007 was 42.7%. There has been a gradual increase in the unemployment rate from 1996, which originally stood at 34.4%.

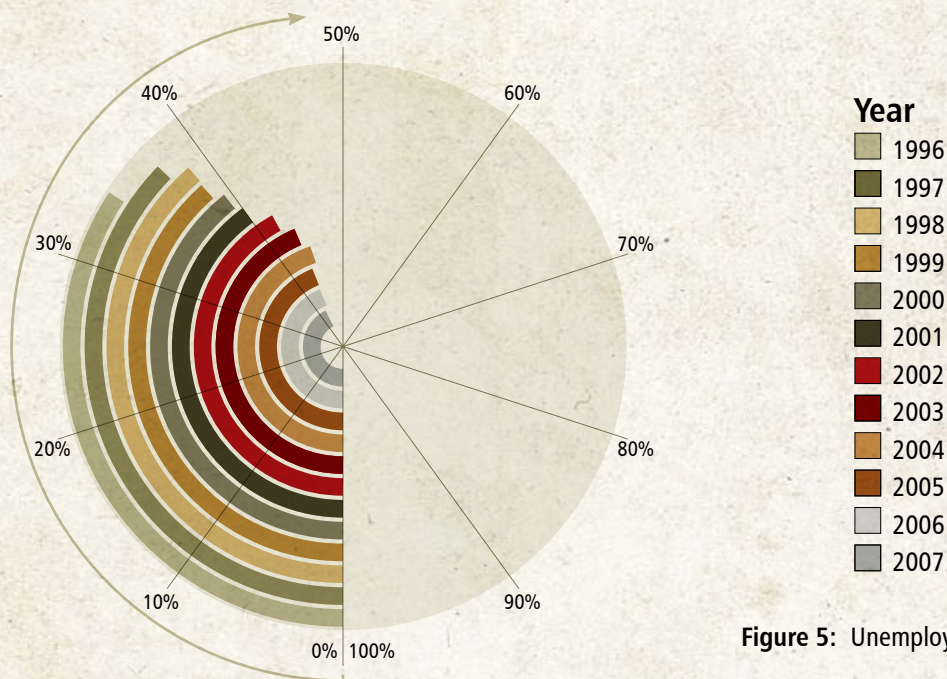


Figure 5: Unemployment rate.

Total employment within the Blue Crane Route Municipal area is dominated by the agricultural sector comprising 35.58%.

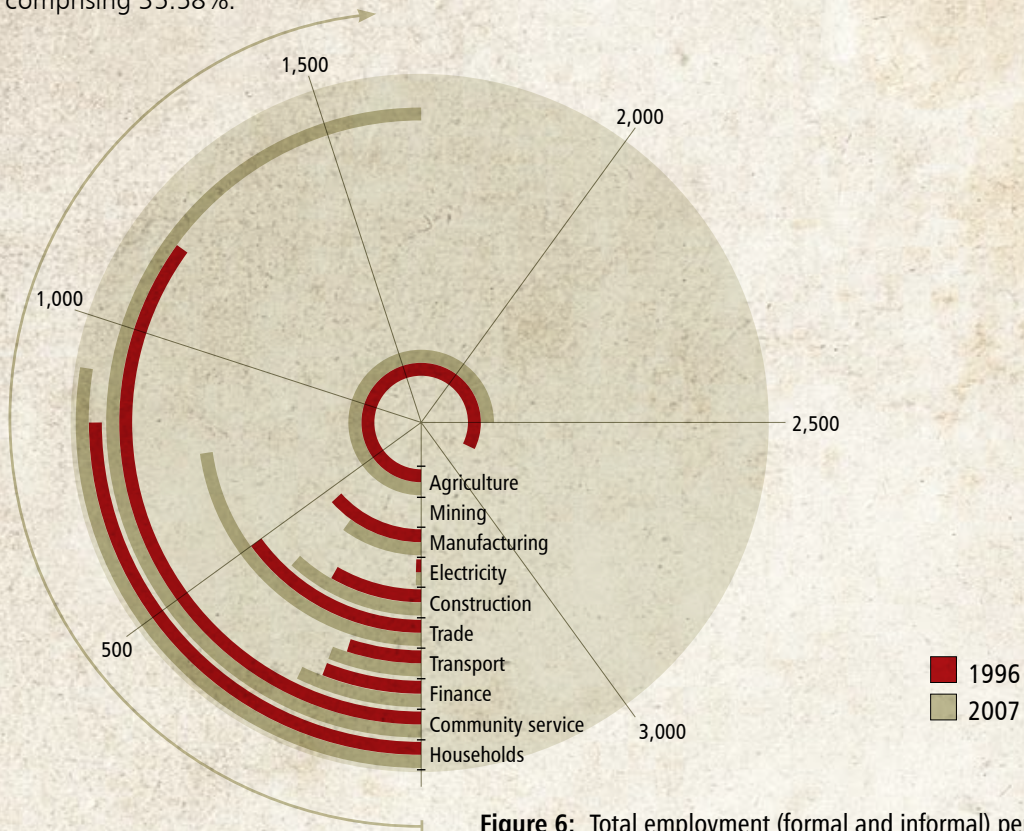


Figure 6: Total employment (formal and informal) per economic activity.

The highest levels of employment in the formal sector are in the Agricultural sector (43%) and the Community Services sector (27%).

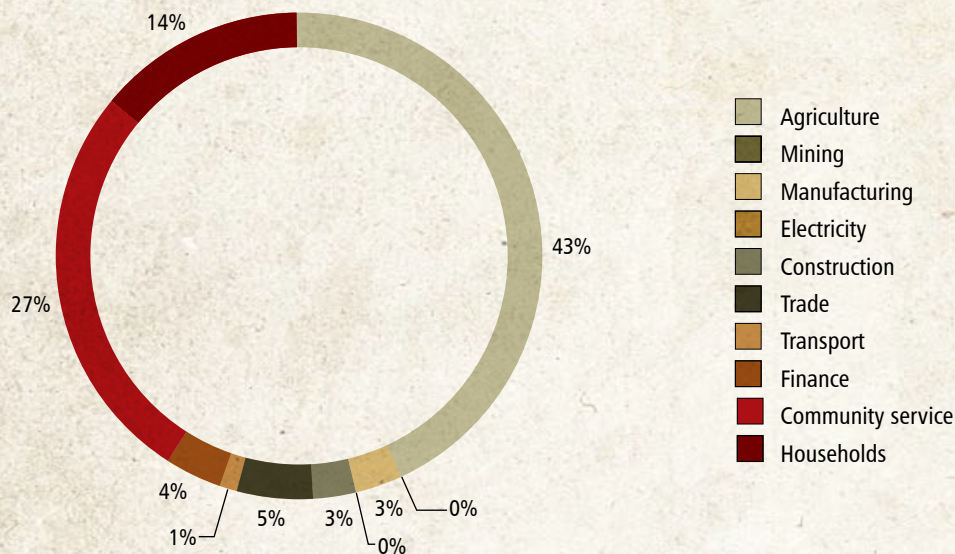


Figure 7: Formal employment per economic activity, 2007.





Part 2: ACHIEVEMENT REPORTS (Key Performance Area - KPA)

Chapter 1: Human Resources and other Organisational Management (KPA 1)

1.1 Presentation of the organisational structure

- The total number of approved posts of the entire institution is 372.
- The total number of vacant posts in the entire institution is 84.
- There are five Employment Contracts and five Performance Agreements of the Municipal Manager and Section 57.
- Managers submitted to the Department of Local Government and Traditional Affairs.

1.2 Staff development initiatives during the Financial Year

TRAINING	FUNDING	AMOUNT	ATTENDEES PER DEPARTMENT					
			Municipal Manager's Office	Finance Department	Corporate Services	Community Services	Technical Services	Council
LGNET Computer	DBSA	R225 600.00	2	9	5	3	1	0
Excel Computer	DBSA	R93 340.00	2	5	3	2	1	0
CPMD Learnership	LGSETA	R50 000.00	0	0	0	0	1	0
Management Learnership	LGSETA	R300 000.00	4	0	3	5	1	1
ABET	DOE	R95 400.00						

1.3 Key human resource statistics per functional area

1. Full-time staff complement per functional area (examples are given below)

a. Municipal Manager/Section 57 employees and Line Managers

Approved positions (e.g. MM-S57, etc)	Number of approved and budgeted posts per position	Filled posts	Vacant posts
Municipal Manager	1	1	0
Manager - Financial Services; Manager - Corporate Services; Manager - Technical Services; Manager - Community Services.	4	4	0
TOTAL	5	5	0

b. Functional areas per organogram (e.g. Technical Services)

Approved positions (e.g. Managers / Assistant Managers, etc)	Number of approved posts per position	Filled posts	Vacant posts
Municipal Manager's Office	6	5	1
Technical Services	147	115	32
Community Services	128	97	31
Financial Services	33	21	12
Corporate Services	58	50	8
TOTAL	372	288	84

2. Technical staff registered with professional bodies

Technical Services (e.g. water, electricity, etc)	Total number of Technical Service Managers	Total number registered with accredited professional body	Total number pending registration or confirmation with accredited professional body	Total number not yet registered with accredited professional body
Electricity	1	1	0	2
Housing	0	0	0	2
Water	0	0	0	0
PHC	0	0	0	0
EHP	0	3	0	0
Administration	0	0	0	1
Finance	0	1	0	1
Engineers	0	0	0	2
Traffic	0	2	0	0
IMPSA	0	0	0	1
Technical	0	0	0	4
ICT	0	0	0	1
LED	0	0	0	1

3. Levels of education and skills

Total number of staff	Number of staff without Grade 12	Number of staff with Senior Certificate only	Number of staff with tertiary/ accredited professional training
288	161	38	89

4. Trends on total personnel expenditure

Financial Year	Total number of staff	Total approved operating budget	Personnel expenditure (salary and salary related)	Percentage of expenditure
2006 - 2007	285	R 63 426 534.00	R 26 544 557.00	42%
2007 - 2008	293	R 73 360 621.00	R 29 156 595.00	46%
2008 - 2009	294	R 117 180 228.00	R 32 734 894.00	28%

5. List of Pension and Medical Aids to whom employees belong

Name of Pension Fund	Number of members	Name of Medical Aid	Number of members
Cape Joint Retirement Fund	51	LA Health	9 + 11 pensioners
SALA	88	BONITAS	46 + 6 pensioners
SAMWU Provident Fund	134	SAMWUMED	16
Cape Joint Pension Fund	2	KEY HEALTH	1
Municipal Council Pension Fund	3		

6. List of Pension Funds and Medical Aids

Name of Pension Fund	Number of members	Name of Medical Aid	Number of members
Cape Joint Pension Fund	2	Bonitas	46
Cape Retirement Fund	141	LA Health	9
Sala Pension Fund	88	SAMWUMED	16
SAMWU Provident Fund	134	Key Health Gold	1
Councillor's Pension Fund	3	HosMed	0

The Council is up-to-date with all the statutory obligations for the year under review.

1.4 Senior Management wages and benefits

The Council pays an all - inclusive package to the five Senior Managers:

- Municipal Manager - Moppo Mene - R671 459.00
- Manager : Corporate Services - Hans Hendricks - R587 057.00
- Manager : Finances - Delphine Sauls - R524 564.00
- Manager : Community Services - Yoliswa Sinyanya - R537 651.00
- Manager : Technical Services - Siphwo Majali - R513 645.00

1.5 Performance Management System

The BCRM used the Howard Cook System for the 2006/07. In 2007/08 the Council concluded that it would use a much friendlier system. A request was made to the Cacadu District Municipality (CDM) for support. The CDM concluded a deal with German Technical Support (GTZ) to provide the support. An inception meeting was held, and a plan was drawn up for a way forward.

The process was intended to create:

- A process plan.
- Framework.
- Scorecard.
- Individual Performance Contracts, and
- A process to allow cascading of the system.

The process was delayed due to the appointment of a service provider. Nonetheless, the Performance Management Contracts (PMS) were drawn up for Senior Managers and all the quarterly reviews were undertaken. In the middle of the Financial Year, when it became clear that the framework would not be concluded, an interim contract was constructed to guide the PMS process. The whole idea was to approve it with the actual framework.

CHALLENGES

The PMS's challenge was formulated:

- Framework for 2008/09 and 2009/10.
- Scorecard.
- A process to allow cascading of PMS, and
- An incentive scheme for below Senior Management staff.

1.6 Annual performance as per key performance indicators in municipal transformation and organisational development

Indicator name	Total number of people (planned for) during the year under review	Achievement level during the year under review	Achievement percentage during the year	Comments on the gap
Vacancy rate for all approved and budgeted posts	372	288	69%	Other positions are being advertised. Awaiting for short listing and interviews
Percentage of appointments in strategic positions (Municipal Manager and Section 57 Managers)	5	5	100%	
Percentage of Section 57 Managers including Municipal Managers who attended at least 1 skills development training course within the Financial Year	5	5	100%	
Percentage of Managers in Technical Services with a professional qualification	3	1	87%	
Percentage of municipalities that have adopted the Performance Management System within the district area (DM only)	DM	DM	DM	DM
Percentage of staff that have undergone a skills audit (including competency profiles) within the current 5 year term	288	288	100% - in terms of capturing the information and prioritising skills needs	
Percentage of councillors who attended a skill development training within the current five- year term	10	10	100%	
Percentage of staff with disability	0	0	0	The Council is about to address the issue of disability.
Percentage of female employees		103		
Percentage of employees that are aged 35 or younger		67		

1.7 Major challenges and remedial actions in regard to human resource and organisational management

The Municipality, like all other small municipalities, is facing a challenge in attracting scarce skills. This compels the Municipality to continue outsourcing services such as appointing chairpersons for disciplinary hearings. Training through the Workplace Skills Plan will assist in overcoming many of these challenges as targeted training programs are arranged to facilitate employees.



Chapter 2: Services Delivery Performance Highlights (KPA 2)

2.1 Water Services

a. Water Services delivery strategy and main role-players

BCRM operates as WSP and WSA for all water services in the municipal area. Somerset East is located in the Local Municipal Area of the BCRM, which is located within the Cacadu District Municipality.

The three main towns in the BCRM are: Somerset East, Cookhouse and Pearston, with Somerset East being the economic and social hub of the Municipality. To supply water to the different areas, the Municipality obtains its water from the Orange-Fish Irrigation Scheme, boreholes and surface down flows.

- **SOMERSET EAST**

Bulk water supply for Somerset East originates from fountains situated in the mountains, boreholes and extraction from the Orange-Fish River Scheme via the Somerset East Irrigation Sub-Area Canal. Water consumption demand is currently putting great pressure on some parts of the supply infrastructure where water supply bottlenecks appear to be problematic.

The current extraction exceeds the registered volumes of that from the Canal as well as the supply from the Bestershoek area.

- **COOKHOUSE**

Cookhouse extracts its water from the Hougham Abrahamson Canal and the Boschberg Canal. The only registered supply is that from the Hougham Abrahamson Canal and the current extraction volume exceeds the registered allocation. Legal requirements regulating the water supply to Cookhouse need to be attended to.

- **PEARSTON**

Only boreholes supply the town of Pearston of water. The borehole supply is registered and inline with the specific water use, but the registered allowable volumes of extraction is not realistic and needs to be reviewed.

b. Levels and Standards in Water Services:

- **SOMERSET EAST**

The bulk raw water supply for the town of Somerset East consist mainly of the extraction of Orange-Fish River Scheme water from the Somerset East Irrigation Sub-Area Canal (SEISA), supply from boreholes and supply from fountains and mountain runoff in the Bestershoek area. Raw water is extracted from the SEISA Canal where it is currently pumped to the Orange-Fish Water Purification works at a rate of 94m³/hr. The allocated extraction limit from the Canal is 100m³/hr.

The Orange-Fish Purification Works was designed to treat a capacity of 54l/s, but can only achieve a maximum output of 45l/s. The total amount of raw water that was pumped from the SEISA Canal in the last year was measured to be 1803m³/day on average with 133 days pumping totalling 239 799 m³/a. Actual measured volume extracted from the Canal was 226 244m³.

During rain, runoff water accumulates in the Bestershoek catchment area. The runoff supplies the Bestershoek Dam, which overflows into the Van Der Walt Dam lower down in the same valley. Overflow water from the Van Der Walt Dam is channelled to Lake Bertie. All three holding dams are earth dams. Lake Bertie is situated approximately 2.7km south east from the Van Der Walt Dam.

Several fountains draining from the Bestershoek Valley and mountains feed into the Bestershoek Dam. These fountains have been developed in the past and feeds down to the Bestershoek Dam in pipelines. During dry seasons or drought the yields of the fountains seized.

Raw water is extracted from the outlet structure of the Dam to the Bestershoek Purification Works beyond, by means of gravity. The incoming raw water supply is measured at the works. Raw water is also pumped from the Van Der Walt Dam lower down the valley to the Purification Works at Bestershoek having a purification capacity of 27l/s.

- **COOKHOUSE: Extraction from Hougham-Abrahamson Canal**

The extraction from this point is by means of a pump system. The water is extracted from the canal by means of flooded suction from a sluiced take-off into the pump house from where it is pumped by means of a 150mm diameter pipeline to the newly constructed water treatment works with a capacity of 53l/s. The length of the pipeline is measured to be approximately 1800m.

The water extraction from the canal is measured by means of a water meter situated on the suction line into the pump house. An agreement existed between the Hougham-Abrahamson Irrigation Board and the Cookhouse Transitional Council for the extraction of a maximum of 100m³/hr subject to a maximum of 365 000m³/annum (29.2ha) of raw water. Currently the measured extraction rate is calculated to be approximately 52m³/hr on average. The pump station is equipped with 2 pumps with 22kW electric motors with a maximum capacity of approximately 55m³/hr.

From the above it is calculated that the current pumping rate is 55% of the volume agreed upon in the existing agreement and we are therefore of the opinion that the existing pump station and rising main has been under designed for optimum utilization of the available water from the Canal. No records of registration exist of the 40ML retention dam at the new WTW.

- **COOKHOUSE: Extraction from Boschberg Canal**

The Boschberg Canal was originally constructed - as a community scheme by the members of the Boschberg Sub-Area (formerly the Boschberg Irrigation Board) - to a capacity that was determined by the needs of the members. The Scheme was funded by the members. The Boschberg Canal feeds from the Orange-Fish River Canal and supplies water to its members downstream until it ends at the Van Aardt Dam adjacent to Cookhouse - privately owned by a local farmer.

With the serious shortage of portable water for the town of Cookhouse, the Cookhouse Local Council approached the Boschberg Sub-Area at the time regarding an interim agreement that the Council would be able to use "excess overflow water" not utilized at the time by the members of the Board. A verbal agreement was made that in exchange for assistance in maintaining the Canal and the sealing of the Van Aardt Dam, the Council could utilize the excess water. There is no evidence of any volumes mentioned.

The Council, as result of the "gentlemen's agreement", had a sluice distributor and a pipeline constructed from the end of the Boschberg Canal to the new water treatment works in Cookhouse. The pipeline is 315mm dia. uPVC. The Municipality made use of the excess water from the Boschberg Canal by means of this system, but could never rely on a guaranteed supply from the Canal. In 2005 the Blue Crane Municipality formally applied to the Department Of Water Affairs for an allocation of water via the Boschberg Canal. It was turned down by the Boschberg Sub-Area stating that no permanent excess capacity was available. They did however agree to temporarily assist should excess capacity be available.

- **PEARSTON: Extraction from Boreholes**

The water supply to the town of Pearston is completely dependent on the supply of water from boreholes. In total three boreholes contributes to the bulk supply of water to the town. The greater extraction is done from the Rustenburg Borehole. Some small farmers as well as the main supply to town are relying on the supply from this one source.

c. Annual performance as per key performance indicators in water services

Indicator name	Total number of households/ customers expected to benefit	Estimated backlogs (actual numbers)	Target set for the Financial Year under review (actual numbers)	Number of households/ customers reached during the Financial Year	Percentage of achievement during the year
Percentage of households with access to portable water	100%				
Percentage of indigent households with access to free basic portable water	35%				
Percentage of clinics with access to portable water	100%				
Percentage of schools with access to portable water	100%				
Percentage of households using buckets					

d. Major challenges in Water Services and Remedial Actions

The following challenges are faced by the BCRM:

- **PEARSTON**

Pearston obtains its water from boreholes only. One of the boreholes (Rustenburg) supplies approximately 70% of the town's water. Consumption increased with the bucket eradication program and the borehole is over exploited. If this borehole collapses, the town will be left without sufficient water.

- **SOMERSET EAST**

Water is obtained from surface water that is seasonal and rainfall dependant, as well as water from the Orange-Fish Irrigation Scheme. The town is dependant on the only reliable source, being the Orange-Fish Canal supply. A project has been drawn up with MIG for a new bulk water pipeline to ensure that the town will be able to overcome any water shortage threats in the future.

- **COOKHOUSE**

Due to the fact that Cookhouse was administered by the old Transnet, all assets and rights still resides with Transnet. The town is dependant on water from the Orange-Fish Irrigation Scheme and has no surface or borehole sources.

