

# TSOLWANA LOCAL MUNICIPALITY



## A N N U A L R E P O R T

2008/09

## **PART 1: Introduction and Overview**

### **A. Foreword by the Mayor**

Section 121(1) of the Municipal Finance Management Act No. 56 of 2003 demands that “every municipality and every municipal entity must for each financial year prepare an annual report in accordance with this chapter (chapter 12 of the MFMA). Coupled to that, section 46 of the Municipal System Act, 32 of 2000, 46(1) demand that a municipality must prepare for each financial year a performance report and such annual performance report must form part of the municipality’s annual report, in terms of section 46(2). It is in terms of the above pieces of legislation that I present before you the 2008-2009 annual report.

This annual report is an account of the Tsolwana municipality’s achievements in the year under review and with any rigorous instruments it does not hesitate in pointing out where the municipality has fallen short.

Our main objective as Tsolwana municipality has always been to provide quality services to all our communities. In doing that we are guided by our Integrated Development Plan which focuses among other things provision of free basic services to the poor households, eradication of poverty, and provision and maintenance of recreational facilities to our young people.

Our IDP reflects a number of priorities. Through the review process over the last three (3) years, priorities such as infrastructure provision, water and sanitation provision eradication of bucket system and local economic development have been consistently identified.

As the Tsolwana Local Council, we place emphasis on the communities we serve and through a number of policies and programmes like the Integrated Development Plan, the Spatial Development Framework, the Housing Sector Plan and the Tourism Sector plan, we are hoping to better our people’s lives by creating employment opportunities through tourism, agriculture and the creation of an enabling environment to encourage local economic growth and development.

In conclusion, may I thank my fellow councillors for their support and commitment to council business, the Municipal Manager and his staff for the commitment and willingness to improve in all

that they are doing and the ward committees and the members of the public for always being there for us.

A handwritten signature in black ink, appearing to read 'M Bennett', written over a horizontal line.

**M BENNETT**  
**MAYOR**

## **THE YEARLY PROGRAM PRIORITIES STATEMENT BY THE MUNICIPAL MANAGER**

This report has been drafted in line with the Municipal Annual Report template and guidelines as developed by the Municipal Support and Monitoring Services Chief Directorate in the Department of Local Government and Traditional Affairs.

Tsolwana Local municipality strives to achieve service excellence in all areas of operations and this report attempts to give a substantial insight into the workings of the municipality. It also attempts to reflect accurately on performance of the municipality set against targets for the 2008/09 financial year.

Priorities for the 2008/09 financial year have been divided in a number of key performance indicators and broadly categorized in 5 key performance areas as follows:

- Municipal Institutional Development and Transformation;
- Local Economic Development;
- Good Governance and Public Participation;
- Basic Service Delivery; and
- Municipal Financial Viability and Management

a. **Municipal Institutional Development and Transformation**

An amount R2,689,33-70 was allocated for the 2008/09 financial year to attempt to attain specific identified priorities including the following: establishment of audit committee and performance of internal audit function, development of a municipal official web-site, development of a business plan for office accommodation, signing of compliant performance contracts for senior managers, among others.

Most of the set targets and priorities were relatively implemented and the 5 performance agreements were brought in line with the Performance Regulations.

b. **Local Economic Development**

The main focus in so far as the Local Economic Development is concerned has been on poverty alleviation and food security programs as well as the development of policies and systems. An amount of R6,100,000 was availed from different spheres of government, in particular the department of Social Development. It is emphasized that in most of these projects the municipality did not have a direct control as the various government

departments implemented them by themselves. These projects included the development of a Tourism Sector plan, Hofmeyr Women Bakery Project, Tarkastad Youth Car Wash Project, poultry farming, Food security project etc.

c. Good Governance and Public Participation

An amount of R725,000-00 was availed in order to promote the culture of good governance and citizen participation in line with the King II report and the Batho Pele principles. Some of the projects included revival and intensification of ward committees training of staff on Batho pele principles and customer care

d. Basic Service Delivery

The largest portion of the 2008/09 budget was committed to service delivery. An amount of R64,142,958-00 was committed for this particular financial year. The bulk of the money came from the department of Housing (Human Settlement) to implement projects like Tarkastad 671, Tarkastad 1000, Hofmeyr 1000 and Thornhill 1400. Other projects included the emergency water relief for Ntabethemba, rehabilitation of internal roads in wards 1 & 2, refurbishment of Bacleasefarm Bridge, provision of streetlight in Zola, Ivanlew and Twinsville townships etc.

e. Municipal Financial Viability and Management

The main key challenge for the municipality during the period under review was the implementation of the Municipal Property Rates Act by the 01<sup>st</sup> July 2009. during the period under review an amount of R3,550,00-00 was made available to implement project relating to the this particular key performance area. Other projects included data cleansing, compilation of financial statements, asset register and reviewal of financial policies.

While we are cautiously confident that Tsolwana municipality is progressing in the right direction, we submit with humility in the pages of this report that we have had to face reality that with all our interventions, our capacity in terms of human, skill and revenue shortage immeasurable impede on our noble goals.



**SIMILO DAYI**  
**MUNICIPAL MANAGER**

## **1.1 Overview of the Municipality**

### a) Geographic and demographic profile

Tsolwana Municipality is situated within Chris Hani District Municipality (CHDM) of Eastern Cape Province. It is bounded on the east by Inkwanca and Lukhanji Municipalities, on the west by Inxuba Yethemba Municipality, on the north by Ukhahlamba District Municipality and on the south by Amathole District Municipality. Tsolwana Municipality is an amalgamation of the following areas.

- Former Tarkastad TLC and TRC (Republic of South Africa)
- Former Hofmeyr TLC and TRC (Republic of South Africa)
- Former Ntabethemba TRC (Republic of Ciskei)

Tsolwana Municipality has two main urban nodes, Tarkastad and Hofmeyr, which are surrounded by commercial farmland in the former Tarkastad and Hofmeyr areas and about 11 rural villages scattered within the former Ntabethemba area, including Thornhill, Mitford, Rocklands, Tendergate, etc). Tarkastad, the Municipal seat, is located along the Queenstown and Cradock R61 road. It is roughly 64km from Queenstown and 81km from Cradock. From the two major airports in the province, Tarkastad is 365km from Port Elizabeth and 257 from East London.

## PART 2: KPA ACHIEVEMENT REPORT

### Chapter 1: Human resource and other organization management –KPA 1

#### 1.1 Presentation of the organizational structure (approved organogram)

The municipality has an approved organizational structure that caters for 126 posts. Of these posts 75 are filled and 56 remain vacant. Initially, the understanding was that some of the posts in the structure were future posts and with the change of strategy, some had to be either abolished or changed depending on what the municipality intends.

During the year under review, a total of 56 posts were vacant. These posts were vacated as a result of dismissals, death, retirement or that some of them were not funded.

The municipality has a performance management system in place in terms of which the Municipal Manager and managers reporting directly to him are expected to sign performance contracts. During the year under review the municipality the municipal manager and managers reporting to him signed performance contracts timeously and the same were dispatched to the department of Local Government and Traditional Affairs for the attention of the MEC as prescribed by law.

The approved organogram is attached as **ANNEXURE 2**.

#### 1.2 Staff development initiatives during the Financial Year

During the year under review the municipality developed and adopted a workplace skills plan (WSP). The WSP together with the implementation report were submitted to the LGSETA.

The table below illustrates training that was undertaken:

STAFF TRAINED	NUMBER OF STAFF TRAINED	TYPE OF TRAINING	TRAINING PROVIDER
Health and safety reps	9	Health and Safety	Nosa
General workers	0	0	0
Clerks	0	0	0
First aiders	9	First Aid Level 2	Nosa
Secretaries and clerks	6	Minute taking and report writing	Ikhala FET
Ward committees	50	Ward based planning	Lgseta

#### 1.3 Key HR statistics per functional area

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

##### a. MM/Section 57 and Line Managers

	Approved positions (e.g MM-S57 etc...)	Number of approved and budgeted posts per position	Filled posts	Vacant posts
1	Municipal Manager	1	1	0
2	Chief Financial Officer	1	1	0
3	Manager: Community Service	1	1	0
4	Manager: Corporate Service	1	1	0
5	Manager: Technical Services	1	1	0
	Total	5	5	0

Corporate Services

	<b>Approved positions (Ex:Managers / asst. Mgers)</b>	<b>Number of approved posts per position</b>	<b>Filled posts</b>	<b>Vacant posts</b>
1	Professional	4	1	3
2	Clerical	7	3	4
3	Skilled	1	1	0
4	Elementary	3	3	0

Vacancies

The following vacancies exist in this department:

- Skills development facilitator
- Administration Officer
- Labour relations Officer
- Personnel Clerk
- Records/Archivist clerk
- Committee Clerk
- Registry clerk
- Typist

Finance

	<b>Approved positions (Ex: Managers/asst.Mgers)</b>	<b>Number of approved posts per position</b>	<b>Filled posts</b>	<b>Vacant posts</b>
1	Professionals	3	3	0
2	Clerical	8	2	6
3	Cashiers	4	4	0
4	Elementary	4	4(part time)	0
	Total	19	13	6

Vacancies in the department

The following vacancies exists in this department

- Payroll clerk
- Supply Chain Manager/Officer
- Indigent registration clerk
- Assets and insurance clerk
- Call centre clerk
- Credit control clerk and the position of the
- Accountant, housing support became vacant during the year under review

Community services

	<b>Approved positions (Ex:Managers/Asst.Mgers)</b>	<b>Number of approved posts per position</b>	<b>Filled posts</b>	<b>Vacant posts</b>
1	Professionals	4	2	1
2	Clerical	5	3	1
3	Skilled	5	2	3
4	Elementary	42	25	17
	Total	56	32	24



Vacancies in the department

The following vacancies exists in this departments

- Librarian
- Land and Estate clerk
- Caretaker community halls
- General workers and the
- Position of SPU co-ordinator became vacant during the course of the F/y

b. Staff complement in the technical services sanitation

	<b>Approved positions (Ex: Managers/Asst.Mgers)</b>	<b>Number of approved posts per position</b>	<b>Filled posts</b>	<b>Vacant posts</b>
1	Manager: Technical Services	1	1	0
2	Tractor drivers	4	4	0
3	General workers	30	12	18
4	General Handyman	1	1	0
	<b>Total</b>	<b>35</b>	<b>17</b>	<b>18</b>

c. Electricity (out sourced)

	<b>Approved positions (Ex: Managers/Asst.Mgers)</b>	<b>Number of approved posts per position</b>	<b>Filled posts</b>	<b>Vacant posts</b>
1		0	0	0
2		0	0	0
3		0	0	0
4		0	0	0
	<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

d. Water

	<b>Approved positions (Ex: Managers/Asst.Mgers)</b>	<b>Number of approved posts per position</b>	<b>Filled posts</b>	<b>Vacant posts</b>
1	Foreman	2	2	0
2	General workers	26	5	20
3	0	0	0	0
4	0	0	0	0
	<b>Total</b>	<b>28</b>	<b>7</b>	<b>21</b>

Vacancies

The following vacancies existed in the department during the year under review

- Unit Supervisor Water & Sewerage Tarkastad / Ntabethemba
- Building control Officer
- Unit supervisor Water & Sewerage Hofmeyer
- General Handyman (Building)
- Operators Bulk water supply x5
- Operators Sewerage Pump stations x5
- Fleet control officer
- Superintendent Public Works (roads & storm water)
- Foreman/driver special artisan (Semi skilled) water & sewerage

- Mason Public works (roads & storm water)
- Team Leader plant operator (heavy plant) x4
- General workers water x11 Hofmeyer
- General workers water x7 Tarkastad
- General Workers sewerage & sanitation x10 Hofmeyer
- General workers sewerage & sanitation x7 Tarkastad
- Light Plant Operators
- General assistants x16
- Semi skilled general assistants x10

#### PMU UNIT

- PMU Manager
- Engineer Planning & Design
- Project Technician Roads
- Project Technician
- Community facilities solid waste
- Project technician electricity
- Project Technician Water & Sanitations

#### 2. Technical staff registered with professional bodies

Technical Service (e.g water, electricity etc...)	Total number of technical service Managers	Total number registered in the accredited professional body	Total number pending registration confirmation in the accredited professional body	Total number not yet registered in the accredited professional body
1	1		1	0
0	0	0	0	0

#### 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 professionals training
66	42	15	9 including managers

#### 4. Trends on total personnel expenditure

Financial Years	Total number of staff	Total approved operating Budget	Personnel expenditure (salary and salary related)	Percentage of expenditure
2006-2007		15 142 699	7 220 089	47.68%
2007-2008		17 575 441	9 920 904	56.45%
2008-2009		12 537 072	601 482	48%

## 5. List of pension and medical aids to whom employees belong

There are two pension funds and three medical aid schemes operating in the municipality as per the table below:

Names of pension fund	Number of members	Names of medical Aids	Number of members
South African Local Authorities	66	Bonitas	4
Cape Joint	5	LA health	7
		Bonlife	2

### 1.4 Senior Political Office Bearers and Officials' wages and benefits

#### 1.4.1 Political Office Bearers

Mayor/Speaker	R 391 493
Councillors	R1 544 934

#### 1.4.2 Senior Officials

Municipal Manager	R 642 071
S57 Managers	R1 941 461

### 1.5 Implementation of the Performance Management System (PMS):

The municipality in compliance with s57 of the Municipal Systems Act entered into performance agreement with all senior managers. The agreements were based on key performance areas as set out in the municipality's IDP and simplified in the SDBIP. The contracts were later submitted to the MEC for Local Government for comment.

The organization-wide PMS is functional. The individual PMS is currently applied only to the Municipal Manager and the Heads of departments. This due to the resistance that comes from the unions.

### 1.6 Annual performance as per key performance indicators in municipal transformation and organizational 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
1	Vacancy rate for all approved and budgeted posts;	5	2	0.1	
2	Percentage of appointment in strategic positions (Municipal Manager and Section 57	5	5	100%	100%

	Managers)				
3	Percentage of Section 57 Managers including Municipal Managers who attended at least 1 skill development training course within the FY	0	0	0	
4	Percentage of Managers in Technical Services with a professional qualification	1	1	100%	
5	Percentage of municipalities within the district area that have a fully functional Performance Management System (DM only)	N/A	N/A	N/A	Applicable to the district municipality
8	Percentage of staff that have undergone a skills audit (including competency profiles) within the current 5 year term	100% (skills audit)	0	0	Skills audit conducted every year. Competency profile not done
9	Percentage of councillors who attended a skill development training within the current 5 year term	10	3	30%	
10	Percentage of staff complement with disability	0	0	0	People with disabilities do not apply
11	Percentage of female employees	66	14	6.6%	
12	Percentage of employees that are aged 35 or younger	66	13	8.58	

### 1.7. Major challenges and remedial actions in regard to human resource and organizational management

The table below indicates challenges that were identified during the year in review

Challenge	Remedial action
<p><b>Process of job evaluation</b></p> <p>The process of job evaluation seems to be unending and creates a lot of uncertainty amongst employees and in many instances leads to unnecessary tensions between the employer and employees. Further delay of this process has a potential to demoralise employees which affects their performance</p>	<p>The only likely amicable remedy to this is for the municipality to request the Bargaining Council to speed up the process.</p>
<p><b>LACK OF OFFICE SPACE AND STAFF SHORTAGE</b></p> <p>Lack of office space is a major concern for this municipality in that it contributes to the municipality's predicament to employ skilled</p>	<p>The solution to this is that the municipality should mobilise funds to create more spaces so as to accommodate extra personnel</p>

people as it will be faced with a problem of accommodating them. This problem indirectly contributes to the shortage of skills.	
<b>RESISTANCE TO CASCADING OF PERFORMANCE MANAGEMENT TO ALL LEVELS OF EMPLOYMENT</b> Management, at some stage consulted the unions on the implementations of performance management which the unions vehemently refused to comply with	Management to seriously engage unions and embark on education and awareness about the importance and benefits of performance management to the organisation

**Chapter 2: Basic Service delivery performance highlights (KPA 2)**

**2.1 Water services**

a. Water services delivery strategy and main role-players:

On the 1<sup>st</sup> of July 2008, after a Section 78 assessment was conducted, the municipality was again given a status of being a Water Service Provider where the CHDM is a Water Service Authority (WSA) in terms of the above assessment. Based on the above, a service level agreement was signed between the two institutions so as to formalise the working relationships in this regard. As a Water Service Provider, the municipality has a responsibility of making sure that the communities have access to portable water. It is also worth mentioning that the municipal area has been experiencing a very bad drought during the year under review especially during the summer seasons. This has led to many community dissatisfaction in the provision of water services. The WSA has also embarked on drought relief programme to try to eliminate to some extent the challenges related to the provision of the water service functions. The municipality has also engaged the communities by way Community Service Providers (CSP's). These operate the schemes on day to day bases and report all water related queries to the relevant authorities for their further attention and repairs.

b. Levels and standards in water services:

Yard water connections are regarded as the high level of service and the provision of communal standpipes being the low or a basic level of service. In the townships, all the provision is a high level of service that is provided and in some parts of the rural villages a basic level of service is provided. As required by the service level agreement, the WSP must take water samples every month for water quality tests to any recognised laboratory. During the year under review, the municipality has complied with the assistance of the Environmental Practitioners deployed by the CHDM. The results have proved positive on many instances exempt where there was little contamination. In this case there was a need for an increase of the dosing substances so as to be able to be in an acceptance standard with regard to water quality.

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

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the FY under review (actual numbers)	Number of HH/customer reached during the FY	Percentage of achievement during the year
1	Percentage of households with access to potable water	7965	8768	91%	8768	7965

2	Percentage of indigent households with access to free basic potable water	5512	5380	97%	5380	5512
4	Percentage of clinics with access to potable water	3495	3156	90%	3156	3495
5	Percentage of schools with access to potable water	8	20	40%	20	8
6	Percentage of households using buckets	11	11	100%	11	11

d. Major challenges in water services and remedial actions

The main challenge regarding the water services is the establishment of a fully fledged water services unit so as to ideally deal with the challenges facing this service.

## 2.2 Electricity services

a. Electricity services delivery strategy and main role-players

Tsolwana municipality is the registered licence holder for supplying of electricity within the greater Tarkastad and part of Hofmeyer towns. Although is the responsibility of the Tsolwana Municipality to supply electricity within the rural areas in terms of the Demarcation board, the municipality has entered into service level agreement with ESKOM to supply electricity to the rural areas on our behalf. This service is being outsourced to a local electrical contractor for day to day maintenance as required from time to time. Maintenance work that was done during the year under review also includes the installation of aerial bundle conductor to replace damaged transformer. Replacing of major overhead HV cables that were damaged during a storm that affected the area. This is just but not limited to the ongoing maintenance of the debilitating infrastructure including the replacement of damaged meter boxes. The municipality has also managed to repair the high lights so as to cab the crime in the affected areas.

b. Level and standards in electricity services

Tsolwana municipality is making every effort in order to conform with the standards as required ESKOM and eventually the South African Bureau of Standards.

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

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the f. year under review (actual numbers)	Number of HH/customer reached during the FY	Percentage of achievement during the year
1	Percentage of	9012		8768	8768	97%

	households with access to electricity services					
2	Percentage of indigent households with access to basic electricity services	7523		6131	6131	81%
4	Percentage of indigent households with access to free alternative energy sources	3860		3495	3495	91%

d. Major challenges in electricity services and remedial actions

The municipality is in the process of reviewing its organogramme that will also ensure that the electrical unit is addressed. At the moment this service is being outsourced to a local sub contractor for the basic day to day maintenance. A further hamper to the process is the ability to attract skilled and competent staff to the rural towns like Tsolwana municipality.

## 2.3 Sanitation

a. Sanitation services delivery strategy and main role-players

After a Section 78 assessment was conducted, the municipality was given a status of being a Water Service Provider where the CHDM is a WSA in terms of the above assessment. Based on the above, a service level agreement was signed between the two institutions so as to formalise the working relationships in this regard. In order to realise the national targets of eradicating buckets, the CHDM has approved a number of sanitation projects. These include sanitation projects in the Ntabethemba areas, Hofmeyer bucket eradication projects. We may also mention that our municipality has not be able to meet the National target of December 2008 for the eradication of buckets. This was due to non-performance by the contractors appointed. This is only applicable to the Tarkastad bucket eradication project.

b. Level and standards in sanitation services

The municipality is trying all its level best to adhere to the required minimum standards regarding the sanitation services in the area.

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

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the f. year under review	Number of HH/customer reached	Percentage of achievement during the year
1	Percentage of households with	3420		2720	2720	78%

	access to sanitation services					
2	Percentage of indigent households with access to free basic sanitation services	935		659	659	65%
4	Percentage of clinics with access to sanitation services	11		11	11	100%
5	Percentage of schools with access to sanitation services					

d. Major challenges in sanitation services and remedial actions

Establishment of a fully fledged sanitation unit within the municipality. Talks to the CHDM are at an advanced stage so as to make sure that a unit is established. This also needs some political buy-in as there are financial implications that are attached in the contract.

**2.4 Road maintenance**

a. Road maintenance services delivery strategy and main role-players

The conditions of the roads within the municipality, especially in the Ntabethemba area, are in a state of disrepair. They are virtually inaccessible during rainy season due to lack of ongoing maintenance. Also storm water channels are non-existent throughout the municipal area thus the roads are eroded, especially during heavy rains. About 233.7km of internal roads within the settlements in the municipality are in appalling condition and require urgent maintenance attention.

Public transport system in the area is limited to minibus taxis that service the area on a regular basis. Private cars and bicycles are in the minority. There are no formal crossing arrangements to cater for pedestrians and animals that exist within the different settlement, especially those traverses by national and trunk roads. The provincial department of roads and transport donated about 150 bicycles to designated pupils that travel a distance of 6km to and from school. These bicycles were delivered to various schools that met the criteria that was set by the donating departments.

The departments of roads and transport also launched a Household Contractor Programme to assist with minor roads repairs and maintenance. Local residents assist with minor repairs such as fixing of potholes, storm drainage, grass cutting etc, this project is seen as one way of alleviating poverty by means of job creation without compromising quality standards. The Municipal Infrastructure Grant has approved an amount of R1 551 000 for the rehabilitation of the rural access roads in wards 1 and 2 this being phase one of the MIG roads projects. It is also worth mentioning that the council has prioritised roads for the utilisation of the big portion of the MIG in order to improve the condition of roads status.



b. Level and standards in road maintenance services

Currently the municipality does not have all the necessary equipment such as graders to maintain the roads. However, every effort is made with the limited recourses that the municipality has. In addition, the department of roads and transport is also playing a significant role by supporting the initiatives of the municipality in the roads maintenance.

c. Annual performance as per key performance indicators in road maintenance services

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the f. year under review (Actual numbers)	Number of HH/customer reached during the FY	Percentage of achievement during the year
1	Percentage of households without access to gravel or graded roads	233.7km		14.6km	14.6km	16%
2	Percentage of road infrastructure requiring upgrade	12km		12km	12km	100%
4	Percentage of planned new road infrastructure actually constructed	0km		0km	0km	0km
5	Percentage of capital budget reserved for road upgrading and maintenance effectively used.	21km		18km	18km	86%

d. Major challenges in road maintenance services and remedial actions

The department of Roads and Transport is in the process of finalising the roads classification. This makes it very difficult for us to do a proper budgeting and forward planning.

**2.5 Waste management**

a. Waste management services delivery strategy and main role-players

The dumping sites that we are having both Hofmeyer and Tarkastad are not in compliance with National legislations that govern waste management. They are both not registered with the

Department of Environmental Affairs. The standard of our land field sites is very low as they are not even fenced. The Solid waste generated at Tarkastad and Hofmeyer is disposed off at local landfill sited in close proximity to the two towns. Among the problems associated with these landfills include possible water contamination, air pollution, unsightliness caused by wind blown litter, inaccessibility to the dumps, uncontrolled tipping, improper disposal of, especially, medical waste etc. In the rural areas there is no formal refuse disposal system and thus make use of other illegal dumping systems which impact on the adjoining environment. In terms of the backlog, it has been estimated that approximately 86%(5754) of the households are without municipal refuse removal services. R3000 000 is needed to eradicate the backlog.

b. Level and standards in waste management services

c. Annual performance as per key performance indicators in waste management services

	<b>Indicator name</b>	<b>Total number of household/customer expected to benefit</b>	<b>Estimated backlogs (actual numbers)</b>	<b>Target set for the f. year under review</b>	<b>Number of HH/customer reached</b>	<b>Percentage of achievement during the year</b>
1	Percentage of households with access to refuse removal services	25%	45%	80%		

d. Major challenges in waste management services and remedial actions

The main challenges with that the municipality is facing is that our landfill sites are not completely in compliance with. The municipality also does not have a waste management plans as this is not our core function; it is a shared responsibility between the local municipality as well as the District Municipality. As said above, the municipality has been in contact with the DM for the betterment of this solution.

**Remedial actions:**

- Registration of landfill sites with the Department of Environmental Affairs.
- CHDM must be roped in to assist in this regard
- CHDM to avail an amount of R3000 000 to eradicate the backlog

**2.6 Housing and town planning**

a. Housing and town planning services delivery strategy and main role-players

Tsolwana Municipality identified the land and seek beneficiaries to apply for houses. In the old housing projects namely:

- Tarkastad 671
- Tarkastad 1000
- Hofmeyer 1000
- Thornhill 1400

The municipality is the Developer and Financial Accounting. The municipality appointed the BSZ as Principal Agent to assure quality assurance of the constructed houses. The Human

Settlement Department is doing inspection to all the houses. The Housing Steering Committees have also been established so to represent and made the beneficiaries involved in the housing delivery. We have engaged Emerging Contractors to build the houses for our people.

In the new housing projects at Ntabethemba Ward 2&3 namely:

- Bacclesfarm & Rocklands 980
- Khwezi 587
- Springgroove/Thembaletu 655
- Mitford 993
- Khayaletu & Tentergate 1100

The Human Settlement Department is the Developer and Financial Accounting. Tsolwana Municipality has assisted in the application of projects, provision of Layout plans, identification of beneficiaries and signing application forms of beneficiaries and in the establishment of project steering committees and attending meetings to solve problems. The Khula Consulting has been engaged for Sales Administration of beneficiaries and sites allocation. The Lukhazi Consultants has been engaged for quality assurance. Three major contractors are engaged to construct houses namely:

- S C Contractor
- Quiting Construction
- Mentiro Construction

b. Level and standards in Housing and town planning services

The access to housing delivery at our municipality is very high. Yes our population is growing and houses are a demand as we do have list of beneficiaries that still need some houses who were left behind in the existing housing projects. Presently we are constructing high quality of houses as we have engaged the principal agencies for quality assurance.

c. Annual performance as per key performance indicators in housing and town planning services

	<b>Indicator name</b>	<b>Total number of household/customer expected to benefit</b>	<b>Estimated backlogs (Actual numbers)</b>	<b>Target set for the f. year under review</b>	<b>Number of HH/customer reached</b>	<b>Percentage of achievement during the year</b>
1	Percentage of households living in informal settlements	5%	337	337	337	N/A
2	Percentage of informal settlements that have been provided with basic services	5%	N/A	N/A	5%	
3	Percentage of households in formal housing that conforms to the minimum	71%	9000	4331	4669	

building standards for residential houses					
---	--	--	--	--	--

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

1. Capacity building of personnel  
Remedial action: Department of Human Settlement to second personnel to the LM
2. Training of the existing officials  
Remedial action: Department of Human Settlement to avail funds to train existing officials
3. No professional town Planner at the LM  
Remedial action: LM to appoint Town Planner on retainer bases
4. Non occupation of completed RDP houses by beneficiaries  
Remedial action: LM & DHS to consider the beneficiaries in the waiting list to occupy houses
5. Lack of infrastructure at Barcelona inhibits approval of housing project  
Remedial action: Department of Human Settlement speed up our application for funds
6. Lack of new commonage at Tarkastad for any new housing project there is no more land.  
Remedial action: Department of Land Affairs to buy Lustof Farm

**2.7 Spatial planning**

a. preparation and approval process of SDF

The development proposals form the bases for a Capital Investment Framework, wherein the focus will be laid on for

- Priority areas for strategic development & investment (e.g. to provide opportunities & strategies directed for private investment)
- Priority areas for services upgrading (e.g. to address services backlogs)

The CIF provides general guidance for both budgeting & implementation process whereas the following detailed Implementation Plan comprises of a prioritised list of all proposed developmental interventions (e.g. programmes & projects to implement the formulated strategies).

The proposed areas for new development will be specifically described in the implementation plan, including their location, size, land availability, ownership, budget estimates etc. In order to provide the Local Municipality and other role players with the necessary information to put the intended development into effect.

