



SAKHISIZWE MUNICIPALITY ANNUAL REPORT

DRAFT

2009 / 2010

VISION

“Together with communities and partners striving for sustainable livelihoods and economic growth for all”

MISSION STATEMENT

“Together with all communities, we will provide sustainable service delivery, skills development and alleviate poverty through the Integrated Development Plan”

BROAD DEVELOPMENT STRATEGIES AND GOALS

***Sustainable basic service delivery
Access to free basic services***

Institutional Development and Transformation

Economic Development Transformation and growth with special emphasis on:

Agriculture;

Housing provision;

***Special Programmes with the emphasis on addressing HIV/Aids;
Health;***

***Municipal Financial Viability and Management; and
Sound Governance***

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CHAPTER 1.
INTRODUCTION AND OVERVIEW

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MAYOR W. TIKANA

1.1 MAYOR'S FOREWORD

It is with great pleasure and pride that I am able to present you with Sakhisizwe Municipality's Annual Report for 2009/2010.

Sakhisizwe Municipality has faced a number of extremely challenging years and the 2009/2010 period has not been without challenge, both from an administrative and from an operational perspective.

Throughout this time, we have been guided and directed by the ANC's Election Manifestos, which places emphasis on: "Making Local Government Work Better". It is against this philosophy that we have begun to re-build Sakhisizwe Municipality – growing and developing it, to a point where it has been able to achieve and obtain many of the required and necessary resources to meet the organisational objectives and areas of growth.

Our economy has been at its most challenging – not only do we face extremely high levels of unemployment, but high levels of inflation have simply added a greater burden for our day-to-day survival.

As the municipality and in my role as the political head of this organization, my greatest challenge has been to meet the community needs, whilst acknowledging and taking into account the very real infrastructure and resource limitations.

In attempting to meet the community needs, as reflected within the IDP, we must acknowledge that Sakhisizwe Municipality was required to withstand not only the regional and local economic impacts, but to adjust to both infrastructure and operational resources and needs.

Over the last couple of years we have had a history of financial hardship, and this has been exacerbated and at times caused by ageing and inadequate infrastructure, poor/limited human resource capacity, which in turn is exacerbated by skills shortages and skills retention challenges. The socio-economic difficulties work directly against us, as these difficulties directly retard the ability of the public to pay for services rendered (sewerage, water, electricity, and the like) and this ends up regarding growth even further.

Notwithstanding these huge limitations, Sakhisizwe has managed to rise above these limitations and above this adversity. While the backlogs in service delivery must be resolved, it is worth noting that our financial health and wealth has improved dramatically, and we currently boast a very positive cash flow and a good portfolio of investments.

Having achieved to a large extent our financial target, efforts will now be underway to focus on achieving success within the service delivery field and especially in the elimination of backlogs and effective service delivery to all.

Service delivery, capacity building, the reduction of service delivery backlogs and the achievement of positive results for special projects, will provide a prime focus for the year to come while recognizing the specific limitations that arise from this municipality and the resultant challenges.

Every effort will be made to engage with the community more often through increased and varied public participation initiatives. In this manner a truly participative relationship is created between the public and the municipality and this will aid service delivery even further.

As 2009/2010 draws to a close, we ready ourselves for the onslaught of 2010/2011 and the inevitable political changes and challenges that will emanate from the up and coming elections. At all times we put the interests of Sakhisizwe Municipality first and look forward to continued working relationships with all parties involved.

I would like to take this opportunity to thank the Chief Whip and my Council for all the support that they have provided. To the Municipal Manager and staff – well done on your achievements. We have made great strides and can be very proud of our accomplishments. We look forward to 2010/2011 with renewed energy and interest.

MS. W. TIKANA
MAYOR



MUNICIPAL MANAGER: T SAMUEL

1.2. MUNICIPAL MANAGER'S REPORT

It is with great pride that I am able to present to you the Annual Report for Sakhisizwe Municipality for the 2009/2010 year of review.

As with previous years, this past year has been one of many challenges, but with challenges come learning and exposure to “better ways to do things”. This is indeed what has happened and we have learnt from our challenges and experiences.

Overall and perhaps the greatest success that we have achieved this past year, has been within the Finance Division. Thinking back, it was not many years ago that we as a municipality were in “dire financial straits” and with the Financial Turnaround Strategy we have against all odds come through with a positive cash flow statement and investments to be proud of. Our appreciation in this regard go to Mr. P McEwan (our mentor and coach from DBSA) and our Chief Financial Officer, who have contributed directly (through great effort and commitment of their time and expertise) in order to ensure that we comply with all aspects of the MFMA and have built in strict controls and systems to ensure accountability.

It is interesting to note that notwithstanding our very poor economy, we have managed to increase our revenue base and to improve our payments and collections rates.

We appreciate the limitations that are experienced due to capacity issues. In an effort to build capacity within the institution, we have engaged in many training and development exercises for both Councillors and staff and the challenge remains to ensure that knowledge gained is applied at a practical level. Building institutional capacity remains an ongoing exercise and one which must receive ongoing priority. In addition, this year has seen the appointment of a number of critical posts which have included: the appointment of the PMU Manager (and the establishment/provision of the PMU Unit) and the Assistant Community Services Manager to name but a few.

The management of performance at both an institutional and at an individual level is critical and it is noted that the application of the Performance Management Framework has been more effectively applied and this year (aside from formal assessment for the 557 managers), reporting and setting of targets institutionally has been improved through alignment of scorecards and the Service Delivery and Budget Implementation Plans (SDBIP) to the national indicators, the approved budget and the (Integrated Development Plan (IDP).

Infrastructure needs are immense and we are happy to report that MIG grant funded projects and certain IDP funded projects (limited by financial resources), were completed as detailed within the main body of this report.

The appointment of an Internal Auditor and the shared audit function with support provision from Lukhanji Municipality is certainly aiding the internal audit process, and unlike before audit meetings are now held regularly.

What has become apparent is our desperate need for administrative systems and controls that are followed to the letter. Document management and document integrity appears to be lacking and it is not uncommon to battle to find an audit trail, or to be able to verify data. The leave auditing process is a classic example and the Traffic section is tremendously challenged in its reporting and document management functions. It is fair to say that a lack of systems and controls throughout has resulted in cases of irregular and/or fruitless expenditure and unnecessary losses, not the least of which relate to compliance, document management and institutional memory issues.

The year ahead will require greater focus on systems, controls, and capacity building and performance management at every level.

I would like to take this opportunity to thank our Honourable Mayor, the Chief Whip and Councillors for their ongoing political and administrative support this past year. To my management team and staff I thank you. We have made great strides and clearly as we move forward we are required to learn, to grow and to become “that much better” at what we do.

May 2010/2011 build on the foundation of this past year and may we look forward to greater achievements as we move into a time of political change and challenge with the municipal elections on the horizon and great opportunities.

.....
T SAMUEL
MUNICIPAL MANAGER

1.3. EXECUTIVE SUMMARY

Sakhisizwe Municipality continues to focus its initiatives on the delivery of its constitutional mandate – that of meeting the needs and expectations of the community while taking into account the institutional capacity, budgetary constraints, staff shortages and the like.

Having said this, it must be noted that since the inception of Sakhisizwe Municipality in December 2000, it has been apparent that the only way to achieve this mandate, is by; developing and enhancing existing infrastructure; institutional capacity; developing sound financial systems and controls (in order to achieve financial viability); to ensure effective political and administrative leadership; and to manage performance (institutional and individual).

With our core leadership team comprising: Municipal Manager; Corporate Services Manager; Technical Services Manager; Community/IPED Manager; and Chief Financial Officer we believe that we are well on our way towards achieving greater targets and more efficient functioning.

The 2009/2010 period has brought with it significant progress (in respect of achievements), however it is noted that challenges continue to abound and are required to be dealt with at a strategic level.

In many respects 2009/2010 may be heralded as the year of financial success, although this breakthrough has been long in the making. This success may be directly attributed to the efforts of the current Chief Financial Officer, and Mr. P. McEwan (as our DBSA Consultant, who currently provides continued support as and when required) although he was instrumental initially in addressing the financial systems and controls. It becomes abundantly clear that in order to grow and to develop as an institution the staff of Sakhisizwe Municipality are required to become capacitated within all required technical areas and in this way they will be able to apply their knowledge at a practical level. Mentorship, the capacitation of staff, and the development and enforcement of financial policies and procedures have contributed, and will continue to contribute directly to this success.

The restructuring of the organisation has finally produced a structure that provides logical functional grouping of activities and responsibilities and unlike before, this has aided the logical work groupings and operation, ensuring clear reporting and accountability. Additionally, a PMU unit has been established within the Technical Services Department in order to manage institutional and grant funded projects.

Job descriptions have been provided for all positions on this organogram in the TASK format, and positions were evaluated by the PJEC, the final results having been provided in the Outcomes Report. These results were applied /implemented using the currently approved salary /wage curve, however it must be noted that these results applied to Job Descriptions that were now out of date (having been

submitted against Job Descriptions of approximately seven years prior and applicable to an organogram that is for all intents and purposes out of date.

Performance Management at the employee level is not effectively applied, although personal performance assessments for the 2008/2009 financial year were completed. It is intended that the Performance Management Framework be revisited and that a Performance Management Policy be reworked and approved, for implementation throughout the organization as a phased in approach. Currently this system has not been cascaded throughout the organisation, and it is intended that this will occur in planned and approved stages in years to come. Auditing of performance management is being conducted by the Remuneration Committee.

From an administrative perspective (political and organisational), a number of issues for 2009/2010 are required to be highlighted and are summarized as follows:

- The Internal Audit Committee operates as a “shared function” with support provision from Lukhanji Municipality. As such meetings are held more frequently and regularly and audit issues now receive more focus and attention. An Internal Auditor has been appointed and this has aided this process even further;
- Policies and procedure have been reviewed and updated as required (HR, Budget and Institutional);
- By-laws have not been reviewed / updated due to capacity and resource constraints;
- Training Committee meetings are not being held regularly as required;
- The Employment Equity Plan and targets have not been achieved due to staff shortages, critical skills shortages and the lack of an appropriate retention strategy;
- The Electronic Document Management System while having improved in functioning requires ongoing maintenance and update;
- The IT Policy is in draft place and while the website is functional, maintenance issues appear to be a challenge;
- Supply Chain Management is improving and the majority of tenders are being awarded to previously disadvantaged individuals;
- The Local Labour Forum is functional;
- The Occupational Health and Safety Act has not been effectively applied, and more functional committees are required and exercising greater controls;
- The IDP was reviewed and taking into account input from public participation efforts and other initiatives, a reviewed IDP document was approved;
- The Delegations Framework has not been finalized although training and work shopping around these areas has occurred to a limited degree;
- Council administration has been suffering after difficulties were experienced after the resignation of the HR Officer who was instrumental in ensuring that meetings and committees were assisted administratively (minutes, agenda, arrangements and the like);
- Institutional meetings (Departmental, sectional and institutional) are being held more regularly, in an effort to improve internal communication channels;
- Efforts are underway to update and implement the Document Management System;

- The Credit Control Policy is being more effectively applied and “cut offs “ have appeared to have positively influenced the climate of non-payment;
- The Communications Officer achieved many successes in respect of both internal and external communication strategies, and his subsequent resignation from this position has already been felt within all aspects of communication and marketing;
- Staff and Councillors have been trained according to the Workplace Skills Programme although it is quite evident that greater emphasis is to be placed on training and the practical aspects of learning gained;
- Interns and mentors have been placed within Corporate Services and within the Finance Department (mentorship by DBSA), in order to facilitate institutional capacity building;
- Efforts to improve public participation are ongoing and efforts are constantly underway to forge relationships and partnerships between the municipality, the community and other agencies and government institutions; and
- Compliance with GRAP in all areas where required has occurred and this has facilitated achievement of compliance

From a technical and service delivery perspective the following issues are raised:

- As indicated, efforts to address backlogs in service delivery are receiving continued focus, and our greatest challenge is to ensure that adequate and appropriate measurement occurs in order to be able to manage these processes and to report accurately on service delivery results regarding water, sanitation, solid waste, roads and electricity, not to mention all other aspects of service delivery that may include community based initiatives.
- Recognizing that ageing infrastructure remains a challenge, and high levels of maintenance are required, MIG funding was well utilized and planned projects for the most part were achieved (facilitated by the PMU unit). This, coupled with the achievement of IDP projects, has shown great progress as compared with 2008/2009 when little or no MIG projects were implemented;
- A great deal of funding was spent on the purchase of much needed plant and equipment in order to ensure that service delivery could become more effective; and
- Overall and as always our focus will be to ensure that strategies are developed, together with revitalization plans, sectoral plans and key policies, in order to ensure that Sakhisizwe Municipality is in a position to maintain and uplift existing infrastructure and resources, whilst ensuring effective service delivery provision to the rural areas.
- Overall and as indicated, LED and Tourism projects require focus with little activity having occurred especially in respect of tourism. These are listed and presented in the priorities reflected within the 2010/2011 period.

Over the 2009/2010 period, officials and politicians were required to work at great lengths in order to ensure that short- and long-term objectives are met in the most efficient and cost-effective manner,

Notwithstanding, limitations do exist and challenges remain, and it is imperative that the organisation remains focused and committed towards addressing these challenges and fulfilling ongoing legislative commitments.

It is the intention of the Executive Summary to provide you with a statement and account of the overall goals, priorities and direction of this Municipality. In this manner, a clear understanding will be obtained regarding the organization's direction and focus and the manner in which it is intended that this will impact positively on the community. An account of the financial health of this Municipality will also be provided together with a narrative on administrative issues and considerations, which have impact on the overall operations within this Municipality.

STRATEGIC DIRECTION FOR 2010

As per Sakhisizwe's Strategic Objectives for 2009/2010 (based on input obtained from the community and stakeholder engagement when reviewing the IDP), the Sakhisizwe IDP Steering Committee and Representative Forum changed the formerly identified development priorities to the following for 2009/2010:

- Priority 1: Roads and Stormwater
- Priority 2: Water and Sanitation
- Priority 3: Financial Viability
- Priority 4: Good Governance and leadership development
- Priority 5: Capacity building
- Priority 6: Housing
- Priority 7: Electrification
- Priority 8: Local Economic Development
- Priority 9: Social and Recreational Facilities
- Priority 10: Health
- Priority 11: Safety and Security
- Priority 12: Education
- Priority 13: Land and Environmental Management
- Priority 14: Disaster Management
- Priority 15: Special Programmes – HIV/AIDS, Youth, Elderly, Women and people who are physically challenges

The Development Priorities in context are reflected as follows:

(1) ***Roads and Stormwater***

The lack of proper road network was identified as having the single most negative impact on business growth and communication. An inadequate stormwater drainage system contributes to the bad condition of the available roads.

(2) ***Water and Sanitation***

The large number of households without these basic facilities is a major cause of concern.

(3) ***Housing***

A large housing backlog, as previously quantified, requires urgent attention. We are experiencing problems with the availability of land for housing development. Further the water and sanitation supply is inadequate and bulk services need to be upgraded and renewed.

(4) ***Electrification***

The provision of electricity to all households has been considered as an essential infrastructural requirement.

(5) ***LED***

The provision and slow economic growth was identified as requiring intervention in order to alleviate poverty levels and combat associated social problems, to facilitate and monitor the provision of agricultural activities, and to facilitate with DOA the support of emerging farmers.

(6) ***Social and Recreational Facilities***

A serious lack of adequate sports and social facilities was identified throughout the municipal area (in particular the provision of service centres to complement existing municipal and health services) were identified. The need to provide information centres to assist economic growth initiatives was also identified.

(7) ***Health***

The availability of health facilities to all families, as well as adequate maintenance and administration thereof, has been identified as an urgent need. The need to plan and administer all emergency services in order to reach all inhabitants of the areas was identified.

(8) ***Safety and Security***

Improved safety and security measures, such as the improvement of associated infrastructure, the creation of community police forums and improved communication measures are also required.

(9) ***Education***

A dire need for additional educational facilities has been identified as well as a need for proper maintenance of existing educational infrastructure.

(10) ***Land Environmental Management***

To create a safe and healthy environment by ensuring that land, natural resources and atmosphere are not contaminated.

(11) ***Disaster Management***

The need to upgrade the existing fire fighting and disaster management programs and procedures was also identified.

(12) ***Special Programmes: HIV/Aids, Youth, Elderly People, Women, and Disabled***

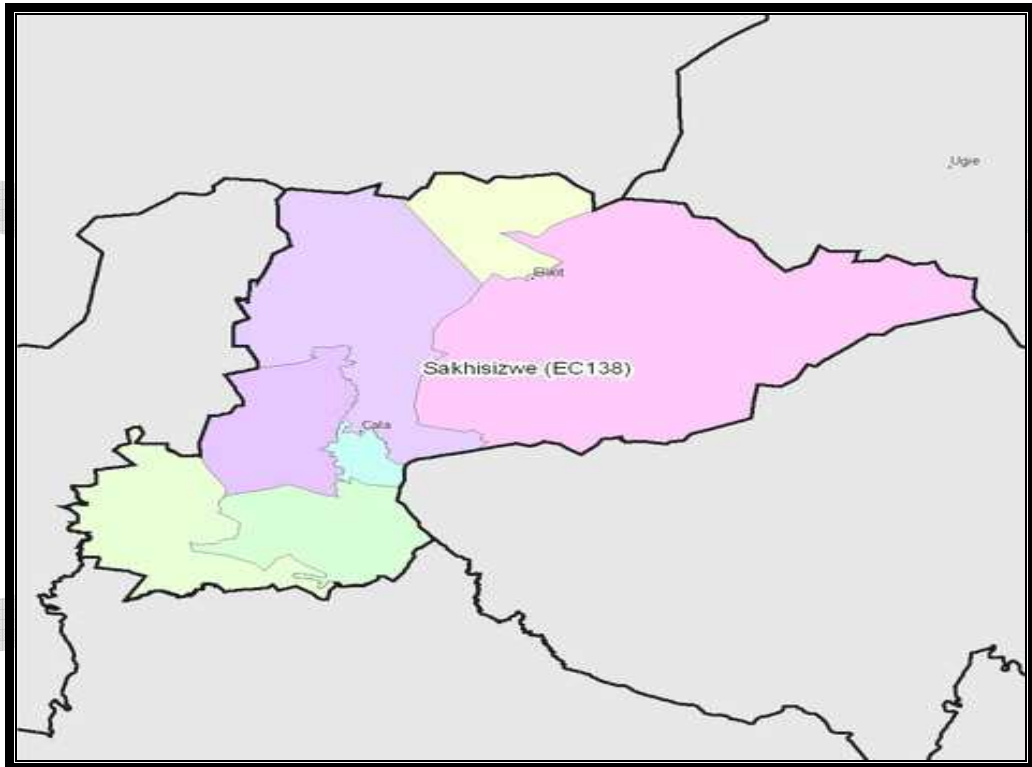
The prevalence of HIV/Aids and its associated problems is cause for concern and requires action. It is imperative to involve the youth, elderly, people with disabilities and women of the area in all developmental and planning matters. The empowerment of these groups with regard to the planning and financial responsibilities of the Council is also regarded as vital to the future of the region.

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1.4 SAKHISIZWE GEOGRAPHICAL CONTEXT

Sakhisizwe Municipality was established during December 2000, as a Result of the amalgamation of the following Local Authorities and towns:

- φ Cala;
- φ Elliot;



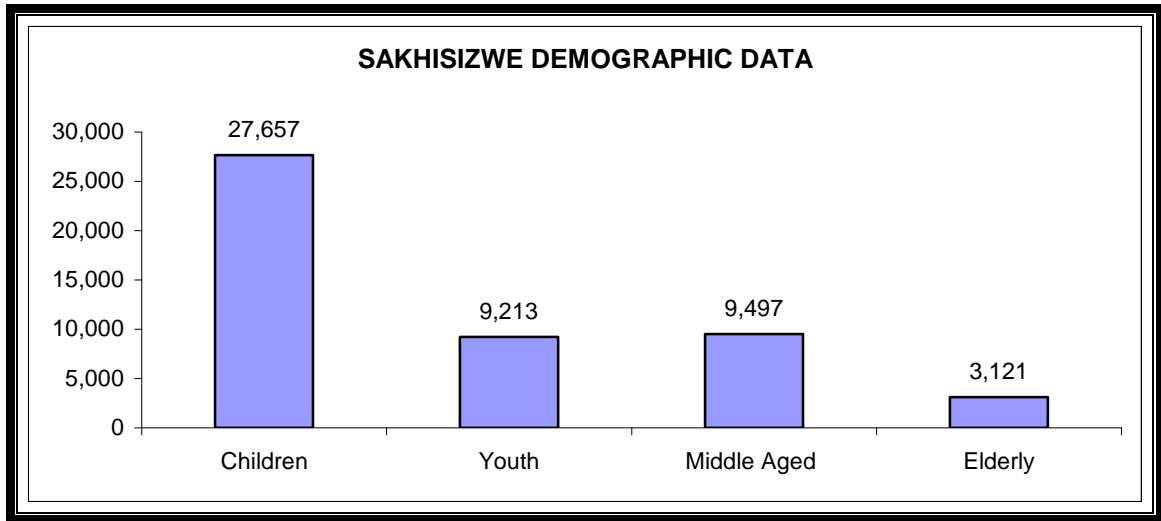
The Municipality covers an area of 2556 km². A unique feature of this Municipality has beautiful mountains and beautiful rivers and dams to lay claim to, and with many game-fishing opportunities the potential for tourism within the area is an opportunity that requires nurturing.

DEMOGRAPHICS

Population

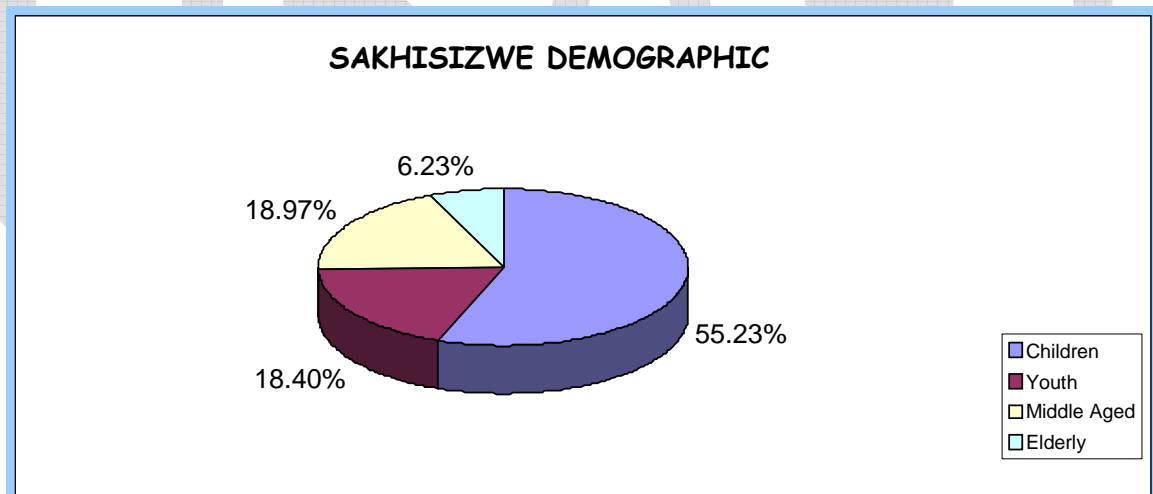
The demographic data of Sakhisizwe Municipality indicates that the population is predominantly African, of which more than half (55.23%) of the population are children. This information is shown in Graph 1 and Graph 2.

Graph 1



Graph 2

The economic active population are small in comparison to the elderly and young children.

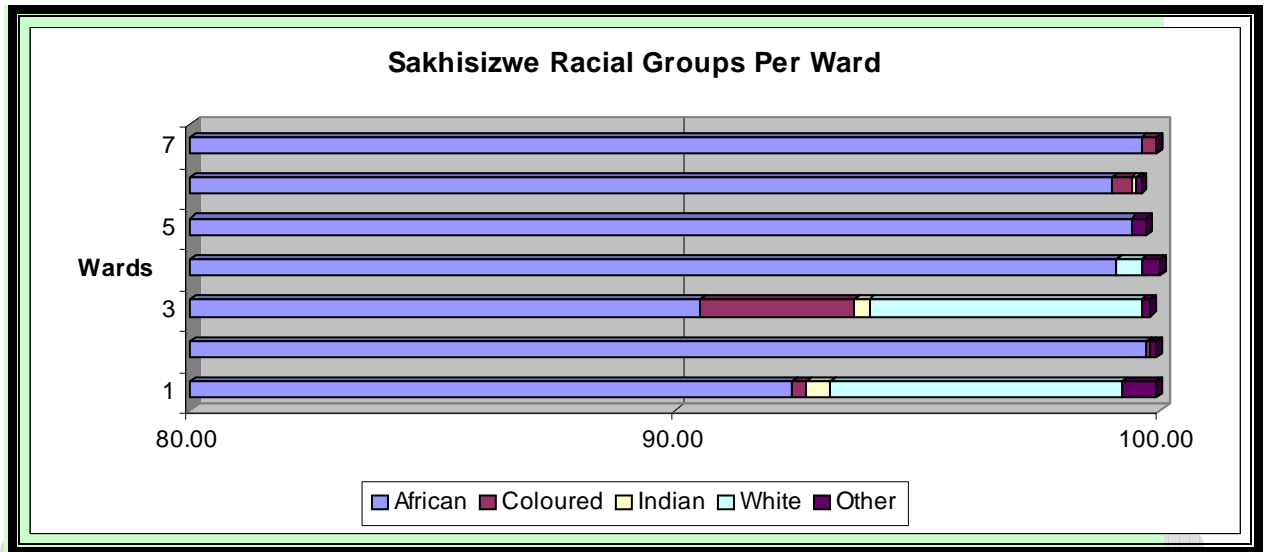


Graph 2: Sakhisizwe Demographic data represented in a pie chart

Racial groups, age distribution per ward

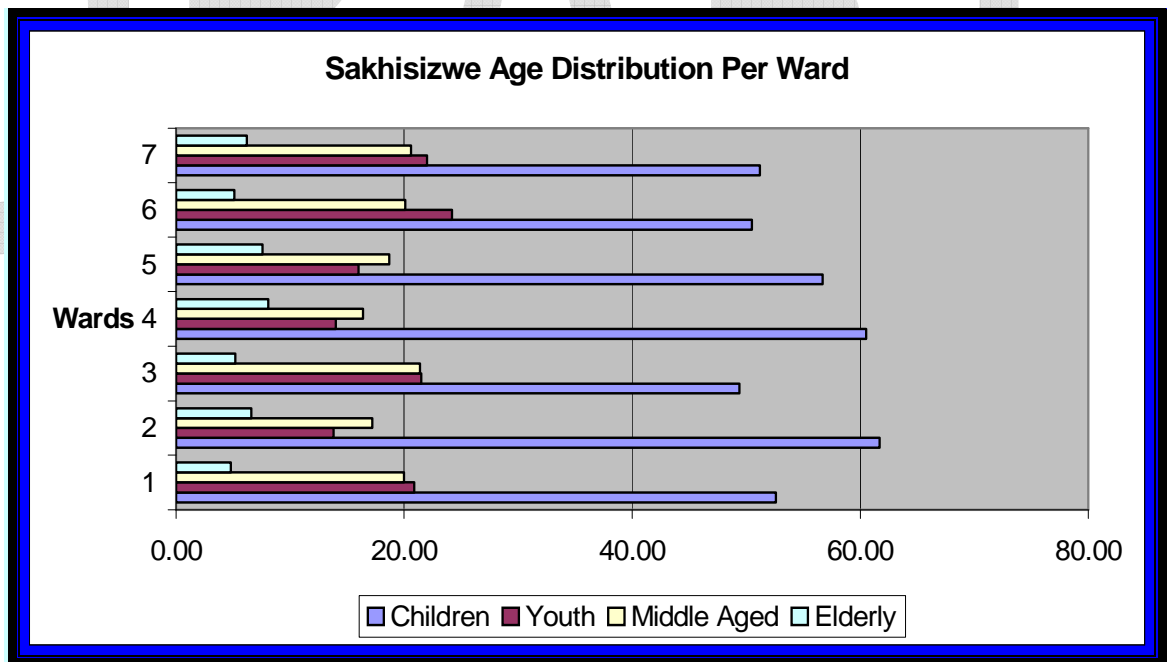
The municipal demographic data are reflected below in tabular form.