The present water supply to the town is not reliable, and a pipeline is required from the Orange- Fish Scheme to secure sustainable water to the town.

2.2 Electricity Services

a. Electricity Service delivery strategy and main role-players

The Municipality is the provider of electricity within Blue Crane Route. The formal supply of electricity ranges from a full connection and prepaid system to a ready board system. Table 2.15 provides a breakdown of electricity provision in the Municipality.

Table 2.15: Energy Provision

Type	No. of Households	Percentage %
Electricity	8 515	64.4
Other electricity	173	1.4
Gas	68	0.5
Paraffin	3473	26.2
Candles	950	7.2
Other	0	0
Unspecified	34	0.3
TOTAL	13 213	100

It is evident that the majority of consumers have access to either electricity or paraffin as a source of power and heat.

Street lighting is provided to all urban neighbourhoods except for high mast lighting in Aeroville, Old Location, New Brighton and Francesvale (Somerset East Urban Area). A major capital outlay is however envisaged to upgrade both urban and rural networks.

b. Level and standards in electricity services

Table 2.17 indicates the community needs that were identified during the community participation process.

Table 2.17: Electricity in context (Community Needs Analysis)

Geographical Area	Development Need & Description
Somerset East	Street lights, upgrading of electricity network, street lights from Abattoir to Mnandi
Cookhouse	Street illumination
Pearston	Upgrading of street lights, upgrading of electricity network
Blue Crane Route	Reviewed Sector Plans: Electricity Network

The overhead line from Somerset East to Pearston and other areas is currently running at full capacity. A new transformer is to be installed as an emergency measure. Another possibility is to incorporate the supply of Aeroville into Somerset East and take it out of the Cookhouse line. Electricity has been included in the infrastructure analysis because of the importance of this basic service in the lives of all individuals. The BCRM has a good infrastructure base but upgrading is needed in order for the service to be provided effectively.

The CBP exercise highlighted the need for the maintenance of existing electrical infrastructure especially street lights (Project Light Beam). Community members have a willingness to conduct a monthly audit on street lights that need repair and submit these reports to the Municipality for implementation.

c. Annual performance as per key performance indicators in Electricity Services

Indicator name	Total number of households/ customers expected to benefit	Estimated backlogs (actual numbers)	Target set for the Financial Year under review (actual numbers)	Number of households / customers reached during the Financial Year	Percentage of achievement during the year
Households with access to electricity services	590- New houses	950- 400-Somerset East. 100 shacks in Cookhouse. 30 in Aeroville. 20 Pearston	120 HH for new houses	-	-
Indigent households with access to basic electricity services	100%	950-those who will occupy RDP houses	120 HH	Still building houses	N/A
Indigent households with access to free alternative energy sources	None	Need to work on the matter	-	-	-

d. Major challenges in Electricity Services and Remedial Action

CHALLENGES

- The electricity network is old.
- Need to upgrade the network.
- Staff challenges.
- Funding to fully implement Electricity Master Plan.
- Infrastructure needs to be revamped, and
- The grid is operating at 100%.

POSSIBLE SOLUTIONS

- Already engaged in ring-fencing exercise.
- Budget and ask for funding for network upgrade (application done).
- Gradual /phasing in of staff employment due to financial muscle.
- Prioritise the implementation of the master plan.
- Medium to long-term plan for infrastructure, and
- The BCRM is engaged with Eskom to increase the capacity of the grid.



2.3 Sanitation

a. Sanitation Services delivery strategy and main role-players

As a WSP and a WSA, the Municipality takes full responsibility for sewage disposal and treatment in all towns.

b. Level and standards in Sanitation Services

BCRM has eradicated all buckets and its residents have access to decent sanitation facilities. **BCRM is in the process of upgrading the bulk WWTW facilities in all towns and the status is as follows:**

- **PEARSTON**

Pearston has a newly build WWTW facility. The facility has been under-designed and needs to be enlarged.

- **SOMERSET EAST**

Residential reticulation in the town is old and requires intensive maintenance actions. At the moment a new activated sludge purification works is under construction in Somerset East to upgrade the WWTW.

The project will be done in phases and the first phase is under construction.

- **COOKHOUSE**

The bulk WWTW needs to be upgraded and the project is under-design. MIG funds have been allocated to the project, but the progress has been retarded due to an EIA study that could not be completed in the past three years.

c. Annual performance as per key performance indicators in Sanitation Services

Indicator name	Total number of households/ customers expected to benefit	Estimated backlogs (actual numbers)	Target set for the Financial Year under review	Number of households/ customers reached	Percentage of achievement during the year
Households with access to sanitation services	792	792	300	Still awaiting bulk connection	Already installed but not connected
Indigent households with access to free basic sanitation services	100%	100%	100%	100%	100%
Clinics with access to sanitation services	100%	N/A	N/A	N/A	N/A
Schools with access to sanitation services	99%	1% farm schools	1%	99%	Still to install for farm schools

2.4 Road Maintenance

a. Road Maintenance service delivery strategy and main role-players

BCRM has a well established section within the Department of Infrastructure that is building and constructing roads in the Municipality. New roads and streets are under permanent construction in the Municipality.

The status of existing bitumen surfaced roads is deteriorating, as the Municipality does not have sufficient funding for road maintenance.

b. Level and standards in Road Maintenance Services

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

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

The Table hereunder indicates the community's needs that were identified during the community participation process.

Table: Roads & Storm Water in context

GEOGRAPHICAL AREA	DEVELOPMENT NEED & DESCRIPTION
Somerset East	<ul style="list-style-type: none">• Upgrading of tarred streets and roads;• Resealing of tarred roads, tarred or paved roads between Abattoir and Mnandi;• Flooding at Koffie Street; and• Possible upgrade of furrow at bottom of mountain.
Pearston	<ul style="list-style-type: none">• Tarring of roads, bridge and pedestrian bridge on both sides and tarring of airfield runway; and• Upgrading of major roads to the township.
Cookhouse	<ul style="list-style-type: none">• Upgrading of tarred streets and roads.
Blue Crane Route	<ul style="list-style-type: none">• Roads and Storm water drainage.

2.5 Waste Management

a. Waste Management service delivery strategy and main role-players

The Municipality is responsible for the collection, transportation and disposal of waste. It is using the door to door kerbside collection system. Residents are provided with black refuse bags for household refuse, which is collected once a week.

Garden refuse is collected loose from the pavements and transported to the waste disposal sites. Business refuse is collected twice a week.

Other role players are private people doing recycling of cardboards, plastics and bottles. The Municipality collects cardboards from businesses and offload them at the premises where recycling is done at least twice a week. Otherwise the rest of the recyclable material is collected by specific individuals from the business. The community also sells these materials to the owner of the business responsible for recycling.

The Environmental Health practitioners are conducting awareness campaigns in the community in the form of clean-up campaigns. The community is educated on the importance of keeping our environment clean by ensuring that waste is stored hygienically and only taken out to the kerbside only on the days when municipal trucks are collecting. Clean-up campaigns are also aimed at reducing illegal dumping and littering by the community members.

Even though there are challenges at the waste disposal site in terms of proper management of the site, waste is disposed there on a daily basis with the assistance of one general worker who separates household from garden refuse. Household refuse is dumped into trenches while garden refuse is dumped on the ground and occasionally compacted.

b. Level and standards in Waste Management Services

The urban areas of BCRM receive high level of waste services while only few areas in the farm areas receive this service. As promised to the residents of this area, household refuse is collected on weekly basis.

The challenge in service standards still affects the collection of garden refuse. Due to shortage of equipment, the collection of garden refuse is not as effective as it should be.

c. Annual performance as per key performance indicators in Waste Management Services

Indicator name	Total number of households/ customers expected to benefit	Estimated backlogs (actual numbers)	Target set for the Financial Year under review	Number of households/ customers reached	Percentage of achievement during the year
Percentage of households with access to refuse removal services	10297	0	0	10297	100%

d. Major challenges in Waste Management Services and Remedial Action

CHALLENGES	REMEDIAL ACTIONS
Even though two of the waste disposal sites are permitted, none of them complies with the minimum requirements for waste disposal sites.	Pearston site needs to be permitted. The Somerset East site needs to be closed and a new piece of land must be identified for the establishment of a new site. Some projects have already been identified to rectify this and are included in the IDP. Application for MIG funding has been submitted.
Shortage of equipment and staff	A front-end loader is needed to improve service delivery. The number of general workers at the disposal site must be increased and trained on proper management of the site.
Poor supervision of employees and work performance in some of the areas.	A foreman for Somerset East must be appointed so that the senior foreman can have enough time for supervising other areas and be more visible especially in Cookhouse and Pearston.

2.6 Housing and Town Planning

a. Housing and Town Planning service delivery strategy and main role-players

The main role players regarding housing within the Municipality comprises of the Municipality itself whose role is limited to making available the necessary land, undertake waiting lists and beneficiary administration and fulfil a limited role with regard to quality control. The Department of Housing – Province of the Eastern Cape is the developer and is appointing contractors to construct houses, as the Municipality has no capacity to manage housing projects.

The Municipality has no town planners and this service is therefore outsourced. The Department of Housing further assists the Municipality, by appointing service providers to undertake planning, surveying and installation of services.

b. Level and standards in Housing and Town Planning Services

Housing Act, 1997, requires that the Minister of Housing determine, among other things, national norms and standards for housing development. The rationale for the provision in the Act relates to the fact that in many situations, the housing subsidy had been absorbed by unaffordable and unsustainable levels of municipal services.

The Norms and Standards define two things:-

- Municipal services to be subsidised by the housing subsidy: the focus here is on the types of basic internal reticulation services that can be subsidised with the portion of subsidy earmarked for internal infrastructure, rather than the specific levels of basic services.
- Minimum size of top structure as well as specific standards for its construction.

If a project is awarded the maximum 15% variation of the full subsidy amount to cater for abnormal development costs arising from location, geotechnical and topographical conditions, this may be applied to either the municipal services or a combination of the services and the top-structure component of the development.

Guidelines for housing construction and engineering standards are found in three different sources:-

- The NHBRC Technical Requirements, published in the NHBRC’s Home Building Manual, set design and construction standards for NHBRC registered builders to follow. The Manual also provides guidelines to assist in achieving good quality construction and performance on site.
- The National Building Regulations relating to Health and Safety Standards, as set out in the National Building Regulations and Building Standards Act, 1977 (Act No 103 of 1977).
- The Guidelines for Engineering Services and Amenities in Residential Township Development (commonly called the Red Book) provides information and guidance on the various options available to planners and developers in developing residential towns. The long name of the “Red Book” is “Guidelines for Human Settlement Planning and Design”. The new “Red Book” covers essentially the same material as its predecessors, **but is categorised in the following manner:**
 - Planning method and participation.
 - A philosophical approach to settlement making.
 - Guidelines relating to settlement making.
 - Planning guidelines.
 - Storm water management.
 - Roads: Geometric design and layout planning.
 - Roads: Materials and construction.
 - Water supply.
 - Sanitation.
 - Solid waste management, and
 - Energy.

c. Annual performance as per key performance indicators in Housing and Town Planning Services

Indicator name	Total number of households/ customers expected to benefit	Estimated backlogs (actual numbers)	Target set for the Financial Year under review	Number of households/ customers reached	Percentage of achievement during the year
Percentage of households living in informal settlements	800	800	400	400	50%
Percentage of informal settlements that have been provided with basic services	80%	20%	60%	400	80%
Percentage of households in formal housing that conforms to the minimum building standards for residential houses	80%	20%	60%	40%	80%

d. Major challenges in housing and town planning services and remedial actions

CHALLENGES

Challenges facing housing delivery within the Blue Crane Route Municipal area are as follows:

- There is insufficient institutional capacity.
- There are massive infrastructure backlogs.
- There is an elevated backlog on housing delivery.
- Housing delivery is progressing very slowly.
- Some contractors are not keeping to specifications.

REMEDIAL ACTION

The establishment of a Housing Unit with the required technical expertise can go a long way in addressing the challenges raised in the above, provided that the Department of Housing provide the necessary funding in this regard.

2.7 Spatial Planning

a. Preparation and approval process of Spatial Development Framework:

The Municipality, assisted by Urban Dynamics, has developed a Spatial Development Framework (SDF) that is about to be reviewed with the assistance of the Cacadu District Municipality. The SDF forms a legally binding component of the Municipality's Integrated Development Plan and is a refinement of the broad spatial framework guidelines contained in the IDP. The main aim of the Spatial Development Framework is to formulate spatially based policy guidelines whereby changes, needs and growth in the region can be managed to the benefit of the community. The Spatial Development Framework further guides and informs all decisions of the Municipality relating to use, development and planning of land.

This is balanced with the need to provide adequately for the social and economic needs of the growing population. In particular, it identifies opportunities for further development and conservation and make recommendations as to where, and how, development or conservation should take place. In doing so, the framework does not make detailed proposals for specific land portions, but rather provides broad spatial guidelines to assist decision making with regard to land use/spatial planning.

b. Land Use Management

The following applications have been received and approved by Council during the year under review:

- | | |
|-------------------------------------|------|
| • Rezoning | - 17 |
| • Sub-division | - 4 |
| • Consent use | - 0 |
| • Removal of restrictive conditions | - 0 |
| • Township establishment | - 0 |

c. Major challenges in Spatial Planning Services and Remedial Actions

The Municipality does not have a Town Planning Unit and is therefore outsourcing this function. The Municipality is working closely with the Cacadu District Municipality who is most willing to assist, when it comes to spatial planning services. The Municipality is also aware of experts in the field of spatial planning, employed by the Development Bank of Southern Africa. Attempts have been made to have some of them deployed to Blue Crane Route Municipality.

2.8 Indigent Policy Implementation

a. Preparation and approval process of the Indigent Policy

The Blue Crane Route Municipality does have a policy in place. The policy is reviewed annually through budget processes. Yearly, during the public consultation for budget and IDP, the Ward Councillors, Ward Committee and the community are consulted about the proposed subsidy allocated for the upcoming Financial Year. The subsidies get approved for implementation on the council's tariff structure.

b. Implementation of the Policy

Indigent households are subsidised for 6kl of free water, 50kwh free electricity, refuse, sanitation and rates. For the Financial Year 2008/2009, a door to door campaign was undertaken to ensure the accuracy of our indigent register.

2.9 Overall Service Delivery Backlogs

Basic service delivery area	30 June 2008			30 June 2009		
	Required	Budgeted	Actual	Required	Budgeted	Actual
Water backlogs (6KL/month)						
Backlogs to be eliminated (no. households not receiving the minimum standard service)	0	0	0	0	0	
Backlogs to be eliminated (%: total households identified as backlog/ total number of households in the Municipality)	0	0	0	0	0	
Spending on new infrastructure to eliminate backlogs (R000)	881000	881000	882000	R45 million	R45 million	
Spending on renewal of existing infrastructure to eliminate backlog (R000)	Refer to infrastructural backlog study					
Total spending to eliminate backlogs (R000)						
Spending on maintenance to ensure no new backlogs (R000)	Refer to maintenance backlog study					

Electricity backlogs (30KWH/month)	Required	Budgeted	Actual	Required	Budgeted	Actual
Backlogs to be eliminated (no. HH not receiving the minimum standard service)	6	6	6	6	6	6
Backlogs to be eliminated (%: total HH identified as backlog/ total number of households in the Municipality)	0	0	0	0	0	0
Spending on new infrastructure to eliminate backlogs (R000)	R5mil	R5mil		R5mil	R5mil	
Spending on renewal of existing infrastructure to eliminate backlog (R000)	Refer to infrastructural backlog study					
Total spending to eliminate backlogs (R000)						
Spending on maintenance to ensure no new backlogs (R000)						

Basic service delivery area	30 June 2008			30 June 2009		
	Required	Budgeted	Actual	Required	Budgeted	Actual
Sanitation backlogs						
Backlogs to be eliminated (no. households not receiving the minimum standard service)	13	13	13	13	13	13
Backlogs to be eliminated (%: total households identified as backlog/ total number of households in the Municipality)	0	0	0	0	0	0
Spending on new infrastructure to eliminate backlogs (R000)	R4 million	R13,1 million	R13,1 million	R13,1 million	R13,1 million	R56 million
Spending on renewal of existing infrastructure to eliminate backlog (R000)	Refer to infrastructural backlog study					
Total spending to eliminate backlogs (R000)						
Spending on maintenance to ensure no new backlogs (R000)	Refer to infrastructural backlog study					

Road Maintenance backlogs	Required	Budgeted	Actual	Required	Budgeted	Actual
Backlogs to be eliminated (no. households not receiving the minimum standard service)	0	0	0	0	0	0
Backlogs to be eliminated (%: total households identified as backlog/ total num of households in the Municipality)	0	0	0	0	0	0
Spending on new infrastructure to eliminate backlogs (R000)	R4,8 million	R6,8 million	R4,8 million	R9 million	R9 million	R34,4 million
Spending on renewal of existing infrastructure to eliminate backlog (R000)	Refer to infrastructural backlog study					
Total spending to eliminate backlogs (R000)						
Spending on maintenance to ensure no new backlogs (R000)	Refer to maintenance backlog study					





Chapter 3: Municipal Local Economic Development Framework

3.1 Local Economic Development (LED) Strategy

The BCRM has formulated a LED Strategy, founded by the CDM. They (CDM) have put together a structure at District level when all the local processes were feeding the District Strategy. **That process was enhanced by local stakeholders who took part in the process:**

- Business Community.
- Farmers Association.
- Non-Governmental Organisations.
- Faith-based Organisation.
- Provincial Departments.
- National Departments.
- Parastatals.
- Political parties, and
- Key community individuals.

This led to the adoption of an LED Strategy as well as a Tourism Sector Plan.

The BCRM established the Blue Crane Development Agency (BCDA) to run LED and Tourism. **The BCRM has a coordinator within the Municipality for:**

- Linking with BCDA.
- Deal with LED issues from other departments.
- Initiate issues of LED.
- Support the SMME, and
- Provide training opportunities to SMMEs.

3.2 Progress towards achieving the LED key objectives

a. Improve public and market confidence

- **Spatial Development Framework(SDF):**

The Blue Crane Route Municipality has approved the Spatial Development Framework. The document is due for review. **The Blue Crane Development Agency has partnered with the Cacadu District Municipality and the Nelson Mandela Metropolitan University in Port Elizabeth, to develop a spatial framework for:**

- Boschburg Development Area;
- Vlei Development Area; and
- Cookhouse Development Area by Urban Dynamics.

All the three sets of plans have to be holistically aligned in the review. This is done inline with Land Use Management within the Blue Crane Route Municipality. It is subsequent to this process that it will be reviewed.

- **Red Tape:**

The Blue Crane Route Municipality is re-looking at the models that would entice the investors to come and invest in the area. Presently the turn-around time is cumbersome. **Subsequently to that Council resolved to:**

- Establish a small Committee to look at these issues.
- The Committee sits by-weekly, and
- They make recommendations to Council.

- **Investments and Trading By-Laws:**

The Investment and Trading By-Laws need to be reviewed inline with the business niche the Blue Crane Route Municipality wishes to occupy:

- Rural and evergreen area.
- Oasis for holiday and investment.
- Beautiful mountain at which foot the town lies.
- Less crime and more friendly.
- The Home of Nojoli, and
- Offering the ultimate Karoo experience.

- **Infrastructure: Roads, ITC and Market Places:**

The Blue Crane Route Municipality has an old infrastructure, like most of the old Republic towns and cities. The road networks, water services network and bulk infrastructure needs to be overhauled. Presently a study is being conducted to ascertain the cost of such backlog in partnership with the Cacadu District Municipality.

The Information Communication Technology, however, is in good order. Citizens have full access to:

- Banks (all major banks).
- Hospitals.
- Schools.
- Link of all cell phone networks.
- Tele-communications by Telkom Network, and
- Accommodation, etc.

- **Disaster Management:**

The Disaster Management is shared between the Cacadu District Municipality and Blue Crane Route Municipality. The quality of service needs to be improved. Cacadu District Municipality is working on the matter.

They have been able to provide:

- Study and Training of locals;
- Vehicle /vehicles; and
- Equipment.

The Blue Crane Route Municipality is working on the above, inline with the Disaster Management Plan, which will elaborate on the effective and efficient implementation of the service.

b. Exploit comparative and competitive advantages for industrial activities

BCRM does not have industries. There are one or two companies that have industries at a relatively large scale, however, there are no real competition and they share the competitive advantage.

c. Intensify enterprise support and business development

The LED Unit and the Development Agency are targeting SMME support by:

- Developing a Policy Guide.
- Link with SEDA.
- Provide training for SMMEs, and
- Mobilise the SMMEs to be more structured.

The BCRM is challenged in this avenue hence the above initiatives.