Phasing in terms of different financial years and the responsibility for planning and implementation of the projects will be given throughout the Implementation Plan. The Capital Investment Framework and the Implementation Plan will be incorporated in the IDP of the Local Municipality during the next IDP review process.

b. Land use management:

- Rezoning,  
N/A
- Sub-division,

The Council has approved sub-divisions submitted to it during the financial year in question namely:

1. Farm 1102 Tarkastad
2. Farm 240 Delton, Tarkastad
3. Farm rode Kuilslegte No.4
4. Portion 1 of Farm Bloemplaats No.41 Maraisburg

- Consent use,

The Municipality is doing all its power in making sure that the land is used according to its purposes.

- Removal of restrictive conditions

N/A

- Township establishment

Bowes, McDougal were engaged in the Township establishment at Ward 1 i.e. Thornhill, Zola and Phakamisa.

e. Major challenges in spatial planning services and remedial action

1. Funding to review SDF

Remedial actions: Department of Local government and Traditional Affairs to avail an amount of R300 000 in order for us to be able to review the SDF

2. Resources are so scarce in the implementation of priority projects

Remedial actions: Mobilisation of resources with the sector departments and the private sector is key in the implementation of priority projects.

3. Lack of capacity within the institution

Remedial actions: We propose that training be organised for a departmental official or an official be seconded as the voice of the plan implementation.

## 2.8 Indigent Policy implementation

a. Preparation and approval process of the indigent policy

b. Implementation of the policy

## 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 (n0. HH not receiving the minimum standard service)						
Backlogs to be eliminated (%: total HH identified as backlog/total number of HH in the municipality)						
Spending on new infrastructure to eliminate backlogs (R000)						
Spending on renewal of existing infrastructure to eliminate backlog (R000)						
Total spending to eliminate backlogs (R000)						

Spending on maintenance to ensure no new backlogs (R000)						
<b>Electricity backlogs (30KWH/month)</b>						
Backlogs to be eliminated (n0. HH not receiving the minimum standard service)						
Backlogs to be eliminated (%: total HH identified as backlog/total numb of HH in the municipality)						
Spending on new infrastructure to eliminate backlogs (R000)						
Spending on renewal of existing infrastructure to eliminate backlog (R000)						
Total spending to eliminate backlogs (R000)						
Spending on maintenance to ensure no new backlogs (R000)						
<b>Sanitation backlogs</b>						
Backlogs to be eliminated (n0. HH not receiving the minimum standard service)						
Backlogs to be eliminated (%: total HH identified as backlog/total numb of HH in the municipality)						
Spending on new infrastructure to eliminate backlogs (R000)						
Spending on renewal of existing infrastructure to eliminate backlog (R000)						
Total spending to eliminate backlogs (R000)						
Spending on maintenance to ensure no new backlogs (R000)						
<b>Road maintenance backlogs</b>						
Backlogs to be eliminated (n0. HH not receiving the minimum standard service)						
Backlogs to be eliminated (%: total HH identified as backlog/total numb of HH in the municipality)						
Spending on new						

infrastructure to eliminate backlogs (R000)						
Spending on renewal of existing infrastructure to eliminate backlog (R000)						
Total spending to eliminate backlogs (R000)						
Spending on maintenance to ensure no new backlogs (R000)						
<b>Refuse removal</b>						
Backlogs to be eliminated (n0. HH not receiving the minimum standard service)	5754	5754	17262	5754	5754	17262
Backlogs to be eliminated (%: total HH identified as backlog/total numb of HH in the municipality)	75%	75%	100%	75%	75%	100%
Spending on new infrastructure to eliminate backlogs (R000)	R144 9323	R144 9323	R189 6889	R144 9323	R144 9323	R189 6889
Spending on renewal of existing infrastructure to eliminate backlog (R000)	R144 9323	R144 9323	R189 6889	R144 9323	R144 9323	R189 6889
Total spending to eliminate backlogs (R000)	R144 9323	R144 9323	R189 6889	R144 9323	R144 9323	R189 6889
Spending on maintenance to ensure no new backlogs (R000)	R240 5582	R240 5582	R240 5582	R240 5582	R240 5582	R240 5582
<b>Housing and town planning</b>						
Backlogs to be eliminated (n0. HH not receiving the minimum standard service)	1700	1700	7943	1700	1700	7943
Backlogs to be eliminated (%: total HH identified as backlog/total numb of HH in the municipality)	5.74%	5.74%	100%	5.74%	5.74%	100%
Spending on new infrastructure to eliminate backlogs (R000)	R17 225 129	R62m	R17 225 129	R17 225 129	R62m	R17 225 129
Spending on renewal of existing infrastructure to eliminate backlog (R000)	R17 225 129	R62m	R17 225 129	R17 225 129	R62m	R17 225 129
Total spending to eliminate backlogs (R000)	R918 00000	R918 00000	N/A	R918 00000	R918 00000	N/A
Spending on maintenance to ensure no new backlogs (R000)	R918 00000	R918 00000	N/A	R918 00000	R918 00000	N/A

## CHAPTER 3: MUNICIPAL LOCAL ECONOMIC DEVELOPMENT FRAMEWORK- (KPA 3)

### 3.1 Brief presentation of LED strategy/plan

The municipality is committed to having an LED functional section that will be able to fulfil the objectives of improving the lives of our communities. However, because of the size of our municipality and the challenge of not having enough funds we are unable to fulfil those objectives. It is the municipal wish that all stakeholders do participate in LED activities such as the LED forums and in the economic growth of our areas. The municipality has just acquired funding from Thina Sinako which amounts to R780 000.00 for the development of LED strategy. It is the municipality's view that LED objectives will be impossible to achieve without an LED strategy in place. It is also our view that when the LED strategy is in place, it will give guidance on what should be done going forward.

- **Setting up a LED unit;**

Local Economic development does not have its own unit and is attached under the Community service department, headed by the department's HOD. LED is poorly populated as it has only one LED Officer who handles all LED related matters assisted by the HOD. However, the municipality has taken a resolution in its 2009 strategic session to beef up LED section by hiring two other officers to assist in the LED. Agricultural LED Officer and LED tourism officer be hired during the 2009/ 2010 financial year.

- **The availability of a LED expertise;**

Community service manager has a vast experience in as far as the LED is concerned, however he can not be hands on as he has to look at variety of work that he is supposed to do as a sectional manager. The current officer does have the expertise as the municipality has sent him on various LED workshops and trainings but cannot function properly alone.

- **LED stakeholder forum functionality (number of meetings held);**

LED forum has been in place and functional in the past. Local stakeholders have participated fairly well in this forum except the Sector departments. But lately communities has lost interest in participating in the forum and as a result the forum has become dysfunctional especially 2008/9. It is worth mentioning that the white community does not at all participate in these forums.

- **Funding opportunities of LED activities (indicative figures on Donors/funders and types of program)**

It is unfortunate that the municipality depends on donor funders for LED and we do not have a project that we have initiated internally. However there's external funders that help fund LED initiatives. Chris Hani District municipality has been the main source of fund as well as the department of Local Government. Thina Sinako has come to the party lately and funded the development of LED strategy. There is also a variety of other project funded by the Department of Social Development and Agriculture as reflected in this report.

Tsolwana food Security (3)	Poverty Alleviation	R2 250 000	Community Services	Dept. of Social development
Women's co-operative (3)		R1 500 000	Community Services	Dept. of Social development



<b>PROJECT TITLE</b>	<b>PROJECT DESCRIPTION</b>	<b>ALLOCATION</b>	<b>RESPONSIBLE PERSON</b>	<b>FUNDING AGENT</b>
Nkqubela women's Co-op	Poultry farming	R500 000	Community Services	Dept. of Social Development
Tarkastad youth	Car wash	R500 000	Community Services	Dept. of social Development
Masiphumelele Women's co-op, Tarkastad	Laundry	R500 000	Community services	Dept. of Social development
Pakamisa Wool Growers	Wool growing-erection of a dipping tank	R150 000	Community Services	Dept. of Agric
Mzamomhle Poultry Project – Mitford	Erection of poultry structure	R250 000	Community Services	Dept. of Agric
Thembaletu Woolgrowers	Erection of a shearing shed	R300 000	Community services	Dept. of Agric
Masikhule youth Project	Erection of a piggery structure	R250 000	Community services	Dept. of Agric
Thornhill-Inkqubela Garden Project	Irrigation equipment and fencing	R25 000	Community services	Dept of Agric
Phakamisa Siphamandla Poultry Project	Feed and fencing	R30 150.00	Community services	Deot. Of Agric
Thornhill-Mthombo wesizwe vegetable garden	Supply of seeds	R5000	Community services	Dept. of Agric
Thornhill – amavundle school gardening Project	Supply of seeds	R5000	Community services	Dept of Agric.
Thornhill-thornvale school gardening project	Supply of seeds	R5000	Community services	Dept.of Agric
Zola-Esethu community garden	Supply of garden tools and seeds	R7000	Community services	Dept. of Agric
Thornhill-Masiphathisane Youth Garden	Supply of garden tools and seeds	R10 000	Community services	Dept. of Agric
Mitford-Pakamani Community garden	Supply of garden tools and seeds	R10 000	Community services	Dept. of Agric
Mitford-Othandweni community garden	Supply of garden tools and seeds	R10 000	Community services	Dept of Agric
Rocklands/Mitford home garden	Supply of garden tools and seeds	R10 000	Community services	Dept of Agric
Mitford-Lesedi	Supply of seeds	R5000	Community	Dept. of Agric

school garden			services	
Mitford Glenbrook community garden project	Supply of fencing and garden tools	R20 000	Community services	Dept of Agric
Rocklands Ram Camp	Supply of fencing	R32 150.00	Community services	Dept. of Agric
Glenrook-Malibaliba vegetable garden	Supply of seeds and garden tools	R10 000	Community services	Dept. of Agric
Tendergate home gardens	Supply of seeds and garden tools	R28 000	Community services	Dept of Agric
Kwezi sondla sonke vegetable garden	Supply of seeds and garden tools	R5000	Community services	Dept of Agric
Khwezi home gardens	Supply of seeds and garden tools	R5000	Community services	Dept of Agric
Thembaletu – Nobanzi vegetable garden	Supply of fencing and garden tools	R10 000	Community services	Dept of Agric
Springgroove-chief Hinana school garden	Supply of seeds and garden tools	R5000	Community services	Dept of agric
Bacclesfarm-Khanya vegetable garden	Supply of garden tools	R10 000	Community services	Dept of Agric
Springgroove Ram Camp	Supply of fencing material	R27 150.00	Community services	Dept of Agric
Tarkastad commonage	Fencing	R38 575.00	Community services	Dept of Agric
Tarkastad Masikhule youth garden	Supply of seeds and garden tools	R10 000	Community services	Dept of Agric
Hofmeyer home gardens	Supply of seeds and garden tools	R40 000	Community services	Dept of Agric
Hofmeyer clinic vegetable garden	Supply of seeds and garden tools	R10 000	Community services	Dept of Agric
Hofmeyer schools vegetable gardens	Supply of seeds and garden tools	R10 000	Community services	Dept of Agric
Hofmeyer siyazama poultry project	Supply of feed and medication	R27 750.00	Community services	Dept of Agric
Responsible tourism sector plan	Development of tourism Sector plan	R250 000	Community services	DBSA
Spatial development framework	Development of Spatial Development Plan	R150 000	Community services	DHLG&TA
Bambanani youth Project	Lursen project Tendergate	R1 000 000	Community services	Dept of Social Development

Masiphathisane Women Co-op	Garden Project Thornhill	R1 000 000	Community services	Dept of Social Development
Hofmeyer bakery	Development of bakery		Community services	Dept of Social Development
Disaster management Fund	Building of houses and Infrastructure	R3.7	Community services	DPLG
Thornhill project housing	Building of houses 107 units		Community services	DPLG
Tarkastad 1000 units	Building of houses 324 units		Community services	DPLG
Hofmeyer 1000 units	Building of houses 302 units		Community services	DPLG
Tarkastad 671 units	Building of houses 163 units		Community services	DPLG

### 3.2 Progress towards achieving the LED key objectives

#### a. Improve public and market confidence

- **Spatial development framework (SDF)/Land use management system(LUMS);**
  1. The Tsolwana municipality with the assistance of Service Providers has developed both SDF and LUMS and has involved ward representative in their developments.
  2. Workshops attended with community representatives involved.
- **Red tape reduction: Turn-around time for licensing and other business related applications;**  
There is no much red tape as far as the LED is concerned because of the size of our municipality and the personnel managing LED.
- **Investments and trading by-laws**  
By-Laws are in place that regulate business within the municipality
- **Provision and maintenance of quality and reliable infrastructure: Roads; ITC; market places**  
Though road maintenance and infrastructural development is part of Local Economic Development, the size of our municipality and the human resource capacity in LED does not allow us to put these functions under LED. These functions have been placed under technical Service Department.
- **Disaster management;**  
Disaster management is not our core function as the local municipality, however this does not mean that the municipality should sit down and fold its arms. The municipality, as a developmental local government has an obligation of making sure that its constituency is safe at all times. The municipality has an obligation of making sure that a disaster management plan is in place for local municipality. This plan is not in place because of the lack of funding. The CHDM has seconded two disaster field workers and one receptionist to the municipality and a satellite centre has been opened within municipal offices. The furniture has been provided by the CHDM for this satellite office.

### **b. Exploit comparative and competitive advantage for industrial activities**

We do not have industries in our area and therefore could not compete in this area.

### **c. Intensify Enterprise support and business development**

- **The type of business development services (BDS) provided to SMME;**

The municipality has a responsibility, as a developmental government to refer business and SMME's to relevant BSD's for their development such as Youth Development agencies, Small enterprise Development agency (SEDA), Eastern Cape Development corporation and others

- **Public and private partnerships established**

The municipality does not have a Public Private Partnership agreement, but when accessing the funding for LED strategy development we were partnered with Sakhisizwe Local Municipality and therefore that is the Public partnership between within two municipalities.

- **Number of new formal SMME established within the municipality**

The municipality does not have a reliable data base for SMME's within our area and we believe that the LED strategy that we are busy developing will talk to these challenges.

- **Number of new employment opportunities through Expanded Public Works Programs and Public and Private Partnerships**

The municipality ha recently engaged in the cleaning and the beautification of community halls through Expanded Public Works Programme. The programme employed 80 people in total but there has been more that the municipality has been engaged I, the exact number is 380 for the financial year ended 2009.

### **d. Support Social investment program**

The municipality has emphasised the importance of cooperatives as the main vehicle that can take our communities out of the closet of poverty and stimulate economic growth within our areas. Small businesses have the potential to grow and the municipality has to make conditions user-friendly by developing by-laws that talk to the needs of small business. The municipality do have projects that are focusing on women and youth components of our societies as reflected in this report. Tarkastad youth car wash, Masihlume brick making, Bambanani youth project and many more that are reflected in this report.

We have a very brilliant women's bakery project that is operating in Hofmeyer. The municipality is proud of this project because it has graduated form being an LED project to a fully fledged business. It is regarded as one of the best performing women projects in the entire Eastern Cape.

### **3.3 Annual performance as per key performance indicators in LED**

	<b>Indicator name</b>	<b>Target set for the year</b>	<b>Achievement level during the year (absolute figure)</b>	<b>Achievement percentage during the year</b>
1	Percentage of LED Budget spent on LED related activities.			
2	Number of LED stakeholder forum held	Two	Two	Two

3	Percentage of SMME that have benefited from a SMME support program	N/A	N/A	N/A
4	Number of job opportunities created through EPWP	3800	500	
5	Number of job opportunities created through PPP	N/A	N/A	N/A

### 3.4 Challenges regarding LED strategy implementation

It is anticipated that the municipality will be having a challenge in the implementation of the strategy if the current situation does not change. One person in the LED section will not be able to implement. The municipality should make speed up the implementation of 2009 strategic planning workshop and advertise and appoint Agricultural and tourism officers to beef up Led. Awareness workshops regarding LED should be called and focus on previously disadvantaged groups should be emphasised. LED budget should be increased so as to meet and reduce these challenges.

4.1 FINANCIAL STATEMENTS



[These financial statements have been audited]

**FINANCIAL STATEMENTS**

**30 JUNE 2009**

# TSOLWANA MUNICIPALITY

## Index

<i>Contents</i>	<i>Page</i>
General Information	1
Approval of the Financial Statements	2
Statement of Financial Position	3
Statement of Financial Performance	4
Statement of Changes In Net Assets	5
Cash Flow Statement	6
Accounting Policies	7 - 17
Notes on the Financial Statements	18 - 35
<b>APPENDIXES</b>	
A Analysis of Property, Plant and Equipment	36
B Segmental Analysis of Property, Plant and Equipment	37
C (1) Segmental Statement of Financial Performance (Municipal Votes)	38
C (2) Segmental Statement of Financial Performance (GFS)	39
D (1) Actual Versus Budget (Revenue and Expenditure)(Municipal Votes)	40
D (2) Actual Versus Budget (Revenue and Expenditure) (GFS)	41
D (3) Actual Versus Budget (Acquisition of Property, Plant and Equipment)	42
E Disclosure of Grants and Subsidies In Terms of Section 123 of MFMA, 56 of 2003	43 - 44

# TSOLWANA MUNICIPALITY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### GENERAL INFORMATION

#### NATURE OF BUSINESS

Tsolwana Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

#### COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

#### JURISDICTION

The Tsolwana Municipality includes the following areas:

Tarkastad  
Hofmeyer  
Ntabathemba

#### COUNCIL

Marina Bennett - Mayor/Speaker  
Khaya Nqiqhi  
Nombso Meje  
Mhlangabezi Mangcotywa  
Funiswa Tshambu

Michael Baleng  
Nomalady Temo  
Malungelo Hlahla  
Robert Sparrow

#### MUNICIPAL MANAGER

Similo Dayi

#### CHIEF FINANCIAL OFFICER

*Gerald de Jager*

#### REGISTERED OFFICE

P.O. Box 21  
TARKASTAD  
5370

#### AUDITORS

Auditor-General  
East London Office

#### PRINCIPLE BANKERS

First National Bank  
16 Murray Street  
Tarkastad  
5370

#### ATTORNEYS

Bowes, McDougall Inc  
27a Prince Alfred Street  
QUEENSTOWN  
5320

#### RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)  
Division of Revenue Act  
The Income Tax Act  
Value Added Tax Act  
Municipal Structures Act (Act no 117 of 1998)  
Municipal Systems Act (Act no 32 of 2000)  
Municipal Planning and Performance Management Regulations  
Water Services Act (Act no 108 of 1997)  
Housing Act (Act no 107 of 1997)  
Municipal Property Rates Act (Act no 6 of 2004)  
Electricity Act (Act no 41 of 1987)  
Skills Development Levies Act (Act no 9 of 1999)  
Employment Equity Act (Act no 55 of 1998)  
Unemployment Insurance Act (Act no 30 of 1966)  
Basic Conditions of Employment Act (Act no 75 of 1997)  
Supply Chain Management Regulations, 2005  
Collective Agreements  
Infrastructure Grants  
SALBC Leave Regulations



# TSOLWANA MUNICIPALITY

## MEMBERS OF THE TSOLWANA MUNICIPALITY

### WARD

Proportional  
Proportional  
Proportional  
Proportional  
Proportional  
1  
2  
3  
4  
5

### COUNCILLOR

Marina Bennett - Mayor/Speaker  
Nombuso Meje  
Funiswa Tshambu  
Robert Sparrow  
Sydney Shumani - Recalled  
Mhlangabezi Mangcotywa  
Michael Baleng  
Malungelo Hlahla  
Nomalady Temo  
Khayaletu Nqiqhi

### APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages to in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.



\_\_\_\_\_  
*Similo Dayi*  
**Municipal Manager**

31-Aug-09

\_\_\_\_\_  
**Date**

**TSOLWANA MUNICIPALITY**

**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2009**

	Notes	2009 R	2008 R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net Assets</b>		<b>100 221 535</b>	<b>90 246 472</b>
Housing Development Fund	2	45 777	45 777
Accumulated Surplus		100 175 758	90 200 695
<b>Non-Current Liabilities</b>			
Non-Current Employee Benefits	3	<b>1 080 367</b>	<b>1 040 741</b>
<b>Current Liabilities</b>			
		<b>8 343 001</b>	<b>13 220 917</b>
Consumer Deposits	4	81 361	79 158
Current Employee Benefits	5	1 026 043	976 236
Trade and other payables	6	2 710 582	217 949
Unspent Conditional Government Grants and Receipts	7	3 690 611	9 828 207
Taxes	8	-	846 493
Water Service Authority payable	18.02	834 404	1 272 873
<b>Total Net Assets and Liabilities</b>		<b>109 644 903</b>	<b>104 508 130</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
		<b>96 712 012</b>	<b>90 993 585</b>
Property, Plant and Equipment	9	96 705 950	90 993 585
Intangible Assets	13	6 063	-
<b>Current Assets</b>			
		<b>12 932 891</b>	<b>13 514 545</b>
Trade Receivables from exchange transactions	16	107 294	170 715
Other Receivables from non-exchange transactions	17	103 936	35 134
Taxes	8	403 003	-
Water Service Authority Receivable	18.01	2 260 331	-
Cash and Cash Equivalents	19	10 058 327	13 308 696
<b>Total Assets</b>		<b>109 644 903</b>	<b>104 508 130</b>

**TSOLWANA MUNICIPALITY**

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009**

	Notes	2009 R	2008 R
<b>REVENUE</b>			
<b>Revenue from Non-exchange Transactions</b>		<b>42 564 094</b>	<b>14 870 674</b>
<b>Taxation Revenue</b>		<b>1 048 306</b>	<b>1 233 547</b>
Property taxes	20		
<b>Transfer Revenue</b>		<b>41 474 320</b>	<b>13 565 625</b>
Government Grants and Subsidies	21	41 474 320	13 565 625
Public Contributions and Donations	22	-	-
<b>Other Revenue</b>		<b>41 468</b>	<b>71 502</b>
Fines		-	71 502
Actuarial Gains	3	41 468	-
<b>Revenue from Exchange Transactions</b>		<b>5 158 931</b>	<b>4 248 597</b>
Service Charges	23	2 858 238	2 062 548
Rental of Facilities and Equipment		93 365	76 213
Interest Earned - external investments		957 170	860 114
Interest Earned - outstanding debtors		677 877	698 594
Licences and Permits		-	-
Income for Agency Services		108 892	103 415
Other Income	24	463 389	447 713
<b>Total Revenue</b>		<b>47 723 025</b>	<b>19 119 271</b>
<b>EXPENDITURE</b>			
Employee related costs	25	6 014 882	6 248 642
Remuneration of Councillors	26	1 936 427	1 677 199
Debt Impairment	27	1 621 328	1 020 134
Finance charges		21	-
Depreciation and Amortisation		-	-
Impairments	28	-	-
Repairs and Maintenance		923 112	404 500
Unamortised discount - Interest	0	-	-
Actuarial losses	3	-	48 127
Bulk Purchases	29	2 671 396	2 156 507
Contracted services		-	-
Grants and Subsidies Paid	0	-	-
Other Operating Grant Expenditure		22 241 794	3 601 130
General Expenses	30	2 343 390	2 679 164
<b>Total Expenditure</b>		<b>37 752 349</b>	<b>17 835 403</b>
<b>Operating Surplus for the Year</b>		<b>9 970 676</b>	<b>1 283 868</b>
Gain on disposal of Property, Plant and Equipment		4 386	-
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>9 975 062</b>	<b>1 283 868</b>
<b>Refer to Appendix D(1) for explanation of budget variances</b>			

TSOLWANA MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2009

	Pre-GAMAP Reserves and Funds	Housing Development Fund	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R
<b>Balance at 1 JULY 2007</b>	<b>5 630 620</b>	<b>43 247</b>	(1 570 438)	4 103 428
Correction of error - Note 32.12			(2 459 696)	(2 459 696)
Change in accounting policy - Note 31.06	(5 630 620)		92 889 099	87 258 479
<b>Restated balance at 1 July 2007</b>	<b>-</b>	<b>43 247</b>	<b>88 858 964</b>	<b>88 902 211</b>
Net Surplus for the year	-	-	1 283 868	1 283 868
Correction of error - Note 32.12			60 393	60 393
Transfer to Housing Development fund	-	2 530	(2 530)	-
<b>Balance at 30 JUNE 2008</b>	<b>-</b>	<b>45 777</b>	<b>90 200 695</b>	<b>90 246 472</b>
Net Surplus/(Deficit) for the year			9 975 062	9 975 062
Transfer to/from CRR			-	-
<b>Balance at 30 JUNE 2009</b>	<b>-</b>	<b>45 777</b>	<b>100 175 758</b>	<b>100 221 534</b>

**TSOLWANA MUNICIPALITY**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009**

	Notes	2009 R	2008 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from ratepayers, government and other		41 592 238	19 284 045
Cash paid to suppliers and employees		(40 087 916)	(17 785 724)
Cash generated by operations	<b>33</b>	1 504 321	1 498 321
Interest Received		957 170	860 114
Interest Paid		(21)	
<b>Net Cash from Operating Activities</b>		<b>2 461 469</b>	<b>2 358 435</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment		(5 712 365)	(2 693 198)
Proceeds on Disposal of Fixed Assets		4 386	-
Increase in Intangible Assets		(6 063)	-
Decrease in Long-term Receivables		-	-
<b>Net Cash from Investing Activities</b>		<b>(5 714 042)</b>	<b>(2 693 198)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
New loans raised/(repaid)		-	-
Increase in Consumer Deposits		2 202	4 871
<b>Net Cash from Financing Activities</b>		<b>2 202</b>	<b>4 871</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(3 250 369)</b>	<b>(329 892)</b>
Cash and Cash Equivalents at the beginning of the year		13 308 696	13 638 589
Cash and Cash Equivalents at the end of the year	<b>34</b>	10 058 327	13 308 696
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(3 250 369)</b>	<b>(329 893)</b>

**ACCOUNTING PRINCIPLES AND POLICIES NOTES APPLIED IN THE  
FINANCIAL STATEMENTS**

---

**1.1. BASIS OF PREPARATION**

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

These annual financial statements have been prepared in accordance with Directive 5 “Determining the GRAP Reporting Framework”, issued by the Accounting Standards Board.

The standards are summarised as follows:

<b>GRAP 1</b>	Presentation of Financial Statements
<b>GRAP 2</b>	Cash Flow Statements
<b>GRAP 3</b>	Accounting Policies, Changes in Accounting Estimates and Errors
<b>GRAP 4</b>	The Effects of changes in Foreign Exchange Rates
<b>GRAP 9</b>	Revenue from Exchange Transactions
<b>GRAP 11</b>	Construction Contracts
<b>GRAP 12</b>	Inventories
<b>GRAP 13</b>	Leases
<b>GRAP 14</b>	Events after the reporting date
<b>GRAP 16</b>	Investment Property
<b>GRAP 17</b>	Property, Plant and Equipment (PPE)
<b>GRAP 19</b>	Provisions, Contingent Liabilities and Contingent Assets
<b>GRAP 23</b>	Revenue from Non-Exchange Transactions (Taxes and Transfers)
<b>GRAP 100</b>	Non-Current Assets Held for Sale and Discontinued Operations
<b>GRAP 102</b>	Intangible assets

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

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

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

In terms of Directive 4: "Transitional Provisions for the Adoption of Standards of GRAP by Medium and Low Capacity Municipalities" issued by the Accounting Standards Board the municipality has adopted the transitional provisions for the following GRAP Standards:

GRAP 12 – Inventories;  
GRAP 13 – Leases;  
GRAP 16 – Investment Property;  
GRAP 17 – Property, Plant and Equipment;  
GRAP 19 – Provisions, Contingent Liabilities and Contingent Assets;  
GRAP 100 – Non-current Assets Held for Sale and Discontinued Operations;  
GRAP 102 – Intangible Assets.

#### **1.2. PRESENTATION CURRENCY**

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

#### **1.3. GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

#### **1.4. COMPARATIVE INFORMATION**

Budget information in accordance with GRAP 1, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

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

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality. The effective dates are not known at the reporting date.

<b>GRAP 21</b>	<b>Impairment of non-cash-generating assets</b> The municipality complies with IPSAS 21 which forms part of the GRAP Framework in terms of Directive 5. Minimal adjustments will be required.
<b>GRAP 24</b>	<b>Presentation of Budget Information in Financial Statements</b> Information to a large extent is already included in Appendix E(1) and E(2) of the annual financial statements. When the Standard becomes effective the information will form part of the audited financial statements.
<b>GRAP 26</b>	<b>Impairment of cash-generating assets</b> The municipality complies with IAS 36 which forms part of the GRAP Framework in terms of Directive 5. Minimal adjustments will be required.
<b>GRAP 103</b>	<b>Heritage Assets</b> No adjustments will be necessary other than a separate line item in the Statement of Financial Position and the transfer of the values from property, plant and equipment.