Table 1: Race Group Distribution per Ward



** Source: Demarcation Board: Municipal Profile for Sakhisizwe Municipality. August 2001

Table 2: Age Group Distribution per Ward

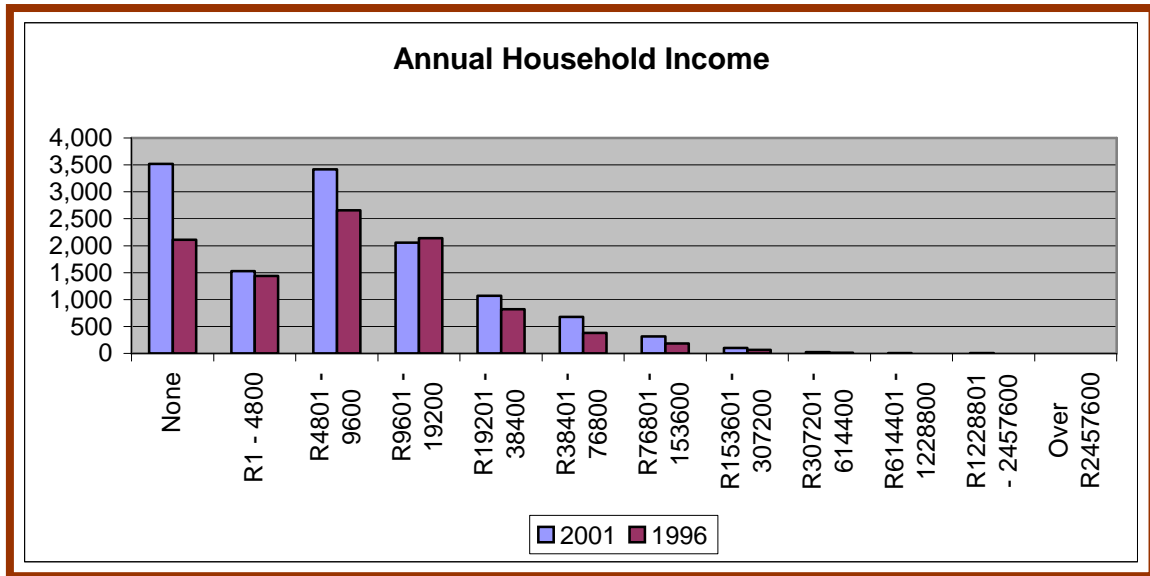


Employment and Unemployment

It is estimated that:

- 35.5% of population are formally employed.
- 64.5% are unemployed.
- 73.8% households have no steady income.
- 22.4% of households earn less than R1 000 per month.

Note: This figure is below the Household Subsistence Level for the Province.



The impact of HIV/AIDS

HIV/AIDS is prevalent in the Municipal area; and the organization is itself affected. HIV/AIDS has an effect on local economic development, health and all other infrastructure and service delivery.

This epidemic has a devastating economic impact on the community, which has resulted in increased poverty and more dependency on social grant income resulting on effectively increasing the number of indigents and reducing the municipal tax base.

Economic productivity suffers as ill health prevents workers from attending to their jobs leading to food shortage within households, non-payments of school fees (increasing illiteracy) and increased non-attendance of schools as children care for siblings and parents. The increase in mortality results in valuable skills loss and redundant infrastructure.

Mainstreaming the management of HIV/AIDS is as an institutional responsibility and must be integrated into the IDP's strategic development priorities so as to avoid serious impact on its performance.

If HIV and AIDS is not dealt with, its effects on the population will further result in poverty which may lead again in an increase of infected and affected people.

Part 2

ACHIEVEMENT REPORTS

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CHAPTER 1

ORGANISATIONAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT

1.1 Presentation of the organizational structure (approved organogram)

Analysis and comparison between the currently approved organogram and current staff complement would indicate the following information:

A total of 159 positions for the organization were approved for the 2009/2010 year. In this financial year there has been a number of appointments to critical posts which have included: the appointment of the PMU Manager (and the establishment/provision of the PMU Unit) and the Assistant Community Services Manager to name but a few.

- During this financial year the following s57 Managers were in possession of employment contracts and performance agreements:
 - Municipal Manager
 - Corporate Services Manager
 - Chief Financial Officer
 - Community/IPED Manager
 - Technical Services Manager

All s57 manager positions other than the position of Community Services Manager, remains a vacant unfunded position has been filled and performance agreements and employment contracts were submitted to the Department of Housing and Local Government and Traditional Affairs within the prescribed timeframes. The following table provides a synopsis of the approved, filled and vacant posts within the organization.

Note: The Community Services Manager's post has been vacant for the past 3 years. 2009 / 2010 saw the appointment of the Assistant Community Services Manager (not a s57 position), who would report directly to the Community/IPED Manager (having assumed responsibility for the Community related functions of the Services Department).

Approved & funded posts in the entire institution	Number of employment contracts and Performance Agreements	Filled Posts	Total number of vacant funded posts in the entire institution
Unknown	5	146	Unknown
Councillors		13	

1.2 Staff development Initiatives during the Financial Year

The municipality compiled its Workplace Skills Plan for the 2009/2010 Financial Year and this was adopted as required by Council after having been signed by all the relevant parties (i.e. Employer and representatives of the Employees i.e. SAMWU and IMATU). Accordingly the training and development programmes that were planned and implemented during this year are reported on in the tables that follow.

Internship Programme

With funding received from National Treasury five (5) interns were employed in the year under review, and they are currently undergoing in-service training within the Department: Budget and Treasury Services and Corporate Services. .

The internship programme was introduced to alleviate the negative impact that skills shortages has had on recruitment and the subsequent placement of suitably qualified persons. The internship programme is aimed at empowering and capacitating future employable staff.

The internship programme is regarded as a means to balance the immediate shortages of staff with the long term demand for employees. It is envisaged that both current and future personnel shortages could be reduced as the Municipality intends to absorb some of the already trained candidates, who have been exposed to the organization on a practical level.

NAME	COURSE	PROVIDER	DURATION	TARGET GROUP	IMPLEMENTATION DATE	BUDGET	STATUS
Butsha Lali	Essential Tools for Journalists and Editors	Rhodes University	5 Days	Professional	20 - 24 July 2009	R6,500.00	Completed- Obtained a Certificate.
Ntsikelelo Saleni	IDP, Spatial Development and Land Use	Department of Cooperative Governance	12 Days	Directors and Corporate Managers	20 – 31 July 2009		Completed
Kholekile Mbambo, Cherryl Winnaar	Administration and Adjudication of Traffic Fines	Department of Roads and Transport	5 Days	Community & Personal Service Workers	03 – 07 Aug 2009		Completed
Weziwe Tikana	Certificate Programme in Management Development	Wits University	1 Year	Legislators	14 Sep 2009 – 05 Nov 2010	R45,500.00	Incomplete – left with Module 2 – 27 Sep 2010, - 01 Oct 2010. Module 1 – 31 Oct 2010, - 05 Nov 2010
Councillors Noxwe and Mntonintshi	Integrated Development Plan	University of Fort Hare	5 Days	Legislators	12 – 16 Oct 2009	R42,900.00	Completed- Obtained a Certificate
Councillors, Managers, Union Reps and Officials	Disciplinary Policy: Handling of Discipline	Charmaine Van Schalkwyk Consulting	2 Days	Legislators Directors and Corporate Manager Professional	01 – 02 Dec 2009	R9,990.00	Completed- Obtained a Certificate

NAME	COURSE	PROVIDER	DURATION	TARGET GROUP	IMPLEMENTATION DATE	BUDGET	STATUS
Councillors, Managers, Union Rep and Officials	Supply Chain Management	Ntsiki Pakade Consulting	2 Days	Legislators Directors and Corporate Managers Professional	02 – 03 Mar 2010	R116,850	Completed
Sivuyile Nongenzi	Main Ledger	Sebata	2 Days	Professional	15 – 16 Mar 2010	R3,135.00	Completed
Sivuyile Nongenzi	Cashbook	Sebata	1 Day	Professional	17 Mar 2010	R1,567.50	Completed
Interns	Stores & Creditors	Sebata	3 Days	Professional	15 – 17 Mar 2010	R23,512.50	Completed
Bongile Mdyosi	Leave	Sebata	2 Days	Professional	18 – 19 Mar 2010	R3,135.00	Completed

Total Training Budget Spent – R253, 000.00

1.3 Key HR statistics per functional area

1.3.1 Full time staff complement per functional area including councillors (total 159):

NUMBER OF STAFF	GENDER	POSITION
1	African Female	Mayor
4	African Female	Councillors
8	African Male	Councillors
3	African Male	Top Management
1	White Male	Top Management
1	African Female	Top Management
2	African Male	Senior Management
3	African Male	Professionally qualified
4	African Female	
1	White Male	
14	African Male	Skilled technical
15	African Female	
1	Coloured Male	
1	Coloured Female	
20	African Male	Semi – skilled
1	Coloured Male	
38	African Male	Unskilled
27	African Female	
2	Coloured Male	
1	Coloured Female	
1	African Male	Temporary employees
6	African Female	
4	African Female	Interns
1	African Male	

There appear to be major discrepancies in the staff complement figures between those in the Budget Related documents and those provided by Corporate Services in respect of Employment Equity statistics and the like. It is critically important that these statistics tally and are reflected identically. The figures that are first considered by the Auditor General are figures from the AFS and GRAP tables, which are in turn audited and verified. While it is possible that discrepancies could have arisen from staff movement (promotions, terminations and the like), these issues must be determined and a single and correlating set of statistics must be used.

1.3.2 Technical Staff Registered with Professional Bodies

Technical Service (e.g. Water, Electricity etc.)	Total Number of technical service managers	Total number registered in the accredited professional body	Total number pending registration confirmation in the accredited professional body	Total number not yet registered in the accredited professional body
NONE	NONE	NONE	NONE	NONE

1.3.3 Levels of education and skills

Total number of staff (Excluding 13 councillors)	Number of staff without Grade 12	Number of staff with Senior Certificate only	Number of staff with Tertiary/accredited professionals training
146	84	30	22

1.3.4 Trends on total personnel expenditure

Financial Year	Total number of staff	Total approved operating budget	Personnel expenditure (salary and salary related)	Percentage of expenditure
2007-2008	145	31 017 539	16 377 024	52.80
2008-2009	149	56 048 611	16 991 724	30.32
2009-2010	159	80 912 833	22 352 952	27.63

1.3.5 List of pension and medical aids to whom employees belong

Pension Fund	Number of members	Medical Aid	Number of Members
SAMWU National Pension Fund	108	Bonitas	33
Cape Joint	7	Key Health	1
Alexander Forbes	1	LA Health	9
Sanlam	1	SAMWUMED	20
SALA	9	Hosmed	0

1.4 Senior Officials' wages and benefits

Name	Salary	Medical Aid	Pension	Car Allowance
Thembeni Samuel	629 151	20 649	96 480	7 000.00
Nomthandazo Mazwayi	524 062	10 022		9 000.00
Xola Mntonintshi	517 316	16 768		9 000.00
Ntsikelelo Saleni	510 852	23 232		9 000.00
Peter Steyn	462 665	38 059	81 360	5 000.00

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

Indicator Name		Total Number of people (planned for) during the year under review	Achievement level during the year under review	Achievement Percentage during the year	Comments on the gap
1	Vacancy rate for all approved and budgeted posts	Not available	Not available	Not available	
2	(Percentage of appointment in strategic positions (Municipal Manager and Section 57 Managers)	0	0	0	N/A
3	Percentage of Section 57 Managers including Municipal Managers who attended at least one skill development training course within the Financial Year	5	100%	100%	
4	Percentage of Managers in Technical Services with a professional qualification				
5	Percentage of staff that have undergone a skills audit (including competency profiles) within the current 5 year term	159	100%	100%	All the employees participated in the Skills Audit that was done by Conyama Consultancy Firm
6	Percentage of councillors who attended a skill development training within the current 5 year term	13	100%	100%	Councillors attended an IDP, Supply Chain and Handling of Discipline Skills Programme
7	Percentage of female employees		42.13%		
8	Percentage of employees that are aged 35 or younger		4.03%		

1.6 Major challenges and remedial action in regard to human resource and organisational management

Major Challenges	Remedial Actions
The Job Evaluation Maintenance phase has not yet started by the Municipality and this makes it impossible to implement the wage curve	Job Descriptions (TASK) were evaluated in 2006 and these are outdated. Upgrade and re-evaluate all Job Descriptions as per current structure.
Poor Retention of staff at all levels	Retention strategy and policy to be developed and applied in order to retain employees and attract the required scarce skills
The absence of Health and Safety Practitioner and structured SHE Wellness programmes	Appointment of appropriate staff
Absence of Records Manager and difficulties exist in respect of archives and document management. Retrieval of information is a problem.	The Archives Clerk has been appointed and for 2010/2011 the archives will be managed effectively.
Staff shortages experienced especially for critical position such as Payroll Officer and the SHE Practitioner	Proposed that critical positions be filled during the financial year 2010/2011
Transport and Fleet Management- the policy is in place but the ageing fleet is very costly re: service and petrol costs.	Application of a Fleet Management Programme (incorporating maintenance plans). Budget and purchase required fleet and strictly managed petrol statistics.
By-laws are required to be reviewed as they are outdated	Procurement process is in place and this should be resolved 2010/2011.
Training and Employment Equity Committees are not sitting regularly as required.	Combine the two committees because of the shortage of staff in order to facilitate required processes and to ensure that Corporate Services see to it that the training schedule/plan is adopted by Council.

1.7 IMPLEMENTATION OF PERFORMANCE MANAGEMENT

The concept of Performance Management and the application of a Performance Management System began in the 2007/2008 financial year. as per the Municipal Planning and Performance Management Regulations of 2001, where municipalities were required to utilize and adopt Performance Management policies that were commensurate with their resources and best suited to their circumstances.

Accordingly Sakhisizwe Municipality adopted a performance management framework that would be utilized to develop a Performance Management Policy, which would be appropriate for Sakhisizwe Municipality. Application of this policy and the population of the performance targets were also required to ensure alignment to the organizations Integrated Development Plan (Strategic Goals and Objectives) and it's annual budget for the year in question.

The Performance Management framework was based on the following pieces of legislation:

- Local Government Municipal Systems Act, Act no. 32 of 2000;
- Municipal Planning and Performance Regulations (2001) and (2006); and
- Municipal Finance Management Act, Act no. 56 of 2003.

In order to fulfil the performance management cycle, and processes of performance planning, monitoring, measurement, and review, the process of reporting was clearly defined within this framework.

Accordingly and in simple terms the following principles would apply:

- The 5 year IDP provides the strategic direction for the municipality, although this is broken down into annual IDP objectives.
- These objectives are translated into departmental objectives and these in turn are translated into the Service Delivery and Budget Implementation Plans for each department. As operational plans, these are required to be aligned to the budget and to depict annual performance targets that are broken down into quarterly targets.
- In terms of the process of Performance Management institutionally the SDBIP's would be further broken into individual performance objectives (as depicted within scorecards) and as these would cascade from the top to the bottom (throughout the organization) and these targets would be required to become more operational in nature.

To date the roll-out of the Performance Management System within Sakhisizwe Municipality **has not been successful** and attempts at application have been only focused on the 57 Managers. Further refinement and work on the framework and policy itself is required in order to remedy these shortcomings and it is only after this has been achieved successfully that the roll-out will be planned and implemented for subsequent years.

Notwithstanding these practical shortcomings the monitoring and assessment of performance is required to occur regularly as follows:

Quarter	Period	Month of Reporting	Type of Monitoring
1	July – September	October	Coaching and Review
2	October – December	January	Assessment
3	January – March	April	Coaching and Review
4	April – June	July	Final Assessment

The review in January will coincide with the mid-year performance assessment as per s72 of the Municipal Finance Management Act, Act no. 56 of 2003. This section requires that the Accounting Officer must by 25 January of each year, assess the performance of the municipality and report to Council on the service delivery performance during the first half of each financial year and the service delivery targets and indicators as set out in the SDBIP.

Annual Performance Reporting and Review

Annually it is required that a comprehensive report on the performance of the Municipality is compiled as per the prescriptions of Chapter 12 of the Municipal Finance Management Act, Act no. 56 of 2003.

The following Performance Reporting is therefore required:

REPORT	FREQUENCY	SUBMITTED FOR CONSIDERATION AND/OR REVIEW	REMARKS
1. SDBIPs	Quarterly	Exco	See MFMA Circular 13 of National Treasury for further information
2. Monthly budget statements	Monthly	Mayor (in consultation with Exco)	See Sections 71 and 54 of the MFMA
3. Organizational Scorecard	Quarterly	Exco	This PMS framework (see section 8.5.1 above)
4. SDBIP mid-year budget and performance assessment	Annually during January of each year	Mayor (in consultation with Exco)	See Sections 71 and 54 of the MFMA
5. Performance Report	Annually	Council	See Section 46 of the Municipal Systems Act as amended. Said report to form part of the annual report
6. Annual Report	Annually	Council	See Chapter 12 of the MFMA

The MFMA requires that an internal audit function is utilized in order to audit and verify the accurateness and correctness of the performance management function and reporting requirements (i.e. assessment of the functionality of the performance management system)

The internal audit system was outsourced as a shared function with support provision from Lukhanji Municipality. This shared audit function operates between

Sakhisizwe Municipality, Emalahleni Municipality and Lukhanji Municipality. An Internal Auditor has now been appointed and this unit has now been effectively established. This shared function is working successfully and has resulted in huge improvements as compared with the 08/09 financial year, with the Audit Committee meeting quarterly as required.

The municipality’s internal auditors must submit quarterly reports on the audits undertaken to the Municipal Manager and the Audit Committee.

The Audit Committee was established in terms of the MFMA and the Municipal Planning and Performance Management Regulations and is comprised of a minimum of 3 members, the majority of which are not employees of Council, and must exclude Councillors. Additionally the Chairperson may not be an employee of Sakhisizwe Municipality.

The Audit Committee is required to:

- Review the quarterly reports submitted to the internal audit;
- Review the PMS System of the municipality with recommendations to Council; and
- Submit the Audit Report to the Municipal Council at least twice during the financial year.

The table below highlights the key roles and responsibilities of all role-players.

Stakeholder Roles & Responsibilities

STAKEHOLDER	ROLE
Council (Plenary System)	<ul style="list-style-type: none"> • Adopt the PMS Framework & PMS • Adopt the Municipal Scorecard • Conduct Annual Review • Commission Performance Audits • Report to the public and Province
Management Team	<ul style="list-style-type: none"> • Plan for PM • Adopt the PMS Framework & PMS • Draft Scorecards • Approve Departmental Scorecards • Conduct Performance Measurements • Commission Performance Reviews • Produce PM Reports • Commission Performance Audits
Audit Committee	Audit PM Reports & make recommendations
Internal Audit	Audit the results of Performance Measurements
IDP Steering Committee	Participate in PM Planning, Monitoring & Review
IDP Rep. Forum	
Ward Committees	

Performance is assessed quarterly and the rating calculator used is to determine the scores for each KPA measured. A rating scale of 1 to 5 is used as indicated below.

Level	Terminology	Description	Rating				
			1	2	3	4	5
5	Outstanding performance	Performance far exceeds the standard expected of an employee at this level. The appraisal indicates that the employee has achieved above the fully effective results against all performance criteria and indicators as specified in the PA and Performance Plan and maintained this in all areas of responsibility throughout the year.					
4	Performance significantly above expectations	Performance is significantly higher than the standard expected in the job. The appraisal indicates that the employee has achieved above fully effective results against more than half of the performance criteria and indicators and fully achieved all others throughout the year.					
3	Fully effective	Performance fully meets the standards expected in all areas of the job. The appraisal indicates that the employee has fully achieved effective results against all significant performance criteria and indicators as specified in the PA and Performance Plan.					
2	Performance not fully effective	Performance is below the standard required for the job in key areas. Performance meets some of the standards expected for the job. The review / assessment indicates that the employee has achieved below fully effective results against more than half the key performance criteria and indicators as specified in the PA and Performance Plan.					
1	Unacceptable performance	Performance does not meet the standard expected for the job. The review / assessment indicates that the employee has achieved below fully effective results against almost all of the performance criteria and indicators as specified in the PA and Performance Plan. The employee has failed to demonstrate the commitment or ability to bring performance up to the level expected in the job despite management efforts to encourage improvement.					

The Process of Performance Assessments

Performance assessment is a process whereby the employees performance is assessed in terms of actual versus required performance and is aimed at concluding the employee’s performance measurement and development against set objectives. It will happen during the fourth quarter of the financial year. For purposes of practicality, performance assessments will be executed in a similar manner to the Performance Review (explained above), save the following important variations:

- a) It will not be a “stock take”, but will constitute a “final evaluation” exercise for the financial year, and any bonus wards (as detailed within the framework and /or policy) will be applied as appropriate.
- b) The minimum composition requirements of the evaluation panels will be as follows:

EVALUATION OF THE MUNICIPAL MANAGER	EVALUATION OF MANAGERS ACCOUNTABLE TO THE MUNICIPAL MANAGER
Mayor	MM
Chairperson/member of the audit committee of the audit committee	Chairperson of the audit committee
Councillor nominated by mayor /council nominated by Mayor	Councillor nominated by mayor /council nominated by Mayor
Mayor or MM from another municipality	MM from another municipality
Ward committee member or Councillor nominated by Mayor/council	PMS Facilitator
PMS Facilitator	

- c) Performance assessment will form the basis of rewarding outstanding performance and correcting unacceptable performance.
- d) Using the rating calculator, the range of performance bonus will be allocated as follows, as a percentage of the all-inclusive remuneration package:

Performance Score	Performance Bonus
150% +	10% – 14%
130% to 149%	5% – 9%

- e) Unacceptable performance will be handled through the provision of remedial support to improve the employee's performance for an agreed timeframe (with the employer). If such structured attempts prove to be unsuccessful, the employer should take steps to terminate the contract on grounds of being unfit or in terms of incapacity. In that case, there should be adherence to the provisions of the Labour Relations Act.
- f) Within 14 days of concluding the assessment of the MM's performance, the results thereof will be submitted to the MEC for Eastern Cape local government and the national Minister for local government

NOTE: The implementation of the PMS will require coordination at the organizational level. Practically, the coordination of the PMS requirements and reporting occurs at the Municipal Manager's level with administrative support from IPED (IDP) and (CFO ensuring SDBIP and Budget alignment i.e. performance management at the institutional level and application of the system at employee level).

Application of Performance Management during 2009/2010

During the 2009/2010 period under review the application of the Performance Management System was reviewed and updated in terms of Policy. Subtle changes to the system were made and these are reflected on further follows:

- In order to comply with the National Indicators and to aid reporting and required measurement that is required from most other reports (Mid year reports, s46 reports, Annual Report, SDBIP reporting and the like), it was found to be beneficial to rework and to change the existing format of the various scorecards in order to ensure that they are aligned to the National Indicators and so too the IDP.
- The following Key Performance Areas were identified and reflected within each Departmental /s57 Manager's scorecard as follows:
 - Basic Service Delivery
 - Good Governance and Public Participation
 - Municipal Institutional Development and Transformation
 - Municipal Financial Viability and Management
 - Local Economic Development
- Within each Key Performance Area (KPA), applicable performance indicators would be provided. Here it must be noted that KPA's amounted to 80% of the value of Performance Targets. The remaining 20% come from Core Management Competencies (CMC's) which are required to be made up of 3 compulsory CMC's and two elective CMC's.

Compulsory CMC's are as follows:

- Financial Management
- People Management & Empowerment
- Client Orientation and Customer Focus

Assessment of Performance

Formal and final assessments occurred as required for the 57 managers in terms of the PMS assessment cycle although it is acknowledged that these assessments and performance assessments generally will become more effective over time as familiarity with this process and a culture of performance optimization is instilled throughout the organization.

At an individual level, the assessment of performance occurs, as an evaluation of actual performance as against the performance target. Each official who is assessed is required to develop /compile a Portfolio of Evidence and to present this to a Performance Management Assessment Committee. This portfolio will contain measurable and verifiable proof that performance occurred at a particular level. Failure to produce appropriate evidence will result in performance claims being called into question as they are not able to be verified.

Each member of the assessment panel scores each indicator individually and a PMS Coordinator collates all the scores and presents a consolidated report which will produce a final rating that is required to be ratified by Council before being accepted.

Based on the final score (out of 200 points), a bonus award may be applicable based on a sliding scale of 5-14% as provided by the Regulations. This bonus (if applicable) is required to be approved by Council and any bonus can only be awarded after the Annual Report is approved by Council and has in this manner been verified and approved by the Auditor General's office. It is a misconception, that if an organization receives a qualified audit report that no bonuses are allowed to be paid. It is noted that the assessment of performance for every 57 Manager will be specifically based on his/her KPA's and CMC's. Based on these results (not the organization), the performance bonus will either be found to be applicable or not.