3.3 Annual performance as per key performance indicators in LED

Indicator name	Target set for the year	Achievement level during the year (absolute figure)	Achievement percentage during the year
Percentage of LED Budget spent on LED related activities.	No specific LED Budget (salary for)	Not in real terms	Not in real terms
Number of LED stakeholder forum held	5	4/5	Need to engage more and support
Percentage of SMME that have benefited from a SMME support program	No specific SMME support	Reactive N/A	Reactive N/A
Number of job opportunities created through EPWP			
Number of job opportunities created through PPP	No PPP	N/A	N/A

3.4 Challenges regarding LED Strategy implementation

- Budget/ Funding.
- Mobilisation of SMMEs
- Niche market and readiness to take risks.
- Banking sector support.
- Training and Development (skills), and
- Access to support/ programs within government.





Chapter 4: Municipal Financial Viability and Management (KPA 4)

4.1 The audited financial statements

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Mayor's Foreword

I have the pleasure in presenting the Annual Financial Statements, which are subject to audit for the year ended 30 June 2009.

Local Government reform in South Africa poses a challenge to all municipalities. The Blue Crane Route Municipality has set out targets to comply with the accounting reforms as envisaged in the MFMA and other pieces of legislation.

These financial statements will be presented according to the IMFO format.

The Municipality has already started converting the assets to be GAMAP/GRAP compliant.

Therefore, these financial statements will be converted to GAMAP/GRAP compliant as opening balances for 2009/10 Financial Statements.

The economic viability of the Blue Crane Route region remains a priority for our Municipality. Every effort has been made to stimulate investment in our region with the available resources.

The Council, as an institution, is faced with numerous challenges. The greatest challenge is the inability of customers to pay for rates and services on a regular basis. Due to this challenge, the Municipality has become increasingly reliant on the equitable share received from national government to improve the quality of service delivery in the Blue Crane Route region. The high unemployment rate in the region has become the major contributing factor towards the inability of customers to service their accounts.

Despite numerous challenges facing the Council, we as Council are confident in the future of the Blue Crane Route Municipality and remain committed in building a financially sound and prosperous Municipality.

In conclusion, I wish to express my appreciation to the Council, the Municipal Manager, Chief Financial Officer and various members of the Budget and Treasury Office for their support and hard work during the past Financial Year.



Mayor
Ms. M. Scott

General Information for the year ended 30 June 2009

MEMBERS OF THE COUNCIL

Councillors

NM Scott (Mayor)
JF Froelich
KC Brown
K Olivier
M Nontyi
NR Sibaca
L Simmons
VS Jonas
NP Yantolo
BA Manxoweni

GRADING OF LOCAL AUTHORITY

Blue Crane Route Municipality is a Grade 2 Local Authority

AUDITORS

Auditor-General

BANKER

ABSA Bank

REGISTERED OFFICE

PO Box 21
67 Nojoli Street
Somerset East, 5850

Telephone: 042 – 243 1333
Facsimile: 042 – 243 1548

MUNICIPAL MANAGER & ACCOUNTING OFFICER

MA Mene

Telephone: 042 – 243 1333

CHIEF FINANCIAL OFFICER

DR Sauls

Telephone: 042 – 243 1333

APPROVAL OF FINANCIAL STATEMENTS

These Annual Financial Statements were approved by the Municipal Manager and Chief Financial Officer on 12 August 2009.



Municipal Manager: Blue Crane Route Municipality:

M. MENE



Chief Financial Officer: Blue Crane Route Municipality:

D. SAULS

Accounting Officer's Report for the year ended 30 June 2009

1. Operating Results

Details of the operating results per department, classification and object of expenditure are included in Appendices D and E. The overall operating results for the year ended 30/06/09 are as follows:

	Actual 2008 R	Actual 2009 R	Variance 2008/2009 %	Budget 2009 R	Variance Actual Budget %
Income					
Opening deficit	(14,524,085)	(10,035,734)			
Appropriations for the year	4,468,826	984,002			
Operating income for the year	81,844,877	86,598,572	6%	117,180,228	-26%
	71,789,618	77,546,840		117,180,228	
Expenditure					
Operating expenditure for the year	81,825,352	82,119,667	0%	117,180,228	-30%
Appropriations for the year					
Closing deficit	(10,035,734)	(4,572,827)			
	71,789,618	77,546,840		117,180,228	

Significant variances: There are no significant variances between the two years to report on.

1.1 Rates and General Services

	Actual 2008 R	Actual 2009 R	Variance 2008/2009 %	Budget 2009 R	Variance Actual Budget %
Income	46,668,684	42,221,589	-10%	74,787,001	-44%
Expenditure	56,799,399	49,549,285	-13%	82,705,679	-40%
Deficit	(10,130,715)	(7,327,696)	-28%	(7,918,678)	-7%
Deficit as % of total income	-22%	-17%		-11%	

Significant variances: There are no significant variances between the two years to report on.

1.2 Summary of the operating results of the local authority's Trading Services

WATER SERVICES

	Actual 2008 R	Actual 2009 R	Variance 2008/2009 %	Budget 2009 R	Variance Actual Budget %
Income	7,403,837	8,360,529	13%	8,390,750	0%
Expenditure	5,453,323	6,081,839	12%	5,461,955	11%
(Deficit)/Surplus	1,950,514	2,278,690	17%	2,928,795	-22%
Surplus/(Deficit) as % of total income	26%	27%		35%	

Significant variances:

ELECTRICITY SERVICES

	Actual 2008 R	Actual 2009 R	Variance 2008/2009 %	Budget 2009 R	Variance Actual Budget %
Income	27,772,356	36,016,454	30%	34,002,477	6%
Expenditure	19,572,630	26,488,543	35%	29,012,594	-9%
(Deficit)/Surplus	8,199,726	9,527,911	16%	4,989,883	91%
Surplus/(Deficit) as % of total income	30%	26%		15%	

Significant variances: High increases in Eskom tariffs lead to the increase in Income and Expenditure for 2008/2009.

2. Capital Expenditure and Financing

The expenditure on fixed assets during the year amounted to R12, 018,633 (2007/08 – R12, 326,664). The Municipality's properties were adjusted during the year with the new valuations. The valuations for land and buildings were separately valued to be ready for the GAMAP/GRAP conversion for the 2009/10 Financial Year.

	Actual 2008 R	Budget 2009 R	Actual 2009 R
Airfield	3,105,668	2,646,586	128,791
Clinics	-	-	-
Commonage and Pound	332,434	210,800	-
Council's General Expenses	12,122	23,200	16,502
Estates and Properties	12,397	29,677	21,453
Public Works	1,226,504	4,766,503	3,059,330
Town Planning	-	-	-
Bestershoek	5,486	21,000	4,649
Environmental Health	-	-	-
Municipal Manager, Corporate and Finance	2,88,525	1,068,536	386,119
MIG Administration	14,115	25,920	28,977
Traffic	2,279	119,260	64,176
Cemeteries	-	83,000	-
Fire Brigade	-	-	1,200,000
Parks and Recreation	-	98,200	94,378
Refuse Removal Services	55,427	436,600	-
Sewerage Services	6,626,671	433,143	566,743
Electricity Services	205,056	1,378,436	2,491,954
Libraries	410,772	-	191,061
Water Services	29,208	150,000	3,764,500
	12,326,664	11,490,861	12,018,633

Resources used to finance the fixed assets, were as follows: -

- Internal Sources	815,624	3,816,211	1,158,260
- External Sources	11,511,040	7,674,650	10,860,373
• Other Sources	-	-	-
• External Loans	-	-	-
• Government Grants	11,511,040	7,674,650	10,860,373
	12,326,664	11,490,861	12,018,633

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

3. External Loans, Investments and Cash

The annuity load of Development Bank was fully redeemed on 30 June 2008. An amount of R8, 294,246 was paid as settlement redemption in the 2007/08 year. The difference of R7, 238,070 was written off by the Bank. The arrear interest of R4, 976,821 was also written off by DBSA.

The investment of R1, 288,614 that was held as security by DBSA, was transferred to the Bank as part of the settlement agreement.

The only external loans outstanding on 30 June 2009, were the vehicle loans from ABSA Bank, which were in total, an amount of R13, 137 and will be fully redeemed in 2009/10.

Cash resources and short-term deposits were a total amount of R10, 787,542 (2008 – R8, 945,299) on 30 June 2009. Cash resources and short-term deposits are directly influenced by the grants/subsidies received from Provincial and National Government.

More information regarding loans and investments are disclosed in the notes (4 and 7) and Appendix B in the Financial Statements.

4. Funds and Reserves

The total balance of the Statutory Funds at 30 June 2009 were R7, 463,700 (2008 – R7, 290,540), while the reserves were unchanged at R12, 000.

The Trust Funds decreased from R8, 899,327 in 2008 to R7, 207,924 at 30 June 2009, due to the spending of grants from the previous year.

5. General

The Blue Crane Route Municipality hereby discloses the existence of a Municipal entity. The Blue Crane Development Agency was originally established during the 2005 Financial Year as a Section 21 Company and subsequently converted. The municipal entity is classified as a service utility as per Provincial Government Gazette No. 1841 Vol. 15 dated 13 March 2008. The main objective of the Agency is to act as an agent on behalf of the Municipality for all tourism, agriculture and business development issues in the demarcated development zone. Payments were made to the Blue Crane Development Agency in respect of tourism salaries amounting to R87, 477.76 for the 2008/09 and R67, 000.00 for 2007/08. Blue Crane Route Municipality is the tourism authority and therefore they must reimburse Blue Crane Development Agency for the services rendered.

6. Post Balance Sheet Events

No post balance events occurred after 30 June 2009.

7. Expression of Appreciation

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



Municipal Manager: Blue Crane Route Municipality
Mr. M. A. MENE

Accounting Policies for the year ended 30 June 2009

1. Basis of preparation

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

2. Consolidation

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

3. Fixed assets

- 3.1 Fixed assets are stated as 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 that are written off at the end of their estimated useful life as determined by the Treasurer. In the year 2007/08, the valuation of all properties that are registered in the name of the Municipality is taken up in the asset register as the Valuation as determined by the Valuer appointed by the Municipality. The Ledger accounts for these assets were adjusted accordingly. The valuation of these properties is done annually and the assets adjusted accordingly.

3.2 Depreciation

The balance shown against the heading "Loans Redeemed and other Capital Receipts" in the notes to the Financial Statements in 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 operating income, where the full cost of the asset 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.
- 3.3 All net proceeds from the sale of fixed property are credited to the Revolving Fund.
 - 3.4 Fixed assets are financed from different sources, including external loans, operating income,

endowments and internal advances. These loans and advances are repaid within the estimated lives of the assets acquired from such loans or advances. Interest is charged to the service concerned at the ruling interest rate applicable at the time that the advance is made.

4. Funds and reserves

4.1 Revolving Fund

If the Municipality's cash flow allows it, a contribution will be made to this fund of 7.5% of the assessment rates that were levied for the immediately preceding Financial Year. It is not required from Council to contribute an amount that is 20% more than the amount required to be contributed in the immediately preceding Financial Year.

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

4.2 Other funds and reserves

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

5. Provisions

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

Provision for bad debts are calculated at all outstanding debtors for 90 days and older, VAT excluded.

6. Inventory

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

7. Retirement benefits

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

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

Full actuarial valuations are performed at least every three years.

8. Surpluses and deficits

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

9. Treatment of administration and other overhead expenses

The costs of internal support services are transferred to the different services in accordance with the IMTA's Report on Accounting for Support Services (1997).

10. Investments

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

11. Income/Expenditure recognition

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

11.2 Assessment rates

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

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

11.3 Other income

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

11.4 Expenditure

The Equitable Share is designed to compensate Municipalities for providing free basic services to indigent households. The cost of the free basic services provided by the Municipality is reflected as general expenditure.

12. Leased assets

Fixed assets held under finance leases are capitalised. Such assets are effectively amortised over the term of the lease agreement.

Lease finance charges are allocated to accounting periods over the duration of the leases, by the effective interest rate method, which reflects the extent and cost of lease finance utilised in each accounting period.

All other leases are treated as operating leases and the relevant rentals are charged the operating account in a systematic manner related to the period of use of the assets concerned.

Balance Sheet for the year ended 30 June 2009

	NOTES	2009 R	2008 R
CAPITAL EMPLOYED			
Funds and Reserves		7,475,700	7,302,540
- Statutory funds	1	7,463,700	7,290,540
- Reserves	2	12,000	12,000
Accumulated Deficit		(4,572,827)	(10,035,734)
		2,902,873	(2,733,194)
Trust funds	3	7,207,924	8,899,327
Long-term liabilities	4	103,142	194,429
Consumer deposits: Services	5	1,105,422	944,022
		11,319,361	7,304,584
EMPLOYMENT OF CAPITAL			
Fixed assets	6	13,137	48,796
Investments	7	-	-
Longterm debtors	8	203,169	297,165
Net current assets/(liabilities)		11,103,055	6,958,623
Current assets		22,758,118	19,413,804
- Inventory	9	909,909	366,782
- Debtors	10	10,579,028	10,018,157
- Bank and Cash	11	1,139,858	727,604
- Short-term portion of Long-term debtors	8	95,281	83,566
- Short-term investments	7	10,034,042	8,217,695
Current liabilities		(11,655,063)	(12,455,181)
- Provisions	12	3,925,431	4,554,421
- Creditors	13	7,252,475	7,801,260
- Bankoverdraft	14	386,358	-
- Short-term portion of long-term liabilities	4	90,799	99,500
		11,319,361	7,304,584

Income Statement for the year ended 30 June 2009

Actual Income 2008 R	Actual expenditure 2008 R	Surplus/ (deficit) 2008 R		Actual Income 2009 R	Actual expenditure 2009 R	Surplus/ (deficit) 2009 R	Budget Surplus/(deficit) 2009 R
46,668,684	56,799,399	(10,130,715)	RATES AND GENERAL SERVICES	42,221,589	49,549,285	(7,327,696)	(7,918,678)
31,165,667	43,344,234	(12,178,567)	Community services	31,592,741	34,258,925	(2,666,184)	(2,892,705)
4,162	2,201,589	(2,197,427)	Subsidised services	185,628	3,058,776	(2,873,148)	(3,455,571)
15,498,855	11,253,576	4,245,279	Economic services	10,443,220	12,231,584	(1,788,364)	(1,570,402)
35,176,193	25,025,953	10,150,240	TRADING SERVICES	44,376,983	32,570,382	11,806,601	7,918,678
81,844,877	81,825,352	19,525	TOTAL	86,598,572	82,119,667	4,478,905	-
	<u>4,468,826</u>		Appropriations for the year (refer to note 15)			<u>984,002</u>	
	4,488,351		Nett surplus/(deficit) for the year (refer to note 15)			5,462,907	
	(14,524,085)		Accumulated deficit at the beginning of the year (Refer to note 15)			(10,035,734)	
	<u>(10,035,734)</u>		ACCUMULATED DEFICIT AT THE END OF THE YEAR (Refer to note 15)			<u>(4,572,827)</u>	

Cash Flow Statement for the year ended 30 June 2009

	NOTES	2009 R	2008 R
CASH (UTILISED) / RETAINED FROM OPERATING ACTIVITIES			
		13,960,864	26,963,341
Cash generated by operations	16	(26,411,615)	(13,599,732)
Interest earned		1,045,365	701,379
(Increase)/decrease in working capital	17	(2,704,709)	(7,082,394)
Less: Interest paid: External Loans		(5,096)	(9,514)
Cash (utilised in)/available from operations		(28,076,055)	(19,990,261)
Cash contributions from the public and the state		42,006,785	46,921,013
Nett proceeds on disposal of fixed assets		30,134	32,589
CASH RECEIVED IN INVESTING ACTIVITIES			
Capital expenditure during the year		(12,018,633)	(12,326,664)
NET CASH FLOW		1,942,231	14,636,677
CASH EFFECTS OF FINANCING ACTIVITIES			
Increase/(decrease) in long-term loans (external)	18	(99,988)	(8,080,035)
(Increase)/decrease in cash investments	19	(1,816,347)	(6,594,033)
(Increase)/decrease in cash on hand	20	(25,896)	37,391
		<u>(1,942,231)</u>	<u>(14,636,677)</u>

Notes to the Financial Statements for the year ended 30 June 2009

1. STATUTORY FUNDS

	2009 R	2008 R
Revolving fund	6,949,646	6,919,512
Housing Development Fund	514,054	371,028
	7,463,700	7,290,540

(Refer to Appendix A for more details)

2. RESERVES

	2009 R	2008 R
Game Reserve	12,000	12,000
	12,000	12,000

(Refer to Appendix A for more details)

3. TRUST FUNDS

Dr. WH Craib Fund	15,015	17,015
LED Zama Fund	63,158	63,158
Integrated Development Plan	151,426	17,657
Zoning Map Fund	30,843	30,843
Pearston Small Farmers Association	1,763	1,763
Cookhouse 313 Houses	71,679	71,679
Perimeter Fence - Lake Bertie	379,175	-
Environmental Impact Study Fund	63,000	63,000
Spatial Development Framework	174,090	345,450
MIG - Revolving Fund	4,458,145	3,449,108
Project Consolidate - IT Project	26,310	11,671
MSIG Funds	88,627	448,741
Fire Management	-	30,000
Library Grant - Cacadu	28,233	20,081
Project Consolidate - Mentoring	66,071	15,548
Water Services Fund	100,000	100,000
NER Trust Fund	103,706	2,394,261
FMG Grant	-	76,332
CMIP - Trust Funds	151,861	151,861
Pearston 300 Houses	86,784	86,972
Free Basic Services Grant	41,779	110,026
LED Trust Fund	-	17,670
Housing Funds 1	83,732	83,732
Housing Funds 2	436,166	
CIP Funds	169,487	-
Skills Dev Fund	33,451	-
Computer Project - Cacadu	-	10,752
HIV Drugs	60,000	-
CBP Ward Implementation Plan	4,543	238,211
DWAF	224,455	1,043,796
Aeroville Cemetery Grant	94,425	
	7,207,924	8,899,327

Notes to the Financial Statements for the year ended 30 June 2009

4. LONG-TERM LIABILITIES

	2009 R	2008 R
ABSA - Vehicle and Asset Finance	13,137	48,796
Lease Commitments	180,804	245,133
	193,941	293,929
Less: Short Term portion transferred to Current Liabilities	(90,799)	(99,500)
- External Loans	(13,137)	(35,348)
- Leases	(77,662)	(64,152)
	103,142	194,429

The Lease commitment represents a vehicle lease on behalf of the Mayor of Blue Crane Municipality. The Mayor will be the owner of the vehicle at the end of the lease in 2011.

(Refer to Appendix B for more details)

5. CONSUMER DEPOSITS: SERVICES

Service Deposits	1,105,422	944,022
	1,105,422	944,022

6. FIXED ASSETS

Fixed assets at the beginning of the year	151,655,105	119,924,828
Capital expenditure during the year	12,018,633	12,326,664
Assets written off, transferred or disposed of during the year	2,059,118	(19,403,613)
Total fixed assets	161,614,620	151,655,105
Less: Loans redeemed and other capital receipts	161,601,483	151,606,309
Nett fixed assets	13,137	48,796

(Refer to Appendix C for more details)

7. INVESTMENTS

Name of Bank	Acc Nr	Type		
ABSA Bank	9062642914	Call Acc	-	881
ABSA Bank	2053825035	Fixed Deposit	7,500	7,500
ABSA Bank	2055844786	Fixed Deposit	17,648	15,997
ABSA Bank	2064372621	32 Days	278	261
ABSA Bank	2084303510	32 Days	11,730	10,836
ABSA Bank	9067623600	Call Acc	4,581,931	4,131,098
ABSA Bank	3064335048	32 Days	21,183	19,590
ABSA Bank	4064313202	32 Days	12,451	11,649
ABSA Bank	5024312404	32 Days	27,912	25,734
ABSA Bank	9064335011	32 Days	12,212	11,288
ABSA Bank	9073206933	32 Days	27,596	25,482
ABSA Bank	9216529966	Call Acc	388,233	
ABSA Bank	9186985404	Money Market	4,834,793	1,582,092
ABSA Bank	9186985878	Money Market	21,742	51,803
ABSA Bank	9191350545	Money Market		2,259,389
Nedbank	1263036023	Money Market	6,712	6,844
Nedbank	18312491	Fixed Deposit	4,600	4,600
Nedbank	1263034756	Money Market	57,521	52,651
			10,034,042	8,217,695

Circular no 19 of 1984 issued by the Provincial Administration Community Development Branch, requires Local Authorities to invest funds, which are not immediately required, with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a plenary rate to meet commitments.