The following GRAP standards have been issued but are not yet effective but have been early adopted by the municipality:

<b>GRAP 23</b>	Revenue from Non-Exchange Transactions (Taxes and Transfers)
----------------	--

## 1.6. FOREIGN CURRENCY TRANSACTIONS

The Municipality will not incur a foreign currency liability other than that allowed by the MFMA.

## 1.7. RESERVES

### 1.7.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus / (deficit) to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (Deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

The CRR may only be utilized for the purpose of purchasing/ construction of items of property, plant and equipment and may not be used for the maintenance of these items.



## **1.8. UNSPENT CONDITIONAL GRANTS**

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

## **1.9. PROVISIONS**

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

## **1.10. EMPLOYEE BENEFITS**

### ***(a) Pension obligations***

The - municipality contributes to the following post retirement funds - Cape Joint Pension fund, Cape Joint Retirement fund, SALA and SAMWU Retirement fund which provides for retirement benefits to its employees.

For defined contribution plans, the District Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognized as employee benefit expenses when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or reduction in the future payments is available.

### ***(b) Post Retirement Medical obligations***

The municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% are paid by the

members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

**(c) Long Service awards**

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

**(d) Accrued Leave Pay**

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

## **1.11. PROPERTY, PLANT AND EQUIPMENT**

### **1.11.1 Initial Recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

#### **1.11.2 Subsequent Measurement – Revaluation Model**

The revaluation model does not apply as exemptions in accordance with Directive 4 have been applied in the current year.

#### **1.11.3 Subsequent Measurement – Cost Model**

The municipality has applied the transitional provisions within GRAP17 - Property, plant and equipment and therefore there has been no subsequent measurement. The municipality is in the process of ascertaining values for the assets and this is required to be performed by 30 June 2011.

#### **1.11.4 Depreciation and Impairment**

No depreciation is calculated as the useful lives and residual values of assets have not been reviewed as required by GRAP 17.

#### **1.11.5 De-recognition**

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### **1.12. INTANGIBLE ASSETS**

#### **1.12.1 Initial Recognition**

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

#### **1.12.2 Subsequent Measurement – Cost Model**

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. No amortisation or impairment charges were written off in the current year as the useful life and residual values of were not determined in the current year as required by GRAP 102.

#### **1.12.4 De-recognition**

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### **1.13. INVESTMENT PROPERTY**

Exemptions in accordance with Directive 4 that applies to Investment Property have been applied in the current year.

### **1.14. NON-CURRENT ASSETS HELD FOR SALE**

#### **1.14.1 Initial Recognition**

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

#### **1.14.2 Subsequent Measurement**

Non-current assets held for sale are measured at their carrying amount.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale.

### **1.15. CONSTRUCTION CONTRACTS**

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by either the proportion that contract costs incurred for

work performed to date bear to the estimated total contract costs or surveys of work done or completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

#### **1.16. IMPAIRMENT OF ASSETS**

Assets were not evaluated for impairment in the current year as exemptions in accordance with Directive 4 have been applied.

#### **1.17. INVENTORIES**

Exemptions in accordance with Directive 4 have been applied to inventory in the current year.

#### **1.18. FINANCIAL INSTRUMENTS**

Financial instruments recognised on the balance sheet include trade and other receivables, cash and cash equivalents, annuity loans and trade and other payables.

##### ***1.18.1 Initial Recognition***

Financial instruments are initially recognised at fair value.

##### ***1.18.2 Subsequent Measurement***

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial Liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

#### 1.18.2.1 Investments

Investments, which include fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost.

#### 1.18.2.2 Trade and Other Receivables

For amounts due from debtors carried at amortised cost, the municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

#### 1.18.2.3 Trade Payables and Borrowings

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost.

#### **1.18.2.4**      Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

#### **1.18.3 De-recognition of Financial Instruments**

##### **1.18.3.1**      Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the asset have expired.

##### **1.18.3.2**      Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

#### **1.18.4 Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### **1.18.5 Impairment of Financial Assets**

The Municipality assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

## **1.19. REVENUE**

### ***1.19.1 Revenue from Non-Exchange Transactions***

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when it becomes due.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

### ***1.19.2 Revenue from Exchange Transactions***

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.



Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. An allowance for unused units are made at year-end, if material.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant - tariff. This includes the issuing of licences and permits.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

### **1.19.3 Grants, Transfers and Donations (Non-Exchange Revenue)**

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

## **1.20. RELATED PARTIES**

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. It includes full-time councillors, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

## **1.21. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of

government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **1.22. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 200), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **1.23. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **1.24. CONTINGENT LIABILITIES**

All known contingent liabilities (if any) are reflected in the financial statements.

#### **1.25. AMENDED DISCLOSURE POLICY**

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

TSOLWANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
<b>2 HOUSING DEVELOPMENT FUND</b>		
Housing Development Fund	45 777	45 777
Transfer to Housing Development Fund	45 777	2 530
Unappropriated Surplus	45 777	43 247
<b>Total Net Asset Reserve and Liabilities</b>	<b>45 777</b>	<b>45 777</b>
<b>3 NON-CURRENT EMPLOYEE BENEFITS</b>		
Post Retirement Benefits	931 652	923 464
Long Service Awards	148 715	117 277
<b>Total Non-current Employee Benefits</b>	<b>1 080 367</b>	<b>1 040 741</b>
Exemptions taken for provisions according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities - Note 47		
<b>Post retirement medical benefits - Reconciliation of present value of fund obligation:</b>		
Balance 1 July	995 752	
Change in accounting policy - Note 31.03	-	929 682
Contribution for the year	129 767	97 072
Expenditure for the year	(72 288)	(67 128)
Actuarial Loss/(Gain)	(42 115)	36 126
<b>Total provision 30 June</b>	<b>1 011 116</b>	<b>995 752</b>
<b>Less:</b> Transfer of Current Portion to Current Employee Benefits - Note 5	(79 464)	(72 288)
<b>Balance 30 June</b>	<b>931 652</b>	<b>923 464</b>
The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).		
<b>Long Service Awards - Reconciliation of present value of fund obligation:</b>		
Balance 1 July	151 739	
Change in accounting policy - Note 31.03	-	113 687
Contribution for the year	49 212	30 418
Expenditure for the year	(34 462)	(4 367)
Actuarial Loss/(Gain)	647	12 001
<b>Total provision 30 June</b>	<b>167 136</b>	<b>151 739</b>
<b>Less:</b> Transfer of Current Portion to Current Employee Benefits - Note 5	(18 421)	(34 462)
<b>Balance 30 June</b>	<b>148 715</b>	<b>117 277</b>
<b>TOTAL NON-CURRENT EMPLOYEE BENEFITS</b>		
Balance 1 July	1 147 491	-
Change in accounting policy - Note 31.03	-	1 043 369
Contribution for the year	178 979	127 490
Expenditure for the year	(106 750)	(71 495)
Actuarial Loss/(Gain)	(41 468)	48 127
<b>Total provision 30 June</b>	<b>1 178 252</b>	<b>1 147 491</b>
<b>Less:</b> Transfer of Current Portion to Current Employee Benefits - Note 5	(97 885)	(106 750)
<b>Balance 30 June</b>	<b>1 080 367</b>	<b>1 040 741</b>

**3.01 Post Retirement Benefits**

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	7	7
Continuation members (e.g. Retirees, widows, orphans)	3	3
<b>Total Members</b>	<b>10</b>	<b>10</b>

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas  
LA Health  
SAMWU Medical Aid

The Current-service Cost for the ensuing year is estimated to be R 24 026, whereas the Interest Cost for the next year is estimated to be R 105 751.

Key actuarial assumptions used:	2009 %	2008 %
<b>i) Rate of interest</b>		
Discount rate	8.93	11.01
Health Care Cost Inflation Rate	7.37	10.13
Net Effective Discount Rate	1.45	0.80

**ii) Mortality rates**

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

**iii) Normal retirement age**

The normal retirement age for employees of the municipality is 60 years.

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

	Increase	Decrease
Effect on the aggregate of the current service cost and interest cost components	146 500	116 000
Effect on the defined benefit obligation	13%	-11%

**3.02 Long Service Bonuses**

The Long Service Bonus plans are defined benefit plans. As at year end, 70 employees were eligible for Long Service Bonuses.

The Current-service Cost for the ensuing year is estimated to be R 34 394 .

Key actuarial assumptions used:

**i) Rate of interest**

	2009 %	2008 %
Discount rate	9.01	10.98
General Salary Inflation (long-term)	6.62	9.25
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2.24	1.59

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	167 136	151 739
Fair value of plan assets	-	-
	<u>167 136</u>	<u>151 739</u>
Unrecognised past service cost	-	-
Unrecognised actuarial gains/(losses)	-	-
Present value of unfunded obligations	-	-
<b>Net liability</b>	<u><b>167 136</b></u>	<u><b>151 739</b></u>

The effect of a 1% movement in the assumed rate of salary inflation is as follows:

	Increase	Decrease
Effect on the aggregate of general salary inflation	51 403	47 198
Effect on the defined benefit obligation	4%	-4%

**3.05 Retirement funds**

**CAPE JOINT PENSION FUND**

This fund comprises a defined benefit section and a defined contribution section. The Cape Joint Pension Fund is a multi-employer plan and the contribution rate payable is 9%, by the members and 18% by Council. In respect of the defined benefit section the last valuation performed for the year ended 30 June 2008 (30 June 2007) revealed that the fund had an actuarial surplus of R182,733 (R 200,209) million with a funding level of 106.5% (107.1%), and is in a sound financial state as at 30 June 2008.

**CAPE JOINT RETIREMENT FUND**

This fund comprises a defined benefit section and a defined contribution section. The contribution rate paid by the members (9.0%) and Council (18.0%) is sufficient to fund the benefits accruing from the fund in future. In respect of the defined contribution section the last valuation performed for the year ended 30 June 2008 (30 June 2007) revealed that the fund had an actuarial surplus of R12,033 (R 20,22) million with a funding level of 103.3% (105.3%) and is in a sound financial position as at 30 June 2008.

**MUNICIPAL COUNCILLORS PENSION**

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) and council (15%). The financial statements of the fund have not been audited since June 2006 and the financial position of the fund is not available.

**4 CONSUMER DEPOSITS**

Consumer deposits	81 361	147 443
Prior years adjustment - Note 32.01	-	(68 285)
<b>Total Consumer Deposits</b>	<u><b>81 361</b></u>	<u><b>79 158</b></u>

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

<b>Guarantees held in lieu Consumer Deposits</b>	<u>-</u>	<u>-</u>
--	----------	----------

5	<b>CURRENT EMPLOYEE BENEFITS</b>	<b>2009 R</b>	<b>2008 R</b>
	Bonuses and Performance Bonuses	298 578	207 155
	Change in accounting policy - Balance as at 30 June 2007 - Implementation of GRAP standards - Note 31.05	-	269 799
	Prior period adjustment - Transfer of expenditure to provision, previously recorded directly against the expenditure vote - Note 32.03	-	(269 799)
	Prior period adjustment - Recognition of the provision of performance and annual bonuses as at 30 June 2008 - Note 32.03	-	207 155
	Restated balance	298 578	207 155
	Staff Leave	629 580	662 331
	Current Portion of Non-Current Employee benefits	97 885	106 750
	Current Portion of Post Retirement Benefits - Note 3	79 464	72 288
	Current Portion of Long-Service Awards - Note 3	18 421	34 462
	<b>Total Provisions</b>	<b>1 026 043</b>	<b>976 236</b>
	<b><u>Post Retirement Benefits</u></b>		
	Balance at beginning of year	72 288	67 128
	Adjustment from non-current	7 176	5 160
	Balance at end of year	<b>79 464</b>	<b>72 288</b>
	<b><u>Long-service Awards</u></b>		
	Balance at beginning of year	34 462	4 367
	Adjustment from non-current	(16 041)	30 095
	Balance at end of year	<b>18 421</b>	<b>34 462</b>
	<b><u>Staff Leave</u></b>		
	Balance at beginning of year	662 331	713 069
	Contribution to provision	231 183	345 387
	Expenditure incurred	(263 934)	(396 125)
	Balance at end of year	<b>629 580</b>	<b>662 331</b>
	<b><u>Bonuses and Performance Bonuses</u></b>		
	Balance at beginning of year	207 155	-
	Change in accounting Policy	-	269 799
	Contribution to provision	298 578	207 155
	Expenditure incurred	(207 155)	(269 799)
	Balance at end of year	<b>298 578</b>	<b>207 155</b>
	<b><u>TOTAL - CURRENT EMPLOYEE BENEFITS</u></b>		
	Balance at beginning of year	976 236	1 054 362
	Adjustment from non-current	(8 865)	35 255
	Contribution to provision	529 761	552 542
	Expenditure incurred	(471 089)	(665 923)
	Balance at end of year	<b>1 026 043</b>	<b>976 236</b>
	For more information regarding the provisions for Post Retirement Benefits and Long-term Service Awards - Refer to Note 3 to the Financial Statements, Other Defined Benefit Plan Information		
	Exemptions taken for provisions according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities - Note 47		
6	<b>TRADE AND OTHER PAYABLES</b>		
	Trade Payables	1 958 836	136 171
	Retentions	102 726	-
	Payments in advance	166 325	-
	Other Creditors	482 694	1 778
	Prior year adjustment - Monies incorrectly paid to the municipality recognised as revenue in the prior year - Note 32.02	-	80 000
	<b>Total Trade Payables</b>	<b>2 710 582</b>	<b>217 949</b>
7	<b>UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS</b>		
7.01	<b><u>Conditional Grants from other spheres of Government</u></b>		
	Unspent Grants		
	National and Provincial Government Grants	3 690 611	9 828 207
	<b>Total Conditional Grants and Receipts</b>	<b>3 690 611</b>	<b>9 828 207</b>
	See appendix "E" for reconciliation of grants from other spheres of government. The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.		
8	<b>TAXES</b>		
	VAT Payable	-	1 123 063
	Prior year adjustment - VAT on projects previously incorrectly included as Taxes - Note 32.05	-	(276 570)
	Restated VAT Payable	-	846 493
	VAT Receivable	403 003	-

TSOLWANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

9 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2009

Reconciliation of Carrying Value	Land and Buildings R	Infrastructure R	Community R	Other R	Total R
Carrying value at 1 JULY 2008	71 610 179	16 195 075	-	3 188 330	90 993 585
<b>Cost</b>	71 610 179	16 195 075	-	3 188 330	90 993 585
Original Cost	71 610 179	16 195 075	-	3 188 330	90 993 585
Capital under construction	606 987	-	114 663	-	721 651
Acquisitions	802 613	2 871 418	1 166 767	149 915	4 990 714
Carrying value at 30 JUNE 2009	73 019 780	19 066 493	1 281 431	3 338 246	96 705 950
<b>Cost</b>	73 019 780	19 066 493	1 281 431	3 338 246	96 705 950
Original Cost	73 019 780	19 066 493	1 281 431	3 338 246	96 705 950

30 JUNE 2008

Reconciliation of Carrying Value	Land and Buildings R	Infrastructure R	Community R	Other R	Total R
Carrying value at 1 JULY 2007	71 610 179	13 760 835	-	3 122 509	88 493 523
<b>Cost</b>	71 610 179	13 760 835	-	3 122 509	88 493 523
Original Cost	71 610 179	16 559 341		3 122 509	91 292 029
Correction of error - Note 32.10	-	(2 798 506)		-	(2 798 506)
Capital under construction		2 434 240		258 958	2 693 198
Acquisitions					
Impairment losses	-	-	-	(193 136)	(193 136)
Cost	-	-		(193 136)	(193 136)
Carrying value at 30 JUNE 2008	71 610 179	16 195 075	-	3 188 330	90 993 585
<b>Cost</b>	71 610 179	16 195 075	-	3 188 330	90 993 585
Original Cost	71 610 179	16 195 075	-	3 188 330	90 993 585

The Municipality identified other properties, plant and equipment, with opening balances and adjustments during the year.

Refer to Appendix A for more detail on property, plant and equipment, including those in the course of construction.

The Municipality has taken advantage of the transitional provisions set out in Directive 4. The Municipality is in the process of identifying and itemizing all infrastructure and community assets and other property, plant and equipment and will recalculate accumulated depreciation once this exercise has been

- Review of useful life of item of PPE recognised in the annual financial statements. [Paragraphs 59-61 and 77]
- Review of the depreciation method applied to PPE recognised in the annual financial statements. [Paragraphs 62 and 77]
- Impairment of non-cash generating assets. [Paragraphs 64-69 and 75(e)(v) – (vi)]
- Impairment of cash generating assets. [Paragraphs 63 and 75(e)(v) – (vi)]

Provision for landfill site is recognized at R0.

	2009 R	2008 R
<b>10 PROVISIONS</b>		
The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure the following provisions, contingent liabilities or contingent assets relating to Property, Plant and Equipment:		
Refuse tip-sites financed by way of a provision;		
The municipality is currently in a process of measuring all provisions which must be measured in terms of GRAP 19 and it is expected that this process will be completed for inclusion in the 2010 financial statements.		
<b>11 NON-CURRENT ASSETS HELD FOR SALE</b>		
Non-current assets held for sale at beginning of year - at book value	-	-
Additions for the year	-	-
	<hr/>	<hr/>
Non-current assets sold/written off during the year	-	-
Non-current assets held for sale at end of year - at book value	<hr/>	<hr/>
Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities - Note 47		
<b>12 INVESTMENT PROPERTY</b>		
Investment property as at 30 June	<hr/>	<hr/>
Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities - Note 47		
<b>13 INTANGIBLE ASSETS</b>		
<b>Net Carrying amount at 1 July</b>	-	-
Cost	-	-
Acquisitions	6 063	-
Disposals	-	-
<b>Net Carrying amount at 30 June</b>	<hr/>	<hr/>
Cost	6 063	-
Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities - Note 47		
<b>14 LONG TERM RECEIVABLES</b>		
The Municipality has no long term receivables		
<b>15 INVENTORY</b>		
<b>Total Inventory</b>	<hr/>	<hr/>
Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities - Note 47		
<b>16 TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>		
Electricity	1 414 895	1 052 185
Rental	42 350	-
Refuse	1 702 665	1 287 049
Other Arrears	1 061 733	1 060 113
<b>Total: Trade receivables from exchange transactions (before provision)</b>	<hr/>	<hr/>
Provision for Impairments	(4 114 348)	(3 228 632)
<b>Total: Trade receivables from exchange transactions (after provision)</b>	<hr/>	<hr/>
The fair value of other receivables approximate their carrying value.		
<b><u>(Electricity): Ageing</u></b>		
Current (0 - 30 days)	103 956	140 501
31 - 60 Days	59 559	65 901
61 - 90 Days	62 856	36 183
+ 90 Days	1 188 525	809 600
<b>Total</b>	<hr/>	<hr/>
	<b>1 414 895</b>	<b>1 052 185</b>

	2009 R	2008 R
<b><u>(Refuse): Ageing</u></b>		
Current (0 - 30 days)	36 103	44 634
31 - 60 Days	29 565	36 365
61 - 90 Days	41 472	34 809
+ 90 Days	1 595 524	1 171 241
<b>Total</b>	<b>1 702 665</b>	<b>1 287 049</b>
<b><u>(Other): Ageing</u></b>		
Current (0 - 30 days)	2 741	4 604
31 - 60 Days	2 719	6 049
61 - 90 Days	2 719	2 247
+ 90 Days	1 095 904	1 047 212
<b>Total</b>	<b>1 104 082</b>	<b>1 060 112</b>
<b><u>(Total): Ageing</u></b>		
Current (0 - 30 days)	142 800	4 046 946
31 - 60 Days	91 843	357 381
61 - 90 Days	107 047	207 382
+ 90 Days	3 879 953	2 509 518
<b>Total</b>	<b>4 221 643</b>	<b>7 121 227</b>
<b><u>Reconciliation of Provision for Bad Debts</u></b>		
Balance at beginning of year	3 228 632	2 494 598
Contribution to provision	885 716	734 034
Balance at end of year	<b>4 114 348</b>	<b>3 228 632</b>

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment. In general, receivables outstanding for more than 90 days is considered to be bad debts.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

17

**OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

Rates	2 767 922	2 063 322
Other Debtors	99 813	-
	2 867 735	2 063 322
<b>Less:</b> Provision for bad debts	<b>(2 763 799)</b>	<b>(2 028 188)</b>
<b>Total Other Receivables from non-exchange transactions</b>	<b>103 936</b>	<b>35 134</b>

The fair value of other receivables approximate their carrying value.

**(Rates): Ageing**

Current (0 - 30 days)	18 080	33 372
31 - 60 Days	43 220	49 219
61 - 90 Days	73 735	48 494
+ 90 Days	2 632 887	1 932 237
<b>Total</b>	<b>2 767 922</b>	<b>2 063 322</b>

**Reconciliation of Provision for Bad Debts**

Balance at beginning of year	2 028 188	1 742 088
Contribution to provision	735 611	286 100
Balance at end of year	<b>2 763 799</b>	<b>2 028 188</b>

The total amount of this provision consist of:

Rates	2 763 799	2 028 188
Total Provision for Bad Debts on Trade Receivables from non-exchange transactions	<b>2 763 799</b>	<b>2 028 188</b>

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.



	2009 R	2008 R
<b>18 WATER SERVICE AUTHORITY DEBTOR/CREDITOR</b>		
<b>18.01 Trade Receivable</b>		
	<b>2 260 331</b>	-
Chris Hani District Municipality (Water Service Authority) - Receivable	2 227 575	-
Water - Payments received in advance	<b>9 068</b>	-
Sanitation - Payments received in advance	23 688	-
	<b>2 260 331</b>	-
<b>18.02 Payable</b>		
Chris Hani District Municipality (Water Service Authority) - Unspent Conditional grant	834 404	1 170 414
Chris Hani District Municipality (Water Service Authority) - Payable	-	102 459
	<b>834 404</b>	<b>1 272 873</b>
The provision of water and sanitation services is regarded as an agency function and all assets, liabilities, revenue and expenses relating to these services must be transferred to the Chris Hani District Municipality.		
The long term liability (DBSA loan) has been transferred to Chris Hani District Municipality in terms of Government Gazette 851. Payments are made by Tsolwana Municipality on the loans and claimed back from Chris Hani District Municipality as the loan is currently in the name of Tsolwana Municipality.		
<b>Loan amounts outstanding at reporting date:</b>		
	<u>Interest rate:</u>	<u>Redeemable:</u>
DBSA - Water	15.34%	2015/06/30
DBSA - Sewer Reticulation	10.75%	2011/12/31
	<b>237 231</b>	<b>272 578</b>
	184 290	202 044
	52 942	70 534
The recoverability of the amount due by the District municipality is subject to verification by the District municipality		
<b>19 CASH AND CASH EQUIVALENTS</b>		
<b>Assets</b>		
Call and short-term Investments Deposits	7 550 512	12 868 948
Primary Bank Account	2 502 725	434 658
Cash Floats	5 090	5 090
<b>Total Cash and Cash Equivalents - Assets</b>	<b>10 058 327</b>	<b>13 308 696</b>
Call Investments Deposits are held to fund the Unspent Conditional Grants .		
The municipality has the following bank accounts:		
<b>Current Accounts</b>		
First National Bank - Tarkastad Branch - Account number 53852257262	2 502 725	434 658
	<b>2 502 725</b>	<b>434 658</b>
<b>First National Bank - Tarkastad Branch - Account number 53852257262</b>		
Cash book balance at beginning of year	434 658	77 640
Cash book balance at end of year	2 502 725	434 658
Bank statement balance at beginning of year	466 104	300 251
Bank statement balance at end of year	2 686 348	466 104
<b>Capital Bank Account</b>		
First National Bank - Tarkastad Branch - Account number 53850009219	792 361	1 038 901
	792 361	1 038 901
<b>First National Bank - Tarkastad Branch - Account number 53850009219</b>		
Cash book balance at beginning of year	1 038 901	1 324 862
Cash book balance at end of year	792 361	1 038 901
Bank statement balance at beginning of year	595 077	324 862
Bank statement balance at end of year	881 694	595 077
<b>Housing bank account:</b>		
First National Bank - Tarkastad Branch - Account number 62023697157	181 663	475 664
	181 663	475 664
<b>First National Bank - Tarkastad Branch - Account number 62023697157</b>		
Cash book balance at beginning of year	475 664	475 664
Cash book balance at end of year	181 663	475 664
Bank statement balance at beginning of year	448 375	391 230
Bank statement balance at end of year	213 625	448 375

	2009 R	2008 R
<b>20</b>		
<b>PROPERTY RATES</b>		
<i>Actual</i>		
<b>Rateable Land and Buildings</b>	1 265 942	1 233 547
<b>Less: Rebates</b>	(217 636)	-
<b>Total Assessment Rates</b>	<b>1 048 307</b>	<b>1 233 547</b>
<p>A General Valuation was performed during the year effective from 1 July 2009. No interim valuations were performed.</p> <p>Assessment Rates are levied on the value of land and improvements, which valuation is performed every 4 years. The last valuation came into effect on 1 July 1989 for Hofmeyer and 1 July 1992 for Tarkastad. A Valuation was performed during 2004, however this was never approved and therefore not implemented.</p> <p>A rate in the rand of R0.0495 for all land and buildings in Hofmeyer and R0.342 was charged on the total valuation of the land and buildings in Tarkastad.</p> <p>Rates of Indigent Households are subsidized 95% of the account, whilst government departments receives a rebate of 20%.</p> <p>Rates are levied monthly or annually which ever option was taken by the consumer. This is payable by the end of the following month for those who opted the monthly option and end of September of each year for those who opted the annual payment option.</p>		
<b>21</b>		
<b>GOVERNMENT GRANTS AND SUBSIDIES</b>		
Equitable Share	12 080 087	9 068 250
Other - Operating Grants	23 350 647	1 099 043
Other - Capital Grants	6 043 586	3 398 332
<b>Total Government Grants and Subsidies</b>	<b>41 474 320</b>	<b>13 565 625</b>
<p>The municipality does not expect any significant changes to the level of grants. No grants had been withheld.</p>		
<b>22</b>		
<b>PUBLIC CONTRIBUTIONS AND DONATIONS</b>		
<p>The municipality had no public contributions and donations</p>		
<b>23</b>		
<b>SERVICE CHARGES</b>		
<b>Electricity</b>	<b>2 732 235</b>	<b>2 600 127</b>
<b>Refuse Removal</b>	<b>775 518</b>	<b>866 012</b>
	3 507 753	3 466 140
<b>Less: Rebates</b>	(649 515)	(1 403 592)
<b>Total Service Charges</b>	<b>2 858 238</b>	<b>2 062 548</b>
<i>Electricity statistics</i>		
Kwh purchased	6 040 854	7 131 535
Kwh sold	5 562 855	6 310 092
Kwh losses	477 999	821 443
% Losses	7.91%	11.52%
Amount of loss considered fruitless expenditure above a norm of average 10%	-	-
<b>24</b>		
<b>OTHER INCOME</b>		
Sundry Income	463 389	991 109
Prior year adjustment - Monies incorrectly paid to the municipality recognised as revenue in the prior year- Note 32.06	-	(463 396)
Prior year adjustment - Monies incorrectly paid into the bank account during 2007/2008, recognised as revenue - Note 32.06	-	(80 000)
<b>Total Other Income</b>	<b>463 389</b>	<b>447 713</b>
<b>25</b>		
<b>EMPLOYEE RELATED COSTS</b>		
Employee Related Costs - Salaries and Wages	4 026 171	3 615 541
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	933 481	1 089 598
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	532 453	934 966
Leave and Bonuses	450 547	552 542
Contribution to provision - Long Service Awards - Note 5	14 750	26 051
Contribution to provision - Post Retirement Medical - Note 5	57 479	29 944
<b>Total Employee Related Costs</b>	<b>6 014 882</b>	<b>6 248 642</b>

**KEY MANAGEMENT PERSONNEL**

Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.