In this regard it is fair to say that great strides have been made and although the Performance Framework and Policy are to be reworked in order to improve efficiency at both an individual and at an institutional level, progress in applying PMS has been made. Similarly at the organizational level in respect of refined and more aligned SDBIPs (to IDP and National Indicators).

As always improvements are always required as we learn from year to year and experience the practical realities. Of particular emphasis moving forward will be:

- the setting of performance targets;
- ensuring alignment at every level;
- following all reporting within the performance cycle;
- ensuring that municipal backlogs and related infrastructure needs not only meet these services but are sustained ongoing, and are measured and reported on regularly.

If compliance is reached within all of these areas, performance functioning and reporting will be greatly facilitated and will ensure that Sakhisizwe Municipality establishes itself as a high performing municipality.

CHAPTER 2

PERFORMANCE HIGHLIGHTS BASIC SERVICE DELIVERY

2. Basic Service Delivery Strategy and Performance Highlights

The Basic Service Delivery Performance Highlights will be examined under the following areas:

- Water Services
- Electricity Services
- Sanitation
- Roads Maintenance
- Waste Management
- Housing and Town Planning
- Spatial Planning
- Indigent Policy Implementation
- Overall Service Delivery Backlogs

2.1 WATER SERVICES

a. Water Services Delivery Strategy and Main Role-Players

Sakhisizwe Municipality is regarded as the Water Services Provider which contracts with the Chris Hani District Municipality (as the Water Services Authority) to undertake the provision of water supply and sanitation – to some 53 226 people resident in this local municipality. About 22 456 (42%) of the people are urbanised, while 30 770 (58%) live in the rural areas.

The northern half of Sakhisizwe – (centred around Elliot, consists of freehold farms, while the southern half is centred around Cala and consists of tribal land. The economic activity within the whole Municipal region is limited, particularly in the south.

The water services backlog in Sakhisizwe LM is 23% for water supply and 71% for sanitation.

In essence Sakhisizwe Municipality is required to ensure the provisioning of potable water, which involved the following activities:

- Pumping of raw water
- Treatment of water
 - Purchasing of water treatment chemicals

- Purchasing of filter sand
- Repairs to all pumps
- Operation of water treatment works
- Repairs to pipe leakages (bulk and internal reticulation)
- Operational monitoring of water treatment works with regard to water quality

The main players and their roles in water services provision include:-

1. Technical Service Manager

- Management and monitoring of WSP functions with reference to service level agreement (SLA).
- Technical support to the WSP working team with regard to operation and maintenance of water & sanitation infrastructure
- Approval of orders for purchasing of O&M materials and equipment and all other water services expenses
- Water services budgeting inputs
- Management of ring-fenced water services budget

2. WSP Area Manager

- Management and monitoring of WSP functions with reference to service level agreement (SLA).
- Technical support to the WSP working team with regard to operation and maintenance of water & sanitation infrastructure
- Management of ring-fenced water services budget
- Management of water service staff
- Monthly and ad hoc reporting

3. Senior Finance Controller

- Monitoring and controlling of water services budget and cash flow
- Monthly updates of cash flow to the WSP Manager
- Water services budgeting
- Asset management

4. Technician Civil Engineering

- Management of the DWA transferred staff
- Technical support to the WSP working team with regard to operation and maintenance of water & sanitation infrastructure
- Monitoring of day to day water and waste water treatment works performance
- Monitoring and Management of water services stores
- Materials and equipment procurement

5. Technician Operation & Maintenance (Electro/mechanical) x2

- Technical support to the WSP working team with regard to operation and maintenance of water & sanitation electro/mechanical components
- Servicing of rural diesel driven and electrical water supply engine/pumps
- Servicing of water and waste water treatment works electro/mechanical components
- Routine maintenance of rural water supply engine/pumps
- Materials and equipment procurement

6. Environmental and Water Quality Technician

- Operational monitoring of water and waste water treatment working with regard to water quality
- Day to day sampling and analysis of final water and final effluent from all the water & waste water treatment works respectively
- Materials and equipment procurement

7. Customer Care Practitioner

- Water conservation and demand management
- Drinking water awareness to the communities
- Meetings with community service providers
- Formulating and keeping complaints register
- Payment compilation for community service providers

There are two (2) artisan foremen who have been transferred from the Department of Water Affairs and with three (3) general workers, responsible for operations and maintenance of rural water schemes.

2.1.2 Levels and Standards in Water Services

In terms of levels of standards of water services it must be noted that Sakhisizwe Municipality faces a number of challenges. Not only is acknowledged that those in the rural areas have low levels of access to water, but in many instances, the water is of a low standard.

2.1.3 Annual Performance as per Key Performance Indicators in Water Services

Indicator Name	Total Number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the Financial Year under review (actual numbers)	Numbers of Households/customers reached during the Financial Year	Percentage of achievement during the year
1 Percentage of households with	100%	6720	6720	90%	90%

	access to potable water					
2	Percentage of indigent households with access to free basic potable water	75%	49280	49280	12%	25%
3	Percentage of clinics with access to potable water	70%	20	20	20	30%
4	Percentage of schools with access to potable water	50%	50	50	30	30%
5	Percentage of households using buckets		0%			0%

2.1.4 Major challenges in water services and remedial actions

A number of challenges exist in the provision of water services within the required standards. Challenges facing the provision of portable water are reflected below as follows:-

- **Process control-**

There are no qualified process controllers in all of the three (3) WTW's as the municipality is using general workers for this water quality related operation.

There is therefore an essential need to employ qualified and classified process controllers for this class (class D) WTW's. The current operators (in the form of general workers) have limited capacity and training potential is a challenge at times, as they do not possess formal education qualifications. Additionally many are close to retirement. A total number of twelve (12) process controllers are required to be employed, i.e. four (4) for each of the three (3) water treatment works.

- **Increase in the raw water storage requirements-**

Currently Cala raw water storage (for Cala WTW) is approximately 45% and half of that is silt/sand. There is a need to de-silt and increase the dam by 100% in capacity in order to accommodate future storage.

Tsomo River for the Cala package WTW is seriously affected by drought and there is no raw water storage at all as the water is directly extracted from the river into the treatment works. There is a need to construct a raw water storage dam.

Currently the Thomson Dam Raw Water Storage for Elliot WTW is about 55% and half of that is silt/sand. There is an essential need to de-silt the dam.

2.2 **Electricity Services**

a. Electricity Services Delivery Strategy and Main Role-Players

Sakhisizwe Municipality's main function with regards to electricity is to make sure that house to house connections, day to day electricity maintenance and upgrading of bulk electricity network are done to suit the demand in the following areas (Elliot Town, Hill View area, Takalani Township).

The other parts of the municipality including Cala Town and all the townships around including rural areas, maintenances and infrastructure are serviced by Eskom.

The duty of the municipality in this regard is to collect the beneficiary list for electrical infrastructure and this is then required to be verified by the councillors per Ward, and then adopted by Council.

Infrastructure and maintenance of street lighting and high masts in both Elliot and Cala is conducted by Sakhisizwe Municipality.

Currently the municipality is engaged in a project of changing conversational electricity metering in Hillview area to prepaid card electricity metering and the municipality is in the process of applying for a vending licence from the Department of Energy.

Free Basic Services

The municipality's role is to develop an indigent policy and register, which is to be submitted to Eskom, who in turn will apply for subsidization from National Treasury through the equitable share.

b. Level and Standards in Electricity Services

It is clear that by comparison, the electricity service is of a low standard in the villages as compared with a high standard in town. It is therefore required that electricity service provision be regarded as top priority by ESKOM as these consumers have the same demands and rights to service delivery as those residents living in the towns.

It will be noted that in terms of project planning, every effort is being made to ensure that these projects are catered for and factored into the Service Delivery and Budget Implementation Plans.

c. Annual Performance as per Key Performance Indicators in Electricity Services

The measurement and performance achieved in terms of these indicators is reflected in the table below:

Indicator	Total No. of Households/ Customers expected to benefit	Estimated backlogs (actual numbers)	Target Set for Financial Year under Review	No. of Households/ Customers reached during Financial Year	% Achieved during Financial Year
1. Percentage of households with access to electricity services	16 994	3 000	3 000	13 994	82%
2. Percentage of indigent households with access to free basic electricity services	90%	2 700	2 700	12 541	82%
3. Percentage of indigent households with access to free alternative energy sources	N/A	N/A	N/A	N/A	N/A

d. Major Challenges in Electricity Services and Remedial Actions

It is noted that the following challenges currently exist:

- The overhead lines are easily damaged by the wind that causes trees to fall on the power lines
- Electricity is weak due to the damage caused by and the impact of the strong winds

In order to attempt to remedy these issues, it is intended to ensure that there is regular and routine cutting of trees and that power lines and power stations are upgraded regularly.

2.3 Roads Maintenance

a. Road Maintenance Service Delivery Strategy and Main Role-Players

The role of the municipality is to construct access roads only, in rural areas, townships and urban areas within the municipal boundaries.

The roads and national roads are not within the functions of the municipality. It is in this regard that the municipality's main challenge is road classification, which is required to be conducted by Province. Most of the roads are not marked, hence it is unclear whether they are a T road or a National Road.

In terms of the municipal strategic planning for road infrastructure the following projects were undertaken:

Tender No.	Tender Name	Year	Funder	Successful Bidder	Value of Tender
MIG/EC1617/RST/08/09	Bulk Electricity Supply Phase 2	09/10	DOE		3 000 000.00
MIG/EC1617/RST/08/09	Maxhongos Hoek Access Road	09/10	MIG	Qhamani Civils	2 500 000.00
MIG/EC1216/RST/07/10	Masibambane Access Road	09/10	MIG	ELIZ/Business Ent/MMM Construction	2 199 156.23
MIG/EC1617/RST/08/09	Lower Cala to Lapesini Access Road	09/10	MIG	Zikhulu/Athi JV	2 621 786.67
MIG/EC1617/RST/08/09	Manzimdaka Access Road	09/10	MIG	Lukhanji Construction	2 565 000.00
MIG/EC1617/RST/08/09	Nculuka Access Road	09/10	MIG	Qumbiso	1 325 600.00
MIG/EC1617/RST/08/09	Mamfengwini to Qolombeni Access Road	09/10	MIG	Amadwala Trading	2 649 402.58

b. Level and Standards in the roads Maintenance Service

Roads maintenance is influenced by the poor quality of roads, limited capacity and financial resources as well as capital resource availability and quality (machinery and vehicles) in order to achieve the required tasks.

c. Annual Performance as per Key Performance Indicators in Roads Maintenance Services

The overall annual performance of the roads maintenance services is indicated in the table below (as reflected against the performance indicators and targets):

Indicator	Total No. of Households/ Customers expected to benefit	Estimated backlogs (actual numbers)	Target Set for Financial Year under Review	No. of Households / Customers reached during Financial Year	% Achieved during Financial Year
1. Percentage of households without access to gravel or graded roads	95%	15 200	760	760	5%
2. Percentage of road infrastructure requiring upgrade	200km	160km	80km	760	20%
3. Percentage of planned new road infrastructure actually constructed	40%	40%	40%	40%	40%
4. Percentage of capital budget reserved for road upgrading and maintenance effectively used	62%	62%	62%	62%	62%

d. Major Challenges in Road Maintenance Services and Remedial Actions

The major challenge faced as a municipality was the lack of plant and machinery as well as trained operators. The municipality has since purchased plant and machinery (physical inspection can be done at any given time).

2.4 Sanitation

a. Sanitation Services Delivery Strategy and the Main Role-Players

Sakhisizwe Municipality is regarded as the Water Services Provider, and is appointed by the Water Services Authority (CHDM) to provide a sanitation service to 53 226 residents in both rural and urban areas. Currently the backlog is at 71%. The main role players are as follows:

1) Technical Service Manager

- Management and monitoring of WSP functions with reference to service level agreement (SLA).
- Technical support to the WSP working team with regard to operation and maintenance of water & sanitation infrastructure
- Approval of orders for purchasing of O&M materials and equipment and all other water services expenses
- Water services budgeting inputs
- Management of ring-fenced water services budget

2) WSP Area Manager

- Management and monitoring of WSP functions with reference to service level agreement (SLA).
- Technical support to the WSP working team with regard to operation and maintenance of water & sanitation infrastructure
- Management of ring-fenced water services budget
- Management of water service staff
- Monthly and ad hoc reporting

3) Senior Finance Controller

- Monitoring and controlling of water services budget and cash flow
- Monthly updates of cash flow to the WSP Manager
- Water services budgeting
- Asset management

4) Technician Civil Engineering

- Management of the DWA transferred staff
- Technical support to the WSP working team with regard to operation and maintenance of water & sanitation infrastructure
- Monitoring of day to day water and waste water treatment works performance
- Monitoring and Management of water services stores
- Materials and equipment procurement

- 5) Technician Operation & maintenance (Electro/mechanical) x2
- Technical support to the WSP working team with regard to operation and maintenance of water & sanitation electro/mechanical components
 - Servicing of rural diesel driven and electrical water supply engine/pumps
 - Servicing of water and waste water treatment works electro/mechanical components
 - Routine maintenance of rural water supply engine/pumps
 - Materials and equipment procurement
- 6) Environmental and water quality Technician
- Operational monitoring of water and waste water treatment working with regard to water quality
 - Day to day sampling and analysis of final water and final effluent from all the water & waste water treatment works respectively
 - Materials and equipment procurement
- 7) Customer Care Practitioner
- Water conservation and demand management
 - Drinking water awareness to the communities
 - Meetings with community service providers
 - Formulating and keeping complaints register
 - Payment compilation for community service providers

2.4.2 Level and Standards in Sanitation Services

Within the urban areas, a high level of service provision exists, whereas in the rural areas, the prescripts for backlogs and service delivery are not met sufficiently.

2.4.3 Annual Performance as per Key Performance Indicators in Sanitation Services

Indicator Name	Total Number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the Financial Year under review (actual numbers)	Numbers of Households/customers reached during the Financial Year	% of achievement during the year
1. Percentage of households with access to sanitation services	65%	23 660	23 660	35%	35%
2. Percentage of indigent households with access to basic sanitation services	50%	49 280	49 280	12%	12%
3. Percentage of clinics with access to sanitation services	70%	20	20	20	30%
4. Percentage of schools with access to sanitation services	50%	50	50	50	50%

2.3.4 Major Challenges in Sanitation Services and Remedial Actions

Challenges facing the provision of sanitation service are detailed as follows:-

- Process control-
There are no qualified process controller in all of the two (2) WWTW's as the municipality is using general workers for this water quality related operation.
- A need to employ qualified and classified process controllers for these class E WWTW is essential. The current operators in the form of general workers are mostly not trainable as they do not possess formal education qualifications and others are nearing retirement. A total number of eight (8) process controllers need to be employed, four(4) for each of the two(2) waste water treatment works.
- The backlog for rural sanitation is far too high (71%) and it is suggested that the district fast track the provisioning of ventilated pit latrines (VIP) in rural areas.

2.5 Waste Management

2.5.1 Waste Management Service Delivery Strategy and Main Role-Players

The Waste Management plan required to be reviewed as this document is outdated and catered for areas covered by the municipality years previously.

2.5.2 Level and Standards in Waste Management Services

The status quo for Waste Management remains as at 2008/2009

Accordingly:

1. Refuse is collected on weekly basis daily on residential sites;
2. Refuse is collected on weekends in the business area;
3. The municipality has increased the jurisdiction of areas by including old Location and Masibambane township;
4. Though collection is not enough within the said areas they are attended to during weekends; and
5. As the municipality we were able to sustain the achievements that have been achieved in the previous financial year.

2.5.3 Annual Performance as per Key Performance Indicators in Waste Management Services

	Indicator Name	Total Number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the Financial Year under review (actual numbers)	Numbers of Households/customers reached during the Financial Year	% of achievement during the year
1	20 % of households without access to refuse removal services	100%	20%	10%	90%	90%

2.5.4 Major Challenges in Waste Management Services and Remedial Actions

The following challenges presented themselves:

1. Registration of the solid waste site both Cala and Elliot
2. Additional Truck required for refuse collection
3. Skirt bins to be provided in the dumping sites
4. Solid waste machinery required in order to be able to manage refuse collection and processing more effectively; and
5. Additional human resources are required at the solid waste sites.

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2.6 Housing and Town Planning

2.6.1 Housing and town planning services Delivery Strategy and Main Role-Players

- The municipality has given its developmental role to the Department of Human Settlements due to a lack of human resource capacity;
- This project had capacity challenges due to the limitations in capacity of contractors that are hired;
- The project has now been approved and must begin;
- The municipality acts as an overseer of the project, due to the beneficiaries;
- 1070 outstanding houses are to be built; and
- This excludes the rural housing developments.

2.6.2 Level of Standards in Housing and Town Planning

The level of town planning services is currently low due to the fact that town planning is not well known by the residents of Sakhisizwe and the fact that there is no Land Use Management System exists in the municipality, which results in the town not being easily controlled and managed.

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

	Indicator Name	Total Number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the Financial Year under review (actual numbers)	Numbers of Households/customers reached during the Financial Year	% of achievement during the year
1	10 % of households living in informal settlements					
2	Percentage of informal settlements that have been provided with basic services					
3	Percentage of households informal housing that conforms to the minimum building standards for residential houses					

2.6.4 Major challenges in housing and town planning services and remedial actions

- The municipal development status needs to be given back to the municipality; and
- There is a great need for the appointment of municipal building inspectors.

2.7 Spatial Planning

2.7.1 Preparation and approval process of SDF:

The municipality has lobbied for funds to conduct a SDF and funding has been granted by the department of Rural Development and Land Affairs. A service provider has been appointed to develop the Sakhisizwe SDF and this will be completed within the **next financial year**.

2.7.2 Land Use Management

In the absence of a Land Use Management Plan, all applications as detailed below are dealt with in the order received:

- Rezoning
- Subdivision
- Consent Use
- Removal of restrictive conditions
- Township establishment

Building and zoning plans 2009/2010

Applications outstanding 1 July 2009	Category	Number of new applications received 2009/10	Total value of applications received Rand	Applications outstanding 30 June 2010
	Residential new			4250
	Residential additions			
	Commercial			
	Industrial			
	Other (specify)			

2.7.3 Major challenges in spatial planning services and remedial actions

- The development of the SDF is required to be fast tracked.

NOTES TO THE AUDITOR GENERAL AND MANAGEMENT

Huge challenges have been experienced in attempting to report on service delivery in respect of data that is accurate and verifiable.

Information reporting in all areas excluding the Finance Department is either insufficient or non-existent. Where information is provided it is acknowledged that data integrity is an issue due to the absence of reliable statistics

Additional challenges have been created by the information required in terms of national reporting and currently this reporting is not possible, as baseline and current statistics are not available. Measurement of these backlogs has never been completed or measured to the same degree. Areas where no information could be provided but where it is required in terms of reporting prescriptions has been left blank in the hope that these areas will be measured and results factored back into this draft diagram.

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**ANNEXURE A
SECTION 46 REPORTS**

Included as an Annexure – Pages 1 - 20

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Sakhisizwe Municipality s46 Performance Report 2009/2010

	<p>Vision</p> <p>VISION: "To be a democratic transparent Municipality that provides affordable and sustainable services that meet the expectations of the community. Provide a climate to attract investment in order to enhance local economic, job creation, improvement of the quality of life and security for all Sakhisizwe Residents. To participate in provincial and national development programmes.</p>
	<p>Mission</p> <p>MISSION: "The mission of Sakhisizwe Municipality is to achieve its vision ,through: - Encouraging public participation, Developing sufficient human resources capacity, Developing of infrastructure. · Economic empowerment and skills development, Identifying economic potential and developing business opportunities. · Co – operation with provincial and national Government</p>

KPA 1: INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION

IDP No.	IDP Objective (*)	indicator of performance	target	measurement source	Baseline	Targets						Indicator custodian	Status	Comments	
						Q1	A1	Q2	A2	Q3	A3				Q4
	Review and ratification of organizational structure	Reviewed organogram / organizational structure which takes into account functional needs	100%	Completed and adopted organizational structure	Existing structure requiring review	Inputs and Consultation	In progress	Develop.Struct. Council approval.	In Progress	Implemented Structure	Not implemented		Municipal Manager/ Corporate Services	Achieved	Structure reviewed - council will require further review to align the structure according to good structural principles -- completed 2nd quarter 2010/2011
	Organizational Policy Reviews	Identified organizational policies (governance, HR and operational areas) are reviewed and updated as required. Organizational and Financial Policies reviewed and updated	100%	Completed and adopted Policies as indicated	Policies outdated or non-existent	Policies Assessed	Achieved	Appointment of Service Providers	Appointed	Presentation s & Workshops on draft policies/ LLF consultation	Achieved	Approved policies and implementation	MM, CSM, CFO, TechS, IPED / Comm.S	Achieved	All HR, Budget and Institutional policies identified reviewed/ developed and approved in August and November 2009.

Staff Development. Capacitated staff within identified areas.	Skills Audit Report: WSP. Level and degree of training conducted in terms of approved WSP Level and quality of reports submitted re-implementation and monitoring	70%	Skills Audit Approved WSP Implementation Reports Skills Monitoring Reports	WSP to be developed Skills Audit to be completed Skills Monitoring Reports to be developed	Skills Audit WSP	Achieved	Implementation Reports	Achieved	Implementation reports	Achieved	Required Reports	Achieved	Corporate Services	Achieved	WSP developed. Skills Audits completed and training targets achieved. Implementation Reports. WSP Budget met.
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KPA 1: INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION (Cont.)																
IDP No.	IDP Objective (*)	indicator of performance	target	measurement source	Baseline	Targets							Indicator custodian	Status	Comments	
						Q1	A1	Q2	A2	Q3	A3	Q4				A4
	Training Committees	ToR reviewed for Training Committee and one Training Committee meeting held per quarter	100%	ToR Meeting minutes Reports to Management and Council	ToR for review Meetings not held regularly and reports not submitted as required	25%	5%	50%	10%	75%	10%	100%	10%	CSM/SDF	Not Achieved	Commitment for 2010/2011. In the 1st Quarter meetings not held due to strike and in the 2nd and 4th quarter, these did not sit. Although scheduled 3rd quarter, due to poor attendance meeting not held.
	Effective Performance Management System Implementation	Performance Scorecards populated. SDBIP's current. Annual Performance Report submitted. Quality of Audit Reports	100%	Approved Annual Performance Report Performance Reviews AG SDBIP's Report	SDBIP's to be updated PMS to be rolled out to levels below s57 Managers	25%	25%	50%	40%	75%	60%	100%	70%	Municipal Manager	Partially achieved due to PMS	SDBIP updated + quarterly reports. PMS to be rolled out as per project plan 2010/2011. Approved Annual Performance Report. PMS incorrectly applied but progress made.
	Employment Equity	% compliance with Employment Equity Plan in the 2nd highest level of Management	90%	Quarterly Reports	Developed and adopted by Council	25%	20%	50%	40%	75%	60%	90%	70%	CS	Partially Achieved	Council EE Plan (Nov.2009). Skills scarcity + Retention strategy present challenge.
	Employment Equity	Employment Equity Policy/Plan and Report	100%	EE Report Plan	Review required annually	EE Report Plan sent to Dept of Labour	Not achieved.	Policy/ Plan Review achieved/adopted by Council.	Achieved. Approved November 2009.	Reporting	Not fully achieved	Reporting	Not fully achieved	CSM	Partially achieved.	Quarterly Reporting and implementation to receive focus. In progress, submissions made

KPA 1: INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION (Cont.)																
IDP No.	IDP Objective (*)	indicator of performance	target	measurement source	Baseline	Targets							Indicator custodian	Status	Comments	
						Q1	A1	Q2	A2	Q3	A3	Q4				A4
	Expenditure Control and Maintenance	Implementation of M & E system to monitor and control expenditure	100%	Monthly quarterly reporting	Managed and controlled	25%	25%	50%	50%	75%	75%	100%	100%	CFO	Achieved	
	Effective Consumer Billing, Debt Collection and Credit Control	Consumer database maintained	90%	Reliable Consumer database	90%	90%	90%	90%	90%	90%	90%	90%	90%	CFO	Achieved	Database Reliable
		Accurate Consumer Accounts	98%	Monthly billing	90%	98%	98%	98%	98%	98%	98%	98%	98%	CFO	Achieved	Accounts Accurate
		Accurate Monthly Meter Readings	90%	Accurate inputs into SEBATA	90%	90%	90%	90%	90%	90%	90%	90%	90%	CFO	Achieved	Accurate readings taken monthly
	Effective Information Technology System throughout the Municipality	Data integrity and protection of all information and computer systems	100%	Implementation IT Strategy+ website maintenance.	IT System & GIS maintenance	25%	20%	50%	30%	75%	60%	100%	70%	Chief Financial Officer	Achieved	Policy and Website in place. Implementation & maintenance to be improved
		Electronic Document Management System implemented	70%	Effectiveness of Electronic Data Management System	SEBATA Financial system maintained	25%	25%	50%	50%	75%	75%	100%	100%	Chief Financial Officer	Achieved	System maintained and running smoothly
	Electronic Communication Functional E-Mail facilities	Roll out e-mail and functional email facilities	90%	Effectiveness of Communication	SEBATA Financial System Maintained	25%	25%	50%	50%	75%	75%	90%	90%	CFO	Achieved	
	Web site	Website developed, and updated and maintained	80%	Comprehensive and effective website developed by MARS Technologies/ Tender/ Bid Award/Service Provider/ Reporting	Website by MARS, requires implementation and maintenance	50%	50%	50%	50%	50%	50%	80%	80%	CFO	Achieved	

KPA 1: INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION (Cont.)

IDP No.	IDP Objective (*)	indicator of performance	target	measurement source	Baseline	Targets							Indicator custodian	Status	Comments	
						Q1	A1	Q2	A2	Q3	A3	Q4				A4
	Effective debt collection and credit control	Implementation of Credit Control Policy	100%	Monthly Reports and AFS/ Statistical	Policy to be applied consistently (MFMA)	25%	25%	50%	30%	75%	50%	100%	70%	CFO	Partially achieved	Policies in place. Billing system running well. Credit control to start after 2011 elections
	Effective Indigent Management/ Fee Basic services	Approved Indigent Policy. Fully functioning and current Indigent Register and Indigent Policy.	90%	Monthly/Quarterly Reports on implementation	Indigent Policy + Register to be reviewed	25%	25%	50%	40%	75%	50%	90%	60%	CFO, MM	Partially Achieved	Indigent Policy in place. Indigent Roll-out plan completed. Currently capturing farms. To be submitted to Council for approval, then implementation on the system, then to write back old debt.
	Improved human resources of local government by 2011	% of critical funded vacant positions filled	80%	filled funded critical vacant positions	Filled funded such as HR Officer, PMU, Community, Assistant Manager	25%	25%	35%	35%	60%	60%	80%	80%	CS	Achieved	
	Discipline Management and processes	Training Programme for line managers and snr staff on discipline handling. Ongoing advice to line management re: discipline	80%	Legal compliance Sound labour relations. Remedial action taken. Fair implementation of discipline processes Implementation of Discipline Code	Capacity Issues Discipline not managed by line departments	20%	20%	40%	40%	60%	50%	80%	70%	CSM/ HR Officer	Achieved	Training was scheduled and held - additional training required for remaining staff who did not attend.

