

Sakhisizwe Local Municipality



Financial Statements

2008 - 2009

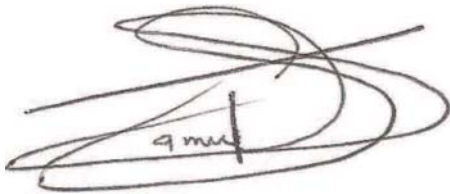
**SAKHISIZWE LOCAL MUNICIPALITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

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SAKHISIZWE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended
30 June 2009

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 35 , in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors (how about loans made to Councillors, if any, and payments made to Councillors for loss of office, if any) as disclosed in note 14 of these annual financial statements 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.

A handwritten signature in black ink, appearing to be 'T. Samuel', written over a horizontal line. The signature is stylized and somewhat illegible.

T. SAMUEL
Municipal Manager

20 August 2009
Date

**SAKHISIZWE LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2009**

	Note	2009 R	2008 R
ASSETS			
Current assets		38,161,269	32,439,491
Cash or cash equivalents	21	18,336,137	17,312,921
Trade and other receivables from exchange transactions	9	18,245,811	14,763,146
Other receivables from non-cash exchange transactions	9	10,354	363,424
VAT receivable	7	1,568,967	-
Non-current assets		51,562,139	31,277,180
Property, plant and equipment	8	51,562,139	31,203,564
Intangible assets		-	73,616
Total Assets		<u>89,723,408</u>	<u>63,716,671</u>
LIABILITIES			
Current liabilities		9,807,570	8,821,015
Trade and other payables from exchange transactions	3	407,364	4,192,908.00
Consumer deposits	4	349,291	322,388.00
Unspent conditional grants and receipts	5	5,751,169	2,770,502.00
VAT payable	6	-	853,193
Current provisions	16	2,984,865	477,354
Current portion of borrowings	1	-	-
Current portion of finance lease liabilities	2	219,440	188,876
Current portion of defined benefit plan obligations	18	95,441	-
Bank overdraft		-	15,794
Non-current liabilities		4,092,686	626,811
Non-current borrowings	1	-	-
Non-current finance lease liabilities	2	458,866	626,811
Non-current provisions	17	1,920,000	-
Defined benefit plan obligations	18	1,713,820	-
Total Liabilities		<u>13,900,256</u>	<u>9,447,826</u>
Net assets		<u>75,823,152</u>	<u>54,268,845</u>
Net assets		75,823,152	54,268,845
Accumulated Surplus/(Deficit)		75,823,152	54,268,845
Total Net Assets and Liabilities		<u>75,823,152</u>	<u>54,268,845</u>

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

	Note	2009 R	2008 R
REVENUE			
Rates		1,077,541	1,492,690
Penalties on rates			
Service charges	10	5,666,052	6,554,141
Rental of facilities and equipment		-	60,484
Interest earned - external investments		1,826,161	628,010
Interest on arrears.		1,042,882	2,745,887
Fines		53,071	
Licenses and Permits		13,912	14,497
Income Agency Services		-	
Government grants and subsidies	11	28,300,777	18,906,214
Government grants and subsidies - PPE		2,122,698	3,222,714
Other income	12	2,342,293	3,667,865
Gain on disposal of PPE		-	231,886
Total Revenue		42,445,387	37,524,388
EXPENDITURE			
Employee related costs	13	16,956,749	13,640,523
Remuneration of Councillors	14	2,169,364	2,356,005
Bad Debt		2,719,880	11,025,553
Depreciation		4,715,102	2,017,964
Repairs and maintenance		766,182	324,182
Interest paid	15	93,274	77,498
Bulk Payments		3,069,751	2,500,521
Contracted Services		119,681	-
Grants and Subsidies paid		11,085,642	1,000
General expenses		6,408,916	6,437,394
Total Expenditure		48,104,541	38,380,641
SURPLUS/(DEFICIT) FOR THE YEAR		(5,659,154)	(856,253)

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

	Government Grant Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R
2008			
Balance at 1 July 2007	2,308,650	34,173,862	36,482,512
Correction of error (Note 19)	-	2,577,580	2,577,580
Restated balance	2,308,650	36,751,442	39,060,092
Surplus/(deficit) for the year		(856,253)	-856,253
Correction of error (Note 19)	(2,308,650)	18,373,656	16,065,006
Balance at 30 June 2008	-	54,268,845	54,268,845
2009			
Correction of error (Note 19)	-	27,213,462	27,213,462
Restated balance	-	81,482,306	81,482,306
Surplus/(deficit) for the year		(5,659,154)	(5,659,154)
Balance at 30 June 2009	-	75,823,152	75,823,152

**SAKHISIZWE LOCAL MUNICIPALITY
CASHFLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009**

	Note	2009 R	2008 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts		38,075,041	55,088,924
Cash receipts from ratepayers		838,768	20,490,308
Cash receipts from Government		33,404,142	22,809,757
Other receipts		3,832,131	8,035,033
Payments		(40,844,937)	(36,517,065)
Cash paid to employees		(17,316,852)	(15,996,528)
Cash paid to Suppliers		(10,194,460)	(6,437,394)
Other payments		(13,333,625)	(14,083,142)
Net cash flows from operating activities	20	(2,769,896)	18,571,859
Interest received		1,826,161	628,010
Interest paid		(93,274)	(77,498)
Journals (non-cashflow)		2,302,917	-
NET CASH FROM OPERATING ACTIVITIES		1,265,908	19,122,371
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(89,520)	(5,196,039)
Proceeds on disposal of properties		-	231,886
Decrease in non-current receivables		30,564	70,854
NET CASH FROM INVESTING ACTIVITIES		(58,956)	(4,893,299)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts/(Repayments) in Long term Loans		(167,945)	984,940
NET CASH FROM FINANCING ACTIVITIES		(167,945)	984,940
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,039,007	15,214,012
Cash and cash equivalents at the beginning of the year		17,297,130	2,083,118
Cash and cash equivalents at the end of the year	21	18,336,137	17,297,130

Sakhisizwe Municipality – Accounting policies for the year ended 30 June 2009

1. Summary of significant accounting policies for the year ended 30 June 2009.

The principal accounting policies applied in the preparation of these financial statements are set out below and are consistent with those applied in the previous year unless otherwise stated.

1.1 Basis of preparation

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance in terms of:

- *General Notice 991 of 2005, issued in Government Gazette no. 28095 of 15 December 2005; and*
- *General Notice 992 of 2005, issued in Government Gazette no. 28095 of 7 December 2005; and*

The Standard comprise of the following:

GRAP 1 - Presentation of Financial Statements
GRAP 2 - Cash Flow Statements
GRAP 3 - Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4 - The Effects of Changes in Foreign Exchange Rates
GRAP 5 – Borrowing Costs
GRAP 6 - Consolidated Financial Statements and Accounting for Controlled Entities
GRAP 7 - Accounting for Investments in Associates
GRAP 8 - Financial Reporting of Interests in Joint Ventures
GRAP 9 – Revenue
GRAP 12 – Inventories
GRAP 13 - Leases
GRAP 16 – Investment Property
GRAP17 - Property, Plant and Equipment
GRAP 19 - Provisions, Contingent Liabilities and Contingent Asset
GRAP 23 – Revenue from non-exchange transactions

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

The Municipality has, in terms of Directive 4, issued by the Accounting Standards Board in March 2009 on Transitional Provisions for Medium and Low Capacity Municipalities, taken advantage of the transitional provision for individual Standards of GRAP for medium and low capacity municipalities. Further reference to the application of Directive 4 has been made in the relevant accounting policies below.

Sakhisizwe Municipality – Accounting policies for the year ended 30 June 2009

1.2 Presentation currency

These annual financial statements are presented in South African Rand.

1.3 Going concern assumption

These annual financial statements are prepared on the basis that the municipality will remain a going concern for the foreseeable future.

1.4 Comparative Information

Budget information in accordance with GRAP 1 and 24, 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. The nature and reason for the reclassification is disclosed. Where 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 Financial Instruments

1.5.1 Initial Recognition

Financial instruments are initially recognised at fair value.

1.5.2 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.

1.5.3 Investments

Investments, which include listed government bonds, unlisted municipal bonds, 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. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On

Sakhisizwe Municipality – Accounting policies for the year ended 30 June 2009

disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

1.5.4 Trade & other receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

1.5.5 Trade payables and borrowings

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

1.5.6 Cash & cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). 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, deposits held on call with banks, 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.

Sakhisizwe Municipality – Accounting policies for the year ended 30 June 2009

1.6 Leases

1.6.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

1.6.2 Municipality as Lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

1.7 Bank overdraft & Borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Sakhisizwe Municipality – Accounting policies for the year ended 30 June 2009

1.8 Provisions

A provision is recognised when the municipality has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each Statement of Financial Position date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

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.

1.9 Employee Benefits

(a) *Pension obligations*

The Municipality contributes to various pension schemes which are classified as defined contribution plans. A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity. The Municipality has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions are recognised as employee benefit expense when they are due.

(b) *Defined Benefit Plans*

Post Retirement Medical obligations

The Municipality provides post-retirement healthcare benefits to its retirees. 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. An actuarial study was undertaken in 2009 to determine the municipality's obligations.

Sakhisizwe Municipality – Accounting policies for the year ended 30 June 2009

1.10 Unutilised Conditional Grants

Unutilised conditional grants are reflected on the Statement of Financial Position as a creditor – Unutilised conditional grants. They represent unspent government grants, subsidies and contributions from the public. This creditor always has to be backed by cash. The following provisions are set for the creation and utilisation of this creditor:

- The cash which backs up the creditor is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.
- Whenever an asset is purchased out of the unutilised conditional grant an amount equal to the cost price of the asset purchased is transferred from the Unutilised Conditional Grant into the statement of financial performance as revenue.

1.15 Value Added Tax

The Council accounts for Value Added Tax on the cash basis.

1.16 Property Plant and Equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and accumulated impairment losses, except land and buildings, for which the municipality has taken advantage of the three year transition period granted in Directive 4 for the initial adoption of GRAP 12, 16, 17 and 102. In terms of Directive 4, as the municipality was not able to establish an accurate value separately for land and buildings, the municipality has disclosed land & buildings at a value of R1 per asset and will take advantage of the allowed three year transitional period, in which to have the land and buildings accurately and independently valued. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

Where items of property, plant and equipment are acquired in exchange for non- monetary or monetary assets or a combination of both, property, plant and equipment are measured at their fair value.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the asset are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally assessed standard of performance, then it is regarded as repairs and maintenance and is expensed. The enhancement of an existing asset so that its use is expanded, or the further development of an asset so that its original life is extended, are examples of subsequent expenditure which should be capitalised.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised (net) in the Statement of Financial Performance. When revalued assets are sold, the amounts included in the Revaluation Reserve are transferred to the Accumulated Surplus/(Deficit) directly in the Statement of Changes in Net Assets.

Sakhisizwe Municipality – Accounting policies for the year ended 30 June 2009

Depreciation and impairment losses

Depreciation is calculated on cost less residual value, using the straight line method over the estimated useful lives for all assets. The depreciation rates are based on the following estimated useful lives:

	<u>Years</u>		<u>Years</u>
<u>Infrastructure</u>		<u>Other</u>	
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	5-10
		Emergency equipment	5-7
Housing	30	Computer equipment	5
		Watercraft	15
		Bins and containers	5
<u>Community</u>		Specialised plant and equipment	10-15
Improvements	30	Other plant and equipment	2-5
Recreational Facilities	20-30	Landfill sites	15
Security	5		
<u>Investment Properties</u>	30		

Heritage assets, which are defined as culturally significant resources are not depreciated as they are regarded as having an infinite life. Land is also not depreciated for the same reason.

Intangible assets are initially recorded at their cost price and are subsequently amortised over their expected useful lives. An intangible asset is defined as an identifiable non – monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes. The intangible assets under the control of Sakhisizwe municipality are amortised according to the straight line method.

Incomplete construction work is stated at historic cost. Depreciation only commences when the asset is commissioned into use.

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Sakhisizwe Municipality – Accounting policies for the year ended 30 June 2009

1.17 Revenue Recognition

Revenue is derived from a variety of sources that includes rates levied, grants from other tiers of government and revenue from trading activities and municipal services provided. Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity, these benefits can be measured reliably and the specific criteria has been met for each of its activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

Service charges relating to water are based on consumption. Meters are read and billed on a monthly basis and revenue is recognized when billed. Estimates of consumption are made monthly when meter readings have not been performed. The estimates of consumption are recognized as revenue when billed. Adjustments to estimates of consumption are made in the billing period when meters have been read. These adjustments are recognized as revenue in the billing period.

Sewerage charges are levied and billed on a monthly basis based on the municipality's tariff policy.

Service charges relating to water and sewerage & sanitation are collected on behalf of the Chris Hani District Municipality and are not disclosed as revenue for the municipality.

Various services are provided on a prepayment basis in which case no formal billing takes place and revenue is accrued when received.

Interest earned on investments is recognised in the Statement of Financial Performance on a time proportionate basis that takes into account the effective yield on the investment. Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on unutilised conditional grants is allocated directly to the unutilised conditional grant creditor, if the grant conditions indicate that interest is payable to the funder.

Revenue from the sale of goods is recognised when **all** the following conditions have been satisfied:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.

Sakhisizwe Municipality – Accounting policies for the year ended 30 June 2009

- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from public contributions 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 is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised

Revenue from non-exchange transactions

Revenue from rates is recognized, net of rebates granted, when the legal entitlement to this revenue arises.

Collection charges are recognized when such amounts are legally enforceable.

Interest on outstanding debtors is recognized on a time proportionate basis and is charged on all outstanding debtors older than 30 days.

Fines constitute both spot fines and summonses. Revenue from spot fines is recognised when payment is received, and the revenue from the issuing of summonses is only recognised when collected by the Courts and paid over to the Municipality. Due to the various legal processes that can apply to summonses and the inadequate information received from the Courts, it is not possible to measure this revenue when the summons is issued.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment are recognised when such items of property, plant and equipment are brought into use.

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.

Conditional Grants and Receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Sakhisizwe Municipality – Accounting policies for the year ended 30 June 2009

1.18 Borrowing costs

All borrowing costs, being interest cost incurred by the Municipality when borrowing funds, are recognised as finance costs expenses in the period in which it is incurred.

1.19 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. 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.

1.20 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 the 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.

1.21 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 2000), the Public Office Bearers Act (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.

1.22 Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would 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.

1.23 Rounding

The amounts reflected in the financial statements of the Municipality are all in Rand, and all amounts are rounded off to the nearest Rand.

**SAKHISIZWE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

	2009	2008
	R	R
1 BORROWINGS		
Annuity Loans – DBSA	-	-
Total	-	-
Less : Current portion transferred to current liabilities	-	-
Total long-term borrowings	-	-

The Municipality has taken up an external loans from DBSA relating to Sewerage. The loan is repayable six monthly. The interest rate is 15.25% per annum. The loans are unsecured. The loan has been transferred to the Chris Hanie Agency Control account.

2 FINANCE LEASE LIABILITY

Finance leases - Wes bank	678,306	815,687
	678,306	815,687
Less : Current portion to be settled within 12 months	(219,440)	(188,876)
Total Finance Lease Liabilities	458,866	626,811

	Minimum lease payments	Future finance charges	Present value of minimum lease payments
	R	R	R
Amounts payable under finance lease: 2009			
Within one year	282,965	63,525	219,440
Within two to five years	507,462	48,596	458,866
	790,427	112,121	678,306
Less : Current portion to be settled within 12 months			219,440
			458,866

	Minimum lease payments	Future finance charges	Present value of minimum lease payments
	R	R	R
Amounts payable under finance lease: 2008			
Within one year	297,011	108,135	188,876
Within two to five years	738,932	112,121	626,811
	1,035,943	220,256	815,687
Less : Current portion to be settled within 12 months			188,876
			626,811

Nine finance lease agreements with Wes bank were entered into at Prime less 1% over five years. The cash flows were discounted over the period and found to be as near to fair value to make no material difference and therefore the leases were capitalised at fair value.

Note: the prior year figures have been restated in order to take into account two finance leases transferred to the Chris Hanie Agency Account.

	2009	2008
	R	R
3 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade Creditors	361,376	3,989,543
Trade and other receivables in credit balance	40,252	-
Other Creditors	5,736	203,365
Total Creditors	407,364	4,192,908

The fair value of trade and other payables approximates their carrying amounts.

4 CONSUMER DEPOSITS

Electricity deposits	345,449	269,537
Dam & Hall deposits	3,842	52,851
	349,291	322,388

There is no accrual of interest included in the deposits which need to be paid to consumers when deposits are refunded.

There are no guarantees held in leau of Electricity deposits.

5 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Grant: Finance Management (FMG)	10,000	437,511
Grant: Municipal Infrastructure (MIG)	3,781,276	662,663
Grant: Rural Infrastructure	-	7,781
Grant: General Valuation	1,000	705,458
Grant: Survey	10,748	13,547
Elliot housing	41,310	152,256
Grant: Municipal Service Improvement (Msig)	473,750	102,026
Grant: PMF Review	172,764	93,117
Disaster Fund	76,007	80,082
Skills development	96,810	290,285
Municipal Support Program (MSP)	44,684	-
Grant: Ext 13&14	6,231	6,448
Grant: IEC Election	47,423	-
Grant: Ext 15	5,103	106,604
Grant: IDP	106,761	112,724
Grant: DME	877,302	-
	-	-
Total Unspent Conditional Grants and receipts:	5,751,169	2,770,502
Non-current unspent Conditional Grants and receipts	-	-
Current portion of unspent Conditional Grants and receipts	5,751,169	2,770,502

See Note 11 for Statement of Financial Performance for a reconciliation of grants from other spheres of government. These amounts are invested in a ring-fenced investment until utilised.

	2009	2008
	R	R
6 VAT PAYABLE		
Vat payable	-	853,193
7 VAT RECEIVABLE		
Vat receivable	1,568,967	-
	1,568,967	-

VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.

The balance on 2008 was adjusted by R1'432'560 see note 19 Correction of Error

8 PROPERTY, PLANT AND EQUIPMENT

The reconciliation of carrying values is set out on the following page.

The municipality has taken advantage of the transitional provisions set out in GRAP 17. The municipality performed an asset verification and the itemising all infrastructure as at 30 June 2009. The municipality has assessed as at 30 June 2009 whether items of property, plant and equipment are impaired.

**SAKHISIZWE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

8 PROPERTY, PLANT AND EQUIPMENT (continued)

30 June 2009

Reconciliation of Carrying Value	Land and Buildings	Infra-structure	Community	Other	Total
	R	R	R	R	R
Carrying values at 1 July 2008	8,110,060	7,714,078	7,845,460	7,533,966	31,203,564
Cost	8,252,085	9,418,978	14,646,460	13,259,276	45,576,799
Correction of error	-	-	-	-	-
Accumulated depreciation	(142,025)	(1,704,900)	(6,801,000)	(5,725,310)	(14,373,235)
Additions	-	-	-	89,520	89,520
Capital under Construction	-	-	-	-	-
Depreciation	-	-	-	(4,878,656)	(4,878,656)
Disposals	-	-	-	-	-
Cost	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Impairment losses	-	-	-	-	-
Other movements	(8,106,544)	44,687,793	(3,870,284)	(103,581)	32,607,384
Carrying values at 30 June 2009	3,516	44,942,198	3,975,176	2,641,249	51,562,139
Cost	8,252,085	9,418,978	14,646,460	13,348,796	45,666,319
Other movements	(8,106,544)	37,228,120	(3,870,284)	(103,581)	25,147,711
Accumulated depreciation	(142,025)	(1,704,900)	(6,801,000)	(10,603,966)	(19,251,891)

30 June 2008

Reconciliation of Carrying Value	Land and Buildings	Infra-structure	Community	Other	Total
	R	R	R	R	R
Carrying values at 1 July 2007	8,134,095	9,761,215	8,212,793	7,030,313	33,138,416
Cost	8,252,085	13,942,276	14,646,460	12,617,615	49,458,436
Correction of error	-	-	-	-	-
Accumulated depreciation	(117,990)	(4,181,061)	(6,433,667)	(5,587,302)	(16,320,020)
Additions	-	3,667,726	-	1,443,440	5,111,166
Capital under Construction	-	-	-	-	-
Depreciation	(24,035)	(889,798)	(367,333)	(720,519)	(2,001,685)
Disposals	-	-	-	-	-
Cost	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Impairment losses	-	-	-	-	-
Other movements	-	(4,825,064)	-	(219,269)	(5,044,333)
Carrying values at 30 June 2008	8,110,060	7,714,078	7,845,460	7,533,966	31,203,564
Cost	8,252,085	9,418,978	14,646,460	13,259,276	45,576,799
Accumulated depreciation	(142,025)	(1,704,900)	(6,801,000)	(5,725,310)	(14,373,235)

Depreciation calculations to 30/06/2008 were written back and recalculated.

Intangible Assets

Reconciliation of Carrying Value	Computer Software				Total
	R	R	R	R	R
Carrying values at 1 July 2008	73,616	-	-	-	73,616
Cost	156,617	-	-	-	156,617
Correction of error	-	-	-	-	-
Accumulated depreciation	(83,001)	-	-	-	(83,001)
Additions	-	-	-	-	-
Capital under Construction	-	-	-	-	-
Depreciation	-	-	-	-	-
Disposals	73,616	-	-	-	73,616
Cost	156,617	-	-	-	156,617
Accumulated depreciation	(83,001)	-	-	-	(83,001)
Impairment losses	-	-	-	-	-
Other movements (Correction depreciation)	-	-	-	-	-
Carrying values at 30 June 2009	-	-	-	-	-
Cost	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-

**SAKHISIZWE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

TRADE AND OTHER RECEIVABLES FROM EXCHANGE			
9 TRANSACTIONS	Gross Balances	Provision for Doubtful Debts	Net Balances
<u>Trade receivables</u>	R	R	R
As at 30 June 2009			
Service Debtors: Water;	-	-	-
Service Debtors: Electricity;	1,687,660	1,079,861	607,799
Service Debtors: Sewerage;	-	-	-
Service Debtors: Refuse Removal;	9,642,184	9,207,738	434,446
Service Debtors: Rates;	7,162,033	3,476,793	3,685,240
Service Debtors: Rent Commonage;	5,940	2,755	3,185
Service Debtors: Building Clause;	4,246	4,246	-
Service Debtors: Rent;	28,666	-	28,666
Service Debtors: Other (Consumer)	-	-	-
Service Debtors: Chris Hani Agency Account	13,446,223	-	13,446,223
Sub-total	31,976,952	13,771,393	18,205,559
Service Debtors in credit balance (disclosed as Trade Creditors)	40,252	-	40,252
Total	32,017,204	13,771,393	18,245,811
As at 30 June 2008			
Service Debtors: Water;	-	-	-
Service Debtors: Electricity;	1,243,908	759,681	484,227
Service Debtors: Sewerage;	-	-	-
Service Debtors: Refuse Removal;	10,495,672	7,149,117	3,346,555
Service Debtors: Rates;	6,642,997	3,145,837	3,497,160
Service Debtors: Rent Commonage;	5,105	1,840	3,265
Service Debtors: Building Clause;	3,608	3,608	-
Service Debtors: Rent;	13,876	-	13,876
Service Debtors: Other (Consumer)	6,810	-	6,810
Service Debtors: Chris Hani Agency Account	7,411,253	-	7,411,253
Total	25,823,231	11,060,083	14,763,146

The Trade Receivables balance for Water and Sanitation and the Provision for Doubtful debts as at 2009 were transferred to the Chris Hani Agency Account and the 2008 prior year figures for Trade Receivables of R12'444'651 for water and R5'797'744 for Sewerage and Provision for Doubtful Debts of R11'254'049 for water and R7'014'996 for sanitation were adjusted retrospectively .

<u>Other receivables</u>			
Other receivables: 2009	30,952	20,598	10,354
Other receivables: 2008	375,452	12,028	363,424

SAKHISIZWE LOCAL MUNICIPALITY

TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

9 (continued)

	2009	2008
	R	R
<u>Rates: Ageing</u>		
Current (0-30 days)	87,160	89,901
31 - 60 Days	150,484	138,353
61 - 90 Days	142,072	138,566
> 90 Days	6,811,514	6,276,177
Total	7,191,230	6,642,997
<u>Electricity & Refuse: Ageing</u>		
Current (0-30 days)	648,393	461,190
31 - 60 Days	403,449	273,184
61 - 90 Days	267,405	213,416
> 90 Days	10,020,194	10,791,790
Total	11,339,441	11,739,580
<u>Other service debtors: Ageing</u>		
Current (0-30 days)	9,730	8,865
31 - 60 Days	5,192	2,513
61 - 90 Days	3,969	1,929
> 90 Days	48,155	16,092
Total	67,046	29,399

SAKHISIZWE LOCAL MUNICIPALITY

	2009	2008
	R	R
10 SERVICE CHARGES		
Water	-	-
Sale of Electricity	4,051,644	2,435,105
Refuse Removal	1,614,408	4,119,036
Sanitation	-	-
Total Service Charges	5,666,052	6,554,141

Although Chris Hani District Municipality is the service provider for Water and Sanitation, this service is performed by Sakhisizwe municipality as an agency service. The income and expenditure for these services have been transferred from the operating results of Sakhisizwe municipality to an Agency Control Account and the prior year figures adjusted retrospectively for the effect of the transfer.