**REMUNERATION OF KEY MANAGEMENT PERSONNEL****Remuneration of the Municipal Manager**

	2009 R	2008 R
Annual Remuneration	342 403	319 677
Traveling Allowance	160 417	153 119
Performance Bonus	29 088	32 124
Telephone Allowance	15 600	15 600
Contributions to UIF, Medical and Pension Funds	94 562	87 619
<b>Total</b>	<b>642 071</b>	<b>608 139</b>

**Remuneration of the Chief Finance Officer**

Annual Remuneration	304 107	283 492
Traveling Allowance	116 580	120 000
Performance Bonus	22 786.40	3 800
Telephone Allowance	9 600	9 600
Contributions to UIF, Medical and Pension Funds	56 281	48 285
<b>Total</b>	<b>509 354</b>	<b>465 177</b>

**Remuneration of Director : Technical Services**

Annual Remuneration	298 646	278 401
Traveling Allowance	108 839	104 256
Performance Bonus	-	16 815
Telephone Allowance	9 600	9 600
Contributions to UIF, Medical and Pension Funds	63 556	59 325
<b>Total</b>	<b>480 641</b>	<b>468 396</b>

**Remuneration of Director : Community and Social Services**

Annual Remuneration	298 646	278 401
Traveling Allowance	115 098	104 256
Performance Bonus	-	22 420
Telephone Allowance	9 600	9 600
Contributions to UIF, Medical and Pension Funds	62 558	57 852
<b>Total</b>	<b>485 902</b>	<b>472 529</b>

**Remuneration of Director : Corporate and Support Services**

Annual Remuneration	298 646	278 401
Traveling Allowance	94 759	104 256
Performance Bonus	-	22 420
Telephone Allowance	9 600	9 600
Contributions to UIF, Medical and Pension Funds	62 558	57 852
<b>Total</b>	<b>465 563</b>	<b>472 529</b>

**26 REMUNERATION OF COUNCILLORS**

Mayor	391 493	408 572
Councillors	1 544 934	1 268 627
<b>Total Councillors' Remuneration</b>	<b>1 936 427</b>	<b>1 677 199</b>

**In-kind Benefits**

The Mayor/Speaker is a full-time Councillor. The Mayor/Speaker may utilise official Council transportation when engaged in official duties.

**Certification by the Municipal Manager**

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

.....  
Signed: Municipal Manager

**27 DEBT IMPAIRMENT**

Trade Receivables from exchange transactions - Note 16	885 716	734 034
Other Receivables from non-exchange transactions - Note 17	735 611	286 100
<b>Total Contribution to Bad Debts Provision</b>	<b>1 621 328</b>	<b>1 020 134</b>

**28 IMPAIRMENTS**

Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities - Note 47

-	-
-	-

**29 BULK PURCHASES**

Electricity	2 671 396	2 156 507
<b>Total Bulk Purchases</b>	<b>2 671 396</b>	<b>2 156 507</b>

	2009 R	2008 R
<b>30 GENERAL EXPENSES</b>		
General Expenses	2 343 390	2 486 027
Prior year adjustment - General expenditure capitalised which did not comply with the definition of an asset - Note	0	193 136
	<u>2 343 390</u>	<u>2 679 164</u>
<p>General expenses contains administrative and technical expenses otherwise not provided for in the line-items of the Statement of Financial performance. This include items such as telecommunications, travelling, legal fees, auditing fees and consulting fees.</p>		
<b>31 CHANGE IN ACCOUNTING POLICY IN TERMS OF GRAP 3 - IMPLEMENTATION OF GRAP</b>		
The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GRAP:	2008 R	2007 R
<b>31.01 Statutory Funds</b>		
<b>Balance previously reported:</b>		-
Revolving fund		2 454 355
Working Capital	-	2 463 196
<b>Total</b>	<u>-</u>	<u>4 917 551</u>
<b>Implementation of GRAP</b>		
Transfer to Accumulated Surplus/(Deficit) - Note 31.06	-	4 917 551
<b>Total</b>	<u>-</u>	<u>4 917 551</u>
<b>31.02 Loans Redeemed and Other Capital Receipts</b>		
<b>Balance previously reported:</b>	-	63 026 547
<b>Implementation of GRAP</b>		
Transfer to Accumulated Surplus/(Deficit) - Note 31.06	-	(63 026 547)
<b>Total</b>	<u>-</u>	<u>-</u>
<b>31.03 Non-Current Employee Benefits</b>		
<b>Balance previously reported</b>	-	-
<b>Implementation of GRAP</b>		
Transfer to Accumulated Surplus/(Deficit) - Note 31.06	-	1 043 369
Post-Employment Medical Benefit Fund - Note 3	-	929 682
Long-Service - Note 3	-	113 687
<b>Total</b>	<u>-</u>	<u>1 043 369</u>
<b>31.04 Property, Plant and Equipment - GRAP 17</b>		
<b>Balance previously reported</b>	-	65 033 860
<b>Implementation of GRAP</b>		
Assets recognised for the first time - Note 31.06	-	26 258 169
<b>Total</b>	<u>-</u>	<u>91 292 029</u>
<b>31.05 Current Employee Benefits</b>		
<b>Balance previously reported</b>	-	-
<b>Implementation of GRAP</b>		
Balance transfer from Payables to IAS 19 - Note 31.07		713 069
Annual bonuses as at 30 June 2007, implementation of GRAP - Note 5		172 220
Performance bonuses as at 30 June 2007, implementation of GRAP - Note 5	-	97 579
<b>Total</b>	<u>-</u>	<u>982 867</u>

		2008 R	2007 R
31.06	<b>Accumulated Surplus/(Deficit)</b>		
	<b>Implementation of GRAP</b>		
	Transfer from Statutory Funds - Note 31.01	-	4 917 551
	Transfer from Loans Redeemed and Other Capital Receipts - Note 31.02	-	63 026 547
	Recognition of assets for the first time - Note 31.04	-	26 258 169
	Non-current provisions recognised for the first time - Note 31.03	-	(1 043 369)
	Annual and Performance bonuses not previously recognised debited to Accumulated Surplus - Note 31.05		(269 799)
	<b>Total</b>	<u>-</u>	<u>92 889 099</u>
31.07	<b>Employee leave reserve</b>		
	<b>Balance previously reported</b>	-	713 069
	<b>Implementation of GRAP</b>	-	-
	Balance transfer to Current Employee Benefits - Note 31.05		(713 069)
	<b>Total</b>	<u>-</u>	<u>-</u>
32	<b>CORRECTION OF ERROR IN TERMS OF GRAP 3</b>		
32.01	<b>Consumer deposits</b>		
	<b>Balance previously reported</b>	147 443	
	Consumer deposits not previously transferred to Appropriation account - Note 4 and 32.12	(68 285)	
	<b>Total</b>	<u>79 158</u>	<u>-</u>
32.02	<b>Trade and Other payables</b>		
	<b>Balance previously reported</b>	-	-
	Prior year adjustment - Monies incorrectly paid into the bank account during 2007/2008, recognised as revenue - Note 6	80 000	-
	<b>Total</b>	<u>80 000</u>	<u>-</u>
32.03	<b>Current Employee Benefits</b>		
	<b>Balance previously reported</b>	-	-
	Transfer of expenditure to provision, previously recorded directly against the expenditure vote - Note 5 and 32.04	(172 220)	-
	Recognition of the provision of annual bonus as at 30 June 2008 - Note 5 and 32.04	155 280	-
	Transfer of expenditure to provision, previously recorded directly against the expenditure vote - Note 5 and 32.04	(97 579)	-
	Recognition of the provision of performance bonus as at 30 June 2008 - Note 5 and 32.04	51 875	-
	<b>Total</b>	<u>(62 644)</u>	<u>-</u>
32.04	<b>Employee Cost</b>		
	<b>Annual and Performance Bonus</b>	-	-
	Transfer of expenditure to provision, previously recorded directly against the expenditure vote - Note 32.03	(172 220)	-
	Recognition of the provision of annual bonus as at 30 June 2008 - Note 32.03	155 280	-
	Transfer of expenditure to provision, previously recorded directly against the expenditure vote - Note 32.03	(97 579)	-
	Recognition of the provision of performance bonus as at 30 June 2008 - Note 32.03	51 875	-
	<b>Total</b>	<u>(62 644)</u>	<u>-</u>
32.05	<b>Taxes</b>		
	<b>Balance previously reported</b>	1 123 063	1 909 812
	Transfer of VAT on projects previously classified as Taxes to Unspent Conditional Grants - Note 8	(276 570)	(635 329)
	<b>Total</b>	<u>846 493</u>	<u>1 274 482</u>
32.06	<b>Other Income</b>		
	Recognition of unidentified deposits as sundry income	991 109	
	Prior year adjustment - Monies incorrectly paid to the municipality recognised as revenue in the prior year- Note 24	(463 396)	-
	Prior year adjustment - Monies incorrectly paid into the bank account during 2007/2008, recognised as revenue - Note 32.02 and 24	(80 000)	-
	<b>Total</b>	<u>447 713</u>	<u>-</u>

<b>32.07</b>	<b>Operating expenditure</b>		
	Balance previously reported	2 486 027	-
	Prior year adjustment - General expenditure capitalised which did not comply with the definition of an asset - Note 30 and 32.1	193 136	-
		<u>2 679 164</u>	<u>-</u>
<b>32.08</b>	<b>Unspent Conditional Government Grants and Receipts</b>		
	Balance previously reported	9 088 240	-
	Adjustments due to incorrect treatment of monies received in previous years - Note 32.12	-	74 697
	Monies received in prior year not recognised as unspent grant - Note 32.06	463 396	-
	VAT on grants not previously transferred to revenue - Note 32.05	276 570	635 329
		<u>9 828 207</u>	<u>710 026</u>
<b>32.09</b>	<b>Trade Receivables from exchange transactions</b>		
	Balance previously reported	-	6 034 121
	Adjustment debited to Accumulated Surplus - Note 32.12	-	(39 501)
		<u>-</u>	<u>5 994 620</u>
<b>32.10</b>	<b>Property Plant and Equipment</b>		
	Balance previously reported	92 084 992	91 292 029
	Transfer of assets to Chris Hani District Municipality - Note 32.12	(898 271)	(2 798 506)
	Operating expenditure recognised as assets in previous year - Note 32.12	(193 136)	-
		<u>90 993 585</u>	<u>88 493 523</u>
<b>32.11</b>	<b>Transfer of water and sanitation services to Chris Hani District Municipality</b>		
	The provision of water and sanitation services is regarded as an agency function and all assets, liabilities, revenue and expenses relating to these services must be transferred to the Chris Hani District Municipality.		
<b>32.11.01</b>	<b>Trade receivables from exchange transactions</b>		
	Balance previously reported - 1 July 2007 (net of provision)	-	1 121 577
	Transfer of debtors to Chris Hani District Municipality	-	(273 873)
	- Water	-	(278 166)
	- Sewerage	-	552 039
	- Chris Hanin District Municipality (Water Services Authority)	-	-
	Restated balance - 1 July 2007	<u>-</u>	<u>1 121 577</u>
<b>32.11.02</b>	<b>Changes to statement of financial performance</b>		
	Balance previously reported - 30 June 2008	-	1 673 678
	Transfer of surplus/(deficit) derived from water and sanitation services	-	-1 603 246
	- Water	-	1 348 596
	- Sewerage	-	-
	Restated balance - 30 June 2008	<u>-</u>	<u>1 419 027</u>
<b>32.11.03</b>	<b>Long term liabilities</b>		
	Balance previously reported	-	295 722
	Prior year adjustment - Long term liabilities understated in prior year - Note 32.12		7 892
	Transfer of DBSA loans to Chris Hani District Municipality - Water and Sanitation loan - Note 32.12		(303 614)
	Transfer of DBSA loans movement of 2007/2008 to Chris Hani District Municipality - Water and Sanitation loan - Note 32.11.02	(31 036)	-
<b>32.12</b>	<b>Accumulated Surplus/(Deficit)</b>		
	Consumer deposits not previously transferred to Appropriation account - Note 32.01	68 285	-
	Adjustment to long term liabilities opening balance - Note 32.11.03	(7 892)	-
	Adjustment on debtors due to incorrect allocations on loans redeemed previously, debited to Accumulated Surplus - Note 32.09	-	(39 501)
	Transfer of Water and Sanitation assets to Chris Hani District Municipality - Note 32.10	-	(2 798 506)
	Adjustment due to incorrect treatment of monies received in previous year, credited to Accumulated Surplus - Note 32.08	-	74 697
	Transfer of Water and Sanitation DBSA Loans to Chris Hani District Municipality - Note 32.11.03	-	303 614
		<u>60 393</u>	<u>(2 459 696)</u>

	2009 R	2008 R
<b>33 RECONCILIATION BETWEEN NET SURPLUS FOR THE YEAR AND CASH GENERATED BY OPERATIONS</b>		
Surplus for the year	9 975 062	1 283 868
<b>Adjustments for:</b>		
Gain on disposal of property, plant and equipment	(4 386)	-
Contribution from/to provisions - Non-Current	178 979	127 490
Contribution from/to provisions - Non-Current - Expenditure incurred	(106 750)	(71 495)
Contribution from/to provisions - Non-Current - Actuarial losses	-	48 127
Contribution from/to provisions - Non-Current - Actuarial gains	(41 468)	-
Contribution to provisions – current	529 761	552 542
Contribution to provisions – current - Expenditure incurred	(471 089)	(665 923)
Contribution to provisions – Bad debt	1 621 328	1 020 134
Interest paid	21	-
Investment income	(957 170)	(860 114)
Operating Surplus before changes in working capital	10 724 288	1 434 629
Changes in working capital	(9 219 967)	63 692
Increase/(Decrease) in Trade and Other Payables	2 054 164	(1 052 580)
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	(6 137 595)	91 384
Increase/(Decrease) in Taxes	(1 249 496)	(1 063 318)
(Increase)/Decrease in Trade Receivables from exchange transactions	(3 082 626)	2 379 262
Increase in Other Receivables from non-exchange transactions	(804 414)	(291 056)
Increase in Unpaid Conditional Government Grants and Receipts	-	-
<b>Cash generated by operations</b>	<b>1 504 321</b>	<b>1 498 321</b>
<b>34 CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Call Investments Deposits - Note 19	7 550 512	12 868 948
Cash Floats - Note 19	5 090	5 090
Bank - Note 19	2 502 725	434 658
<b>Total cash and cash equivalents</b>	<b>10 058 327</b>	<b>13 308 696</b>
<b>35 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED</b>		
<b>35.01 Unauthorised expenditure</b>		
Reconciliation of unauthorised expenditure:		
Opening balance	295 227	-
Unauthorised capital expenditure current year	53 416	-
Unauthorised operating expenditure current year	111 294	295 227
Approved by Council or condoned	-	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	<b>459 937</b>	<b>295 227</b>
<b>Incident</b>	<b>Disciplinary steps/criminal proceedings</b>	
Capital expenditure incurred not budgeted for.	None	
Amount budgeted for salaries/council allowances was less than the actual payments made during the year.	None	
<b>35.02 Fruitless and wasteful expenditure</b>		
Reconciliation of fruitless and wasteful expenditure:		
Opening balance	507 331	-
Fruitless and wasteful expenditure current year	111	507 331
Condoned or written off by Council	-	-
Transfer to receivables for recovery - not condoned	-	-
Fruitless and wasteful expenditure awaiting condonement	<b>507 442</b>	<b>507 331</b>
<b>Incident</b>	<b>Disciplinary steps/criminal proceedings</b>	
Bank charges for cheques written to the	None	
<b>35.03 Irregular expenditure</b>		
Reconciliation of irregular expenditure:		
Opening balance	1 730 201	-
Irregular expenditure current year	1 852 806	1 730 201
Condoned or written off by Council	-	-
Transfer to receivables for recovery - not condoned	-	-
Irregular expenditure awaiting condonement	<b>3 583 007</b>	<b>1 730 201</b>
<b>Incident</b>	<b>Disciplinary steps/criminal proceedings</b>	
Sufficient quotations not attached - R3000	None	
Capital project awards was not properly authorised to the amount of R1 735 331	None	
No service level agreement between the municipality and the company provided IT services to the amount of R114 475	None	

	2009 R	2008 R
<b>36</b>	<b>ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>	
<b>36.01</b>	<b><u>Contributions to organised local government - [MFMA 125 (1)(b)]</u></b>	
		-
		-
	43 048	53 123
	(43 048)	(53 123)
	-	-
	<b>Balance unpaid (included in creditors)</b>	<b>-</b>
<b>36.02</b>	<b><u>Audit fees - [MFMA 125 (1)(b)]</u></b>	
	-	-
	-	-
	366 740	181 662
	(366 740)	(181 662)
	-	-
	<b>Balance unpaid (included in provisions)</b>	<b>-</b>
<b>36.03</b>	<b><u>VAT - [MFMA 125 (1)(b)]</u></b>	
	(846 493)	-
	(177 446)	-
	2 184 355	-
	24 072	-
	(781 486)	-
	<b>Closing balance Cr/(Dt)</b>	<b>(846 493)</b>
	-	-
	<b>Vat in suspense due to cash basis of accounting</b>	
	-	-
<b>36.04</b>	<b><u>PAYE , Skills Development and UIF - [MFMA 125 (1)(b)]</u></b>	
	-	-
	1 280 858	1 167 907
	(1 275 221)	(1 167 907)
	<b>Balance unpaid (included in creditors)</b>	<b>-</b>
<b>36.05</b>	<b><u>Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]</u></b>	
	-	-
	2 127 016	1 955 956
	(2 127 016)	(1 955 956)
	-	-
	<b>Balance unpaid (included in creditors)</b>	<b>-</b>
<b>36.06</b>	<b><u>Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]</u></b>	
	No Councillors had arrear accounts for more than 90 days as at 30 JUNE 2009:	
	No Councillors had arrear accounts outstanding for more than 90 days during the year:	
<b>36.07</b>	<b><u>Non-compliance with Chapter 14 of the Municipal Finance Management Act</u></b>	
	Non-compliance to the Supply Chain Management Regulations were identified on the following categories:	
	No service level agreement between municipality and company providing IT support 114 475	
	Capital contract awarded not properly authorised 1 990 384	
	Payment made without obtaining 3 (three) quotations 3 000	
	<b>2 107 859</b>	
<b>36.08</b>	<b><u>Material losses</u></b>	
	<b><u>Electricity sales:</u></b>	
	6 040 854	7 131 535
	Kwh purchased	6 310 092
	5 562 855	821 443
	Kwh sold	477 999
	Kwh losses	7.91%
	% Losses - Notes 41 and 35.02	11.52%
	Amount of loss considered fruitless expenditure above a norm of average 10%	-



The municipality had no capital commitments at year end.

**RETIREMENT BENEFIT INFORMATION**

Council employees contribute to the Cape Joint Municipal Pension Fund, SALA and SAMWU National Provident Fund which is a defined contribution fund. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs. Full actuarial valuations are performed at least every five years. The last valuations was done on 30 June 2008

**FINANCIAL RISK MANAGEMENT**

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

**(a) Foreign Exchange Currency Risk**

The municipality does not engage in foreign currency transactions.

**(b) Interest Rate Risk**

The Municipality is exposed to interest rate risk due to the movements in long-term and short term interest rates.

This risk is managed on an ongoing basis.

**(c) Credit Risk**

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly from cash and cash equivalents, instruments and deposits with banks and financial institutions, as well as credit exposures to consumer and grant debtors.

For banks and financial institutions, only independently rated parties with a minimum rating of 'B+' are accepted. Grants are receivable from higher order levels of government. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. This increases the credit risk in respect of consumer debtors.

The risk of non- payment is managed on an ongoing basis and where practical, services are terminated and an appropriate level of impairment provision for default is maintained.

**(d) Liquidity Risk**

Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities.

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities.

The financial liabilities of the municipality are backed by appropriate assets and it has adequate liquid resources. The Council monitors the cash projections and by ensuring that borrowing facilities are available to meet its cash requirements.

<b>(e) Other Risks</b>	<b>2009</b>	<b>2008</b>
	<b>R</b>	<b>R</b>
Potential concentrations of credit risk and interest rate risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.		
The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the CFO and authorised by the Municipal Council.		
Consumer debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of an allowance for doubtful debt.		
In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy		
Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.		
The maximum credit and interest risk exposures in respect of the relevant financial instruments are as follows:		
Investments	-	-
Long Term Receivables	-	-
Trade receivables from exchange transactions	4 221 643	3 399 347
Other receivables from non-exchange transactions	2 867 735	2 063 322
Other Debtors	403 003	-
Current Portion of Long-term Receivables	-	-
Short-term Investment Deposits	7 550 512	12 868 948
Bank and Cash Balances	2 507 815	439 748
<b>Maximum Credit and Interest Risk Exposures</b>	<b>17 550 708</b>	<b>18 771 365</b>

40

**FINANCIAL INSTRUMENTS**

In accordance with IAS 39.09 the financial assets of the municipality are classified as follows

<u>Financial Assets</u>	<u>Classification</u>		
<b>Long-term Receivables</b>			
Staff Loans	Loans and Receivables	-	-
<b>Receivables</b>			
Trade receivables from exchange transactions	Loans and Receivables	4 221 643	3 399 347
Other receivables from non-exchange transactions	Loans and Receivables	2 867 735	2 063 322
<b>Other Debtors</b>			
Payments made in Advance	Loans and Receivables	403 003	-
VAT	Loans and Receivables	-	-
Government Subsidies and Grants	Loans and Receivables	-	-
<b>Current Portion of Long-term Receivables</b>			
Staff Loans	Loans and Receivables	-	-
<b>Short-term Investment Deposits</b>			
Call Deposits	Held to maturity	7 550 512	12 868 948
<b>Bank Balances and Cash</b>			
Bank Balances	Held to maturity	2 502 725	434 658
Cash Floats and Advances	Held to maturity	5 090	5 090
<b>SUMMARY OF FINANCIAL ASSETS</b>			
<b>Held to maturity:</b>			
Short-term Investment Deposits	Call Deposits	7 550 512	12 868 948
Bank Balances		2 502 725	434 658
Cash Floats and Advances		5 090	5 090
		<b>10 058 327</b>	<b>13 308 696</b>
<b>Loans and Receivables</b>			
Long-term Receivables	Staff Loans	-	-
Consumer Debtors	Exchange transactions	4 221 643	3 399 347
Consumer Debtors	Non-exchange transactions	2 867 735	2 063 322
Other Debtors	Payments made in advance	-	-
Other Debtors	Government Subsidies and Grants	-	-
Current Portion of Long-term Receivables	Staff Loans	-	-
VAT	VAT	403 003	-
		<b>7 492 381</b>	<b>5 462 669</b>
<b>Total Financial Assets</b>		<b>17 550 708</b>	<b>18 771 365</b>

41

**EVENTS AFTER THE REPORTING DATE**

On the 30 September 2009 the arbitrator ruled that the official refer to in note 42 should be immediately reinstated and granted an award of two months salary to the amount of R24 488. The municipality disburse the arbitrates results.

Council has not entered into any private public partnerships during the financial year.

43 COMPARISON WITH THE BUDGET

The comparison of the municipality's actual financial performance with that budgeted, is set out in Annexure "D".

44 CONTINGENT LIABILITY

**Contractual claim**

Contractual claims in respect of a court case between Tsolwana Municipality and Umlambo developers addressed through mediation, the maximum unforeseen liability amounts to R1 000 000

**Dispute with SALA-pension fund**

The municipality is currently in a dispute with SALA pension fund. The claim against the municipality is an amount of R370 350.

**Employee Dispute/Dismissal**

An official was suspended on grounds of financial mismanagement. He was subsequently dismissed by the municipality in the current financial year and the matter was taken to arbitration on the grounds of unfair dismissal.

45 CONTINGENT ASSET

**Rental income**

The department of Health and the IEC are renting office space from the municipality for a undertimed period

46 RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

46.01 Related Party Transactions

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

46.02 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note 14 to the Annual Financial Statements.

46.03 Compensation of key management personnel

The compensation of key management personnel is set out in note 25 to the Annual Financial Statements.

46.04 Other related party transactions

The following purchases were made during the year where officials of the Municipality have an interest:

Councillor/Staff Member	Amount	Entity
Ms SS Kunen	5 000	VET Construction and Investments
Ms TAT Pete	3 400	Mize's Catering Services
Mr OR Matte	67 494	Mikhail Mayo Building Construction
	<b>75 894</b>	

47 Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities.

47.1 GRAP 19 -Provisions, Contingent Liabilities and Contingent Assets

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not recognise the following provisions, contingent liabilities or contingent assets relating to Property, Plant and Equipment:

Refuse tip-sites financed by way of a provision;

The municipality is currently in a process of identifying all provisions which must be measured in terms of GRAP 19 and it is expected that this process will be completed for inclusion in the 2010 financial statements.

Since the previous reporting date the following provisions were measured in accordance with GRAP 19 and restated retrospectively:

Refuse tip-sites financed by way of a provision;  
Post retirement benefits  
Long service awards

	-	-
	-	929 682
	-	113 687
	-	<b>1 043 369</b>

**47.2 GRAP 100 -Non-current assets and discontinued operations**

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not recognise non-current assets held for sale and discontinued operations relating to Inventories, Investment Properties, Property, Plant and Equipment, Agriculture and Intangible Assets which are not recognised in terms of the transitional provisions relating to those standards:

**47.3 GRAP 16 - Investment Properties**

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not recognise all the Investment Properties:

The municipality is currently in a process of identifying all Investment Properties and have it valued in terms of GRAP 16 and it is expected that this process will be completed for inclusion in the 2010 financial statements.

**47.4 GRAP 102 - Intangible Assets**

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure all the Intangible Assets in accordance with the standard, including the following:

Computer Software;  
Intangible assets financed by way of finance leases;  
Intangible assets transferred as a result of the transfer of functions; and  
Servitudes.

The municipality is currently in a process of identifying all Intangible Assets and have it valued in terms of GRAP 102 and it is expected that this process will be completed for inclusion in the 2010 financial statements. It is possible that certain intangible assets are currently being recognised as Property, Plant and Equipment.

Since the previous reporting date the following Intangible Assets were measured in accordance with GRAP 102 and restated retrospectively:

Computer software;	-	-
Accumulated amortisation on computer software	-	-
Total not previously recognised now restated retrospectively	<u>-</u>	<u>-</u>

**47.5 GRAP 12 - Inventories**

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure the following inventories:

Water;  
Land held for sale; and  
Other (list).

The municipality is currently in a process of identifying all inventory which must be measured in terms of GRAP 12 and it is expected that this process will be completed for inclusion in the 2010 financial statements.

**48 Process to comply fully with the implementation of General Recognised Accounting Practices**

The municipality adopted a phased-in approach in order to comply fully with the implementation of GRAP. The municipality is classified by the National Treasury as a low capacity municipality and must comply with GRAP by 30 June 2010. The municipality adopted GRAP, however, took advantage of the transitional provisions in Directive 4 and 5 from the Accounting Standards Board and aims to comply fully with GRAP by 30 June 2011.