KPA 1: INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION (Cont.)

IDP No.	IDP Objective (*)	indicator of performance	target	measurement source	Baseline	Targets							Indicator custodian	Status	Comments	
						Q1	A1	Q2	A2	Q3	A3	Q4				A4
	LLF	LLF Reporting	100%	LLF Quarterly	Functional LLF	25%	25%	50%	50%	75%	75%	100%	100%	CSM/LLF	Achieved	LLF meetings held and attempts ongoing to improve IR. Quarterly reporting
8	OHS / Safety Management (OHS Act)	Manages all safety aspect in terms of OHS Act/Policy to see that applied	90%	Policy submitted to Council and approved. Safety Unit functional and established	Legal requirement for promotion of safety in workplace	30%	30%	50%	40%	60%	50%	90%	60%	CSM/ HOD/ Safety Committee	Partially Achieved	OHS Practitioner not yet appointed - to be appointed 2010/2011. Policy approved - post not funded
	Communications and Customer Relations : External Communication	Reviewed and implemented Communications Strategy and Policy Monthly Reports	100%	Approved Communications Strategy and Policy	Approved Communications Strategy and Policy	25%	25%	50%	50%	75%	75%	100%	100%	MM/CSM	Achieved	Reports provided Communications Strategy and Policy Updated
		Reviewed Media Relations Policy and implementation report	100%	Reviewed media relations policy and implementation report	Approved Media Relations Policy and Implementation Report	25%	25%	50%	50%	75%	75%	100%	100%			Excellent relations with Vukani. Live radio broadcasts for information days and information sessions. Continuous reporting Branded materials and use of website.
		Local communication Forum meetings	100%	Local communication Forum meetings	Local Communications Forum established	25%	25%	50%	50%	75%	75%	100%	100%	Achieved	MM/CSM	Communications improved Increased community confidence
	Internal Communication	Internal Communications Strategy reviewed and applied	100%	Reviewed strategy monthly reports	Existing strategy	25%	25%	50%	50%	75%	75%	100%	100%	MM/CSM	Achieved	Communications through strategic noticeboards Regular reporting Complaints registers Feedback and website

KPA 2: GOOD GOVERNANCE AND PUBLIC PARTICIPATION

IDP No.	IDP Objective (*)	indicator of performance	target	measurement source	Baseline	Targets					Indicator custodian	Status	Comments		
						Q1	A1	Q2	A2	Q3				A3	Q4
	IDP reviewed and updated	IDP reviewed and updated and inclusive of community participation outcomes	100%	Reviewed and adopted IDP Process Plan	IDP reviewed annually	Approved Process Plan Community cluster meetings Sector dept. meetings Aligned to budget	Achieved	Community Dept. meetings as scheduled	Achieved	Final draft IDP. Community & Dept. Meetings	Achieved	Community and Dept. Meetings. Approved IDP	Achieved	MM, CFO, Tech S, IPED/Comm.S	
	Strategized Budget & Community Participation in the interests of a participatory democracy	Level of Community Participation Ward Committee meetings as per planned meetings Community participation in Budget Design and implementation	100%	Community Participation Plan and Strategy approved and implemented as per plan	Community Participation Plan and Strategy Required	Community cluster meetings as scheduled 25%	Achieved	Community Cluster Meetings 50%	Achieved	Community Cluster Meetings 75%	Achieved	Community Cluster Meetings 100%	Achieved	MM, CFO, Tech S, IPED/Comm.S	
	Delegations Framework applied	Delegations Register. Number and quality of delegations Framework workshops Level of Compliance in respect of delegations, processes and procedures	80%	Delegations Framework approved. Workshops conducted. Delegations Register	Delegations Framework required	Quarterly Implementation Report 35%	Achieved 35%	Quarterly Implementation Report 45%	Achieved 45%	Quarterly Implementation Report 55%	Achieved 55%	Quarterly Implementation Report 80%	Achieved	Municipal Manager	
	Functioning Audit Unit to ensure a fully audited and legislatively compliant organization	Improvement in audits - moving towards clean audits received. Audit reports investor confidence improved	100%	Audit Reports as scheduled	Internal Auditor and Audit Committee	Audit Reports 25%	25%	Audit Reports 50%	50%	Audit Reports 75%	75%	Audit Reports 100%	Achieved	Municipal Manager	Audit function shared with Lukharji Municipality

KPA 2: GOOD GOVERNANCE AND PUBLIC PARTICIPATION (Cont.)

IDP No.	IDP Objective (*)	indicator of performance	target	measurement source	Baseline	Targets							Indicator custodian	Status	Comments
						Q1	A1	Q2	A2	Q3	A3	Q4			
	Adoption of Oversight Report and Annual Municipal Report	Deliberation on AG outcomes by Oversight Committee	100%	Adopted Oversight Report and Annual Report	Oversight Report completed annually	-	-	Oversight + Annual Report	Achieved	Achieved	-	-	Municipal Manager, Corporate Services, CFO, Tech Mng./PED	Achieved	Both reports adopted
	Manages Maintenance Contracts, Letters of Appointment and Maintenance of Conditions of Service and related capacitation	Verify existence of contract and compliance with BC and SALBC's Conditions of Service. Letters, contracts are drafted to regulate employment relationships to avoid legal complications. Establishment and improvisation of Conditions of Services	100%	HR Monthly Reports/ Quarterly Reports. Records, Conditions of Service applied consistently	Quarterly Reporting	25%	25%	75%	75%	75%	100%	100%	CSM/ HR Officer	Achieved	Quarterly Reporting completed as required
	Leave Management and attendance	Approved Policies and procedure to manage leave procedure and process. Leave recording managed and maintained. Monitors organizational attendance and reporting	100%	Monthly reports / Leave taken. Reconciliation of leave balances. Organizational attendance reports	Leave Records inaccurate	25%	25%	50%	50%	75%	100%	100%	CSM/ HR Officer	Achieved Ongoing	SP Appointed - The Leave Audit has been done and is monitored/updated in order to maintain this. Policy & procedure developed & workshopped
	HRD Strategy	HRD Strategy Developed	100%	Approved HR Strategy	No formal strategy	25%	25%	50%	50%	60%	100%	70%	CSM	Partially Achieved	In progress Prioritized 2010/2011

KPA 2: GOOD GOVERNANCE AND PUBLIC PARTICIPATION (Cont.)																
IDP No.	IDP Objective (*)	indicator of performance	target	measurement source	Baseline	Targets						Indicator custodian	Status	Comments		
						A1	A2	A3	A4	Q1	Q2				Q3	Q4
	Updating and development of Municipal By-Laws	By-Laws Analysis Report/ Implementation Strategy	100%	Adopted By-Laws	By-Laws exist but require updating/ formulation	Implementation Strategy	In progress	Capacitation of Staff	Not achieved	Public comment on draft By-laws, advertised, gazette & reviewed	Not Achieved	Ongoing analysis	Not achieved	Municipal Manager	Partially Achieved	7 by laws published & gazetted - review to be prioritized
	Institutional Meetings held in manner required i.t.o. legislative compliance	Good quality reporting, minute taking and agendas. Meetings occur as scheduled (Council, management and Council committees)	100%	Council Committee & Management Meetings held as per schedule	Updated meeting schedules annually. Implementation of resolutions	Meetings as per schedule	20%	Meetings as per schedule	40%	Meetings as per schedule	60%	Meetings as per schedule	80%	Corporate Services	Partially Achieved	All council meetings occur as required - Management and Departmental meetings not always held as required. To be addressed.
	Document Management System	Updated and current records and archives system	100%	Approved and implemented document management system	Document Management System requires update	Quarterly Reports + update	25%	Quarterly Reports + update	40%	Quarterly Reports + update	40%	Quarterly Reports + update	45%	Corporate Services	Partially achieved	In progress but SP not appointed. Prioritized 2010/2011
	Ward Committees	Improved efficiency and effectiveness of community based planning and service delivery	85%	Functioning Ward Committee Structures	Partially operating Ward Committee Structures	Meetings as per schedule	25%	Meetings as per schedule	40%	Meetings as per schedule	60%	Meetings as per schedule	85%	Municipal Manager	Partially achieved	Improvement - moved form 2 wards to 7 wards participating in IDP outreach
	Employment Equity	% compliance in respect of the Employment Equity Plan	90%	Employee records and appointments. EE Statistical Reports. EE Plan	100% compliant in the two highest categories.	25%	50%	50%	50%	75%	75%	90%	100%	Corporate Services, IMM	Achieved	

KPA 2: GOOD GOVERNANCE AND PUBLIC PARTICIPATION (Cont.)																		
IDP No.	IDP Objective (*)	indicator of performance	target	measurement source	Baseline	Targets							Indicator custodian	Status	Comments			
						Q1	A1	Q2	A2	Q3	A3	Q4				A4		
		EE Reporting	100%	EE Report submitted to EE Registry by Oct	Not Compliant			100%	100%									
	Performance Management	Performance Management Policy and Implementation. S57 Managers Scorecards and Performance Agreements. Evaluation Results Roll-out of PMS	100%	Implementation Reports, Policy Scorecards Performance Agreements Evaluation Results	In progress Only applicable to snr management	25%	25%	50%	40%	75%	60%	100%	80%	Corporate Services	Achieved	Improvement. PMS not effectively applied as per Regulations, but process prioritized. PA's and Scorecards developed for S57 Managers and assessments conducted annually. PMS to be rolled out as per project plan and timeously. Timeframes not always met.		
	HR Procedure Manuals	Appoints Service Provider to assist with development of HR Procedure Manuals for Recruit and Selection	100%	Manual, R & S Payroll, Benefits, EE and WSP	HR Procedure Manual	25%	25%	50%	50%	75%	75%	100%	100%	CSM/ MM	Achieved	Finalized and adopted		

KPA 3: FINANCIAL VIABILITY AND MANAGEMENT

IDP No.	IDP Objective (*)	indicator of performance	target	measurement source	Baseline	Targets							Indicator custodian	Achieved	Comments	
						Q1	A1	Q2	A2	Q3	A3	Q4				A4
	Financial Viability and legislative compliance	GAMAP /GRAP compliance. Clean audits received. MFMA compliance. Operational efficiency and fiscal control	100%	Audit Report Annual Financial Statements	Unqualified Audit Report AFS compiled annually	25%	20%	50%	50%	75%	60%	100%	70%	CFO, MM	Not Achieved	GRAP Compliance Disclaimer received through Audit Plan, every effort being made to remedy for future years
		% Operating budget & % allocated capital budget spent year to date excluding staff costs.	100%	Quarterly Reports	Reports updated	25%	25%	50%	50%	75%	75%	100%	100%	CFO, MM		66%
		AFS	100%	AFS	Submission of AFS	100%	100%							CFO,MM	Achieved	Submitted timeously. 31 August . GRAP compliance
		% households earning less than R1600 per month with access to free basic services	100%	Council Reports	Effective Indigent Policy and access to BSD.	100%	FBS to qualifying applicants	100%	FBS to qualifying applicants	100%	FBS to qualifying applicants	100%	FBS to qualifying applicants	CFO,MM	Percentage unknown	75% have access to basic levels of electricity, 75% access to basic levels of sanitation , 40% basic levels to solid waste & 65% have access to basic levels of water. Indigents currently receive free basic services on application - qualifying criteria) - SP appointed to audit Indigent Data base - completed 31 Aug 2010
		Strategize Budget process. SDBJP & Budget process (Draft 31 March and Final 31 May)	100%	Council Approved Budget, Public Particip Council Resolution	Full Compliance MFMA			90%	90%	100%	100%			CFO,MM	Fully achieved	

KPA 3: FINANCIAL VIABILITY AND MANAGEMENT

IDP No.	IDP Objective (*)	indicator of performance	target	measurement source	Baseline	Targets							Indicator custodian	Achieved	Comments	
						Q1	A1	Q2	A2	Q3	A3	Q4				A4
	Supply Chain Management	Supply Chain Management occurring within the parameters of SCM Policy and related prescriptions Establishment of Service Provider database	100%	Approved and implemented SCM Policy Audit Report SCM Workshops Service Provider database	Legal Compliance Policy required to be updated and work-shopped Database to be populated	25%	25%	50%	50%	75%	60%	100%	75%	CFO,MM	Partially Achieved	Tender process conducted and expenditure to be addressed and implemented with stricter control. Appointment of SCM 1 July 2010 will assist with this . Workshop on SCM completed and training provided for staff and Councilors. Service Provider database still to be populated
	Asset Management	Applied Asset Management and Insurance Policy Compiling, updating and maintaining all inventory lists; All assets valued on basis of GRAP	100%	Approved Asset Management and Insurance Policy Updated Assets Register Recorded and bar-coded assets	90% assets to be bar-coded Asset Mgt Policy reviewed and to be placed on Municipal Website Register to be updated. Inventory lists (moveable) assets to be revalued.	25%	25%	50%	50%	100%	100%	100%	100%	CFO,MM	Over achieved	Over achieved as infrastructure assets also valued. Assets register has been updated and bar coding has been done on all movable assets. Inventory lists have been updated and maintained and all asses have been revalued re. GRAP
	Accounting and Reporting	Implement MFMA requirements relating to accounting and reporting (MFMA No. 56 of 2003)	100%	All reports required in terms of MFMA submitted correctly and timeously. Audit Reports.	Currently comply with MFMA reporting requirements	25%	25%	50%	50%	75%	75%	100%	100%	CFO,MM	Achieved	All S71 Reports submitted, mid-year reports, monthly reports and statutory reports as per National Tariff and Adjustment Report
	Expenditure Control	Positive cash flow management	100%	Monthly reports on expenditure	Expenditure to be controlled within norms	80%	80%	100%	100%	100%	100%	100%	100%	CFO,MM	Achieved	

KPA 3: FINANCIAL VIABILITY AND MANAGEMENT

IDP No.	IDP Objective (*)	indicator of performance	target	measurement source	Baseline	Targets							Indicator custodian	Achieved	Comments
						Q1	A1	Q2	A2	Q3	A3	Q4			
	Credit Control, Debt Collection and Sound Financial Management	Improved payment levels of accounts to 90%	90%	Monthly payment statistics	Payment level is 82.5%	83%	83%	85%	85%	87%	90%	90%	100%	Municipal Manager/ CFO	Over achieved/ All creditors are paid within 30 days
		Outstanding debt reduced	30%	Monthly outstanding debt figures	Outstanding debtors more than 90 days	10%	10%	20%	15%	25%	20%	30%	30%	Municipal Manager/ CFO	Partially Achieved This is in progress and after the approval of indigents, debt will be written back
	Implement projects to address Audit Report	Plans developed and implemented to address issues raised in Audit Report (audit Action Plan)	100%	Quarterly Reporting Action Plan to address 2007/2008 queries, Queries to be addressed within 30 days	Qualified Audit	25%	25%	50%	50%	75%	75%	100%	Municipal Manager/ CFO	Achieved Audit Action Plan compiled and steps taken to address action required	
	Fully Integrated Financial System	Consolidated Financial System implemented in Elliot & Cala	100%	Implementation of consolidated financial system in Cala & Elliot	Upgrade system & financial server	25%	25%	50%	50%	75%	75%	100%	Municipal Manager/ CFO	Achieved Integration was achieved April 2010 and has been effective.	
		Insurance Portfolio updated	100%	Updated Insurance Portfolio	Compliance with Insurance Policy	25%	25%	50%	50%	75%	75%	100%	Municipal Manager/ CFO	Achieved	
	Investments, Insurance and loans	Investment portfolio updated/reviewed	100%	Effective implementation of Investment Portfolio	Maintained investments	25%	25%	50%	50%	75%	75%	100%	Municipal Manager / CFO	Achieved	
		Loans and contractual agreements policy reviewed and implemented	100%	Reviewed Policy Implementation Report	Budgeted loans	25%	25%	50%	50%	75%	75%	100%	100%	Municipal Manager/ CFO	Achieved

KPA 4: SERVICE DELIVERY (Cont.)

IDP No.	IDP Objective (*)	indicator of performance	target	measurement source	Baseline	Targets							Indicator custodian	Status	Comments	
						Q1	A1	Q2	A2	Q3	A3	Q4				A4
	Operational Motor Vehicle Registration facilities	Monitoring and effectively evaluating the effective operation of the motor vehicle registration facilities	100%	Motor Vehicle Registration facilities available eNaTIS Reports (Monthly)	Traffic Station Facilities relatively new and require upgrading and management to improve service	25%	20%	50%	40%	75%	70%	100%	90%	CFO,MM	Partially achieved	Traffic Test terrain update is 90% completed. eNatis reports not fully achieved - / reliable statistics not available to be upgraded/ Lack of controls/ to be implemented
	Valuation Roll	Annual reconciliation and update of the valuation roll	100%	Accuracy and completeness of valuation roll (correct rates and accounts)	Existing valuation roll (75%)	100%	100%							CFO,MM	Achieved	Valuation Roll implemented and is accurate
11	Disaster Management	Level of response to disasters in collaboration with CHDM through improved risk reduction and management programmes	100%	Approved Disaster Management Plans. Disaster responsiveness.	District Function - invited to disaster management forums	25%	25%	50%	50%	75%	75%	100%	100%	IPED / Tech S	Achieved	In conjunction with CHDM
6	Sportsfield Maintenance & lease agreements	Sportsfields Maintenance Programme developed and implemented in terms of funding availability.Lease agreements reviewed updated annually	100%	Funding driven implementation plan results	Lease agreements reviewed updated Dependent on community and funding being sourced	25%	25%	50%	50%	75%	75%	100%	100%	IPED / Comm. S	Achieved	Achieved in terms of funding plan
6	Buildings & Halls Upgraded	Buildings and Halls upgraded as per maintenance plans	100%	Cost estimates for renovations Appointment of Contractors Project implementation	Cost estimates and contractors to be appointed	30%	30%	75%	50%	100%	60%	100%	70%	IPED / Comm. S	Partially achieved	The Elliot Hall is currently under a revamp
10	Maintenance and management of Municipal Pounds	Progress as per funding sourced and regarding maintenance schedule	100%	Progress Reports Monthly	MIG funding required	25%	25%	50%	50%	75%	75%	100%	100%	IPED / Comm. S	Achieved	Progress reports provided.
	Fleet Management System	Management of votes re cost of fuel and maintenance	100%	Monthly statistics, Financial Reports/allocated cost of fuel and	Monthly reports	25%	25%	50%	50%	75%	75%	100%	100%	CFO	Achieved	

KPA 4: SERVICE DELIVERY(cont.)

IDP No.	IDP Objective (*)	indicator of performance	target	measurement source	Baseline	Targets						Indicator custodian	Status	Comments		
						Q1	A1	Q2	A2	Q3	A3				Q4	A4
2	Water Services Bulk water supply, water treatment and reticulation, continuous maintenance and operation to improve water quality and continuity of services to residents and to ensure continuous supply of potable water to communities	Monthly reports on ongoing maintenance and repair work and continuous treatment for Wards 10, 14, 15 and 16	100%	Monthly reporting on progress re- maintenance programme, Water Treatment Reports, Faults and Repairs	Poor, ageing infrastructure and lack of qualified operators	20%	20%	40%	40%	60%	60%	100%	100%	Technical Services and WSA Officer CHDM	Achieved	Reporting as required. Ongoing programme and WSP staff appointed by both Sakhisizwe and CHDM Programme funded by Treasury Department on ring-fenced fund
2	Sewerage	Reports on the removal and disposal of sewerage in the manner prescribed in terms of relevant legislation and prescriptions	100%	Monthly and quarterly reports re- removal and treatment programme against schedule	Poor ageing infra-structure and lack of qualified operators	25%	25%	50%	50%	75%	75%	100%	100%	Technical Services and WSA Officer	Achieved	CHDM and Municipality purchased 4 bakkies and 2 heavy duty trucks for water cartage to aid progress WSP SLA concluded
4	Maintenance and upgrade of electricity infrastructure (network and systems)	Improved electricity infrastructure and service provision as per implementation strategy and plan and improve financial viability	100%	Statistical reports on implementation results and progress achieved, and on electricity losses, purchase of electricity from ESKOM and SLA with ESKOM	Limited funding / poor electrical infrastructure	25%	25%	50%	50%	75%	60%	100%	80%	Technical Services	Partially achieved	Losses and maintenance ongoing, but reduced losses
1	Roads, Access Roads, Pavements, Bridges and Stormwater Maintenance and provision /MIG funded Projects	Provision of safe and adequate Stormwater facilities as per planned projects and schedules.	100%	Business Plan approval / Proof of activities conducted and monthly reporting /MIG project progress reporting / Expenditure reporting	Inadequate / poor road infrastructure	25%	20%	50%	40%	75%	60%	100%	50%	Technical Services	Partially achieved	Gravel access road stalled. 6 access roads were completed 2009/2010 financial year. MIG Roads projects achieved ongoing. Stormwater clearing completed

KPA 4: SERVICE DELIVERY (cont.)

IDP No.	IDP Objective (*)	indicator of performance	target	measurement source	Baseline	Targets							Indicator custodian	Status	Comments	
						Q1	A1	Q2	A2	Q3	A3	Q4				A4
1	Roads Master Plan	Approved Roads Master Plan	100%	Roads Master Plan approved	No Roads Master Plan	25%	0%	50%	0%	75%	0%	100%	0%	Technical Services	Not Achieved	Lack of funding. Service Provider to be appointed. CHDM organizing Roads Indaba to determine the LM, DORT and DM functions
1	Road Maintenance and Construction	Road Maintenance and construction conducted in accordance with approved and budgeted implementation plans relating to gravel and tarr roads and paving . Polar Park Streets Access roads Projects	100%	Construction and maintenance of roads in accordance with an implementation plan	Poor road infrastructure and deteriorating roads, resulting in limited access to certain areas	25%	20%	50%	30%	75%	55%	100%	75%	Technical Services	Not Achieved	Reporting cannot be validated re - progress and project implementation
3	Housing Provision	Housing Sector Plans developed and houses constructed by Department of Housing. Municipality provision of land. Completion of 2003 project	100%	Construction Reports as per schedule	No Housing Sector Plan or alignment of future Housing Projects to community needs	25%	25%	50%	50%	75%	60%	100%	80%	IPED	Partially achieved	Completion of 2003 project. No Housing sector Plan. Many meetings with Dept of Housing to pave way forward re - housing project. Elliot Housing Project for 1000 houses to be upgraded has been approved. Dept of Hosing has appointed a service provider to assist the facilitation of the applications

KPA 4: SERVICE DELIVERY (cont.)

IDP No.	IDP Objective (*)	indicator of performance	target	measurement source	Baseline	Targets						Indicator custodian	Status	Comments		
						Q1	A1	Q2	A2	Q3	A3				Q4	A4
10	Land Audit of land encroachments	Land audit data provision	100%	Land Audit	No land audit data available	100%	0%							Technical Services and IPED	Not achieved Beyond control	This project was to be conducted with the IPED Manager. No real progress but 4th quarter a submission was made to Council for a Land Audit and resolution
6	Libraries	Database of library	90%	Questionnaire to establish usage from and data analyzed. Updated report and functional database	Unreliable database	90%	20%	50%	40%	75%	50%	70%		Comm.S/ IPED	Partial Achievement	Slight improvement in use of libraries. Intern librarian hired and resources obtained/ upgraded
2	Waste Management Plan	Develop Waste Management Plan	100%	Waste Management Plan	No plan	100%	25%	50%	20%	75%	20%	30%		Technical Services	Not achieved	Municipality is currently designing plan and engaged Aurecon SA to assist with development. Prioritized for 2010/2011
2	Waste Management	Refuse Collection as per schedule	100%	Waste management scheduled programmes / reporting	Not effective	100%	25%	50%	30%	75%	45%	70%		Technical Services	Not achieved	Some collections in CBD and town but resources a major problem and plans to address effectively 2010/2011
2	Maintenance of sidewalks, parks and open spaces	Progress in respect of maintenance schedules for parks, sidewalks and open spaces	100%	Monthly maintenance reports to Standing Committees	Current Maintenance Programmes	100%	25%	50%	35%	75%	55%	65%		IPED/Comm. S		Feasibility study to identify solutions but project delayed due to lack of funding approval
2	Social services	Addressing the social needs of the community - improving public access to social services	80%	Progress Reports/reports from social needs cluster	Social Needs Clusters	80%	25%	50%	50%	65%	65%	80%		IPED/Comm Serv Health Serv CHDM	Achieved	Cluster meetings attended

KPA 4: SERVICE DELIVERY (cont.)																
IDP No.	IDP Objective (*)	indicator of performance	target	measurement source	Baseline	Targets					Indicator custodian	Status	Comments			
						Q1	A1	Q2	A2	Q3				A3	Q4	A4
7	PHC	Management of PHC & Promotion of Health care	100%	Manage PHC & attend HIV/AIDS meetings	functioning to a degree	25%		50%		75%		100%		IPED/Comm Serv/Health Serv /CHDM	Partially achieved	Meetings not attended regularly
6	Establishment and Maintenance of Cemeteries	Cemeteries established in Barkly East and all cemeteries maintained as per plan and MIG budget	100%	Monthly reports to Standing Committee as per scheduled progress	Funding to be obtained from MIG	Monthly reports 25%	25%	Monthly Reports 50%	50%	Monthly Reports 75%	75%	Monthly Reports 100%	100%	IPED/Community Services	Achieved	
10	Environmental Management Plan	Development of Environmental Management Plan	100%	Approved Plan	Funding to be obtained from MIG	25%	10%	50%	10%	75%	10%	100%	10%	IPED/Community Services	Not achieved	MIG approval for project still awaited.