Notes to the Financial Statements for the year ended 30 June 2009

	2009 R	2008 R
8. LONG-TERM DEBTORS		
Sportclub Loans	30,580	32,486
Lease - Mayor's vehicle	180,804	245,133
Housing Loans	87,066	103,112
	298,450	380,731
Less: Short-term portion transferred to current assets	95,281	83,566
	203,169	297,165
9. INVENTORY		
Inventory represents consumable stores, raw materials, work in progress and finished goods. Where necessary specific provision is made for obsolete stock.	909,909	366,782
	909,909	366,782
10. DEBTORS		
Current Debtors (Consumers)	21,149,498	19,018,731
Less: Provision for bad debts	(14,493,004)	(13,197,397)
	6,656,494	5,821,334
Cacadu District Municipality capital claims		367,039
Biltong Festival exp paid in advance	527,907	393,587
Exp on grants not yet received	92,011	
VAT on Debtor Consumers	2,174,279	1,910,462
Work in Progress		221,815
VAT suspense & Creditors	743,366	661,056
VAT Claim for June 2009	349,238	110,338
SARS: Refund for PAYE/UIF & SDL		410,141
Sundry Debtors	35,733	122,385
	10,579,028	10,018,157
11. BANK AND CASH		
<i>Current Bank Account: Absa Bank (Acc 2200000008)</i> Bankstatement balance at the end of the year	1,622,710	377,515
<i>Current Bank Account: Absa Bank (Acc 4064779134)</i> Bankstatement balance at the end of the year		418,774
	1,622,710	796,289
<i>Current Bank Account: Absa Bank (Acc 2200000008)</i> Cashbook balance at the end of the year	1,139,078	322,964
<i>Current Bank Account: Absa Bank (Acc 4064779134)</i> Cashbook balance at the end of the year		393,216
<i>Current Bank Account: Absa Bank (Acc 4049180033)</i> Bankstatement and Cashbook balance at the end of the year		6,591
<i>Current Bank Account: Absa Bank (Acc 4055469366)</i> Bankstatement and Cashbook balance at the end of the year		215
<i>Current Bank Account: Absa Bank (Acc 4053048314)</i> Bankstatement and Cashbook balance at the end of the year		2,910
<i>Current Bank Account: Absa Bank (Acc 4051973385)</i> Bankstatement and Cashbook balance at the end of the year		243
	1,139,078	726,139
Cash Floats	780	1,465
	1,139,858	727,604

Notes to the Financial Statements for the year ended 30 June 2009

12. PROVISIONS

Leave Pay Provision
Audit Fee Provision
D Crous Package

	2009 R	2008 R
	2,575,431	2,254,421
	1,350,000	900,000
		1,400,000
	3,925,431	4,554,421

a Report from Kv3 Engineers recommended the rehabilitation of the refuse landfill sites at a current value cost of R8,016,870. No financial resources is available, but an application was lodged to National Treasury to finance this cost.

13. CREDITORS

Trade creditors
VAT Levied on consumers but not yet Paid
Consumers paid in advance
Insurance claims paid - not yet utilised
Health surplus
VAT suspense account
Biltong Festival income in advance
Sundry Creditors

	4,214,335	4,454,514
	2,174,279	1,910,462
	242,668	327,935
	511,076	273,828
		531,427
		275,022
	76,183	
	33,934	28,072
	7,252,475	7,801,260

14. BANK OVERDRAFT

Current Bank Account: Absa Bank (Acc 4064779134)

Positive bankstatement balance at the end of the year

	130,401	-
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Overdraft cashbook balance at the end of the year

	386,358	-
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	386,358	-
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Notes to the Financial Statements for the year ended 30 June 2009

15. APPROPRIATIONS

Appropriation account:

Accumulated deficit at the beginning of the year	(10,035,734)	(14,524,085)
Operating (deficit)/surplus for the year	4,478,905	19,525

	(5,556,829)	(14,504,560)
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Appropriations for the year:

	984,002	4,468,826
Payment received from Pinnolta	22,738	
Sars incorretly provided in previous year	14,420	
Legal Fees previous year - Burmeisters	(22,879)	
D O Claassen leave pay	(38,480)	
Hall Deposit refunds - Mboya, ACS van Wyk	(3,193)	
Incentives Biltong Festival previous year - S Simonse and S Miggels	(8,506)	
Backpay to employees - 2008	(260,895)	
Maxprof over provided - settled for less	165,858	
Backpay M Lidell - no provision made	(197,431)	
Unclaimed Hall Deposits - before 01/07/2008	9,143	
Unknown direct deposit	6,146	
Correction of Vat to Funds	(217,634)	
Incorrect provision for Astrapak and Bencro	29,476	
Vat incorrectly received from SARS - VAT	3,240	
Cellphone backpay	(1,000)	
Subsistence and Travelling Cllr Yantolo	(3,200)	
Electricity Masterplan previously paid to Bigen Africa	183,408	
Re-allocate deposit to Noltesmit Attorneys	(15,000)	
Write-off Blue Crane Dev Forum cost - not recoverable	(40,397)	
Overspending of Add Settling Tank - year 2005/06	(221,815)	
Audit Fees - Over-provision in 2007/08 - Paid by Province	316,204	
General Valuation cost - previous year	(27,115)	
Re-allocate VAT on MIG projects to income - prev years	1,260,060	
Audit cost for 2006/07 - under provision		(268,172)
Bigen Africa Professional fees - under provision 2006/07		(266,850)
SALA Pension Fund arrear increased contribution		(209,271)
Write-Off arrear Interest - DBSA		4,976,821
Other adjustments	30,853	236,298
Accumulated deficit at the end of the year	(4,572,827)	(10,035,734)

Operating account:

Capital expenditure - Fixed assets	1,158,260	815,624
------------------------------------	-----------	---------

Contributions to:

- Revolving Fund		
- Provision for bad debts	6,045,384	6,895,821
- Leave Provision	451,689	565,752
	7,655,333	8,277,197

Notes to the Financial Statements for the year ended 30 June 2009

	2009 R	2008 R
16. CASH GENERATED BY OPERATIONS		
Surplus for the year	4,478,905	19,525
Adjustments in respect of:		
- Prior Year Adjustments	984,002	4,468,826
Appropriations charged against income	9,005,333	10,577,197
Revolving fund		
Provisions	7,847,073	9,761,573
Fixed assets	1,158,260	815,624
Investment income	(929,278)	(365,656)
Less: Operating contr from Central and Prov. Govmnt	(22,639,008)	(27,433,786)
Capital charges:	40,755	8,334,682
Interest Paid on External Loans	5,096	9,514
Redemption on External Loans	35,659	8,325,168
Non Operating Expenditure	(17,495,350)	(9,344,852)
Expenditure charged against funds	(10,314,894)	(2,116,440)
Expenditure charged against provisions	(7,180,456)	(7,228,412)
Non Operating Income	143,026	144,332
Income Credited to Statutory Funds	143,026	144,332
	(26,411,615)	(13,599,732)
17. (INCREASE)/DECREASE IN WORKING CAPITAL		
(Increase)/Decrease in inventory	(543,127)	54,532
(Increase)/Decrease in Debtors, Long term Debtors	(1,774,197)	1,458,754
Increase/(Decrease) in Creditors, Consumers deposits	(387,385)	(8,595,680)
	(2,704,709)	(7,082,394)
18. INCREASE/(DECREASE) IN LONG-TERM LOANS (EXTERNAL)		
Loans raised		245,133
Loans repaid	(99,988)	(8,325,168)
	(99,988)	(8,080,035)
19. (INCREASE)/DECREASE IN CASH INVESTMENTS		
Investments realised		1,288,614
Investments made	(1,816,347)	(7,882,647)
	(1,816,347)	(6,594,033)
20. (INCREASE)/DECREASE IN CASH ON HAND		
Cash balance at the beginning of the year	727,604	764,995
Less: Cash balance at the end of the year	753,500	727,604
	(25,896)	37,391

Notes to the Financial Statements for the year ended 30 June 2009

	2009 R	2008 R
21. ASSESSMENT RATES		
Valuation of land and improvements:		
All properties	2,245,425,580	2,241,987,320
The Rateable valuation was R2,133,549,166		
The Valuation was done in 2006 and implemented on 1 July 2007	2,245,425,580	2,241,987,320
Actual Rateable Income	4,803,503	4,830,137

22. REMUNERATIONS

22.1 Council

Mayor's allowance	404,479	364,441
Salary	291,360	262,531
Travelling allowance	97,135	87,510
Telephone allowance	15,984	14,400
Councillor's allowance	1,619,637	1,262,279
Salaries	1,147,419	886,041
Travelling allowance	382,470	295,346
Telephone allowance	89,748	80,892
Councillor's Total Allowances	2,024,116	1,626,720

22.2 Municipal Manager

Annual Remuneration	438,170	164,401
Travel Allowance	120,000	50,000
Municipal Contributions	80,409	30,232
Annual Bonus	32,880	
	671,459	244,633

22.3 Chief Finance Officer

Annual Remuneration	401,229	271,917
Travel Allowance	120,000	108,000
Municipal Contributions	3,335	19,475
Leave Paid Out (new contract)		63,653
Acting Allowance		116,178
	524,564	579,223

22.4 Manager: Corporative Services

Annual Remuneration	371,914	327,919
Travel Allowance	191,691	191,691
Municipal Contributions	23,452	21,196
Acting Allowance		19,243
	587,057	560,049

Notes to the Financial Statements for the year ended 30 June 2009

	2009 R	2008 R
22.5 Manager: Health Services		
Annual Remuneration	428,553	401,563
Travel Allowance	96,000	96,000
Municipal Contributions	13,098	10,551
	537,651	508,114

22.6 Manager: Electricity Services		
Annual Remuneration	332,293	47,600
Travel Allowance	120,000	20,000
Municipal Contributions	61,352	8,825
	513,645	76,425

23. AUDITOR'S REMUNERATIONS

Audit Fee: Previous year	1,179,568	868,172
Audit Fee: Previous year paid	(1,179,568)	(868,172)
Audit fees: Provision for Current year	1,350,000	900,000
Total Audit fees outstanding (included in provisions - Note 12)	1,350,000	900,000

24. FINANCE TRANSACTIONS

Total external interest earned or paid

- Interest earned	1,045,365	701,379
- Interest paid: External loans	5,096	9,514
- Interest paid: Overdraft Bank account		144,136

Capital charges debited to operating account:

Interest:		
External	5,096	9,514
Internal		
Redemption:		
External	35,659	8,325,168
Internal		
	40,755	8,334,682

25. CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS

Guarantee - Department of Mineral & Energy	6,000	-
Notltesmit -Claim from Standard Bank: Termination of Agreement	340,999	-
* Noltesmit - Santam	305,000	
* Abrahamson & Reynolds - 135/2009	425,000	
* Abrahamson & Reynolds -891/2009	225,000	
* Abrahamson & Reynolds - 2100/2008	342,720	
* Abrahamson & Reynolds - 136/2009	415,600	
* Abrahamson & Reynolds - 2258/2008	314,700	
	2,375,019	-

* (A Municipal vehicle was involved in an accident during an unauthorised trip. The passengers are suing the Municipality for damages to a value of R2 028 020)

Notes to the Financial Statements for the year ended 30 June 2009

2009	2008
R	R

26. RETIREMENT BENEFITS

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

	Employee	Employee
SAMWU Provident Fund	5.00%	5.00%
SALA Pension Fund	8.60%	8.60%
Cape Joint Retirement Fund	9.00%	9.00%

27. CAPITAL COMMITMENTS

Commitments in respect of capital expenditure

5,709,583 1,306,666

This expenditure will be funded financed from:-

- Internal Sources

- External Sources

Other sources

Government Grants

5,709,583 1,306,666

5,709,583	1,306,666
-----------	-----------

5,709,583 1,306,666

28. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

Reconciliation of unauthorised expenditure

Opening balance

Unauthorised expenditure current year

Approved by Council or condoned

Unauthorised expenditure awaiting authorising

- -

Reconciliation of wastefull expenditure

Opening balance

Fruitless and wastefull expenditure current year

Approved by Council or condoned

Fruitless and wastefull expenditurre awaiting condonement

88,800 152,936

88,800 152,936

- -

Reconciliation of irregular expenditure

Opening balance

Irregular expenditure current year

Approved by Council or condoned

Irregular expenditurre awaiting condonement

538,849

538,849

-

(3 written quotes not obtained for procurements with a transaction value exceeding R10 000 up to R200 000 incl vat.)

Notes to the Financial Statements for the year ended 30 June 2009

	2009 R	2008 R
29. ADDITIONAL DISCLOSURES IN TERMS OF MFMA		
29.1 Employee related costs		
Salaries and wages - employees	21,500,272	
Salaries - Councillors	1,438,779	
Council's contributions to pension, medical aids and Group Life	4,288,120	
Travel allowances	479,605	
Housing, standby, SDL, UIF and other allowances	1,799,010	
Overtime payments	984,501	
Bonuses	1,763,734	
WCA	480,873	
	32,734,894	
29.2 Contribution to Organized Local Governemnt		
Opening balance	-	
Council subscriptions - current year	112,284	
Amount paid - current year	(112,284)	
Balance unpaid	-	
29.3 Taxes paid to SARS		
PAYE	2,940,508	
UIF	518,783	
Skills development Levy	243,397	
	3,702,688	

Only an amount of R262 is owed to SARS for UIF and is included in note 13 under "Sundry creditors"

29.3 Councillors arrear rates and service charges

There were no arrear rates and service charges by Councillors for more than 90 days.

Appendix A

Statutory Funds, Reserves and Trust Funds for the year ended 30 June 2009

	Balance at 30/06/2008 R	Contr. For the year R	Interest received R	Other income R	Operating expenditure during the year R	Capital expenditure during the year R	Balance at 30/06/2009 R
STATUTORY FUNDS							
Revolving fund	6,919,512			30,134			6,949,646
Housing development fund	371,028			143,026			514,054
	7,290,540			173,160			7,463,700
RESERVES							
Game Reserve	12,000						12,000
	12,000						12,000
TRUST FUNDS							
Dr. WH Craib Fund	17,015				2,000		15,015
LED Zama Fund	63,158						63,158
Integrated Development Plan	17,657			158,167	24,398		151,426
Zoning Map Fund	30,843						30,843
Pearston Small Farmers Association	1,763						1,763
Cookhouse 313 Houses	71,679						71,679
Perimeter Fence - Lake Bertie	0			839,928	460,753		379,175
Environmental Impact Study Fund	63,000						63,000
Spatial Development Framework	345,450				171,360		174,090
MIG - Revolving Fund	3,449,108		116,080	10,311,894	2,262,028	7,156,909	4,458,145
Project Consolidate - IT Project	11,671			36,531	21,892		26,310
MSIG Funds	448,741			735,000	1,067,409	27,705	88,627
Fire Management	30,000				9,997	20,003	0
Library Grant - Cacadu	20,081			7,734	(418)		28,233
Project Consolidate - Mentoring	15,548			82,501	31,978		66,071
Water Services Fund	100,000						100,000
NER Trust Fund	2,394,261				273,764	2,016,791	103,706
FMG Grant	76,332			250,000	326,332		0
CMIP - Trust Funds	151,861						151,861
Pearston 300 Houses	86,972		7		195		86,784
Free Basic Services Grant	110,026				68,247		41,779
LED Trust Fund	17,670				17,670		0
Housing Funds 1	83,732						83,732
Housing Funds 2				3,981,398	3,545,232		436,166
CIP Funds	0			200,057	30,570		169,487
Skills Dev Fund	0			83,405	49,954		33,451
Computer Project - Cacadu	10,752				10,752		0
HIV Drugs	0			60,000			60,000
CBP Ward Implementation Plan	238,211				233,668		4,543
DWAF	1,043,796			262,000	1,081,341		224,455
Aeroville Cemetery Grant				94,425			94,425
Elections: 2009/10				30,000	30,000		0
Prov Grant: Audit Fees				595,772	595,772		0
	8,899,327		116,087	17,728,812	10,314,894	9,221,408	7,207,924

Appendix B

External Loans and Internal Advances for the year ended 30 June 2009

		Balance at 30/06/2008 R	Received during the year R	Redeemed or written off during the year R	Balance at 30/06/2009 R
EXTERNAL LOANS					
Issued	Redeemable				
Development bank:					
DBSA @ 17.00% - Bi Annually	30-09-2016	0	0	0	0
DBSA @ 11.00% - (Shown as creditor in 2006/07)		0			0
ABSA Vehicle % Asset Finance	30-10-2009	48,796		35,659	13,137
TOTAL EXTERNAL LOANS		48,796		35,659	13,137
INTERNAL LOANS					
Internal advances to borrowing services		0			0



Appendix C

Analysis of Fixed Assets for the year ended 30 June 2009

Expenditure 2008 R		Budget 2009 R	Balance at 30/06/2008 R	Expenditure during the year R	Written off transferred redeemed or disposed R	Balance at 30/06/2009 R
	RATES AND GENERAL					
12,092,400	SERVICES	9,962,425	112,382,968	5,762,179	1,624,918	116,520,229
1,893,862	Community services	6,264,896	85,076,073	3,581,206	1,239,170	87,418,109
	Community Services ex Old Pearston TLC		-			-
	IDP	22,100	-	9,121		9,121
5,486	Town Planning					-
	Bestershoeck and Nature Reserve	21,000	458,014	4,649		462,663
	Environmental Health					-
332,434	Clinics		599,068		185,680	413,388
	Commonage and Pound	210,800	-			-
12,122	Council's General Expenses	23,200	17,502	16,502		34,004
12,397	Estates and Properties	29,677	42,977,306	21,453	(2,234,155)	45,232,914
1,226,504	Public Works	4,766,503	38,948,346	3,059,330	2,613,013	39,394,663
35,180	Municipal Manager	29,800	62,880	32,112	14,000	80,992
218,922	Financial Services	925,036	910,390	311,888	100,500	1,121,778
34,423	Human Resources	85,000	633,087	32,998	247,800	418,285
14,115	MIG Administration	25,920	14,115	28,977		43,092
2,279	Traffic	119,260	444,102	64,176	326,332	181,946
	LED Other	6,600	-		(14,000)	14,000
	Workshop		11,263			11,263
3,516,440	Subsidised services	2,827,786	5,823,652	1,614,230	385,748	7,052,134
	Subsidised services ex old Pearston TLC		-			-
3,105,668	Airfield	2,646,586	5,244,253	128,791		5,373,044
	Cemetries	83,000	-			-
	Fire Brigade		-	1,200,000		1,200,000
410,772	Libraries		579,399	191,061	385,748	384,712
	Parks and Recreation	98,200	-	94,378		94,378
6,682,098	Economic services	869,743	21,483,243	566,743	-	22,049,986
	Economic Services Ex Old Pearston TLC		-			-
55,427	Refuse Removal Services	436,600	362,427			362,427
	Sanitation and Vacuum Tank Services		-			-
6,626,671	Sewerage Services	433,143	21,120,816	566,743		21,687,559
-	HOUSING SERVICES	-	-	-	-	-
	Township administration		-			-
	Housing administration		-			-
234,264	TRADING SERVICES	1,528,436	39,272,137	6,256,454	434,200	45,094,391
	Abattoir		-			-
205,056	Electricity Services	1,378,436	15,533,803	2,491,954	434,200	17,591,557
29,208	Water Services	150,000	23,738,334	3,764,500		27,502,834
12,326,664	TOTAL	11,490,861	151,655,105	12,018,633	2,059,118	161,614,620
	Less: Loans redeemed and other Capital receipts		151,606,309	12,054,292	2,059,118	161,601,483
	Loans redeemed and advances repaid		99,368	35,659		135,027
	Contributions from operating income		16,529,127	1,158,260	14,722,377	2,965,010
	Grants and subsidies		134,862,414	10,860,373	(12,663,259)	158,386,046
	Public contributions		115,400			115,400
	NET FIXED ASSETS		48,796	(35,659)	-	13,137

Appendix D

Analysis of Operating Income and Expenditure for the year ended 30 June 2009

Actual 2008 R		Actual 2009 R	Budget 2009 R
INCOME			
27,433,786	Government - Grants & Subsidies	22,639,008	22,642,717
54,045,435	Operating income	63,030,287	93,807,511
4,830,137	- Assessment Rates	4,803,503	32,045,189
25,371,254	- Sale of Electricity	33,558,507	32,426,074
6,184,016	- Sale of Water	7,283,135	7,300,000
4,033,287	- Refuse	4,498,072	4,299,251
3,566,692	- Sewerage and Sanitation	3,974,636	3,960,000
10,060,049	- Tariffs, Other Service charges and Sundries	8,912,434	13,776,997
365,656	- Interest Received	929,278	730,000
81,844,877	Total Income	86,598,573	117,180,228
EXPENDITURE			
29,156,595	Salaries, wages and allowances	32,734,894	35,629,938
33,525,754	General expenses	39,127,779	70,698,336
13,856,516	- Bulk Purchases - Electricity	20,477,057	20,803,956
	- Bulk Purchases - Water	428,063	850,000
19,669,238	- Other General Expenditure	18,222,659	49,044,380
2,817,721	Repairs and maintenance	3,000,107	3,653,177
8,334,682	Capital charges	40,755	
815,624	Contributions to fixed assets	1,158,260	3,816,211
7,461,573	Contributions to funds	6,497,073	3,896,196
286,597	Less: Charged out	439,200	513,630
81,825,352	Total Expenditure	82,119,668	* 117,180,228