**APPENDIX A**

**TSOLWANA MUNICIPALITY: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009**

	Cost/Revaluation				Carrying Value
	Opening Balance	Additions	Under Construction	Closing Balance	
<b>Land and Buildings</b>					
Land	4 908 064	-	-	4 908 064	4 908 064
Buildings	66 702 115	802 613	606 987	68 111 716	68 111 716
	<b>71 610 179</b>	<b>802 613</b>	<b>606 987</b>	<b>73 019 780</b>	<b>73 019 780</b>
<b>Infrastructure</b>					
Main: Roads	9 409 465	1 673 924	-	11 083 389	11 083 389
Main: Electricity	6 785 611	1 197 494	-	7 983 105	7 983 105
	<b>16 195 075</b>	<b>2 871 418</b>	<b>-</b>	<b>19 066 493</b>	<b>19 066 493</b>
<b>Community Assets</b>					
Recreation Grounds	-	1 166 767	-	1 166 767	1 166 767
Cemetery	-	-	114 663	114 663	114 663
	<b>-</b>	<b>1 166 767</b>	<b>114 663</b>	<b>1 281 431</b>	<b>1 281 431</b>
<b>Total carried forward</b>	<b>87 805 254</b>	<b>4 840 799</b>	<b>721 651</b>	<b>93 367 704</b>	<b>93 367 704</b>

**APPENDIX A**

**TSOLWANA MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009**

	Cost				Carrying Value
	Opening Balance	Additions	Under Construction	Closing Balance	
<b>Total brought forward</b>	<b>87 805 254</b>	<b>4 840 799</b>	<b>721 651</b>	<b>93 367 704</b>	<b>93 367 704</b>
	-	-	-	-	-
<b>Other Assets</b>					
Motor Vehicles	508 172	79 596	-	587 768	587 768
Plant & Equipment	108 048	-	-	108 048	108 048
Office Equipment	-	11 782	-	11 782	11 782
Furniture & Fittings	301 501	30 344	-	331 845	331 845
Computer Equipment	301 641	28 193	-	329 834	329 834
Specialised Vehicles	1 968 968	-	-	1 968 968	1 968 968
	<b>3 188 330</b>	<b>149 915</b>	<b>-</b>	<b>3 338 246</b>	<b>3 338 246</b>
<b>Total Property, Plant and Equipment</b>	<b>90 993 585</b>	<b>4 990 714</b>	<b>721 651</b>	<b>96 705 950</b>	<b>96 705 950</b>
<b>Investment Property</b>	-	-	-	-	-
<b>Intangible Assets</b>					
Computer Software	-	6 063	-	6 063	6 063
	<b>-</b>	<b>6 063</b>	<b>-</b>	<b>6 063</b>	<b>6 063</b>
<b>Total</b>	<b>90 993 585</b>	<b>4 996 777</b>	<b>721 651</b>	<b>96 712 012</b>	<b>96 712 012</b>

**APPENDIX B**

**TSOLWANA MUNICIPALITY SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT**

	<b>Cost</b>				<b>Carrying Value</b>
	<b>Opening Balance</b>	<b>Additions</b>	<b>Under Construction</b>	<b>Closing Balance</b>	
Council & Executive	71 707 217	1 098	-	71 708 315	71 708 315
Budget & Treasury Services	520 282	72 318	-	592 600	592 600
Technical & Engineering Services	17 392 196	4 923 361	606 987	22 922 544	22 922 544
Community & Social Services	1 373 890	-	114 663	1 488 553	1 488 553
<b>TOTAL</b>	<b>90 993 585</b>	<b>4 996 777</b>	<b>721 651</b>	<b>96 712 012</b>	<b>96 712 012</b>

TSOLWANA MUNICIPALITY

APPENDIX C (1)

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009  
MUNICIPAL VOTES CLASSIFICATION

2008 Actual Income R	2008 Actual Expenditure R	2008 Surplus/ (Deficit) R		2009 Actual Income R	2009 Actual Expenditure R	2009 Surplus/ (Deficit) R
6 680 689	(7 948 035)	(1 267 346)	Finance & Administration	10 674 393	(7 894 501)	2 779 891
		-	Council	2 083 627	(2 136 094)	(52 467)
5 245 138	(5 310 299)	(65 161)	Executive	1 805 344	(1 598 282)	207 062
		-	Comm & Soc (Libraries)	469 207	(256 342)	212 865
116 550	(205 957)	(89 407)	Comm & Soc (Halls & Faciliti	-	-	-
		-	Comm & Soc (Cemeteries)	144 866	(85 432)	59 433
157 838	(118)	157 721	Public Safety	92 249	(6 240)	86 009
		-	Planning & Development	20 522 912	(20 250 295)	272 616
10 829	(52 367)	(41 538)	Sport & Recreational	2 982 631	(25 166)	2 957 465
1 567 616	(1 180 541)	387 075	Waste Management (Refuse)	1 896 889	(1 449 323)	447 565
618 741	(552 089)	66 652	Road Transport	2 051 528	(330 919)	1 720 609
4 721 870	(2 585 997)	2 135 874	Electricity (Distribution)	5 003 767	(3 719 753)	1 284 014
19 119 271	(17 835 402)	1 283 870	Sub Total	47 727 411	(37 752 348)	9 975 063
-	-	-	Less Inter-Departmental Charges	-	-	-
19 119 271	(17 835 402)	1 283 870	<b>Total</b>	47 727 411	(37 752 348)	9 975 063

TSOLWANA MUNICIPALITY

APPENDIX C (2)

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009  
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2008 Actual Income R	2008 Actual Expenditure R	2008 Surplus/ (Deficit) R		2009 Actual Income R	2009 Actual Expenditure R	2009 Surplus/ (Deficit) R
5 245 138	(5 310 299)	(65 161)	Executive & Council	3 888 971	(3 734 376)	154 595
8 084 281	(9 351 627)	(1 267 346)	Budget & Treasury	8 598 566	(5 635 014)	2 963 552
		-	Corporate Services	2 075 827	(2 259 487)	(183 660)
		-	Planning & Development	20 522 912	(20 250 295)	272 616
116 550	(205 957)	(89 407)	Community & Social Services	614 073	(341 774)	272 299
157 838	(118)	157 721	Public Safety	92 249	(6 240)	86 009
10 829	(52 367)	(41 538)	Sport & Recreation	2 982 631	(25 166)	2 957 465
1 567 616	(1 180 541)	387 075	Waste Management	1 896 889	(1 449 323)	447 565
618 741	(552 089)	66 652	Road Transport	2 051 528	(330 919)	1 720 609
4 721 870	(2 585 997)	2 135 874	Electricity	5 003 767	(3 719 753)	1 284 014
20 522 863	(19 238 994)	1 283 870	Sub Total	47 727 411	(37 752 348)	9 975 063
-	-	-	Less Inter-Departmental Charges	-	-	-
20 522 863	(19 238 994)	1 283 870	<b>Total</b>	47 727 411	(37 752 348)	9 975 063



TSOLWANA MUNICIPALITY

APPENDIX D (1)

REVENUE AND EXPENDITURE  
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2009  
MUNICIPAL VOTES CLASSIFICATION

	2009 Actual (R)	2009 Budget (R)	2009 Variance (R)	2009 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
<b>REVENUE</b>					
Property Rates	1 048 307	1 249 915	(201 608)	-16.13%	Due to rebates given during the year not included in the budgeted amount.
Government Grants and Subsidies	41 474 320	79 133 447	(37 659 127)	-47.59%	Not all housing money received as budgeted.
Fines	-	274 567	(274 567)	-100.00%	Decreased fines by provincial authorities
Actuarial Gains	41 468	-	41 468	0.00%	
Service Charges					Income foregone budgeted as expenditure - must be offset against revenue i.t.o. GRAP and water and sanitation transferred to Chris Hani
Water Services Authority Contribution	2 858 238	6 100 580	(3 242 342)	-53.15%	District Municipality Water transferred to Chris Hani District Municipality
Rental of Facilities and Equipment	93 365	58 706	34 659	59.04%	
Interest Earned - External Investments					More interest received than budgeted due to more grants received.
Interest Earned - Outstanding Debtors	957 170	710 939	246 231	34.63%	Increase in debtors outstanding therefore
Licences and Permits	677 877	571 319	106 558	18.65%	increase in interest raised.
Agency Services	-	177 866	(177 866)	-100.00%	
Other Revenue	108 892	469 207	(360 315)	-76.79%	Re-allocation i.t.o. GRAP
	463 389	8 837 451	(8 374 062)	-94.76%	Re-allocation i.t.o. GRAP
<b>Total Revenue</b>	<b>47 727 411</b>	<b>103 266 103</b>	<b>(55 538 692)</b>	<b>-53.78%</b>	
<b>EXPENDITURE</b>					
Finance & Administration	(7 894 501)	(9 911 193)	2 016 692	-20.35%	Indigent expenditure were set off against income, ito GRAP although it was budgeted for as an expense and not all post were filled as budgeted for.
Council	(2 136 094)	(2 024 800)	(111 294)	5.50%	Saving on the budgeted.
Executive	(1 598 282)	(1 994 760)	396 478	-19.88%	
Comm & Soc (Libraries)	(256 342)	(456 124)	199 782	-43.80%	Saving on the budgeted and no depreciation charges
Comm & Soc (Cemeteries)	(85 432)	(362 951)	277 519	-76.46%	Saving on the budgeted and no depreciation charges
Public Safety	(6 240)	(17 658)	11 418	-64.66%	Saving on the budgeted and no depreciation charges
Planning & Development	(20 250 295)	(64 734 012)	44 483 717	-68.72%	Not all capital projects were finalised during the year and the budgeted figure include capital projects.
Sport & Recreational	(25 166)	(3 064 460)	3 039 294	-99.18%	Not all capital projects were finalised during the year and the budgeted figure include capital projects.
Waste Water (Sewerage)	-	(3 948 185)	3 948 185	-100.00%	Function transfer to Chris Hani District Municipality
Waste Management (Refuse)	(1 449 323)	(2 043 922)	594 599	-29.09%	Indigent expenditure were set off against income, ito GRAP although it was budgeted for as an expense.
Road Transport	(330 919)	(2 721 584)	2 390 665	-87.84%	Not all capital projects were finalised during the year and the budgeted figure include capital projects.
Water	-	(6 187 311)	6 187 311	-100.00%	Function transfer to Chris Hani District Municipality
Electricity (Distribution)	(3 719 753)	(5 772 567)	2 052 814	-35.56%	Not all capital projects were finalised during the year and the budgeted figure include capital projects.
<b>Total Expenditure</b>	<b>(37 752 348)</b>	<b>(103 239 527)</b>	<b>65 487 179</b>	<b>-63.43%</b>	
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>	<b>9 975 063</b>	<b>26 576</b>	<b>9 948 487</b>		

TSOLWANA MUNICIPALITY

APPENDIX D(2)

REVENUE AND EXPENDITURE  
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2009  
GENERAL FINANCE STATISTIC CLASSIFICATIONS

	2009	2009	2009	2009	Explanation of Significant Variances
	Actual (R)	Budget (R)	Variance (R)	Variance (%)	greater than 10% versus Budget
<b>REVENUE</b>					
Property Rates	1 048 307	1 249 915	(201 608)	-16.13%	
Government Grants and Subsidies					Not all housing money received as budgeted.
Fines	41 474 320	79 133 447	(37 659 127)	-47.59%	
Actuarial Gains	-	274 567	(274 567)	-100.00%	Decreased fines by provincial authorities
Service Charges	41 468	-	41 468	0.00%	
					Income foregone budgeted as expenditure - must be offset against revenue i.t.o. GRAP and water and sanitation transferred to Chris Han
Water Services Authority Contribution	2 858 238	6 100 580	(3 242 342)	-53.15%	District Municipality
					Water transferred to Chris Han
Rental of Facilities and Equipment	-	5 682 106	(5 682 106)	-100.00%	Municipality
Interest Earned - External Investments	93 365	58 706	34 659	59.04%	
					More interest received than budgeted due to more grants received.
Interest Earned - Outstanding Debtors	957 170	710 939	246 231	34.63%	Increase in debtors outstanding therefore increase in interest raised.
Licences and Permits	677 877	571 319	106 558	18.65%	
Agency Services	-	177 866	(177 866)	-100.00%	
Other Revenue	108 892	469 207	(360 315)	-76.79%	Re-allocation i.t.o. GRAP
	463 389	8 837 451	(8 374 062)	-94.76%	Re-allocation i.t.o. GRAP
<b>Total Revenue</b>	<b>47 727 411</b>	<b>103 266 103</b>	<b>(55 538 692)</b>	<b>-53.78%</b>	
<b>EXPENDITURE</b>					
Executive & Council	(3 734 376)	(4 019 560)	285 184	-7.09%	Saving on the budgeted and no depreciation charges
					Indigent expenditure were set off against income, ito GRAP although it was budgeted for as an expense and not all post were filled as budgeted for.
Budget & Treasury	(5 635 014)	(7 107 042)	1 472 028	-20.71%	
Corporate Services	(2 259 487)	(2 804 151)	544 664	-19.42%	Under utilisation of budgeted expenditure. Not all capital projects were finalised during the year and the budgeted figure include capital projects.
Planning & Development	(20 250 295)	(64 734 012)	44 483 717	-68.72%	
Health	-	-	-	0.00%	
Community & Social Services	(341 774)	(819 075)	477 301	-58.27%	Saving on the budgeted and no depreciation charges
Housing	-	-	-	0.00%	
Public Safety	(6 240)	(17 658)	11 418	-64.66%	Saving on the budgeted and no depreciation charges
Sport & Recreation	(25 166)	(3 064 460)	3 039 294	-99.18%	Budgeted figure include capital projects. Saving on the budgeted and no depreciation charges
Waste Management	(1 449 323)	(2 043 922)	594 599	-29.09%	Function transfer to Chris Han
Waste Water Management	-	(3 948 185)	3 948 185	-100.00%	District Municipality
					Indigent expenditure were set off against income, ito GRAP although it was budgeted for as an expense.
Road Transport	(330 919)	(2 721 584)	2 390 665	-87.84%	Function transfer to Chris Han
Water	-	(6 187 311)	6 187 311	-100.00%	District Municipality
					Indigent expenditure were set off against income, ito GRAP although it was budgeted for as an expense.
Electricity	(3 719 753)	(5 772 567)	2 052 814	-35.56%	
<b>Total Expenditure</b>	<b>(37 752 348)</b>	<b>(103 239 527)</b>	<b>65 487 179</b>	<b>-63.43%</b>	
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>	<b>9 975 063</b>	<b>26 576</b>	<b>9 948 487</b>		

**TSOLWANA MUNICIPALITY**

**APPENDIX D (3)**

**ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2009  
ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT & INTANGIBLE ASSETS  
MUNICIPAL VOTES CLASSIFICATION**

	<b>2009 Actual</b>	<b>2009 Budget</b>	<b>2009 Variance</b>	<b>2009 Variance</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>%</b>
Council	1 098	-	1 098	100.00%
Finance & Administration	72 318	20 000	52 318	261.59%
Technical department	5 530 348	9 365 639	(3 835 291)	-40.95%
Community & Social (Cemeteries)	114 663	66 193 068	(66 078 405)	-99.83%
<b>Total</b>	<b>5 718 427</b>	<b>75 578 707</b>	<b>(69 860 280)</b>	<b>-92.43%</b>

TSOLWANA MUNICIPALITY

APPENDIX E

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 JULY 2008	Correction of error/ Transfers	Restated balance 1 JULY 2008	Contributions during the year	Interest on Investments	Other Income	Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2009
	R		R	R	R	R	R	R	R
<b>TRUST FUNDS</b>									
Other Property Refund Bhisio	13 012	-	13 012	-	-	-	-	-	13 012
Rudimentary Infrastructure	639	-	639	-	-	-	-	-	639
New Hall SDR	3 731	-	3 731	-	-	-	-	-	3 731
671 Housing Scheme	104 113	-	104 113	-	-	-	-	-	104 113
Bulk Sewer	199 091	-	199 091	-	-	-	-	-	199 091
671 Housing Fund CMIP	1 531	-	1 531	-	57	-	-	-	1 588
Housing Site Fund	43 445	-	43 445	-	-	-	-	-	43 445
671 Housing Estab Grant	2 237	-	2 237	-	83	-	-	-	2 320
Unidentified Funds	4 321	-	4 321	-	-	-	-	-	4 321
Transition Operation Costs	2 924	-	2 924	-	-	-	-	-	2 924
Free Basic Services	31 763	-	31 763	-	-	-	-	-	31 763
Systems Improvement	674 410	-	674 410	735 000	-	-	1 350 571	-	58 839
CH E/Share Refunds	51 785	-	51 785	-	-	-	8 170	-	43 615
Spatial Devel. Framework	21 894	-	21 894	-	-	-	15 000	-	6 894
Luxolweni Plan Fund	140 686	-	140 686	-	-	-	-	-	140 686
HR Related Projects	161 985	-	161 985	70 000	-	-	58 395	-	173 590
Valuations Tarkastad	146 987	-	146 987	-	-	-	-	-	146 987
1004 Housing Fund	1 705	-	1 705	-	63	-	-	-	1 768
1400 Houses	124 899	-	124 899	-	9 873	-	-	-	134 772
1400 Housing Estab Fund	1 368	-	1 368	-	51	-	-	-	1 419
1004 Houses	8 052	-	8 052	-	298	-	-	-	8 350
Hofmeyr 1000 Top Structure	1 404 965	-	1 404 965	716 564	71 599	-	1 968 304	-	224 824
Hofmeyr 1000 Infrastructure	194 984	-	194 984	-	15 413	-	-	-	210 397
1400 Thornhill Housing	200 905	-	200 905	2 247 199	6 068	-	2 450 922	-	3 249
671 Tarka housing No2	699 302	-	699 302	3 994 445	25 527	-	4 693 085	-	26 189
1000 Tarka housing No2	258 168	-	258 168	3 180 213	8 724	-	3 358 267	-	88 838
1000 Hofmeyr Housing	907 179	463 396	1 370 575	3 380 186	34 819	-	4 754 551	-	31 030
Mapping Tsolwana	583 649	-	583 649	-	-	-	-	-	583 649
Tourism Sector Plan	108 000	-	108 000	-	-	-	108 000	-	-
Development Plan	38 342	-	38 342	125 000	-	-	144 398	-	18 943
Rightsizing	290 788	-	290 788	-	-	-	224 913	-	65 875
Transitional Grant	141 062	-	141 062	-	-	-	110 870	-	30 192
Management Support Prog.	798 390	-	798 390	-	-	-	415 700	4 415	378 275
Municipal Finance Manage.	24 123	-	24 123	1 250 000	-	-	1 208 724	-	65 399
Financial Statements	7 035	-	7 035	-	-	-	4 050	-	2 985
Dawn Park Plan Fees	5 546	-	5 546	-	-	-	-	-	5 546
Water Meters Zola	10 939	-	10 939	-	-	-	-	-	10 939

Service Site Pilot Scheme	11 709	-	11 709	-	-	-	-	-	11 709
Electricity Zola/Ivanlew	10 312	-	10 312	-	-	-	-	-	10 312
Schaapkraal	75 133	-	75 133	-	-	37 565	-	-	112 697
Library Extension	17	-	17	-	-	-	-	-	17
671 Housing	149 787	-	149 787	-	-	-	-	-	149 787
Sports Facilities	250	-	250	-	-	-	-	-	250
1004 Housing	19 363	-	19 363	-	-	-	-	-	19 363
National Electricity Escom	58 525	-	58 525	-	-	-	-	-	58 525
Water Scheme Ntabathemba	37 565	-	37 565	-	-	(37 565)	-	-	-
Mitford Comm. Hall	1 124	-	1 124	-	-	-	-	-	1 124
Stormwater Hofmeyr	23 908	-	23 908	-	-	-	-	-	23 908
Tarka Upgrade	2 499	-	2 499	-	-	-	-	-	2 499
Ekwezi Comm. Hall	990	-	990	-	-	-	-	-	990
LED Brickmakers Programme	2 979	-	2 979	-	-	-	-	-	2 979
Emerging Water	138 945	-	138 945	-	-	-	-	-	138 945
Water Dawn Park	15 784	-	15 784	-	-	-	-	-	15 784
Twinsville Elec. Hofmeyr	14 398	-	14 398	-	-	-	-	-	14 398
Municipal Infrastructure Grant	-	-	-	4 375 000	-	-	-	4 324 075	50 925
Beccles farm bridge	-	-	-	937 440	-	-	-	937 440	-
Vlekpoort: LED Project	-	-	-	300 000	-	-	275 468	-	24 533
Provincial Library subsidy	-	-	-	469 207	-	-	469 207	-	-
CHDM - MIG (Rehabilitation of internal roads	-	-	-	777 656	-	-	-	777 656	-
Disaster housing - CHDM	-	-	-	867 587	-	-	867 587	-	-
Equitable share	-	-	-	11 595 363	-	-	11 595 363	-	-
Housing Account	475 664	-	475 664	-	30 505	-	324 506	-	181 663
VAT on Grant expenditure previously shown as taxes	-	911 899	911 899	112 786	-	-	1 024 685	-	-
<b>Total</b>	<b>8 452 911</b>	<b>1 375 296</b>	<b>9 828 206</b>	<b>35 133 645</b>	<b>203 080</b>	<b>-</b>	<b>35 430 735</b>	<b>6 043 586</b>	<b>3 690 611</b>

#### 4.2 Budget to actual comparison

See appendix D (1) Votes under 4.1

#### 4.3 Grants and transfers' spending

Grant details			Amount received and spent each quarter									
Project name	Donor name	BF amount	1/07/2008 to 30/09/2009		01/10/2008 to 31/12/2009		01/01/2009 to 31/03/2009		01/04/2009 to 30/06/2009		Total	
			Rec.	Spent	Rec.	Spent	Rec.	Spent	Rec.	Spent	Rec.	Spent
Finance management grant	National Treasury		R1 250 000	R223 000		R296 000		R295 000		R43600 0		
Municipal systems improvement grant	DPLG		R735 00	R11 000	R735 000	R495 000		R149 000				
Municipal infrastructure grant	DPLG		R575 000		R1 125 000	R409 000		R1 949 000	R2 675 000	R1 966 000		

#### 4.4 Meeting of Donors' requirements in respect of conditional grants

All expenditure of conditional grants were in line with conditions of the grants.

#### 4.5 Long term contracts entered into by the municipality

Council have not entered into any new long term contracts during the 2008/2009 financial year.

#### 4.6 Annual performance as per key performance indicators in financial viability

		<u>Actual</u>	<u>Budgeted</u>	<u>%</u>
Capital expenditure for the year:	As per App B	5,718,427.26	75,550,725.00	7.57
Salary expenditure for the year (excl council):	As per income statement	6,014,881.50	10,859,431.00	55.39
Salary expenditure for the year (incl council):	As per income statement	7,951,308.20	12,565,231.00	63.28
Total operating expenditure (incl grants):	As per income statement	37,752,348.71	27,568,802.00	136.94
Total operating expenditure (excl grants):	As per income statement	15,510,555.21	20,640,900.00	75.14
Trade creditors:	As per note 6	1,958,836.48	N/A	
Total revenue for the year (incl grants):	As per income statement	47,723,025.27	27,829,001.00	171.49
Total revenue for the year (excl grants):	As per income statement	6,248,705.72	14,660,024.00	42.62

Total own revenue for the year:	All revenue excluding grants and actuarial gains	6,207,237.72	14,660,024.00	42.34
---------------------------------	---	--------------	---------------	-------

**Total salary expenditure as percentage of total operating expenditure:**

	<u>%</u>
<u>Including grants and Council:</u>	21%
<u>Excluding grants, including Council:</u>	51%
<u>Excluding grants and Council:</u>	39%

**Council salaries as a percentage of total salaries:**

	24%
--	-----

**Actual trade payables as percentage of total actual revenue:**

<u>Including grants and actuarial gains:</u>	4%
<u>Excluding grants, including actuarial gains:</u>	31%
<u>Excluding grants and actuarial gains:</u>	32%

	<b>Indicator name</b>	<b>Target set for the year R(000)</b>	<b>Achievement level during the year R(000)</b>	<b>Achievement percentage during the year</b>
	Percentage of MIG budget appropriately spent	4 375 000	4 324 075	99%
	Percentage of MSIG budget appropriately spent	735 000	735 000	100%

#### **4.7 The Audit committee functionality**

The Audit Committee was established in June 2008 and started functioning with a meeting that was held on 26 August 2008. Part of the Audit Committee functions is to consider the report and recommendations of the Internal Audit and then recommend to Council the course of action. Minutes of the Audit committee seating are attached as ANNEXURE 3

#### **4.8 Arrears in property rates and service charges**

##### **DEBTOR ANALYSIS: AMOUNT OUTSTANDING AT 30 JUNE 2009**

*See note 16 and 17 of annual financial statements under section 4.1*

<b>FUNCTION</b>	<b>30 DAYS</b>	<b>60 DAYS</b>	<b>90 DAYS</b>	<b>OVER 90 DAYS</b>	<b>TOTAL</b>
<b>Rates</b>	18 080	43 220	73 735	2 632 887	2 767 922
<b>Electricity</b>	103 956	59 559	62 856	1 188 525	1 414 895
<b>Water</b>	3 377	4 177	30 104	1 037 641	1 075 298
<b>Sanitation</b>	51 031	40 807	61 630	2 508 508	2 661 977
<b>Refuse Removal</b>	36 103	29 565	41 472	1 595 524	1 702 665
<b>Other</b>	2 741	2 719	2 719	1 095 904	1 104 082
<b>Total</b>	<b>215 288</b>	<b>180 047</b>	<b>272 516</b>	<b>10 058 989</b>	<b>10 726 840</b>

#### **4.9 Anti corruption strategy**

The Council adopted an anti-corruption and fraud policy during the period under review. The policy has, however not as yet been fully implemented as a result of organisational rearrangements to be effected.

The policy also needs to be thoroughly workshopped with all Councillors, organised labour and the employees in general.

It is the intention of the Council to appoint a dedicated official and Councillor to manage and drive Council's anti-corruption and fraud strategy.



**REPORT OF THE AUDITOR-GENERAL TO EASTERN CAPE PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF TSOLWANA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009**

**REPORT ON THE FINANCIAL STATEMENTS**

**Introduction**

1. I have audited the accompanying financial statements of the Tsolwana Municipality which comprise the statement of financial position as at 30 June 2009, statement of financial performance, statement of changes in net equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 3 to 35.

**The accounting officer's responsibility for the financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the basis of accounting determined by National Treasury, as set out in accounting policy note 1 and in the manner required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and for such internal control as the accounting determines is necessary to enable the preparation of financial statements that are free from material misstatement 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) and section 126(3)(c), 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 whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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. Paragraph 11 *et seq.* of the Statement of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that

my audit of any disclosures made by the Tsolwana Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.

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

#### **Basis for qualified opinion**

##### **Cash suspense account**

8. A cash suspense account balance of R169 889 is included in the creditors balance of R2.7 million disclosed on the face of the balance sheet and in note 6 to the financial statements. This cash suspense account consists of unallocated expenditure transactions of R4.6 million and unallocated consumer receipts and/or unallocated revenue of R4.8 million. The impact of these uncleared accounts is a misstatement of accounts receivable, revenue, unspent conditional grants, and expenditure.

##### **Irregular expenditure**

9. The municipality has omitted disclosure of irregular expenditure of at least R2.3 million in note 33.3 to the annual financial statements. This irregular expenditure was incurred in contravention of the municipality's supply chain management policy, salary payments which were not authorised and overtime payments in contravention of the Basic employment Act.

##### **Fruitless and wasteful expenditure**

10. The municipality has omitted disclosure of fruitless and wasteful expenditure of R80 129 in note 38.2 to the annual financial statements. The fruitless and wasteful expenditure was incurred during the year under review, as a result of the encashment of leave which was not in terms of the employee's employment contract.

##### **Qualified opinion**

11. In my opinion, except for the possible effects of the matter's described in the Basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of Tsolwana Municipality as at 30 June 2009 and its financial performance and its cash flows for the year then ended, in accordance with the basis of accounting determined by National Treasury as set out in accounting policy note 1 and in the manner required by the MFMA.

##### **Emphasis of matters**

I draw attention to the following matters on which I do not express a qualified opinion:

##### **Basis of accounting**

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

##### **Unauthorised, irregular and fruitless and wasteful expenditure, as well as material loss through criminal conduct**

13. As disclosed in note 33.1 to the financial statements, unauthorised expenditure to the amount of R459 957 was incurred due to salaries and councilor allowances and capital expenditure being more than what was budgeted for 2008/2009.

### **Restatement of corresponding figures**

14. As disclosed in note 35 to the financial statements, the corresponding figures for 30 June 2008 have been restated as a result of errors discovered during 2009 in the financial statements of Tsolwana Municipality as at, and for the year ended, 30 June 2008.

### **OTHER MATTERS**

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

#### **Non compliance with applicable legislation**

##### **Division of Revenue Act**

15. The performance of the programmes funded by schedule 4 and 6 allocations was not evaluated and such evaluations were not submitted to the transferring officer within two months after the municipal year end.

##### **Environmental Conservation Act**

16. The municipality does not have a permit to operate its landfill sites as required by section 20 of the Environment Conservation Act.

##### **Municipal Finance Management Act**

17. The accounting officer did not submit a report of supply chain management awards above R100 000 to National Treasury, Provincial Treasury, Department of Local government and the Auditor-General as required by Section 74(1) of the Municipal Finance Management Act.

##### **Property Rates Act**

18. The valuation roll was not updated every four years as required by section 32(1)(b) of the Property Rates Act.

##### **Governance framework**

19. 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 internal control deficiencies and other governance responsibilities addressed below

##### **Internal control deficiencies**

20. Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the Municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the deficiencies in the system of internal control, which led to the qualified opinion. The root causes are categorised according to the five components of an effective system of internal control. (The number listed per component can be followed with the legend below the table.) In some instances deficiencies exist in more than one internal control component.

<b>Par. No.</b>	<b>Basis for qualified opinion</b>	<b>CE</b>	<b>RA</b>	<b>CA</b>	<b>IC</b>	<b>M</b>
8	Cash suspense accounts			3		1
9	Irregular expenditure			5		
10.	Fruitless and wasteful expenditure			5		

**Conclusion on the governance framework based on internal control deficiencies**

**Cash suspense account**

21. Management does not monitor and review the cash suspense account in order to ensure that all transactions are valid and have been allocated on a timely basis.

**Irregular expenditure**

22. Management does not have a designated supply chain management officer in order to ensure compliance with management's supply chain management policy. Payments are authorised by personnel who do not have the delegated authority to do so and because of a lack of review and monitoring by management.

**Fruitless and wasteful expenditure**

23. Management does not ensure compliance with the terms and conditions of contracts which the municipality has entered into.