11 GOVERNMENT GRANTS AND SUBSIDIES

Municipal System Improvement Grant	352,351	2,251,674
General Valuations	685,647	122,814
Municipal Improvement Grant	5,519,940	735,292
Finance Management Grant	1,688,512	78,974
Municipal Support Programme	-	433,579
Skills Development	245,513	308,431
Integrated Development Plan	112,236	-
Housing Fund	924,855	1,115,506
Aids	15,000	-
IEC Elections	126,078	-
Housing: Ext 15	351,961	-
Housing: Ext 13, 14	62,102	-
SUBSIDIES		
Equitable Share	15,999,404	12,891,445
Councillor Remuneration	534,000	-
Health and Environmental Affairs Subsidy	1,310,001	968,499
Libraries	373,177	-
Total Government Grant and Subsidies	28,300,777	18,906,214

The Equitable Share allocation is an unconditional grant and is utilised in service delivery.

No Grants were withheld for non compliance to grant conditions

11.4 Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2006), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

SAKHISIZWE LOCAL MUNICIPALITY

	2009	2008
	R	R
12 OTHER INCOME		
Traffic Income, Fines, Rental, Admin and sundry income	2,342,293	3,667,865
Total Other Income	2,342,293	3,667,865

13 EMPLOYEE RELATED COSTS

Employee related costs – Salaries and Wages	9,433,579	9,265,156
Employee related costs - Contributions for UIF, pensions and medical aids	3,612,701	2,033,114
Housing, Telephone, Motor Vehicles and Rural Allowances	767,571	757,600
Overtime payments	331,765	792,453
Leave pay	2,811,133	-
Performance bonus	-	792,200
Total Employee Related Costs	16,956,749	13,640,523

Remuneration of the Municipal Manager

Annual Remuneration	439,257	480,577
Annual Bonuses	34,523	78,400
Leave Pay	589,298	-
Car Allowance	84,000	82,615
Housing and Telephone Allowances	99,708	72,078
Contributions to UIF, Medical and Pension Funds	100,214	67,384
Total	1,347,000	781,054

Remuneration of the Chief Finance Officer

Annual Remuneration	419,125	111,627
Car Allowance	60,000	4,264
Housing and Telephone Allowances	-	36,304
Contributions to UIF, Medical and Pension Funds	117,318	8,250
Total	596,443	160,445

SAKHISIZWE LOCAL MUNICIPALITY

13 EMPLOYEE RELATED COSTS (continued)	2009	2008	
	R	R	
2009	<i>Corporate Services</i>	<i>Technical Services</i>	<i>IPED</i>
Annual Remuneration	396,045	388,323	401,893
Car Allowance	93,000	96,000	96,000
Housing and Telephone Allowances	12,000	12,000	12,000
Contributions to UIF, Medical and Pension Funds	1,538	17,475	10,398
Total	502,583	513,798	520,291

Remuneration of the Directors of Corporate Services, Technical Services and IPED

2008		
Annual Remuneration		883,343
Annual Bonuses		61,478
Car Allowance		48,753
Housing and Telephone Allowances		16,726
Contributions to UIF, Medical and Pension Funds		130,775
Total		1,141,075

Due to a revision of the Trial Balance's account numbers for 2009 it was not possible to restate separately the remuneration of the Directors of Corporate Services, Technical Services and IPED disclosed in a total figure for 30 June 2008 AFS. The total figure for 2008 was restated to include the IPED manager remuneration.

14 REMUNERATION OF COUNCILLORS

Mayor Salary	357,234	359,035
Mayor Allowances	148,408	119,472
Mayor contributions to Pension & medical aid	17,280	-
Councillors Salaries	1,224,936	1,325,797
Councillors contributions to Pension & medical aid	20,099	67,536
Councillors allowances	401,407	484,165
Total Councillors' Remuneration	2,169,364	2,356,005

In-kind Benefits

The Mayor, is full-time. She is provided with an office and secretarial support at the cost of the Council. A motor vehicle is available for the exclusive use by the Mayor for official duties.

SAKHISIZWE LOCAL MUNICIPALITY

	2009	2008
	R	R
15 INTEREST PAID		
Long-term liabilities	93,274	77,498
Total Interest on External Borrowings	93,274	77,498

16 PROVISIONS		
Provisions Staff Bonus	269,409	-
Provisions Staff Leave	2,715,456	477,354
Total Provisions	2,984,865	477,354

The movement in the current provisions are reconciled as follows:

	Provisions Staff Bonus	Provisions Staff Leave
30 June 2008		
Contributions to provision	-	477,354
Adjustments ito GRAP 19 (refer to note above on contingent liability)	-	(477,354)
30 June 2009	269,409	2,715,456.00

17 NON-CURRENT PROVISIONS		
Provision for rehabilitation of landfill sites	1,920,000	-
Total Non-Current Provisions	1,920,000	-

The provision for rehabilitation of the landfill sites relates to the legal obligation to rehabilitate the landfill sites in Elliot and Cala used for waste disposal. It has been calculated as the present value of the future obligation.

SAKHISIZWE LOCAL MUNICIPALITY

	2009	2008
	R	R
18 RETIREMENT BENEFIT INFORMATION		
Defined benefit Medical Aid plan	1,809,261	-
Total	1,809,261	-
Less: current portion of contributions payable within 12 months	(95,441)	-
Long-term portion	1,713,820	-

All Councillors and employees belong to 6 defined benefit retirement funds administered by the Provincial Pension Fund. These funds are subject to a triennial actuarial valuation. The last valuation was performed in 2009. These valuations indicate that the funds are in a sound financial position.

	2009	2008
	R	R
19 CORRECTION OF ERROR		
<u>Adjustments effected to Accumulated Surplus were as follows:-</u>		
<u>VAT:</u>		
Net balance of VAT adjusted for unknown opening balance from 2008.		(1,432,560)
<u>Long-term liabilities:</u>		
Adjustment of prior year balance of Wesbank Loans.		6,360
<u>PPE:</u>		
Adjustments to the cost price and accumulated depreciation in order to reflect the FAR updated with a physical verification as at 30 June 2009		(15,380,149)
Adjustment of depreciation for current year		(4,715,103)
Adjustment against take-on balances		1,700,731
<u>Accounts receivable:</u>		
Adjustment of prior year balance of accounts receivable for:		
- Medical		(18,755)
- Refuse		2,900,411
Adjustment of provision for doubtful debts		(2,571,302)
<u>Cash & cash equivalents:</u>		
Adjustment for the following incorrect bank account balances:		
- Adjustment for unknown or prior year stale cheques		(382,189)
- Adjustment of opening balance		248,024
- Adjustment of unidentified deposits		(185,948)
<u>Accounts Payable:</u>		
Adjustment to prior year creditors balance		(1,923,123)
Adjustment of unknown Consumer Deposits for the Town Hall & Dam		(52,851)

SAKHISIZWE LOCAL MUNICIPALITY

	2009	2008
	R	R
19 CORRECTION OF ERROR (continued)		
<u>Chris Hani Agency Account:</u>		
Prior year Water & Sanitation profit adjusted against appropriation account		(4,825,157)
<u>Investments:</u>		
Adjustment of investment balances for unknown differences		44,507
<u>Other:</u>		
Adjustment for unknown prior year Unidentified Deposits		92,974
Adjustment for unknown Penalties & Interest shown as Accounts Receivable in the prior year		175,363
Adjustment for unknown prior year entries		15,892
Adjustment of Salaries Control		(433,233)
Adjustment of prior year provision for leave		(477,354)
		<hr/>
Net effect on surplus/(deficit) for the year (decrease)		<u><u>(27,213,462)</u></u>
 The comparative amounts have been restated as		
 Water & Sanitation profit prior to 2007 adjusted against appropriation account opening balance for 2007		2,577,580
Water & Sanitation profit for 2008 adjusted against appropriation account opening balance for 2008		2,984,107
		<hr/> <u><u>5,561,687</u></u>

20 CASH GENERATED BY OPERATIONS

Surplus/(deficit) for the year	(5,659,154)	2,897,573
Adjustment for:-		
Depreciation and amortisation	4,715,102	2,017,964
Contribution to provision - non-current	1,920,000	-
Contribution to provision - current	2,507,511	-
Contribution to Defined Medical Plan	1,809,261	-
Finance costs	93,274	77,498
Interest earned	(1,826,161)	(628,010)
Gain on disposal of PPE	-	(231,886)
Operating surplus before working capital changes:	3,559,833	4,133,138
(Increase)/decrease in trade receivables	(3,482,665)	6,356,085
(Increase)/decrease in other receivables	353,070	319,996
(Decrease)/increase in conditional grants and receipts	2,980,667	680,829
Increase in VAT receivables	(2,422,160)	6,087,393
Increase/ (decrease) in trade payables	(3,785,544)	994,418
Increase/ (decrease) in consumer deposits	26,903	-
Cash generated by/(utilised in) operations	(2,769,896)	18,571,859

21 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Bank balances and cash	18,336,137	17,312,924
Bank overdrafts	-	(15,794)
Total cash and cash equivalents	18,336,137	17,297,130

The bank and cash balance 2009 was adjusted by R134'165. (see note 19 Correction of Error.)

Cash and cash equivalents consists of the following:

Cash at bank	759,353	634,567
Call deposits	17,576,784	16,678,354
	18,336,137	17,312,921

SAKHISIZWE LOCAL MUNICIPALITY

	2009	2008
	R	R

The Municipality has the following bank accounts: -

Current Account (Primary Bank Account)

Sakhisizwe FNB Bank Account – 62076523135

Cash book balance at beginning of year	634,567	187,672
Cash book balance at end of year	<u>759,353</u>	<u>634,567</u>
Bank statement balance at beginning of year	211,764	77,516
Bank statement balance at end of year	<u>204,891</u>	<u>211,764</u>

Savings Account/ Call Account Deposits (Other Account)

Cash book balance at beginning of year	16,678,354	1,754,938
Cash book balance at end of year	<u>17,576,784</u>	<u>16,678,354</u>
Bank statement balance at beginning of year	16,678,354	1,754,938
Bank statement balance at end of year	<u>17,576,784</u>	<u>16,678,354</u>

UTILISATION OF LONG-TERM LIABILITIES

22 RECONCILIATION

Long-term liabilities (see Note 2)	678,306	815,687
Used to finance property, plant and equipment – at cost	<u>(678,306)</u>	<u>(815,687)</u>
Sub- total	-	-
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities	<u>-</u>	<u>-</u>

Municipality has not set aside any cash as these loans are old. Repayments are done out of own revenue.

SAKHISIZWE LOCAL MUNICIPALITY

	2009	2008
	R	R
UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
23 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
<u>23.1 Unauthorised expenditure</u>		
Reconciliation of unauthorised expenditure:		
Opening balance	-	-
Unauthorised expenditure: current year	13,435,017	-
Approved by Council or condoned	-	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	13,435,017	-

Unauthorised expenditure was due to the overspending on the budget in the following devisions:

Executive and Council	2,193,453
Finance and Administration	22,276
Community and Social Services	37,489
Public Safety	597,772
Housing	1,323,177
Road Transport	6,651,950
Electricity	2,608,900
	13,435,017

23.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance	-	-
Fruitless and wasteful expenditure current year	-	175,363
Condoned or written off by Council	-	-
To be recovered – contingent asset	-	-
Fruitless and wasteful expenditure awaiting condonement	-	-

Incident

Interest and penalties raised by SARS in 2008 on late payments of submissions. There was no fruitless and wasteful expenditure during the current year.

23.3 Irregular expenditure

Incident

Municipality has no litigation against its employees. There was also no ireegular expenditure during the current year.

SAKHISIZWE LOCAL MUNICIPALITY

	2009	2008
24 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT	R	R

24.1 Contributions to organized local government

Opening balance		
Council subscriptions	133,601	59,737
Amount paid - current year	(133,601)	(59,737)
Balance unpaid (included in creditors)	-	-

24.2 Audit fees

Opening balance	1,187,756	-
Current year audit fee	807,260	1,741,807
Amount paid - current year	(1,995,016)	(554,051)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	1,187,756

24.3 VAT

VAT inputs receivables and VAT outputs receivables are shown in note 6 & 7. All VAT returns have been submitted by the due date throughout the year.

SAKHISIZWE LOCAL MUNICIPALITY

	2009	2008
	R	R
<u>24.4 PAYE and UIF</u>		
Opening balance	1,006,278	-
Current year payroll deductions	1,749,309	1,798,432
Amount paid - current year	(2,755,587)	(792,154)
Balance unpaid (included in creditors)	-	1,006,278

The balance represents PAYE and UIF deducted from

24.5 Pension and Medical Aid Deductions

Opening balance	-	-
Current year payroll deductions and Council	1,142,920.00	2,364,885
Amount paid - current year	(1,142,920.00)	(2,364,885)
Balance unpaid (included in creditors)	-	-

24.6 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

In 2008, the Municipality had not yet developed a supply chain management policy, however a policy has been developed and approved by council for the 2009 financial year in compliance with the Municipal Finance Management Act.

25 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

- Approved and contracted for		
<i>Infrastructure</i>	-	9,600,000
<i>Other</i>	-	-
Total	-	9,600,000

This expenditure will be financed from:

- Government Grants	-	9,600,000
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26 IN-KIND DONATIONS AND ASSISTANCE

The Municipality not received any in-kind donations and assistance.

27 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexure D(1).

**SAKHISIZWE LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
FOR THE YEAR ENDED 30 JUNE 2009**

Category	Property, Plant and Equipment				Accumulated Depreciation				Carrying Value	
	Opening Balance	Additions	Under-construction	Disposals	Closing Balance	Opening	Depreciation	Closing Balance		Total Other Movements
Land and buildings	8,262,085	-	-	-	8,262,085	142,025	-	142,025	(8,106,544)	3,516
Land	7,290,696	-	-	-	7,290,696	-	-	-	(7,288,938)	1,758
Municipal Buildings	961,389	-	-	-	961,389	142,025	-	142,025	(817,606)	1,758
Infrastructure	9,418,978	-	-	-	9,418,978	1,704,900	-	1,704,900	37,228,120	44,942,199
Electricity	6,293,261	-	-	-	6,293,261	1,213,935	-	1,213,935	(44,765)	5,024,561
Roads	3,020,417	-	-	-	3,020,217	375,465	-	375,465	37,272,885	38,917,637
Security	115,500	-	-	-	115,500	115,500	-	115,500	-	-
Sewerage	-	-	-	-	-	-	-	-	-	-
Water	-	-	-	-	-	-	-	-	-	-
Community assets	14,646,460	-	-	-	14,646,460	6,801,001	-	6,801,001	(3,870,284)	3,975,175
Chamvan parks	20,000	-	-	-	20,000	4,667	-	4,667	(15,333)	-
Care centres	345,000	-	-	-	345,000	82,875	-	82,875	(282,125)	-
Cemeteries	50,000	-	-	-	50,000	8,750	-	8,750	(41,250)	-
Chicks and Hospitals	340,000	-	-	-	340,000	100,000	-	100,000	(240,000)	-
Community centres	7,550,000	-	-	-	7,550,000	5,686,250	-	5,686,250	(1,863,750)	-
Landfill sites	1,626,460	-	-	-	1,626,460	-	-	-	2,348,715	3,975,175
Libraries	2,715,000	-	-	-	2,715,000	266,792	-	266,792	(2,448,208)	-
Sport facilities	2,000,000	-	-	-	2,000,000	641,667	-	641,667	(1,358,333)	-
Other assets	13,259,277	89,520	-	-	13,348,797	5,725,310	4,878,656	10,603,966	(103,581)	2,641,250
Abattoirs	4,710,955	-	-	-	4,710,955	422,023	-	422,023	(4,288,932)	-
Computer equipment	721,259	58,572	-	-	779,831	582,701	415,521	918,222	466,505	328,114
Emergency equipment	93,849	30,948	-	-	124,797	70,929	24,760	95,689	25,726	54,834
Furniture and fittings	764,414	-	-	-	764,414	415,433	580,413	985,846	488,355	266,823
Motor vehicles	2,401,366	-	-	-	2,401,366	954,821	1,486,572	2,441,393	1,177,455	1,137,428
Office equipment	8,136	-	-	-	8,136	3,762	-	3,762	(4,354)	-
Plant & machinery	4,539,298	-	-	-	4,539,298	3,395,621	2,371,390	5,727,011	2,021,664	853,951
Total PPE	45,576,800	89,520	-	-	45,666,320	14,373,236	4,878,656	19,251,892	25,477,711	51,562,139
Intangible Assets	156,617	-	-	-	156,617	83,001	-	83,001	(73,616)	-
Computer software	156,617	-	-	-	156,617	83,001	-	83,001	(73,616)	-
Total	45,733,417	89,520	-	-	45,822,937	14,456,237	4,878,656	19,334,893	25,074,095	51,562,139

**SAKHSIZWE LOCAL MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED 30 JUNE 2009**

Department	Opening Balance	Additions	Under-Construction	Disposals	Closing Balance	Opening Balance	Depreciation	Disposals	Closing Balance	Other Movements	Carrying Value
Executive & Council	156,187	-	-	-	156,187	91,660	77,811	-	169,471	470,188	456,904
Finance & Admin	18,144,397	89,520	-	-	18,233,917	6,635,695	703,550	-	7,339,245	(10,276,707)	617,665
Planning & Development	33,944	-	-	-	33,944	19,163	-	-	19,163	(14,781)	-
Health	5,711,099	-	-	-	5,711,099	893,685	161,549	-	1,055,234	(4,588,660)	67,205
Community & Social Services	3,005,660	-	-	-	3,005,660	437,066	195,743	-	632,809	(2,150,574)	222,277
Public Safety	757,604	-	-	-	757,604	422,025	363,171	-	785,196	132,190	104,598
Housing	40,650	-	-	-	40,650	29,843	-	-	29,843	(10,807)	-
Parks & Recreation	2,022,510	-	-	-	2,022,510	647,780	-	-	647,780	(1,374,830)	-
Sanitation	-	-	-	-	-	-	17,368	-	17,368	17,368	-
Waste Management	3,095,053	-	-	-	3,095,053	1,140,935	1,013,155	-	2,154,090	3,339,675	4,280,638
Road Transport	6,274,500	-	-	-	6,274,500	2,779,228	2,052,098	-	4,831,326	39,203,745	40,646,919
Water	-	-	-	-	-	-	146,184	-	146,184	146,184	-
Electricity	6,491,713	-	-	-	6,491,713	1,399,157	148,027	-	1,507,184	181,104	5,165,633
Total	45,733,417	89,520	-	-	45,822,937	14,456,237	4,878,656	-	19,334,893	25,074,065	51,562,139

SAKHISIZWE LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2009

2008 Actual Income R	2008 Actual Expenditure R	2008 Surplus/ (Deficit) R		2009 Actual Income R	2009 Actual Expenditure R	2009 Surplus/ (Deficit) R
45,500	3,556,406	(3,510,906)	Executive & Council	534,000	8,697,862	(8,163,862)
20,665,183	7,572,437	13,092,745	Finance & Admin	22,481,535	9,864,409	12,617,126
-	591	(591)	Planning & Development	340,676	2,326,202	(1,985,526)
968,499	1,514,751	(546,252)	Health	1,330,011	1,681,170	(351,159)
172,673	1,574,282	(1,401,609)	Community & Social Services	373,177	781,981	(408,804)
1,479,157	1,031,800	447,357	Public Safety	1,896,837	1,889,615	7,222
480,392	997,723	(517,331)	Housing	1,338,918	1,534,562	(195,644)
15,388	218,201	(202,813)	Parks & Recreation	57	150,496	(150,439)
3,038,446	5,298,196	(2,259,750)	Sanitation	-	-	-
4,681,581	4,643,329	38,253	Waste Management	2,294,143	5,966,593	(3,672,450)
505,446	1,566,457	(1,061,011)	Road Transport	5,529,376	8,163,934	(2,634,558)
3,967,764	6,732,601	(2,764,837)	Water	-	-	-
5,258,185	3,673,866	1,584,319	Electricity	6,326,657	7,047,717	(721,060)
41,278,214	38,380,641	2,897,573	TOTAL	42,445,387	48,104,541	(5,659,154)

SAKHISIZWE LOCAL MUNICIPALITY
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)
FOR THE YEAR ENDED 30 JUNE 2009

	2009 Actual (R)	2009 Budget (R)	2009 Variance (R)	2009 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget (Explanations to be recorded)
Revenue					
Rates	1,077,541	1,500,000	(422,459)	-28%	
Penalties on rates	-		-		
Service charges	5,666,052	9,553,748	(3,887,696)	-41%	
Rental of facilities and equipment	-		-		
Interest earned - external investments	1,826,161	800,000	1,026,161	128%	
Interest on arrears	1,042,882		1,042,882		
Fines	53,071				
Licenses and Permits	13,912	30,000	(16,088)	-54%	
Income Agency Services	-	6,270,329		0%	
Government grants and subsidies	28,300,777	22,811,534	5,489,243	24%	
Government grants and subsidies - PPE	2,122,698	13,298,000	(11,175,302)	-84%	
Other income	2,342,293	1,785,000	557,293	31%	
Gain on disposal of PPE	-		-		
Total Revenue	42,445,387	56,048,611	(7,385,966)		
Expenditure					
Employee related costs	16,957,986	14,605,932	(2,352,054)	-16%	
Remuneration of Councillors	2,168,127	2,385,792	217,665	9%	
Bad Debt	2,719,880	6,500,000	3,780,120	58%	
Depreciation	4,715,102	1,800,000	(2,915,102)	-162%	
Repairs and maintenance	766,182	1,216,000	449,818	37%	
Interest paid	93,274	272,875	179,601	66%	
Bulk Payments	3,069,751	2,700,000	(369,751)	-14%	
Contracted Services	119,681	140,000	20,319	15%	
Grants and Subsidies paid	11,085,642	4,465,000	(6,620,642)	-148%	
General expenses	6,408,916	8,024,197	1,615,281	20%	
Total Expenditure	48,104,541	42,109,796	(5,994,745)		
Surplus/(Deficit)	(5,659,154)	13,938,815	(13,380,711)		



AUDITOR - GENERAL
SOUTH AFRICA

The Accounting officer
Sakhisizwe Municipality
PO Box 21
Elliot
5460

30 November 2009

Reference: 03564REG08/09

Dear Sir

Report of the Auditor-General on the financial statements and performance information of Sakhisizwe Municipality for the year ended 30 June 2009

1. The above-mentioned report of the Auditor-General is submitted herewith in terms of section 21(1) of the Public Audit Act, 2004 (Act No. 25 of 2004) read in conjunction with section 188 of the Constitution of the Republic of South Africa, 1996 and section 121(3) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA).
2. The audit report is issued as a final draft pending our receipt of all other documents that will be included in the annual report that will contain the audited financial statements is received.
3. Once these documents are received we will read them to establish if there are any inconsistencies with the audited financial statements. You will then be requested to amend the other information or the financial statements in respect of any inconsistencies. Once this process has been satisfactorily completed we will issue the final signed audit report.
4. In terms of section 121(3) of the MFMA you are required to include the audit report in the municipality's annual report to be tabled.
5. Until the annual report is tabled as required by section 127(2) of the MFMA the audit report is not a public document and should therefore be treated as confidential.
6. Prior to printing or copying the annual report which will include the audit report you are required to do the following:
 - Submit the final printer's proof of the annual report to the relevant senior manager of the Auditor-General of South Africa for verification of the audit-related references in the audit report and for confirmation that the financial statements and other information are those documents that have been read and audited. Special care should be taken with the page references in your report, since an incorrect reference could have audit implications.

- The signature *Auditor-General* in the handwriting of the auditor authorised to sign the audit report at the end of the hard copy of the audit report should be scanned in when preparing to print the report. This signature, as well as the place and date of signing and the Auditor-General of South Africa's logo, should appear at the end of the report, as in the hard copy that is provided to you. The official logo will be made available to you in electronic format.
7. Please notify the undersigned Senior Manager well in advance of the date on which the annual report containing this audit report, will be tabled.
 8. Your cooperation to ensure that all these requirements are met would be much appreciated.

Kindly acknowledge receipt of this letter.

Yours sincerely


.....
Ralph Sheffield-Webb

Senior Manager: EL04

Enquiries: Wesley Hagemann
Telephone: (043) 709 7200
Fax: (043) 709 7300
Email: whagemann@agsa.co.za



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

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I was engaged to audit the accompanying financial statements and financial statements of the municipality which comprise the statement of financial position as at 30 June 2009, the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages [xx] to [xx].

The accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the applicable financial reporting framework and in the manner required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), *Auditor-General audit circular 1 of 2007* and for such internal control as the accounting officer 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) (PAA) and section 126(3)(d) of the MFMA, my responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.
4. 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 [name of entity] in this respect will be limited to reporting on non-compliance with this disclosure requirement.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for disclaimer of opinion

Cash and cash equivalents

6. Cash and cash equivalent of R18.3 million is reflected in note 21 to the annual financial statements. Independent confirmations and supporting schedules provided by the municipality did not provide explanations for the unreconciled differences of R550 000. Due to the lack of documentation it was not possible, even through alternative procedures, to obtain sufficient evidence to confirm the cash and cash equivalents balance in note 21 of the annual financial statements.

Trade and other receivables

7. Trade and other receivable of R18.2 million is reflected in note 7 to the annual financial statements. Reliable and complete billing information or customer contact information was not provided by the municipality. Furthermore, journals relating to receivables to the value of R40.9 million were processed without adequate supporting documentation. As a result of the above it was not possible, even through alternative procedures, to obtain sufficient evidence to confirm that the recorded receivables were due to the municipality, all receivables due to the municipality were recorded, in the correct accounts and at the correct amounts and the municipality has the right to collect the amounts outstanding.
8. A provision for doubtful debts of R13.7 million is disclosed in note 9 to the annual financial statements. Documentation in support of the calculation and implementation of this provision could not be provided and no alternative procedures were possible. Furthermore, no consideration was given to the GRAP requirements in raising this provision.

Value added tax (VAT)

9. A VAT receivable of R1.5 million is reflected in note 7 to the annual financial statements. The municipality was unable to provide schedules, calculations and supporting documentation to support this disclosure. Supporting documentation was also not provided for journal entries totalling R8 million processed to the relevant VAT general ledger accounts. Consequently it was not possible, even through the use of alternative procedures, to confirm the accuracy and completeness of the amount disclosed in note 7 of the annual financial statements.