IDP No.	IDP Objective (*)	indicator of performance	target	measurement source	Baseline	Targets							Indicator custodian	Status	Comments	
						Q1	A1	Q2	A2	Q3	A3	Q4				A4
5	Shearing Shed	Animal improvements	100%	Source of funding	Required	25%	25%	50%	50%	75%	75%	100%	100%	Comm.S/ IPED	Achieved	2 Shearing sheds erected Wards 3 & 7
5	Distribution of Nguni Bulls	Animal improvements	100%	Source of funding	Required	25%	25%	50%	50%	75%	75%	100%	100%	Comm.S/ IPED	Achieved	Nguni Bulls dispatched in all 7 Wards
5	Mgumube Animal Project	Animal improvements	100%	Source of funding	Required	25%	25%	50%	50%	75%	75%	100%	100%	Comm.S/ IPED	Achieved	Wards received vaccinated animals from Mgumube
5	Sustainable Development	Ensure Service providers for project implementation are appointed before start of new financial year	100%	Tender TOR, Tender advertisement, Tender documents /quotes/Bid documents/ service providers appointment, quarterly reports (roads and electricity project)	Updated annually	45%	45%	75%	75%	90%	90%	100%	100%	Tech.Services/ MM/ IPED/ COMM SERV/ LED	Achieved	Electricity and Roads projects started together and completed as scheduled. Additional 3 roads projects added and completed within 2009/2010
5	Community upliftment (Creating an enabling environment)	Appointment of service providers from previously disadvantaged communities through SCM and procurement practices.	20%	Tender process and SCM Reports and statistics	SCM Policy in place and procurement re-HDI formalized.	20%	20%	20%	20%	20%	20%	20%	20%	CFO	Achieved	SCM Policy in place / Almost all tenders awarded to HDI's /SCM reporting / record keeping to be improved
5	Waste Awareness	Waste Awareness Campaigns implemented as scheduled.	100%	Project Progress Reports	Funding Restrictions	25%	20%	50%	45%	75%	70%	100%	100%	Tech.Service s/Comm.S	Achieved	
5	LED	LED Strategy	100%	LED Strategy	No strategy	25%	25%	50%	40%	75%	60%	75%	75%	Comm. S	Partially Achieved	Funding sourced for LED Strategy and SMME Database / SP Appointed
5	Green Project	Generation/creation of employment and possible income - Greening Projects	10%	Source possible funding / Progress Reports	Limited funds	25%	25%	50%	50%	75%	75%	100%	100%	IPED/LED	Achieved	Greening Project employed ± 70 people for 2 years.
5	Charcoal Project	Facilitate Project & Implementation of Project	100%	Source possible funding / Progress Reports		25%	20%	50%	30%	75%	50%	100%	60%	IPED/LED	Partially Achieved	Project funded by CHDM and site establishment in progress

KPA 5: LED (Cont.)

IDP No.	IDP Objective (*)	indicator of performance	target	measurement source	Baseline	Targets							Indicator custodian	Status	Comments	
						Q1	A1	Q2	A2	Q3	A3	Q4				A4
12	To Combat & reduce the spread of HIV/Aids by 2014;	Strategically manage the Establishment of PAC and prepare TOR,Appoint SP,Preparation & Implementation of HIV /AIDS Strategy	50%	Completed HIV /AIDS Strategy / quarterly reports / reports from DoHIUKDM	HIV prevalence % unknown/ PAC not established ,literature reviews and TOR consultation with stakeholders	20%	10%	30%	15%	40%	35%	50%	40%	MM / ComS/SM/S PU Unit/CHDM	Partially Achieved	Good progress - HIV/AIDS Co - ordinator appointed Establishment of PAC ,Preparation HIV /AIDS Strategy/HIV/Aids programmes/ education of HIV /AIDS commenced
8	Reduction of Crime	Safety and Security Awareness Campaigns implemented as scheduled.	100%	Progress Reports	Social Needs Clusters	25%	25%	50%	45%	75%	70%	100%	85%	IPED / Comm.S	Partially achieved	The municipality forged partnership with SAPS. Greater application of Implementation Plan to occur 2010/2011

KPA 5: LED (Cont.)

IDP No.	IDP Objective (*)	indicator of performance	target	measurement source	Baseline	Targets							Indicator custodian	Achieved	Comments	
						Q1	A1	Q2	A2	Q3	A3	Q4				A4
5	Spatial Development Framework	Reviewed SDF for Cala and Elliot areas	100%	Reviewed and updated SDF for Cala and Elliot	IDP and SDF	25%	25%	50%	30%	75%	40%	100%	50%	IPED/ Comm. S	Partially Achieved	Prioritized in IDP Review 2009-2011
5	Capital MTEF: Capital Plan	Alignment of Councils priorities for sustainable development	100%	Quarterly Report	Capital MTEF Required							100%	100%	TSM	Achieved	
5	Mgcunube Gardening Project	Healthy Lifestyle and massive production	100%	Source of Funding	Project needed	25%	25%	50%	50%	75%	75%	100%	100%		Achieved	4 Wards are engaged in Ungcunube Gardens
5	NDGP (2016 Vision)	Generation and creation of employment possible income. Service Provider Report and Council Approval. Design and tender for minor infrastructure. Movement funding form capital grants to technical assistance grants. Detailed planning to address land constraints	100%	Quarterly Reports	Local labour used previously in refuse collection, roads projects, community halls and electrical projects in Elliot.	25%	25%	50%	30%	75%	50%	100%	60%	TSM	Partially successful	Failure to understand DPW method of reporting
5	EPWP	Ongoing participation in EPWP	100%	Participation Reports - Monthly	Local labour employed in refuse collections	25%	20%	50%	45%	75%	55%	100%	65%	TSM	Partially successful	Reporting a challenge with DPW

ANNEXURE B
STRATEGIC SCORECARD
Included as an Annexure – Pages 1 - 31

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Sakhisizwe Municipality Strategic Scorecard Targets :2010 / 2011

Vision	<p>VISION: "To be a democratic transparent Municipality that provides affordable and sustainable services that meet the expectations of the community. Provide a climate to attract investment in order to enhance local economic, job creation, improvement of the quality of life and security for all Sakhisizwe Residents. To participate in provincial and national development programmes.</p>
Mission	<p>MISSION: "The mission of Sakhisizwe Municipality is to achieve its vision ,through: - Encouraging public participation, Developing sufficient human resources capacity, Developing of infrastructure, - Economic empowerment and skills development, Identifying economic potential and developing business opportunities,- Co – operation with provincial and national Government</p>

KPA 1: INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION

IDP No.	IDP Objective (*)	indicator of performance	target	measurement source	Baseline	Targets				Indicator custodian
						Q1	Q2	Q3	Q4	
13		Organizational performance managed through application of approved Performance Management Framework and System.	100%	Institutional scorecard approved by Council. PMS Framework approved Quarterly Performance Reporting	PMS only applicable to S57 staff. No framework.	25%	50%	75%	100%	CSM/MM
		PMS rolled out to middle management from S57 level	50%	PMS Agreements / scorecards populated / reports/evaluations/ PMS Policy/ quarterly reports to SC on PMS target progress as per SDBIP (each department) PDP & 25% progress to M&E Policy	functional at S57 level - roll out to middle managers in 2010.	15%	25%	35%	50%	MM/HODs
		M & E Policy to be developed and put in place.	70%	Policy developed and implemented	None	15%	25%	50%	70%	MM
	Good governance and effective administration, Improved human resource of local government by 2011	HR Development: Implementation of WSP with 70% expenditure of the training/skills budget spent on training interventions.	70%	Quarterly Reports; Training Implementation Reports.	70%	20%	40%	60%	70%	MM/CSM
		EE: % compliance with the Employment Equity Plan in the 2 highest levels of management	90%	Quarterly Reports	90% compliant in 2 highest categories	25%	50%	75%	90%	MM/CSM/HOD` S
		Ensures Compliance with EE reporting in legislated format to EE Registry by October each year.	100%	EE Report submitted timeously in legislated format.	EE Reporting underway!	25%	50%	75%	100%	CSM/MM
13		LLF Meeting attendance and reporting occurs as per schedule (one per quarter).	100%	Ensures LLF meetings one per quarter & LLF Quarterly reports 2011/01/26	Functional LLF	25%	50%	75%	100%	MM/CSM/UNIO NS /HOD`s Page 2

KPA 1: INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION (Cont.)

IDP No.	IDP Objective (*)	indicator of performance	target	measurement source	Baseline	Targets				Indicator custodian
						Q1	Q2	Q3	Q4	
13	Strengthening Good Governance and effective Administration	Attendance Council/Standing Committee /Reports / Related meetings held (Council and Standing Committee) as per schedule, submitted timeously as per format.	100%	Reports to Council- Minutes / Attendance Registers for related Council and Standing Committee Meetings	Not taking place as schedules due to operational requirements. To be documented formally	100%	100%	100%	100%	CSM/MMM COUNCIL /HOD'S /COMMITTEE CLERK
13		Hold monthly senior management meetings and quarterly staff meetings	100%	Attendance Register and Minutes and agenda of meetings.	Minutes issued but resolutions not always actioned.	50%	65%	80%	100%	ALL DEPTS
5	Spatial Development	Facilitate implementation of Spatial Development Framework as per implementation plan	90%	Monthly, Quarterly Progress Reporting	Effective Implementation of framework required	25%	50%	75%	100%	TS & IPED
		Develop Land Use Management Plan and Land Settlement Plan	70%	Land Use Management Plan Land Settlement Plan	Not yet in place Assistance with IPED	80% developed	100% approved	100%	100%	TS & IPED
11	Disaster Management - Developed of and integrated and sustainable disaster management plan	Develop Disaster Management Plan with CHDM and Provincial Government	70%	Approved Disaster Management Plan	Lack of an integrated approach to disaster management. Funding challenges.	20% planning	35% Planning	50% Planning	70% Complete Plan - to be approved	TS & IPED

KPA 1: INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION (Cont.)

IDP No.	IDP Objective (*)	indicator of performance	target	measurement source	Baseline	Targets				Indicator custodian
						Q1	Q2	Q3	Q4	
10	To create a safe and healthy environment by ensuring that land, natural resources and atmosphere were not contaminated.	Refuse plant and equipment serviced as per service schedule	90% of schedule	Monthly report to management and quarterly performance report to Council	Servicing not adequate	25%	50%	75%	100%	IPED/ASST COMM SERV MNGR
7	To provide comprehensive integrated health services through PHC.	Manage PHC by attending and managing HIV/AIDS meetings	100%	Attendance register HIV/AIDS meetings Monthly management meeting and Quarterly Council meetings	Ongoing. Inadequate service provision.	25%	50%	75%	100%	
13	To secure sound and sustainable financial management. Effective Consumer Billing Systems, Debt Collection and Credit Control to improve payment levels and reduce debt, and in so doing, to promoted a culture of payment	Debt collection increased to 90% Adoption of Credit Control Policy and Debt Collection Billing System	90%	Credit Control Policy Debt Collection Billing System applied % of debt collected	Available Credit Control Policy and Debt Collection Billing System	25%	50%	75%	90%	CFO
13		Consumer database up to date and updated monthly	95%	Updated consumer base	Consumer database in process of being updated	95%	95%	95%	95%	CFO
		Consumer accounts accurate	98%	Monthly billing of consumer accounts at 98% accuracy.	Inaccurate	98%	98%	98%	98%	CFO
		Monthly meter readings captured accurately.	95%	Accuracy of meter readings reflected monthly and inputted onto SEBATA	90%	90%	92%	95%	98%	CFO
13	Indigent Management Free Basic Services	Reviewed and approved fully functional Indigent Policy and register	90%	Monthly updated Indigent Register Reviewed Indigent Policy. Quarterly reports	Indigent Policy + Register Some access to FBS.	25%	50%	75%	100%	CFO
13	Expenditure Management	Implementation of M & E system to monitor and control expenditure	100%	Monthly/Quarterly reporting/conciliations of votes	Managed and controlled	25%	50%	75%	100%	CFO

KPA 1: INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION (Cont.)

IDP No.	IDP Objective (*)	indicator of performance	target	measurement source	Baseline	Targets				Indicator custodian
						Q1	Q2	Q3	Q4	
13	Develop and update All organizational policies/strategies and by-laws in line with legislation.	Updated All organizational policies/strategies and by-laws as deemed necessary for operational efficiency as per implementation plan.	100%	Completed and adopted by-laws Policies as indicated	Policies outdated or non-existent	Policy Assessment	Appointment of Service Provider	Presentations and Workshops on drafts	Approved policies and implementation	MM/HOD's/SP
13	To secure sound and sustainable financial management.	Timely receipting of National and Provincial allocations (Grant funding and equitable share).	100%	Correspondence / Reports/ Receipt and allocations	MFMA requirement	25%	50%	75%	100%	CFO
13	Provide efficient and effective financial support to all departments.	Data integrity and protection of all information and computer systems regular upgrade of hardware and software	100%	Roll-out and implementation of fully functional IT Policy & IT Strategy and effective website maintenance	IT System maintenance required Financial System requires maintenance	25%	50%	75%	100%	CFO
13	Provide efficient and effective financial support to all departments.	Functional Electronic IT/Financial Systems implemented	100%	Effectiveness of Electronic Data Management System	SEBATA Financial System maintained	25%	50%	75%	100%	CFO
13	Provide efficient and effective financial support to all departments.	Roll-out of email & functional email facilities	90%	Effective Communication	Ongoing	25%	50%	75%	100%	CFO
13	Provide efficient and effective financial support to all departments.	Website developed and updated and maintained according to implementation plan.	80%	SP Reporting, Monthly and quarterly reporting.	Website developed by MARS Technologies/ Requires implementation/ maintenance	50%	60%	70%	80%	CFO

KPA 1: INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION (Cont.)

IDP No.	IDP Objective (*)	indicator of performance	target	measurement source	Baseline	Targets				Indicator custodian
						Q1	Q2	Q3	Q4	
13	To ensure appropriate use of HR for effective and efficient service delivery.	Reworked organogram/ organizational structure which takes into account functional needs	100%	Completed and adopted organizational structure	Existing structure currently under review and to be finalized	Final. Organogram	Council approval.	Implementation	Implementation	CSM
13		80% of critical funded vacant posts filled	80%	No. of actual critical funded vacant posts filled vs. those unfilled. Departmental motivations to fill posts. (funded post only)	Structure finalized	15%	35%	60%	80%	CSM/MM COUNCIL /HOD'S
	Improved human resource capacity of local government by 2011	Drive to recruit trade tested Electrical/Technical and Superintendents	100%	Progress reports/ Appointments	Staff shortages / scarcity of skills	25%	50%	75%	100%	CSM/MM/TSM COUNCIL

KPA 1: INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION (Cont.)

IDP No.	IDP Objective (*)	indicator of performance	target	measurement source	Baseline	Targets				Indicator custodian
						Q1	Q2	Q3	Q4	
13	WSP: Staff Development Capacitated staff within identified areas	Skills Audit need analysis/, WSP Plan updated/ Implementation reports/s Level and degree of training conducted in terms of approved WSP Level and quality of reports submitted re-implementation and monitoring	100%	Skills Audit Approved WSP Implementation Reports Skills Monitoring Reports	WSP to be developed/ updated Skills Monitoring Reports to be developed	Skills Audit WSP	Implementation Reports	Monitoring of Implementation of training	Required Reports	CSM/SDF/HODs/ TRAINING COMMITTEE
13	WSP Budget	% of expenditure of the training/skills budget spent	70%	Training report/implementation report/ statistics records of all training and workshop attendance, including costs of training implemented	WSP, Training Plan and Implementation Reports.	20%	50%	70%	70%	CSM/CFO
13	Training Committee	Training Committee meetings held quarterly	100%	Minutes of Committee meetings, held quarterly	Not fully functional	25%	25%	25%	25%	CSM/SDF
8	OHS Safety Management (OHS Act)	Safety Policy developed and applied as per approved strategy.	90%	Monthly Safety Committee Meetings. Trained Safety Reps., Minutes of meetings, quarterly reports.	Legal requirement Promotion of safety in the workplace	30%	50%	60%	90%	CSM/ HOD's/ Safety Committee
13	Strengthening Good Governance and effective administration	Leave Management - Updated leave records reports provided to internal departments quarterly	100%	Quarterly leave report; monthly leave reports.	Leave records audited No formal reporting	25%	50%	75%	100%	CSM
13	Strengthening Good Governance and effective administration	Response to departmental Risks Review Report Internal and External auditors	100%	Reports indicating response to internal and external auditors	Response to Internal and External auditors	25%	50%	75%	100%	MM/HOD'S /INTERNAL AUDITOR
8	Safety Meetings Committee Meetings	Safety Committee meetings held quarterly	100%	Minutes of Committee meetings, held quarterly 2011/01/26	Not fully functional	25%	25%	25%	25%	CSM/SAFETY REP/COMMITTEE

KPA 2: GOOD GOVERNANCE AND PUBLIC PARTICIPATION

IDP No.	IDP Objective (*)	indicator of performance	target	measurement source	Baseline	Targets				Indicator custodian
						Q1	Q2	Q3	Q4	
13	Accountable and transparent programmes that lead to good governance and public participation, strengthening of Good Governance, Community Participation and Ward Committee Systems in local government	IDP reviewed annually and adoption of Process Plan	100%	Council approval	Approved on an annual basis	20%	40%	80%	100%	HOD's/IDP Officer/MM
		Ensures finalization of Annual Report by having S57's submit inputs by 30 November (1st draft 31 Jan & final draft 31 March)	100%	Departmental submissions received timeously. Annual Report approved by Council.	Submissions not thorough. Not submitted timeously.	25%	90%	100%	100%	MM/HOD'S / IDP Officer
		Oversight Committee established, Oversight ToR, Oversight meetings (deliberate on AG finding) Oversight reports compiled.	100%	Oversight Report / Council Approval	Oversight reporting Committee established			100%	100%	IDP Officer/ MM/HOD'S/OV ERSIGHT COMMITTEE
		Delegation Framework established / updated and applied	100%	Delegation Framework implementation/ workshoped	Developed/ Implemented/ workshoped	25%	50%	75%	100%	MM
		Community participation plan and strategy developed and allocation of budget to public participation	90%	Development of Community Participation Plan and Strategy and implementation of strategy Report on implementation Quarterly report	Developed - requires implementation	25%	30%	60%	90%	MM
		Communication Strategy approved. Implementation Strategy approved.	100%	Council approval/ Implementation of Communication Strategy. Report on Implementation/ quarterly report.	Not functional/ developed	20%	50%	75%	100%	MM

KPA 2: GOOD GOVERNANCE AND PUBLIC PARTICIPATION (Cont.)

IDP No.	IDP Objective (*)	indicator of performance	target	measurement source	Baseline	Targets				Indicator custodian
						Q1	Q2	Q3	Q4	
	Accountable and transparent programmes that lead to good governance and public participation, strengthening of Good Governance, Community Participation and Ward Committee Systems in local government (Cont.)	Improved ward participation 75% expenditure of funding set aside for ward committee development	75%	Ward Committee meetings	Partially operating ward committee	10%	20%	50%	75%	MM
13	Local Government to obtain clean audit reports by 2011	Strategy/Action Plan developed to support Sakhisizwe - Audit Plan	100%	Report on implementation/ Response to audit outcomes/ audit investigations/ council approval / quarterly report	In progress	20%	50%	70%	100%	MM
		Compliance with MFMA/ Development of Risk Management profile and system and % of implementation of risk assessment	100%	Report on implementation/ Response to audit outcomes/ audit investigations/ council approval / quarterly report	In progress	20%	50%	70%	100%	MM/IA/IA
		Audit response to Auditor Generals Report	100%	AG response	AG response annually	50%	100%	100%	100%	MM
		PMS Audit committee to be established to meet % of scheduled meetings of the performance audit committee sitting	100%	Minutes of Audit Committee / Schedule of Meetings	Audit Committee established / functional challenges.	25%	40%	70%	100%	MM

KPA 2: GOOD GOVERNANCE AND PUBLIC PARTICIPATION (Cont.)

IDP No.	IDP Objective (*)	indicator of performance	target	measurement source	Baseline	Targets				Indicator custodian
						Q1	Q2	Q3	Q4	
2	To ensure that communities have access to appropriate and adequate waste management.	Pro-active Waste Management Plan	100%	Approved Pro-active Waste Management Plan	No Plan - poor management	30%	100% Approved Plan	100%	100%	IPED/Comm Services
2		Landfill Site Plan produced as per GRAP compliance	100%	Landfill Site Plan	No plan in terms of GRAP compliance	60%	100% Approved plan	100%	100%	IPED/Comm Services
2		Waste Management By-Laws developed and approved with Implementation Plan	100%	Waste Management By-Laws approved. Implementation Plan approved	By-Law to be developed No implementation Plan	30%	80% By-law developed	100% Council Approved	100%	IPED/Comm Services
6	Ensure establishment of sufficient social and recreational facilities for our communities by 2014.	Updated lease agreements for sports fields	100%	Lease agreements updated	Lease agreements require review	100%	100%	100%	100%	IPED/Corp Services/ Comm Services
13	Local government to obtain clean audit reports by 2011	80% implementation of risk assessment	80%	Quarterly report	unknown	25%	50%	75%	80%	MM/HOD'S/INT ERNAL AUDITOR
13	Tariff and Adjustment Budget	Full compliance with Chapter 4 of MFMA Systems Act & S23 MFMA	100%	Approved Tariffs and approved adjustment budget	MFMA required		100%	100%		CFO
13	Audit Qualifications	Improved audit report for 2008-2009 Financial Year. Address audit queries. Adherence to Audit Plan / Action Plan to address audit queries.	70%	Action Plan to address 2007/2008 AG queries raised. Queries raised by internal audit committee to be addressed within 30 days of receipt	Annually addressed		50%	70%		MM/HOD'S/INT ERNAL AUDITOR

KPA 2: GOOD GOVERNANCE AND PUBLIC PARTICIPATION (Cont.)

IDP No.	IDP Objective (*)	indicator of performance	target	measurement source	Baseline	Targets				Indicator custodian
						Q1	Q2	Q3	Q4	
13	To ensure appropriate use of HR for effective and efficient service delivery.	Good quality reporting, minute taking and agendas Meetings occur as scheduled (Council, management and Council committees)	100% scheduled	Council Committee & Management Meetings held as per schedule, quality control of council minutes/ agendas, ensuring legislative compliance and timeous implementation of council resolutions/ resolutions/ resolutions are kept in view through reporting by Managers	Updated meeting schedules annually	Meetings as per sched.	Meetings as per sched.	Meetings as per sched.	Meetings as per sched.	CSM/ Committee / Secretarial staff
13	Implementation of Fleet Management Policy and Plan	Fleet Management Implementation Plan and Fleet Management System developed and implemented as per plan	100%	Fleet maintenance schedule completed Updated log sheets Vehicles Service Roadworthy Certificates Service History Reports	Fleet management Policy not implemented No management of fleet occurring	25%	50%	75%	100%	CSM
13	Manages Maintenance Contracts Letters of Appointment and Maintenance of Conditions of Service and related capacitation	Verify existence of Contract and Compliance with BC and SALGBC's Conditions of Service. Letters, contracts are drafted to regulate employment relationships to avoid legal complications. Establishment and implementation of Conditions of Service and capacitates staff in area of contract management.	100%	HR monthly reports/ statistics/ capacity related on- the- job training reports /Quarterly reports / Administrative /legal compliance Efficient record keeping Regulated Employment relationship Conditions of Service applied consistently	Updated meeting schedules annually / Lack of cooperation from municipal officials re resolution implementation	Meetings as per sched.	Meetings as per sched.	Meetings as per sched.	Meetings as per sched.	CSM
	Document Management System	Management of institutional memory Review/Updated and current records and archives system (procedure manual for record keeping)	80%	quarterly reports/ Project progress in addressing the review and updating of existing approved document management system /record keeping procedure manual	Document Management System required review and update	Pre-prepare ToR, Invite tenders, Bid Evaluation process	Bid process finalized and appointment of SP	Completion of Documentation Management System	Implementation Strat./ Train on system and on-going analysis (M&E)	CSM
				2011/01/26						Page 11

KPA 3: FINANCIAL VIABILITY AND MANAGEMENT											
IDP No.	IDP Objective (*)	indicator of performance	target	measurement source	Baseline	Targets				Indicator custodian	
						Q1	Q2	Q3	Q4		
13	Ensure sound financial management and governance linked with coordination of all departments within the institution	% of allocated operating budget spent year to date, excluding staff costs.	100%	Quarterly report	Regular reporting	100%	100%	100%	100%	CFO/MM	
		% of allocated capital budget spent year to date	100%	Quarterly report	100%	100%	100%	100%	100%	CFO/MM	
		The percentage of households earning less than R1600 per month with access to free basic services	100%	Report to Council	Effective Indigent Management. Access to BSD.	100%	100%	100%	100%	CFO/MM	
		Ensures that the budget is developed in a compliant and consistent manner	100%	Council approved Budget	Full compliance						CFO/MM
		GRAP/GAMAP compliance & implementation of the asset management policy	100%	Compliance report submitted to Council (quarterly).	Unknown	25%	50%	75%	100%		CFO/MM
		Manages the submission of AFS.	100%	Timeous submission of AFS by 31 Aug	Timeous submission	50%	100%				CFO/MM

KPA 3: FINANCIAL VIABILITY AND MANAGEMENT (Cont.)

IDP No.	IDP Objective (*)	indicator of performance	target	measurement source	Baseline	Targets				Indicator custodian
						Q1	Q2	Q3	Q4	
	Ensure sound financial management and governance linked with coordination of all departments within the institution (Cont.)	Ensures that revenue is managed according to sound financial principles	100%	Strategically manages operational efficiency and fiscal control.	Debt Collection & Credit Control Policy in place and implemented.	25%	50%	75%	100%	CFO/MM
		Ensures that the M & E of Budget and Treasury is applied through formal reporting	100%	Quarterly report/ Budget reports/ SDBIP/ Reports on Expenditure	M & E through formal reporting and financial reporting	25%	50%	75%	100%	CFO/MM
13	Improvement in the Financial Viability and Financial Management of local government	Compliance with the SCM policy by correct drafting of Tender Specifications; Bid Reports, Awards, Appointments; Payments/Compliance reporting	100%	Bid reports/ awards/ contractors appointments/ payments/ compliance reports Council / NT.	Unknown	100%	100%	100%	100%	ALL HOD's/SNR STAFF
		Submission of quarterly reports on PHC to Province regarding expenditure	100%	Quarterly expenditure reports to Province. Monthly expenditure reports	Reports provided	25%	50%	75%	100%	IPED/PC/SNR STAFF/ASST MANAGER
13		Implement MFMA requirements relating to accounting & reporting Submit S71 reports monthly & S72 half yearly. Submit monthly bank recons. Process statutory reports National & Provincial.	100%	All reports submitted as per MFMA requirements. Monthly reports to NT and PT	S71 and s72 reports not submitted	25%	50%	75%	100%	CFO
	Accounting and Reporting	Monthly, quarterly and mid-year reports to Municipal Manager, Exco, Full Council, Provincial and National Treasury and AG provided in terms of MFMA	100%	Monthly, quarterly, mid-year and annual reports to Municipal Manager, Exco, Full Council, Provincial and National Treasury and AG as per MFMA	AFS and most reports submitted in terms of MFMA and updated annually. S71 and 72 not submitted.	25%	25%	25%	25%	CFO/HOD's/M
		95 % of allocated operating budget spent year to date, excluding staff costs	95%	Quarterly and monthly reports	Income and Expenditure Reports	25%	50%	75%	95%	CFO
		95% of allocated capital budget spent year to date	95%	quarterly report	100%	25%	50%	75%	95%	CFO
		100% Compliance of Asset Register to GRAP standards	100%	Quarterly compliance report submitted to council 2011/01/26	Process is underway but requiring clearer definition from the AG	100%	100%	100%	100%	CFO

KPA 3: FINANCIAL VIABILITY AND MANAGEMENT (Cont.)