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

Appendix E

Detailed Income Statement for the year ended 30 June 2009

Actual Income 2008 R	Actual expenditure 2008 R	Surplus/ (deficit) 2008 R		Actual Income 2009 R	Actual expenditure 2009 R	Surplus/ (deficit) 2009 R	Budget Surplus/(deficit) 2009 R
46,668,684	56,799,399	(10,130,715)	RATES AND GENERAL SERVICES	42,221,589	49,549,285	(7,327,696)	(7,918,678)
31,165,667	43,344,234	(12,178,567)	Community services	31,592,741	34,258,925	(2,666,184)	(2,892,705)
4,830,137		4,830,137	Assesment rates	4,803,503		4,803,503	5,282,221
			Mayoral Executive		191,727	(191,727)	(210,048)
			Integrated Dev Plan		158,772	(158,772)	(177,875)
			Internal Audit		116,305	(116,305)	(162,000)
			Local Economical Dev		387,281	(387,281)	(331,491)
564,172	597,137	(32,965)	Biltong Festival	514,257	1,076,690	(562,433)	(570,832)
3,049,154	3,051,249	(2,095)	Clinics	3,115,051	2,666,733	448,318	(158,794)
224,670	1,168,064	(943,394)	Commonage and Pound	73,617	514,448	(440,831)	(763,967)
	5,610,950	(5,610,950)	Coporate Services	4,600	3,980,156	(3,975,556)	(3,876,689)
434,000	2,148,233	(1,714,233)	Municipal Council	493,000	2,321,408	(1,828,408)	(2,131,709)
526,359	466,230	60,129	Environmental Health	434,225	411,380	22,845	(29,727)
17,918,772	18,296,856	(378,084)	Financial Services	19,252,710	10,730,518	8,522,192	8,182,515
		-	Housing Administration			-	-
158,007	2,323,708	(2,165,701)	Properties and Leasing	216,145	2,900,721	(2,684,576)	(3,045,275)
592,124	4,475,832	(3,883,708)	Public Works	688,732	4,938,607	(4,249,875)	(3,873,267)
	1,897,907	(1,897,907)	Accounting Officer		1,740,519	(1,740,519)	(1,834,465)
276,275	258,473	17,802	MIG Administration	380,350	380,350	-	180,001
2,392,551	2,540,480	(147,929)	Traffic	1,344,539	1,143,601	200,938	1,386,863
		-	Stores			-	-
199,446	509,115	(309,669)	Workshop	272,012	599,709	(327,697)	(758,166)
4,162	2,201,589	(2,197,427)	Subsidised services	185,628	3,058,776	(2,873,148)	(3,455,571)
		-	Cemetries & Open Spaces	50,971	1,058,933	(1,007,962)	(1,406,515)
	101,375	(101,375)	Disaster Man & Firebrigade	564	216,495	(215,931)	(242,673)
4,162	1,025,037	(1,020,875)	Libraries	21,821	1,315,477	(1,293,656)	(1,263,235)
	1,075,177	(1,075,177)	Parks and Recreation	112,272	467,871	(355,599)	(543,148)
15,498,855	11,253,576	4,245,279	Economic services	10,443,220	12,231,584	(1,788,364)	(1,570,402)
9,096,510	7,435,543	1,660,967	Refuse	5,601,012	8,321,757	(2,720,745)	(2,962,425)
6,402,345	3,818,033	2,584,312	Sewerage and Sanitation	4,842,208	3,909,827	932,381	1,392,023
35,176,193	25,025,953	10,150,240	TRADING SERVICES	44,376,983	32,570,382	11,806,601	7,918,678
27,772,356	19,572,630	8,199,726	Electricity	36,016,454	26,488,543	9,527,911	4,989,883
7,403,837	5,453,323	1,950,514	Water	8,360,529	6,081,839	2,278,690	2,928,795
81,844,877	81,825,352	19,525	TOTAL	86,598,572	82,119,667	4,478,905	-
	4,468,826		Appropriations for the year (refer to note 15)		984,002		
	4,488,351		Nett surplus/(deficit) for the year (refer to note 15)		5,462,907		
	(14,524,085)		Accumulated deficit at the beginning of the year		(10,035,734)		
	(10,035,734)		ACCUMULATED DEFICIT AT THE END OF THE YEAR		(4,572,827)		

Appendix F

Statistical Information for the year ended 30 June 2009

		2009	2008
a) General statistics			
- Population		34 357	34 357
- Total Valuation of property			
- Residential and Commercial	Rand	2 245 425 580	2 241 987 320
- Assessment rates:			
Somerset East properties	Rand	See below	
Pearston properties	Rand	See below	
Cookhouse properties	Rand	See below	
Clevedon properties	Rand	See below	
Unvalued properties	Rand	See below	
Farmers:			
Up to R100 000 valuation - Tariff less 90% rebate		0.01550	0.01409
From R100 001 valuation - Tariff less 60% rebate less 90%		0.01550	0.01409
Business:			
Up to R100 000 valuation - Tariff		0.01550	0.01409
From R100 001 valuation - Tariff less 60% rebate		0.01550	0.01409
Residential:			
R15 000 exemption on total valuation		0.01550	0.01409
From R15 001 to R100 000 valuation - Tariff		0.01550	0.01409
From R15 001 with a valuation more than R100 001 -		0.01550	0.01409
Tariff less 60% rebate		0.01550	0.01409
State/Government:			
On the full valuation - Tariff less 20% rebate		0.01550	0.01409
Infrastructure:			
On the full valuation - Tariff less 70% rebate		0.01550	0.01409
- Number of erven		11 701	8 996
- Number of employees		294	293
b) Electricity statistics			
- Units bought	Kwh	77 352 819	70 016 449
- Units sold	Kwh	67 199 633	62 840 486
- Units lost in distribution	Kwh	10 153 186	7 175 963
- Units lost as a percentage	Perc	13.13%	10.25%
c) Water statistics			
- Units purified	Kl	N/A	N/A
- Units sold	Kl	N/A	N/A
- Units lost in distribution	Kl	N/A	N/A
- Units lost as a percentage	Perc	N/A	N/A

4.2 Budget to actual comparison

- **Capital Expenditure**

The Accounting Officer's report contained in the set of Financial Statements deals with capital spending, and offers reasons for the significant under-performance compared to the budgeted figures.

- **Overall Operating Result**

The Municipality concluded the year with a net operational surplus of R4, 478, 905. Added to the deficit brought forward from the previous Financial Year, this results in an accumulated net deficit of R5, 556, 829.

The surplus of R4, 478, 905 for the Financial Year is mainly attributable to the controls on the expenditure, and the non-expenditure of Capital Projects not done but budgeted for.

- **Operating Expenditure**

The analysis of the Municipality's operating expenditure is as follows:

Operating Expenditure	R	% of Gross Expenditure
Personnel costs	32, 734, 894	40
General expenses	18, 222, 659	22
Bulk purchases – Electricity	20, 477, 057	25
Bulk purchases - Water	428, 063	0
Repairs and Maintenance	3, 000, 107	3
Capital Charges	40, 755	0
Contributions to fixed assets	1, 158, 260	2
Contributions to funds	6, 497, 073	8
Gross Expenditure	82, 558, 868	100
Less: Amount charged out	439, 200	
Net Expenditure	82, 119, 668	

Expenditure such as personnel cost, purchase of power and general expenses over which Council has very limited capacity to adjust in the short-term account for approximately 89% of gross operating expenditure. This leaves Council with very limited scope to redirect spending towards, for example, supporting operational expenses and loans needed for the improvement of infrastructure and services in previously deprived areas.

An amount of R88 799.66 consists of wasteful expenditure and was approved by Council.

The reason for this expenditure was for interest on late payments and the former Municipal Managers interest on his leave, and a payment made for the Performance contracts of the Development Agency.

- **Operating Income**

The following is a breakdown of the Municipality’s operating income represented by the respective income categories:

Income Category	R	%
Grants and Subsidies	22, 639, 008	26
Assessment Rates	4, 803, 503	6
Electricity Charges	33, 558, 507	39
Refuse	4, 498, 072	5
Sewerage and Sanitation	3, 974, 636	5
Water Charges	7, 283, 135	8
Other Income	8, 912, 434	10
Interest Received	929, 278	1
Total Income	86, 598, 573	100

Grants, Subsidies and Electricity income are the major sources of income and constitute 48% of total income.

Actual income increased due to the gross rates shown as income.

- **Balance Sheet**

The Balance Sheet is a snapshot of Councils financial standing at a particular point in time. It reflects the financial results and policies and helps Council as well as outsiders to determine the asset worth of the Municipality, and to what extent that worth is encumbered.

Council must take note that the current assets exceed the current liabilities and that means that the Municipality have the funds to pay their current liabilities.

- **Financial Policies**

It is important to peruse the financial policies contained in the statements before analysing the statements.

There were no major policy reviews undertaken in the year under review.

Discussion of certain headings in the Balance Sheet follows.

- **Capital Employed**

This heading reflects the capital employed in the organisation and how that capital was generated. It mainly consists of two broad categories viz. own capital and borrowed capital and tells the reader where the ownership of the Municipality actually vests.

- **Own Capital**

Own capital is contained under the headings “Funds and Reserves” and “Accumulated Surplus/Deficit”.

This situation has currently improved due to the fact that the Accumulated Deficit has decreased from R10, 035, 734 to R4, 572, 827 and this means that the Municipality’s current financial position is starting to look better.

- **Borrowed Capital**

Borrowed capital is contained under the headings "Trust Funds, Long Term Liabilities and Consumer Deposits: Services".

Borrowed capital totals to R8, 416, 488.

The Municipality's total borrowing is R8, 416, 488 (borrowed capital) plus R11, 655, 063 (current liabilities), which totals R20, 071, 551.

From the above it is clear that, the Municipality's current assets exceeds it liabilities, which was not the position in the 2007/08 Financial Year and it means that the Municipality will be able to repay its Creditors, and that the funds are cash backed in a Call Account i.e. our Money Market account.

- **Debtors**

Debtors, in respect of services, amounted to R21 149 498 before the deduction of doubtful debts.

A provision of R14, 493, 004 is made for bad debts, and an amount of R6, 045, 383.67 was written off during the Financial Year.

The performance overview above reflects a substantial deterioration in the situation, despite the amount written off.

By having an exceedingly high amount of revenue locked in debtors, Council is effectively compromising its ability to finance infrastructure development desperately needed for economic growth and to eradicate service backlogs in underdeveloped areas.

The high amount contained in debtors reflects poorly on Council's ability to collect its revenue and furthermore causes unnecessary upward pressure on tariffs to compensate for doubtful debts.

It frustrates the strategic plan of Council in various ways and leads to inappropriate reductions in operating expenditure on essential items such as maintenance expenditure on infrastructure.

- **Creditors**

The total amount owing by Council to Creditors is R7, 252, 475. The Municipality paid these Creditors in the month of July 2009 and for the first time in a long while the Municipality is paying their Creditors in 30 days, as required by the MFMA Act.

- **Councillor Remuneration**

The amount spent on remuneration of Councillors was R2, 024, 116 and this was an increase of 24.4%.

- **Section 57 Employees**

The amount spent on remuneration of Section 57 employees amounted to R2, 834, 377.

- **Overall Results and Comments**

Control over expenditure needs to be improved, and a strategy adopted to wipe out the current Deficit situation over a realistic period.

The financial targets contained in the overview above need to be adopted as benchmarks for future performance, and progress needs to be regularly monitored to ensure compliance.

Revenue collection needs to be improved and tariffs must be restructured to make them cost- and user related, to ensure a more equitable distribution of the amount available for relief to the poor.

Council must also take note that the landfill sites have only been added in the Financial Statements as a note and not a provision, because the Municipality do not have that kind of money. The Municipality have already applied to National Treasury for money.

Council must also take note that these Financial Statement are only in draft format and can be changed if necessary.

4.3 Grants and Transfers' Spending

Amount received and spent each quarter														
Grant details			01/04/2008 to 30/06/2008		01/07/2008 to 30/09/2008		01/10/2008 to 30/12/2008		01/01/2009 to 30/03/2009		01/04/2009 to 30/06/2009		Total	
Project name	Donor name	BF amount	Rec.	Spent	Rec.	Spent	Rec.	Spent	Rec.	Spent	Rec.	Spent	Rec.	Spent
MIG	Nat. T	-	1 850	1 787	2 550	2 313	1 950	1 485	1 257	2 043	4 935	4 914	12 542	12 542
MSIG	Nat. T	-	-	246	735	55	-	2	-	67	-	363	735	733
IDP/CIP	CDM	-	-	11	200	-	158	-	-	9	-	45	358	65
FMG	Nat. T	-	250	63	-	63	-	63	-	66	250	255	500	505
HIV/AIDS	CDM	-	-	-	-	-	-	-	-	-	60	-	60	-
Perimeter Fence	CDM	-	-	-	-	-	-	-	840	115	-	344	840	459
DWAF	DWAF	-	1 043	-	-	373	-	151	262	5	-	551	1 305	1 080

4.4 Meeting of Donors' requirements in respect of conditional grants

The Municipality did not have any donors' in respect of conditional grants during reviewed period.

4.5 Long-term contracts entered into by the Municipality

The Municipality has not entered into any long-term contracts during the period reviewed.

4.6 Annual performance as per key performance indicators in financial viability

Indicator name	Target set for the year R(000)	Achievement level during the year R(000)	Achievement percentage during the year
1 Percentage expenditure of capital budget	11 491	12 019	100%
	Target set for the year (35%) R(000)	Achievement level during the year R(000)	Achievement percentage during the year vs. the operational budget
2 Salary budget as a percentage of the total operational budget	-	32 735	30%

	Target set for the year (20% or less) R(000)	Achievement level during the year R(000)	Achievement percentage during the year vs. the actual revenue
3 Total actual trade creditors as a percentage of total actual revenue	-	-	-
	Target set for the year (80% and more) R(000)	Achievement level during the year R(000)	Achievement percentage during the year
4 Total municipal own revenue as a percentage of the total actual budget	-	-	-
	Target set for the year R(000)	Achievement level during the year R(000)	Achievement percentage during the year
5 Rate of municipal consumer debt reduction	-	-	-
6 Percentage of MIG budget appropriately spent	-	10 312	100%
7 Percentage of MSIG budget appropriately spent	-	735	100%

4.7 The Audit Committee's functionality

The Internal Audit Committee has a schedule of four meetings per year. The service is a shared service between, and amongst, Ikwezi, Camdeboo and Blue Crane Route Local Municipalities. The meetings rotate amongst the three Local Municipalities.

The following attend the meetings:

- Mayors.
- Municipal Managers.
- Chief Finance Officers.
- Any other relevant officials.
- Audit Committee Members.
- Internal Auditors, and
- Scribes.

They (A/C) focus on:

- Financial controls.
- Policy issues and emergent trends through circulars.
- Risk Management issues graded according to red, amber and green.
- Prioritization of risk.
- Reporting on finance and performance.
- Governance issues.
- Economic development issues.
- Assess and review financial statements.
- Provide report on Annual Report about municipal trends.
- Do some integration on financial matters, and
- Elaborate on A-G report and advise Council accordingly.

Recommendation of the Audit Committee flow:



The Internal Audit Committee has a schedule of four meetings per year. The service is a shared service between, and amongst, Ikwezi, Camdeboo and Blue Crane Route Local Municipalities. The meetings rotate amongst the three Local Municipalities.

4.8 Arrears in property rates and service charges

The Age Analysis of Debtors as at 30 June 2009 is as follows:

Detail	30 Days (R'000)	60 Days (R'000)	90 Days (R'000)	120 Days (R'000)	150 Days (R'000)	180 Days (R'000)	1 Year (R'000)	Over 1 Year (R'000)	Total (R'000)
Debtors Age Analysis by Income Source:									
Water Tariffs	1 099	261	204	292	227	205	752	2 425	5 470
Electricity Tariffs	2 817	241	115	117	78	54	170	371	3 967
Rates(Property)	378	42	37	34	34	31	323	1 023	1 906
Sew./Sanitation Tariffs	629	147	125	143	116	117	481	2 177	3 937
Refuse Removal Tariffs	679	169	156	171	144	136	606	2 081	4 146
Housing(Rental Income)	85	11	8	7	6	5	59	284	468
Other	-28	34	39	67	43	41	309	2 683	3 191
Total by Income Source	5 661	908	688	834	652	590	2 703	11 049	23 085

Debtors Age Analysis By Customer Group:									
Government	254	122	1	1	8	2	16	21	425
Business	572	12	6	6	6	5	22	104	733
Households	4 382	743	662	815	605	577	2 461	10 594	20 839
Other	453	31	19	12	33	6	204	330	1 088
Total by Customer Group	5 661	908	688	834	652	590	2 703	11 049	23 085

4.9 Anti- Corruption Strategy

The Municipality did not have a Fraud Prevention Strategy in place during the period under review, but did approve a Fraud Prevention Policy on 27 May 2009 and the awareness campaign and the implementation thereof will take place during the 2009/2010 Financial Year.

4.10 The Audit Committee

The BCMR is part of the cluster shared service on Audit Committee function. This includes Camdeboo, Ikwezi, and Sunday's River. It operates as follows:

Committee Members	Status	Meetings	Functionality
Prof. Rosenberg	Chairperson	Four times per year	Attended all
Mr. R. Botha	Member	Four times per year	Attended all
Ms R van der Walt	Member	Four times per year	Attended all

The Audit Committee sits and invites the Internal Audit Services (also shared service) to the meetings. The internal auditor's was PriceWaterHouseCoopers and the meeting focused on:

- Financial performance.
- Municipal performance.
- Risk areas raised by internal auditors and responses thereof.
- Recommended development focus, and
- Recommendation of the Audit Committee.

The recommendations are submitted to the Finance Committee and finally to Council for approval and action.

The Municipal Manager, then accounts to the next Audit Committee meeting on recommendations.



4.11 The Auditor-General's Report

Report of the Auditor-General to the Eastern Cape Provincial Legislature and the Council on the Financial Statements and Performance Information of the Blue Crane Route Municipality for the Year Ended 30 June 2009

Report on the Financial Statements

Introduction

1. I have audited the accompanying financial statements of the Blue Crane Route Municipality which comprise the balance sheet as at 30 June 2009, and the income statement and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 32 to 58.

The Accounting Officer's responsibility for the financial statements

2. The Accounting Officer is responsible for the preparation of these financial statements in accordance with the entity-specific basis of accounting, as set out in accounting policy note 1 and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and for such internal control as the Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material miss-statement, whether due to fraud or error.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing read with General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material miss-statement.
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 miss-statement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

7. In my opinion the financial statements of the Blue Crane Route Municipality as at 30 June 2009 have been prepared, in all material respects, in accordance with the basis of accounting as set out in accounting policy note 1 and in the manner required by the MFMA.

Emphasis of matters

Without qualifying my opinion, I draw attention to the following matters.

Unauthorised, irregular or fruitless and wasteful expenditure as well as material losses through criminal conduct

8. As disclosed in note 28 to the financial statements, fruitless and wasteful expenditure to the amount of R88 800 was incurred in respect of interest and penalties. The fruitless and wasteful expenditure was incurred as a result of a lack of oversight by the Accounting Officer.
9. Formal written price quotations for procurements with a transaction value exceeding R10, 000 up to R200, 000 (VAT included) could not be provided for expenditure amounting to R538, 849 (VAT included), as required by Supply Chain Management (SCM) Policy section 3.10. This resulted in the irregular expenditure disclosed in note 28 to the financial statements. The irregular expenditure was incurred as the Supply Chain Management Policy was not adequately communicated to the staff involved to ensure that internal control processes and responsibilities are adequately executed.

Other matters

Without qualifying my opinion, I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Unaudited supplementary schedules

10. The supplementary statistical information set out in Appendix F to the financial statements does not form part of the financial statements and is presented as additional information. I have not audited this schedule and accordingly I do not express opinion thereon.

Non-compliance with applicable legislation

Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA)

11. The Municipality has failed to report the fruitless and wasteful expenditure of R88 800 included in note 28 to the financial statements to the MEC for local government and the Auditor-General as required by section 32(4) of the MFMA. The reports were not submitted as a result of a lack of oversight by the Accounting Officer over financial reporting and internal control.
12. Revenue received by the Municipality from the Traffic Department acting as a collecting agent on behalf of the Municipality is not reconciled on a weekly basis as required by section 64(h) of the MFMA. The reconciliations were not performed as there is a lack of documented policies and procedures that detail the standard procedures are required to ensure that the transaction are completely and accurately processed.
13. A risk assessment was conducted, however the risk management strategy did not include a fraud prevention plan as prescribed in terms of section 62(c)(i) of the MFMA. The fraud prevention plan was not included as the Municipality did not determine a risk strategy/action plan to manage the identified risks.
14. The internal audit plan did not include the audit of compliance with the MFMA, annual Division of Revenue Act, 2008 (Act No. 20 of 2008) (DoRA) and any other applicable legislation as required by section 165(2) (b) (vii) of the MFMA. This was as a result of a lack of oversight by the Accounting Officer and the Audit Committee.

Electricity Regulation Act, 2006 (Act No. 4 of 2006)

15. The requirements of section 15(2) of the Electricity Regulation Act, 2006 was not complied with as the Municipality applied electricity tariffs in excess of the tariffs approved by the Regulator. The deviation was not approved by the Regulator as required by section 15(3) of the Electricity Regulation Act, 2006. The approval was not obtained as a result of a delay in the process required to obtain the required information.