Property, plant and equipment (PPE)

10. Property, plant and equipment of R51.5 million is disclosed in note 8 to the annual financial statements. Included in this amount is land and buildings of R3.5 million. Several items that were included as land and building should have been disclosed as investment property in terms of GRAP 16. Journals to the value of R14.7 million that were processed did not have adequate supporting documentation. I was unable to confirm, even through alternative procedures, that property, plant and equipment

disclosed in note 8 to the annual financial statements was all disclosed and that it was disclosed at the correct value.

Trade payables

11. Trade payables of R407 000 is included in note 3 to the annual financial statements. Documentation could not be provided to support the write-off of creditors totalling R1.9 million. Furthermore, journals to the value of R3 million were processed without adequate supporting documentation. Consequently, it was not possible, even through the use of alternative procedures, to confirm that all trade payables at year end are disclosed in note 3 to the annual financial statements and such payables are disclosed at the correct value.

Consumer deposits

12. The municipality does not have an accounting policy or consistent tariff for consumer deposits of R349 000 that is disclosed in note 4 to the annual financial statements. As these deposits represent less than two percent of the amount due to the municipality, it did not ensure that adequate consumer deposits were obtained before services were supplied to consumers. Furthermore the amount reflected in the supporting register provided differed by R62 000 to the amount disclosed in note 4. Reconciliation of the balance disclosed in the general ledger could not be provided and there were no alternative procedures that could be performed to verify this balance. As a result, it was not possible to obtain sufficient evidence relating to the completeness and valuation of consumer deposits.

Unspent conditional grants and receipts

13. Unspent conditional grants and receipts of R5.7 million are disclosed in note 5 to the annual financial statements. Included in this balance is R3.7 million relating to the Municipal Infrastructure Grant (MIG). Unexplained differences totalling R2 million were found in the grants register provided in support of MIG funding. Furthermore, an unreconciled difference of R1.7 million existed between the project expenditure listing provided and the relevant general ledger accounts for projects funded through the MIG conditional grant.
14. Contrary to section 123 of the MFMA, note 3 to the annual financial statements did not disclose how the allocations received by the municipality from national and provincial government have been spent. There is also no disclosure on whether the conditions of the allocations received have been met by the municipality.
15. As a result of the above, it was not possible, even through the use of alternative procedures, to confirm that all unspent grants were recorded in the financial records and that they were disclosed at the correct amount.

Commitments

16. No capital commitments are disclosed in note 25 to the annual financial statements. As a tender register or complete tender documentation could not be provided, it was not possible to use this information to perform an alternative audit procedure to

measure capital commitments that may exist. It is however unlikely, given the capital projects that are in progress, that the municipality has no disclosable commitments.

Leases

17. Finance leases of R458 000 were disclosed in note 2 to the annual financial statements. Documentation such as a register of leases, a schedule of lease agreements and individual lease agreements could not be provided during the audit. It was consequently not possible to, even through alternative procedures, confirm that the amount of R458 000 that is disclosed in note 2 of the statement of financial position is complete, classified correctly and correctly disclosed.
18. Finance leases amounting to R439 000 were not disclosed as finance leases in note 2, but were regarded as operating leases. These leased assets were also not capitalised as required by GRAP 13. Leases in note 2 and Property, plant and equipment of R51.5 million that is disclosed in the statement of financial position were thus understated by R439 000.

Accumulated surplus

19. An accumulated surplus of R85.9 million is disclosed in the statement of financial position and the statement of changes in net assets. Documentation or explanations supporting adjustments to the surplus of R37.7 million were not provided. It was thus not possible to confirm the correctness of these adjustments and as a consequence assurance in respect of the accumulated surplus could not be obtained to ensure that all transactions were recorded, they were recorded in the correct account, transactions took place and that they related to the business of the municipality and are correctly disclosed.

Revenue

20. Included in note 10 of the annual financial statements are service charges of R5.6 million. Meter readings or records relating to estimates used in billing customers for service charges were not provided during the audit. A reconciliation of rateable property listed in the valuation roll to assessment rates has not been performed by the municipality. Although a valuation of rateable property was performed during the year under review, it was only finalised and implemented in the 2009-10 financial year. The last valuation of properties conducted in the municipal area before this was performed in 1991 and was thus outdated. This restricted the scope of audit work that could be performed.
21. Journals to the value of R14.6 million were processed without adequate supporting documentation. Furthermore, evidence of the implementation of the indigent policy and the existence of indigent consumers could not be provided. It was, in these circumstances, not possible to perform alternative procedures to confirm that amounts charged to residents for services provided were correct, recorded in the correct account and that such consumers were charged at the applicable rate.
22. Interest on arrears of R1 million is disclosed in the statement of financial performance. Errors of R530 000 were identified in the application of applicable interest rates as well as the related interest calculations applied on outstanding

accounts. Furthermore, contrary to paragraph 29 of GRAP 9, interest on long outstanding consumer debtor accounts was raised. Reliable evidence relating to the municipality's ability to recover interest charged on long outstanding consumer debtors could not be provided. It was thus not possible to confirm that interest on arrear account that is disclosed in the statement of financial performance is all recorded, and that they were recorded in the correct account.

23. According to note 11 of the annual financial statements, government grants and subsidies that were provided to the municipality amounted to R28.3 million. Reconciliations and explanations for income that was received in terms of the Division of Revenue Act (Act 2 of 2008) (DoRA) and grant funds, during the year were not provided during the audit. Furthermore, there was a lack of information in the general ledger regarding funds received. In these circumstances, it was not possible to confirm that all transactions were recorded, they were recorded in the correct account, transactions took place and that they related to the business of the municipality and that they were recorded in the correct period.

Expenditure

24. Purchases of R20.6 million in respect of general expenses, grants and subsidies, contracted services and bulk payments was disclosed in the statement of financial performance. The municipality did not provide payment vouchers and source documentation for R3.4 million of these purchases. Furthermore, expenditure totalling R9.7 million that was disclosed as current expenditure should have been recognised as capital expenditure. It was consequently not possible, to perform alternative procedures or in any way confirm that the expenditure of R20.6 million that is disclosed in the statement of financial performance did take place, is accurate, complete, recorded in the correct account and is correctly disclosed.

Irregular expenditure

25. The municipality did not disclose irregular expenditure of at least R13.7 million in the annual financial statements. This irregular expenditure was incurred as a result of procurement processes that were not properly followed as well as irregular salary and overtime payments.

Employee costs and remuneration of councillors

26. Employee costs of R12.4 million is disclosed in note 12 to the annual financial statements. No reconciliation between the payroll system of the municipality and its general ledger system could be provided. Additional audit procedures to reconcile the respective balances of these systems were not successful. Journals in respect of employee cost amounting to R14.6 million were also processed without adequate supporting documentation. As a result it was not possible to confirm that all transactions were recorded, they were recorded in the correct account, took place and that they related to the business of the municipality and that they recorded in the correct period.

Financial instruments

27. The municipality did not to comply with the provisions of the International Accounting Standards (IAS) 32 and 39 in respect of the disclosure, recognition and measurement of financial instruments. Due to a lack of documentation it was not possible to assess the impact of this non-disclosure on the financial statements. Furthermore, the municipality did not disclose any items required by the International Financial Reporting Standard (IFRS) 7, either in the statement of financial position or in the notes to the annual financial statements.

Disclaimer of opinion

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

Emphasis of matter

I draw attention to the following matter on which I do not express a disclaimer of opinion:

Unauthorised expenditure

29. Disclosed in note 23.1 to the annual financial statements is unauthorised expenditure of R13.4 million that was incurred as sufficient monitoring did not take place to ensure that actual expenditure exceeded the approved budget.

Other matters

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

Unaudited supplementary schedules

30. The supplementary information set out on pages 32 to 35 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

Non-compliance with applicable legislation

MFMA

31. Contrary to section 79 the accounting officer did not develop an appropriate system of delegation of responsibilities to strengthen operational efficiency as delegation of powers was only approved at the end of the financial year on 5th of July 2009.

Governance framework

32. 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 key governance responsibilities addressed below:

Internal control deficiencies

33. 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 disclaimer of 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.

Par. no.	Basis for disclaimer of opinion	CE	RA	CA	IC	M
8	Cash and cash equivalents			3		
9 & 11	Trade and other receivables			3		
10	Trade and other receivables - Journals	5				
12	Trade and other receivables - Doubtful debts	7				
13	Revenue	5		3		
14	Interest on arrears	5				
16	DoRA reconciliations	5				
17	VAT	7		3		
18	PPE and investment properties	7		6		
19	PPE – Journals	5				
20	Trade payables	5				
21	Consumer deposits			3		
22	Unspent conditional grants and receipts	5		3		
23	Unspent conditional grants and receipts	7				
25	Commitments	7		6		
26	Leases	7		3		
27	Accumulated surplus	7		5		
29	Expenditure	5		3		
30	Expenditure – classification	7		5		
31	Irregular expenditure	7		3		

32	Employee related costs			3		
33	Employee related costs – Journals	5				

Control environment

34. Management did not establish and maintain an environment throughout the municipality that was supportive of internal control and conscientious management. The failure to create a stable control environment through the adoption of approved policy and procedure frameworks contributed largely towards the same matters that were reported in the previous financial year, being reported on again. Furthermore there was a lack of review and reconciliations to ensure competent and error free reporting.
35. The non-submission of documentation and information was continuously brought to the attention of management. This was mainly due to deficiencies that existed in the filing and archiving system.
36. Staff in the municipality's operational sections generally lacks appropriate skills and as a collective the municipality has not undergone the minimum pre-requisite training.

Control activities

37. Manual or automated controls were often not found in the municipality's systems. These deficiencies were also not addressed even though they often have been raised in prior audit reports. Policy and procedures frameworks have not been created and implemented for all major accounting cycles.

Legend	
CE = Control environment	
The organisational structure does not address areas of responsibility and lines of reporting to support effective control over financial reporting.	1
Management and staff are not assigned appropriate levels of authority and responsibility to facilitate control over financial reporting.	2
Human resource policies do not facilitate effective recruitment and training, disciplining and supervision of personnel.	3
Integrity and ethical values have not been developed and are not understood to set the standard for financial reporting.	4
The accounting officer/accounting authority does not exercise oversight responsibility over financial reporting and internal control.	5
Management's philosophy and operating style do not promote effective control over financial reporting.	6
The entity does not have individuals competent in financial reporting and related matters.	7
CA = Control activities	
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

Key governance responsibilities

38. 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
Clear trail of supporting documentation that is easily available and provided in a timely manner			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.		✓
Quality of financial statements and related management information			
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.		✓
Timeliness of financial statements and management information			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines section 126 of the MFMA.	✓	
Availability of key officials during audit			
5.	Key officials were available throughout the audit process.		✓

Development and compliance with risk management, effective internal control and governance practices			
6.	Audit committee		
	<ul style="list-style-type: none"> The municipality had an audit committee in operation throughout the financial year. 		✓
	<ul style="list-style-type: none"> The audit committee operates in accordance with approved, written terms of reference. 		✓
	<ul style="list-style-type: none"> The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA. 		✓
7.	Internal audit		
	<ul style="list-style-type: none"> The municipality had an internal audit function in operation throughout the financial year. 		✓
	<ul style="list-style-type: none"> The internal audit function operates in terms of an approved internal audit plan. 		✓
	<ul style="list-style-type: none"> The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA. 		✓
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.		✓
12.	Delegations of responsibility are in place, as set out in section 79 of the MFMA.		✓
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.		✓
14.	Oversight resolutions have been substantially implemented.		N/A
Issues relating to the reporting of performance information			
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 the municipality against its mandate, predetermined objectives, outputs, indicators and targets section 68/87 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.		✓

39. The control environment in the municipality is not conducive to sound governance and accountability as the leadership has not ensured that the control environment has received the appropriate attention. The following key governance responsibilities have not been effectively addressed:

- Not all information was presented for audit purposes and management also did not present a copy of the annual report prior to the issue of the audit report. Senior management was also not at the municipality to readily available to respond to audit queries.
- There is a lack of monitoring over financial accounting processes. This resulted in material amendments to the financial statements. Financial accounting processes have not been assessed and adjusted to ensure that all processes support the information requirements of the GRAP framework.
- A complete risk assessment to supplement a risk management strategy was not conducted for the financial year under review. A fraud prevention plan has also not been implemented.
- The internal audit section has not been created or staffed.
- The municipality makes use of a shared audit committee. The absence of an internal audit section and a risk assessment resulted in the audit committee not being effective.

- The significant deficiencies in the design and implementation of internal control in respect of the financial, risk assessment and compliance with applicable laws and regulations areas were attributed to a lack of implemented controls and a lack of monitoring and supervision by management.
- As is evident from the findings in this report the accounting record system of the municipality was not in all respects adequate to allow for the preparation of the annual financial statements.
- Management has not taken sufficient action to clear all prior year audit findings. There was no audit intervention plan and certain matters in the management report as well as this report were also raised in prior financial years.
- No systems are in place to ensure that non-financial performance is measured and reported on.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on performance information

40. I was engaged to review the performance information.

The accounting officer's responsibility for the performance information

41. 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

42. 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.

43. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

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

Non-compliance with regulatory requirements

Lack of adoption or implementation of a performance management system

45. Section 6 of the MSA requires the municipality to establish, develop and monitor its performance management systems. The municipality did not collect, record and

process information or monitor and report on development priorities and objectives for the performance management systems. As a result key performance indicators had not been set for each of the development priorities and objectives as set out in the integrated development plan. Development priorities and objectives of the municipality's integrated development plan are neither consistent with the budget nor clear and concise. Furthermore, these development priorities and objectives are not measurable.

Content of integrated development plan (IDP)

46. The deadline dates set in the IDP for several key performance indicators and targets were exceeded. No revisions of due dates or explanations for not meeting set deadlines were provided.
47. The 2008-09 Service Delivery and Budget Implementation Plan did not include service delivery targets and performance indicators.
48. The following information relating to the IDP was not provided:
 - Minutes of IDP steering committee meetings
 - Evidence that the local community were given 21 days to comment on the draft IDP
 - Minutes of council meetings where the 2008-09 IDP was approved
 - Evidence that the public was given notice that IDP was adopted by council
 - Evidence that the 2008-09 IDP was submitted to the MEC
 - Minutes of all representative forum meetings held during the 2008- 09 financial year

Internal auditing of performance measurements

49. The municipality did not develop and implement mechanisms, systems and processes for the auditing the results of performance measurement as part of its internal audit processes and thus contravened section 45 of the MSA.

Performance information not received

50. An assessment could not be performed of the reliability of the reported performance information, as set out on pages [xx] to [xx] of the annual report, since the information was not received for audit purposes.

APPRECIATION

51. The assistance rendered by the staff of the municipality during the audit is sincerely appreciated.

East London

30 November 2009



**AUDITOR-GENERAL
SOUTH AFRICA**

Auditing to build public confidence

DRAFT

Sakhisizwe Municipality
Action Plan to address the 2009 AG Queries
Year end: 30 June 2010

Disclaimer of Opinion as per 30 November 2009 AG Report	AFS Category	Root cause of error	Action Plan	Next step	Priority	Progress/ Status	Contact person	Responsible person	Next follow up date
Cash & Cash equivalents:									
Insufficient information to support the unreconciled difference of R550'000 as per note 21 of the AFS.	Bank & Cash	Management control over supporting documentation & monthly reconciliations	<ul style="list-style-type: none"> - Investigate the unreconciled difference and pass the necessary journals to correct the opening balance. - Agree the Bank Reconciliation to valid supporting documentation 	Set up meeting with Christelle Venter to discuss the differences	1	Met with Cristelle Venter (SEBATA) to discuss the difference. The difference is an unknown difference between the cash book balance as per SEBATA and the GL balance. Christelle will investigate the difference further.	Christelle Venter (Service Provider)	CFO	26-Feb-10
			<ul style="list-style-type: none"> - Contact SEBATA in order to determine an alternative format to the presentation of the bank reconciliation 	Follow up on the progress of the discussions held with SEBATA	2	SEBATA have made some changes and are in the process of finalising other changes.	Christelle Venter (Service Provider)	CFO	26-Feb-10
			<ul style="list-style-type: none"> - Using the current SEBATA format of the bank reconciliation, attempt to reperform the reconciliation in Excel in a format which is easily understood by the user. 	To obtain the December bank statements and GL and reperform the bank recon	1	Not started	Christelle Venter (Service Provider)	Deloitte	12-Feb-10
Trade & other receivables:									
Reliable and complete billing information or customer contact information was not provided by the municipality.	Trade & other receivables	Management controls	<ul style="list-style-type: none"> - Immediate action will be to include a note with the monthly statement, requesting customers to notify the municipality where their contact and other details have changed; - Medium term plan, will be to use the results of the Indigent data cleansing project to verify billing information; - Long-term plan will be to perform a complete data cleansing exercise on all Debtors accounts and Consumer deposits. 	<ul style="list-style-type: none"> - Ensure that the wording of the notice to be included with the monthly statements is agreed upon and authorised by the CFO; - Verify that the notice is included and sent out to the consumers. 	1	Not started	Christelle Venter (Service Provider)	CFO	26-Feb-10
Journals processed without adequate supporting documentation.	Trade & other receivables	Management controls over journals & supporting documentation	<ul style="list-style-type: none"> - Obtain a download of all journals passed to date for the current financial year - Compile a journal file with the relevant supporting documentation - Ensure that journals have been authorised 	Obtain a download of all journals processed to date	1	Not started	Christelle Venter (Service Provider)	Deloitte	12-Feb-10
Unable to confirm that receivables were due to the municipality, all receivables due were recorded, were recorded in the correct accounts & at the correct amounts & that the municipality has the right to collect the amounts outstanding.	Trade & other receivables	Management controls	<ul style="list-style-type: none"> - Immediate action will be to obtain a download of all debtors from the system and to do a high level review of the reasonableness of the debtors categories; - Immediate action will be to perform a high level comparison between the debtors ledger and the GL; - Medium term plan, will be to use the results of the Indigent data cleansing project to verify billing information; - Long-term plan will be to perform a complete data cleansing exercise on all Debtors accounts and Consumer deposits. 	Obtain a download of the debtors ledger as per SEBATA and the latest GL	1	Not started	Christelle Venter (Service Provider)	CFO	26-Feb-10

Insufficient supporting documentation to support the write off of creditors of R1.9 mil (ie. no reconciliations were performed of the creditors accounts before they were written off) (Ex. 119)	Trade payables	Management controls	<ul style="list-style-type: none"> - Perform the monthly reconciliations between the relevant Creditors Statements and the Creditors listing/General Ledger (Creditors module is integrated to the GL). - Ensure that the monthly reconciliations are reviewed and authorised by the CFO. - Obtain a download of all journals passed to date for the current financial year - Compile a journal file with the relevant supporting documentation - Ensure that journals have been authorised 	<ul style="list-style-type: none"> - Request a download from the system of the latest GL and TB; - Request copies of the latest Creditors Statements received by the municipality. 	1	Not started	Christelle Venter (Service Provider)	Deloitte	29-Jan-10
Insufficient supporting documentation to support the journals processed to the value of R3 mil.	Trade payables	Management controls over journals	<ul style="list-style-type: none"> - Obtain a download of all journals passed to date for the current financial year - Compile a journal file with the relevant supporting documentation - Ensure that journals have been authorised 	Obtain a download of all journals processed to date	1	Not started	Christelle Venter (Service Provider)	Deloitte	12-Feb-10
Consumer Deposits: There is no accounting policy or consistent tariff for consumer deposits of R349'000.	Accounting policies & Consumer deposits	Policies	- A Credit Control Policy is to be developed, approved and implemented.	- Develop a Credit Control Policy	2	Not started	Karen Hope (Deloitte)	CFO	29-Jan-10
Consumer deposits represent less than 2% of accounts receivable, therefore there is inadequate consumer deposits collected before services supplied to consumers.	Consumer deposits	Management controls	<ul style="list-style-type: none"> - to reperform the percentage of consumer deposits to recoverable debtors (debtors balance excluding interest on arrears debt); - to explore other alternatives and legislation as a large percentage of the deposits were received many years ago when the cost of services were lower than current costs. 	- Obtain the latest debtors balances and consumer deposit listing	1	Not started	Christelle Venter (Service Provider)	Deloitte	29-Jan-10
Consumer deposits register does not agree to the AFS.	Consumer deposits	Management controls over monthly reconciliations	Register to be inspected and the differences analysed & corrected.	- Obtain a copy of the consumer deposits listing;	1	Requested copy of the latest GL & TB from CFO on 15 Jan 2010	Christelle Venter (Service Provider)	Deloitte	29-Jan-10
No reconciliation to the GL balance.	Consumer deposits	Management controls over monthly reconciliations	- Reconciliation to be performed between the total of the Consumer Deposits register and the GL	- Obtain a copy of the latest GL and TB	1	Not started	Christelle Venter (Service Provider)	Deloitte	29-Jan-10
Insufficient supporting documentation to support the completeness & valuation of consumer deposits.	Consumer deposits	Management controls over supporting documentation	The validity, completeness and accuracy of the consumer deposits will be addressed after the 30 June 2010 year end.	n/a	n/a	n/a	n/a	CFO	n/a
Unspent conditional grants and receipts: Unexplained differences of R.2mil for MIG funding, were found in the grants register	Unspent conditional grants & receipts	Management controls over monthly reconciliations	- CFO will review on a monthly balance the reconciliations performed by the Technical Manager and ensure that it agrees to the reconciliation performed by himself.	- CFO to request copies of all reconciliations performed by the Technical Manager	2	Not started	P. Steyn & Technical Manager	CFO	26-Feb-10
An unreconciled difference of R1.7mil between the project expenditure listing & the GL accounts for projects funded through the MIG conditional grant	Unspent conditional grants & receipts	Management controls over monthly reconciliations	- CFO will review on a monthly balance the reconciliations performed by the Technical Manager and ensure that it agrees to the reconciliation performed by himself.	- CFO to request copies of all reconciliations performed by the Technical Manager	2	Not started	P. Steyn & Technical Manager	CFO	26-Feb-10
The AFS did not disclose how the allocations received by the municipality from National & Provincial Government have been spent (as required by section 123 of the MFMA)(Ex. 136) - NOT SURE IF THIS IS THE RIGHT EXCEPTION AND IF IT IS REFERRING TO MIG FUNDING OR OTHER FUNDING???? TO DISCUSS WITH PIETER STEYN???	Unspent conditional grants & receipts	Management controls	- The CFO will meet with the Technical Services Manager to discuss the weaknesses identified by the AG (ie. the list of information requested by the AG but not received) - All MIG funding information will be kept up to date by the Technical Services Manager, reviewed and authorised as such on a monthly basis by the CFO and submitted within the allocated audit deadlines.	- CFO to set up a meeting between himself and the Technical Services Manager to discuss the weaknesses identified by the AG (ie. the list of information requested by the AG but not received)	2	Not started	Technical Services Manager & P. Steyn (CFO)	CFO	26-Feb-10
There is no disclosure on whether the conditions of the allocations received have been met by the municipality. - TO DISCUSS WITH AG AS CANNOT FIND EXCEPTION IN MANAGEMENT LETTER	Unspent conditional grants & receipts	Management controls	CANNOT FIND EXCEPTION IN AFS??	????	??	??	Jade Boucher (AG)	Deloitte	03-Feb-10

Commitments: No capital commitments were disclosed in the AFS. TO DISCUSS WITH AG AS CANNOT FIND EXCEPTION IN MANAGEMENT LETTER	Commitments	??	????	???	??	Jade Boucher (AG)	Deloitte	03-Feb-10
No Tender Register or Complete Tender Documentation could be provided.	Source documentation	Management controls over supporting documentation	- The Technical Manager is to ensure that a Tender Register and all related Tender Documentation is kept in the required format and made available for audit purposes.	2	Not started	Technical Services Manager	Technical Manager	26-Feb-10
Leases: Finance leases: Documentation such as a Register of Leases, a Schedule of Lease Agreements & individual Lease agreements could not be provided during the audit, therefore the amount disclosed in the AFS could not be confirmed as being complete or classified or disclosed correctly. - TO DISCUSS WITH AG AS CANNOT FIND EXCEPTION IN MANAGEMENT LETTER	Leases	Management controls over supporting documentation	Inspect Management letter for more detail of errors. Action to be discussed with CFO			Jade Boucher (AG)	Deloitte	03-Feb-10
Finance leases amounting to R439'000 (copiers & faxes leased from Technofin) were disclosed as Operating Leases rather than Finance Leases. These leases assets were also not capitalised (Ex. 205)	Leases	Lack of communication by the AG to the CFO	- Copies of the lease agreements will be reviewed to verify that the lease is in fact a finance lease to GRAP as claimed by the AG; - If it is confirmed that the lease agreement is in fact a finance lease, the relevant amortisation tables will be drawn up and the lease will be added to the register of leases and the asset added to the FAR	1	Not started	Thobeka	Deloitte	31-Mar-10
Accumulated Surplus: Documentation and explanations supporting the adjustments to accumulated surplus could not be provided in order to confirm the correctness of the adjustments, completeness & accuracy of transactions & that they related to the business of the municipality & are correctly disclosed..	Accumulated surplus	Management controls over journals	- Obtain a download of all journals passed to date for the current financial year - Compile a journal file with the relevant supporting documentation - Ensure that journals have been authorised; - Prepare a list of items to be condoned by Council ito journals passed in the 2009 AFS. - Verify the list of items to be condoned with the AG before submitting it to Council for approval	1	Not started	Deloitte	Deloitte	29-Jan-10
Revenue: Service charges: Meter readings or records relating to estimates used in billing customers for service charges could not be provided.	Revenue - service charges	Management controls	- CFO to meet with the Technical Services Manager and other related staff to discuss gaps, staff needs and possible actions to ensure that meters are read in order to obtain accurate data on which to base the billing information. - In addition, the importance of filing all supporting documentation for safekeeping is to be explained to the relevant staff.	3	Not started	P. Steyn (CFO)	CFO	26-Feb-10
No reconciliation has been performed between the rateable property listed in the valuation roll to Assessed rates.	Revenue - rates	Management controls over monthly reconciliations	- A reconciliation between the rateable property listed in the valuation roll and the assessed rates was performed after 30 June 2009. - New transfers subsequent to the exercise need to be updated and included in the reconciliation	2	Not started	Christelle Venter (Service Provider)	Deloitte	26-Feb-10