<b>Legend</b>	
<b>CA = Control activities</b>	
There is inadequate segregation of duties to prevent fraudulent data and asset misappropriation.	1
General information technology controls have not been designed to maintain the integrity of the information system and the security of the data.	2
Manual or automated controls are not designed to ensure that the transactions have occurred, are authorised, and are completely and accurately processed.	3
Actions are not taken to address risks to the achievement of financial reporting objectives.	4
Control activities are not selected and developed to mitigate risks over financial reporting.	5
Policies and procedures related to financial reporting are not established and communicated.	6
Realistic targets are not set for financial performance measures, which are in turn not linked to an effective reward system.	7
<b>M = Monitoring</b>	
Ongoing monitoring and supervision are not undertaken to enable an assessment of the effectiveness of internal control over financial reporting.	1
Neither reviews by internal audit or the audit committee nor self - assessments are evident.	2
Internal control deficiencies are not identified and communicated in a timely manner to allow for corrective action to be taken.	3

**Key governance responsibilities**

24. 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
<b>Clear trail of supporting documentation that is easily available and provided in a timely manner</b>			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.		✓
<b>Quality of financial statements and related management information</b>			
2.	The financial statements were not subject to any material amendments resulting from the audit.		✓
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.		✓
<b>Timeliness of financial statements and management information</b>			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines, section 126 of the MFMA.	✓	
<b>Availability of key officials during audit</b>			
5.	Key officials were available throughout the audit process.		✓
<b>Development and compliance with risk management, effective internal control and governance practices</b>			
6.	Audit committee		
	<ul style="list-style-type: none"> <li>Tsolwana Municipality had an audit committee in operation throughout the financial year.</li> </ul>	✓	
	<ul style="list-style-type: none"> <li>The audit committee operates in accordance with approved, written terms of reference.</li> </ul>	✓	
	<ul style="list-style-type: none"> <li>The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.</li> </ul>		✓
7.	Internal audit		
	<ul style="list-style-type: none"> <li>Tsolwana Municipality had an internal audit function in operation throughout the financial year.</li> </ul>	✓	
	<ul style="list-style-type: none"> <li>The internal audit function operates in terms of an approved internal audit plan.</li> </ul>	✓	
	<ul style="list-style-type: none"> <li>The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.</li> </ul>	✓	
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.		✓
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.		✓
10.	The information systems were appropriate to facilitate the preparation of the financial statements.	✓	
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.		✓

No	Matter	Y	N
12.	Delegations of responsibility are in place, as set out in section 79 of the MFMA.	✓	
<b>Follow-up of audit findings</b>			
13.	The prior year audit findings have been substantially addressed.		✓
14.	Oversight resolutions have been substantially implemented.	✓	
<b>Issues relating to the reporting of performance information</b>			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		✓
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		✓
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 Tsolwana Municipality against its mandate, predetermined objectives, outputs, indicators and targets as required by section 68 of the MFMA.	✓	
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.		✓

**Conclusion on the governance framework based on other key governance requirements**

25. Significant delays were experienced during the execution of our audit as a result of the municipality not providing documentation and explanations required for audit purposes. A structured process was followed in an attempt to obtain the documentation and explanations. Management was regularly informed of the delays experienced. Most documentation and explanations required were only submitted after several attempts.
26. The financial statements were subject to material adjustment as a result of a lack of controls being in place to ensure that complete, valid and accurate information is captured into the financial system. There is a lack of a adequate documentation management system to ensure easy retrieval of documentation. Most of the adjustments made were as a result of a lack of monitoring by management to ensure that their policies and procedures are being adhered to.
27. Key officials were not available throughout the audit processes to respond to audit queries and to provide us with information to which they only had access to; thus resulting in excessive delays in the audit process.
28. There was a lack of evidence of review of management's processes for identifying and responding to the risk of fraud.
29. The significant deficiencies in the design and implementation of internal control in respect of financial and risk management were attributed to a lack of approved and implemented policies being in place for the whole of the year under review

and to key internal controls and processes that were either not in place or not functioning as intended.

30. The significant deficiencies in the design and implementation of internal control in respect of the compliance with applicable laws and regulations were attributed to a lack of implemented controls not being adhered to and a lack of monitoring and supervision by management. Management has not taken sufficient action to clear all audit findings..
31. The municipality has performed a risk assessment for the year under review. Council minutes in which the fraud prevention plan was approved was not provided for audit purposes.
32. Not all the issues reported in the prior year management report was addressed as these issues were reported on also in the 2008/2009 audit.
33. The reliability of the source information and systems utilised to gather the information was not found to be reliable
34. There are no documented and approved policies and procedures are in place for the reporting of performance information.
35. The mid year performance bonus assessment was not submitted for audit purposes for that of the technical manager.

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

### **Report on performance information**

36. I have reviewed the performance information as set out on pages ... to .....

### **The accounting officer's responsibility for the performance information**

37. 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**

38. 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.
39. 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 judgment.
40. 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**

41. Performance information did not contain the following as required by section 46 of the MSA:
  - Development priorities or objectives
  - Key performance indicators per output
  - Targets per output

- Actual performance achieved
- Comparison of performance with prior year
- Measures to improve performance.

#### **Usefulness and reliability of reported performance information**

42. 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**

43. The municipality's development priorities, key performance indicators and targets are not in all cases consistent with the IDP, SDBIP and organisational score card. Examples include the developmental goal to provide clean drinking water to all residents within the municipal boundaries, and electrification and housing projects that are not subject to any deadline dates for completion.

#### **APPRECIATION**

44. The assistance rendered by the staff of Tsolwana Municipality during the audit is sincerely appreciated.

East London

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;

Tsolwana is a plenary executive type of a municipality and as a result resolutions are taken as a collective. The council is made up of ten councillors. Nine of the councillors belong to the African National Congress and one councillor represents the Democratic Alliance. Two councillors belonging to the ANC were expelled from that party earlier on namely: SJ Nozitho and NS Shumani. Mr Nozitho who was a ward councillor for ward 3 was replaced through by-election that were held on the 6<sup>th</sup> May 2009 and Mr Shumani (proportional representation) is still to be replaced as disciplinary processes are still continuing. As a result of that, the council is functioning with nine (9) councillors as follows:

M Bennett  
NP Meje  
F Tshambu  
RA Sparrow      DA  
M Mangcotywa  
TM Baleng  
RM Hlahla  
N Temo  
K Nqiqhi

In terms of S79 of the Municipal Structures Act, a municipal council may establish committees in order to assist it to perform its functions and exercise its power more effectively and efficiently. Tsolwana municipality has two of such committees namely, the HR & Finance standing Committee and the Infrastructure and social Services standing committees. These committees meet monthly to discuss, give guidance and advice to council on matters it has delegated to them in order for it to take informed decision.

### 5.2 Public participation and consultation;

In its endeavours to ensure compliance with Municipal systems Act, which requires of it to encourage public participation, the municipality has established the following forums:

The table below illustrates the forums established by the municipality

Forum	Composition	Status	Functions
IDP Reps	<ul style="list-style-type: none"><li>• Municipality</li><li>• Elected community members</li><li>• CBOs, NGOs and interested parties</li></ul>	Active	<ul style="list-style-type: none"><li>• Reps submit projects identified by the community</li><li>• Develop municipal objectives and strategies</li></ul>

These forums serve as platforms for the community to influence decision making processes of the municipality.

Once the final draft of the IDP and the annual budget have been adopted by council, the municipality embarks on a municipal-wide public consultation programme to inform the communities about the outcomes of the participation processes and what is to be done in each ward.

### **5.3 Ward committees' establishment and functionality**

There are five (5) wards in the municipality and each of them has a ward committee that assist the ward councillors in the performance of their duties. All ward committees are functional. In order to remedy the long outstanding problem of ward committees having their own money when attending meetings, council resolved that they be provided with a monthly stipends of R250.00 for each member. Ward committees submit reports of all their monthly activities. Minutes of their meetings are submitted to the Speakers office for referral to council. To ensure proper functioning of the ward committees, the municipality in conjunction with the department of Local Government and Traditional Affairs conducted a workshop on roles and responsibilities.

### **5.4 Community Development workers performance monitoring**

Community Development Workers are deployed per ward and this suggests therefore that they should also be providing a helping hand to ward councillors. However, the current arrangement is that CDWs submit their reports to the Department of Local Government and Traditional Affairs and the municipality and this creates a problem in monitoring their performance. It is however hoped that the policy that is being developed will clarify this ambiguity. It is therefore very difficult to monitor the performance of the CDWs.

### **5.5 Communication strategy**

The municipality developed and adopted a communication strategy. Currently, the municipality does not have a communication official and consequently there are very few resources for communication activities.

### **5.6 Intergovernmental Relations**

The Intergovernmental Relations Forum was established on 31<sup>st</sup> October 2007 in one of the very few IGRF successful meetings. The Mayor chairs the IGRF and other participants include the Municipal Top Management, government national and provincial department. Mainly, the IGRF has been utilised to co-ordinate the IDP development process.

Non-participation by sector departments is hampering the proper functioning of the IGRF. This also compromises the quality of the IDP and service delivery. During the 2008-2009 financial year functioning of the IGRF was dissatisfactory as the sector departments continued to ignore the invitations to attend meetings. Improvement was seen towards the end of the financial year as the Mayor began to bring the matter to the attention of the Premier's Office.

## **5.7 Legal matters**

### **5.7.1 Setting up of Legal Units**

The municipality does not have a legal unit and the function gets outsourced based on the nature of the case at hand.

The municipality has used two firm on legal matters during 2008/2009 namely Bowes & McDougall Inc. and Kirshmanns' Attorneys.

### **5.7.2 Management of litigation**

Currently, the municipality is involved in only two litigation matter that could have a bearing on the finances of the municipality. These include:

- (i) A pension fund matter involving the unilateral increases in the contributions of the employer towards the fund. It is estimated that the municipality has a liability of R370 350 towards SALA in this regard. As a result of the fact that the majority of municipalities in the Eastern Cape faces a similar dilemma, SALGA assumed responsibility for representing municipalities in this litigation. The matter remains unresolved during the period under review.
- (ii) The second matter revolves around an unfounded claim of a building contractor, duly appointed to erect low cost housing units in the area of jurisdiction of the Tsolwana Municipality. A claim of R1 million has been filed against the municipality. Under instruction of Council the matter was taken on defence. Council's legal representatives are of the opinion that the claimant has no prospects of succeeding. The matter remains unresolved during the period under review.

### **5.7.3 Criminal matters emanating from corruption and fraud**

No matters relevant to criminal or corrupt activities manifested itself during the 2008/09 financial year.

### **5.7.4 Management of Legal Risks**

There is no policy in place to for management of legal risks. The risk management policy should have a section dealing with management legal risks rather than having separate policy. A risk management policy is to be developed during the 2009/2010 financial year.

**PART 3- FUNCTIONAL AREAS REPORTING AND ANNEXURE**

**A: FUNCTIONAL AREA SERVICE DELIVERY REPORTING**

1. General information (population statistics)

**<Insert name of municipality>  
GENERAL INFORMATION**

Reporting Level	Detail	Total	
Overview:	Provide a general overview of municipality: this may include a short narrative of issues peculiar to the municipality and issues specific to the financial year being reported		
Information:	<i>&lt;Provide statistical information on (as a minimum):&gt;</i>		
1	Geography: Geographical area in square kilometres Note: Indicate source of information	<total>	
2	Demography: Total population Note: Indicate source of information	<total>	
3	Indigent Population Note: Indicate source of information and define basis of indigent policy including definition of indigent	<total>	
4	Total number of voters	<total>	
5	Aged breakdown: - 65 years and over - between 40 and 64 years - between 15 and 39 years - 14 years and under Note: Indicate source of information	<total> <total> <total> <total>	
6	Household income: - over R3,499 per month - between R2,500 and R3,499 per month - between R1,100 and R2,499 per month - under R1,100 per month Note: Indicate source of information	<total> <total> <total> <total>	

2. Finance and Administration function's performance

<b>Function:</b>	<b>Finance and Administration</b>
<b>Sub Function:</b>	<b>Finance</b>

**Overview:**

The financial services directorate is responsible for ensuring sound financial management, monitoring the budget expenditure and revenue management, timely reporting to Council, timely completion of annual financial statements for submission to the Auditor General, perform bank reconciliations, payment of creditors and the general financial and asset management of the municipality

**Description of the Activity**

The Financial Services Directorate has the following divisions led by Divisional Heads (Accountants) who report directly to the Chief Financial Officer; Revenue Management, Debt Collection, Credit Control and Indigents, Accounting and Reporting, Asset Management, Budget and Fiscal Control, Supply Chain Management, Rates and Valuations, Payroll, Information Technology, Financial Services Directorate serves a support function to the municipality. Direct interaction with the public takes place at the following levels and divisions; consumer enquiries on the municipal accounts, credit control, indigent application and registration and supply chain management

**2.1 Debtors billings and 2.2 Debtor collections**

Function	Months - July 07			Months -AUG 07		
	Billed	Interest	Received	Billed	Interest	Received
RATES	259225.15	19900.25	-13837.21	82,486	13271.6	-58,581
ELECTRICITY	292852.2	8627.35	116394.92	214068.29	17875.7	-223556.95
WATER	32999.65	10044.65	-25005.61	38577.9	10159.45	-24073.52
SANITATION	96886.1	21415.05	-29121.26	97979.85	22403.2	-48006.66
REFUSE	55098.8	12806.3	-14119.6	50684.4	13363.7	-28677.06
	737,062	72,794	-198,479	483,797	77,074	-382,895

Function	Months - SEPT 07			Months - OCT 07		
	Billed	Interest	Received	Billed	Interest	Received
RATES	81592.9	21860.7	-79159.19	72500.4	22137.85	-67427.9
ELECTRICITY	195283.85	10585.35	135556.77	200540.9	10291.7	-231198.13
WATER	32765.65	10363.3	-27479.7	48390.85	10495.3	-49985.9
SANITATION	93419.6	23097.65	-49203.54	93389.1	23627.4	-64745.11
REFUSE	31585.8+19321.80	7801.75	-23,749	50871	13908	-39872.48
	403,062	73,709	-315,148	465,692	80,460	-453,230

Function	Months - NOV 07			Months - DEC 07		
	Billed	Interest	Received	Billed	Interest	Received
RATES	79361.45	17810.6	-40285.58	73930	23097.9	-51780.66
ELECTRICITY	161596.5	11768.7	139336.63	168519.05	10729.1	-173955.27
WATER	67153.75	10426.85	-32122.33	38264.9	10875.6	-35110.18
SANITATION	82901.1	22316	184846.32	82132.2	22829.6	-55530.02
REFUSE	52080.6	14151.45	-27308.56	51576.6	14481.75	-32199.05
	443,093	76,474	-423,899	414,423	82,014	-348,575

Function	Months - JAN 08			Months - FEBR 08		
	Billed	Interest	Received	Billed	Interest	Received
RATES	71050.45	23481.3	-37752	73765.75	23804.75	-112583.35
ELECTRICITY	189288.75	10875.25	115799.13	114228.8	11339.45	-162939.74
WATER	68068.95	10927.55	-40091.45	46534.8	11170.2	-49928.14
SANITATION	81837.55	23196.05	-55388.61	93171.25	23610.85	-54895.39
REFUSE	51250.2	14803.55	-28229.19	60999.6	15117.75	-41631.16
	461,496	83,284	-277,260	388,700	85,043	-421,978

Function	Months - MARCH 08			Months - APR 08		
	Billed	Interest	Received	Billed	Interest	Received
RATES	35699.2	24327.8	-40864.47	50777.5	35892.45	-37412.12
ELECTRICITY	137542.6	11712.5	114995.36	156262.3	16874.55	-125374.72
WATER	34643.7	11332.75	-37799.91	41399.6	12709.5	-29563.63
SANITATION	93593.8	24505.1	-49195.26	45291.8	25951.55	-31407.02
REFUSE	61160.4	15411.95	-39841.19	27997.8	16621.3	-14706.07
	362,640	87,290	-282,696	321,729	108,049	-238,464

Function	Months - MAY 08			Months - JUNE 08		
	Billed	Interest	Received	Billed	Interest	Received
RATES	48016.2	2045.55	-22697.93	11851.5	2059.75	-26050.85
ELECTRICITY	128617.35	993.85	-77388.06	98438.5	923	-230091.93
WATER	5543.7	654.05	-20751.25	-3881.3	707.95	-23221.4
SANITATION	33675.4	1070.35	-15035.4	45294.15	1480.35	-33376.04
REFUSE	30575.6	941.9	-8031.71	30687.25	958.4	-15726.12
	246,428	5,706	-143,904	182,390	6,129	-328,466

Function	Total Billed	Total Received	Payment %
RATES	940,257	-588,432	63%
ELECTRICITY	2,057,239	-1,846,588	90%
WATER	450,462	-360,083	80%
SANITATION	939,572	-670,751	71%
REFUSE	522,982	-314,091	60%
	4,910,512	-3,779,944	72%

## 2.2 DEBTOR ANALYSIS: AMOUNT OUTSTANDING AT 30 JUNE 2008

See note 16 and 17 of annual financial statements under section 4

**No debts were written off**

## 2.3 PROPERTY RATES (RESIDENTIAL)

RESIDENTIAL	NUMBER	STAND VALUE	IMPROVE VALUE
Rated	627	324,058	29,578,745
Not Rated	2365	1,222,324	111,568,950
Exempted	0		
Rates collectable for year			1,158,182

## 2.4 PROPERTY RATES (COMMERCIAL)

COMMERCIAL	NUMBER	STAND VALUE	IMPROVE VALUE
Rated	36	93,700	2,344,190
Not Rated	0	0	0
Exempted	0		
Rates collectable for year			75,818

## 2.5 Property valuation

Year of last valuation: 2008/09 for  
implementation in 09/10  
Regulatory of valuation: 5 years

## 2.6 Indigent Policy

Function	Number	Value
Water	11285	496991.4
Electricity	2462	303510.7
Sanitation	2864	824208
Rates	3075	418732.8
Refuse	3182	762693
		2806136

## 2.7 Creditor Payments

No creditors of 30days

## 2.9 Credit Rating

Did not apply for and though unknown.

## 2.10 External loans

Type of Loan	Interest rate	Institution	Balance 2008-07-01	Redemption 2008-12-31	2009-06-30	Balance 2009-06-30
Sewerage Loan	10.75%	DBSA	66522.14	8537.29	9054.70	48930.15
Water Aug Scheme	15.34%	DBSA	198164.15	8429.36	9325.3	180409.49
			264686.29	16966.65	18380.00	229339.64

## 2.11 Delayed and Default Payments

Council has **not** delayed payment on any loan, statutory payments or any other default of a material nature.



3. Planning and Development function's performance

<b>Function:</b>	<b>Planning and Development</b>			
<b>Sub Function:</b>	<b>Economic Development</b>			
<b>Reporting Level</b>	<b>Detail</b>	<b>Total</b>		
Overview:	Includes all activities associated with economic development initiatives			
Description of the Activity:	The function of economic planning / development within the municipality is administered as follows and includes:			
	<List administration of each function here: this should detail what is offered, and how it is offered to the community>			
	These services extend to include <function/area>, but do not take account of <function/area> which resides within the jurisdiction of <national/provincial/other private sector> government. The municipality has a mandate to:			
	<List here>			
	The strategic objectives of this function are to:			
	<List here>			
	The key issues for 200X/0Y are:			
	<List here>			
Analysis of the Function:	<Provide statistical information on (as a minimum):>			
	1	Number and cost to employer of all economic development personnel:	R (000s)	
		- Professional (Directors / Managers)	<total>	<cost>
		- Non-professional (Clerical / Administrative)	<total>	<cost>
		- Temporary	<total>	<cost>
		- Contract	<total>	<cost>
	2	Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package		
	3	Detail and cost of incentives for business investment:		R (000s)
		<list details>		<cost>
	4	Note: list incentives by project, with total actual cost to municipality for year		
		Detail and cost of other urban renewal strategies:		R (000s)
		<list details>		<cost>
	5	Note: list strategies by project, with total actual cost to municipality for year		
		Detail and cost of other rural development strategies:		R (000s)
		<list details>		<cost>
6	Note: list strategies by project, with total actual cost			

6	to municipality for year		
	Number of people employed through job creation schemes:		
	- Short-term employment	<number>	
	- Long-term employment	<number>	
	Note: total number to be calculated on full-time equivalent (FTE) basis, and should only be based on direct employment as a result of municipal initiatives		
	Number and cost to employer of all Building Inspectors employed:		R (000s)
	- Number of Building Inspectors	<number>	<value>
	- Temporary		
	- Contract		
	Note: total number to be calculated on a full-time equivalent (FTE) basis, total cost to include total salary package		
	Details of building plans:		
	- Number of building plans approved	<number>	
	- Value of building plans approved	<value>	
<b>Reporting Level</b>	<b>Detail</b>	<b>Total</b>	
	Note: Figures should be aggregated over year to include building plan approvals only		
7	Type and number of grants and subsidies received:		R (000s)
	<list each grant or subsidy separately>	<total>	<value>
	Note: total value of specific planning and development grants actually received during year to be recorded over the five quarters - Apr to Jun last year, Jul to Sep, Oct to Dec, Jan to Mar, Apr to Jun this year.		

4. Community and social services function's performance

<b>Function:</b>	<b>Community and Social Services</b>
<b>Sub Function:</b>	<b>All inclusive</b>

Reporting Level	Detail	Total	
Overview:	Includes all activities associated with the provision of community and social services		
Description of the Activity:	<p>The function of provision of various community and social services within the municipality is administered as follows and includes:</p> <p><i>&lt;List administration of each function here: this should detail what is offered, and how it is offered to the community&gt;</i></p> <p>These services extend to include <i>&lt;function/area&gt;</i>, but do not take account of <i>&lt;function/area&gt;</i> which resides within the jurisdiction of <i>&lt;national/provincial/other private sector&gt;</i> government. The municipality has a mandate to:</p> <p><i>&lt;List here&gt;</i></p> <p>The strategic objectives of this function are to:</p> <p><i>&lt;List here&gt;</i></p> <p>The key issues for 200X/OY are:</p> <p><i>&lt;List here&gt;</i></p>		
Analysis of the Function:	<i>&lt;Provide statistical information on (as a minimum):&gt;</i>		
1	<p>Nature and extent of facilities provided:</p> <ul style="list-style-type: none"> <li>- Library services</li> <li>- Museums and art galleries</li> <li>- Other community halls/facilities</li> <li>- Cemeteries and crematoriums</li> <li>- Child care (including creches etc)</li> <li>- Aged care (including aged homes, home help)</li> <li>- Schools</li> <li>- Sporting facilities (specify)</li> <li>- Parks</li> </ul> <p>Note: the facilities figure should agree with the assets register</p>	<p><i>no of facilities:</i></p> <p><i>&lt;number&gt;</i></p> <p><i>&lt;number&gt;</i></p> <p><i>&lt;number&gt;</i></p> <p><i>&lt;number&gt;</i></p> <p><i>&lt;number&gt;</i></p> <p><i>&lt;number&gt;</i></p> <p><i>&lt;number&gt;</i></p> <p><i>&lt;number&gt;</i></p> <p><i>&lt;number&gt;</i></p> <p><i>&lt;sq km&gt;</i></p>	<p><i>no of users:</i></p> <p><i>&lt;number&gt;</i></p> <p><i>&lt;number&gt;</i></p> <p><i>&lt;number&gt;</i></p> <p><i>&lt;number&gt;</i></p> <p><i>&lt;number&gt;</i></p> <p><i>&lt;number&gt;</i></p> <p><i>&lt;number&gt;</i></p> <p><i>&lt;number&gt;</i></p> <p><i>&lt;number&gt;</i></p>
2	<p>Number and cost to employer of all personnel associated with each community services function:</p> <ul style="list-style-type: none"> <li>- Library services</li> <li>- Museums and art galleries</li> <li>- Other community halls/facilities</li> <li>- Cemeteries and crematoriums</li> <li>- Child care</li> <li>- Aged care</li> </ul>	<p><i>&lt;total&gt;</i></p> <p><i>&lt;total&gt;</i></p> <p><i>&lt;total&gt;</i></p> <p><i>&lt;total&gt;</i></p> <p><i>&lt;total&gt;</i></p> <p><i>&lt;total&gt;</i></p>	<p><i>R(000s)</i></p> <p><i>&lt;cost&gt;</i></p> <p><i>&lt;cost&gt;</i></p> <p><i>&lt;cost&gt;</i></p> <p><i>&lt;cost&gt;</i></p> <p><i>&lt;cost&gt;</i></p> <p><i>&lt;cost&gt;</i></p>

6	- Schools - Sporting facilities - Parks Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package	<total> <total> <total>	<cost> <cost> <cost>
	Total operating cost of community and social services function		R (000s)

Key Performance Area	Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance	Current	Target
<ul style="list-style-type: none"> <li>Approved HIV/AIDS strategy;</li> <li>Approved Disaster management policy frameworks and plans (Metro and DM)</li> </ul>	<p>&lt; List here the actual performance achieved over the financial year, and the variance between performance planned and actual performance, providing an explanation of the variance. Also provide details of any improvements planned for next year.</p>		

5. Housing function's performance

<b>Function:</b>	<b>Housing</b>
<b>Sub Function:</b>	<b>N/A</b>

Reporting Level	Detail	Total	
Overview:	Includes all activities associated with provision of housing		
Description of the Activity:	<p>The function of provision of housing within the municipality is administered as follows and includes:  <i>&lt;List administration of each function here: this should detail what is offered, and how it is offered to the community&gt;</i></p> <p>These services extend to include <i>&lt;function/area&gt;</i>, but do not take account of <i>&lt;function/area&gt;</i> which resides within the jurisdiction of <i>&lt;national/provincial/other private sector&gt;</i> government. The municipality has a mandate to:  <i>&lt;List here&gt;</i></p> <p>The strategic objectives of this function are to:  <i>&lt;List here&gt;</i></p> <p>The key issues for 200X/0Y are:  <i>&lt;List here&gt;</i></p>		
Analysis of the Function:	<i>&lt;Provide statistical information on (as a minimum):&gt;</i>		
1	<p>Number and cost of all personnel associated with provision of municipal housing:</p> <ul style="list-style-type: none"> <li>- Professional (Architects/Consultants)</li> <li>- Field (Supervisors/Foremen)</li> <li>- Office (Clerical/Administration)</li> <li>- Non-professional (blue collar, outside workforce)</li> <li>- Temporary</li> <li>- Contract</li> </ul> <p>Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package. Professional includes project design, Field includes all tradespersons.</p>	<p><i>&lt;total&gt;</i></p> <p><i>&lt;total&gt;</i></p> <p><i>&lt;total&gt;</i></p> <p><i>&lt;total&gt;</i></p> <p><i>&lt;total&gt;</i></p> <p><i>&lt;total&gt;</i></p>	<p><i>R (000s)</i></p> <p><i>&lt;cost&gt;</i></p> <p><i>&lt;cost&gt;</i></p> <p><i>&lt;cost&gt;</i></p> <p><i>&lt;cost&gt;</i></p> <p><i>&lt;cost&gt;</i></p> <p><i>&lt;cost&gt;</i></p>
2	<p>Number and total value of housing projects planned and current:</p> <ul style="list-style-type: none"> <li>- Current (financial year after year reported on)</li> <li>- Planned (future years)</li> </ul> <p>Note: provide total project and project value as per initial or revised budget</p>	<p><i>&lt;total&gt;</i></p> <p><i>&lt;total&gt;</i></p>	<p><i>R (000s)</i></p> <p><i>&lt;value&gt;</i></p> <p><i>&lt;value&gt;</i></p>
3	<p>Total type, number and value of housing provided:  <i>&lt;list details by type of dwelling, see below&gt;</i></p> <p>Note: total number and total value of housing provided during financial year</p>	<p><i>&lt;total&gt;</i></p>	<p><i>R (000s)</i></p> <p><i>&lt;value&gt;</i></p>

4	Total number and value of rent received from municipal owned rental units <list details, including number of units handed over to residents>	<total>	R (000s) <value>
5	Estimated backlog in number of (and costs to build) housing: <list details by type of dwelling, see below> Note: total number should appear in IDP, and cost in future budgeted capital housing programmes	<total>	R (000s) <cost>
6	Type of habitat breakdown: - number of people living in a house or brick structure - number of people living in a traditional dwelling - number of people living in a flat in a block of flats - number of people living in a town/cluster/semi-detached group dwelling - number of people living in an informal dwelling or shack - number of people living in a room/flatlet	<total> <total> <total> <total> <total> <total>	
<b>Reporting Level</b>	<b>Detail</b>	<b>Total</b>	
7	Type and number of grants and subsidies received: <list each grant or subsidy separately> Note: total value of specific housing grants actually received during year to be recorded over the five quarters - Apr to Jun last year, Jul to Sep, Oct to Dec, Jan to Mar, Apr to Jun this year.	<total>	R (000s) <value>
8	Total operating cost of housing function		R (000s)

Key Performance Area	Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance	Current	Target
<List at least five key performance areas relative to the above function as articulated in the 200X/OY budget here>	< List here the actual performance achieved over the financial year, and the variance between performance planned and actual performance, providing an explanation of the variance. Also provide details of any improvements planned for next year.		