Governance framework

16. The governance principles that impact the auditor’s opinion on the financial statements are related to the responsibilities and practices exercised by the Accounting Officer and Executive Management and are reflected in the key governance responsibilities addressed below:

Key governance responsibilities

17. The MFMA tasks the Accounting Officer with a number of responsibilities concerning financial and risk management and internal control. **Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:**

No.	Matter	Y	N
1.	No significant difficulties were experienced during the audit concerning delays of the availability of requested information.	X	
2.	The financial statements were not subject to any material amendments resulting from the audit.		X
3.	The annual report was submitted for consideration prior to the tabling of the auditor’s report.	X	
4.	The annual financial statements were submitted for auditing as per the legislated deadlines, as set out in section 126 of the MFMA.	X	
5.	Key officials were available throughout the audit process.	X	
6.	Audit committee		
	• The Municipality had an Audit Committee in operation throughout the Financial Year.	X	
	• The Audit Committee operates in accordance with approved, written terms of reference.	X	
	• The Audit Committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.	X	
7.	Internal audit		
	• The Municipality had an internal audit function in operation throughout the Financial Year.	X	
	• The internal audit function operates in terms of an approved internal audit plan.		X
	• The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.		X
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.		X
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.		X
10.	The information systems were appropriate to facilitate the preparation of the financial statements.	X	
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section 62(c)(i) of the MFMA.		X
12.	Delegations of responsibility are in place, as set out in section 79 of the MFMA.	X	
13.	The prior year audit findings have been substantially addressed.	X	

No.	Matter	Y	N
14.	SCOPA/Oversight resolutions have been substantially implemented.	N/A	
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		X
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		X
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the Blue Crane Route Municipality against its mandate, predetermined objectives, outputs, indicators and targets. (section 68 of the MFMA)	X	
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.		X

18. The material amendments made to the financial statements were mainly as a result of a lack of knowledge on specific accounting matters.
19. The significant deficiencies in the design and implementation of internal control in respect of financial, risk management and compliance with laws and regulations is a result of a lack in implemented documented policies, procedures and practices over financial and compliance reporting objectives.
20. There is a lack of a formal documented performance management system, which includes policies and procedures to guide the entire process over the reporting on performance information.

Investigations

21. The Special Investigation Unit (SIU) is currently conducting an investigation at the Traffic Department with regards to all financial activities, operational activities (learners and drivers licence testing) and the control environment.
22. The Department of Roads and Transport (Aviation) is conducting an investigation to determine whether the funds allocated in respect of the airfield was utilised for its intended purpose.

Report on other Legal and Regulatory requirements

Report on performance information

23. I have reviewed the performance information as set out on pages 93 to 103.

The Accounting Officer's responsibility for the performance information

24. In terms of section 121(3)(c) of the MFMA, the annual report of a Municipality must include the annual performance report of the Municipality, prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

The Auditor-General's responsibility

25. I conducted my engagement in accordance with section 13 of the PAA read with General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008 and section 45 of the MSA.
26. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

27. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

Audit findings (performance information)

Non-compliance with regulatory requirements

Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA)

28. The Accounting Officer of the Municipality did not (by 25 January of each year) assess the performance of the Municipality during the first half of the Financial Year, taking into account the Municipality's service delivery performance during the first half of the Financial Year and the service delivery targets and performance indicators set in the service delivery and budget implementation plan, as prescribed in terms of section 72 of the MFMA.
29. The Municipality's budget did not include a multi-year business plan for the Blue Crane Development Agency as prescribed in terms of section 87(5)(d) of the MFMA.
30. The proposed budget for the Blue Crane Development Agency was not tabled in Council when the annual budget for the Municipality was tabled as prescribed in terms of section 87(2) and (3) of the MFMA.
31. The Blue Crane Development Agency did not prepare an annual report for the 2007/08 Financial Year as prescribed in terms of section 121(1) of the MFMA.

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

32. The Integrated Development Plan (IDP) does not reflect a financial plan which includes a budget projection for at least the next three years as prescribed in terms of section 26(h) of the MSA.
33. Notice to the public of the adoption of the IDP was not given within 14 days of the adoption as prescribed in terms of section 25(4)(a) of the MSA.
34. The key performance indicators set by the Municipality did not include any general key performance indicators applicable to the Municipality, as prescribed in terms of section 43(1) of the MSA.
35. The Municipality did not adopt and implement a framework that assesses employees, other than section 57 managers, as prescribed in terms of section 67(1)(d) of the MSA.
36. The Municipality did not develop and implement mechanisms, systems and processes for auditing the results of performance measurement as part of its internal audit processes, as required in terms of section 45 of the MSA.
37. There performance management system in place was not approved by the council as prescribed in terms of section 39(c) of the MSA.
38. A performance report reflecting a comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous Financial Year has not been prepared as required by section 46(1)(b) of the MSA.
39. The 2008/09 Integrated Development Plan (IDP) was not clearly aligned with the 2008/209 Service Delivery and Budget Implementation Plan (SDBIP) as the development priorities/objectives, key performance indicators and the targets per key performance indicators were not consistent. This is in contravention with the prescripts of section 25(1)(a)-(c) of the MSA.

Municipal Planning and Performance Management Regulations, 2001

40. The internal auditors of the Municipality did not audit the performance measurements on a continuous basis and did not submit quarterly reports on their audits to the Municipal Manager and the Performance Audit Committee as required by regulation 14(1)(c) of the of the Municipal Planning and Performance Management Regulations, 2001.
41. The Audit Committee, which functions as the Performance Audit Committee did not include at least one person who has expertise in performance management, as prescribed in terms of regulation 14(2) (b) of the Municipal Planning and Performance Management Regulations, 2001.
42. The Audit Committee did not review the quarterly reports and the performance management system and make recommendations in this regard to the council, as prescribed in terms of section 14(4)(a) and (b) of the Municipal Planning and Performance Management Regulations, 2001.
43. The key performance indicators included in the 2008/09 Integrated Development Plan (IDP) were not measurable (verifiable) and precise (well-defined) as prescribed in terms of section 9(1)(b) the Municipal Planning and Performance Management Regulations, 2001.
44. The targets per key performance indicator included in the 2008/09 Integrated Development Plan (IDP) were not specific, measurable and time-bound as required by the prescripts of section 12(2)(a)-(e) of the Municipal Planning and Performance Management Regulations, 2001

Blue Crane Development Agency By-Laws

45. A performance agreement between the Blue Crane Route Municipality and the Blue Crane Route Development Agency was not in place in the current year as prescribed in terms of the Blue Crane Development Agency By-Laws Provincial Gazette Extraordinary, 13 March 2008, No.1841.

Usefulness and reliability of reported performance information

46. The following criteria were used to assess the usefulness and reliability of the information on the Municipality's performance with respect to the objectives in its integrated development plan:
 - **Consistency:** Has the municipality reported on its performance with regard to its objectives, indicators and targets in its approved integrated development plan?
 - **Relevance:** Is the performance information as reflected in the indicators and targets clearly linked to the predetermined objectives and mandate. Is this specific and measurable, and is the time period or deadline for delivery specified?
 - **Reliability:** Can the reported performance information be traced back to the source data or documentation and is the reported performance information accurate and complete in relation to the source data or documentation?

The following audit findings relate to the above criteria:

Inconsistently reported performance information

47. The Municipality has not reported throughout on its performance with regard to its development priorities/objectives, key performance indicators (KPIs) and targets per KPIs as per the approved 2008/09 integrated development plan (IDP).
48. Inconsistencies have been identified between all the development priorities/objectives, KPIs and targets per KPIs as per the approved 2008/2009 IDP and the 2008/09 annual performance report:

Reported performance information not reliable

49. Sufficient appropriate audit evidence with regard to the reported performance information of the following development priority/objectives could not be obtained, as the information system used for generating performance information was not appropriate to facilitate the preparation of accurate and complete actual performance information.

Development priority/objective	KPI
Reliable and affordable electricity will be available to 80% of consumers by 2012	Provision of affordable and reliable electricity to 80% of consumers by 2012
All families in BCRM will live in adequate housing by 2012	Provision of adequate housing

APPRECIATION

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

Auditor General.

Port Elizabeth
30 November 2009



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence



Chapter 5: Good Governance and Public Participation (KPA 5)

5.1 Overview of the Executive and Council functions and achievements

Blue Crane Route is a Category B Municipality and has a Plenary System, which means that all executive powers are vested in Council. The provisions of the latter are per the section 12 Notice of the Municipal Structures Act 117 of 1998.

It has a Speaker who is also called the Mayor as is the case with Category B Municipalities with a Plenary System.

There are ten (10) Councillors and four (4) Standing Committees, namely:-

- **Technical Services Committee**

- (a) Civil Works.
- (b) Electricity.
- (c) Mechanical Workshop.
- (d) Commonage and Pound, and
- (e) Water and Sanitation.

Members:

- Cllr J.F. Froehlich – Chairperson
- Cllr K.C. Brown
- Cllr N.P. Yantolo
- Cllr B.A. Manxoweni

- **Community Services Committee**

- (a) Environmental Health Services.
- (b) Cleansing Services.
- (c) Environmental Education.
- (d) Primary Healthcare Services, and
- (e) Protection Services.

Members:

- Cllr B.A. Manxoweni – Chairperson
- Cllr N.P. Yantolo
- Cllr V.S. Jonas
- Cllr W.H.K. Olivier

- **Corporate Services Committee**

- (a) Administration.
- (b) Human Resources.
- (c) Housing & Land Usage, and
- (d) Library Services.

Members:

- Cllr M. Nontyi – Chairperson
- Cllr L. Simmons
- Cllr B.A. Manxoweni
- Cllr N.R. Sibaca

- **Finance Committee**

- (a) Income.
- (b) Expenditure.
- (c) Budget.

Members:

- Mayor N.M. Scott - Chairperson
- Cllr K.C. Brown
- Cllr J.F. Froehlich
- Cllr V.S. Jonas
- Cllr N.P. Yantolo

- **The Office of the Mayor is responsible for the following functions, namely:**

- (a) LED / IDP (Portfolio Councillor N.P. Yantolo).
- (b) SPU's (Portfolio Councillor N.P. Yantolo).
- (c) HIV/AIDS.
- (d) Youth.
- (e) Disabled.
- (f) Women.
- (g) Public Participation, and
- (h) Tourism.

- Council plans to have six Council meetings per year. **All the meetings are preceded by Committee meetings of the:**
 - Finance Committee.
 - Corporate Services Committee.
 - Community Services Committee, and
 - Technical Services Committee.

- The Council has Special Committees that are convened in order to ensure that decisions are taken without waiting for Ordinary Council Meetings.

Ordinary Council	Special Council	Committee Meetings
27/03	29/01	24/01
21/05	08/04	13/03 & 17/03
16/07	30/05	15/04 & 16/04
29/09	07/07	17/06 & 18/06
22/10		05/08 & 06/08
		22/09 & 23/09
		18/11 & 19/11

- The Council resolutions are prepared for signature by the Mayor. When approved, they are implemented by the officials. They subsequently account in the following meetings on the implementation of resolutions.
- Policy Development and by-laws are also the core function of the Council. Council make sure that everything is done inline with a policy/by-laws to guide through.

- Council has all/almost all policies reviewed:
 - Human Resources Policies.
 - Financial Policies.
 - Generic Policies, and
 - ICT Policies.
- The By-laws were also reviewed accordingly:

Department	Policy/By-Law	Reviewed (Y/N)
Human Resources Policies	Career/Succession Planning	Approved
	Recruitment And Selection	Approved
	Promotion and Transfer Policy	Approved
	Substance And Travelling Allowance	Approved
	Occupational Health and Safety	Approved
	HIV and AIDS	Approved
	Training and Development	Approved
	Telephone and Facsimile Usage	Approved
	Vehicle Usage and Vehicle Accident	Approved
	Leave Policy	Approved
Rainy Day Policy	Approved	
Financial Policies	Investment Policy	Approved
	Financial Reporting Framework Policy	Approved
	Asset Management Policy	Approved
	Cost Estimation Policy	Approved
	Cash Management Payment of Creditors Policy	Approved
	Cash Receipt and Banking Policy	Approved
	Supply Chain Management Policy and Code of Good Practice	Approved
	Policy and Code of good Practice	Approved
	Credit Control and Indigent Relief Policy (ex Revenue By- Laws)	Approved
	Rates Policy and Rates Policy By-Laws	Approved
Fraud Prevention Framework & Policy	Approved	
Generic Policies	Draft Tariff Policy	Approved
	Asset Management Policy	Approved
	Budget Policy	Approved
	Cash Management and Payment of Creditors Policy	Approved
	Credit Control and Indigent Relief Policy	Approved
	Cash Receipts and Bank Policy	Approved
	Financial Reporting Framework Policy	Approved
	Investment Policy	Approved
	Property Rates Policy	Approved
	Reward, Gifts and Favours Policy	Approved
	Risk Management Policy	Approved
	Roles and Responsibilities and the Delegation of Powers	Approved
	Supply Chain Management Policy	Approved
Credit Control and Dept Collection by Law Policy	Approved	
Customer Care Policy	Approved	

Department	Policy/By-Law	Reviewed (Y/N)
Generic Policies	Draft Rates Policy By-Law	Approved
	Career/ Succession Planning	Approved
	HIV and AIDS	Approved
	Occupational Health and Safety	Approved
	Promotion and Transfer	Approved
	'Rainy Day'	Approved
	Recruitment Policy	Approved
	Reimbursement of mobile phone costs	Approved
	Sexual and other harassment	Approved
	Smoking	Approved
	Substance abuse subsistence and travelling allowance	Approved
	Telephone and facsimile usage	Approved
	Training and Development	Approved
Vehicle usage and Vehicle accidents	Approved	
ICT Policy	IT Network Security Policy	Approved
	IT Data and Systems Security	Approved
	Disaster Recovery Policy	Approved
	Internet, Intranet, Extranet and e-mail Policy	Approved

- The Council is also to adopt the work of the Steering Committee discussion, IDP forum discussion and Public Participation process. **All these processes are guided by the documents that reveal the processes evolution, which culminates to what the MFMA declares (Systems Act) as:**
 - Draft IDP.
 - Draft Budget.
 - Approved IDP (Aligned).
 - Approved aligned Budget.
 - Service Delivery and Budget Implementation Plan, and
 - Performance Management System.

Document	Approval Date	If not- Reasons
Draft IDP	31/03	N/A
Draft Budget	31/03	N/A
Approved IDP	27/05/2009	N/A
Approved Budget	27/05/2009	N/A
Service Delivery SDBIP	27/05/ 2009	N/A
PMS	Interim PMS	Delayed- new system

- Oversight responsibility is another area in which Council plays a key role. The Council needs to adopt a process that guides the oversight process. **The oversight responsibility includes:**
 - Council to play its role as plenary.
 - Audit Committee, and
 - Performance Audit Committee.

- The Council needs to ensure that all presentation, reports, submissions, proposed resolutions are heavily engaged as this assists in ascertaining that these comply with the Council’s goal, which is to create a better life for our communities and fulfilling the objectives of the Council.

These other structures enable Council to take decisions partisan to communities:

Committee Established	Date (Reasons for non-establishment)
Plenary Council	2006-local government elections
Audit Committee	2006
Performance Audit	None - Audit Committee undertook the performance function
Ward Committees	Quarterly
Council Committees	2006

- **The provision of services is another function of Council that is thoroughly assessed:**
 - MFMA, Section 71 Reports.
 - Quarterly Performance Reviews.
 - Half- year Report.
 - Annual Report.
 - Auditor-General Report, and
 - Council bi-monthly meetings.
- The plenary type Council poses challenges when it comes to the fast-tracking of Council resolutions. A need to establish a smaller Committee is then critical as it would focus on the implementation of resolutions, this then would assist Council with this challenge.

Achievements: Administration

Council had seven Standing Committee Meetings for each Committee, seven Ordinary Council Meetings and seven Special Council Meetings respectively for the year under review. All Ordinary Council Meetings were advertised, well in advance, in the local newspaper. Members of the public attend Ordinary Council Meetings. Agendas for Ordinary Council and Standing Committee Meetings are delivered timeously. Ordinary Council Meetings were never postponed and took place as scheduled. Standing Committee Meetings were postponed on two occasions, but the number of Meetings scheduled for the year took place.

The Municipality is making use of the National Minimum Information Requirement Filing System for the Human Resource record keeping whilst the Functional System is being utilised to keep the rest of Council’s records. The Department of Sport, Recreation, Arts and Culture is the custodian of these filing systems and also see to the implementation thereof.

Council has developed a Draft Archives and Registry Policy that is to be finalised and approved during the 2009/10 Financial Year.

Incoming correspondence received by the Municipality is circulated within three days.

Community Halls

Council budgeted an amount of R400, 000.00 for the repairs of Municipal Buildings. This money was mainly spent on the repairs and upgrading of the Community Halls as indicated hereunder, namely:

Nelsig Community Hall, Pearston, was painted on the in- and outside. Repairs were made to the ceiling, whilst windowpanes and doors were also replaced.



Above: Nelsig Community Hall, Pearston

Mbulelo Ndoni Community Hall, Pearston, was painted on the in- and outside. Repairs were made to the windows and doors.



Above: Mbulelo Ndoni Community Hall, Pearston

The wooden floor at the Town Hall, Pearston, was repaired, sanded and varnished. Further repairs and maintenance are to continue during the 2009/10 Financial Year.



Above: Town Hall, Pearston

The Glen Avon Community Hall, Somerset East, was painted on the in- and outside. Repairs were made to the windows, ceiling and doors. The wooden floor was also repaired, sanded and varnished.



Above: Glen Avon Community Hall, Somerset East

The Francisvale Community Hall, Somerset East, was painted on the in- and outside. Repairs were made to the windows, ceiling and doors. The wooden floor was also repaired, sanded and varnished.



Above : Francisvale Community Hall, Somerset East

The Youth Centre, Somerset East, was painted on the in- and outside. Repairs were made to the windows and doors.



Above : Youth Centre, Somerset East

The wooden floor at the Town Hall, Cookhouse, was repaired, sanded and varnished whilst the hall was painted on the inside. Further repairs and maintenance are to continue during the 2009/10 Financial Year at the Town Hall and Madiba Community Hall, Cookhouse.

Burglar proofing was installed at the Town Hall, Somerset East. The upgrading of the Town Hall, Somerset East, will be undertaken during the 2009/10 financial year.

Achievements: Human Resource

A Training Committee has been established, which is overseeing and facilitating training of all staff members within the Municipality. Personnel and Leave files exist for each employee within the Municipality and are being administered within the Human Resources Section. The inaccurate leave balances of some staff members have contributed to the qualified audit report received by Council. Council has appointed the Internal Auditors (PriceWaterHouseCoopers) to assist in this regard. The Local Labour Forum, which is a statutory requirement, is established and functions well. It contributes towards the stable labour relations and environment currently experienced within the Municipality.

Council has reviewed its Human Resources Policies and Organogram. The Workplace Skills Plan has been reviewed and submitted to the Local Government Sector Education and Training Authority.

Achievements: Housing and Land Use

After approval by the former Department of Housing, Local Government and Traditional Affairs, the following Housing Projects commenced during September 2008, namely:

- Old Location – 200 units
- Chris Hani - 387 units – later increased to 400 units

The progress made until now is not satisfactory. The challenges that threaten the successful completion of the project include late payments to Supplier and Emerging Contractors. The quality of the houses built is also a concern. However, Council together with the Department of Housing, is in the process of implementing remedial steps to correct the situation.

Council received money from the former Department of Housing, Local Government and Traditional Affairs for the Updating of the Zoning Maps of Somerset East, Cookhouse and Pearston. This project was completed towards the end of May 2009. Funds were also availed to undertake a Cemetery Investigation and Land Audit in Cookhouse. The investigation for the Cemetery Sites is completed. The necessary statutory steps will now be undertaken to have the two cemetery sites in Somerset East and Cookhouse extended. The Land Audit Project in Cookhouse is completed.

Achievements: Libraries

On 21 May 2009, the launch of “Connect with Cacadu” took place at Langenhoven Library. “Connect with Cacadu” (CwC) is an idea derived from the lack of IT services, education and skills acquisition opportunities that has been identified via various interactive processes. CwC relates to the introduction of Computer Hardware and Software at local libraries and other potential access points for use by community members. Fourteen libraries received this service to date which include Langenhoven-, W.D. West- and Ernst van Heerden Libraries. Blue Crane Route Municipality’s roll-out marks the end of the first phase of “Connect with Cacadu” in the District.

It is hoped that through an information-sharing mechanism such as CwC, local people will be able to acquire skills and information that will assist them in improving their current and future standard of living and employment marketability through access to information. The program focuses on access to information, computer literacy and use and educational assistance to learners.