Insufficient supporting documentation for journals processed.	Revenue	Management controls over journals	<ul style="list-style-type: none"> - Obtain a download of all journals passed to date for the current financial year - Compile a journal file with the relevant supporting documentation - Ensure that journals have been authorised - The municipality has appointed a service provider who is currently performing a "data cleansing" and verification of all Indigents. - Management will develop, implement and approved debt management policy which stipulates the applicable rate of interest to be charged on long outstanding debts; - Management will communicated the policy to all relevant municipal officials; - Periodic checks will be performed by management on the interest calculated to verify its accuracy 	1	Not started	Christelle Venter (Service Provider)	Deloitte	12-Feb-10
No evidence could be provided for the implementation of the Indigent Policy & the existence of indigent consumers.	Revenue	Policies	<ul style="list-style-type: none"> - The municipality has appointed a service provider who is currently performing a "data cleansing" and verification of all Indigents. - Management will develop, implement and approved debt management policy which stipulates the applicable rate of interest to be charged on long outstanding debts; - Management will communicated the policy to all relevant municipal officials; - Periodic checks will be performed by management on the interest calculated to verify its accuracy 	4	Not started	CFO	CFO	26-Feb-10
An error of R530'000 was identified in the application of applicable interest rates and the related calculations applied on outstanding accounts (Interest on arrears) (Ex. 37)	Revenue - Interest	Policies	<ul style="list-style-type: none"> - Management will develop, implement and approved debt management policy which stipulates the applicable rate of interest to be charged on long outstanding debts; - Management will communicated the policy to all relevant municipal officials; - A review will be performed of the debtors system to ensure that interest is only charged to the debt management policy and only where the interest meets the definition of a debtor or revenue to GRAP. 	1	Not started	P. Steyn (CFO)	Deloitte	29-Jan-10
Interest on long outstanding consumer debtor accounts was raised contrary to paragraph 29 of GRAP 9 (meets the definition of revenue to GRAP).	Revenue - Interest	Policies	<ul style="list-style-type: none"> - Management will develop, implement and approved debt management policy which stipulates the applicable rate of interest to be charged on long outstanding debts; - Management will communicated the policy to all relevant municipal officials; - A review will be performed of the debtors system to ensure that interest is only charged to the debt management policy and only where the interest meets the definition of a debtor or revenue to GRAP. 	1	Not started	P. Steyn (CFO)	Deloitte	29-Jan-10
Evidence could not be provided to show the municipality's ability to recover interest charged on long outstanding consumer debtors	Revenue - Interest	Policies	<ul style="list-style-type: none"> - Management will develop, implement and approved debt management policy which stipulates the applicable rate of interest to be charged on long outstanding debts; - Management will communicated the policy to all relevant municipal officials; - A review will be performed of the debtors system to ensure that interest is only charged to the debt management policy and only where the interest meets the definition of a debtor or revenue to GRAP. 	1	Not started	P. Steyn (CFO)	Deloitte	29-Jan-10
No reconciliations were provided for income that was received in terms of the Division of Revenue Act (Act 2 of 2008) (DoRA) and grant funds.	Revenue	Management controls over monthly reconciliations	<ul style="list-style-type: none"> - Reconciliation to be performed between income that was received in terms of the Division of Revenue Act (Act 2 of 2008) (DoRA) and grant funds. 	3	Not started	CFO	Deloitte	29-Jan-10
There was a lack of information in the GL regarding funds received. - TO BE DISCUSSED WITH THE AG AS I CANNOT FIND EXCEPTION IN THE MANAGEMENT LETTER?	Revenue	Lack of communication from the AG	<ul style="list-style-type: none"> - Discussions are to be held with the AG in order to establish their requirements 	1	Not started	Jade Boucher (AG)	Deloitte	03-Feb-10
Expenditure: The municipality did not provide payment vouchers & source documentation for R3.4 mil purchases of general expenses, grants & subsidies, contracted services & bulk payments.	Expenditure	Management controls over supporting documentation	<ul style="list-style-type: none"> - Perform a completeness check on all transactions conducted by the municipality through the year to ensure that the required payment vouchers & source documentation is filed; - ensure that the required authorisation has been obtained for the transaction; - ????. VERIFY WITH THE CFO IF THE SAME COMPLETENESS TEST IS NECESSARY FOR ANY OTHER INVESTMENT ACCOUNTS???????? 	1	Not started	Thobeka & CFO	Deloitte	29-Jan-10

Actual expenditure exceeded the approved budget by R13.4 mil	Unauthorised expenditure	Management controls	- The Accountant & CFO are to monitor expenditure on a monthly basis in order to identify any possible unauthorised expenditure; - The occurrence of possible unauthorised expenditure must be assessed again at year end by the person responsible for drafting the AFS and where identified, it must be disclosed as such in the AFS	- The Accountant & CFO to monitor expenditure on a monthly basis in order to identify any possible unauthorised expenditure.	3	Not started	Thobeka & CFO	CFO	26-Feb-10
Other matters:									
Non-compliance with applicable legislation									
MFMA:									
The Accounting Officer did not develop an appropriate system of Delegation of Responsibilities (Delegation of Powers was only approved on 5th July 2009)	Delegation of authority	Management controls	- The delegation of authority was approved on 5th July 2009; - Ensure that the authorisation of the Delegation of Responsibility was minuted or authorised in writing and a copy filed for safekeeping; - Need to ensure that it has been implemented	- Verify with the CFO if the authorisation of the Delegation of Authority was minuted or authorised in writing; - and verify that it has been implemented	3	Not started	CFO	Deloitte	26-Feb-10
Governance framework:									
Internal control deficiencies									
There were various internal control deficiencies relating to the above exceptions noted under Disclaimer of Opinion. (split between the Control Environment & Control Activities)	Control environment	Management controls	Refer to the specific action plans discussed under the relevant sections aboveabove.	n/a	n/a	n/a	n/a	n/a	n/a
Control environment:									
Management did not establish & maintain an environment through the municipality that was supportive of internal control & conscientious management.	Control environment	Management controls	- Long-term: A service provider will be appointed after 30 June 2010 in order to develop a Procedures Manual for the municipality; - Short-term: A checklist will be developed to establish the monthly procedures that need to be followed by personnel in key departments (i.e. Revenue, Debtors, Expenditure, Creditors, VAT, Bank, and other key areas) and the CFO in order to ensure that all the required monthly reconciliations have been performed, the required supporting documentation has been filed and that the necessary review and authorisation has been performed.	- Develop the required checklists	1	Not started	Various	Deloitte	05-Feb-10
There was a lack of the adoption of approved policies & procedure frameworks.	Policies & procedures framework	Management controls	- To ensure that all policies & procedures have been adopted	- CFO to verify the following for all policies & procedures in order to determine the gaps & the actions to be taken: - Policies & procedures still to be developed - Policies & procedures still to be adopted - Policies & procedures still to be implemented successfully	2	Not started	CFO	CFO	26-Feb-10

There was a lack of review & reconciliations.	Monthly reconciliations	Management controls over monthly reconciliations	- A checklist will be developed to establish the monthly procedures that need to be followed by the CFO in order to ensure that all the required monthly reconciliations have been performed, the required supporting documentation has been reviewed and that the necessary authorisation has been performed.	- Develop the required checklists	1	Not started	CFO	Deloitte	05-Feb-10
There was generally a non-submission of documentation & information, mainly due to deficiencies that exist in the filing & archiving system.	Supporting documentation	Management controls over supporting documentation	<p>- Perform a completeness check on all transactions conducted by the municipality through the year to ensure that the required payment vouchers & source documentation is filed;</p> <p>- ensure that the required authorisation has been obtained for the transaction ;</p> <p>- ????? VERIFY WITH THE CFO IF THE SAME COMPLETENESS TEST IS NECESSARY FOR ANY OTHER INVESTMENT ACCOUNTS????????</p>	- Obtain a download of the Bank general ledger account	1	Not started	Thobeka	Deloitte	29-Jan-10

Staff in the municipality's operational sections generally lack the appropriate skills & the municipality has not undergone the minimum pre-requisite training.	Training & skills	Management controls over staff	- The career paths of staff are to be addressed	- HR to meet with staff to address the gaps or training needs of staff	Not started	HR Manager	HR Manager	31-Mar-10
Control activities: Manual or automated controls were often not found in the municipality's systems.	Control environment	Management controls	- Long-term: A service provider will be appointed after 30 June 2010 in order to develop a Procedures Manual for the municipality; - Short-term: A checklist will be developed to establish the monthly procedures that need to be followed by personnel in key departments (i.e. Revenue, Debtors, Expenditure, Creditors, VAT, Bank, and other key areas) and the CFO in order to ensure that all the required monthly reconciliations have been performed, the required supporting documentation has been filed and that the necessary review and authorisation has been performed.	- Develop the required checklists	Not started	Various	Deloitte	05-Feb-10
Policy & procedure frameworks have not been created and implemented for all major accounting cycles.	Policies & procedures framework	Management controls	- To ensure that all policies & procedures have been adopted	- CFO to verify the following for all policies & procedures in order to determine the gaps & the actions to be taken: - Policies & procedures still to be developed - Policies & procedures still to be adopted - Policies & procedures still to be implemented successfully	Not started	CFO	CFO	26-Feb-10
Key Governance Responsibilities: <i>The following tasks/ key governance responsibilities concerning financial & risk management and internal controls, are required by the MFMA to be addressed by the accounting officer:</i>								
There was no clear trail of supporting documentation that was easily available and provided in a timely manner.	Supporting documentation	Management controls over supporting documentation	- Perform a completeness check on all transactions conducted by the municipality through the year to ensure that the required payment vouchers & source documentation is filed; - ensure that the required authorisation has been obtained for the transaction; - ????? VERIFY WITH THE CFO IF THE SAME COMPLETENESS TEST IS NECESSARY FOR ANY OTHER INVESTMENT ACCOUNTS???? - The AFS will be subject to high level review before being submitted to the AG; - The AG will be consulted during the preparation of the AFS; - The AG will be requested to communicate any weaknesses identified with the CFO on a regular basis during their audit.	- Obtain a download of the Bank general ledger account	Not started	Thobeka	Deloitte	29-Jan-10
The AFS were subject to material amendments resulting from the audit.	AFS disclosure	High level review of the AFS & lack of communication from the AG during audit		- Communicate to the AG the need for regular communication with the CFO during the audit	Not started	AG Manager	CFO	30-Jun-10
The Annual Report was not submitted for consideration prior to the tabling of the audit report.	Annual report	Management controls over the Annual Report	- A draft Annual Report will be submitted to the AG by the end of November; - The Annual Report will be submitted to Council by the end of January; - The final Annual Report will be available by 31 March	- The relevant staff to be notified of the deadlines for submission	Not started	CFO	MM	29-Nov-10

Not all key officials were available throughout the audit process.	Staff	Management controls over Staff	5	Not started	HR Manager	MM	30-Apr-10
There was not an audit committee in operation throughout the financial year. Neither did it operate in accordance with approved, written terms of reference. It did not fulfill its responsibilities for the year in section 166 (2) of the MFMA.	Audit committee	Management controls over Internal Controls	n/a	n/a	n/a	MM	n/a
There was not an internal audit function in operation throughout the financial year. Neither did it operate in an approved internal audit plan. It did not fulfill its responsibilities for the year in section 165 (2) of the MFMA.	Internal Audit	Management controls over Internal Controls	2	Not started	HR Manager	CFO	26-Feb-10
There were significant deficiencies in the design and implementation of internal control in financial & risk management.	Control environment	Management controls	1	Not started	Various	Deloitte	05-Feb-10
There were significant deficiencies in the design and implementation of internal control in compliance with applicable laws & regulations.	Control environment	Management controls	1	Not started	Various	Deloitte	05-Feb-10
The information systems were not appropriate to facilitate the preparation of the financial statements.	Information systems	Management controls over technology	1	Not started	SEBATA	CFO	26-Feb-10
There was no risk assessment conducted on a regular basis & no risk management strategy, including a fraud prevention plan, documented & used as set out in section 62(c)(i) of the MFMA.	Internal controls	Management controls over Internal Controls	n/a	n/a	Lukanji CFO	n/a	n/a
There were no Delegations of responsibility in place, as set out in section 79 of the MFMA.	As above	n/a	n/a	n/a	n/a	n/a	n/a
Prior year audit findings have not been substantially addressed.	AG report	Management controls	n/a	n/a	CFO	MM	n/a

<p>- There was a lack of implemented controls & a lack of monitoring & supervision by management, resulting in significant deficiencies in the design & implementation of internal control (i.e. financial, risk assessment & compliance with applicable laws & regulations).</p>		<p>- Long-term: A service provider will be appointed after 30 June 2010 in order to develop a Procedures Manual for the municipality; - Short-term: A checklist will be developed to establish the monthly procedures that need to be followed by personnel in key departments (i.e. Revenue, Debtors, Expenditure, Creditors, VAT, Bank, and other key areas) and the CFO in order to ensure that all the required monthly reconciliations have been performed, the required supporting documentation has been filed and that the necessary review and authorisation has been performed.</p>	<p>- Develop the required checklists</p>	1	Not started	Various	Deloitte	05-Feb-10
<p>- The accounting record system was not adequate to allow for the preparation of the AFS</p>	AFS	As above	n/a	n/a	n/a	n/a	n/a	n/a
<p>- Management has not taken sufficient action to clear all prior year audit findings. There was no audit intervention plan & certain matters were repeated from the prior year.</p>	AG report	As above	n/a	n/a	n/a	n/a	n/a	n/a
<p>- No systems are in place to ensure that non-financial performance is measured and reported on.</p>	AFS	As above	n/a	n/a	n/a	n/a	n/a	n/a
<p>Report on other legal & regulatory requirements</p>								
<p>Report on Performance Information</p>								
<p>In terms of section 121(3)(c) of the MFMA, the annual report must include the annual performance report of the municipality, prepared in accordance with section 46 of the Local Government: Municipal Systems Act, 2000 (Act no 32 of 2000)</p>	Annual report	As above	n/a	n/a	n/a	n/a	n/a	n/a
<p>Non-compliance with regulatory requirements</p>								
<p>Lack of adoption or implementation of a performance management system</p>								
<p>Section 6 of the MFMA requires the municipality to establish, develop and monitor its performance management systems, however the municipality did not collect, record and process information or monitor and report on development priorities and objectives for the performance management systems. As a result key performance indicators had not been set for each of the development priorities and objectives as set out in the IDP.</p>	Performance information	Management controls over performance management	A service provider will be appointed in order to provide advice in this area	- Contact a service provider	1	- A service provider has been contacted. The terms of the agreement must be arranged and agreed upon.		29-Jan-10
<p>Development priorities & objectives of the municipality's IDP are neither consistent with the budget nor clear and concise.</p>	IDP	Management controls over IDP	<p>- The staff tasked with the responsibility of compiling both the IDP and the budget will communicate regularly during the compilation of the IDP and budget to ensure that consensus is reached in all related areas; - A high level review of both the IDP & budget will take place before it is submitted as final; - The review will include a comparison to the budget, and other related documents; - Where required, the help of a service provider will be obtained</p>	<p>- Management is to communicate to all relevant staff the importance of communication with other staff members during the performance of their tasks in order to ensure that consensus is achieved</p>	2	Not started	Charmaine CFO	31-Mar-10

These development priorities and objectives are not measurable.	IDP	Management controls over IDP	<ul style="list-style-type: none"> - A high level review of the IDP will take place before it is submitted as final; - The review will include a comparison to the budget and other related documents; - Where required, the help of a service provider will be obtained 	1	Not started	CFO	CFO	31-Mar-10
Content of Integrated Development Plan (IDP) The deadline dates set in the IDP for several key performance indicators and targets were exceeded. No revisions of due dates or explanations for not meeting the set deadlines were provided.	IDP	Management controls over IDP	<ul style="list-style-type: none"> - The relevant staff will be required to submit a monthly report on the progress of the key performance indicators and targets; - On a monthly basis Management will review the progress reports submitted by staff on the key performance indicators and targets; - Where dates or targets are exceeded, these will either be amended or reasons will be provided & documented 	1	Not started	CFO	Celoitte	05-Feb-10
The Service Delivery & Budget Implementation Plan did not include service delivery targets and performance indicators.	Budget	Management controls over budget	<ul style="list-style-type: none"> - These targets will be supplied where possible; - If necessary, the services of a service provider will be tasked in order to calculate these targets and indicators 	2	Not started	CFO	CFO	31-Mar-10
The following information relating to the IDP was not provided:								
- Minutes of IDP steering committee meetings	IDP	Management controls over IDP	- Minutes of the IDP steering committee meetings will be taken and filed for safekeeping	1	Not started	???	CFO	26-Mar-10
- Evidence that the local community were given 21 days to comment on the draft IDP	IDP	Management controls over IDP	- The relevant evidence/ supporting documentation verifying the fact that the local community were given 21 days to comment on the draft IDP will be filed for safekeeping	1	Not started	???	CFO	26-Mar-10
- Minutes of council meetings where the IDP was approved	IDP	Management controls over IDP	- Minutes of the council meetings will be taken and filed for safekeeping	1	Not started	???	CFO	26-Mar-10
- Evidence that the public was given notice that the IDP was adopted by council	IDP	Management controls over IDP	- The relevant evidence/ supporting documentation, verifying to the public the fact that the IDP was adopted by council, will be filed for safekeeping	1	Not started	???	CFO	26-Mar-10
- Evidence that the IDP was submitted to the MEC	IDP	Management controls over IDP	- The relevant evidence that the IDP was submitted to the MEC will be filed for safekeeping	1	Not started	???	CFO	26-Mar-10
- Minutes of all representative forum meetings held during the financial year	IDP	Management controls over IDP	- Minutes of all representative forum meetings held during the year will be taken and filed for safekeeping	1	Not started	???	CFO	26-Mar-10
Internal Auditing of Performance Measures								

In contravention of section 45 of the MSA, the municipality did not develop and implement mechanisms, systems & processes for auditing the results of performance measurement as part of its internal audit processes.	Internal Audit	Management controls	- An Internal Auditor will be appointed who will be tasked with auditing the results of performance measurement as part of the internal audit process	- Place an advert advertising the position of Internal Audit at the Municipality	2	Not started	HR Manager	CFO	26-Feb-10
Performance information not received									
Performance information was not received for audit purposes as part of the AFS, therefore the reliability could not be audited as part of the AFS.	Performance information	Management controls	- A service provider will be appointed in order to provide advice in this area	- Contact a service provider	1	- A service provider has been contacted. The terms of the agreement must be arranged and agreed upon.	Charmaine	Deloitte	29-Jan-10

AUDIT REPORTS AND CORRECTIVE ACTIONS

The auditing of the financial statements for the period ended 30 June 2009 has commenced and the Report of the Auditor-General of Sakhisizwe Municipality for the Financial Year ended 30 June 2009 is attached hereto – See Chapter 4 **Annexure B.**

Corrective Actions

The Report of the Auditor-General is currently being attended to and appropriate remedial interventions will be processed.

Challenges and general comments

- The successful implementation of the Municipal Finance Management Act (MFMA) over the next three (3) years. Management, senior staff and all Councillors will be trained in the requirements of this Act.
- The implementation and conversion to GRAP has been our challenge and to ensure ongoing training of senior financial staff in terms of implementation - GRAP conversion / implementation was achieved and deadlines met.
- This department would proceed with the implementation of GRAP in meeting of deadlines regard the conversion. Senior financial staff would be sent for training on the practical implementation thereof and if needed the expertise of external service providers would be called upon to assist the department.
- The taxation of rates on all properties and farmland is an exercise that continues to present a challenge and will require extensive consultation and discussions before the implementation can take place.
- Various policies required in terms of new and existing legislation would be reviewed and compiled with before being consulted with management, Council and community stakeholders.
- Training of staff within the Finance Department will continue as will the internship programme with assistance of DBSA (Programme and National Treasury for 2 years)
- Implementation of a comprehensive Information Technology (IT) System to complete and train the employed IT Operator would be required.
The municipality performed asset verification and the itemising all infrastructure as at 30 June 2009. The municipality has assessed, as at 30 June 2009 whether items of property, plant and equipment are impaired. The assets register is now GRAP compliant and existing manual assets register as well as the inventory lists are being computerized by means of bar coding for all movable assets.
- Training has been undertaken in respect of the challenges of the MFMA and new Supply Chain Management regulations, Performance Management and, IT.
- The IDP (Integrated Development Plan) has been reviewed and the SDBIP's (Service Delivery Budget and Implementation Plans) have been developed and assessed as required on a quarterly basis, in order to target and manage performance within the organization.
- Infrastructure development has been a constant challenge from a financial and resource point of view but we remain remains focused, and development has occurred in many areas.
- Our biggest challenge relates to the Audit report. Based on the emphasis of matter (contained within this report), concerns and administrative, governance and financial weaknesses were highlighted and are urgently required to be addressed.

Response to the Auditor General's Report for the period

1 July 2008– 30 June 2009

Purpose

In terms of the Public Audit Act No 25 of 2004 and s121 (3)(g) of the Municipal Finance Management Act, Act No 56 of 2003, it is required that the particulars of any corrective action taken or to be taken in response to issues raised in the audit report, be included within the annual report of the Municipality.

Detailed below are the comments in response to the Auditor-General's Report with specific reference to the numbering as it appears within the Audit Report.

Basis for Disclaimer of Opinion

Sakhisizwe Municipality received a disclaimer of opinion for the 2008-2009 Audit Report. This audit opinion was received due to a number of issues, which will be detailed in the report that follows. An indication of corrective action to be taken will be provided as a response to the issues raised and will be detailed throughout this report. An extremely thorough and specific account of the corrective action to be taken is detailed in the attached audit action plan and for required detail it is imperative that this action plan, attached as Annexure C be read together with this Audit Response Report.

Basis for disclaimer of opinion

Cash and cash equivalents

- 6 Unreconciled differences to the amount of R550 000 between the cash and cash equivalents balance was reflected in note 21 to the Annual Financial Statements.

Formal internal controls and monitoring will be required to be undertaken to ensure that formal reconciliations are done regularly.

Trade and other receivables

7. A lack of updated consumer billing information has drawn into question the figures of R18.2 million as trade and receivables. This amount contradicted receivables figures of R40.9 million and lack of appropriate documentation prevents verification and this therefore could not be rationalized.

Appropriate controls and the financial policy will be required to be enforced in order to resolve these issues.

8. A provision for doubtful debts of R13.7 million is disclosed in note 9 to the annual financial statements. Additionally there was no compliance with GRAP requirements in raising this provision.

Every effort will in future be made to ensure that provisions are dealt with in a GRAP compliant manner.

Value added tax (VAT)

9. A VAT receivable of R1.5 million is reflected in note 7 to the annual financial statements, however this amount cannot be verified and the municipality was unable to provide schedules, calculations and supporting documentation to support this disclosure. Supporting documentation for journal entries totalling R8 million that were processed to the relevant VAT general ledger accounts were also not provided.

It is clear that strict adherence to policy, procedure and systems is required in order to maintain financial reporting and the maintenance and safekeeping of all supporting documentation.

Property, plant and equipment (PPE)

6. Inappropriate allocations of investment property. Property, plant and equipment totalling R51.5 million was disclosed. Upon inspection it became apparent that certain properties were incorrectly disclosed as investment property and additionally property was not verified correctly as per GRAP requirements. These issues can only be remedied by the correct allocation of investment property.

Trade payables

11. Trade payables of R407 000 is included in note 3 to the annual financial statements. No supporting documentation could be provided to support the write-off of creditors totalling R1.9 million. Furthermore, journals to the value of R3 million were processed without adequate supporting documentation. It was therefore not possible to confirm all trade payables at the year end. Internal processes and controls and maintenance of all supporting documentation will be the only way to remedy these issues within the future.

Consumer deposits

12. The lack of an accounting policy or consistent tariffs for consumer deposits has resulted in great difficulties when reconciliation and verification is required. This issue will be addressed through the development and application of an Accounting Policy and specific processes and procedures relating to these areas.

Unspent conditional grants and receipts

Notes 13 -15 illustrated the lack of control regarding unspent conditional grants and receipts. As a result of lack of control and an inability to illustrate detail regarding grants received – reconciliations became extremely unreliable.

Adherence to internal controls and strict reporting will be the only way to remedy these issues.

Commitments

16. No capital commitments were disclosed in notes 25 to the annual financial statements. This issue will be resolved through strict adherence to the Supply Chain Management Procedure and all related tender documents and procedures.

Leases

17. Notes 17 and 18 refer to a number of issues relating to disclosure of financial leases. When disclosed, in certain instances supporting documentation was lacking and in other instances finance leases were incorrectly referred to as operating leases. These inconsistencies will be resolved through strict adherence to reporting protocol.

Accumulated surplus

19. Failure to provide supporting documentation to verify accumulated surpluses results in information that cannot be verified. In future, documentation provision will be possible.

Revenue

In respect of revenue, the following items were highlighted as having inaccurate and non-substantiated information, which effectively resulted in inaccurate representations within the financial statements.