IDP No.	IDP Objective (*)	indicator of performance	target	measurement source	Baseline	Targets				Indicator
						Q1	Q2	Q3	Q4	
13	Accounting and Reporting (Cont.)	Budget Controls and Monitoring	100%	Report submitted to Council - Quarterly report as per MFMA	Items to Finance Standing, Mayco & Council	25%	50%	75%	100%	custodian CFO
	Accounting and Reporting	Submission of SDBIP and PMS Reports	100%	Legislative requirement	Reports	25%	50%	75%	100%	ALL HOD's
		Management of Investment accounts	100%	Reports submitted to Council. All surplus money invested, balance investment register monthly, Allocate interest and redemptions on loans monthly.	All reports submitted to Finance Standing monthly and to Mayco & Council quarterly.	100%	100%	100%	100%	CFO
		Development of Investment Strategy	100%	Developed and approved Investment Strategy.	Not yet	100%	100%	100%	100%	CFO
		Report on the implementation Priorities MFMA	100%	As required by national Treasury	Items to Finance Standing, Mayco & Council	100%	100%	100%	100%	CFO
13		Stocktake completed quarterly, Updated Asset Inventory List, Annual Stock count.	100%	Quarterly Report	Stocktake records available	25%	50%	75%	100%	ALL HOD's/SNR STAFF
13	To ensure appropriate use of HR for effective and efficient service delivery.	Leave records updated monthly and verified	100%	Monthly reports/ leave taken / balances/ all statistical records monitors organizational attendance and reports thereon	Leave Policy and Procedure available	25%	50%	75%	100%	CSM/HR Officer /HODs/ All staff

KPA 4: SERVICE DELIVERY (Cont.)

IDP No.	IDP Objective (*)	indicator of performance	target	measurement source	Baseline	Targets				Indicator
						Q1	Q2	Q3	Q4	
4	To ensure that all public amenities and communities have access to electricity by 2011	Replace meters and service connections as per Project Plans to upgrade networks	100%	Monthly and quarterly statistical reports on electricity losses/ Implementation strategy/ Programme to reduce losses/ Progress reports	Limited funding/ poor electrical infrastructure	25%	50%	75%	100%	TS & ELEC
4	To ensure that all public amenities and communities have access to electricity by 2011	Establish database records of statistics and baseline information of electricity sold; losses (faults recorded); New connections and serviced and replaced meters.	100%	Electricity Database information verified and updated monthly	Inaccurate or no information	25%	50%	75%	100%	TS & ELEC
4	To ensure that all public amenities and communities have access to electricity by 2011	Installation of Bulk Meters to determine electricity losses, and reduce theft. Losses to reduce by 20%.	100%	Statistical reports on electricity losses/ Implementation strategy/ Programme to reduce losses/ Monthly and quarterly progress reports.	Limited funding	25%	50%	75%	100%	TS & ELEC
4	To ensure that all public amenities and communities have access to electricity by 2011	Maintains streetlights as per Maintenance Plan	100%	Progress Report	Poor streetlight infrastructure	25%	50%	75%	100%	TS & ELEC
4	To ensure that all public amenities and communities have access to electricity by 2011	Services transformers according to maintenance plan	100%	Monthly maintenance Progress Report	Ageing Infrastructure	25%	50%	75%	100%	TS & ELEC

KPA 4: SERVICE DELIVERY (Cont.)

IDP No.	IDP Objective (*)	indicator of performance	target	measurement source	Baseline	Targets				Indicator custodian
						Q1	Q2	Q3	Q4	
4	To ensure that all public amenities and communities have access to electricity by 2011	Free Basic Services Provision as per roll out plan	100%	Monthly Progress Report on Free Basic Service Roll out Plan	Roll out targets to be met.	25%	50%	75%	100%	TS & ELEC/CFD
1	To ensure that all public amenities and communities have access to electricity by 2011	Ensures that electricity complaints are recorded and processed effectively.	100%	Monthly progress reports and statistics	Ongoing attempts to improve service delivery / customer satisfaction.	25%	50%	75%	100%	TS & ELEC
		Provide adequate storm water control and safe walkways in rural areas as per Project Plan	100%	Project Progress Reports	inadequate/ poor roads	10%	30%	50%	100%	TS & PMU
		Appointment of consulting engineers	100%	Appointment contracts	Lack of capacity	100%	100%	100%	100%	TS & PMU
		Design & documentation approved for roads, access roads, pavements, bridges & storm water	100%	Approved documentation and Plans	Planning required	50%	100%	100%	100%	TS & PMU
		Storm water Master Plan approved and functional	100%	Approved Storm water Master Plan	Not available	100%	100%	100%	100%	TS & PMU
		Construction to occur as per project planning	100%	Project progress reporting - monthly	Poor infrastructure	25%	50%	75%	100%	TS & PMU

KPA 4: SERVICE DELIVERY (Cont.)										
IDP No.	IDP Objective (*)	indicator of performance	target	measurement source	Baseline	Targets				Indicator custodian
						Q1	Q2	Q3	Q4	
1	Ongoing Construction and Maintenance of Roads	Construction and maintenance of roads in wards as per approved project plans	100%	Quotations / purchases/ payments to suppliers/ maintenance schedules, Project Progress Reporting	Poor road infrastructure	25%	50%	75%	100%	TS & ROADS SUP
1	Material Purchases	Purchase Storm water pipes and material (ongoing - on a need basis - within prescribed budget limit for Financial Year)	Ongoing (Need Basis)	Monthly expenditure reports, Monthly operational reports	Lack/ poor storm water infrastructure	25%	50%	75%	100%	TS & ROADS SUP
1	Surfacing of roads/ Pothole maintenance	Resurfacing of roads and pothole maintenance as per Project Plans	100%	Quotations/ Purchases / Payments to suppliers/ maintenance schedules. Monthly progress reports.	Poor/ deteriorated surfacing of roads	25%	50%	75%	100%	TS & PMU
1	Construct gravel access roads with relevant storm water drainage Provision of permanent surfacing of roads	Construction of gravel access roads with relevant storm water drainage in identified wards.	100%	Quotations/ Purchases / Payments to suppliers/ maintenance schedules	Limited access roads to villages for communities to reach services	25%	50%	75%	100%	TS & PMU
1	Roads Master Plan	Roads Master Plan approved and functional	100%	Approved Roads Master Plan	No plan	25%	50%	75%	100%	TS & PMU

KPA 4: SERVICE DELIVERY (Cont.)

IDP No.	IDP Objective (*)	indicator of performance	target	measurement source	Baseline	Targets				Indicator custodian
						Q1	Q2	Q3	Q4	
1	Roads Projects - apply the following processes	Appointing consulting engineers	100%	Tender specs/ Advert/ Bid award/ Bid Minutes/ Council approval	Lack of capacity					TS & PMU
		Design & documentation approved for each project	100%	Design documents approved Project plans approved	Planning required	50%	100%	100%	100%	TS & PMU
		Appointment of contractors	100%	Appointment contractors	Lack of capacity	100%	100%	100%	100%	TS & PMU
1		Construction of roads as per Project Plans	100%	Quotations/ Purchases / Payments to suppliers/ maintenance schedules Monthly progress schedules	Poor infrastructure	25%	50%	75%	100%	TS & PMU
1	Purchase of tools/ Equipment Enhance Service Delivery	Purchase Tools/Equipment (by implementing supply chain processes) to enable transporting officials to working site and the maintenance and construction functions to take place as per capital project specifications.	100%	Tender specs/ Advert/ Bid award/ Bid Minutes/ Council approval/ proof of purchase (tools/ equipment/payments)	Shortage of tools/ Equipment	100% July 2010	100%	100%	100%	TS
10	Building plan & TP approvals	Building plan applications approved within 2 months	100%	Building Plan approvals/ Payments / Reports to Standing Committee	Absence of Building Control Officer	100%	100%	100%	100%	TS
		Subdivisions of informal sites : formalization of Housing	100%	Subdivisions to commonage to accommodated Housing: Service Provider to obtain SG approval 2011/01/26	Informal sites	25%	50%	75%	100%	TS

KPA 4: SERVICE DELIVERY (Cont.)										
IDP No.	IDP Objective (*)	indicator of performance	target	measurement source	Baseline	Targets				Indicator
						Q1	Q2	Q3	Q4	
10	To create a safe and healthy environment by ensuring that land, natural resources and atmosphere are not contaminated	Audit land: Service Provider to survey & submit report to define way forward in respect of land audit of land encroachments	100%	Land Audit Report	No land audit	30%	75%	100%	100%	TS/IPED & HOUSING OFFICER
2	To ensure that all Sakhisizwe communities have access to clean water by 2014	Establish Database on Water Management and Operations	80%	Water database on Water Management and Operations Customer Survey Questionnaire responses	No database	40%	75%	80%	80%	TSM
		Complaints Register and increase in response time	100%	Updated Complaints Register	No register customer unhappiness	25%	50%	75%	100%	TSM
		Service Level Agreement approved between CHDM and Sakhisizwe	100%	Service Level Agreement signed	No Service Level Agreement	75%	100%	100%	100%	TSM
		All faulty water meters to be replaced	100%	Monthly Progress Reports	Ageing Infrastructure	25%	50%	75%	100%	TSM
6	Ensure establishment of sufficient social and recreational facilities for our communities by 2014.	Sports fields Maintenance Programme developed and implemented in terms of funding availability for sport fields and caravan parks	100%	Implementation plan results Quarterly reporting.	Shortage of staff. Not maintained efficiently - vandalized	25%	50%	75%	100%	IPED/Comm Services

KPA 4: SERVICE DELIVERY (Cont.)

IDP No.	IDP Objective (*)	indicator of performance	target	measurement source	Baseline	Targets				Indicator custodian
						Q1	Q2	Q3	Q4	
2	To ensure that all Sakhisizwe communities have access to appropriate and adequate sanitation by 2014	Establish database on Sewerage Management	100%	Sewerage Management Database Quarterly Progress Reports on development of database	No measurement	25%	50%	75%	100%	TSM
		Complaints Register monitoring and control re-faults, sewerage blockages, VIP blockages and new sewerage connections	100%	Complaints Register Reports Monthly activity reports	No measurement	25%	50%	75%	100%	TSM
		Manage health hazards by purchasing and applying bacteriological inoculants to improve breakdown	90%	Monthly Progress Reports	Inadequate/ inefficient treatment of sewerage	80%	90%	90%	90%	TSM
6	Ensure establishment of sufficient social and recreational facilities for our communities by 2014.	Buildings and halls maintained as per maintenance plan.	100%	Expenditure Reports Monthly Progress reports.	Ongoing - Maintenance ongoing Funding and capacity challenges	25%	50%	75%	100%	IPED/Comm Services
6	Ensure establishment of sufficient social and recreational facilities for our communities by 2014.	Progress in respect of maintenance schedules for parks, sidewalks and open spaces. Progress as per Maintenance Plan for grass cutting	100%	Monthly reports on cleanliness to Standing Committee	Current Maintenance Programme, staff shortages, insufficient funding	25%	50%	75%	100%	IPED/Comm Services

KPA 4: SERVICE DELIVERY (Cont.)

IDP No.	IDP Objective (*)	indicator of performance	target	measurement source	Baseline	Targets				Indicator custodian
						Q1	Q2	Q3	Q4	
6	Establishment and Maintenance of Cemeteries	All cemeteries maintained as per plan	100%	Monthly reports to Standing Committees as per scheduled progress	Staff shortage Insufficient funding Environmentally affected (frost, snow)	Monthly Reports 25%	Monthly Reports 50%	Monthly Reports 75%	Monthly Reports 100%	IPED/Comm Services
6		Cemeteries established in Elliot & Cala - all cemeteries maintained as per plan	100%	Monthly reports to Standing Committees as per scheduled progress	Funding to be obtained from MIG	Monthly Reports 25%	Monthly Reports 50%	Monthly Reports 75%	Monthly Reports 100%	IPED/Comm Services
6		Monthly updated burial registers	100%	Verified and updated burial register Monthly reports	Poor control. Illegal burials.	100%	100%	100%	100%	IPED/Comm Services
6	Maintenance of Public Open Spaces (commonages and pounds)	Progress to be achieved as per maintenance plan (commonages and pounds)	100%	Monthly reports to Standing Committees re: Progress	Huge challenges - staff shortages and funding issues	25%	50%	75%	100%	IPED/Comm Services
2	Reduce no. of households without sanitation services (backlogs) and to improve sanitation and refuse removal services	Refuse collection completed as per collection plan.	90%	Monthly statistics/ Reports on Refuse Removal to management and Standing Committee	Current Removal Plan Improvements but not yet up to standard	80%	90%	90%	90%	IPED/Comm Services
3	To ensure that all Sakhisizwe communities have access to adequate housing by 2014.	Submit funding applications to DoH	100%	Develop Housing Sector Plan and Submit to DoH.	No Housing Sector Plan. No alignment	50% Develop	100% HSP + submit	100%	100%	IPED/Comm Services
		Visit Ward and report to Council	100%	Attendance register of visits. Reports to Council.	Ongoing. Reports to Council.	25%	50%	75%	100%	IPED/Comm Services

KPA 4: SERVICE DELIVERY (Cont.)

IDP No.	IDP Objective (*)	indicator of performance	target	measurement source	Baseline	Targets				Indicator
						Q1	Q2	Q3	Q4	
3		Meeting with WSA (Bulk Services) to ensure adequate service provision.	100%	Minutes/ Attendance Register of meetings	Lack of Services and inadequate infrastructure.	100%	100%	100%	100%	IPED/Comm Services
3		Housing backlogs reduced by 80% in total through implementation of Housing Plan	80%	Beneficiary allocations, and temporary allocation lists. Total no. of allocations per outstanding infrastructure challenges.	Backlogs/ Blocking of project by DHLGTA No development	20%	40%	60%	80%	
	Housing: To ensure that all Sakhisizwe communities have access to adequate housing by 2014	Construct RDP houses in Elliot as per project plan.	80%	Implementation/ Progress Report, Payments	Lack of Housing	20%	40%	60%	80%	IPED/Comm Services
		Construct RDP Houses in Cala as per project plan.	80%	Implementation/ Monthly and Quarterly Progress Reports.	Lack of Housing.	20%	40%	60%	80%	IPED/Comm Services
		Identified and approved new residential sites	Increased by 10%	Report to Council. Land transaction reports.	Current land shortages for residential sites	25%	50%	75%	100%	IPED/Comm Services
3	Application for additional housing sites	Submit funding applications to DoH	100%	Funding application, Service Provider Appointment Proof of submission to SG	Ongoing. Reports to Council.	100%	100%	100%	100%	IPED/Comm Services
3	Housing: To ensure that all Sakhisizwe communities have access to adequate housing by 2014	Appoint Service Provider	100%	Appointed Service Provider. Contract.	No capacity internally	0%	100%	100%	100%	IPED/Comm Services
3	Housing: To ensure that all Sakhisizwe communities have access to adequate housing by 2014	Housing Sector Plan	100%	Approved Housing Sector Plan	Not approved	100%	100%	100%	100%	IPED/Comm Services

KPA 4: SERVICE DELIVERY (Cont.)

IDP No.	IDP Objective (*)	indicator of performance	target	measurement source	Baseline	Targets				Indicator
						Q1	Q2	Q3	Q4	
8	Promote, implement and maintain security and safety in all communities of Sakhisizwe	Control of eNatis at Test Station. Turn around strategy developed and applied for Traffic filing system compliance.	100%	Administrative financial/ statistical reporting. Compliance with traffic filing system interventions & turnaround strategies to improve compliance. Monthly & quarterly performance reporting.	Lack of control and management	25% Turnaround Strategy developed and Implemented	50% Implementation as per plan	75% Up to date filing and implementation	100% Up to date filing and implementation	IPED/Comm Services/ Traffic Services
13	Coordinate the functioning and Governance of the Traffic Department.	Reviews and updates traffic manuals. Manuals purchased through SCM. Monthly updates completed re-personnel files and reports.	100%	Reviewed manuals, purchase through SCM. Updated personnel files and reports and updates monthly. SCM documents. Expenditure Reports.	Poor management Lack of control. Manuals require review.	25%	50%	75%	100%	IPED/Comm Services
13	Coordinate the functioning and Governance of the Traffic Department.	Control and management of learners licenses, drivers' licenses and road worthy's n full compliance with Road Traffic Act Records, statistics and records of cost implications updated monthly	100%	Quotations / purchases / payments to suppliers / report on upgrade	Poor management and lack of controls	25%	50%	75%	100%	IPED/Comm Services/ Traffic Services

KPA 4: SERVICE DELIVERY (Cont.)										
IDP No.	IDP Objective (*)	indicator of performance	target	measurement source	Baseline	Targets				Indicator custodian
						Q1	Q2	Q3	Q4	
13		Testing terrain upgraded as per project plan.	100%	Terrain upgraded as per project plan.	Poor testing terrain	25%	50%	75%	100%	IPED/Comm Services/ Traffic Services
	Traffic	Traffic signs replaced and erected as per project plan	100%	Quotations / purchases / payments to suppliers / maintenance schedules and reporting monthly and quarterly.	Insufficient funds/ lack of traffic signage	25%	50%	75%	100%	IPED/Comm Services / Traffic Services
9,13,6	Facilitate problem of quality education. Ensure establishment of sufficient social and recreational facilities for our communities by 2014.	Development of Policy and Procedures for utilization of pre-schools and community halls.	100%	Pre-schools Policy and Procedures. Community Halls Policy and Procedures.	Control and Policy required	50%	100% Approved Policies	100%	100%	IPED/Comm Services
6	Ensure establishment of sufficient social and recreational facilities for our communities by 2014.	Addressing the social needs of the community through attendance of social cluster meetings and implementation plans- improving public access to social services.	80%	Progress Reports/Reports from social needs cluster	Social Needs Cluster	25%	50%	65%	80%	IPED/Comm Services/ Health CHDM

KPA 4: SERVICE DELIVERY (Cont.)

IDP No.	IDP Objective (*)	indicator of performance	target	measurement source	Baseline	Targets				Indicator
						Q1	Q2	Q3	Q4	
7	To provide comprehensive integrated health services through PHC.	Management of PHC & promotion of Health Care	100%	Manage PHC and attend HIV/AIDS meetings. Minutes and quarterly reporting.	Functioning to a degree	25%	50%	75%	100%	IPED/Comm Services/ Health CHDM
		Lobby stakeholders through establishment of community forums.	80%	Establish Community Forums. Reports to Council.	Ongoing.	20%	40%	60%	80%	IPED/Comm Services
		Policy on Hawker Control	100%	Develop a policy on Hawker Control	No policy	80% Developed	100% Approved	100%	100%	IPED/Comm Services
		Business Licenses	100%	Submission of Business Licenses. Monthly reports.	No proper control of business licenses issued.	25%	50%	75%	100%	IPED/Comm Services
		Library Service Level Agreement	100%	Library Service Level Agreement	No SLA in place.	25%	50%	75%	100%	IPED/Comm Services
6	Ensure establishment of sufficient social and recreational facilities for our communities by 2014.	Library forum meetings occur as scheduled (quarterly)	100%	Minutes of Forum Meetings (1 per quarter)	Not fully functional.	25%	50%	75%	100%	IPED/Comm Services
		Database of Library users is verified, updated monthly, to ensure accuracy of information and statistics	100%	Completed database questionnaire. Updated and verified database. Monthly statistics and updates. Quarterly report to management	Unreliable database	25%	50%	75%	100%	IPED/Comm Services

KPA 4: SERVICE DELIVERY (Cont.)

IDP No.	IDP Objective (*)	indicator of performance	target	measurement source	Baseline	Targets				Indicator
						Q1	Q2	Q3	Q4	
13	To provide sound and sustainable financial management	Annual reconciliation and update of the valuation roll	100%	Accuracy and completeness of valuation roll (correct rates and accounts)	Existing valuation roll (75%)	100%	100%	100%	100%	custodian CFO
13	Provide efficient and effective financial support to all departments.	Manage votes re costs of fuel and maintenance by monthly allocations to the correct vote.	100%	Monthly statistical /financial reports/allocated cost of fuel and maintenance to correct votes	Ongoing, MFMA	25%	25%	25%	25%	CFO/CSM

KPA 5: LED										
IDP No.	IDP Objective (*)	indicator of performance	target	measurement source	Baseline	Targets				Indicator custodian
						Q1	Q2	Q3	Q4	
12,13	To combat and reduce the spread of HIV/Aids by 2014	Strategically manage the establishment of PAC and prepare ToR. Appoint Service Provider. Preparation & implementation of HIV/Aids Strategy.	50%	Completed HIV/AIDS Strategy. Quarterly Reports. Reports frm Dept of Health/CHDM.	HIV prevalence % unknown/ PAC not established, literature reviews and ToR. Consultation with stakeholders	20%	30%	40%	50%	MM/Com Services/SPU/CHDM
12,13	To promote and monitor the effective and efficient functioning of the SPU	Policy on mainstreaming of special programmes (women, youth and disabled) includes HIV/AIDS Programmes	90%	Policy on mainstreaming developed, includes HIV/AIDS programmes	No Policy	20%	40%	60%	90%	MM/SPU UNIT/ IPED/LED
13,5	To alleviate poverty and promote massive food production	Strategically manage the implementation of LED Strategy and set ToR	80%	Implementation of LED strategy. Alleviation programmes - ToR	Weak LED strategy. Capacity issues.	20%	40%	60%	80%	MM/SPU UNIT/ LED
5	To ensure that the LED Strategy Plan is developed by 2010	Strategically manage the Improvement in LED, and LED Sector Plans. Strategic Planning Workshop held. ToR developed & strategy for fundraising for LED.	80%	Improved LED Strategy, Sector Plans, fundraising strategy, Workshop attendance/ implementation reports	Weak LED strategy	20%	40%	60%	80%	MM/SM/LED

KPA 5: LED (Cont.)										
IDP No.	IDP Objective (*)	indicator of performance	target	measurement source	Baseline	Targets				Indicator custodian
						Q1	Q2	Q3	Q4	
5	To ensure that the Tourism Sector Plan is in place	Strategically manage the establishment of Tourism through development of Tourism Implementation Plan, implementation report and reviews.	80%	Tourism plan and implementation report	Tourism established. Limited funding - outsourced.	20%	40%	60%	80%	MM/MPED/ LED
5	To create an economic vibrant environment that is conducive to promote SMME's development to halve unemployment by 2014	Strategically manage the coordination of different programmes from all spheres of government to promote EPWP	100%	Report on participation	In progress	25%	50%	75%	100%	MM/TS
5	NDGP (2016)	Strategically manage the generation of the creation of employment opportunities and potential income as per strategy.	100%	Participation Report	Limited funding	25%	50%	75%	100%	TS/MM/ IPED
13	Sustainable development.	Capital MTEF: Draw up Capital plan for next MTEF period. Align with Council's priorities for sustainable development	100%	Quarterly Report	Annual requirement	0%	0%	0%	100%	TS

KPA 5: LED (Cont.)

IDP No.	IDP Objective (*)	indicator of performance	target	measurement source	Baseline	Targets				Indicator custodian
						Q1	Q2	Q3	Q4	
5	To create an economically vibrant environment that is conducive to promote SMME's development to halve unemployment by 2014.	Address sustainable development by engaging in outreach programmes to identify communities needs as per project plan.	100%	Meeting with Outreach meetings /Mayor and list of identified community needs. Meeting minutes. Quarterly reports to Council.	Ongoing. Community needs to be prioritized.	25%	50%	100%-January 2010	100%	TS & MM/ IPED
5		Prioritized projects identified and implementation plans developed to achieve targets.	100%	Identified projects approved for implementation.	Prioritization of needs in progress but limited funding	30%	60%	100%March 2010	100%	TS & MM/ IPED
5		Ensure Service Providers for projects implemented are appointed before start of new financial year	100%	Tender Tor, Tender advertisement, tender documents/ quotes/ Bid documents, Service Providers appointment, quarterly reports	Availability of suitable SP and financial limitations.	0%	0%	20%	100% June 2011	TS
5	To create an economic vibrant environment that is conducive to promote SMME's development to halve unemployment by 2014	Generation/ Creation of employment and possible income as per NDGP (2016) vision.	100% June 2010	Employment contracts	Limited funding	25%	50%	75%	100%	TS & MM IPED
13		Expedite report from service provider and Council presentation	100%	SP report /attendance register/ letters re: invitation of presentation	Ongoing	25%	50%	75%	100%	TS & MM/ IPED
13		Design & tender for minor infrastructure	100%	Tender documents/ appointments/ SLA's / Progress reports/ letters	Ongoing	25%	50%	75%	100%	TS & MM/ IPED

KPA 5: LED (Cont.)										
IDP No.	IDP Objective (*)	indicator of performance	target	measurement source	Baseline	Targets				Indicator custodian
						Q1	Q2	Q3	Q4	
10	To create a nice and healthy environment by ensuring that land, natural resources and atmosphere are not contaminated.	Detailed planning and implementation plan to address land constraints issue.	100%	Implementation Report	Ongoing	25%	50%	75%	100%	TS
	EPWP	Ensure ongoing participation in EPWP	100%	Report on participation (monthly progress and quarterly reporting.	Ongoing	25%	50%	75%	100%	TS
8	Promote Crime prevention strategies	Safety and Security and Crime Awareness Campaigns implemented as scheduled/planned.	100%	Progress Reports/ reports from social needs cluster	Social Needs Cluster	25%	50%	75%	100%	IPED
10	To create a safe and healthy environment by ensuring that land, natural resources and atmosphere are not contaminated.	Generation/creation of employment and possible income by facilitation of Greening Projects	25%	Source possible funding/ Progress Reports	Limited funds	25%	25%	25%	25%	IPED/LED
5	To create an economic vibrant environment that is conducive to promoting SMME's development to halve unemployment by 2014.	Facilitate Charcoal Project & Implementation of Project	25%	Monthly Progress Reports	Not fully functional	25%	25%	25%	25%	IPED/LED

KPA 5: LED (Cont.)										
IDP No.	IDP Objective (*)	indicator of performance	target	measurement source	Baseline	Targets				Indicator custodian
						Q1	Q2	Q3	Q4	
5	Ensure that the LED strategy Plan is developed by the end of 2010. To create an economically vibrant environment that is conducive to promote SMME's development to halve unemployment by 2014.	Reviewed LED Strategy and Implementation Plan	100%	Reviewed LED Strategy Plan & Implementation Plan	In progress but not complete.	70%	100%	100%	100%	IPED/LED
5		SMME Grouping Database created by Service Provider appointed for this purpose.	100%	Contract Database. Service Provider.	No progress.	25%	50%	75%	100%	IPED/LED
5		Community Skills Audit completed. (SP appointed)	100%	SP appointed. Skills Audit Completed.	No progress.	25%	50%	75%	100	IPED/LED
5	To increase the economic spin-offs from forestry and timber related activities	Number of tourism establishments graded and registered with ECTB.	5%	Report to council	unknown				5%	COMM S
5	To create an economic vibrant environment that is conducive to promote SMME's development to halve unemployment by 2014.	Implementation of Tourism as per Tourism Sector Plan	50%	Monthly Management reports and quarterly reports to Council	Service provider lacked capacity - little progress - lack of infrastructure	5%	20%	40	50%	IPED/LED

ANNEXURE C
SERVICE PROVIDERS REPORT
(Not currently available/provided) to be included in the final draft –
March

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CHAPTER 3

MUNICIPAL LOCAL ECONOMIC DEVELOPMENT FRAMEWORK (KPA 3)

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Chapter 3: Municipal Local Economic Development Framework (KPA3) (IPED)

3.1 Brief presentation of LED Strategy /Plan)

As far as local economic development is concerned, it must be noted that to date, the Local Economic Strategy is in it's infancy and although planning is taking place around this the LED Strategy is currently incomplete.