6. Waste management function's performance

<b>Function:</b>	<b>Waste Management</b>
<b>Sub Function:</b>	<b>Solid Waste</b>

Reporting Level	Detail	Total	
Overview:	Includes refuse removal, solid waste disposal and landfill, street cleaning and recycling		
Description of the Activity:	<p>The refuse collection functions of the municipality are administered as follows and include:</p> <p><i>&lt;List administration of each function here: this should detail what is offered, and how it is offered to the community&gt;</i></p> <p>These services extend to include <i>&lt;function/area&gt;</i>, but do not take account of <i>&lt;function/area&gt;</i> which resides within the jurisdiction of <i>&lt;national/provincial/other private sector&gt;</i> government. The municipality has a mandate to:</p> <p><i>&lt;List here&gt;</i></p> <p>The strategic objectives of this function are to:</p> <p><i>&lt;List here&gt;</i></p> <p>The key issues for 200X/0Y are:</p> <p><i>&lt;List here&gt;</i></p>		
Analysis of the Function:	<i>&lt;Provide statistical information on (as a minimum):&gt;</i>		
1	<p>Number and cost to employer of all personnel associated with refuse removal:</p> <ul style="list-style-type: none"> <li>- Professional (Engineers/Consultants)</li> <li>- Field (Supervisors/Foremen)</li> <li>- Office (Clerical/Administration)</li> <li>- Non-professional (blue collar, outside workforce)</li> <li>- Temporary</li> <li>- Contract</li> </ul> <p>Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package</p>	<p><i>&lt;total&gt;</i></p> <p><i>&lt;total&gt;</i></p> <p><i>&lt;total&gt;</i></p> <p><i>&lt;total&gt;</i></p> <p><i>&lt;total&gt;</i></p> <p><i>&lt;total&gt;</i></p>	<p><i>R (000s)</i></p> <p><i>&lt;cost&gt;</i></p> <p><i>&lt;cost&gt;</i></p> <p><i>&lt;cost&gt;</i></p> <p><i>&lt;cost&gt;</i></p> <p><i>&lt;cost&gt;</i></p> <p><i>&lt;cost&gt;</i></p>
2	<p>Number of households receiving regular refuse removal services, and frequency and cost of service:</p> <ul style="list-style-type: none"> <li>- Removed by municipality at least once a week</li> <li>- Removed by municipality less often</li> <li>- Communal refuse dump used</li> <li>- Own refuse dump</li> <li>- No rubbish disposal</li> </ul> <p>Note: if other intervals of services are available, please provide details</p>	<p><i>&lt;total&gt;</i></p> <p><i>&lt;total&gt;</i></p> <p><i>&lt;total&gt;</i></p> <p><i>&lt;total&gt;</i></p> <p><i>&lt;total&gt;</i></p>	<p><i>R (000s)</i></p> <p><i>&lt;cost&gt;</i></p> <p><i>&lt;cost&gt;</i></p> <p><i>&lt;cost&gt;</i></p>
3	<p>Total and projected tonnage of all refuse disposed:</p> <ul style="list-style-type: none"> <li>- Domestic/Commercial</li> </ul>	<p><i>&lt;current&gt;</i></p>	<p><i>&lt;future&gt;</i></p>

4	- Garden Note: provide total tonnage for current and future years activity	<current>	<future>
	Total number, capacity and life expectancy of refuse disposal sites: - Domestic/Commercial (number)	<capacity>	<lifespan>
	- Garden (number)  Note: provide the number of tip sites, their total current capacity and the expected lifespan as at end of reporting period	<capacity>	<lifespan>
<b>Reporting Level</b>	<b>Detail</b>	<b>Total</b>	
5	Anticipated expansion of refuse removal service: - Domestic/Commercial	<total>	R (000s) <cost>
	- Garden Note: provide total number of households anticipated to benefit and total additional operating cost per year to the municipality	<total>	<cost>
6	Free Basic Service Provision: - Quantity (number of households affected)	<total>	
	- Quantum (value to each household) Note: Provide details of how many households receive the FBS provision, and the average value it means per household. Describe in detail the level of Free Basic Services provided.	<value>	
7	Total operating cost of solid waste management function		R (000s)



7. Waste water management

<b>Function:</b>	<b>Waste Water Management</b>
<b>Sub Function:</b>	<b>Sewerage etc</b>

Reporting Level	Detail	Total	Cost
Overview:	Includes provision of sewerage services not including infrastructure and water purification, also includes toilet facilities		
Description of the Activity:	<p>The sewerage functions of the municipality are administered as follows and include:</p> <p><i>&lt;List administration of each function here: this should detail what is offered, and how it is offered to the community&gt;</i></p> <p>These services extend to include <i>&lt;function/area&gt;</i>, but do not take account of <i>&lt;function/area&gt;</i> which resides within the jurisdiction of <i>&lt;national/provincial/other private sector&gt;</i> government. The municipality has a mandate to:</p> <p><i>&lt;List here&gt;</i></p> <p>The strategic objectives of this function are to:</p> <p><i>&lt;List here&gt;</i></p> <p>The key issues for 200X/0Y are:</p> <p><i>&lt;List here&gt;</i></p>		
Analysis of the Function:	<i>&lt;Provide statistical information on (as a minimum):&gt;</i>		
1	<p>Number and cost to employer of all personnel associated with sewerage functions:</p> <ul style="list-style-type: none"> <li>- Professional (Engineers/Consultants)</li> <li>- Field (Supervisors/Foremen)</li> <li>- Office (Clerical/Administration)</li> <li>- Non-professional (blue collar, outside workforce)</li> <li>- Temporary</li> <li>- Contract</li> </ul> <p>Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package</p>	<p><i>&lt;total&gt;</i></p> <p><i>&lt;total&gt;</i></p> <p><i>&lt;total&gt;</i></p> <p><i>&lt;total&gt;</i></p> <p><i>&lt;total&gt;</i></p> <p><i>&lt;total&gt;</i></p>	<p><i>R (000s)</i></p> <p><i>&lt;cost&gt;</i></p> <p><i>&lt;cost&gt;</i></p> <p><i>&lt;cost&gt;</i></p> <p><i>&lt;cost&gt;</i></p> <p><i>&lt;cost&gt;</i></p> <p><i>&lt;cost&gt;</i></p>
2	<p>Number of households with sewerage services, and type and cost of service:</p> <ul style="list-style-type: none"> <li>- Flush toilet (connected to sewerage system)</li> <li>- Flush toilet (with septic tank)</li> <li>- Chemical toilet</li> <li>- Pit latrine with ventilation</li> <li>- Pit latrine without ventilation</li> </ul>	<p><i>&lt;total&gt;</i></p> <p><i>&lt;total&gt;</i></p> <p><i>&lt;total&gt;</i></p> <p><i>&lt;total&gt;</i></p> <p><i>&lt;total&gt;</i></p>	<p><i>R (000s)</i></p> <p><i>&lt;cost&gt;</i></p> <p><i>&lt;cost&gt;</i></p> <p><i>&lt;cost&gt;</i></p> <p><i>&lt;cost&gt;</i></p> <p><i>&lt;cost&gt;</i></p>

3	- Bucket latrine - No toilet provision Note: if other types of services are available, please provide details	<total> <total>	<cost> <cost>
	Anticipated expansion of sewerage: - Flush/chemical toilet - Pit latrine - Bucket latrine - No toilet provision Note: provide total number of households anticipated to benefit and total additional operating cost per year to the municipality	<total> <total> <total> <total>	R (000s) <cost> <cost> <cost>
4	Free Basic Service Provision: - Quantity (number of households affected) - Quantum (value to each household)	<total> <value>	
<b>Reporting Level</b>	<b>Detail</b>	<b>Total</b>	<b>Cost</b>
5	Note: Provide details of how many households receive the FBS provision, and the average value it means per household. Describe in detail the level of Free Basic Services provided.		
	Total operating cost of sewerage function		R (000s)

8. Road maintenance's function's performance

<b>Function:</b>	<b>Road Transport</b>
<b>Sub Function:</b>	<b>Roads</b>

Reporting Level	Detail	Total	Cost
Overview:	Construction and maintenance of roads within the municipality's jurisdiction		
Description of the Activity:	<p>The road maintenance and construction responsibilities of the municipality are administered as follows and include:</p> <p><i>&lt;List administration of each function here: this should detail what is offered, and how it is offered to the community&gt;</i></p> <p>These services extend to include <i>&lt;function/area&gt;</i>, but do not take account of <i>&lt;function/area&gt;</i> which resides within the jurisdiction of <i>&lt;national/provincial/other private sector&gt;</i> government. The municipality has a mandate to:</p> <p><i>&lt;List here&gt;</i></p> <p>The strategic objectives of this function are to:</p> <p><i>&lt;List here&gt;</i></p> <p>The key issues for 200X/0Y are:</p> <p><i>&lt;List here&gt;</i></p>		
Analysis of the Function:	<i>&lt;Provide statistical information on (as a minimum):&gt;</i>		
1	<p>Number and cost to employer of all personnel associated with road maintenance and construction:</p> <ul style="list-style-type: none"> <li>- Professional (Engineers/Consultants)</li> <li>- Field (Supervisors/Foremen)</li> <li>- Office (Clerical/Administration)</li> <li>- Non-professional (blue collar, outside workforce)</li> <li>- Temporary</li> <li>- Contract</li> </ul> <p>Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package</p>	<p><i>&lt;total&gt;</i></p> <p><i>&lt;total&gt;</i></p> <p><i>&lt;total&gt;</i></p> <p><i>&lt;total&gt;</i></p> <p><i>&lt;total&gt;</i></p> <p><i>&lt;total&gt;</i></p>	<p><i>R (000s)</i></p> <p><i>&lt;cost&gt;</i></p> <p><i>&lt;cost&gt;</i></p> <p><i>&lt;cost&gt;</i></p> <p><i>&lt;cost&gt;</i></p> <p><i>&lt;cost&gt;</i></p>
2	<p>Total number, kilometres and total value of road projects planned and current:</p> <ul style="list-style-type: none"> <li>- New bitumenised (number)</li> <li>- Existing re-tarred (number)</li> <li>- New gravel (number)</li> <li>- Existing re-sheeted (number)</li> </ul>	<p><i>&lt;kms&gt;</i></p> <p><i>&lt;kms&gt;</i></p> <p><i>&lt;kms&gt;</i></p> <p><i>&lt;kms&gt;</i></p>	<p><i>R (000s)</i></p> <p><i>&lt;cost&gt;</i></p> <p><i>&lt;cost&gt;</i></p> <p><i>&lt;cost&gt;</i></p> <p><i>&lt;cost&gt;</i></p>

3	Note: if other types of road projects, please provide details		
	Total kilometres and maintenance cost associated with existing roads provided - Tar - Gravel Note: if other types of road provided, please provide details	<total> <total>	R (000s) <cost> <cost>
4	Average frequency and cost of re-tarring, re-sheeting roads - Tar - Gravel Note: based on maintenance records	<total>	R (000s) <cost>
5	Estimated backlog in number of roads, showing kilometres and capital cost - Tar - Gravel	<total>	R (000s) <cost>
<b>Reporting Level</b>	<b>Detail</b>	<b>Total</b>	<b>Cost</b>
6	Note: total number should appear in IDP, and cost in future budgeted road construction programme		
	Type and number of grants and subsidies received: <list each grant or subsidy separately>	<total>	R (000s) <value>
	Note: total value of specific road grants actually received during year to be recorded over the five quarters - Apr to Jun this year, Jul to Sep, Oct to Dec, Jan to Mar, Apr to Jun this year.		
7	Total operating cost of road construction and maintenance function		R (000s)

9. Water distribution function's performance

<b>Function:</b>	<b>Water</b>
<b>Sub Function:</b>	<b>Water Distribution</b>

Reporting Level	Detail	Total	Cost
Overview:	Includes the bulk purchase and distribution of water		
Description of the Activity:	<p>The water purchase and distribution functions of the municipality are administered as follows and include:  <i>&lt;List administration of each function here: this should detail what is offered, and how it is offered to the community&gt;</i></p> <p>These services extend to include <i>&lt;function/area&gt;</i>, but do not take account of <i>&lt;function/area&gt;</i> which sits within the jurisdiction of <i>&lt;national/provincial/other private sector&gt;</i> government. The municipality has a mandate to:  <i>&lt;List here&gt;</i></p> <p>The strategic objectives of this function are to:  <i>&lt;List here&gt;</i></p> <p>The key issues for 200X/0Y are:  <i>&lt;List here&gt;</i></p>		
1	<p><i>&lt;Provide statistical information on (as a minimum):&gt;</i></p> <p>Number and cost to employer of all personnel associated with the water distribution function:</p> <ul style="list-style-type: none"> <li>- Professional (Engineers/Consultants)</li> <li>- Field (Supervisors/Foremen)</li> <li>- Office (Clerical/Administration)</li> <li>- Non-professional (blue collar, outside workforce)</li> <li>- Temporary</li> <li>- Contract</li> </ul> <p>Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package.</p>	<p><i>&lt;total&gt;</i></p> <p><i>&lt;total&gt;</i></p> <p><i>&lt;total&gt;</i></p> <p><i>&lt;total&gt;</i></p> <p><i>&lt;total&gt;</i></p> <p><i>&lt;total&gt;</i></p>	<p><i>R (000s)</i></p> <p><i>&lt;cost&gt;</i></p> <p><i>&lt;cost&gt;</i></p> <p><i>&lt;cost&gt;</i></p> <p><i>&lt;cost&gt;</i></p> <p><i>&lt;cost&gt;</i></p> <p><i>&lt;cost&gt;</i></p>
2	<p>Percentage of total water usage per month</p> <p><i>&lt;Insert table showing monthly water usage &gt;</i></p> <p>Note: this will therefore highlight percentage of total water stock used per month</p>	<p><i>&lt;volume&gt;</i></p>	<p><i>&lt;volume&gt;</i></p>
3	<p>Total volume and cost of bulk water purchases in kilolitres and rand, by category of consumer</p> <ul style="list-style-type: none"> <li>- Category 1 <i>&lt;insert here&gt;</i></li> <li>- Category 2 <i>&lt;insert here&gt;</i></li> <li>- Category 3 <i>&lt;insert here&gt;</i></li> <li>- Category 4 <i>&lt;insert here&gt;</i></li> </ul>	<p><i>&lt;volume&gt;</i></p> <p><i>&lt;volume&gt;</i></p> <p><i>&lt;volume&gt;</i></p> <p><i>&lt;volume&gt;</i></p>	<p><i>R (000s)</i></p> <p><i>&lt;cost&gt;</i></p> <p><i>&lt;cost&gt;</i></p> <p><i>&lt;cost&gt;</i></p> <p><i>&lt;cost&gt;</i></p>

4	Total volume and receipts for bulk water sales in kilolitres and rand, by category of consumer:		R (000s)
	- Category 1 <insert here> (total number of households)	<volume>	<cost>
	- Category 2 <insert here> (total number of households)	<volume>	<cost>
	- Category 3 <insert here> (total number of households)	<volume>	<cost>
	- Category 4 <insert here> (total number of households)	<volume>	<cost>
5	Total year-to-date water losses in kilolitres and rand		R (000s)
	<detail total>	<volume>	<cost>
<b>Reporting Level</b>	<b>Detail</b>	<b>Total</b>	<b>Cost</b>
6	Number of households with water service, and type and cost of service:		R (000s)
	- Piped water inside dwelling	<total>	<cost>
	- Piped water inside yard	<total>	<cost>
	- Piped water on community stand: distance < 200m from dwelling	<total>	<cost>
	- Piped water on community stand: distance > 200m from dwelling	<total>	<cost>
	- Borehole	<total>	<cost>
	- Spring	<total>	<cost>
	- Rain-water tank	<total>	<cost>
	Note: if other types of services are available, please provide details		
7	Number and cost of new connections:		R (000s)
	<detail total>	<number>	<cost>
8	Number and cost of disconnections and reconnections:		R (000s)
	<detail total>	<number>	<cost>
9	Number and total value of water projects planned and current:		R (000s)
	- Current (financial year after year reported on)	<total>	<cost>
	- Planned (future years)	<total>	
	Note: provide total project and project value as per initial or revised budget		
10	Anticipated expansion of water service:		R (000s)
	- Piped water inside dwelling	<total>	<cost>
	- Piped water inside yard	<total>	<cost>
	- Piped water on community stand: distance < 200m from dwelling	<total>	<cost>
	- Piped water on community stand: distance > 200m from dwelling	<total>	<cost>
	- Borehole	<total>	<cost>
	- Spring	<total>	<cost>
	- Rain-water tank	<total>	<cost>
	Note: provide total number of households anticipated to benefit and total additional operating cost per year to the municipality		
11	Estimated backlog in number (and cost to provide) water connection:		R (000s)
	- Piped water inside dwelling	<total>	<cost>
	- Piped water inside yard	<total>	<cost>
	- Piped water on community stand: distance < 200m from dwelling	<total>	<cost>

	- Piped water on community stand: distance > 200m from dwelling	<total>	<cost>
	- Borehole	<total>	<cost>
	- Spring	<total>	<cost>
	- Rain-water tank	<total>	<cost>
	Note: total number should appear in IDP, and cost in future budgeted capital housing programmes		
12	Free Basic Service Provision: - Quantity (number of households affected) - Quantum (value to each household) Note: Provide details of how many households receive the FBS provision, and the average value it means per household. Describe in detail the level of Free Basic Services provided.	<total> <value>	
13	Type and number of grants and subsidies received: <list each grant or subsidy separately>		R (000s) <value>
	Note: total value of specific water grants actually received during year to be recorded over the five quarters - Apr to Jun last year, Jul to Sep, Oct to Dec, Jan to Mar, Apr to Jun this year.		
14	Total operating cost of water distribution function		R (000s)

10. Electricity distribution function's performance

<b>Function:</b>	<b>Electricity</b>
<b>Sub Function:</b>	<b>Electricity Distribution</b>

Reporting Level	Detail	Total	Cost
Overview:	Includes the bulk purchase and distribution of electricity		
Description of the Activity:	<p>The electricity purchase and distribution functions of the municipality are administered as follows and include:</p> <p><i>&lt;List administration of each function here: this should detail what is offered, and how it is offered to the community&gt;</i></p> <p>These services extend to include <i>&lt;function/area&gt;</i>, but do not take account of <i>&lt;function/area&gt;</i> which resides within the jurisdiction of <i>&lt;national/provincial/other private sector&gt;</i> government. The municipality has a mandate to:</p> <p><i>&lt;List here&gt;</i></p> <p>The strategic objectives of this function are to:</p> <p><i>&lt;List here&gt;</i></p> <p>The key issues for 200X/0Y are:</p> <p><i>&lt;List here&gt;</i></p>		
Analysis of the Function:	<i>&lt;Provide statistical information on (as a minimum):&gt;</i>		
1	<p>Number and cost to employer of all personnel associated with the electricity distribution function:</p> <ul style="list-style-type: none"> <li>- Professional (Engineers/Consultants)</li> <li>- Field (Supervisors/Foremen)</li> <li>- Office (Clerical/Administration)</li> <li>- Non-professional (blue collar, outside workforce)</li> <li>- Temporary</li> <li>- Contract</li> </ul> <p>Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package.</p>	<p><i>&lt;total&gt;</i></p> <p><i>&lt;total&gt;</i></p> <p><i>&lt;total&gt;</i></p> <p><i>&lt;total&gt;</i></p> <p><i>&lt;total&gt;</i></p> <p><i>&lt;total&gt;</i></p>	<p><i>R (000s)</i></p> <p><i>&lt;cost&gt;</i></p> <p><i>&lt;cost&gt;</i></p> <p><i>&lt;cost&gt;</i></p> <p><i>&lt;cost&gt;</i></p> <p><i>&lt;cost&gt;</i></p> <p><i>&lt;cost&gt;</i></p>
2	<p>Total quantity and cost of bulk electricity purchases in kilowatt hours and rand, by category of consumer</p> <ul style="list-style-type: none"> <li>- Residential</li> <li>- Commercial</li> <li>- Industrial</li> <li>- Mining</li> <li>- Agriculture</li> <li>- Other</li> </ul>	<p><i>&lt;volume&gt;</i></p> <p><i>&lt;volume&gt;</i></p> <p><i>&lt;volume&gt;</i></p> <p><i>&lt;volume&gt;</i></p> <p><i>&lt;volume&gt;</i></p> <p><i>&lt;volume&gt;</i></p>	<p><i>R (000s)</i></p> <p><i>&lt;cost&gt;</i></p> <p><i>&lt;cost&gt;</i></p> <p><i>&lt;cost&gt;</i></p> <p><i>&lt;cost&gt;</i></p> <p><i>&lt;cost&gt;</i></p>
3	<p>Total quantity and receipts for bulk electricity sales in kilowatt hours and rand, by category of consumer:</p> <ul style="list-style-type: none"> <li>- Household</li> </ul>	<p><i>&lt;volume&gt;</i></p>	<p><i>R (000s)</i></p> <p><i>&lt;cost&gt;</i></p>



	- Commercial - Industrial - Mining - Agriculture - Other	<volume> <volume> <volume> <volume> <volume>	<cost> <cost> <cost> <cost> <cost>
4	Total year-to-date electricity losses in kilowatt hours and rand		R (000s)
	<detail total>	<volume>	<cost>
5	Number of households with electricity access, and type and cost of service:		R (000s)
<b>Reporting Level</b>	<b>Detail</b>	<b>Total</b>	<b>Cost</b>
	- Electrified areas - Municipal - Eskom	<total> <total>	<cost> <cost>
	- Alternate energy source - Gas - Paraffin - Solar - Wood - Non electrified	<total> <total> <total> <total> <total>	<cost> <cost> <cost> <cost> <cost>
	Note: if other types of services are available, please provide details		
6	Number and cost of new connections:		R (000s)
	<detail total>	<volume>	<cost>
7	Number and cost of disconnections and reconnections		R (000s)
	<detail total>	<volume>	<cost>
8	Number and total value of electrification projects planned and current:		R (000s)
	- Current (financial year after year reported on) - Planned (future years)	<total> <total>	<cost> <cost>
	Note: provide total project and project value as per initial or revised budget		
9	Anticipated expansion of electricity service:		R (000s)
	<detail total>	<total>	<cost>
	Note: provide total number of households anticipated to benefit and total additional operating cost per year to the municipality		
10	Estimated backlog in number (and cost to provide) water connection:		R (000s)
	<detail total>	<total>	<cost>
	Note: total number should appear in IDP, and cost in future budgeted capital housing programmes		
11	Free Basic Service Provision: - Quantity (number of households affected) - Quantum (value to each household)	<total> <value>	
	Note: Provide details of how many households receive the FBS provision, and the average value it means per household. Describe in detail the level of Free Basic Services provided.		
12	Type and number of grants and subsidies received:		R (000s)
	<list each grant or subsidy separately>	<total>	<value>

	<p>Note: total value of specific electricity grants actually received during year to be recorded over the five quarters - Apr to Jun last year, Jul to Sep, Oct to Dec, Jan to Mar, Apr to Jun this year.</p>	
13	Total operating cost of electricity distribution function	<i>R (000s)</i>

**B: ANNEXURE**

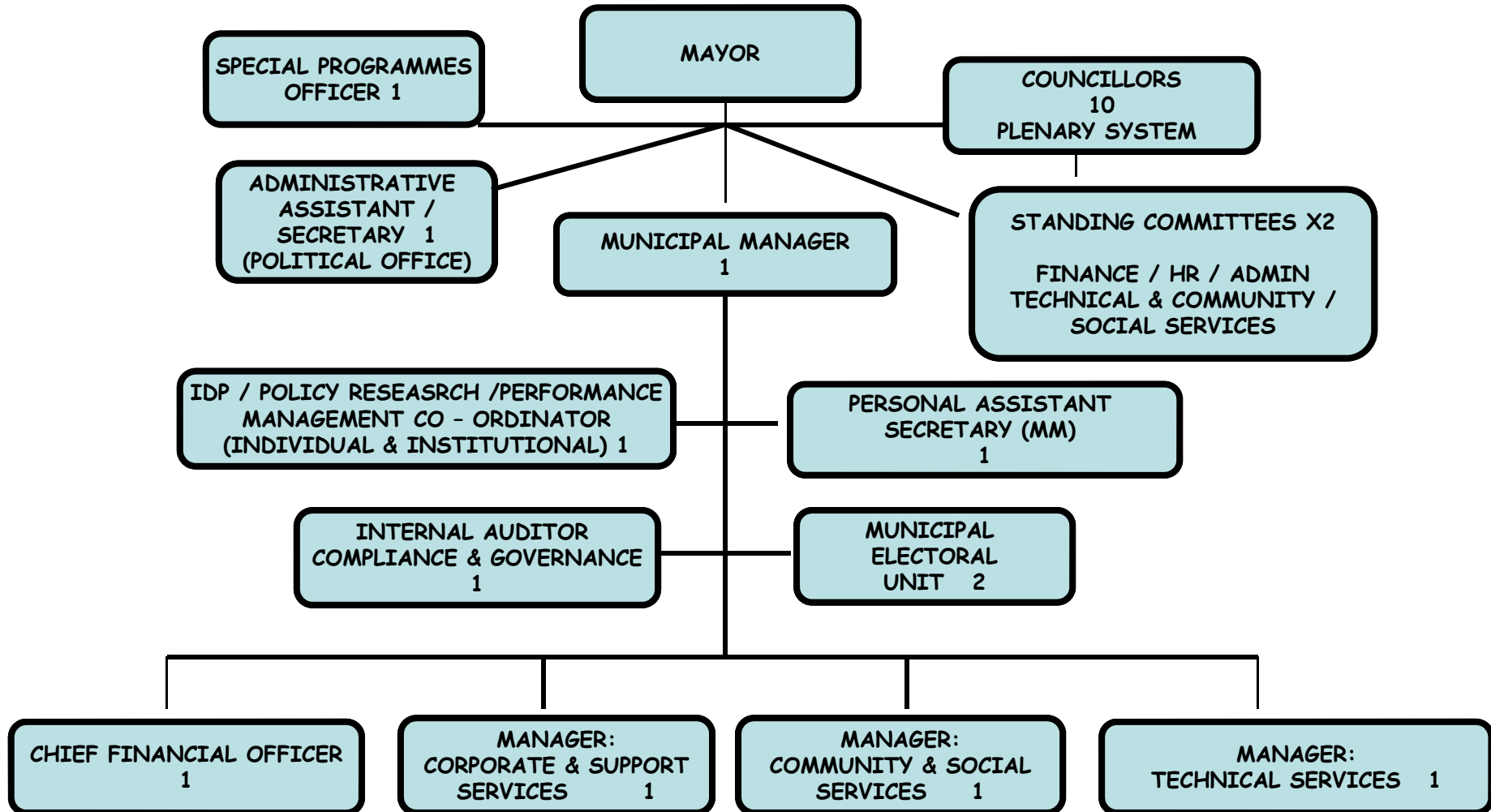
The annexure is made up of the following documents arranged in the sequence below:

1. Organogram
2. Audit Committee minutes

# **ANNEXURE B 1**

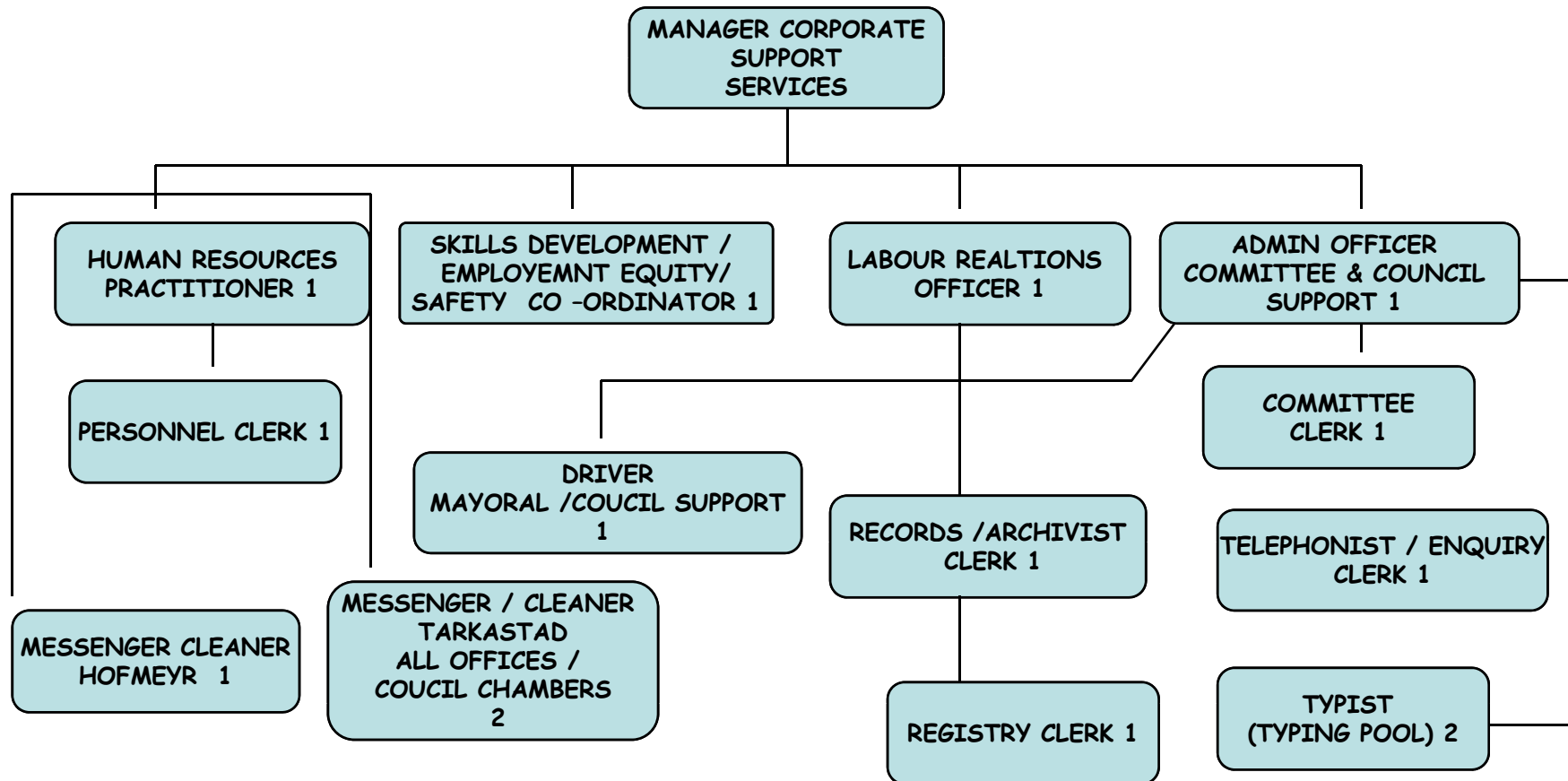
# **ORGANOGRAM**

# ORGANISATIONAL STRUCTURE: TOP STRUCTURE



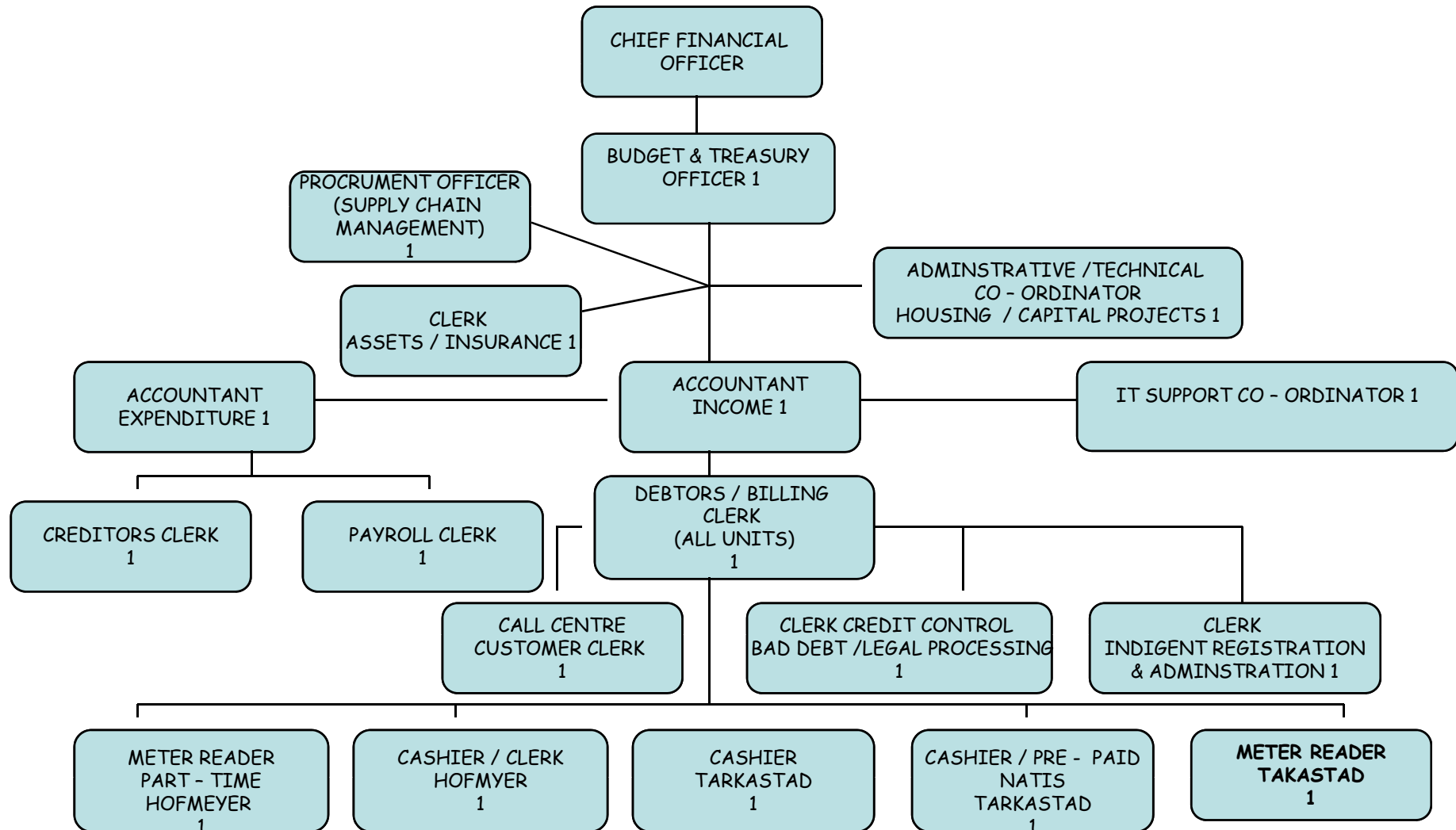
TOTAL POST FOR THIS PAGE : 12  
 THE ADMINISTRATIVE ASSISTANT CONTRATUAL POST - TERM EXPIRES ON MAYOR'S TERM  
 FEBRUARY 2007

# ORGANISATIONAL STRUCTURE: CORPORATE & SUPPORT SERVICES



TOTAL NO OF POST : 15 (EXC HOD)  
 TYPIST WILL FUNCTION AS TYPING POOL  
 AND PROVIDE ATYPING SUPPORT FUNCTION  
 FOR ALL DEPARTMENTS

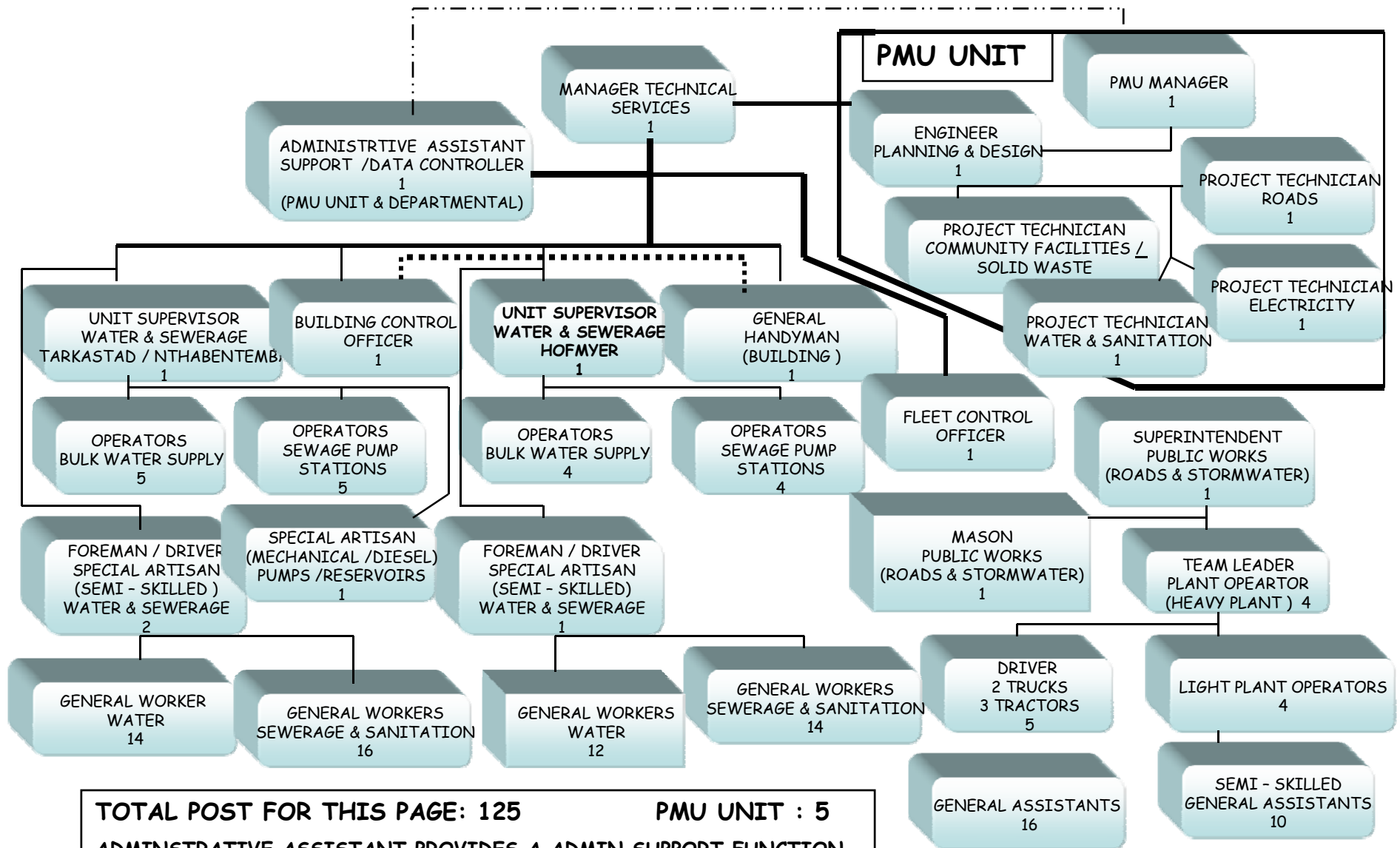
# ORGANISATIONAL STRUCTURE: BUDGET AND TREASURY DEPARTMENT



TOTAL POST FOR THIS PAGE : 18

FEBRUARY 2007

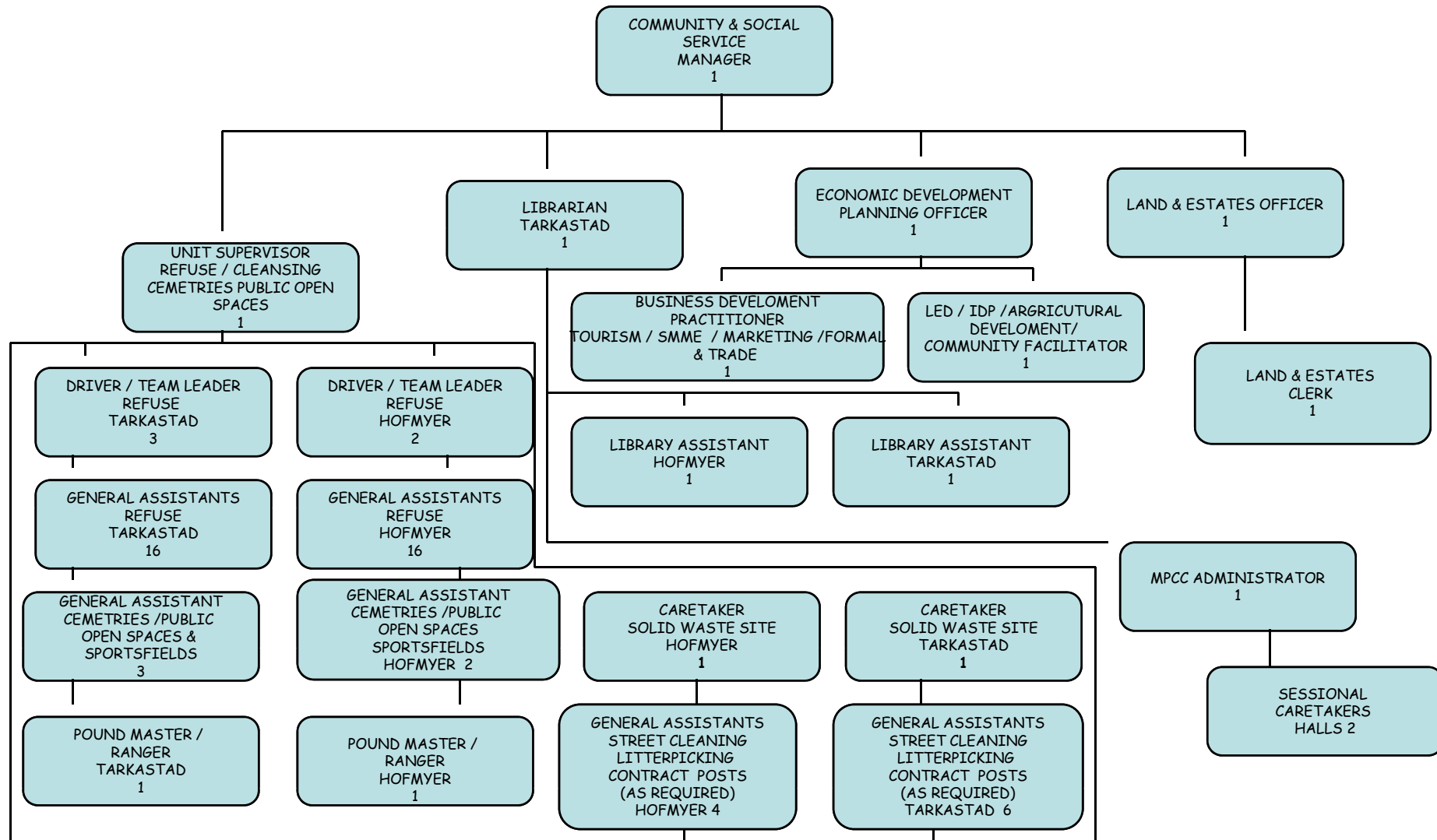
# ORGANISATIONAL STRUCTURE: TECHNICAL SERVICES



**TOTAL POST FOR THIS PAGE: 125**      **PMU UNIT : 5**  
 ADMINSTRATIVE ASSISTANT PROVIDES A ADMIN SUPPORT FUNCTION TO THE DEPARTMENT AND TO THE PMU UNIT  
**FEBRUARY 2007**



# ORGANISATIONAL STRUCTURE: COMMUNITY SERVICES



TOTAL POSTS FOR THIS PAGE : 68

FEBRUARY 2007

# **ANNEXURE B 2**

## **AUDIT COMMITTEE MINUTES**

**MINUTES OF THE AUDIT COMMITTEE MEETING HELD IN THE COUNCIL CHAMBER ON TUESDAY 26<sup>TH</sup> AUGUST 2008 AT 10:00.**

**PRESENT:**

Municipal Manager	SJ Dayi
Corporate Services Manager	M Siqaza
Community Services Manager	ZC Nxano
Technical Services Manager	BP Mjamba
Audit Committee Members	PJ Cloete
	IT Irion
Internal Auditor	F Muller

**MINUTES**

**1.1 OPENING**

The meeting was opened with a short prayer by Mr. De Jager, as was requested by the Mayor.

**1.2 WELCOMING**

The Mayor welcomed all present and voiced a word of appreciation for the improvement she was seeing in the Municipality.

**2. APPLICATION FOR LEAVE OF ABSENCE**

Municipal Managers (Inkwanca and Inxuba Yethemba Municipalities), attending a Munimec meeting in Port Alfred; and Mr. Pretorius (Committee Member).

**3. ELECTION OF THE AUDIT COMMITTEE CHAIRPERSON**

Before the meeting could start, a decision had to be taken as to who should be the Chairperson of the audit committee. A proposal was that the criteria should be based on the experience of the person in local government matters. The other issue was whether to have a Chairperson for each and every municipality. It was resolved that Mr Cloete be elected as the chairperson (of the cluster – this is to be ratified by the other municipalities in the cluster).

**4.1. 2007/2008 ANNUAL FINANCIAL STATEMENTS**

The CFO led the discussion on this matter and had this to say: The financial statements are still in the IMFO format but will soon change to GAMAP/GRAP. The Municipality ended up with a surplus on the operating budget this year. This however does not refer to actual cash, but on an accrual basis. The impact is that the Municipality will end up with an overall deficit which resulted from previous years. The Municipality will have to ask for assistance from Treasury. The question was asked, other than the historical deficit, what are the other problems?

## **ANALYSIS OF THE DEFICIT**

It was reported that the external loan is not that much, so as to consume all our money. Council and administration running on deficit, and it is difficult to control when the system is manual. The main causes of the deficit on council expenses is conference expenses.

The proposal is that the Municipality needs to have a clear line policy which dictates who goes to what and when. The next problem is that when it comes to public works, the budget is small and one big project/ expenditure consumes it all. The increase in inflation could not have anticipated and has caught a lot of people unawares.

The next problem encountered was payment for water from the water services authority (Chris Hani District Municipality) and there needs to be a political intervention here. The WSA does not pay according to what is claimed. The question is what the basis upon which payment is made? The Council needs to take a resolution and tell the WSA that they are not happy with the current system, and if it is not working, then they will have to go to National Government on this.

The solution to the problem is that Council needs to have strict checks and balances on Council expenses. Council and administration must act decisively to recoup the money owed by the WSA (CHDM).

## **FIXED ASSETS**

This was originally done manually but the Municipality is currently in the process of developing an asset register, but so far, there has been no physical verification. The Chairperson asked what guidance does the AG give to municipalities after the audit? It is not clear, then it is advisable that they be invited to a meeting to explain their expectations. Solutions are required to address their audit findings. It was recommended that asset management has to form part of the performance contracts of S57 Managers.

## **LAND SALES**

The CFO reported that a land sales register in the process of being developed.

## **TRUST FUNDS**

Issue discussed: How does the Municipality deal with unidentified funds?  
Solutions discussed: The Municipality must be wary of using such funds especially if they are operating or conditional grants. It was agreed that the Municipality needs to develop policies on the utilization of trust funds. It noted that for Councillors allowances, they receive an all inclusive package.

## **SUPPLY CHAIN MANAGEMENT**

Issues discussed: The Municipality currently does not have a dedicated person to carry out this function. This problem is further compounded by the fact that there is no enough office space.

Solution discussed: The Municipality will advertise for the position of Supply Chain Officer.

### **PROVISION FOR BAD DEBTS**

It was asked what the Municipality is doing about bad debts, and what debt is provided for in the bad debts provision. The CFO reported that the Municipality has a provision for bad debts when are 150 days old. It was noted that the Auditor General has set the provision for bad debts at 120 days. It was enquired if the Municipality has an Indigent Policy?

Solutions discussed: The Municipality is to consider reducing its provision for bad debts to 120 days as required by the AG; and to also remove indigents from the bad debt amount.

### **DEBTORS**

Issue discussed: Who are the main debtors of the Municipality?

Solutions discussed: Split debtors into private, business and government departments; and pull out water and sanitation debtors from the other debtors.

### **VALUATIONS**

Issues discussed: The Municipality is currently using the old valuation roll; however it is hoped that the process of developing a new valuation roll will be finished by the end of September 2008.

Solutions discussed: Put in place Credit Control policies and time frames for their implementation; and put in place restriction measures for consumption of services by indigent clients. Also, categorise types of indigents into destitute indigents (those who can't afford to pay a thing for services) and those who can pay (e.g. two pensioners in one household). These should at least be charged 5%. It was also noted that rates cannot prescribe, but only services.

### **4.2 AUDIT COMMITTEE : TERMS OF REFERENCE**

These outline the roles and responsibilities of the committee. These were supposed to be adopted and signed but since other Municipal Managers were not in the meeting, they could not be signed by all the municipalities in the cluster (Tsolwana to sign its section today). In the next meeting, these can be signed off.

### **4.3 INTERNAL AUDIT CHARTER**

This a legal requirement and it governs the roles and responsibility for internal audit. External audit also review compliance and the work of internal auditors. The MFMA requires that Internal Audit be appraised. The question was when this must be done. This is normally done at the end of the financial year. However, it is also permissible to do it quarterly, but this can become onerous. It was resolved that this be done at the end of the financial year. The internal audit charter was accepted and is to be signed today.

### **4.4 CLUSTER AUDIT COMMITTEE AGREEMENT**

These are agreements setting out the terms of the cluster arrangement, including the terms of payment for the meetings.

#### **4.5 AGREEMENTS WITH INTERNAL AUDIT COMMITTEE MEMBERS**

These are signed between the members and the municipalities (represented by the Municipal Managers (MM's)). These relate to the responsibilities and rates of remuneration of members. Any increments are to be in line with increment of council rates. As for S&T claims, a standard form shall be provided and must be signed for each sitting.

#### **4.6 INTERNAL AUDIT PLAN 08/09**

F Muller reported that PWC conducted risk assessments for all the municipalities in the District and developed an audit plan based on the risk assessment. Based on the available budget, they could only do three assignments. The District Municipality (CHDM ) is likely to be prepared to fund the other additional assignments. The internal audit plan was approved, and a decision was made to phase the plan

The key assignments were as follows:

- Human Resources
- Assets
- Income and Debtors
- Spatial Development Framework
- Policies and Procedures
- Follow Up (on external audit findings)

#### **4.7 RISK ASSESSMENT REPORT**

F Muller reported that PWC was engaged by the District Municipality to conduct a risk assessment. The assessment looked at key risks/ issues facing the Municipality, and management must develop a strategy as to how they can be deal with the risks. PWC has provided a Risk Register (for management to populate), which should be a living document.

Resolved: As the lack of approved Policies and by-Laws are a major risk to the Municipality, the status of Policies and By-Laws should always be a standing items for each audit committee meeting. There must be an audit of policies and a form drawn up to state the stage of development of policies, which must be presented at each audit committee meeting.

#### **4.8 DATE OF NEXT MEETING**

It was reported that the law requires that the committee sits once per quarter. The next meeting would therefore have to be held in late November 2008. The Chairperson raised his concern with the fact that some of the members and the other municipalities did not attend the meeting. The Chairperson requested that any meeting scheduled for March 2009 be rescheduled as he won't be available in March.

#### **5. CLOSURE**

In his closing remarks, the Chairperson stressed his concern with the following issues:

- That the Municipality has a growing deficit.
- Over-expenditure by Council and administration on subsistence and travel.
- Carrying a water deficit.

He therefore proposed the following solutions:

- That the Municipality must combine efforts with other municipalities to work out a strategy to get the money for water from the DM/ WSA.
- Internal controls and checks/ balances need to be put in place.
- Personnel tasked with implementation of policies must be abreast with such policies.

He therefore declared the meeting closed and thanked all for attending and participation.

**CONFIRMATION OF MINUTES**

.....  
**CHAIRPERSON**

.....  
**DATE**





**TSOLWANA MUNICIPALITY**

**MINUTES OF THE TSOLWANA INTERNAL AUDIT COMMITTEE MEETING HELD IN THE MUNICIPAL COUNCIL CHAMBER ON MONDAY 16<sup>th</sup> MARCH 2009 AT 12:00.**

**PRESENT : PLEASE REFER TO THE ATTACHED ATTENDACE REGISTER**

**1. OPEN AND WELCOME**

The Mayor opened the meeting and welcomed all present and further voiced her appreciation of the fact that the meeting was taking place.

**2. APPLICATION FOR LEAVE OF ABSENCE**

PWC sought to know if the office of the Auditor General was invited to the meeting as it is a legal requirement that they be invited. They further stressed that if this was not done it should be a standard practice that they be invited.

**2.1 ABSENT WITH APOLOGY : NONE**

**2.2 ABSENT WITHOUT APOLOGY: NONE**

**3. DECLARATION OF INTEREST**

**4. ADOPTION OF THE AGENDA**

The following item were added to the agenda

- ❖ Co sourcing of the internal audit
- ❖ Internal audit plan
- ❖ Internal audit capacity

**5. CONFIRMATION OF PREVIOUS MINUTES**

The minutes of the previous meeting were confirmed as reflecting the true records of the previous meeting

**6. MATTERS ARISING**

**6.1 FIXED ASSETS**

The committee sought to know progress regarding the asset register, the meeting was informed that the register was 95% complete. The Service provider was coming in the next day to look at non balancing items. Emphasis was put on the importance of the fixed assets register and also compliance with the law.

**6.2 LAND SALES**

The CFO advised that in his understanding was that this does not reside in his field but that of the Community Services, while the Community Services understood it to be part of the fixed assets and that it was decided that a register be kept. It was further proposed that what if the Evaluation Roll can be used as that register. It was emphasized that this is one of the major issues that the AG always refers and ask about. Resolved that an asset register be developed and that management must decide who it must reside with

### 6.3 AUDIT COMMITTEE TERMS OF REFERENCE

The terms of reference of the audit committee were signed by all members of the committee.

### 6.4 DEVELOPMENT OF POLICIES

It was reported that a workshop was to be held on the 18<sup>th</sup> March 2009 to develop draft policies. The importance of the existence of policies was emphasized as they are necessary to govern actions.

### 6.5 SUPPLY CHAIN MANAGEMENT

It was reported that the process of recruitment of a person has already been set in motion in that the selection panel would be meeting today for shortlisting of the candidates. The committee sought to know if the municipality has a SCM policy. The response was that it does have one. However, it was working only to a certain extent. The committee further stated the fact that main complaints from the AG stem from internal controls. It was reported that a Service Provider has been appointed to assist with eradication of internal control backlogs. Concern was also raised about the segregation of duties in SCM, as talk seems to be about one person.

### 6.6 VALUATIONS

A concern was raised that the municipality was still using the old valuation roll, this may lead to the municipality getting a disqualification as the new valuation roll will only be used in July next year. It was further reported the objections period has now closed.

### 6.7 INTERNAL AUDIT REPORTS

#### 6.7.1 HUMAN RESOURCES

##### FINDING: ISSUES OF CONTROL

The following are the issues that were raised and how they were supposed to be dealt with:

- Administration: there needs to be an improvement in this regard
- Filling of organogram: problem here is if you do not have enough budget
- Review of functions: management has to increase their efforts in this
- Systems : need to be increased

It was recommended that in the next meeting, management will have to state how far they have gone with these issues.

Resolved that,  
Things that do not necessarily need funding and can be done internally, must be done and a report to be done in the next meeting.

**6.7.2 INCOME AND DEBTORS**

- This is a challenge for all municipalities. The major problem is billing and the concern is incorrect billing.

- **COLLECTIONS**

In this case a policy is needed for provision of bad debt. The cut off point may be reduced to days instead of 120 days.

- **CASH HANDLING**

Committee sought to know how is cash taken to the bank

**6.7.3 2007/2008 AUDIT OR GENERAL REPORT AND RESPONSES**

6.7.4 The major concern is the lack of internal controls. Internal controls also relates to how an employees behaves in the performance of his duties. An action plan has to be crafted as to how things will be done in future.

**MAJOR SHORTCOMINGS**

- Supporting documentation (lack thereof)
- Lack of controls
- Lack of filing procedures
- Lack of monitoring

Another concern was that of a pound master whose expenditure exceeds the income. Problem is that the pound is not guarded at night and stock is removed by their owners at night.

The proposal is to appoint the pound master permanently or privatise the function.

**6.7.5 CO SOURCING OF INTERNAL AUDIT**

District Municipality Report: - the DM took the initiative to establish the Audit Committee and the perception was that it was going to assist the municipalities but that was not possible due to capacity. The DM wants to appoint one service provider per cluster. The DM has set aside R200,000 for each municipality for the financial year 09/10. The question was now that Tsolwana has already engaged PWC on this matter can we not get our share to continue?

Resolved that the DM representatives consult with their principals in this regard and should report in the next meeting

**6.7.6 INTERNAL AUDIT PLAN**

It was proposed that the plan be adjusted and it was agreed that the fixed asset be taken out.

Resolved that the DM should do Risk Assessment and Spatial Development

**6.7.7 INTERNAL AUDIT CAPACITY**

It was reported that the DM is also struggling in terms of audit capacity. A proposal was that they go the route of internship and seek funding from the office of the

premier. The DM had asked the Treasury to assist but they were not willing. The DM is now asking the municipalities to top up on their own

**7. DATE OF NEXT MEETING**

The next meeting will be held in May

**8. CLOSURE**

The Chairperson congratulated Tsolwana for playing a leading role in this matter. The Municipal Manager also thanked the Audit Committee and committed that the issues raised by the audit committee and the AG will be rectified and corrected.

The meeting was then declared officially closed.