- Item 20: Rates
- Item 22: Interest on arrears
- Item 21: Service Charges (revenue from water, electricity, refuse and sanitation)
- Item 23: Government Grants and Subsidies

No documentary evidence could be provided to support fluctuations in the recording of monthly water, electricity, refuse or sanitation services revenue figures. Similarly no evidence was provided to detail the inconsistencies between the number of consumers charged in respect of these services and the monthly billings. Meter readings were inconsistently taken and were found to be contrary to the accounting records. Service Level Agreements governing the agency relationship with the District Municipality could also not be provided regarding the sale of water on the municipalities' behalf.

In terms of these service charges and aside from internal recording mechanism deficiencies and the lack of internal controls, the following as per the Audit Plan will be undertaken :

- Water & sanitation claims from Chris Hani District Municipality was reviewed and more than R5Million was recovered during 2007/2008 and in 2008/2009 – R 4.5 Million was recovered but R 1.8 Million remains outstanding
- This activity and achievement enabled outstanding amounts owing to creditors to be settled for the year ending June 2009.

Large discrepancies were found within the disclosure of Government Grants and Subsidies – Government Grants to the amount of R28.3 million were allegedly provided. Reconciliations

and explanations could not validate this, and reporting policies and controls will be required to remedy this situation and to maintain required data and records.

Expenditure

As per note 24, payment vouchers and source documents for R3,4 million of the R20,6 million in respect of general expenses could not be verified. The Audit finding for this area clearly shows that expenditure is not clearly recorded and in all areas of expenditure, this detail cannot be accurately provided in order to validate and confirm expenditure reporting within the annual financial statements. Current expenditure was incorrectly recorded as capital expenditure and the like.

Detailed reporting as per financial policy and procedure prescripts will be recorded and provided in future.

Irregular Expenditure

Irregular expenditure to the value of R13.7 million was not disclosed in the AFS this was directly due to procurement processes. Procurement will hereafter be followed to the letter. Irregular salary payments, and overtime payments will also need to be addressed through standard record keeping and reporting controls and compliance with related systems.

Employee costs and remuneration of councillors

26. Employee costs of R12.4 million were disclosed in note 12 to the annual financial statements. No reconciliation between the payroll system of the municipality and its general ledger system could be provided. Additional audit procedures to reconcile the respective balances of these systems were not successful. Journals in respect of employee cost amounting to R14.6 million were also processed without adequate supporting documentation. Internal control systems and recording procedures are required to be strictly controlled.

Financial instruments

27. The municipality did not to comply with the provisions of the International Accounting Standards (IAS) 32 and 39 in respect of the disclosure, recognition and measurement of financial instruments. Due to a lack of documentation it was not possible to assess the impact of this non-disclosure on the financial statements. Furthermore, the municipality did not disclose any items required by the International Financial Reporting Standard (IFRS) 7, either in the statement of financial position or in the notes to the annual financial statements. Compliance issues will be required to be resolved within the new financial year.

Disclaimer of opinion

28. The matters described as the basis for the disclaimer opinion have shown the lack of documentary evidence to substantiate the Annual Financial Statements and as a result the AG does not have sufficient evidence to be able to provide a basis for an audit opinion nor an opinion on the Annual Financial Statements.

Emphasis of matter

Attention is drawn to the areas where the AG does not express a disclaimer of opinion and these are reflected hereafter:

Unauthorised expenditure

29. Disclosed in note 23.1 to the annual financial statements is unauthorised expenditure of R13.4 million that was incurred as sufficient monitoring did not take place to ensure that actual expenditure exceeded the approved budget. Unauthorised expenditure will not be condoned and strict controls will be developed to prevent this.

Other matters

Unaudited supplementary schedules

30. The supplementary information set out on pages 32 to 35 were not included in the financial statements and is presented as additional information. These have not been audited and accordingly no opinion regarding these was expressed.

Non-compliance with applicable legislation

There have been many areas of non-compliance and these relate to :

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

As per note 31, the following sections of the MFMA were not complied with :

S79 (Delegation of Responsibilities) These will be remedied as per the Audit Plan.

Matters of governance

The following governance areas require suitable action:

Note .32 indicates that a number of Control deficiencies exist and must be rectified, which will be done in the new financial year.

The table below details the basis for the disclaimer received:

Internal control deficiencies

33. 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 these deficiencies in the system of internal control, which led to the disclaimer of 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.

Par. no.	Basis for disclaimer of opinion	CE	RA	CA	IC	M
8	Cash and cash equivalents			3		
9 & 11	Trade and other receivables			3		
10	Trade and other receivables - Journals	5				
12	Trade and other receivables - Doubtful debts	7				
13	Revenue	5		3		
14	Interest on arrears	5				
16	DoRA reconciliations	5				
17	VAT	7		3		
18	PPE and investment properties	7		6		
19	PPE — Journals	5				
20	Trade payables	5				
21	Consumer deposits			3		
22	Unspent conditional grants and receipts	5		3		
23	Unspent conditional grants and receipts	7				
25	Commitments	7		6		
26	Leases	7		3		
27	Accumulated surplus	7		5		
29	Expenditure	5		3		
30	Expenditure — classification	7		5		
31	Irregular expenditure	7		3		

These issues will be addressed as per the attached Audit Plan.

Control environment

34. Management did not establish and maintain an environment throughout the municipality that was supportive of internal control and this resulted in incorrect reporting. This will be addressed through Audit Action Plan.
35. The non-submission of documentation and information was continuously brought to the attention of management. This was mainly due to deficiencies that existed in the filing and archiving system.
36. Capacitation of staff has led to inaccurate functioning and this will be addressed via mentorship and skills training.

Control activities

37. Manual or automated controls were often not found in the municipality's systems. These deficiencies were also not addressed even though they have often been raised in prior audit reports. Policy and procedure frameworks have not been created and implemented for all major accounting cycles.

Proposed solutions to both environments have been incorporated into the Audit Plan. These are summarised as follows:

- The organisational structure does not address areas of responsibility and lines of reporting to support effective control over financial reporting
- Management and staff are not assigned appropriate levels of authority and responsibility to facilitate control over financial reporting
- Human resource policies do not facilitate effective recruitment and training, disciplining and supervision of personnel
- Integrity and ethical values have not been developed and are not understood to set the standard for financial reporting
- The accounting officer/accounting authority to exercise oversight responsibility over financial reporting and internal control
- Management's philosophy and operating style to promote effective control over financial reporting.
- Individuals are required to be competent in financial reporting and related matters – addressed through skills training.
- Segregation of duties to prevent fraudulent data and asset misappropriation.
- General information technology controls to maintain the integrity of the information system and the security of the data
- Manual or automated controls are not designed to ensure that the transactions have occurred, are authorised, and are completely and accurately processed
- Actions to be taken to address risks to the achievement of financial reporting objectives.
- Control activities are not selected and developed to mitigate risks over financial reporting
- Policies and procedures relating to financial reporting are not established and communicated
- Realistic targets for financial performance measures, which are in turn not linked to an effective reward system

Key Governance Responsibilities

Matter

A clear train of supporting documentation that is easily available and provided in a timely manner

It is clearly evident that supporting documentation was not available for verification.

Through improved internal controls this will be required to be addressed within the new financial year.

Quality of financial statements and related management information

Notes 2-3 reflect that the financial statements will be required to be amended as per the audit report and the Annual Report was not submitted prior to the tabling of the Auditor's Report.

It is our commitment to ensure that timeframes are met and at this point to minimize amendments to the financial statements.

Availability of key officials during audit

The unavailability of key officials to assist with the audit has made this process more difficult and it is the intention of the organization to ensure that this is managed as an area of priority.

Development and compliance with Risk Management, effective internal controls and government practices

Notes 6-12 illustrate very clearly the need for an internal audit function that operates in terms of the audit plan, and functions and complies with all terms of reference. These are areas that will be easily set up and must then be carefully controlled.

Internal audit controls must be effectively and correctly designed and implemented in order to safeguard against financial and risk management and to ensure legislative compliance with applicable laws and regulations.

Accordingly it is also required that risk assessments are regularly conducted, in keeping with a Risk Management Strategy which includes a Fraud Prevention Plan. Additionally, Delegations of Responsibility are required to be developed and implemented.

Follow up of audit functions

As the previous years audit functions have not been adequately addressed it will be required that this become a priority for future.

Issues relating to the reporting of performance information

Notes 15-18 bear specific reference to the inadequate manner in which information systems provide updated, correct, accurate and easily available performance information for reporting purposes. Clearly every effort will have to be made to address this as a matter of great urgency as the SDBIP quarterly reporting directly deals with the issues relating to designated projects and work located within all departments.

A strategic plan will be required to be completed for the period under review annually in order to establish targets and inform the budget and project related data.

It is in respect of the application of a Performance Management System that we beg to differ with the information provided by the Auditor-General.

In keeping with policy, efforts have been made to ensure application of this system to the designated 57 Managers. Performance Agreements, Scorecards and assessments are conducted as required and it is merely refinement of this process that needs to occur --- as per any standard review and update.

As per note 39 it is acknowledged that controls within Sakhisizwe do not adequately support sound governance and accountability. The following issues will in future be adhered to as per the Audit Action Plan:

- All information presented timeously for audit purposes and management;
- The Management will present a copy of the Annual Report prior to the issuing of this report and senior management staff will ensure that they are readily available
- Financial reporting will be monitored at every level as per the Audit Plan and we have to acknowledge that we are GRAP compliance although this is not adequately reflected in the AG Report.
- The Fraud Plan and Risk Assessment (to support the Risk Management Strategy) will be conducted
- The internal audit section will be created and staffed
- The Municipality will continue to ensure that they make use of a shared audit committee to manage these issues.
- Internal controls will be improved through the design and implementation of controls re-finance, risk assessment and legislative compliance.
- The accounting record system will be improved in order to improve reporting used in the AFS
- All outstanding audit issues from the previous report will be remedied by an agreed date.
- Systems to ensure the measurement of non-financial performance will be measured and reported on.

Non-compliance with Regulatory Requirements

45. Lack of adoption of Performance Management System, as already indicated, application of this system is underway.

It is disputed that a Performance Management System does not exist – this has been clearly highlighted.

Key performance indicators have been set for each of the development priorities and objectives as set out in the integrated development plan. Development

priorities and objectives of the municipality's integrated development plan are consistent with the budget although targets could be more concise. Attention will be paid to setting more measurable objectives.

Content of integrated development plan (IDP)

In terms of notes 46-48 the following areas of compliance are required:

- Deadlines re – IDP and setting targets that will be met.
- The 2008-09 Service Delivery and Budget Implementation Plan will include service delivery targets and performance indicators.
- The following information will be included:
 - Minutes of IDP steering committee meetings
 - Evidence that the local community were given 21 days to comment on the draft IDP
 - Minutes of council meetings where the 2008-09 IDP was approved
 - Evidence that the public was given notice that IDP was adopted by council
 - Evidence that the 2008-09 IDP was submitted to the MEC
 - Minutes of all representative forum meetings held during the 2008- 09 financial year

Internal auditing of performance measurements

As per note 49, mechanisms and systems will be put in place to ensure the auditing of the results of performance assessments as per Performance Management Policy.

Conclusion

As already indicated it is critical that efforts are in place to ensure that financial and internal controls are available not just in terms of legislative compliance but in order to ensure the ongoing financial health of the organization.

Strict adherence to the recommendations contained within the AG's Report, our Response and the Audit Action Plan will ensure that Sakhisizwe moves forward as an organization with sound policies and controls and with full compliance on all fronts.

CHAPTER 5.

FUNCTIONAL AREAS SERVICE DELIVERY



5.1. IPED DEPARTMENT



***DEPARTMENTAL MANAGER: S57: IPED
N SALENI***

Each function will be examined within its respective section, as follows:

The IPED Services Department is responsible for the following:

KEY FOCUS AREAS

- Local Economic Development
- Implementation and facilitation of IDP Projects
- Effective monitoring of IDP Projects
- Housing
- Agricultural and rural development
- Tourism
- Libraries
- Traffic Management: Law enforcement and Testing Station in the absence of Community Services Manager (post remained vacant for more than three years).
- Waste/refuse management
- Parks & Public Open Space (Commonages/Pounds)
- Sportsfields
- Cemeteries

IDP Project

Management, reporting on all IDP and other agency-related projects.

Objectives

- Development of Departmental Service Delivery, Budget and Implementation – (Ensure SDBIP are linked to IDP)
- Input into development and annual review
- Public participation
- Involvement of internal and external role-players in the IDP review process - improving
- Continuous improvement of IDP process – co-ordination and integration
- Monitoring, supporting and reporting on the implementation process

IDP Projects

- Existing projects have continued under the year under review – no new projects were implemented during the year under review due to financial constraints
- Funding constraints remain to be a challenge – no budget provided for the review of the IDP and related processes

HOUSING (Projects) Housing function is now Administered and Funded by DPLG Sakhisizwe are only required to facilitate certain processes and to provide land for some developments

Objectives

- Facilitate access to adequate housing – allocation of Land, facilitate transfer issues land SMME grouping /emerging contractors benefits from the projects
- Elliot Pholar Park (Ward 1 and 2) – 800 houses – R20 Million allocated, 300 completed
- Sakhisizwe Housing Extension – Wards 13,14 and 15 – R50 Million allocated – 5000 units completed - further development and progress administered by DPLG.

Challenges and general comments

- Housing of the poor is an area of concern – virtually every town, settlement or village is faced with a shortage in low-cost housing. The following are the gaps that still need to be bridged in terms of housing provision.

Ward 1	1200 houses
Ward 2	800 houses
Ward 3	1000 houses
Ward 4	1725 houses
Ward 5	800 houses
Ward 6	2050 houses
Ward 7	1000 houses

Total housing backlog is estimated to be 4250.

- Allocation of beneficiaries – established database and handed over houses to small number of beneficiaries (no statistics/record of number of beneficiaries provided on same)
- Funding constraints – securing funds
- Slow progress by developers /funders

- Problems with contractor and shortage of materials
- Availability of land – slow land identification and development
- Lack of capacity
- Limited capacity for services (bulk services)
- Poor access roads
- HIV/AIDS crisis

LOCAL ECONOMIC DEVELOPMENT, TOURISM AND AGRICULTURE

Background

Responsible for all activities associated with economic development activities. This section is responsible for :

- Organizing meetings and workshops involving economic development, planning organizations and SMME's (e.g. training and lending organizations). Explore possible access support from various funding windows – form partnerships at district level and with European Union and NGO's.
- Analyzing and reviewing all By-Laws or legislation, which appears to retard or promote economic growth and development.
- Analyzing land accessibility, availability and infrastructure in order to discover the most appropriate areas in which to drive the concept of economic development.
- Developing strategies through research studies within similar framework, to ensure programmes success.
- Developing action plans to ensure programmes success.
- Interacting with community forums to promote SMME development
- Formulating an informal trading policy and promoting trading facilities
- To ensure enhancement of Tourism potential
- SMME database profiles are developed and maintained

Strategic objectives

- Plan to form Section 21 Company (LED related)
- Identify stakeholders
- Link LED plans with Tourism programmes
- SMME development
- Capacity building – enhance forming skills – enhance capacity of LTO's
- LED strategy and Tourism strategy – Not done
- Facilitating and promoting investments and lobby for funds
- Mobilizing development stakeholders and marketing the Municipal area
- Collecting development information and research
- Establish Tourism Information Centres
- Establish Arts and Culture Centres
- Diversify agricultural activities/commodity production
- Integrate tourism, agriculture, SMME and IDP
- 45% of arable land under resuscitation – programme to promote economic activity
- To position the municipal area within the market on citrus farming
- Develop architectural development plan
- Capacity Building

- Develop irrigation schemes
- Majority of projects are funded by the Chris HANI district Municipality and during 2008/2009 28 Nguni Bulls per ward, per village are planned IDP project for 2008/2009 a costs of one million rand
- Two shearing sheds have been built – one in Zikhonkwane – ward 3 at a costs of R 500 000 and one in upper Indwana - ward 7 at a costs of R 500 000. The shearing sheds are built as per the number of bails produced during the sheering season.
- Cala Abattoir this project has made no progress for the past three years. The CHDM is the developer and “owner of the project – a signed agreement between CHDM and Ntinga Ntaka (partner) - one million has been allocated to finalize the building of the Abattoir.
- Sakhisizwe Greening project: The project covers the installation of refuse bins, greening of towns and improvement of Thompson Dam --seven million has been approved from DEAT .The consultant has advised that the contractor would be on site by January 2009. This project has taken time to implement and it hoped that progress will be made during 2008/2009 financial year
- The municipality have partnered with DBSA and employed a service provider to develop a tourism sector plan, it was planned that this plan was to be completed in the 2007/2008 financial year – this has however, not occurred in the 2008/2009/ financial either. The service provider appointed does infact not have the capacity to develop the plan and it hoped that measures will be put in place address this with the service provider. It planned to complete tourism sector plan during the 2009/2010 financial year.

Challenges

- Funding constraints have prevented the implementation of any new projects.
- Staff shortages in the IPED department – the s57 Manager is required to manage strategic functions of the department and staff are shared with the Technical department.
- The appointment of an LED Officer requires urgent attention and has now become critical - as it is affecting the functioning of the LED section
- Service provider appointed to develop the tourism sector plan does not have the capacity and has failed to meet required deadlines for development of tourism sector plan.

Traffic and related functions: Law Enforcement & Testing Station

Ensuring that Road Traffic Act and related functions are performed according to strict policy and adherence to legislation.

Objectives 2008/2009

- Increase Roadworthy's
- Increased learner drivers licenses by 20%.
- Law Enforcement focus and drives to educate public
- To ensure signage is compliant in the municipal area
- Promote Road and Safety Campaigns
- To maintain traffic signs and street signs
- Improve infrastructure and capacity at the testing station

General Comments

- Satus Quo remains in such division
- Statistics could only be provided for 2007/2008 FY as follows:
- Roadworthy's – vehicles (including trailers) – 120 processed. Buses – 6 processed and goods vehicles – 9 processed
- Learner license figures escalated
- Drivers license issues increased
- Shortage of staff impacts on ability to perform law enforcement function
- Infrastructure
- Funding constraints
- Lack of management and control
- No standing orders and procedures in place
- Recording keeping filling not done
- No reliable statics could be obtained for 2008/2009 financial year
- Serious intervention required

MOTOR VEHICLE LICENSING

Apart from the roadworthy's driver's licenses, etc, performed at the Grade A Traffic Test Station situated in Elliot, the NATIS motor vehicle registration facility service is also rendered by Council on an agency basis for the Department of Transport in Elliot. Plans are in place to extend and upgrade this facility.

eNaTIS MOTOR VEHICLE LICENSING

The Key Performance Indicators set are :

- Avail facilities for the licensing of motor vehicles
- Maintain and perform National Traffic Information System (NATIS) on behalf of the Department of Transport
- Train staff to operate NATIS System

Challenges and general comments

- Infrastructure and equipment shortages
- Training of staff on NATIS

LIBRARIES

- The strategic objective of this function is the provision of reading and study material and to promote reading amongst the youth.

Section Objectives (2008/2009)

- Maintenance of the library buildings at Elliot and Cala and the supply of library materials.
- Establishment library committees and promotion partnership with DSRAC.
- Promotion of and participation in the library week activities scheduled.
- Acquisition of equipment for the libraries.
- Installation of alarm systems within the libraries

Challenges and general comments

- Receipt of Government subsidy allowed for purchase of library materials.
- Libraries in both Elliot and Cala have been improved by DSRAC.
- Elliot library is currently under renovation.
- As part of a capacity building programme an intern has been appointed for a period of three years in the Cala Library.
- CCTV Camera have been installed

Nature and extent of facilities provided

- Elliot 1 facility – users not determined
- Cala 1 facility – users not determined

COMMUNITY HALLS

The overriding objectives of this function are to provide new multi-purpose facilities within the rural areas and to ensure that existing facilities are maintained.

Section objectives (2008/2009)

1. Upgrade and maintain existing halls and municipal buildings
2. Upgrading and construction of schools
4. Upgrading and construction of schools
5. Provide standard Community Halls in all 7 Wards
7. Rehabilitation of Town Hall and Municipal Manager's residence
8. Upgrade pre-school facilities
9. Establish ABET Centres in each Ward

Nature and extent of facilities (Community Halls) provided :

- Elliot 2
- Cala 1

HEALTH/HIV/AIDS

Background

The service is responsible for the provision of clinic services at the three (3) Clinics in Elliot.

The function for the provision of community health clinics within the municipality is administered as follows and includes :

- Agency relationships with the Provincial Department of Health of the Eastern Cape
- Unit management including in-service training to staff
- Report on daily activities
- Monthly reports/statistics
- Quarterly TB statistics

The overall objectives of this function are to ensure a healthy environment and that primary health services and facilities are available.

Strategic Objectives

- To expand and improve the Health Care Services Comprehensive Integrated Health Care Service
- Ensure optimal primary health for all citizens, ensuring they reach all areas and inhabitants
- Investing in the training of staff in order to ensure development of skills, thereby contributing to quality in service delivery
- Regular HIV/AIDS forum meetings and provision HIV/AIDS Awareness Training, counseling and implementing HIV/AIDS programme and campaigns.
- Training of HIV/AIDS peer educators
- Development of HIV/AIDS Policy in the workplace.
- Water quality monitoring program
- Inspection of business premises to ensure food preparation is done within health requirements
- Establishment of Health Committees
- Health Promotion Programmes

Challenges and general comments

- Shortage of qualified clinic staff
- HIV /AIDS Co – ordinator appointed
- Shortage of equipment and resources
- Shortage of medicines
- Buildings require rehabilitation
- Lack of reliable statistics
- 5000 + per month patients attended to at the 3 Clinics in Elliot Inadequate funding
- The department has built three new clinics in Sakhisizwe Municipal Area – this will improve service delivery in respect of Health.
- **IDP planned & funded SPU related projects for 2008/2009 FY – R 200 000 Funding Source Sector Department: social Development (Projects relate to Early childhood Development & HIV /Aids)**

CEMETERIES

The overall objectives of this function are to provide and control burials within the framework of the Health Act and ensure provision of adequate cemeteries.

Strategic objectives (2008/2009)

- Development of cemeteries within Sakhisizwe Municipal area
- Rehabilitation of cemetery at Pholar Park and Hillview area
- Control and maintenance of statistical burial records
- Pauper burial policy to be established
- Control of illegal burials
- Security and fencing of cemeteries

Nature and extent of facilities provided

- Cala 2 Facilities
- Hillview 1 Facility
- Old Location 1 Facility
- Elliot (town) 1 Facility

Challenges and general comments

- Elliot cemeteries at full capacity
- Cala cemetery - 90% capacity
- 2000 burials a year
- Lack of available land – requires identification
- Statistics reveal 106 burials are legal, 90% are illegal
- Tariff structure differ – requires review
- No proper statistics/recording in place

SPORT AND RECREATION FACILITIES

The overall objectives of this function are to provide basic sport and recreation facilities within the whole of Sakhisizwe Municipality.

Strategic Objectives (2008/2009)

- Establish sufficient social and recreational facilities
- Development and maintenance and administration of facilities
- Fencing and security of facilities

Nature and extent of facilities provided

- Elliot 1 Facility (utilised weekly)
- Cala 1 Facility in Cala with indoor facilities
- 10 Planned new sportsfields
- Caravan facilities sub standard
- Shortage of staff
- No statistics of facility use

- Traffic structure reviewed
- Maintenance not performed regularly to facilities maintenance plan

PARKS AND PUBLIC OPEN SPACES

The overall objectives of this function are to provide and maintain parks and open spaces creating a pleasant environment for the communities.

Strategic Objectives (2008/2009)

- Renovations of the caravan park in Elliot
- Planting and pruning of the trees along municipal streets within Sakhisizwe according to schedule – planting trees in are prone to disaster
- Regular cutting of grass on sidewalks, cemeteries, sportsfields and open spaces as per schedules (Jan – April) and (Sept – Dec).
- Obtaining funding needed for planting trees and flowers (budget)

Challenges and general comments

- Function not managed and co-ordinated – housed in incorrect department – no control – partially in IPED, partially Technical
- Shortage of staff – shared with Technical services
- Lack of equipment and funding - affecting service delivery.

COMMONAGES AND POUNDS

The overall objectives of this function are to manage commonages within Sakhisizwe Municipality and to extend the commonage behind Ext 8 to 12 in Cala and to maintain the pounds.

Strategic objectives (2008/2009)

- Negotiate with small farmers
- Fencing of commonages and pounds – fencing Cala remains a challenge and Fencing in Elliot is ageing
- Containment of stray animals
- Review/Revisit tariff structure
- Curb overtime

WASTE MANAGEMENT: SOLID WASTE AND REFUSE

The overall objectives of this function are to provide an effective, efficient and affordable service to the communities within Sakhisizwe.

This service is responsible for refuse removals, solid waste disposal, landfill and street cleaning in the towns within Sakhisizwe Municipality.