The second phase is currently in the design process and is geared to focus on: bridging the gap between school and tertiary education; and adult skill and academic requirements, specific to a rural environment. The nature and extent of required accessible information will be regularly reviewed. This has been accommodated on the system in the form of a ‘virtual’ suggestion box that allows users to communicate

directly with the Cacadu District Municipality on what deliverables they would like the system to provide.

Ernst van Heerden Libraries still have no access to the internet due to the lack of cables from Telkom. When this problem is seen to, the computers will be switched on.

Every library received 150 memory sticks. The first 150 members that joined received a free memory stick. Langenhoven Library's membership increased tremendously! They are very busy during the day with people using the internet and facilities. They are in the process to organising to stay open the whole day and take turns to take their lunch time.



Above: Langenhoven Library, Somerset East

Council has identified the need to improve the quality of books at libraries and requested the Department of Sport, Recreation, Arts & Culture to avail the necessary funding in this regard.

Council, in conjunction with Cacadu District Municipality, managed to provide burglar proofing at the three (3) libraries where the computer were installed for the "Connect-with-Cacadu" program.



Above: Ernst van Heerden Library, Pearston

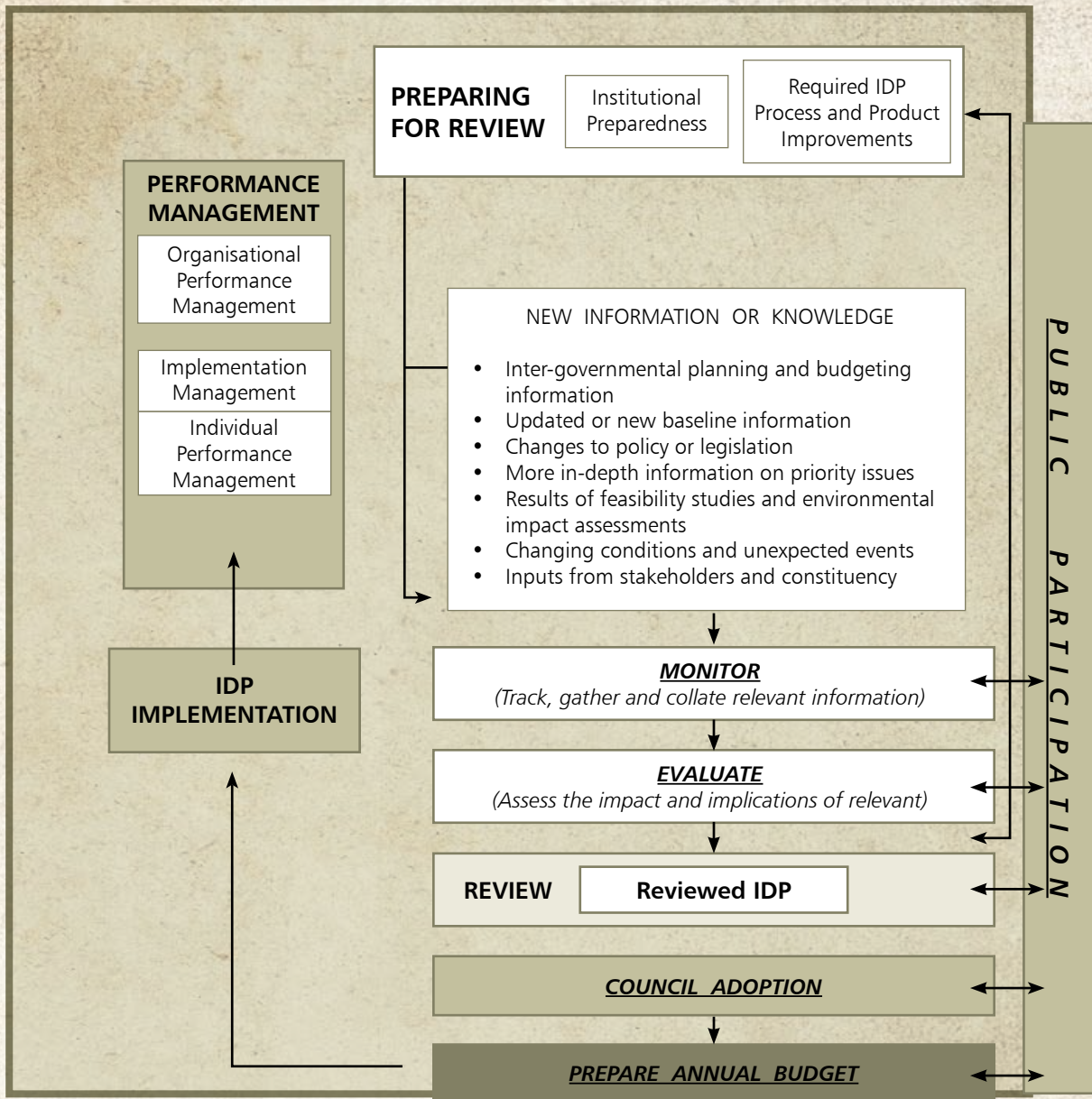
5.2 Public participation and consultation

The Municipal Systems Act 32 of 2000 Chapter 4, provides a detailed exposition on the participation of communities in municipal affairs. **The Council has ensured that it consulted with the community on various matters:**

Area of Consultation	Timing	Response
Draft IDP	End March 2008	Good in all Wards
Draft Budget	End March 2008	Good response
SDBIP	End August 2008	Minimal response
Electricity Increase	April 2008	High response
Service Provision	Quarterly 2008	High response
Half- year Report	January 2009	Fair response
Annual Report	2009/2010	Good response

The mechanisms utilised to ensure the consultation and participation of communities include:

Mechanisms	Timeline	Purpose
Ward Meetings	05/05/2009 - 17:00 - Aeroville High School, Somerset East 06/05/2009 - 17:00 -Nojoli Primary School, Somerset East 07/05/2009 - 17:00 -Glen Avon Hall, Somerset East 12/05/2009 - 17:00 -Town Hall, Somerset East 13/05/2009 - 15:00 - Town Hall, Pearston 14/05/2009 - 15:00 - Madiba Hall, Cookhouse	IDP/Budget
Ward Committees	03/2009 - Council Chambers	Priorities for IDP
Stakeholder's Forum	25/02/2009 - 15:00 -Cocuil Chambers 23/03/2009 - 11:00 -Council Chambers 16/09/2009 - 14:00 - Council Chamber	IDP and Budget
Community Meetings	10/02/2009 - 17:00 - Khanyiso Hall-Pearston 12/02/2009 - 17:00 - Glen Avon Hall, Somerset East 16/02/2009 - 17:00 - Nojoli Primary School, Somerset East 17/02/2009 - 18:00 - Francisvalle Hall 18/02/2009 - 17:00 - Aeroville High School, Somerset East 19/02/2009 - 17:00 - Madiba Hall, Cookhouse 23/02/2009 - 17:00 - Town Hall, Cookhouse 24/02/2009 - 18:00 - Town Hall, Somerset East 11/05/2009 - 14:00 - Town Hall, Pearston 11/05/2009 - 18:00 - Town Hall, Somerset East 12/05/2009 - 17:00 - Glen Avon, Somerset East 12/05/2009 - 17:00 - Aeroville, Somerset East 12/05/2009 - 17:00 - Nojoli Primary School, Somerset East 13/05/2009 - 18:00 - Francisvale Hall, Somerset East 14/05/2009 - 15:00 - Madiba Hall, Cookhouse	IDP and Budget
Council Meetings	03/02/2009 - 10:00 - Council Chamber 31/04/2009 - 10:00 - Council Chamber 12/05/2009 - 10:00 - Council Chamber	Budget , IDP, SDBIP
Izimbizo	10/02/2009 - 17:00 - Masizakhe 16/02/2009 - 17:00 - Nojoli Primary School, Somerset East 17/02/2009 - 18:00 - Francisvalle Hall 18/02/2009 - 17:00 - Aeroville High School, Somerset East	Water, Crime



5.3 Ward Committees' establishment and functionality

Council established Ward Committees in all five (5) Wards and identified a lack of capacity of Ward Committee Members as they were not having regular meetings and also did not submit minutes. Training of Members of four (4) Ward Committees commenced on 11 May 2009 and was completed on 23 June 2009. Ward Committee Members were divided into two groups.

Nelson Mandela Metropolitan University was the successful service provider and presented training in the following areas:

(a) Generic training needs:

- Communication.
- Interpersonal Skills.
- Conflict Management and Negotiation Skills.
- Democracy and community participation; and
- Leadership.

(b) Training on Municipal policy and processes:

- Principles of good governance.
- Establishment of Ward Committees, in terms of reference, nature and functions.
- Municipal structures, legislation and processes.
- Intergovernmental community development; and
- Payment of services (credit control).

(c) Specialised training needs:

- Meeting procedures and secretarial services (minute taking, report writing, letter writing, etc).
- Administration (clerical/administrative skills, bookkeeping, basic accounting, etc).
- Budgeting.
- Monitoring and evaluation.
- Policy Development.
- Project Management.
- Performance Management; and
- Community-based Planning.

The training program is accredited with the Sector Education Training Authority and the competency levels of Ward Committee Members were tested. One Ward Committee, Ward 1, was dissolved following a vote of no confidence in them passed by the community members for this Ward.

Training for the newly elected Ward Committee Members for Ward 1 will be arranged early during the 2009/10 Financial Year. Council expects good performance by Ward Committees for the next Financial Year in terms of having regular Meetings, submitting Minutes of such Meetings, making input to Council on matters that they wish to be considered, as well as submitting the necessary activity reports.

5.3.1 Ward Committees

- The Municipal area of BCRM has five Wards. All of which have Councillors who represent each Ward's interests. The objectives, strategies and plans of Council are coordinated by the Mayor, who is full-time. The Mayor and Ward Councillors then consult and report as a team.
- All the Wards have elected their Ward Committee members. The members hold quarterly meetings and have meetings when required. Because of the plenary type Council, most Ward Committees meet to discuss issues of concern and to be briefed by the Chairperson who happens to be a Ward Councillor.

- Ward Councillors were provided training in their inception. This basically focused on:
 - Leadership.
 - Roles and responsibility.
 - Municipal roles.
 - Relationship of Ward Committees and Council, and
 - Basics on Batho Pele.
- The training was to be advanced in the new Financial Year.

Members of Ward Committees:

- **Ward 1-Cookhouse**

- 1) Siphon Sonkwala
- 2) F. Van Der Merwe
- 3) Vusumzi Dingile
- 4) Mzandile Kuse
- 5) Makhaya Dyasi
- 6) Blackie Zondani
- 7) Monwabisi Botha
- 8) M. Kwatsha
- 9) Tatyiswa Salaze
- 10) Cllr. Manxoweni

- **Ward 2**

- 1) Portia Jacobs
- 2) L. Balasana
- 3) N. Ntsudu
- 4) S. Bangela
- 5) Deon Tiervlei
- 6) Elsamarie Van Der Walt
- 7) Allan Hobson
- 8) Cllr. Olivier
- 9) Rosemary Bradfield
- 10) F. Van Aardt
- 11) Cllr. Sibaca

- **Ward 3**

- 1) Wiseman Lawrence
- 2) Mr. T. Funiselo
- 3) Luthuli Noseko
- 4) Thamie Plaatjie
- 5) Nokuku Ncoco
- 6) Brenda Dike
- 7) Rati Harrof
- 8) Nonceba Heka
- 9) Mrs. Majiba
- 10) Cllr. Yantolo

- **Ward 4 - Pearston**

- 1) Vuyani Sijila
- 2) Klaas Mintoor
- 3) Thobekile Bangela

- 4) Stanton Africa
- 5) Xoliswa Gela
- 6) Rodney Simmons
- 7) Zongezile Danster
- 8) Simphiwe Oliphant
- 9) Cllr. S. Jonas
- 10)

- **Ward 5**

- 1) Thobeka Mngqesha
- 2) Nosipho Lolonga
- 3) Noluthando Gogo
- 4) Nonzame Sam
- 5) Vuyiswa Mjadu
- 6) Thozama Ngqolo
- 7) R. Fillis
- 8) Neil Bolules
- 9) Peter Bolules
- 10) Cllr. Nontyi

- **Challenges:**

- The enhancement of training.
- The role of community engagement.
- Model to engage Council in the absence of Mayoral/ Executive Committee.
- Accountability on the programs of Council.
- Engaging of Council on community problems.
- Basic training on the IDP processes.
- Basic training on the Budget processes.
- Basic training on the tariff structure and reasons for increase on services, and
- Enhance their role by providing infrastructure for their operation.

5.4 Community Development Workers

The Community Development Workers are appointed as government agents for change.

5.5 Communication

In the year under review the Council did not have a Communication Policy. There was no staff and the Office of the Municipal Manager took full responsibility in undertaking communication. Further, there was no provision for a structured process in the organogram.

- **Way forward**

The Policy is being designed at the end of the Financial Year. It is going through all the Council processes to be adopted. The intention is to budget for a Communication Officer because of the financial muscle of the Council. The organogram will then be populated incrementally.

5.6 Intergovernmental Relations Framework (IGR)

The IGR Framework Act has not been fully implemented in the Blue Crane Route Municipality. There are meetings on intergovernmental relations that occur, however, these occurrences are not structured. At present the Blue Crane Route Municipality is working on setting the structures formally. That will include all the Provincial, National Departments and Parastatals.

The Blue Crane Route Municipality is participating in the District, Province and National Structures:

Structure	Meetings
Mayor's Forum (CDM)	Quarterly
Municipal Manager's Forum	Quarterly
Technical Manager's Forum	Quarterly
Chief Finance Officers	Quarterly
Community/Health Services Forum	Quarterly
SALGA Structures Meeting	Quarterly
Munimec (Municipality/MEC) Housing	Quarterly
Munimec (Local Government & Traditional Affairs)	Quarterly

The structures also hold special meetings to deal with urgent matters.

The Departments and Parastatals in the Blue Crane Route Municipality work closely with one another during IDP/Budget alignment process.

Challenges

- The establishment of local IGR structures.
- The implementation of the resolutions of IGR.
- Budget for IGR function at all levels.
- Lifting of the role of Provincial Treasury, Provincial Department of Local Government and Traditional Affairs and the Premiers Office in their role to Support Local Government.
- Consideration of Department of Agriculture and Department of Economic Development and Environmental Affairs in the MUNIMEC because of their importance at local level.

5.8 Legal matters

5.8.1 Setting up of Legal Units

Council does not have a legal unit and is outsourcing its legal services. The services of the following services providers are utilized:

- Abrahamson & Reynolds Attorneys, Somerset East.
- Du Preez, Potgieter & Trichardt Attorneys, Somerset East.
- Nolte Smit Attorneys, Somerset East.
- Smith Tabata Attorneys, East London.
- Angela Scally Attorneys, Pretoria.
- Roodt & Associates Labour Law & Human Resource Practitioners, Pretoria.
- Frikkie Rademeyer Labour Law & Human Resource Practitioner, Somerset East.

5.8.2 Management of litigation

1. Case load Management with specific reference to:

a. Favourable cases

Case name	Recovery (Yes/No)	Reasons for non recovery
F.W. Lengoasa	No	Mr Lengoasa was dismissed for miss-representing himself during an interview.
J. Tosela	No	He was dismissed for theft. No money was recovered as it was pointed out by way of a legal opinion that someone cannot be punished twice.
S. Wonzi	No	He was dismissed for theft. No money was recovered as it was pointed out by way of a legal opinion that someone cannot be punished twice.
E.M. Merrington	No	Labour Court ruled in favour of Council in case of unfair labour practice – reinstatement.
D.O. Claassen	No	The matter pertaining the suspension of Mr Claassen (the then Municipal Manager) is still pending.
Vincemus Investments	No	This matter involves the cancellation of contracts for the leasing of equipment and is still pending.
Maxprof	Yes	Maxprof had a claim of R441 183.37 against Council. The parties settled for an amount totaling R252 104.79.
Standard Bank SA Ltd	No	The matter is still pending.
Corporate Finance Solutions	No	The matter is still pending.
Autumn Star Trading 33	No	The matter is still pending.
Pinnolta	No	The matter is still pending.
Municipal Services Solutions	No	The matter is still pending.
Mlombi and others	No	The matter is still pending
Santam Insurers	No	Council's legal representative still preparing to put matter on roll of High Court.
P.T. Jokwana	No	The matter is still pending.

b. Unfavourable cases

Case name	Compliance with judgement (Yes/No)	Reasons for non compliance with judgement
D.H. Crous	Yes	Not applicable
M. Liddell	Yes	Not applicable
G. Sammy	Yes	Matter was settled in view of the high legal costs for Council and the fact that it was a 50-50% possibility of success.
C.F.B. du Preez		

2. Case age analysis

Case name	Nature of the case	Date of commencement	Cases of 2 years or bellow	Cases beyond 2 years	Reasons for extensive duration
F.W. Lengoasa	Misrepresentation during interview	December 2006	-	Yes	Applicant referred the matter wrongly
J. Tosela	Theft	February 2009	Yes	-	-
S. Wonzi	Theft	March 2009	Yes	-	-
E.M. Merrington	Unfair Labour Practice – Re-instatement	2004	-	Yes	Applicant delayed the matter.
D.O. Claassen	Suspended and employment not renewed	May 2006	-	Yes	Applicant delayed the matter.
Vincemus Investments	Cancellation of contract for lease of equipment	2007	-	Yes	Full High Court Roll and consultation between legal teams
Maxprof	Performing VAT Recovery Assignment	2006	-	Yes	Council disputed the legality of the agreement
Standard Bank SA Ltd	Cancellation of contract for lease of equipment	2007	-	Yes	Full High Court Roll and consultation between legal teams
Corporate Finance Solutions	Cancellation of contract for lease of equipment	2007	-	Yes	Full High Court Roll and consultation between legal teams
Autumn Star Trading 33	Cancellation of contract for lease of equipment	2007	-	Yes	Full High Court Roll and consultation between legal teams
Pinnolta	Cancellation of contract for lease of equipment	2007	-	Yes	Full High Court Roll and consultation between legal teams
Municipal Services Solutions	Cancellation of contract for lease of equipment	2007	-	Yes	Full High Court Roll and consultation between legal teams
D.H. Crous	Dispute Agreement entered into for retrenchment	2008	Yes	-	-
M. Liddell	Misconduct for not securing municipal assets	2006	-	Yes	Defence delayed matter.
G. Sammy	Misconduct for failure and/or negligence to perform duties	2007	Yes	-	-
C.F.B. du Preez	Claim that PAYE not correctly calculated and money paid out therefore incorrect	2008	Yes	-	-
Mlombi and others	Vehicle transporting people involved in accident	2006	-	Yes	Delayed due to late submission of blood tests results
Santam Insurers	Vehicle transporting people involved in accident	2007	-	Yes	Delayed due to late submission of blood tests results
P.T. Jokwana	Fraud	2008	Yes	-	-

3. Default Judgements

Case name	Reasons for default judgement
None	n/a

4. Prevention Mechanisms

- Council has agreed that the present cases are a result of the forensic work that was funded by Provincial Treasury. The report suggested illegal actions taken by Officials without the input from Council. As a result:
- Council declared that the cases were expensive.
- Requested the Law Firm (Smith & Tabata) to brief Council on the chances of Council winning those cases.
- Some judgments' were not challenged due to the expenses already incurred.
- Some other cases are a product of Forensic Audit – then Council has to take action against WIFU (wasteful, irregular, fruitless and unauthorised) expenditure.

5. Crime and Fraud

The Council does not have a Crime and Fraud Policy. The Council uses the Code of Conduct in the Municipal Systems Act 32 of 2000, Schedule 1 & 2 for Councillors and Staff.

The following cases were attended:

Official	Case	Outcome
Ex-Municipal Manager	Allegations of fraud	Pending
	Stole property of Council	Dismissed

5.8.3 Management of legal risks

- The Senior Managers need to be trained more on the business of Council so as to ensure that there are less, or no legal, risks.
- The Councillors to take decisions fully informed of legal implications.
- Adopt fraud and crime preventions policy.
- The need to review all the cases and ascertain their status.
- Ensure that staff is trained and is aware of the implications of committing crime.
- Engage Unions to partner with Council against fraud and corruption.