Until such time as the LED Strategy is completed, the LED Unit will not be formally functional.

3.2 Progress towards achieving the LED key objectives

In terms of stakeholder functionality it is noted that LED structures are active and two forums are in existence, namely The Business Forum and the Sakhisizwe Cooperative Forum.

In the absence of an LED Strategy, LED initiatives occur on an adhoc basis as follows:

3.2.1 Improve public and market confidence

- Efforts are underway to develop the Spatial Development Framework (SDF) although this will only be achieved in the new financial year; and
- In an effort to curb Red Tape Reduction efforts to reduce the turn-around time for licensing and other business related applications will receive focus and attention.

3.3 Annual Performance as per key performance indicators

Indicator Name	Target set for the year	Achievement level during the year (absolute figure)	Achievement percentage during the year
1. Percentage of LED budget spent on LED related activities			
2. Number of LED stakeholder forums held			
3. Percentage of SMME that have benefited from a SMME support programme			
4. Number of job opportunities created through EPWP			
5. Number of job opportunities created through PPP			

No information provided by the IPED Manager

3.4 Challenges regarding LED Strategy Implementation

It becomes abundantly clear that LED is severely hampered by the absence of the LED Strategy and Plan, which would not only inform and structure the LED Division, but would ensure focus and direction towards achieving the LED Strategy.

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SAKHISIZWE MUNICIPALITY
LED Projects 2009 / 2010

OBJECTIVE	STRATEGY	TARGET S	PROJECT NAME	LOCATION	WARD NO.	ALLOCATION			FUNDER	MAIN ACTIONS	RESPONSIBLE PERSON
						2008/09	2009/10	2010/11			
Child Care and Protection Services	Training on early childhood development	25	Nobuhle Preschool	Stokwe's Basin	7	67 500	67 500	67 500	Social Development	Early Child Development	Ms. Xungu
		34	Masithembe Preschool	Upper Tsengiwe	4	80 784	80 784	80 784	Social Development	Early Child Development	Ms. Xungu
		25	Nolitha Preschool	Tsengiwe A/A	4	59 400	59 400	59 400	Social Development	Early Child Development	Ms. Xungu
		27	Nomthandazo Preschool	Ndondo Square	5	76 032	76 032	76 032	Social Development	Early Child Development	Ms. Xungu
		27	Ikhayaletu Preschool	Ndondo Square	5	64 152	64 152	64 152	Social Development	Early Child Development	Ms. Xungu
		27	Nonceba Preschool	Ethembeni Location	7	64 152	64 152	64 152	Social Development	Early Child Development	Ms. Xungu
		27	Little Star Preschool	Takalani Location	2	64 152	64 152	64 152	Social Development	Early Child Development	Ms. Xungu
		25	Roma Preschool	Roma A/A	4	59 400	59 400	59 400	Social Development	Early Child Development	Ms. Xungu
		27	Siyavuya Preschool	Mgwalana		64 152	64 152	64 152	Social Development	Early Child Development	Ms. Xungu
		27	Nkqubela Preschool	Bumbana Loc./Askeaton	7	64 152	64 152	64 152	Social Development	Early Child Development	Ms. Xungu
		25	Ikhwezi	Sfonondile	4	59 400	59 400	59 400	Social Development	Early Child Development	Ms. Xungu
		25	Good Hope Preschool	California	5	59 400	59 400	59 400	Social Development	Early Child Development	Ms. Xungu
		60	Nomzamo Preschool	Vusukhanyo Building	1	58 920	58 920	58 920	Social Development	Early Child Development	Ms. Xungu
		35	Qolombeni Preschool	Manzimahle	7	46 200	46 200	46 200	Social Development	Early Child Development	Ms. Xungu

LED Projects 2009 / 2010

OBJECTIVE	STRATEGY	TARGETS	PROJECT NAME	LOCATION	WARD NO.	ALLOCATION			FUNDER	MAIN ACTIONS	RESPONSIBLE PERSON
						2008/09	2009/10	2010/11			
		36	Masivuke Preschool	Askeaton A/A	7	65 520	65 520	65 520	Social Development	Early Child Development	Ms. Xungu
		27	Masakhe Preschool	Elliot/Polar Park	2	64 152	64 152	64 152	Social Development	Early Child Development	Ms. Xungu
		25	Siyavuya Preschool	Manzimdaka		59 400	59 400	59 400	Social Development	Early Child Development	Ms. Xungu
		27	Mlondolozzi Preschool	Cala Pass	3	64 152	64 152	64 152	Social Development	Early Child Development	Ms. Xungu
		25	Sizakhele Preschool	Askeaton/Cala	7	59 400	59 400	59 400	Social Development	Early Child Development	Ms. Xungu
		25	Malukhanye Preschool	Zikhonkwane A/A	3	64 152	64 152	64 152	Social Development	Early Child Development	Ms. Xungu
Crime Social Crime Prevention		15	Ingxingwa Skills Development Project	Cala Town	5	233 000	-	-	Social Development	Crime Prevention	Ms Madikizela
Victim Empowerment			Domestic Violence Unit	Cala Town	5	184 663	-	-	Social Development	Domestic Violence	Ms Jacobs
		5	Yibanathi Developmental Foster	Elliot Old Loc.	2	65 000	-	-	Social Development	Crime Prevention	Ms Madikizela
HIV/AIDS		34	Siyahluman HCBC	Sifondondile	4	556 097	-	-	Social Development	Care and support to orphans and vulnerable child due to HIV/AIDS	Ms Nmgqi

LED Projects 2009 / 2010

OBJECTIVE	STRATEGY	TARGETS	PROJECT NAME	LOCATION	WARD NO.	ALLOCATION			FUNDER	MAIN ACTIONS	RESPONSIBLE PERSON
						2008/09	2009/10	2010/11			
Eradication of poverty and promote income generating programme for sustainable development	To promote socio-economic development and integration	15	Ithunga poultry project	Manximdaka	5	500 000	-	-	Social Development	Youth Development, sustainable livelihood (cooperatives institution building and food security support programme)	Ms. Nini
		15	Ncduluntu Confectionary & Bakery	Cala Town	5	-	500 000	-	Social Development		
		15	Lilitha Brick Making	Zikhonkwane	5	-	500 000	-			
		25	Masisebenze Food Security	Gubenxa-Elliot	3	-	500 000	-			
		15	Stokwes Basin Food Security	Ndwana	7	-	750 000	-			
		15	Tsomo Valley Poultry Project	Tsomo Valley	2	-	500 000	-	Social Development		
		15	Ikhwezi Food Security	Cala Town	5	500 000	-	-	Social Development		
		15	Nonkqubel Womens Co-op	Roma	4	500 000	-	-	Social Development		
		25	Siyakanyisa Food Security	Askeaton	7	750 000			Social Development		
		25	Khulanathi Maxongo Food Security	Maxongo's Hoek	2	750 000			Social Development		
		25	Siyazama Food Security	Polar Park – Elliot	2	750 000	-	-	Social Development		
		25	Masibambisane Food Security	Cala Reserve	4	750 000	-	-	Social Development		
		15	Makukhanye Womens Co-op	Upper Mnxe	4	500 000	-	-	Social Development		
		15	Yizanisakhe Womens Co-op	Elliot	1	500 000	-	-	Social Development		

CHAPTER 4.

AUDITED FINANCIAL STATEMENTS & OTHER FINANCIAL INFORMATION (Budget & Treasury Report)

AUDITED FINANCIAL STATEMENTS ANNEXURE D

AND RELATED FINANCIAL INFORMATION

AUDITOR GENERAL'S REPORT ANNEXURE E

RESPONSE TO THE AUDITOR GENERAL'S REPORT ANNEXURE F

AUDIT COMMITTEE REPORT ANNEXURE G

SAKHISIZWE AUDIT ACTION PLAN - AUDITOR GENERAL'S REPORT ANNEXURE H

(The Annexures included will not have page numbers that run concurrently)

CHAPTER 4.

AUDITED FINANCIAL STATEMENTS & OTHER FINANCIAL INFORMATION

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4. **Budget and Treasury Department: Structure and Functions**

The Budget and Treasury Department is established in terms of Section 80 of the Municipal Management Finance Act, within the Department of Finance, under the control off the Chief Financial Officer, Mr. P Steyn.

Sakhisizwe Municipality is governed by a Council that continues to provide unwavering support and commitment towards sound financial management and the maintenance of a sound economic base.

4.2 Mission Statement

“The sound financial management of the assets, liabilities, revenue and expenditure of the municipality on behalf of the community of Sakhisizwe Municipality”.

4.3 Staff Component

The Budget and Treasury Department during the year under review were staffed as follows:

- φ X1 CFO : s57
- φ X1 Accountant: Expenditure
- φ X1 Accountant :Income
- φ X1 Debtors Clerk: Elliot
- φ X1 Debtors Clerk: Cala
- φ X1 Accounts Deliver / Messenger
- φ X Messenger /Cleaner
- φ X2 **DBSA** Young Professionals (IT & Finance) - funded by DBSA

Occasional Meter Readers are appointed for 3 days a month to perform monthly consumer meter readings.

Skilled and experienced staff especially within senior positions remains a challenge.

This also has an impact on the operational functioning of the organisation, as the organization requires technical capacity and competence in order to provide the required service delivery and sustainable development as highlighted within the IDP.

The Budget and Treasury Department is an area where staff capacity and retention strategies are critically important. Identified and experienced as a critical scarce skill it is noted that staff turnover can be high and the ability to attract suitable staff can be quite a challenge. This is directly influenced by the pay structures of surrounding municipalities that appeared to be far more competitive.

In terms of National Treasury competency structures, all senior managers are required to possess the required competency levels by 2013, To this end formal structures have been put in place in order to empower the staff in this

department, and more specifically “on the job” mentorship and training programmes were arranged in order to expose staff to all spheres of the financial functions within this department. This proactive approach would result in a process, which would create a larger pool of required talent and would in this way facilitate the upward mobility (promotions) within this department.

4.3.1 **Internship Programme**

With funding received from National Treasury 5 interns were subsequently employed in the year under review, they are currently undergoing in-service training within the Department: Budget and Treasury Services.

The internship programme was introduced to alleviate the negative impact that skills shortages has had on the recruitment and the subsequent placement of suitably qualified persons. The programme is a process of empowering and capacitating future employable staff. Identified students/graduates from recognised institutions were engaged to work for the Budget & Treasury Department. Further interns (5) have been appointed, in 2009/2010.

The internship programme is regarded as a means to balance the immediate shortages and the long run demand for employees, it is envisaged that both current and future personnel shortages can be minimised as the Municipality intends to absorb some of the already trained candidates.

4.4 **Key Performance Indicators Targets and Focus areas**

The following focus areas have been set, achievable targets as set out below:

- Revenue and Collection / Income Generation 20%
- Expenditure and control: 20%
- Budgeting and IDP: 20%
- Accounting and Reporting: 20%
- Information Technology: 10%
- Asset Management: 10%

These will be examined under each subsection as follows:

- **Revenue Collection/Income Generation**

Within the Revenue Collection/Income Generation division it is required that the processing of monthly consumer accounts and the receipting of all revenue is undertaken of the towns (Elliot and Cala) that fall within the jurisdiction of Sakhisizwe Municipality.

Cala, is serviced by staff situated in Cala, All these functions are supervised and supported from Elliot from where meter readers servicing the water and electricity meters are controlled.

- **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 the compilation of annual financial records and statements.

The Key Performance Indicators are:

- Monthly reconciliation & payment of all creditors.
- Interventions and strategies/turnaround plan to improve on expenditure (Levels and quality)
- Monthly controlling of purchases.
- Monthly processing of payroll.
- Annual updates & maintenance of Council's insurance portfolio.
- Monthly updating & maintenance of Council's investments.
- Updating & implementing financial policies and procedures:
 - Supply Chain Management;
 - Loans & Contractual Agreements;
 - Asset Management & Insurance;
 - Cash Management, Banking & Investments.
- Implementation of the Municipal Finance Management Act, No 56 of 2003 requirements relating to Expenditure.

- **Budgeting**

The CFO compiles the Council's operational and capital budget. It is also his responsibility to provide the necessary inputs during the annual review of Council's Integrated Development Plan (IDP). The Finance department is also responsible for the determination of tariffs and maintaining a cash budget.

Actual expenditure is monitored to date monthly against Council's approved budget and reports are submitted monthly to all other departments informing them of their expenditure to date.

The Key Performance Indicators are:

Compile & publish budget time schedule

- Establish & publish committees & consultation forums.
- Outreach programme established for all wards.
- Review & prepare:
 - Integrated Development Plan (IDP);
 - Service Delivery Agreements;
 - Delegations;
 - Budget Related Policies;
 - Operational & Capital Budget

- Determine Rates & Tariffs.
- Consult with established committees & forums
- Table budget & supporting documents.
- Approve budget & supporting documents
- Budget & Supporting documents submitted to:
National Treasury;
- Provincial Treasury;
- Publishing and website
- Service Delivery & Budget Implementation Plan (SDBIP)

Accounting and Reporting

- Daily & 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.

Information Technology

This function is located in Elliot. All computer hard and software used at the two administrative units are supported and maintained at this point.

The Key Performance Indicators are:

- Maintain & upgrade of computer hard and software
- Secure computer hard and software services.
- Training for all staff in utilizing IT systems effectively.
- Development of Information Technology policies.
- Daily & monthly processing of records when required by other departments.
- Developed & maintained municipal Website.

Assets

The municipality performed asset verification and the itemising all infrastructure as at 30 June 2010. The municipality has assessed, as at 30 June 2010 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.

The Key Performance Indicators are:

- Recording & Marking (bar-coding) of all assets.
- Updating & maintaining a comprehensive assets register
- Compiling, updating & maintaining of inventories.
- Revaluing of fixed assets.

5. THE BUDGET

Steps were taken to ensure that the requirements of the Municipal Finance Management Act, No 56 of 2003, especially Chapter 4 (section 15 to 33), as well as any MFMA Circulars from National Treasury, were met.

During October to November 2008 the Budget Steering committee, with assistance from ward councillors and ward committees engaged into an outreach program to assess the needs of the community in all 7 wards. All needs recorded were later prioritised and included in council's Integrated Development Plan.

The budget technical committee has in the addressed various issues required by the Municipal Finance Management Act:

- Reviewing the IDP objectives and strategies;
- Reviewing the Organisational structure;
- Reviewing the Delegation framework;
- Reviewing the 2009 / 2010 Service Delivery and Budget Plan (SDBIP);
- Reviewing existing and considering new Service Delivery Agreements;
- Considering the establishment of Entities;
- Reviewing existing and compiling new Budget-related policies;
- Considering the Macro and micro economic climate and budget guidelines, requirements and growth parameters;
- Planning the implementation of GFS classifications;
- Considered proposed tariff increases;
- Compile a draft operational and capital budget;
- Prioritise community needs in the IDP.

During January 2009 the draft budget and supporting documents were tabled to the budget committee for consideration, discussion and approval.

Budget Process Overview

The MFMA Circulars 10, 13, 14, 19, 27, 28 and 41 issued by the National Treasury was used as a guidance mechanism during the 2009 / 10 budget processes. From this council has developed an IDP (Integrated Development Plan) and Budget policy.

The Schedule of Key Deadlines issued by National Treasury was also used as guideline for council to develop its own Schedule of Key Deadlines, which takes effect once council has approved it during August. A summarized version thereof is then advertised in the local newspapers and placed on council's web-site. Interest groups and stakeholders are annually invited to register and from part of council's Local Budget Consultation Forum. Council's IDP and Budget policy provides guidelines as to how this forum and the Sector Budget Consultation Forum should be established. Amongst others, has council ensured that at least two members of each of its sixteen ward committees are represented on the Local Budget Consultation Forum. All relevant national and provincial departments, as well as the district municipality – Chris Hani District municipality – forms part of the Sector Budget Consultation Forum. Council meets at least two times during the budget process and once after the draft budget has being tabled with these forums.

The Budget Steering committee, with the involvement of the ward councillors and ward committees, annually engage itself in an Outreach Programme during which community meetings are held in all seven wards. This where the community uses their opportunity to inform council of their needs. All needs / problems discussed, whether local, district, provincial or national are recorded, prioritised and summarized in a report for follow-up or inclusion into council's IDP. Non-local issues (national, provincial and district) raised are discussed at the Sector Budget Consultation Forum, whilst local issues are prioritised by the Local Budget Consultation Forum for inclusion in council's IDP.

Once the draft budget is tabled by the Mayor in March, the budget and required supporting documents are made available for representation and / or comments. It can either be viewed in hard copy at one of council's administrative units or on council's web-site. The tabling and invitation to submit representation / comments are also advertised in locally circulated newspapers and on municipal notice boards.

The Budget committee keeps record and deals with all representations and comments received. Any adjustments resulting there from are done before the budget is submitted for approval towards the end of May.

6. Integrated Development Plan (IDP) – 2009 / 2010

Review Process

Outreach programme to all wards by the council of Sakhisizwe Municipality during the months of October and November 2009 to identify new priorities.

Local Consultation Forum / Budget meetings were held at Elliot Administrative Unit and at Cala Administrative unit.

Review of the IDP strategic objectives and strategies by the Budget Steering Committee in December 2009.

Determination of projects to meet objectives and strategies.

Alignment with the CHDM District Municipality and Sector Departments in February 2010.

Public participation in February 2010.

IDP and Budget published for comment (April 2010).

Consultation with Sector Departments (February / March 2010).

Revise IDP and Budget if necessary (April 2010)

Public hearings and Council Debate on IDP and Budget (May 2010)

Amendments to IDP and Budget.

Final approval end June 2010.

IDP Document submitted to MEC of Department of Provincial and Local Government for comment.

2009/2010 IDP annual review starts in August 2009 in conjunction with budget processes.

A SDBIP plan was put into place and taken to Council. The SDBIP in 2009/2010 had been a challenging period in respect of the SDBIP structure, however great improvements have been made during the year under review in the formulation of the SDBIP. Unlike in 2008/2009 financial year. Efforts have been made to align these to the national indicators. Notwithstanding these improvements it is recognized that goals and targets need to be reformulated in certain instances so as to improve measurability, standards and control measures.

Correct quarterly reporting in the manner prescribed remains a challenge, notwithstanding the progress to date.

7. Operational Expenditure

The Budgeted operational expenditure was **R 66 357 182** and actual was **R 54 442 261 -- variance of: R 11 914 921**

8. Employee / Related Costs

The employee cost were pitched at **29.39%** of the budget and although the need for additional staff in all departments are huge, council's greatest challenge is to try and operate and remain within the norm of 30.0 - 35.0% set by the National Treasury, Department of Provincial and Local Government and SALGA.

2. OVERVIEW OF FINANCIAL PERFORMANCE

The period being assessed is for the six months ending 30 June 2010.

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE

2009 ACTUAL INCOME R	2009 ACTUAL EXPENDITURE R	2009 SURPLUS/ (DEFICIT) R		2010 ACTUAL INCOME R	2010 ACTUAL EXPENDITURE R	2010 SURPLUS/ (DEFICIT) R
534 000	8 638 206	(8 104 206)	Executive & Council		2 841 866	(2 841 866)
22 481 533	13 130 414	9 351 119	Finance & Admin	30 096 920	21 617 141	8 479 779
340 676	1 019 275	(678 599)	Planning & Development	16 132 412	2 163 013	14 000 399
1 330 011	1 482 487	(152 476)	Health	1 234 150	2 788 176	(1 554 026)
373 177	834 031	(460 854)	Community & Social Services	166 996	1 222 101	(1 055 105)
1 896 837	1 966 744	(69 907)	Public Safety	2 760 224	1 918 758	841 466
	265 112	(265 112)	Housing	80 063	193 444	(113 381)
57	164 295	(164 238)	Parks & Recreation	1 650	1 269 460	(1 267 810)
-	-	-	Sanitation			
2 294 143	6 060 723	(3 766 580)	Waste Management	2 318 370	6 757 399	(4 439 029)
5 529 376	7 986 334	(2 456 958)	Road Transport	2 608	5 765 346	(5 762 738)
-	-	-	Water			
6 326 657	7 062 094	(735 437)	Electricity	3 887 656	8 006 577	(4 118 921)
41 106 467	48 609 715	(7 503 248)	TOTAL	56 681 049	54 512 281	2 168 768

ACTUAL VS BUDGET (REVENUE AND EXPENDITURE)

	2010 ACTUAL R	2010 BUDGET R	2010 VARIANCE R	2010 VARIANCE %
Property Rates	2 843 303	2 982 165	138 862	4.65
Property Rates – Penalties imposed and collection		0		
Service Charges	5 504 652	11 400 000	5 895 348	51.71
Rental of facilities and equipment	163 613	3 500	(160 113)	(4574)
Interest earned – external investments	1 076 721	1 500 000	423 279	28.21
Interest earned – outstanding debtors	1 142 321	140 000	(1 002 321)	(715)
Dividends received		25 250	25 250	100
Fines	0	0	0	0
Licences and permits	2 760 224	0	(2 760 224)	(100)
Income for agency services		11 636 318	11 636 318	100
Government Grants and Subsidies – Operational	41 650 647	35 220 800	(6 429 847)	18.25
Government Grants and Subsidies – Capital		15 980 000	15 980 000	100
Other Income	1 539 568	2 024 800	485 232	23.96
Change in Fair Values	0	0	0	0
Gain on Disposal of Assets	0	0	0	0

TOTAL REVENUE	56 681 049	80 912 833	24 231 784	
	2010 ACTUAL R	2010 BUDGET R	2010 VARIANCE R	2010 VARIANCE %
Expenditure (by type)				
Employee related costs	16 720 200	19 799 952	3 079 752	15.55
Remuneration of Councillors	2 616 555	2 553 000	(63 555)	2.48
Bad Debt	12 308 511	3 572 500	(8 556 011)	(239.49)
Depreciation	3 891 485	5 370 000	1 478 515	27.53
Repairs & Maintenance	2 789 747	4 904 000	2 114 253	43.11
Interest Paid	68 366	213 955	145 589	68.04
Bulk Purchases	4 249 447	5 150 000	900 553	17.48
Contracted Services		298 000	298 000	100
Grants & Subsidies Paid	4 290 613	11 156 430	6 865 817	61.54
General Expenses	7 507 337	13 339 345	5 832 008	43.72
Total Expenditure	54 442 261	66 357 182	11 914 921	17.95
Surplus/(Deficit)	2 168 768	14 555 651	12 386 883	85.10

Comments on the Overall Performance

- The overall operating results as at 30 June 2010 indicate a surplus of R 2 168 768 260.
- Actual personnel costs expressed, as a percentage of actual operating income for the period is 27.01%. The total staff complement is 151. There were 3 new appointments made, 2 resignations and 3 deaths (natural causes).

As at 30 June 2010 the bank balance of the Municipality and the Investments register are R14.1 million

- Total consumer debtors outstanding as at 30 June 2010 amounts to R 990 518.
- The total accumulative amount borrowed by Council as at 30 June 2010 amounts to R308 192.

3. Statement of Financial Performance for the period ended 30 June 2010

The Statement of Financial Performance is presented on the accrual basis, which identifies budgeted expenditure to actual expenditure and the corresponding surplus/deficit for the period.

Statement of Financial Performance for the period ended 30 June 2010

The method of estimating the Year-to-Date (YTD) Budgets is:

- Grants, rates and service charges – Half of the Annual Budget
- Other Income – Half of the Annual Budget
- Electricity and Water bulk purchase – Half of the Annual Budget
- Expenditure (excluding Electricity and Water Bulk purchases) –half of the Annual Budget.

Electricity

ELECTRICITY SERVICE	2009/2010		2009/2010	2009/2010	YTD
	Annual Budget R	Budget December 2009 R	YTD Actual Inc / Exp R	YTD Accrual Inc / Exp R	Variance %
Billing Income	3,007,000	1,503,500	1,429,568	2,859,136	-5%
Equitable Share					
Other Income	19,000	9,500	29,680	59,360	212%
Total Income:	3,026,000	1,513,000	1,459,248	2,918,496	-4%
Expenditure	6,449,214	3,224,607	4,139,754	8,279,508	28%
Total Expenditure	6,449,214	3,224,607	4,139,754	8,279,508	28%
Surplus / (Deficit)	-3,423,214	-1,711,607	-2,680,506	-5,361,012	57%

Electricity billing reflects a negative variance of 5% against budget. The overall year-to-date performance of Electricity reflects in a deficit of R2.680 506 million. The variance of the YTD deficit to the budgeted deficit is 57% or (R968 899) which could possibly be attributed to a journal passed erroneously.