The refuse collection functions of the Municipality are administered as follows and include :

- Daily refuse removal in Cala (according to schedule)

- Weekly household refuse removals and daily business removals
- Daily cleaning of streets with the assistance of volunteers working in three towns
- Maintaining and opening of furrows and culverts on regular basis
- The management of the waste disposal site in accordance with prescribed Rules and Regulations

Strategic objectives

- Engage Sectoral Departments
- To obtain a feasibility study for a refuse site
- The management of the solid waste sites within prescribed guidelines
- Regular refuse removals
- Daily clearing of litter in streets
- Purchasing of vehicles for waste
- Register solid waste sites – obtain permits for sites
- Develop waste management plan
- Waste minimization education
- Fencing of sites
- Revise Waste By-Law
- Recycling facilities
- Waste minimization Education Programmes
- Formalize integrated environmental management plan
- Develop functional solid waste site at Cala

Nature and extent of facilities provided

Number of households receiving regular removal services and frequency and cost of services
4700: R 1, 86,3 000 (Operating expenditure by vote)

- Removed commercial and residential arrears at least once a week – 4700

Free Basic Services Provision

- Quantity (number of households affected):4700

Challenges and general comments

- Solid waste site not fully operational – functions are shared between IPED & Technical Manager
- No waste Management Plan
- Illegal dumping
- Shortage of vehicles and Financial constraints
- No waste minimization education programmes
- Lack of staff – lack control over refuse collection
- No recycling facilities
- Insufficient refuse receptacles in CBD
- Formalize Environmental Management Plan
- EHO is seconded through CHDM to enforce cleanliness of premises
- Job Creation: appointment of +-40 casual participants to assist with clean up campaigns

5.2. CORPORATE SERVICES DEPARTMENT



**DEPARTMENTAL MANAGER: S57
N MAZWAYI**

The Corporate Services Department is responsible for the following:

KEY FOCUS AREAS :

- Human Resources
- Labour Relations
- Skills Development
- Employment Equity
- Occupational Health & Safety
- General Administration
- Transport Management
- Performance Management System (assists the Office of the MM)

Human Resources

Human Resources : Benefit Administration
 Recruitment & Selection
 Organisational Development and Structure
 Staff Provisioning
 Employee Assistance Programme
 Policy Development

Objectives (2008/2009)

- Development of Procedure Manuals and Policies
- Skills Audit/needs analysis conducted – conducted - Achieved.

- Annual updates on Skills Audit/needs analysis to conducted
- Workshop and train staff on procedure manuals and policies
- Effective and efficient implementation of recruitment and selection processes and procedures
- Develop strategies to deal with scarcity of skills and retention of skilled employees
- Reviewed organizational structure so that it is aligned to the IDP
- Complete submission of job descriptions to the PJEC for evaluation – Achieved outcomes report received.
- Educate all supervisors as to the Employee Assistance Programme
- Strengthening of internal campaign to educate employees re HIV/AIDS and develop a HIV /Aids Policy - HIV /AIDS co – ordinator appointed and committee established.
- Updating procedures and policies and workshopping these to Council prior to adoption
- Report and submit approved Employment Equity Plan to Employment Equity Registry by 1 October 2009 – complied with.
- Workplace skills plan and bi - annual implementation report submitted to LGWSETA – achieved.
- Implement electronic (HR System and document management system) (specifically linked to payroll and leave administration) – assistance provided to Corporate Services Department from Budget & Treasury Department - still to be achieved
- Implement electronic leave management system on SEBATA - assistance provided to Corporate Services Department form Budget & Treasury Department – still to be achieved
- Provided access on SEBATA system to administer and capture leave and access to various enquiry screens for payroll administration – requires urgent as it has financial implications for Council.

Labour Relations

Strategy 2008/2009

- Ensuring the implementation of Labour Relations Policy and practices in a manner, which is just and fair.
- Create understanding and facilitate employer-employee relationship to resolve disputes and to create a conducive environment.

Labour Relations – General comments and challenges.

- 1 grievance cases
- 2 cases of theft
- 1 Dismissal
- 85 dismissal illegal strike – reinstated
- Capacity of senior staff/Supervisory in implementing Policy
- Staff not following policy

- Focus on developing and growing the capacity of staff from within this section

Skills Development and Employment Equity

This function ensures the planning and execution of skills development by ensuring that the Workplace Skills Plan is implemented.

Objectives 2008/2009

- Workplace Skills Plan 2008/2009
- Submission of Implementation Plan (June and September 2009)
- To implement internship and in-service programme and appoint Interns on an annual basis
- Develop and implement ABET programme
- Implement planned Training programmes
- Employment Equity Plan to be developed
- Employment Equity report to be submitted (in required, legislated format)
- Analysis report of gaps in plan
- Create required infrastructure, support and understanding of Employment Equity
- The following Training programmes were conducted:

Training Intervention	Number of beneficiaries
Finance	5
Supply Chain	3
Office Administration	1
Report Writing and minute taking	2
HR course	1
Councillors	13

Interventions	
Media essential tools	1
Certificate programme in management development	1
IDP	13

Interventions are ongoing and continued during 2008/2009

- SDF was appointed during the year under review and skills audit and needs analysis was conducted by appointed consultants.

General Comments

- Several Tertiary Institution Students were assisted with In-Service Training/learning opportunities
- Challenges in ongoing commitment to ensure attendance of ABET classes
- Training delivery well received
- Councillors continue to attend SALGA Workshops at various times – relevant to their portfolios and relevant to related Budget Policy Investment Policy and Tariff policies.
- Councillors trained and workshopped on financial policies.

- Sakhisizwe Municipality does have an Employment Equity Plan in place and has complied with progress reporting. Employment Equity reports have been submitted to the Local Labour Forum, Management and Council and same was submitted to the Employment Equity Registry.

Occupational Health & Safety

Ensuring compliance with the Occupational Health and Safety Act.

Objectives 2008/2009

- Monitor usage of safety equipment
- Health & Safety Committee Meeting as scheduled
- Inspection reports are submitted monthly

Challenges

- Further training in all aspects of OHS
- Ensuring that safety compliance occurs e.g. wearing safety equipment
- Ensuring safety representatives perform monthly inspection and reports are issued
- Risk analysis is done

General Administration

To ensure that the archives function is effectively and correctly managed.

Objectives 2008/2009

- Application for disposal for outdated archives
- Obtain additional space to store security cabinets
- Submit reviewed filing system to Provincial Archives
- Improve efficiency and effectiveness of Council agendas and minute taking processes

Challenges

- Records Management System is outdated and not up to standard and has deteriorated. This has posed a danger to organization insofar as institutional memory is concerned.
- No progress with Electronic Document System - Corporate Service Function
- Capacity of the staff member placed in this strategic position requires capacity development

Performance Management (Managed by the Municipal Manager's Office with assistance of Corporate Services)

To ensure that a performance management system is applied at all designated areas and within service delivery mechanisms, as per legislative requirements.

Objectives 2008/2009

- Performance Management System to be implemented effectively from top to middle management
- Implement PMS Policy
- Introduction and implementation of Service Delivery and Budget Implementation Plans of desired quality.
- Establish an independent performance audit committee to assess performance of Managers

Challenges and General Comments

- The regulated PMS system was introduced and piloted; it was only affected for top management – 57 Managers. – further customization is required (scorecards and the like)
- Scorecards were aligned to Service Delivery and Implementation Plan and scorecards were aligned to national indicators.
- SDBIP structure requires review (formatted to include national indicators and performance service delivery targets so as to ensure that populated scorecards are aligned to same)
- Capacity of and financial constraints remain a challenge.
- Review and further customization of the system.
- Phasing in of the system required
- PMS Policy developed, workshopped and approved – communication strategy and training required at all levels
- Annual PMS evaluations conducted
- Quarterly evaluations not conducted – no PDP's in place
- Annual PMS Reporting complied with in relation to annual performance evaluations of 57 Managers - compliance issues require attention.
- No formal auditing on PMS evaluation results undertaken

Corporate Governance

Ensuring that governance issues are processed correctly internally.

Objectives 2008/2009

- Review of By-Laws
- Establish Internal Audit Committee – not established
- Remuneration Policy – established
- Fraud Prevention Policy – not developed - Fraud Prevention Policy to be developed
- Establish Register of Interest – Developed
- Internal Audit Committee not established. Negotiations with CHDM to share function
- Capacity and funding constraints

General comments and challenges

- Satus quo remains - Eleven By-Laws reviewed and developed. Seven have been gazetted.
- Ward Committee established and functioning received training. CDW's in each Ward

Transport/Fleet Management

Ensuring the provision of transport and a well-maintained roadworthy Municipal fleet – enabling service delivery.

Objectives

- Provision of roadworthy and well maintained vehicles
- Optimizing vehicle availability by efficient monitoring – serving, repairs and vehicle replacements and fleet/transport administration
- Develop Fleet Management Policy

General comments and challenges

- Fleet Management Policy in place – implemented
- Capacity of staff member appointed to position
- All passenger vehicles damaged in hailstorm not roadworthy – resultant effect on service delivery – vehicles not maintained regularly
- Driver education – no monitoring mechanism in place
- Ageing Municipal fleet

5.3. TECHNICAL SERVICES



DEPARTMENTAL MANAGER: S57: TECHNICAL X MNTONINTSHI

Objective

The overall objective of the Technical Services Department is to supply efficient, effective and economical services to the community, which it serves.

Key Focus Areas

- Electricity distribution – licensed areas only
- Street lighting
- Roads construction and maintenance – municipal and access roads
- Stormwater and pavement construction
- Town Planning – Building control, zonings, consolidations, sub-division, spatial development
- Municipal Planning – Integrated Development Planning and other planning in conjunction with various departments
- Water Provision – bulk, treatment and reticulation
- Sanitation – Sewerage removal and treatment

The provision of water and sanitation services is in the urban areas only, as a Water Services Provider appointed until June 2006 by the CHDM District Municipality, who are the Water Services Authority.

The department is responsible for the ongoing operation and maintenance of the above services, as well as capital projects undertaken. It should, however, be noted that water and sanitation capital projects fall under the CHDM District Municipality.

The IDP review was completed and adopted within legislative requirements - no new IDP projects were implemented during 2007/2008 financial year.

FUNDING

The operation and maintenance costs are funded through the Municipalities internal funding, which is derived from service charges, equitable share allocation under the Division of Revenue Act and Rates and Taxes. Capital Projects are undertaken with internal resources and Municipal Infrastructure Grants (MIG conditional grants).

The following projects have been registered with MIG in 2007/2008 and carried over to into the 2008/2009 financial year:

PROJECT	DATE	VALUE
Cala Grave Roads and Stormwater	10-09-2007	4,161,174.77
Masibambane and old location construction of grave	03-10-2007	2,649,402.58
Maxhongo Hoek Access Road Ward 2E	14-11-2007	6,384,026.38
Cala Gravel Roads and Stormwater Phase 2	14-11-2007	739,455.00
Upper Lufuta/Rolwest St., Phillips Access Road	14-11-2007	6,255,000.00
Xonya to Macangceni Access Road	12-11-2008	1,765,947.11
Bhobho Access Road	12-11-2008	17,456,344.00
Bestekraal Access Road	12-11-2008	2,295,675.00
Cala Reserve Community Hall, Ward 4	12-11-2008	2,073,511.00
Cala Pass Community Hall, Ward 3	21-11-2008	861,840.00
Old Township Community Hall, Ward 2	21-11-2008	4,458,309.00
Polar Park Community Hall, Ward 1	21-11-2008	1,106,584.00
Mbhenge Access Road	21-11-2008	2,962,894.62
Kuthule Access Road	12-11-2008	1,284,052.00
Ndum-Ndum Access Road	21-11-2008	2,000,000.00
Mjikelo Access Road	08-12-2008	4,414,999.42
Gareni to Upper Mnxe Access Road	12-06-2009	1,500,000.00
Roma Spafeni Access Road	16-12-2008	6,000,000.00
Manzamahle to Dolophini Access Road	21-11-2008	5,792,000.00
Veris Access Road	21-11-2008	1,026,000.00
Polar Park Access Road	12-11-2008	1,893,540.00
Ncakula Access Road	12-11-2008	1,802,340.00
Makhwesthubeni Access Road	21-11-2008	1,883,440.00
NewRest Access Road	17-06-2009	1,893,540.00
Delville-Qithi Access Road	17-06-2009	1,802,340.00
Mnxe Mission Access Road	02-07-2009	1,883,440.00
Upper Lufita Rowest ST Phillips		6 225 000.00
Mfamfengwini to Qolombeni Access Road		2 649 402.58
Bhobho Access Road		739 455.00
Besterkraal Access Road		2 295 675.00
Cala Reserve Community Hall		1 802 340.00
Kuthuleni Access Road		1 026 000.00
Ncalika Access Road		1 765 947.00
Xonya to Macangceni		2872 455.41

The appointment of a PMU Managers is required to fast - tracked as funding has been claimed for this purpose since April 2008. The incumbent will manage the PMU Unit and manage projects funded from MIG Grants – Procurement processes of a PMU Manager was

started in 2008/2009 financial year but had not completed within in same year – i.e. by June 2009.

ELECTRICITY & STREET LIGHTING

During 2007/2008 financial year Africon carried out a independent technical audit on business assessment and condition assessment on electricity distribution within Sakhisizwe municipal area. The aim was at developing capacity within municipalities to achieve sustained compliance with electricity service delivery standards That being said, it must also be noted that the Service Providers had difficulty in auditing this, due to some deficiencies in the recording of required data, which in most cases led to little or no data to support some required evidence, this may have also contributed to misinterpretation in the Audit evidence.

Summary of the Audit results revealed that:

Sakhisizwe Electricity has a maximum demand of 1.6 MVA, serving 527 customers. The network consists of 22 kV medium and 400 V low voltage reticulation network. There are no substations or mini-substations in the network. The estimated condition backlog is R2.2 m. Gross revenues are not available.

Sakhisizwe Electricity Department's overall business practices and systems fall far below the recommended practice for a Municipality of it's size.

The electrical network is approximately 38 years old. The 400V overhead lines are very old and have lots of joints of which most are not properly done, which may affect the reliability of the network. The 22kV overhead lines are generally in good condition. Wooden poles of the 400V system need to be replaced due to age and the steel poles need maintenance due to rust.

Section Objectives

- Provide electricity to +- 90% residential and commercial consumers, industrial and smallholdings
- Provide public lighting to Elliot and surrounds
- New connections done on request in licensed areas
- Ongoing maintenance of existing networks
- The rural areas of Sakhisizwe Municipality are within the licensed area of ESKOM and will remain so in the foreseeable future
- Maintenance of existing public lighting
- Extension of public lighting systems
- Maintenance and renewal of public buildings electrical installations, when require
- High mast lighting and electrical installations

Electricity challenges and general comments

- Most households rely on paraffin and candles
- Backlogs 49 820 and Indigent backlogs 39 200
- Lack of efficient electricity – impact on environment due to harvesting of unrennewable wood sources
- Network ageing requires upgrade – current weak to cater for demands
- ESKOM do not want to commit to project in the area

- Street lighting 90% functional and not maintained – do not have Cherry Pickers to perform maintenance function
- Availability of skilled staff
- Adequate staff training are significant challenges. The Electrical Services Department’s funding is limited to last year’s budget plus 5%.
- Lack of commitment in terms of long term planning. The priority seems to be on immediate service delivery issues.
- Little control over electricity and copper theft this challenge
- Improve on Asset management Culture – development asset management plan and register (conversion to GRAP) was completed in 2008/2009 FY and being managed by the Budget & Treasury Office
- Lack of adequate project funding and prioritisation - Develop a clear funding strategy for growth, service level changes, asset maintenance and renewals
- Electricity master plan needs to be updated. The compilation of a master plan that addresses future demand/capacity, backlog eradication and refurbishment..
- No safety management and several safety breaches – requires urgent attention – status quo remains for 2008/2009 FY – plans to be put in implemented to address safety breaches
- Several transformers feeders were not protected with circuit breakers due to lack of funds, which is totally unacceptable. This is a very high risk to the assets and represents a serious safety issue for the public as well as Department staff.
- In general the transformers in the network are old, with evidence of severe oil leaks, and require proper maintenance. Several transformer feeders were not protected with circuit breakers due to lack of funds, which is totally unacceptable. This is a very serious risk to the assets and poses safety issues for the public as well as the Department staff.
- The wooden poles and cross arms of the 22 kV and 400 V network are old. Steel poles and cross arms are rusted.
- There are several joints evident in the overhead lines (400 V overhead), which reduce reliability because some joints are not done properly

Major components in the distribution system network have relatively high condition backlog:

- Pole Mounted Transformers 19%
- Overhead Lines 8%
- Some transformers are seriously leaking oil and need attention.
- Minor maintenance is required on the transformers that are rusted.
- Transformers are not well protected because of missing surge arrestors
- Allocation of funds for maintenance of the network to ensure a safe distribution system.
- The move away from reactive maintenance strategy to a preventative maintenance strategy. It is recommended that the staff and funding needs be addressed and solved in order to do this.
- The lack of funds for the management of assets is a constraint for the implementation of all asset management activities. The funding problems need to be addressed first based on data from an asset register.

ROADS AND STORMWATER

Section Objectives

- Maintenance and reconstruction of gravel and surfaced roads
- Construction of sidewalks
- Construction of Stormwater systems
- Construction of bridges and river crossings
- Maintenance of road furniture
- Planning and design of new projects
- Purchase of new plant and equipment
- Rehabilitation of road – potholes
- Resurface gravel roads

Challenges and general comments

- Road between Cala and Lady Frere has been resurfaced by Department of Transport
- Department has had no Manager in place for more than 1 year
- Stormwater drainage poor
- Poorly maintained roads
- Damaged bridges
- Potholes
- Lack of proper road network
- Mainly gravel – muddy during rainfalls or snowfalls
- Storm drainage canals blocked – contribute to road erosion. Low level bridges become flooded due to pipes not scoured
- The project of Cala Roads and Stormwater commenced after the year under review -- commenced in September 2008. The project is currently sitting at 40 % completion – Job will be created for approximately 40 local labourers in wards 3 and 5 – it planned that project will be completed in the 2008/2009 financial year.

WATER

Section objectives

- CHDM is the Water Services Authority – Sakhisizwe appointed on an agency basis to reticulate until Section 78 process completed – completed after the financial year under review
- Water purification is undertaken at Elliot and Cala
- Bulk water is supplied to Elliot and Cala
- Outlying water is supplied by DWAF, Chris Hani District Municipality and Amatola Water but reticulated by Sakhisizwe
- Potable water is reticulated to 3 455 households within the Sakhisizwe area:
- Masibambane 1 763, Metered Elliot 865, Pholar Park 29, metered Cala 798
- New connections are done upon application
- Infrastructure is the responsibility of the Water Services Authority
- Rural areas fall under Amatola Water, who were appointed by the CHDM
- Maintenance of purification works and reticulation systems
- Optimisation of treatment works and augmentation and expansion of distribution networks to ensure adequate supply
- Implementing preventative maintenance programmes

- Curb water shortages
- Development water master plan
- Purchase vehicles and equipment
- Build dams and reservoirs and planned pipeline extensions

Challenges and general comments

- Water shortage – severe water shortages experienced due to major burst pipe in the main line next to Tsomo resource dam -- however due to capacity and staff shortage issues this matter was not reported or attended to timeously - this affected the hospital and surrounding business in the municipal area.
- Shortage of dams and reservoirs
- Old aging infrastructure, vehicles and equipment
- Skilled staff/qualified staff
- Culture non payment remains – cuts off’s are implemented regularly
- Water backlogs
- Illegal connections and meter tampering – no fines implemented
- Poorly maintained pumps
- 3 128 receive subsidies
- Backlogs:

<p><u>BACKLOGS</u></p> <p style="text-align: center;"><u>WATER</u></p> <ul style="list-style-type: none"> • 100 % Households with access to potable water in Urban areas • 75% Indigents with access to free basic services • 70% Clinics with access to potable water • 50% Schools with access to potable water • 0% households using buckets 	<ul style="list-style-type: none"> • Backlogs: 6720 Target; 6720 Customers reached during FY: 90% Percentage achieved during FY: 90% • Backlogs: 49280 Target; 49280 Customers reached during FY: 12% Percentage achieved during FY: 25% • Backlogs: 20 Target; 20 Customers reached during FY: 20 Percentage achieved during FY: 30% • Backlogs: 50 Target; 50 Customers reached during FY: 30 Percentage achieved during FY: 30% • Backlogs: 0
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SANITATION

Section objectives

- The Sakhisizwe Municipality is the appointed Water Services Provider by the Water Services Authority (Chris Hani District Municipality) on an annual basis until the Section

78 process is completed and this includes provision of sanitation services in the delegated areas of Elliot and Cala

- The rural areas fall directly under the Water Services Authority
- Infrastructure projects are the responsibility of the Water Services Authority
- New connections are done upon request as there is no real backlog although a large percentage are below RDP standards
- Maintenance of ponds, conservancy tanks and reticulation systems
- Waterborne households served: 2050; Cala 822
- Conservancy tanks - 40
- VIP's 822; below RDP standard Cala 216; Pholar Park 26 – no infrastructure in Pholar Park - addressed on completion of the upgrading of the waste Treatment by CHDM.
- The urban communities are insisting on waterborne sanitation removal and are not prepared to accept other methods
- A political decision has been taken for waterborne sanitation in urban areas and VIP's in rural areas

Sanitation challenges and general comments

- Rural sanitation backlogs
- Shortage of VIP toilet in rural area
- Maintenance ponds – sanitation ponds needed in rural area – outstanding waterborne 1500; old aging infrastructure
- Poor maintenance
- Construction of oxidation ponds has commenced in Elliot Extension
- Construction new treatment works has commenced in the Design stage
- Backlogs

<p><u>BACKLOGS</u></p> <p><u>SANITATION</u></p>	
<ul style="list-style-type: none"> • 65 % Households with access to sanitation 	<ul style="list-style-type: none"> • Backlogs: 23 660 Target; 23 660 Customers reached during FY: 35% Percentage achieved during FY: 35%
<ul style="list-style-type: none"> • 50% Indigents with access to free basic services 	<ul style="list-style-type: none"> • Backlogs: 49280 Target; 49280 Customers reached during FY: 12% Percentage achieved during FY: 12%
<ul style="list-style-type: none"> • 70% Clinics with access to sanitation 	<ul style="list-style-type: none"> • Backlogs: 20 Target; 20 Customers reached during FY: 20 Percentage achieved during FY: 30%
<ul style="list-style-type: none"> • 50% Schools with access to sanitation 	<ul style="list-style-type: none"> • Backlogs: 50 Target; 50 Customers reached during FY: 50 Percentage achieved during FY: 50%

TOWN PLANNING AND BUILDING CONTROL

Section objectives

- Application of legislative issues
- Control of land use
- Building safety
- Environmental protection
- Spatial development

Challenges and general comments

- Lack qualified staff
- No building control carried out in the area
- No policy on Building Control
- Spatial development framework required
- Zoning maps
- Land issues required to be resolved
- Land for development
- Land management/settlement plan to be developed
- No Building Control Officer in place
- The appointment of a Building Control Officer to be prioritised and facilitated during 2008/2009 financial year – this could have result in increase in revenue.
- 9 Building plans were submitted and – increased revenue generated from this.

LAND USE APPLICATIONS					
APPLICATION TYPE	ERF NO.	TOWNSHIP	REF.NO	SUBMISSION DATE	APPROVAL DATE
ERECTION OF CELL MAST	UNDETERMINED	LANGANCI-CALA	N/A	13-Apr-09	19-Aug-09
SPECIAL CONSENT & BUILDING PLANS APPROVAL, LATICES MAST AND CONTAINER PLACEMENT	UNDETERMINED	LANGANCI	N/A	18-Nov-09	22-Jun-09
SPECIAL CONSENT CELL MAST	UNDETERMINED	NYALASA-HILL	T6784	19-Jun-08	22-Jun-09
CELL MAST	UNDETERMINED	MOUNTAIN SHADOW	T6308	16-Oct-08	22-Jun-09
PROPERTY DEVELOPMENT	790 & 791	ELLIOT	0/790/791/EL	22-Jan-09	11-Mar-09
SUB & CON	471	NOOITGEDACHT FARM-ELLIOT	0/471/EL	May-08	23-Feb-09
SUBDIVISION	56	CALA	00/56/CL	19-Feb-09	29-May-09
SUBDIVISION	2569	CALA	00/2569/CL	31-Mar-09	16 Jul 09
CONTRAVENTION APPLICATION	294 & 295	ELLIOT	0/294/295/EL	Jun-09	16 Jul 09
Township Establishment	0	0	0	0	0
Removal of Restrictive conditions	0	0	0	0	0

Disaster Management (Core function of the CHDM)

Integrated approach to the Management of Disaster
Development of a Disaster Management Plan

Challenges remain:

- Lack of integrated approach – Lack of co –ordination - Lobby the CHDM for assistance with Disaster management programme
- Rehabilitation after disaster
- Dedicated staff (capacity)
- Establish database
- Shortage of equipment
- Financial constraints
- Risks, e.g. droughts, earthquakes, etc
- Awareness Programmes and Campaigns

General comments – Planned projects


- Implementation of 85 disaster houses as per the IDP - rolled over --commenced during 2008/2009 financial year – continue in 2009/2010 all DORA stipulated guidelines will met. The project is funded AND Administered by DPLG.

Challenges

No infrastructure development for the past three years - Infrastructure development has been a constant challenge from a financial and resource point of view but we remain remains focused, and development has occurred in many areas. progress has since been made.

No records or financial information or other information available regarding the projects (progress reports, service level agreements, ect) in 2006/2007 and partly in 2007/2008.

Notwithstanding, the concerns and administrative controls, governance, and financial weaknesses that were highlighted in the AG`s report and these urgently required to be addressed there has been an improvement with regard to recording and maintaining certain records / administrative processes.



5.4. BUDGET & TREASURY DEPARTMENT



CFO: DEPARTMENTAL MANAGER S57

P STEYN

The Budget & Treasury Department is responsible for the following:

Focus Areas:

- Revenue Collection/Income Generation
- Expenditure
- Budgeting
- Accounting and Reporting
- Information Technology
- Assets and Risks
- Motor Vehicle Licensing
- Supply Chain Management
- Budget & Treasury

Overall objectives are to improve and refine functioning within each of these areas.

Key Performance Indicators

These will be examined under each subsection as follows:

REVENUE COLLECTION/INCOME GENERATION

This section ensures that the processing of monthly consumer accounts and the receipting of all revenue is undertaken of the towns that fall within the jurisdiction of Sakhisizwe Municipality.

All these functions are supervised and supported from Elliot, from where meter readers servicing the water and electricity meters are controlled.