Caption for picture to come here





PART 3: Functional Area Reporting & Annexure

A: Functional Area Services Delivery Reporting

Performance Report: (2008/09 Financial Year)



Name of Directorate: Municipal Manager

Budget Program No.	Measurable Outcome	Activities / Project & Description	Project Leader	Budget 2008/09 & Staff deployed	Performance Report
					Key Deliverables
1.	Integrated Development Plan	Produce a credible IDP	MM	R30 000 Ntshudu	Credible IDP Engage various departments for the alignment of programs. Submit to Council for approval.
2.	Strategic Planning Session	To appoint a service provider, develop terms of reference and produce a document.	MM	GTZ and CDM	To produce a report that will show a way forward
3.	Financial Management	Manage the finances of Council. Appoint and delegate to CFO. Strive for a Clean Audit.	MM	Operational budget	Monthly reports to Council on finances. Comply with MFMA reporting. Establish financial fluidity of Council
4.	Organogram	Review and align the Organogram	MM	Other Departments	Have a reviewed organisational structure and align with IDP.
5.	Coordinate various departments	Have weekly meetings, monthly reports and quarterly assessments	MM	Other managers	Have a structured way to assess performance
6.	Performance Management System	Produce a framework, scorecard and contracts.	MM	GTZ and CDM	Produce a PMS for the approval of Council.
7.	Audit and Risk Assessment.	Ensure the Audit process (internal and external) is managed	MM	Other managers	Have a plan for the AG engagement and address all the exceptions
8.	Special Programs	Ensure that youth, women, disabled, elderly matters are attended to	MM	Special Programs Officer	Have programs for the special groups
9.	Information Communication Technology	Attend to all ICT issues	MM	Zwia Gush	Develop a plan to manage, maintain the existing network, put controls and support departments
10.	Local Development Plan (LED)	Develop an LED strategy and Tourism Sector Plan.	MM	Ntshudu	Have an LED strategy Have a Tourism Sector Plan Delegate the function to BCDA

Performance Report			Stakeholder Engagement (including within Department)	Challenges
Due Date	% Complete	Budget Spent & % Variance		
June 2009	95%	-	IDP forum. Provincial Departments CDM	Participation of Provincial Dept's
February 2009	Done	Internal budget		
March 2009	Done	Operations		
February 2009	100%	GTZ	GTZ and CDM	Funds for the implementation of the final document
Monthly until June 2009	95%	Operational budget		The concern is the conversion to GRAP and funding to do so
June 2009	100%	Operational budget	Other managers and Unions	Unions to peruse the structure
Weekly, monthly, quarterly and annually until June 2009	90%	Operational budget	Other managers	Familiarity with reviews on performance
June 2009	95%	GTZ funding	CDM and GTZ Internally was Corporate Services	Delay to finish in June was caused by GTZ commitment with other Municipalities
During the Audit	90%	Operational budget	Other managers	Assets and leave files are a concern.
During identified dates.	75%	Operational budget		Challenge of Policy and how to implement the program (mainstream or have a specific budget)
ongoing	Done 80%	Operational budget		Staff shortage and funding for ICT plan
100%	Done	CDM	CDM and BCDA	Funding to implement the Strategy and the Sector Plan
100%	Done	CDM		
100%	Done	Operational budget		

Name of Directorate: Budget and Treasury Office

Budget Program No.	Measurable Outcome	Activities / Project & Description	Project Leader	Budget 2008/09 & Staff deployed	Performance Report
					Key Deliverables
1.	Municipal Transformation and Organisational Reform	Review organisational structure	Delphine	Operational budget	<p>Approve the Budget and Treasury Office (BTO) structure</p> <hr/> <p>Place the staff in the BTO</p> <hr/> <p>Undertake change management training</p>
2.	Infrastructure management and customer care	<p>Update the asset register</p> <p>Maintain asset register</p>	Delphine	<p>MSIG</p> <p>Ria van Heerden</p>	<p>Upload new assets in the register</p> <hr/> <p>Appoint Service Provider for conversion readiness to GRAP</p> <hr/> <p>Undertake asset physical verification</p>
3.	Financial viability and implement MFMA	<p>Align the IDP and Budget process</p> <p>Financial reporting</p>	Delphine	<p>Operational budget</p> <p>Ria van Heerden</p>	<p>Establish Budget Committee</p> <hr/> <p>Ensure s71 reports are done</p> <p>Review budget policies</p> <hr/> <p>Audit readiness meetings</p>
4.	Revenue Management	Collection and recovery of debt owed	Delphine	<p>Operational budget</p> <p>Gower</p>	<p>80% collection monthly</p> <hr/> <p>Submit list of indigents to council</p>
5.	Expenditure Management	<p>Manage the revenue effectively</p> <p>Auditor-General matters</p> <p>Cash flow management</p>	Delphine	<p>Operational</p> <p>Gower</p>	<p>Creditors are paid within 30 days</p> <hr/> <p>Deductions are paid on 7th of each month</p> <hr/> <p>Trial Balance done on 7th of each month</p> <hr/> <p>All the AG qualification and matters of emphasis are attended to</p> <hr/> <p>The income is equal or more than monthly commitments</p>
6.	Good governance and public participation	Ensure that people participate in the budget and IDP processes	Delphine	Operational	<p>Convene Budget meetings</p> <hr/> <p>Public hearings meetings</p> <hr/> <p>Report on the financial status of the BCRM</p> <hr/> <p>Brief the LLF on the financial status of the Municipality</p> <hr/> <p>Develop an Anti-Corruption Strategy</p>

Performance Report			Stakeholder Engagement (including within Department)	
Due Date	% Complete	Budget Spent & % Variance		Challenges
Nov 2008	100%	Operational budget	SAMWU and IMATU	Financing of the approved structure
June 2009	30%	Operational		Process delayed by comments from Unions
June 2009	10%	Operational		Delay to the approval of the organogram
Ongoing	100% as per GRAP	MSIG budget	DPLG	Conversion to GRAP
Feb 2009	100%	MSIG	National Treasury	Readiness key for the conversion
May 2009	Done	MSIG		Some assets have been moved without authorisation
March 2009	Done	Operational budget		New regulations are a challenge
Monthly	"			Policies required for budget process
March 2009	70%			Staff compliment and finance to acquire
April 2009	Done			
Monthly	88%	operational		Economic challenges are affecting collection and debt recovery
Monthly	86%	Reconcile some other claims		
Monthly	100%	-		
Monthly	100%	-		
Quarterly	80%	-	PWC	Some other matters like assets need extensive funding
Monthly	95%	-		History of the finances caused for cautious cash flow management
During budget	100%	Internal and Provincial funding from IDP funding	DLGTA and CDM	Need for more constructive audience from the public inline with the mission of the BCRM
During Mid-year and Annual Report	100%			
Monthly	20%	-	LLF	
June 2009	70% (Draft format)	DLGTA	DLGTA	Council need to approve and implement the policy

Name of Directorate: Corporate Services

Budget Program No.	Measurable Outcome	Activities / Project & Description	Project Leader	Budget 2008/09 & Staff deployed	Performance Report
					Key Deliverables
1.	Administration	Provision of effective administration	Hendricks	Operational budget Blouw	Circulate correspondence within 3 days Maintain municipal buildings Develop a policy on Archives and registry Title deeds are available and Land Audit done
2.	Human Resource Provision	Ensure effective provision of human resources	Hendricks	Operational budget Blouw / Mokoka	Review policies Review Organogram Review Work Place Skills Plan and submit. Hold Monthly meetings of LLF Have accurate files and leave files
3.	Council support	Ensure that council receives support to undertake its functions	Hendricks	Operational budget Blouw	Elect all and train Ward Committees Distribute Council Agenda within 7 days Advertise all Ordinary Council meetings Minute and keep all resolutions
4.	Financial Management	Ensure that the Budget of the department is spent EEE	Hendricks	R8 460 549	Comply with SDBIP and spend duly
5.	Town and Regional Planning	Ensure that all Planning activities are done.	Hendricks	Operational budget Scott	Review the SDF Implement the register for consent use Update the Zoning Maps Cemetery Development in BCRM
6.	Legal Services	Provide cost effective legal service	Hendricks	Operational budget	Appoint a legal firm to provide the service
7.	Housing	Facilitate the provision of housing to beneficiaries	Hendricks	R26 127 600 Siyaya	Develop a beneficiary list Coordinate Housing delivery
8.	Library Services	Ensure that library services are provided	Hendricks	Library budget	Purchase books. Renovate libraries Buy a vehicle Connect with Cacadu

Performance Report			Stakeholder Engagement (including within Department) Challenges	
Due Date	% Complete	Budget Spent & % Variance		
Ongoing	100%	Operational budget		
June 2009	+100%	R400 000 spent	Technical Services support	Budget overspent due to creditors
March 2009	-	-	Provincial Registry	Still to conclude a deal with Provincial Registry
April 2009	50% of title deeds and 100% of land audit	Provincial funding and operational budget		
June 2009	Done	Internal	LGSETA	Funding to populate organogram.
February 2009	Done	Internal		
July 2008 and June 2009	Done	Internal		
Monthly	70%	Operational	SAMWU and IMATU PWC	Quality of discussions Action plan implementation
June 2009	80%	MSIG		
Sept 2008	80%	Operational budget	DLGTA	Training of Ward committees done but need to be enhanced.
Inline with table	85%			
During and after meetings	100%			Special Council meetings disturb the distribution schedule
	100%			
Monthly review	95%	95%	Budget and Treasury	Management of budget monthly
March 2009	-	Not done due to consolidation with the CDM support	CDM CDM	Align Boschberg and Vlei Spatial Development activities
Dec 2008	Done	Operational budget	DLGTA	The need to speed ROD approval
Feb 2009	Done	DLGTA		
June 2009 appoint Consultant	Done	Investigation done 100%	DLGTA and CDM	
March 2009	60%	Operational Budget		Need to reduce the costs
June 2009	80%	Budget from DoH	DoH	Delays in the project
	45%			
June 2009	Done	Provincial budget (DSRAC)	DSRAC and CDM	Need for quality books inline with societal needs

Name of Directorate: Community Services

Budget Program No.	Measurable Outcome	Activities / Project & Description	Project Leader	Budget 2008/09 & Staff deployed	Performance Report
					Key Deliverables
1.	Municipal Health Services	Milk quality control and monitoring	Sinyanya	Operational budget	20 samples to be taken
		Noise pollution control		Ngcipe	20 samples taken
		Food establishment monitoring			Evaluate 750 establishments
		Water quality monitoring			56 water samples were taken 45 of them complied
		Infectious disease control			Attend to cases of diarrhoea
		Business licences			Issue business licences.
		Issue acceptability certificates Support building plans approval. Compliance with health legislation.			All premises to comply Scrutinize building plans Deal with cases as they come
2.	Primary Healthcare	Implement the 14 PHC programs	Sinyanya	Dept of Health. Mintoor	Implement the 14 PHC programs
3.	Protection Services	Registration and Licensing	Sinyanya	Xasholo	Ensure that the licenses a are issued duly
		Law enforcement			Man speed checks
		Road safety			Road safety by establishing scholar patrol and education
		Fire and Disaster			Request a fire engine from CDM
					Training of volunteers Develop a Disaster Mgt Plan Request fire fighting equipment
4.	Cleasning	Waste Management	Sinyanya	Operational budget	Collect refuse inline with the schedule
		Cemeteries		Gantsho	
				Ngcipe	Fence the cemeteries in Mnandi, Cookhouse and Aeroville
		Resort upgrade (Bestershoek)		Ngcipe	Establish alternative sites. Transfer the Resort to form part of the Boschberg Development
					Sign a service Level Agreement

Performance Report			Stakeholder Engagement (including within Department)		Challenges
Due Date	% Complete	Budget Spent & % Variance			
June 2009	75%	CDM budget allocation	CDM		Funds not allocated by CDM at year end
June 2009	85%	CDM budget allocation			Need equipment to measure
June 2009	99%	Operational budget			
Monthly	100%	CDM budget			
ongoing	204 cases attended to	CDM			
As per request	18 licences issued	Operational budget			
Ongoing	100%	CDM			
As per arrival.	51 inspected	Operational budget			
Ongoing	11 cases attended	Department of Health			
Daily	ongoing	Department of Health	DoH		The service is not fully subsidized.
As per the program	95%	Department of Roads and Transport	DORT		Staff shortage
As per program	51 speed checks taken	DORT			
As per the schedule	24/48 scholar patrol done.	DORT			
June 2009	Done	R1.2m			
As per program	Done	100%			
June 2009	25%	CDM	CDM		Awaiting the CDM support
June 2009	100%	R170 000			
Weekly schedule	80%	Operational budget			ABET training disturb the schedule
June 2009	Done 100%	Operational budget, DLA and CDM support	Dept of Land Affairs and CDM plus Consultants Jeffers and Green		Identification of sites still need extra cash for establishment
To sign the SLA	50%	Operational budget	BCDA		Need for the upgrade of the Parks and open Spaces
SLA developing by June 2009	50%	Operational budget	BCDA		Need for quality books inline with societal needs

Name of Directorate: Technical Services

Budget Program No.	Measurable Outcome	Activities / Project & Description	Project Leader	Budget 2008/09 & Staff deployed	Performance Report
					Key Deliverables
1.	Water Services	Revise the WSDP. Provide water and sanitation. Maintenance of Infrastructure	Majali	Goosen, Mdlalo and George	<p>Ensure that the WSDP is revised for 2008/09</p> <hr/> <p>Provide clean water to citizens</p> <hr/> <p>To have a maintenance plan through a study</p> <hr/> <p>Daily maintenance of infrastructure</p>
2.	Roads and Stormwater	Maintain roads, potholes and pave roads	Majali	Swanepoel and Frans	<p>Regravel and close potholes</p> <hr/> <p>Spend the paving budget in full.</p> <hr/> <p>Undertake the maintenance backlog study</p>
3.	Mechanical Workshop	Put systems and program for maintenance	Majali	Barnard	<p>Draft terms of reference for the system</p> <hr/> <p>Appoint a service provider</p>
4.	PMU	Registration of projects with MIG. Spend MIG funds	Majali	Muller	<p>Register projects for multi-year cycle</p> <hr/> <p>Spend in terms of cash flow plan</p>
5.	Electricity supply	Implement the Maintenance Master Plan Extend the Grid capacity	Majali	Human	<p>Maintain the network</p> <hr/> <p>Apply from Eskom for additional capacity.</p>

Performance Report			Stakeholder Engagement (including within Department)	Challenges
Due Date	% Complete	Budget Spent & % Variance		
June 2009	Not revised	-	DWEA	Awaiting DWEA allocation
daily	ongoing	Operational budget.		Funding for equipment
2009/ 2010	90%	CDM funding		Funding to implement the study results.
daily	Ongoing	Operational budget	CDM	Old infrastructure and equipment for maintenance
ongoing	ongoing	Operational budget		Funding and old roads (tarred)
June 2009	100%	100%	MIG	Need to pave more roads
June 2009	90%	CDM	CDM	Funding to implement the study
June 2009	-	Internal budget		Funding is not available
June 2009	100%	100%	DLGTA and MIG office (DPLG)	Need more funding inline with community needs
ongoing	ongoing	Operational budget		Identification of sites still need extra cash for establishment
June 2009 to receive an indication	Application done and concluding with Eskom	Operations	Eskom	Challenges of capacity within Eskom to meet our demands

B: Annexure

1. Audit Committee Report

The Mayor
Blue Crane Municipality
Somerset East

REPORT OF THE AUDIT COMMITTEE OF THE BLUE CRANE MUNICIPALITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The Audit Committee has adopted appropriate formal terms of reference and consists of three independent members, as listed hereunder, all of whom are chartered accountants

During the Financial Year under review the following meetings were held:

DATE OF MEETING

ATTENDED BY

Please fill in the attendance data left blank above

AUDIT COMMITTEE RESPONSIBILITIES

The Audit Committee reports that it complied to the extent possible with its terms of reference
And this fact has been verified by the Auditor General

OVERALL COMMENTS

We are delighted to report that the Municipality achieved an unqualified audit report for the Financial Year under review joining only a handful of municipalities in the country in a similar position— given that only a few years ago the Municipality's financial and administrative affairs were in a parlous state this is a monumental achievement. We would like to commend the outstanding efforts of the Chief Financial Officer and the Chief Accountant in this regard. We would also like to draw attention to the positive leadership roles played by the Mayor and the Municipal Manager under whose watch this dramatic transformation took place.

There remain a few internal control issues which need to be addressed and the Municipality should put in place as soon as possible an appropriate Performance Management System and ensure that all applicable legislation is complied with and lastly that fruitless and wasteful expenditure is no longer incurred.

We furthermore believe that the Municipality should continue to assess its risks on an ongoing basis and take the requisite steps to mitigate the risks that are identified.

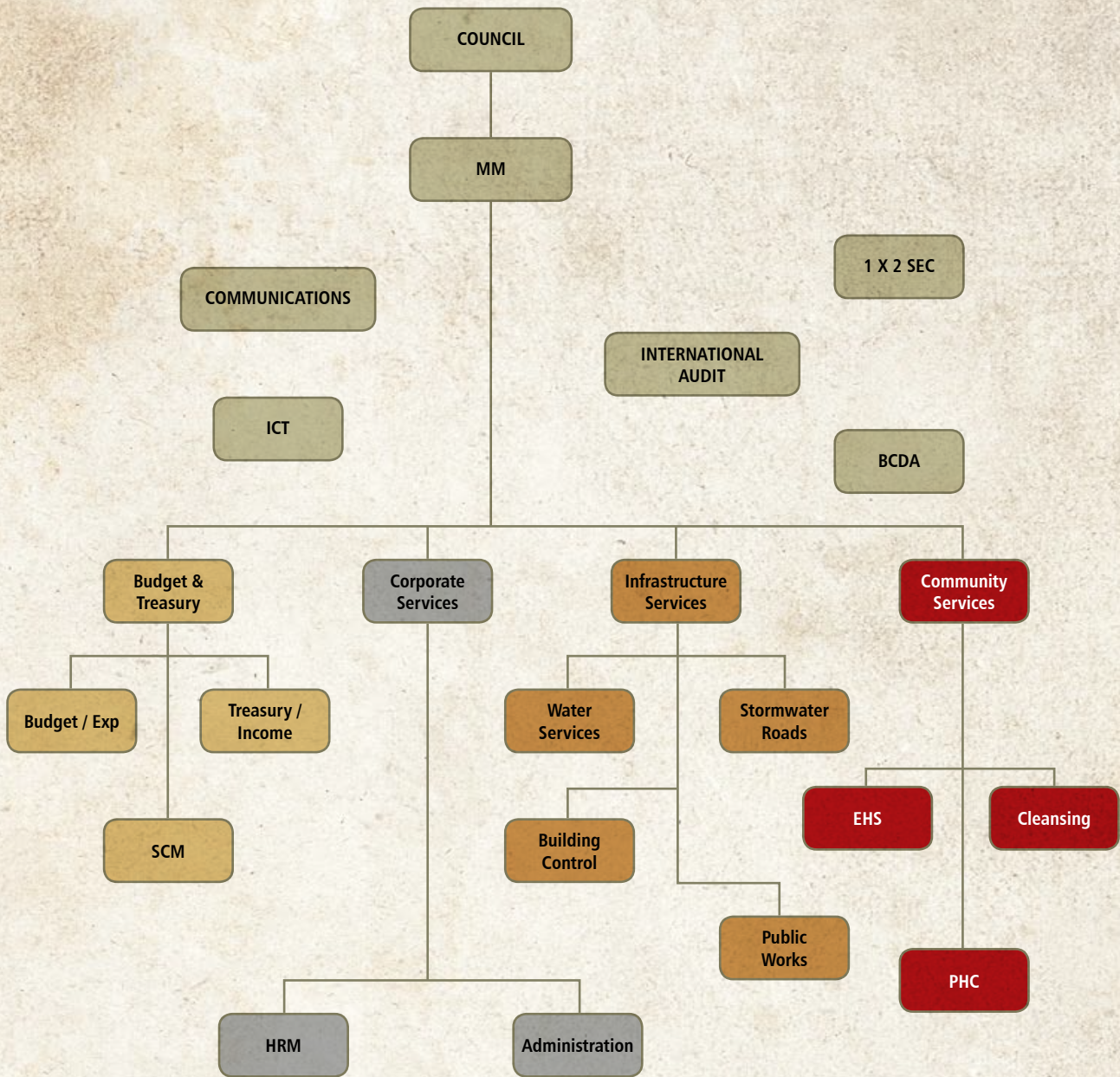
Except for the matters relating to the Traffic Department and to the theft of fuel from the Municipality no other major fraudulent or corrupt occurrences were reported to us - we understand that the matter relating to the Traffic Department is currently being investigated whilst the Municipality has altered its internal control measures in respect of the safe custody of fuel supplies which is already bearing fruit.

We wish to take this opportunity to thank the Auditor General and the Internal Auditors for their co-operation and assistance during the year.

Sincerely

Professor David Rosenberg (Chairperson)

2. Municipal Structure



List of Abbreviations

BCDA	– Blue Crane Development Agency
BCRM	– Blue Crane Route Municipality
CDM	– Cacadu District Municipality
EIA	– Environmental Impact Assessment
GTZ	– German Technical Support
IAC	– Internal Audit Committee
IDP	– Integrated Development Planning
IGR	– Intergovernmental Relations
KPA	– Key Development Area
KPI	– Key Performance Indicators
LED	– Local Economic Development
MIG	– Municipal Infrastructure Grant
MFMA	– Municipal Finance Management Act
PMU	– Programme Management Unit
PMS	– Performance Management System
ROD	– Record of Decision
SDBIP	– Service Delivery Budget and Implementation Plan
SDF	– Spatial Development Framework
SEISA	– Somerset East Irrigation Sub-Area Canal
SMME	– Small, Medium and Macro Enterprises
TRA	– Transitional Representative Area
WSDP	– Water Services Development Plan

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