The Key Performance Indicators are :

- Expand/enhance revenue base
- Implement revenue management strategies – collections
- Valuations and calculations of rates for all properties in the municipal area
- Data Cleansing - done valuations new rate new values more than 50% accurate
- Disconnect electricity and water in arrears
- Upgrade and extend pay points for services -- only at municipalities
- Set up customer queries and complaints procedure
- Annual reconciliation of assessment rates
- Annual billing of assessment rates
- Do survey of infrastructure & services on farms
- Monthly updating consumer database
- Implement Credit Control and Debt Collection Policy and maintain
- Maintain and implement financial policies and procedures
- Free basic services and indigence subsidy support
- Tariff
- Rates
- Credit Control and Debt Collection
- Update Indigent database

Challenges and general comments

- Revenue collection rates 52.12%
- Existence of a culture of non-payment – contributed high unemployment and poverty
- Data cleansing implemented
- Implement credit control procedures – cuts off's performed regularly
- Enhance / build community awareness
- Disconnections electricity and water to be implemented – done monthly
- Financial policy and procedure – achieved - reviewed annually
- Develop relevant By-Law
- Capacity of staff – dedicated to function
- Financial control – improved immensely but still requires attention
- Lack of statistic and financial records – limited reporting information
- Indigent database outdated – updated during 2008/2009 FY
- Meter reading done by Finance Department
- Outstanding debtors dealt with Legal Advisors
- Implement annual valuations - complete 5200 additional account raised increase revenue
- The total investments for July 2009 amounted to R16.9Million.

EXPENDITURE AND CONTROL

This function is situated in Elliot and is supported by three staff members who are responsible for the payment of creditors, ordering of goods, services and materials, processing the monthly salaries and allowances, compilation and control of budgets,

controlling capital and other projects, processing of monthly and quarterly financial reports and compilation of annual financial records and statements.

The Key Performance Indicators are:

- Monthly reconciliation and payment of all creditors
- Monthly controlling of purchases
- Monthly processing of payroll
- Monthly maintaining and updating of :
external DBSA loans; - water
internal revolving fund loans / advances
- Annually update and maintain Council's Insurance Portfolio
- Monthly updating and maintaining Council's investments
- Update and implement financial policies and procedures
- Supply Chain Management
- Loans and contractual agreements
- Assets management and insurance
- Cash management, banking and investment
- Implement Municipal Finance Management Act, No 56 of 2003 requirements related to Expenditure
- Payroll management and maintenance

Challenges and general comments

- No dedicated staff member for Payroll function --- no
- Capacity of staff
- Excessive overtime payments
- No internal control – checks and balance
- Under- and over-payments
- No procedures in place
- Upgrade software and hardware -- Sebata
- Late/non payment creditors -- no
- Procedures not in place
- Over-expenditure – no financial control
- Supply Chain Management Policy developed but SCM Process requires implementation - Supply chain Management policies and procedures are not appropriately applied and require compliance.
- Review, update and maintain Council's Insurance Policy. Ensure all assets are insured in terms of Insurance Portfolio -- done
- Excessive telephone usage – no control ---- telephone management system in place
- Cash management, banking and investment
- Monthly selling and control pre-paid electricity
- Monthly reading of water and electricity meters
- Accurate monthly billing of accounts
- Monthly delivery of consumer accounts
- Daily receipting of all revenue
- Daily banking of all revenue
- Secure all revenue collected
- Implement Municipal Finance Management Act, No 56 of 2003 requirements related to Revenue collection

- Train and develop staff

BUDGETING

The annual compilation of Council's operational and capital budget is the responsibility of this department. It also provides the necessary inputs during the annual review of Council's Integrated Development Plan (IDP).

This department is also responsible for the determination of tariffs and maintaining a cash budget. Actual expenditure to date is monitored monthly against Council's approved budget and reports are monthly submitted to all other departments informing them of their expenditure to date.

The Key Performance Indicators are :

- Compile and publish budget time schedule
- Establish and public committees and consultation forums
- Outreach programme to all wards
- Review and prepare :
 - Integrated Development Plan (IDP)
 - Service Delivery Agreements
 - Delegations
 - Budget-related Policies
 - Operational and capital budget
- Determine rates and tariffs
- Consult with established committees and forums
- Table budget and supporting documents
- Approve budget and supporting documents
- Budget and supporting documents to :
 - National Treasury
 - Provincial Treasury
 - Public and website
- Service Delivery and Budget Implementation Plan (SDBIP)

Challenges and general comments

- No analysis of creditors – debtors annual income total annual debt
- Review tariff
- Participation in budget process – all 7 wards participated which represented an incredible improvement
- Capacity issues and shortage of staff in the Budget & Treasury Department
- Financial constraints
- SDBIP Plans – linked to Budget/IDP –aligned –met during 2008/2009 financial year – SDBIP requires alignment with national indicators and aligned to service delivery targets
- Improved financial control
- Policies in place – policies developed and implemented in 2008/2009 financial year
- Service delivery agreements – CHDM x1 health x1 Department of Transport
- Legislative compliance MFMA - GRAP and assets - achieved

- Budget and financial statement done within required timeframes as legislated -- during 2008 /2009 financial full compliance was achieved with the assistance of the appointed service provider Delloitte
- Delegations not in place – to be addressed in 2008/2009
- Lack of interpretation/understanding budgets

Notwithstanding, having achieved the timeframes for submission of the financial statements for auditing, (prior to 31 August 2008 as per the MFMA), the Auditor-General awarded a qualified audit report and a disclaimer was received., every effort is being made to ensure that these issues are correctly addressed.

ACCOUNTING AND REPORTING

- Daily and monthly updating of accounting records
- MFMA required reporting to :
 - National Treasury
 - Provincial Treasury
 - Accounting Officer
 - Executive Committee
 - Municipal Council
- Monthly reconciliation of supporting registers
- Funds
- Loans
- Assets
- Banks
- Investments
- Debtors
- Creditors and
- Income & Expenditure
- Compilation of annual financial statements
- Compilation of annual report for Department: Budget & Treasury Service
- Implement Municipal Finance Management Act, No 56 of 2003 requirements related to Accounting and Reporting

Challenges and general comments

- Updating of records and reporting not done regularly
- Audit queries and Disclaimer received
- Reconciled registers and supporting documentation

INFORMATION TECHNOLOGY

Information Technology

- Provision of information management and technological support. This function is not yet fully functional in both units. The units are not linked

The Key Performance Indicators set are :

- Link offices in Cala and Elliot
- Establish Internet email facilities – secure login facilities
- Upgrade IT infrastructure
- Develop IT Policy
- Assist with Implementation of electronic (HR System and document management system) (specifically linked to payroll and leave administration) – assistance provided to Corporate Services Department - to be 2009/2010
- Implement electronic leave management system on SEBATA – still to be achieved
- Provided access to CSM on SEBATA system to administer and capture leave and access to various enquiry screens for payroll administration – still to be achieved.
- Maintain and upgrade of computer hard-and software
- Secure computer hard- and software services
- Training to all staff in utilizing IT systems effectively
- Update General Plans (GP's)
- Update ownership/Title Deed information
- Valuation information updated – 5200 additional accounts raised
- Daily and monthly processing of records when required by other departments
- Develop and maintain Municipal Website – launched during 2008/2009 FY – ongoing maintenance.

Challenges and General Comments

- Skilled IT staff
- Lack of access infrastructure
- Funding constraints
- Outdated equipment – hardware & software
- DBSA initializing programme to link units
- No progress with Electronic Document System - Corporate Service Function
- IT Plan is being developed by SITA - awaiting proposal
- DBSA supplied 3 computers to the Municipality
- IT function not fully functional – young DBSA professional assisting
- Upgrading of hardware and software - Achieved
- Capacity
- Financial constraints
- Units not fully linked
- Policy and control -- requires monitoring
- Website development complete and launched and upgrade of the digital line to 512K done in 2008 /2009 financial year
- Unreliable Network

ASSETS AND RISKS

The existing manual assets register, as well as the inventory lists are now in the process of being computerized by means of bar-coding all moveable assets. The Key Performance Indicators set are :

- Develop asset management policy
- Ongoing Stock take of asset – acquisition and disposal of assets
- Recording and marking (bar-coding) of all assets
- Updating and maintaining a comprehensive assets register
- Compiling, updating and maintaining of inventories
- Revalue fixed assets
- Develop asset vote and asset management report
- Convert and transfer transactions from IMFO/GAMAP ledger to GRAP
- Comply with GRAP format immovable property
- Reconcile assets – capitalize on Sebata System

Challenges and general comments

- Annual financial statements are compliant with legislation - during 2008/2009 financial service providers Deloitte were appointed to assist with conversion to GRAP and to compile annual financial statements done. All old balances were cleared and all accounts reconciled and annual financial statements were submitted as per legislated timeframe – 31 August 2009
- System compliant
- Movable assets and proper stock evaluations of assets done - GRAP compliant
- Conversion and transfer transactions from IMFO/GAMAP ledger to GRAP - achieved
- Continued Compliance with GRAP format immovable property.

Notwithstanding and having achieved the timeframes for submission of the financial statements for auditing, (prior to 31 August 2008 as per the MFMA), the Auditor-General awarded a qualified audit report and a disclaimer was received. Reference is made to the Auditor-General's Report (as detailed within Chapter 4).

Notwithstanding the timeous submission of the required financial statements and reporting, certain qualifications were received from the Auditor-General's Report and as per the Audit Response, every effort is being made to ensure that these issues are correctly addressed.

Notwithstanding these qualifications, we must commend the Financial Department for the great strides made within this section and their ability to improve their financial viability (a move from R1.7 million year end investments June 2007 to R16.9 million as at June 2009).

Whilst it must be acknowledged that the contribution from DBSA and the appointment of the mentor (Mr P McEwen) has resulted in tremendously positive steps being made within the financial area of Sakhisizwe Municipality, it must also be acknowledged that it will be a very likely possibility that a qualified audit report will be obtained during the following financial year. Whilst every effort will be made to address the inherited problems and to correct all identified problems, these are so vast, that in all likelihood it could take longer than one year to resolve these issues in totality.

Our intention will be to ensure that we resolve the issues contained within the audit report and that we try to obtain an unqualified audit report for 2009/2010 financial year. Again we acknowledge Mr P McEwen who, together with DBSA backing, has assisted us in turning our financial department around – never forgetting that this progress is still in its infancy.

SAKHISIZWE MUNICIPALITY
OVERSIGHT REPORT FOR 2008/2009

1. **BACKGROUND**

It is required in terms of the Municipal Finance Management Act, (Act 56 of 2003), that Council consider its Annual Report and the degree to which the organisation has performed in respect of the year under consideration. Based on the analysis and evaluation of the said report, it will prepare an Oversight Report, which reflects the analysis and evaluation of the Annual Report.

The Oversight Report for Sakhisizwe Municipality for the 2008-2009 periods is presented below.

2. **ANALYSIS OF THE 2008/2009 ANNUAL REPORT**

Sakhisizwe's Annual Report for the 2008/2009 period has been examined against the background of the Auditor-Generals report for the same period. The findings are included within the remainder of this document together with comments on the extent to which the strategic objectives for each department were met.

In providing detail regarding the years successes and challenges, performance will be evaluated against the stated objectives for each of the four departments , namely:

- Finance; (Budget & Treasury)
- IPED;
- Technical Services and
- Corporate Services.

- The status quo remains in respect of Community Services, as this position remains vacant. As a direct result of this situation, functions within this department have been divided amongst two other departments – (Community Services - now a sub directorate of IPED AND Technical. This arrangement is a temporary measure which was necessitated by the absence of a Community Services Manager for an extended period of time, and this situation is set to continue until such time as this position is able to be funded and filled.

2.1. Auditor-General's Report on the Annual Financial Statements (ending June 2009)

Reference is made to the full Auditor-General's Report, the Response to the Auditor-General's Report, and the Audit Action Plan documents, which are contained within Section 4 of this report.

In summary, it must be stated that the Auditor-General provided a disclaimer audit opinion within the audit report, based on the issues, which are summarized as follows:

Generally and as stated within the report, the framework of accounting and internal control mechanisms for reporting and monitoring were found to be seriously lacking. In numerous areas, the content reflected within the financial statements could not in any way be validated or verified and as such, no credibility could be found within the content of the financial statements. In particular, lack of information and poor record-keeping was found within the areas of:

- Bank balances and cash
- Consumer debtors and provision for bad debts
- Employee related costs and remuneration of Councillors
- Property, plant and equipment
- Creditors
- Revenue
- Expenditure
- Unspent conditional grants and receipts
- Long term receivables
- Value added taxation (VAT)
- Long term liabilities
- Provisions
- Fruitless and wasteful expenditure
- Contingent liabilities
- Unauthorised expenditure

There have also been extensive cases where there is non-compliance with applicable legislation and these are detailed below as follows:

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

The following sections of the MFMA were not complied with :

Section 79 (Delegation of Responsibilities); Section 62(1) (c)(i) which deals with Financial Risk Management and Internal Controls; Sections 165 (2) and 166 (2) (Audit Committee functioning); s68.87 of the MFMA (Strategic Plan); s121 (3)(c) (Annual Reporting); .

Municipal Systems Act, Act No.32, OF 2000

The following sections of the MSA were not complied with:

S6 (Performance Management Systems); s45 (Internal Auditing of results of performance measurement);

Matters of Governance

The following governance areas require suitable action :

- The Municipality does not have an audit committee throughout the financial year, nor an internal audit function and clearly these functions are not being performed as required.

- The Annual Report was not submitted for the Auditor for consideration prior to the date of the Auditor's report.
- Significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management
- The prior year's external audit recommendations have not been substantially implemented.
- There are no documented policies and procedures and control systems to ensure the reliability of financial reporting.
- There are no documented policies and procedures and control systems to ensure compliance with applicable laws and regulations.
- The information systems are not appropriate to facilitate the preparation of financial statements that are free from material mis-statement.
- The Delegations of responsibilities (Delegations Register) is not in place.
- Supply chain Management policies and procedures are not appropriately applied.
- Performance management system is functioning although areas of refinement and issues around the auditing of assessment results are to be improved;
- Performance bonuses are awarded according to assessments and approval by those charged with governance.

RESPONSE TO THE AUDITOR-GENERAL'S REPORT

The response to the Auditor-General's Report may be summarized as follows:

- Every reasonable and practical effort will be made to address the issues raised within the Audit Report and the commitment remains to regard this as a matter of priority.
- An Audit Plan has already been devised in order to address these issues and the critical areas to be covered are highlighted as follows:
 - Internal controls
 - Structures for reporting
 - Policies and procedures
 - Risk Management
 - Assignment of roles and responsibilities to ensure reporting compliance; and
 - Compliance to legislative prescriptions.

It is concerning to note that many of the areas identified for action within the previous audit report have in fact resurfaced. We are every way committed to meeting these financial and governance challenges and to ensure that outstanding audit issues are resolved. The Audit Plan itself will ensure that the required direction is taken and that there is indeed commitment to targets.

2.2. Degree to which strategic objectives have been met

In the Oversight Report it is required that after examinations between the Annual Report, the Auditor-General's Report and the response to the Auditor-General's Report, that feedback on the ability of departments to meet the strategic objectives will be provided. These will be examined under each department as follows:

2.2.1. Finance Department

The Finance Department carries with it a huge burden and challenge – that of ensuring the financial viability of the departments and the municipality as a whole. Each area of focus will be reported on as follows:

(a) Revenue Collection/Income Generation

The DBSA consultant, Mr. P McEwen acted as the Chief Financial Officer from July 2007 until 31 May 2008 with Mr P H Steyn having been appointed as Chief Financial Officer from 1 June 2008.

A year later we are still realizing the benefits of the time that Mr McEwen acted as Chief Financial Officer. As a mentor and coach he was able to guide the department towards significantly improved performance and the meeting of strategic objectives.

It must be noted that at 1 July 2007, this Municipality was unable to pay its creditors. Following a VAT Audit and the recovery of R5 Million from SARS for incorrect claims, together with an additional amount of more than R5 Million from water and sanitation

claims from Chris Hani District Municipality, Sakhisizwe Municipality was in a position to settle all outstanding amounts owing well within the 30 day prescription.

The total investments for July 2007 amounted to R1.7Million and as of June 2008, this figure had grown to R16.9 Million. This financial turnaround is a tremendous achievement for Sakhisizwe Municipality and the contributions of DBSA and its staff in ensuring this success are duly noted and acknowledged.

Notwithstanding the existence of a culture of non-payment/poor payment, resulted in initiatives being implemented which appeared to enhance public awareness regarding the importance of developing a culture of payment for services received.

Revenue was increased through the conversion of the Billing System to include Sebata Software and the number of revenue collections has increased. During this financial year the revenue collection ratio was 52.12%. Notwithstanding, it remains advisable to appoint dedicated staff to drive the debt collection function and to ensure that the Sebata System becomes fully functional. Outstanding debtors are being dealt with by Legal Advisors.

The Municipality is currently involved in the completion of a data-cleansing project on debtors. The purpose of this project is to ensure that all properties are billed, and to update the Indigent Register of the Municipality.

Overall, credit control procedures are being implemented and so too the process of monthly disconnections/cut offs.

Capacity of staff remains a challenge due to the department being inadequately staffed. However, the assistance provided by DBSA staff (Financial expert, 2 young professionals and an Intern from Provincial Government) has enabled many of the objectives to have been met.

During 2008-2009 all properties were evaluated and 5200 additional accounts raised for property rates (urban and rural) as of 1 July 2009.

Generally, financial record keeping and data maintenance and control remains a challenge. Improvement within this sphere will assist in meeting the Auditor-General's issues relating to non-compliance.

The accuracy of Meter Reading remains a challenge – but has improved. Manual receipting within Cala creates opportunities for misappropriation of funds.

(b) Expenditure and Control

Within Expenditure and Control the following successes and challenges are noted:

- No dedicated staff member exists for the Payroll function
- Capacity of staff
- Excessive overtime payments
- No internal control – checks and balance
- Under- and over-payments
- No procedures in place
- Procedures not in place / implemented

- Over-expenditure – requires tighter financial control
- Review, update and maintain Council’s Insurance Policy. All assets are insured in terms of Insurance Portfolio
- Excessive telephone usage – no control ---- telephone system in place
- Cash management, banking and investment
- Monthly selling and control pre-paid electricity
- Monthly reading of water and electricity meters
- Accurate monthly billing of accounts
- Monthly delivery of consumer accounts
- Daily receipting of all revenue
- Daily banking of all revenue
- Secure all revenue collected
- Implement Municipal Finance Management Act, No 56 of 2003 requirements related to Revenue collection.

(c)Budgeting

Successes and challenges are reflected as follows:

- SDBIPs have been improved and these are now aligned with the budget and the IDP – further refinement will be an ongoing.
- Budget aligned with IDP
- Assets MFMA and GRAP compliant
- Lack of financial controls although policies and procedures have been developed
- Outstanding IT Policy
- Failure to conform in terms of all legislative compliance (to be fully addressed 2008/2009)
- No delegations register
- Budget and financial statements were submitted timeously
- Increased public participation with the budget
- No analysis of creditors – debtor’s annual income and total annual debt. These issues will be required to be addressed via the Audit Plan.
- Lack of interpretation/understanding the budgets.

(d) Accounting and Reporting

This remains the weakest link within the environment of control – and as indicated within the Auditor-General’s Report requires modification and development within all areas that could amount to monitoring and controls.

(e) Assets & Risks

Challenges remain plentiful and it is has already been highlighted that this section remains non-compliant in most areas.

GRAP compliance regarding Annual Financial Statements was achieved

Movable assets and proper stock evaluation of assets has been done

Immovable property moving towards full GRAP compliance

(g) Information Technology

- Planned IT Plan developed by SITA is awaiting proposal
- DBSA initializing programme link of Municipality to LGNET
- All users have secure log in access
- DBSA to integrate system
- IT Training commenced
- Website development has begun and this requires an upgrade of the digital line from 64K to 512K.

Challenges remain in terms of IT Infrastructure, non-cooperation between Corporate and Finance in terms of functional splits; the network is not fully functional; leave records are required to be computerized; there is no attendance register controller and no exception reports are run.

2.2.2. IPED Department

This department covers a great number of subsections especially since the re-distribution of Community Service functions.

Successes and challenges will be broadly highlighted as follows

2.2.3 IDP

- No new IDP Planned projects have been implemented due to financial constraints and existing projects (Grant funded / MIG funded) have continued to a degree. IDP Planned projects can be found on pages 34 –44 – sector department projects

can be viewed from pages 45 - 47 of this report

- The following projects have been registered with MIG: in 2007/2008 and carried over into the 2008/2009 financial year:

PROJECT	DATE	VALUE
Cala Grave Roads and Stormwater	10-09-2007	4,161,174.77
Masibambane and old location construction of grave	03-10-2007	2,649,402.58
Maxhongo Hoek Access Road Ward 2E	14-11-2007	6,384,026.38
Cala Gravel Roads and Stormwater Phase 2	14-11-2007	739,455.00
Upper Lufuta/Rolwest St., Phillips Access Road	14-11-2007	6,255,000.00
Xonya to Macangceni Access Road	12-11-2008	1,765,947.11
Bhobho Access Road	12-11-2008	17,456,344.00
Bestekraal Access Road	12-11-2008	2,295,675.00
Cala Reserve Community Hall, Ward 4	12-11-2008	2,073,511.00
Cala Pass Community Hall, Ward 3	21-11-2008	861,840.00
Old Township Community Hall, Ward 2	21-11-2008	4,458,309.00
Polar Park Community Hall, Ward 1	21-11-2008	1,106,584.00
Mbhenge Access Road	21-11-2008	2,962,894.62
Kuthule Access Road	12-11-2008	1,284,052.00
Ndum-Ndum Access Road	21-11-2008	2,000,000.00
Mjikelo Access Road	08-12-2008	4,414,999.42
Gareni to Upper Mnxe Access Road	12-06-2009	1,500,000.00
Roma Spafeni Access Road	16-12-2008	6,000,000.00
Manzamahle to Dolophini Access Road	21-11-2008	5,792,000.00
Veris Access Road	21-11-2008	1,026,000.00
Polar Park Access Road	12-11-2008	1,893,540.00
Ncakula Access Road	12-11-2008	1,802,340.00
Makhwesthubeni Access Road	21-11-2008	1,883,440.00
NewRest Access Road	17-06-2009	1,893,540.00
Delville-Qithi Access Road	17-06-2009	1,802,340.00
Mnxe Mission Access Road	02-07-2009	1,883,440.00
Upper Lufita Rowest ST Phillips		6 225000.00
Mfamfengwini to Qolombeni Access Road		2 649 402.58
Bhobho Access Road		739 455.00
Besterkraal Access Road		2 295 675.00
Cala Reserve Community Hall		1 802 340.00
Kuthuleni Access Road		1 026 000.00
Ncalika Access Road		1 765 947.00
Xonya to Macangceni		2872 455.41

- No budget has been provided for the review of the some of the IDP and related processes at the time.

In terms of Housing, the following comments are made:

- Housing shortages for low-cost housing continue and the total backlog is estimated at 4250 – DPLG are the Developers / Administrators and funders of housing project and Sakhiszwe Municipality act as facilitators in same process.

- The beneficiaries' database has not been accurately maintained.
- Problems are experienced with contractors funding, poor access roads and limited infrastructure (services)
- Projects have been initially blocked by DPLG since these have been revived, but are now the responsibility of DPLG.

LED, Tourism & Agriculture

- In terms of the strategic objectives, it must be noted that the funding constraints have prevented the implementation of any new projects.
- Staff shortages within IPED are extremely challenging and staff have been shared with the Technical Department.
- LED Officer `s appointment is of critical importance.
- The service provider appointed to develop the tourism sector plan does not have the capacity to do so and has failed to meet required deadlines.

Traffic and related functions and Motor Vehicle Licensing

Many challenges exist and management, reporting and control is almost non-existent. Challenges relate to infrastructure provision, staff shortages and the training of staff on NATIS and in the testing station in terms management and control .

Within this area, no improvement and no great strides have been made in so far as to manage this section, the following challenges exist:

- No Control and supervision
- No statistical records
- No Recording keeping & filling
- No operating manuals and procedures,
- Quality control manuals are not updated
- Traffic structures require review
- Functions being carried:
 - Roadworthy of vehicles is occurring in a satisfactory manner
 - Learners License and drivers license figures have escalated
 - Challenges remain financial and the shortage of staff

Motor Vehicle Licensing

Many challenges also exist and supervision, reporting and control is almost non-existent. Challenges relate to infrastructure provision, staff shortages and the training of staff on NATIS and in the testing station in terms management and

control.

Libraries

- Libraries within Elliot and Cala have been improved by DSRAC.
- Elliot Library is being renovated
- Library week promotion is scheduled
- CCTV camera has been installed
- An intern has been appointed for 3 years at Cala Library as part of capacity building
- Government subsidy has been received for material purchases.

Community Halls

Existing facilities continue to be maintained and maintenance schedules are planned and managed accordingly.

Health/HIV and AIDS

The following challenges and achievements are noted:

- Shortages of qualified clinic staff, equipment, resources and medicines continues
- Buildings require rehabilitation
- Reliable statistics regarding patients and community statistics are lacking
- Approximately 5000 patients are attended to per month between the 3 Clinics in Elliot and infrastructure appears inadequate to effectively service these numbers.
- The department has built three new clinics in Sakhisizwe Municipal area which will improve service delivery in respect of health
- The Ncedolwethu Clinic has been fenced was achieved during the previous FY (2007/2008).

Cemeteries

The following challenges are experienced :

- **Elliot Cemetery is at full capacity**

- Cala cemetery is at 90% capacity
- 2000 burials are concluded per year which translates to challenges in land availability
- Statistics reveal 106 burials are legal, and 90% are illegal
- Tariff structures differ – requiring review of tariff policies
- No proper statistics/recordings are in place regarding burials and plots
- No pauper burial policy is in place and this will require attention.

Sports and Recreation facilities

The following achievements and challenges are noted :

- Elliot has 1 facility (utilized weekly)
- Cala has 1 facility with indoor facilities
- IDP Planned new sportsfields and Equipment
- Caravan facilities are sub standard and require maintenance
- Staff shortages impede service delivery
- No statistics are available regarding facility usage
- Structures require review
- Maintenance not performed regularly to facilitate effective maintenance according to planning.

Parks & Public Open Spaces

The following challenges are noted :

- Functions are not managed and co-ordinated and are seated in incorrect departments i.e. partially in IPED and partially within the Technical Department.
- Shortages of staff are experienced as staff are shared with Technical Services
- Lack of equipment and funding – affecting service delivery

Commonages and Pounds

- It was required that commonages and pounds were fenced and stray animals contained.
- The tariff structure requires review
- Overtime is required to be curbed

Waste Management: Solid Waste and Refuse

The following challenges are currently faced :

- Solid waste site not fully operational and is mismanaged
- Illegal dumping remains
- Land fill sites within Cala and Elliot are not being maintained.
- Vehicle shortages hinder service delivery and so too financial constraints
- No waste minimization education programmes are in evidence
- Lack of staff results in the lack of control over refuse collection
- No recycling facilities exist
- Insufficient refuse receptacles in CBD
- Environmental Management Plan is required to be formalized
- EHO is seconded through CHDM to enforce cleanliness of premises
- Job Creation is in evidence as 40 casual staff were appointed to assist in clean up campaigns

2.3. **Corporate Services Department**

The challenges and achievements within the Corporate Services Department are reflected as follows :

Human Resources

Within the Human Resources area, a number of challenges remain and these are critical in terms of improving governance and the provision of internal controls and systems.

- As identified within the Audit Report, there remains a critical need for internal policies, procedures and controls.

- A Skills Audit/needs analysis is required to be conducted timeously and will feed into the establishment of a Workplace Skills Plan – consultants were appointed during 2007/2008 financial year to perform skills Audit but a consolidated report is still outstanding; however a WSP and implementation reports are being submitted as required
- Procedure Manuals are required to be developed and implemented and staff workshopped and trained.
- Procedure manual developed for Recruitment & selection
- Effective and efficient implementation of recruitment and selection processes and procedures are required.
- Recruitment & Selection Policy has been reviewed
- Strategies are required to deal with scarcity of skills and retention of skilled employees - Policy and retention strategy has been developed, TOR for Scarce skills committee - the committee requires to be appointed and the policy requires implementation.
- The organisational structure requires urgent review in order to ensure alignment with the IDP – underway but not completed in the year under review.
- Poorly hand written Job descriptions have been submitted to the PJEC for evaluation and the Outcomes Report has been received ---yielding relatively poor results.
- Efforts have been made to educate all unit supervisors as to the Employee Assistance Programme and to educate employees re HIV/AIDS – a Policy on HIV /Aids is required to be developed and HIV/AIDS Co – ordinator appointed.
- Procedures and policies are to be reviewed and updated and workshopped prior to adoption.
- The report and submission of the approved Employment Equity Plan to the Employment Equity Registry was not submitted as indicated within the Audit Report.
- Efforts are under way to implement an electronic Human Resources System and document management system (specifically linked to payroll and leave administration) – assistance provided to Corporate Services Department from Budget & Treasury Department
- Deloitte has conducted leave audit - same audit results still to be reviewed by management of Sakhisizwe due to many exceptions raised.
- A Leave policy and procedure has been developed and workshopped
- The Implementation of an electronic leave management system on SEBATA is urgently required and assistance will be required from Budget &

Treasury Department

- Access on the SEBATA system is required to administer and capture leave and to access various enquiry screens for payroll administration in order to improve this functioning.

Labour Relations

The following issues are noted :

- Grievance cases, cases of negligence, theft and alcohol (2 cases) have been experienced and 1 case of dismissal is noted. The number of grievances laid would indicate the need extensive training in this area.
- 85 employees were dismissed for participation in an illegal strike – since reinstated.
- Disciplinary and Grievance Policy and procedure developed (in line with SALGBC's collective agreement) has been developed.
- Senior staff and supervisors are to be trained in the implementation of Labour Relations Policies.

Skills Development and Employment Equity

The following successes and challenges remain :

- Skills Audit and needs analysis conducted by consultants;
- Development programmes are in place and employees are attending training programmes;
- Several tertiary students have been assisted regarding internship training and learning opportunities;
- Attendance of ABET programmes remain a challenge;
- Councillors have attended various workshops and training;
- There is no EE Policy and no progress reporting in this regard. This is a critical concern as failure to report could lead to a fine of R900 000.
- Submissions of the EE Plan and progress report to the EE registry 2008/2009 (October 2008) did not occur as required.
- Further development of procedure manuals

Occupational Health and Safety

- Further training is required in all OHS related areas;

- Ensuring OHS compliance remains a challenge;
- A Risk Analysis is required to be completed; and
- Monthly inspections and related reports are required by Safety Representatives.

General Administration

In respect of the general administration, the following challenges remain :

- Records Management System is outdated and not up to standard and has deteriorated. This has posed a danger to organization insofar as institutional memory is concerned.
- No progress has been made with the Electronic Document System as a Corporate Service function
- The capacity of the staff members placed within this strategic position requires capacity development.

Performance Management (managed by the Municipal Manager's Office with assistance of Corporate Services)

The following successes and challenges are noted :

- Performance Management System has been implemented effectively at the s57 level in all respects .In keeping with policy, efforts have been made to ensure application of this system to the designated s57 Managers. Performance Agreements, Scorecards and assessments are conducted as required and it is merely refinement of this process that needs to occur --- as per any standard review and update.
- **SDBIP's are aligned to IDP require review / refinement --alignment to national indicators and service deliver targets**
Key performance indicators have been set for each of the development priorities and objectives as set out in the integrated development plan. Development priorities and objectives of the municipality's integrated development plan are consistent with the budget although targets could be more concise. Attention will be paid to setting more measurable objectives.
-
- An independent performance audit committee has not yet been established to assess the performance of Managers systematically in order to link results to performance bonuses and in order to manage performance. This is currently managed by the members of the Remuneration Committee

Corporate Governance

The following achievements have been met:

- Seven By-Laws were reviewed and developed. Five have been gazetted under the year in review.
- Ward Committee was established and functioning received training. CDW in each Ward – not functioning at the desired level

Transport and Fleet Management

The following successes and challenges remain :

- Fleet Management Policy in place – not implemented
- The capacity of the staff member appointed to this position requires attention
- All passenger vehicles damaged in hailstorm are not roadworthy and this has had a resultant effect on service delivery – vehicles have not been maintained

2.4. **Technical Services Department**

The following achievements and challenges have presented themselves :

MIG Projects

Due to financial constraints the following projects (funded through CHDM, Sakhisizwe and MIG allocations have continued) :

These projects are listed as follows :

PROJECT	DATE	VALUE
Cala Grave Roads and Stormwater	10-09-2007	4,161,174.77
Masibambane and old location construction of grave	03-10-2007	2,649,402.58
Maxhongo Hoek Access Road Ward 2E	14-11-2007	6,384,026.38
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PROJECT	DATE	VALUE
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Veris Access Road	21-11-2008	1,026,000.00
Polar Park Access Road	12-11-2008	1,893,540.00
Ncakula Access Road	12-11-2008	1,802,340.00
Makhwesthubeni Access Road	21-11-2008	1,883,440.00
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Ncalika Access Road		1 765 947.00
Xonya to Macangceni		2872 455.41

Electricity and Street Lighting

Major challenges and achievements are reflected as follows:

- An independent technical audit on business assessment and condition assessment on electricity distribution was conducted within Sakhisizwe area. Difficulties were experienced within this audit and in presentation of results.
- Results reflected that Sakhisizwe's infrastructure fell far below the needs as reflected within audit.
- There is a lack of efficient electricity provision
- Infrastructure requires upgrades
- ESKOM will not commit to projects within area.
- Street lights are 90% functional and not maintained (lack of cherry pickers for maintenance)
- Inadequately trained staff
- Funding for development extremely limited
- Scarcity of skilled staff

- Staff training remains a significant challenge due to funding
- Lack of commitment in terms of long term planning. The priority seems to be on immediate service delivery issues
- Little control over electricity and copper theft this challenge
- Improve asset management – Maintenance of Assets
- Lack of adequate project funding and prioritization – develop a clear funding strategy for growth, service level changes, asset maintenance and renewals – improved with growth in infrastructure development during the year under review.
- Electricity master plan needs to be updated. The compilation of a master plan that addresses future demand/capacity, backlog eradication and refurbishment.
- No safety management and several safety breaches – requires urgent attention – implement plan to address the breaches
- Several transformers feeders were not protected with circuit breakers due to lack of funds, which is totally unacceptable. This is a very high risk to the assets and represents a serious safety issue for the public as well as department staff.
- In general, the transformers in the network are old, with evidence of severe oil leaks and require proper maintenance. Several transfer feeders were not protected with circuit breakers due to lack of funds, which is totally unacceptable. This is a very serious risk to the assets and poses safety issues for the public as well as the Department staff.
- The wooden poles and cross arms of the 22kV and 400 V network are old. Steel poles and cross arms are rusted.
- There are several joints evident in the overhead lines (400 V overhead), which reduce reliability because some joints are not done properly.
- Maintenance of infrastructure is due and lack thereof has serious consequences.

Roads and Stormwater

- Road between Cala and Lady Frere has been resurfaced by Department of Transport
- The Cala Roads and Stormwater Project commenced in September 2008 and is currently 40% complete and has resulted in job creation for Wards 3 and 5

- Department has had no Manager in place for more than two year – s57 Manager appointed in May 2008
- Stormwater drainage poor
- Poorly maintained roads
- Mainly gravel – muddy during rainfalls or snowfalls
- Storm drainage canals blocked – contribute to road erosion. Low level bridges become flooded due to pipes not scoured
- Damaged bridges
- Potholes
- Lack of proper road network

Water

The following challenges present themselves :

- Water shortage
- Shortage of dams and reservoirs
- Old ageing infrastructure, vehicles and equipment
- Skilled staff/qualified staff
- Culture non-payment – cut offs not implemented
- Water backlogs
- Illegal connections and meter tampering – no fines implemented
- Poorly maintained pumps
- 3 128 receive subsidies

Sanitation

The following challenges remain:

- Rural / indigent insanitation backlogs
- Shortage of VIP toilet in rural area

- Maintenance ponds – sanitation ponds needed in rural area – outstanding waterborne 1500; old ageing infrastructure -- Inadequate wastewater Treatment works – resulted in an over population on the main sewer line
- Poor maintenance
- Funding constraints
- Upgrade / Construction of oxidation ponds – funding constraints
- Construction new treatment works had commenced during 2006/2007 financial year and still in progress to be completed in 2011
- Only one funded IDP project 2008/2009 allocated to sewerage /sewage/sanitation.

Remedial Action /Ways of meeting these challenges may include:

- Apply for grant funding
- Implement funded IDP Planned project/s as planned for in the IDP: R 300 000 Construction new treatment works
- Implement maintenance programmes

Note: No infrastructure development had been implemented during for the past three years. No records or financial information or other information available regarding the projects (progress reports, service level agreements, act). During 2008/2009 there has been an improvement in this regard, however this area requires urgent attention (this was raised as an exception in the AG`s report).

Town Planning and Building Control

The following challenges are required to be addressed:

- Organizational structure not functional
- Technical Department `s Posts are dominated by “unskilled” staff
- Lack qualified /skilled staff
- No staff in the Technical services department have or are registered with an accredited professional body.
- No building Control Officer
- No building control carried out in the Municipal area
- Non compliance of citizens to Town Planning Legislation/building regulations

- No proper Stormwater drainage (WMP – not in place)
- Non registration of property ownership – resulting in financial losses for the Municipality
- Non registration of property ownership – resulting in financial losses for the Municipality
- No policy on Building Control
- No dedicated budget for Town Planning
- Review of the Spatial development framework
- Zoning maps
- Land issues required to be resolved
- Land for development Sakhisizwe
- Land management/settlement plan to be developed
- 9 Land use applications were approved during 2008/2009 financial year

Remedial Action /Challenges addresses

- The Building Control Officers position to be budgeted for and this position would ensure enforcement of land use planning legislation & building control regulations (facilitated by the appointment of the Building Control Officer)
- The establishment of the PMU unit and the appointment of the PMU Manager could in the interim assist with “technical “ issues related to Town Planning and Building Control (this is currently in place – but not achieved in the year under review)
- The enforcement of land use planning legislation & building control regulations
- The conducting of a land audit for verification of municipal owned land
- Review of the Spatial Development Framework. Service Providers were appointed to assist in the review of the Spatial Development Framework, during the year under review (Umhlaba Consultants)
- Development of the Land Use Management system
- Ownership of environmental management plans (currently CHDM) and enforcement of all implementation activities.

3. **CONCLUSION**

In concluding, reference is made to the Audit Report and the many references made to the lack of formal reporting and records. As a direct result of this it must be noted that while every effort has been made to summarize successes and challenges within this Municipality during the 2008/2009 period, information presented has for the most part been based on the “lack of formal record”, and reliable information.

While the reasons for these deficiencies are understood and certain allowances have been made, it must be acknowledged that this lack of information will impact on the current Annual Report. It is these issues that will form the basis of all further action and the development of an Audit Plan.

Notwithstanding these issues it is recommended that Council adopt this Annual Report as a reflection on activities, progress and issues for the 2008 -2009 financial year.

4. **RECOMMENDED**

That Council adopts the Annual Report for Sakhisizwe Municipality for the period 2008-2009, as reflected in the Annual Report attached for this purpose.

CLOSING SUMMARY

From the detailed chapters in this Annual Report, Sakhisizwe Municipality has been able to report on all aspects of organisational performance, providing a true, honest and accurate account of Council priorities and goals and our ability as an organisation to achieve these, notwithstanding the many highlighted challenges that prevail.

Within Chapter 1 of this report, you were exposed to an overview of Sakhisizwe’s geographic and demographic profile, as well as socio-economic factors that influence life within this region.

Chapter 2 has highlighted the key successes and challenges experienced by the more high profile service delivery departments. These have been examined by looking at the service delivery approach adopted, the performance measures and key successes, as well as the challenges and opportunities faced by service delivery currently.

Chapter 3 provides insight into the organisation structure and changes required to ensure that Sakhisizwe Municipality is able to fulfil its developmental Local Government objectives, through compliance at every level.

Chapter 4 represents an account of Sakhisizwe Municipality’s financial health and wealth and includes all financial statements as public documents.

Chapter 5 provides comprehensive information on the functional areas of Sakhisizwe Municipality, including overviews of functions and strategic objectives. All of these

objectives are then tied directly back to the Integrated Development Plan and more technically into the Service Delivery Budget and Implementation Plans for each department.

Sakhisizwe Municipality must be commended for their ability to improve dramatically under the very dire and extreme circumstances with which they were faced. As indicated some measures of success, growth and progress were achieved, particularly as a result of the direction and support provided both by political leadership and DBSA (with the appointment of the Municipal Mentor – Mr P Mc Ewen). While we can never negate the positive strides and progress made, it is important to realize that this is really the “tip of the iceberg”. There is so much more to be achieved and so many more challenges. However we can now tackle these with enthusiasm and the knowledge that progress can and has been made with concerted effort and commitment from all.

Finally, it must be noted that the Annual Report for 2008/2009 provides a realistic and accurate account of the progress and extreme difficulties experienced by Sakhisizwe Municipality and reflects the impact that all of this has had on service delivery.

GLOSSARY

CBO	Community Based Organisation
DBSA	Development Bank of South Africa
DORA	Division of Revenue Act
DWAF	Department of Water Affairs and Forestry
GAMAP	Generally Accepted Municipal Accounting Practices
GDP	Gross Domestic Product
GRAP	Generally Recognised Accounting Practices
IDP	Integrated Development Plan
ILGM	Institute of Local Government Management of Southern Africa
IMPRO	Institute of Municipal Public Relations Officers
LED	Local Economic Development
LGSWETA	Local Government and Related Services SETA
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
NEPAD	New Partnership for Africa's Development
NGO	Non-Government Organisation
SALGA	South African Local Government Association
SMME	Small, Medium and Micro Enterprises
TLC	Transitional Local Council
CHDM	Chris Hani District Municipality

CREDITS

Sakhisizwe Municipality wishes to thank the following people for their contributions:

- **The Mayor and Councillors**
- **Office of the Municipal Manager: Municipal Manager: Mr T Samuel**
- **Chief Financial Officer: P Steyn**
- **Inputs from: S57 Managers: -- Corporate Services Manager: Ms N Mazwayi**
- **Technical Services Manager: Mr X Mntonintshi**
- **IPED Manager: Mr N Saleni**
- **Communications Officer - Mr B Lali:**
- **DBSA Mentor: Mr P McEwen**
- **Special Mention: Charmaine Van Schalkwyk Consulting**

SERVICE	DEVELOPMENT AND SERVICE DELIVERY PRIORITIES	PERFORMANCE MEASURES AND KEY SUCCESSES	CHALLENGES AND OPPORTUNITIES
<i>SERVICE DELIVERY CONT</i>	<ul style="list-style-type: none"> • Augmentation and expansion of distribution network to provide water to new developments 		<ul style="list-style-type: none"> • Rehabilitation of the purification works • (Capacity issues - slow sand filter - require sophisticated electro mechanic system to deal with capacity • Implement IDP Planned projects 2008/2009 • (Capacity issues
(TECHNICAL) WATER			

SERVICE	DEVELOPMENT AND SERVICE DELIVERY PRIORITIES	PERFORMANCE MEASURES AND KEY SUCCESSES	CHALLENGES AND OPPORTUNITIES
SERVICE DELIVERY CONT	<ul style="list-style-type: none"> Water purification is undertaken at Cala 1 Plant and at Elliot 1 Plant 	<ul style="list-style-type: none"> Planned Pipeline extension of filter works to outlying areas 	<ul style="list-style-type: none"> Realistic tariffs for cost recovery
(TECHNICAL) WATER Continued...	<ul style="list-style-type: none"> Outlying area water is supplied by Chris Hani Amatola Water but reticulated by Sakhisizwe Potable water is reticulated to households within the Sakhisizwe area to unmetered (Cala, Old Township and Masibambane – 1763) Metered Elliot – 865 Metered in Cala – 798 	<ul style="list-style-type: none"> Maintenance to electrical /diesel water pumps at pump station Lobbying for funds for construction of small water projects Planned upgrading of Municipal water service provider status Water subsidies are provided to 3128 households Arcus Gibb Consulting Engineers appointed to investigate raw water/bulk water storage facilities quality water Equipped borehole to alleviate water shortages Requested CHDM (WSA) to appoint service provider – feasibility study – expansion of a raw water storage 	<ul style="list-style-type: none"> Bulk rehabilitated and supplied supply to be established for rural areas Dam scour and line Installation of fire hydrants Ward 7 continuous problems with water shortages Confusion between LM and WSA Insufficient bulk water facilities Silt– impact on water quality. Silt occupies large volumes of storage dam – silt exceeded the inlet that leads to WTW. Water shortages Confusion between WSA and LM budgets Shortage of water during dry seasons Insufficient raw water storage Water restrictions often implemented

SERVICE	DEVELOPMENT AND SERVICE DELIVERY PRIORITIES	PERFORMANCE MEASURES AND KEY SUCCESSES	CHALLENGES AND OPPORTUNITIES
SERVICE DELIVERY CONT	<ul style="list-style-type: none"> • Water supplied to households: Pholar Park – 29 – total 3455 of that 3128 receive subsidies • New connections are done on application • Infrastructure is responsibility of water services authority • Rural areas fall under Chris Hani District Municipality • Maintenance of purification works and reticulation systems • The Sakhisizwe Municipality has been appointed as Water Services Provider by the Water Services Authority (CHDM District Municipality) on an annual basis until the Section 78 process is completed, and this includes provision of sanitation services in the delegated areas of Elliot and Cala 	<ul style="list-style-type: none"> • Addressed problems associated with Treatment Works, Ponds and spillage with CHDM • The problems associated with sewer reticulation in Cala has been reported at Council meetings A planned survey of affected households is required 	<ul style="list-style-type: none"> • On application • CHDM • Treatment works in Elliot have exceeded their design period • Sewerage ponds are at capacity • Pond walls are damaged • Sewer spillage into river • Installation of chlorinator • Awaiting assistance from CHDM • Rural sanitation backlogs • Eradication of bucket system - achieved • Pholar Park, Cala • (Pholar Park - poor infrastructure – resolved on completion of the treatment works) • Shortage of need VIP Toilets rural area
(TECHNICAL) SANITATION			

SERVICE	DEVELOPMENT AND SERVICE DELIVERY PRIORITIES	PERFORMANCE MEASURES AND KEY SUCCESSES	CHALLENGES AND OPPORTUNITIES
<p>SERVICE DELIVERY CONT</p>	<ul style="list-style-type: none"> • The rural areas fall directly under the Water Services Authority (Chris Hani) • Infrastructure projects are the responsibility of the Water Services Authority • New connections are done upon request as there are still backlogs although a large percentage are below RDP standards • Maintenance of ponds, conservancy tanks and reticulation systems • Waterborne households serviced: Elliot, “Old Township”, Masibambane inclusive commercial/ business: 2050 • Cala: 822 • VIP serviced: 2000 • Conservancy tanks – 40 per month • The urban communities are insisting on waterborne sanitation removal and are not prepared to accept other methods 	<ul style="list-style-type: none"> • Operational problems experienced in Cala intervention by DWAF • Bucket system has been eradicated - VIP – toilet system in rural areas and waterborne in Urban Areas • Ongoing Operation and Maintenance • Construction of new treatment works has begun in Elliot • Construction of oxidation ponds has begun in Elliot Extension • Complaints reported and attended to were 340 • Sewer blockages were 240 • VIP’s serviced: 2000 • New connections: 22 • Conservancy tanks serviced on request basis – Cala 8 per week • Elliot 2 per week • Bucket system serviced • Cala 216 • Pholar Park: 26 • Subsidies received 2772 	<ul style="list-style-type: none"> • Sanitation ponds needed in rural areas • Unqualified operators (treatment works) • New vehicles needed • Waterborne sanitation for bucket eradication in Elliot • Rural areas and Cala sanitation inadequate • Outstanding waterborne 1500 (urban area) and VIP (rural area) outstanding 1000 • Supply Chain Management • Old and aging infrastructure (reticulation) • Irrigation at ponds • Staff not trained in operations and maintenance of pond • Culture of non Payment still exists • Confusion Between WSA and LM budgets

SERVICE	DEVELOPMENT AND SERVICE DELIVERY PRIORITIES	PERFORMANCE MEASURES AND KEY SUCCESSES	CHALLENGES AND OPPORTUNITIES
<p>SERVICE DELIVERY CONT</p>	<p>A political decision has been taken for waterborne sanitation in urban areas and VIP's in rural areas</p>		<ul style="list-style-type: none"> • Lack of staff • Insufficient funding • Lack of tools and equipment • Effluent generated from ponds not used for irrigation • Sewerage reticulation incomplete in Cala – using septic tanks and conservancy tanks Ndondo Square Township – problems with soil material saturation ends up in the septic tanks • Septic tanks not approved by Municipality • Poor workmanship (septic tanks) • Effluent is running into Tsomo River – creating Health problems – implications from DWAF

SERVICE	DEVELOPMENT AND SERVICE DELIVERY PRIORITIES	PERFORMANCE MEASURES AND KEY SUCCESSES	CHALLENGES AND OPPORTUNITIES
SOUND FISCAL MANAGEMENT/ MUNICIPAL FINANCIAL VIABILITY cont			
CORPORATE SERVICES LEAVE MANAGEMENT AND ADMINISTRATION		<ul style="list-style-type: none"> • Leave records to be computerised – SEBATA LEAVE MODULE - leave values for financial year end • No leave Policy and procedure manual in place in place • Planned leave audit • Proper Leave administration • Legal compliance put in place and necessary controls • Currently manual system – registers not maintained or audited/ checked regularly 	<ul style="list-style-type: none"> • No attendance registers • No attendance register controller • Delloite appointed SP • Leave policy & procedure manual developed and workshopped • Leave audited • Leave to be administered by HR • Urgent attention to leave administration as it has financial implications for council • Computerized leave management • SEBATA system leave module to be implemented • Training / Capacity of Staff dealing with leave administration • No control • No exception reports – checks and balances • Unreliable leave balances -- resulted in audit query AG • Hudge financial liability / implications created

SERVICE	DEVELOPMENT AND SERVICE DELIVERY PRIORITIES	PERFORMANCE MEASURES AND KEY SUCCESSES	CHALLENGES AND OPPORTUNITIES
SOUND FISCAL MANAGEMENT/ MUNICIPAL FINANCIAL VIABILITY	<ul style="list-style-type: none"> • Institutional compliance with MFMA (Act No 56 of 2003) and other accounting practices • Monitor and manage targets set for income and expenditure control • GRAP • Financial Policy 	<ul style="list-style-type: none"> • Legal Compliance • Reduce risk • Financial Viability • Legal Compliance • GRAP preparation FOR 2009 • Legal Compliance 	<ul style="list-style-type: none"> • Planned implementation of Risk profile /implementation risk Plan and annual overview on risk management - planned for since 2007/2008 – not achieved in 2008/2009 FY • Planned for 2009/2010 • Establish baseline to determine financial viability and monitor viability in respect of debt coverage and expenditure control – put in place strategy to resolve • Planned to put in place - Revenue enhancement strategy to be put on place • Fully Grap compliant • Achieved