Water

WATER SERVICE	2009/2010		2009/2010	2009/2010	YTD
	Annual Budget R	Budget December 2009 R	YTD Actual Inc / Exp R	YTD Accrual Inc / Exp R	Variance %
Billing Income	2,500,000	1,250,000	929,612	1,859,224	-26%
Equitable Share					
Other Income	5,212,057	2,606,029	973,481	1,946,962	-63%
Total Income:	7,712,057	3,856,029	1,903,093	3,806,186	-51%
Expenditure	6,392,057	3,196,029	4,603,066	9,206,132	44%
Total Expenditure	6,392,057	3,196,029	4,603,066	9,206,132	44%
Surplus / (Deficit)	1,320,000	660,000	-2,699,973	-5,399,946	-509%

The Water Billing Income indicates that there is a negative variance of 26% (-R320 388). The overall year-to-date performance reflects a deficit of R 2.6 million which could be attributed to revenue not being recognized such as the transfer from the WSA (CHDM).

Other income includes availability charges, new water connections, meter test fees, reconnection fees and sundry income.

Note 4: Salaries Wages and Allowances

Salaries, Wages and Allowances including Councillors remuneration reflects an over expenditure of R 142 514 (1.00%).

Staff Salaries and Benefits

Staff Salaries & Benefits	2009/2010	2009/2010	2009/2010	2009/2010	2009/2010
	Annual Budget R	YTD Budget R	YTD Expenditure R	Variance R	Variance %
Employee Related Costs	19,799,952	9,899,976	16,720,200	3,079,752,137	15.55%
Remuneration to Councillors	2,553,000	1,276,500	2,616,515	50,623	2.48%
Total:	22,352,952	11,176,476	19,336,715	-3,016,237	-13.49%

Note 5: General Expenses

General Expenses	2009/2010	2009/2010	2009/2010	2009/2010	2009/2010
	Annual Budget R	YTD Budget R	YTD Expenditure R	Variance R	Variance %
Executive & Council	2,322,020	1,161,010	2,841,866	-519,846	-22%
Finance & Administration	10,814,548	5,407,274	21,617,141	-10,802,593	-99%
Planning & Development	3,063,555	1,531,778	2,132,013	931,542	30%
Housing	6,252,046	3,126,023	193,444	6,058,602	96%
Public Safety	1,897,458	948,729	1,918,758	-31,300	-1%
Health	2,901,762	1,450,881	2,788,176	113,586	18%
Community Services	1,491,204	745,602	1,222,101	269,103	18%
Sport & Recreation	1,368,474	684,237	1,269,460	99,014	7%
Waste Management	7,105,352	3,552,676	-	-	100%
Road Transport	5,921,850	2,960,925	5,765,346	156,504	2%
Electricity	9,208,081	4,604,041	8,006,577	1,201,504	13%
Water	7,742,057	3,871,029	-	7,742,057	100%
Waste Water Management	6,268,775	3,134,388	6,757,399	-488,624	-7%
Total:	66,357,182	33,178,593	54,512,281	-3,714,793	-11%

Waste Water Management and IPED (Planning & Development) had the most noticeable under expenditures of 43% and 40% respectively while Housing exceeded its expenditure budget by over 81%. A number of factors contributed to these variances such as revenue only being recognised at the end of the financial year for Housing related projects and projects being either implemented after anticipated

start dates and/or delayed billing by service providers. In summary General Expenses under expended for the period by a total of 11%.

4. **CAPITAL EXPENDITURE**

Total Capital Expenditure as at 30 June 2010 amounts to R15.5 million which is 117% of the Allocated Capital Budget and 16.8% of the Annual budget.

The year to date expenditure per funding source is reflected in table 4 below.

Capital Expenditure per Funding Source

Per Funding Source	Annual Budget	YTD Budget	YTD Expenditure
Own Contribution	3,558,486	1,779,243	829,496
Grants & Subsidies	10,089,000	5,044,500	14,790,894
	13,647,486	6,823,743	64,182,070

12. **2009 / 10 Financial Statements**

The Annual Financial Statements for the period ended 30 June 2010 was compiled and submitted to the Audit Committee and the Municipal Manager on 31 August 2010, the statements were presented to, discussed and approved by the municipal council of Sakhisizwe Municipality. Signed approved copies were thereafter forwarded to the National Treasury, Provincial Treasury and Auditor-General.

A copy of these statements is attached hereto as **Annexure D**.

BILLING FOR 2009/2010

	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
RATES	998 201.80	200 459.50	225 783.80	250 197.80	187 897.00	180 241.50	176 018.00	176 849.00	175 808.50	171 830.00	164 709.95	58 222.15
INTEREST	76 868.00			-	114.50	229.00	229.00	56 014.00	113 766.00	54 691.50	55 261.60	118 091.94
CASH	-36957.95	-47 311.11	114 607.94	109 243.64	122 003.86	41 963.85	-49 486.11	-97 370.43	91 144.15	115 427.39	102 185.57	-49 066.71
ELECTRICITY	376 023.81	478 370.42	329 955.63	362 560.32	371 790.72	314 564.56	357 890.90	350 892.39	332 938.05	361 809.17	371 538.23	194 483.55
INTEREST	9 260.50	-	5.39	-	1.50	35.00	48.50	10 997.00	21 022.00	10 620.50	10 254.50	19 859.59
CASH	385 736.61	305 941.79	408 042.68	353 330.57	319 356.98	286 423.42	262 756.15	388 606.36	415 022.30	263 667.03	413 566.24	300 937.54
WATER	144 724.36	105 960.41	730 407.08	446 703.11	154 623.01	124 266.97	171 095.18	200 351.20	164 518.73	158 316.40	64 303.60	202 466.11
INTEREST	101 823.00	-	-0.50	-	71.50	151.50	156.00	110 249.50	222 987.00	107 127.50	107 857.00	226 575.71
CASH	75 268.60	53 172.24	79 047.28	88 922.32	66 173.71	75 333.40	120 263.11	96 654.16	109 934.04	81 236.94	85 168.72	65 138.12
SEWERAGE	115 560.59	123 022.88	150 863.78	44 296.38	121 330.11	121 437.75	74 834.25	73 663.60	74 897.80	74 897.50	161 189.07	55 678.34
INTEREST	48 773.50	-	-0.50	-	32.50	72.00	77.00	56 250.50	113 761.50	54 813.00	55 293.00	117 066.90
CASH	43 462.05	29 420.02	27 807.62	27 184.34	28 969.76	21 520.90	45 236.60	28 390.93	26 478.20	22 441.67	28 377.50	27 103.48
REFUSE REM.	151 379.42	151 138.49	150 518.34	151 796.74	151 876.13	151 970.18	90 691.24	90 255.03	91 637.77	91 536.41	90 808.33	82 412.17
INTEREST	63 761.00	-	-0.50	-	6.50	20.50	14.50	73 557.00	149 006.50	71 614.50	72 403.00	153 428.01
CASH	34 718.79	25 564.43	30 114.85	35 900.56	27 615.01	24 798.67	39 133.43	30 310.49	35 315.18	29 926.80	36 759.75	28 094.44

Primary bank account is maintained:
FNB, Elliot (Acc No 62076523135)

Current Account	<u>2010</u>	<u>2009</u>
Cash book at end of the year	R 32 648	R634 567
Bank statement at the end of the year	R 504 351	R204 891

Savings Account / Call Account Deposits and other	<u>2010</u>	<u>2009</u>
Cash book at end of the year	R 14 129 332	R17 576 783
Bank statement at the end of the year	R 14 129 332	R17 576 783

Trade/Service debtors

The following trade/service debtors were due to council as at 30 June 2010:

Service Debtors: Electricity;	1,764,640
Service Debtors: Refuse Removal;	11,553,346
Service Debtors: Rates;	9,562,569
Service Debtors: Rent Commonage;	6,010
Service Debtors: Building Clause;	4,246
Service Debtors: Rent;	18,160
Service Debtors: Encroachment	150
Service Debtor: Library	6,810
Other Debtor: Medical Aid	16,537
Total	22,932,468

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 2009 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.

Other receivables

Consumer debtors

Council's outstanding consumer debtors have increased by **23.47%** during financial year under review and the age-analysis thereof are as follows:

AGE ANALYSIS 2009/2010

	CURRENT	30 DAYS	60 DAYS	90 DAYS	MORE
RATES	9 562 569	118 092	203 139	207 727	9 033 611
ELECTRICITY	1 764 640	460 468	194 194	90 353	1 019 625
REFUSE	11 553 346	272 987	177 822	172 367	10 930 170

A General Valuation throughout all urban areas situated within the Sakhisizwe municipal area has been completed and 5200 additional accounts were raised.

Provisions

At year-end the following provisions were made for expenditure that would incur during the 2009/10 financial year:

Service Provider	Purpose	Amount
	Leave	1 797 378
	Environmental Rehabilitation	2 112 000

Trade creditors and other

Trade Creditors and other payables: **R 4 274 313**

Consumer deposits

Electricity Deposits; an amount of **R 307 104** is held as deposits on water and electricity services rendered to consumers.

Dam & Hall Deposits; an amount of **R 5 476** is held as deposits on water and electricity services rendered to consumers.

Total **R 312 580**

AUDIT REPORTS AND CORRECTIVE ACTIONS

The auditing of the financial statements for the period ended 30 June 2010 has commenced during August 2010 and the Report of the Auditor-General of Sakhisizwe Municipality for the Financial Year ended 30 June 2009 is attached hereto – see **Annexure E**.

23. Corrective Actions

The Report of the Auditor-General is currently being dealt with and an action plan to address the audit queries has been developed.

24. CHALLENGES

The following is seen as the challenges that need to be accomplished during the 2009/10 financial year:

- Compliance and implementation of the Municipal Finance Management Act (MFMA)
- Senior financial staff continue to be sent for training on the implementation thereof and if needed the expertise of external service providers would be called upon to assist the department;
- **Training** of staff within the finance department would continue and is already underway. Capacity building within the finance department is council's and management's first priority;
- Compliance with Audit queries raised in the above regard and in respect of
- Measurable performance objectives
- SDBIP'S for 2009/2010 completed, monitor, evaluated and report on implementation during 2009/2010;
- Current PMS system (regulated system - as utilized by Sakhisizwe Municipality) requires proper implementation as per the regulations and as per the policy guidelines
- Population of Performance Scorecards and Agreements for s57 has been completed – achieved – certain compliance issues require attention, includes Performance auditing.
- To correct deficiencies in the risk management and internal controls - and the maintenance of effective, efficient and transparent systems of financial and risk management and internal control.

- Develop strategies /plans to address Audit Queries raised in the Budget & Treasury Department.
- Develop a strategy to deal with sound financial management and expenditure control and means to increase revenue and external funding

25. CONCLUDING REMARKS

In concluding, it must be acknowledged that whilst a qualified audit opinion was obtained during the previous year , which is highly regrettable, it is of some comfort to acknowledge that the issues raised and highlighted above can and will, be resolved and remedied within the next financial year.

Formal commitment is provided to addressing these issues as a top priority and to prevent reoccurrences.

26. CONCLUSION

The 2009/2010-year has yet again provided the Budget & Treasury department many challenges. Challenges are regarded as opportunities for growth and development, without which Sakhisizwe Municipality would not be able to meet the communities' needs and be given the opportunity to develop.

- Implementation of the Municipal Finance Management Act and its implementation has placed many requirements on the municipality. This has resulted in management, senior staff and all the Council Committee members being trained in terms of the requirements of the Act (now implemented).
- The implementation and conversion to GRAP has been our challenge and the department has to ensure ongoing training of senior financial staff in terms of implementation and to obtain assistance from external service providers should where deemed necessary.
- 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 adverse audit opinion received. Based on the emphasis of matter (contained within this report), concerns and administrative and financial weaknesses were highlighted. These are currently being addressed through an audit action plan.

In conclusion, I wish to place on record my sincere thanks and appreciation to all the departmental heads and support staff in the Finance Department that have contributed and assisted this department in achieving our goals and objectives during 2009/2010.

I further wish to place on record my sincere thanks and appreciation:

- ◇ To the Municipal Manager and other Heads of Department, your support, encouragement and co-operation contributed to the successful results this department is able to table.
- ◇ To the honourable Mayor, Ms W Tikana and councillors for their ongoing support and guidance, on behalf of the management team and Finance Department, herewith the annual report for the period ended 30 June 2010 of the Budget & Treasury Department of Sakhisizwe Municipality.

P STEYN
CHIEF FINANCIAL OFFICER

DRAFT

ANNEXURE D: ANNUAL FINANCIAL STATEMENTS

Included as a Annexure – Pages 1 - 57

DRAFT

Sakhisizwe Local Municipality



Financial Statements

2009 - 2010

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2010

General Information

Nature of business and principal activities	Service delivery
Accounting Officer	Thembeni Samuel
Chief Finance Officer (CFO)	Pieter Steyn
Registered office	15 Maclear Road Elliot 5460
Bankers	First National Bank
Auditors	Office of the Auditor General

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2010

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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Accounting Officer's Responsibilities and Approval	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Accounting Policies	9 - 21
Notes to the Annual Financial Statements	22 - 50

The following supplementary information does not form part of the annual financial statements and is unaudited:

Detailed Income statement	51
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Appendixes:

- Appendix A: Analysis of Property, Plant and Equipment
- Appendix B: Segmental analysis of Property, Plant and Equipment
- Appendix C: Segmental Statement of Financial Performance
- Appendix D(1): Actual versus Budget (Revenue and Expenditure)
- Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)
- Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2010

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MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Officer's Responsibilities and Approval

I am responsible for the annual financial statements set out on pages 5 to 51, in terms of section 126 (1) of the Municipal Finance Management Act and which have been prepared on the going concern basis. I certify that the salaries, allowances and benefits of Councillors and payments made to Councillors for loss of office as disclosed in the notes to the 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. The annual financial statements have been approved on behalf of the Municipality by the accounting officer and were signed on its behalf by:

Thembeni Samuel
Municipal Manager

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Statement of Financial Position

Figures in Rand	Note(s)	2010	2009
Assets			
Current Assets			
Inventories	7	-	-
Trade and other receivables from exchange transactions	8	167 526	42 205
Other receivables from non-exchange transactions	9	3 232 269	13 446 223
VAT receivable	10	2 509 606	3 391 468
Consumer debtors	11	990 518	1 290 944
Cash and cash equivalents	12	14 161 979	17 576 784
		21 061 898	35 747 624
Non-Current Assets			
Investment property	3	-	-
Property, plant and equipment	4	74 506 791	59 462 037
Intangible assets	5	99 063	-
		74 605 854	59 462 037
Total Assets		95 667 752	95 209 661
Liabilities			
Current Liabilities			
Finance lease obligation	13	308 192	223 436
Trade and other payables from exchange transactions	16	4 696 509	989 878
Trade and other payables from non-exchange transactions	17	215 019	79 575
Consumer deposits		307 104	287 069
Retirement benefit obligation	6	95 689	95 441
Unspent conditional grants and receipts	14	1 267 515	5 751 169
Provisions	15	1 797 378	1 003 182
Bank overdraft	12	-	1 036 665
		8 687 406	9 466 415
Non-Current Liabilities			
Finance lease obligation	13	289 184	389 217
Retirement benefit obligation	6	1 619 049	1 713 820
Provisions	15	2 112 000	1 920 000
		4 020 233	4 023 037
Total Liabilities		12 707 639	13 489 452
Net Assets		82 960 113	81 720 209
Net Assets			
Accumulated surplus		82 960 113	81 720 209

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Statement of Financial Performance

Figures in Rand	Note(s)	2010	2009
Revenue	18	51 140 923	36 871 032
Other income		4 463 405	2 409 274
Operating expenses		(54 443 915)	(48 516 441)
Operating surplus (deficit)		1 160 413	(9 236 135)
Investment revenue	27	1 076 721	1 826 161
Finance costs	29	(68 366)	(93 274)
Surplus (deficit) for the year		2 168 768	(7 503 248)

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	56 667 577	56 667 577
Adjustments		
Prior year adjustments	32 555 880	32 555 880
Balance at 01 July 2009 as restated	89 223 457	89 223 457
Changes in net assets		
Surplus for the year	(7 503 248)	(7 503 248)
Total changes	(7 503 248)	(7 503 248)
Opening balance as previously reported	81 720 209	81 720 209
Adjustments		
Prior year adjustments	(928 864)	(928 864)
Balance at 01 July 2009 as restated	80 791 345	80 791 345
Changes in net assets		
Surplus for the year	2 168 768	2 168 768
Total changes	2 168 768	2 168 768
Balance at 30 June 2010	82 960 113	82 960 113
Note(s)	2, 31	

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Cash Flow Statement

Figures in Rand	Note(s)	2010	2009
Cash flows from operating activities			
Receipts			
Sale of goods and services		8 497 089	838 768
Grants		37 166 993	33 404 142
Other receipts		11 707 665	3 832 131
		57 371 747	38 075 041
Payments			
Employee costs		(19 431 278)	(17 316 852)
Suppliers		4 318 230	(10 194 460)
Other payments		(26 518 842)	(13 333 625)
		(41 631 890)	(40 844 937)
Net cash flows from operating activities	33	15 739 857	(2 769 896)
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(19 006 342)	(89 520)
Capitalised development costs	5	(99 063)	-
Decrease in non-current receivables		-	30 564
Net cash flows from investing activities		(19 105 405)	(58 956)
Cash flows from financing activities			
(Repayment)/ Receipts in long-term loans		-	(167 945)
Net increase/(decrease) in cash and cash equivalents		(3 365 548)	(2 996 797)
Cash and cash equivalents at the beginning of the year		16 540 119	19 536 916
Cash and cash equivalents at the end of the year	12	14 161 979	16 540 119

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with the Municipal Finance Management Act (Act 56 of 2003). These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property includes property (land and/ or buildings, or part of a building owned or held under a finance lease) held to earn rentals and/ or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the enterprise, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

The municipality elected to make use of the transitional provisions, contained in Directive 4, regarding the Standard of GRAP on Investment Property, issued by the Accounting Standards Board, whereby the municipality is not required to measure investment properties for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standards of GRAP on Investment Property.

1.2 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.2 Property, plant and equipment (continued)

production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.2 Property, plant and equipment (continued)

residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Infrastructure	
• Roads and paving	30
• Pedestrian Malls	30
• Electricity	20-30
Community	
• Improvements	30
• Recreational facilities	20-30
• Security	5
Investment property	30
Other property, plant and equipment	
• Buildings	30
• Specialised vehicles	10
• Other vehicles	5

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.3 Landfill site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore their landfill sites. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of the landfill site includes the initial estimate of the costs of dismantling and restoring the site on which it is located.

The landfill site is measured using the cost model:

- changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in surplus or deficit.

1.4 Intangible assets

Sakhisizwe Local Municipality

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Accounting Policies

1.4 Intangible assets (continued)

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.5 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

Sakhisizwe Local Municipality

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Accounting Policies

1.5 Financial instruments (continued)

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Subsequent measurement

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit.

Trade and other receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. Amounts that are receivable within 12 months from the reporting date are classified as current. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. 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. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

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

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.5 Financial instruments (continued)

cost and are initially measured at fair value and subsequently measured at amortised cost, using the effective interest rate method. Amortised cost is the initial carrying amount, less repayments, plus interest.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash, with maturities of three months or less, and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value. For the purpose 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 overdraft and borrowings

Bank overdrafts and borrowings are categorised as financial liabilities: other financial liabilities and initially measured at fair value and subsequently measured at amortised cost, using the effective interest rate method. Bank overdrafts are recorded based on the facility utilised. 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.

Financial liabilities

Financial liabilities are classified according to the substance of contractual agreements entered into. Trade and other payables are stated at their nominal value.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit; and
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
 - has transferred substantially all the risks and rewards of the asset, or
 - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.5 Financial instruments (continued)

existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

Impairment of financial assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease. 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.

Finance leases - 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. Finance leases are recognised as assets and liabilities in the statement of financial position. The property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate that discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Minimum lease payments are apportioned between the finance charge and capital reduction of the outstanding liability. The finance charge is expensed when incurred and allocated to each period during the lease term.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

Sakhisizwe Local Municipality

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Accounting Policies

1.6 Leases (continued)

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating leases are those leases that do not fall within the scope of the above definition of a finance lease. Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.7 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

The municipality elected to make use of the transitional provisions, contained in Directive 4, regarding the Standard of GRAP on Inventory, issued by the Accounting Standards Board, whereby the municipality is not required to measure investment properties for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standards of GRAP on Investment Property.

1.8 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Sakhisizwe Local Municipality

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Accounting Policies

1.8 Impairment of cash-generating assets (continued)

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

1.9 Share capital / contributions from owners

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.10 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

The municipality provides post-retirement healthcare benefits to its retirees. The entitlement to these benefits is conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. An actuarial study was undertaken to determine the municipality's obligations. For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the municipality is

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.10 Employee benefits (continued)

demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.11 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable 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 obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Sakhisizwe Local Municipality

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Accounting Policies

1.11 Provisions and contingencies (continued)

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding agreement.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

1.12 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

1.13 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

1.14 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.15 Comparative figures

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. When 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.

1.16 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote (not been budgeted for); and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division (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

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.16 Unauthorised expenditure (continued)

of the Municipal Finance Management Act (Act no. 56 of 2003).

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.19 Presentation of currency

These annual financial statements are presented in South African Rand.

1.20 Offsetting

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

1.21 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, unconditional grants are recognised as a liability (creditor-

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Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.21 Conditional grants and receipts (continued)

unutilised conditional grants). This creditor always has to be backed by cash. The following provisions are set for the creation and utilisation of this creditor:

- 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.

1.22 Value Added Tax

The municipality accounts for value added tax on the cash basis.

1.23 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, jointly control or exercise significant influence over the other party or key management personnel 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

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Notes to the Annual Financial Statements

Figures in Rand

2010

2009

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Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 12: Inventories

GRAP 12 includes the definition of current replacement costs as the cost the municipality would incur to acquire the asset on the reporting date. GRAP 12 also includes the principal of service potential associated with the item that will flow to the municipality as part of recognition criteria for inventories as well as the concept of goods purchased or produced for distribution at no charge or for a nominal consideration, which is specific to the public sector.

Initial measurement is required at cost (an exchange transaction) and where inventories are acquired at no cost or nominal consideration (non-exchange transaction), their cost shall be their fair value at acquisition date.

Subsequent measurement shall be at lower of cost and net realisable value except if inventories are held for:

- distribution at no charge or for a nominal charge, or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

If the above applies then subsequent measurement shall be at the lower of cost or current replacement cost.

The retail method of measurement of cost is excluded from GRAP 12.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, entities are not required to measure inventories in accordance with the requirements of the Standard for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

GRAP 16: Investment Property

Investment property includes property held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of an entity's operations.

GRAP 16 states that the use of property to provide housing as a social service does not qualify as investment property even though rentals are earned.

At initial recognition, investment property is measured at cost including transaction costs. However, where an entity acquires investment property through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

After initial recognition, entities can carry investment property at either the fair value (fair value model) or cost less accumulated depreciation and accumulated impairment (cost model).

An entity is required to disclose the fair value of investment property if the cost model is used. When an entity carries investment properties at fair value, the fair value needs to be determined at every reporting date. Gains or losses arising from changes in fair value are included in surplus or deficit for the period in which they arise.

The following Directives also need to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, entities are not required to measure investment properties in accordance with the requirements of the Standard for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard.

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Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

GRAP 102: Intangible Assets

GRAP 102 excludes guidance on accounting for intangible assets acquired as part of an entity combination and in-process research and development costs acquired in an entity combination.

Recognition requirement includes the concept of the probable flow of service potential.

GRAP 102 distinguishes between impairment loss of cash generating and non-cash-generating assets.

Intangible assets acquired at no or for a nominal cost shall be measured on acquisition date at its fair value.

In GRAP 102 the identifiability criterion in the definition of an intangible asset has been expanded to include contractual rights arising from binding arrangements, and to exclude rights granted by statute.

Additional guidance included in GRAP 102 to explain that distinction should be made between assets associated with the item of property, plant and equipment and the intangible asset.

Guidance on web site costs has been included in GRAP 102 from SIC Interpretation 32 Intangible Assets – Web Site Costs.

Guidance on intangible assets that may be acquired in exchange for non-monetary assets, where the exchange transaction lacks commercial substance has not been included in GRAP 102 as guidance to be included in GRAP 23.

GRAP 102 does not state “gains shall not be classified as revenue” as GRAP term “income” has a broader meaning than the term “revenue”.

Directive 4 - Transitional provisions for medium and low capacity requires retrospective application of the Standard. Where entities have, on initial adoption of the Standard, accumulated and retained sufficient information about costs and the future economic benefits or service potential related to intangible assets that may have been expensed previously, those intangible assets should be recognised in accordance with the Standard. Entities are not required to measure intangible assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Intangible Assets.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2010 or later periods but are not relevant to its operations:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2011.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipality.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2011.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

The impact of this standard is currently being assessed.

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2011.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

The impact of this standard is currently being assessed.

GRAP 103: Heritage Assets

Grp 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset should be recognised as an asset only if:

- it is probable that future economic benefits or service potential associated with the asset will to the municipality; and
- the cost of fair value of the asset can be measured reliably.

The standard required judgment in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

Grp 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the standard, an entity has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the entity from determining the fair value.

Grp 103 prescribes that when determining the fair value of a heritage asset that has more than one purpose, the fair value should reflect both the asset's heritage value and the value obtained from its use in the production or supply of goods or services or for administrative purposes.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase should be credited directly to a revaluation surplus. However, the increase should be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognised in surplus or deficit. However, the decrease should be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Grp 103 states that a heritage asset should not be depreciated but an entity should assess at each reporting date whether there is an indication that it may be impaired.

In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset's deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The entity should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

asset carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be derecognised:

- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

The effective date of the standard is for years beginning on or after 01 April 2011.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

The impact of this standard is currently being assessed.

GRAP 21: Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

An municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, an entity estimates the recoverable service amount of the asset.

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

An municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, an entity estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2011.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 25: Employee benefits

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when an municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP25 defines, amongst others, the following:

- Employee benefits as all forms of consideration given by an municipality in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which an municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;
- Defined benefit plans as post-employment benefit plans other than defined contribution plans;
- Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:
 - pool the assets contributed by various entities that are not under common control; and
 - use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the municipality that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees;
- Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;
- State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as employee benefits payable as a result of either:
 - an entity's decision to terminate an employee's employment before the normal retirement date; or
 - an employee's decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:

- Short-term employee benefits;
 - All short-term employee benefits;
 - Short-term compensated absences;
 - Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:

- Multi-employer plans;
- Defined benefit plans where the participating entities are under common control;
- State plans;
- Composite social security programmes;
- Insured benefits.

The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:

- Recognition and measurement;
- Presentation;
- Disclosure;
- Accounting for the constructive obligation;
- Statement of financial position;
- Asset recognition ceiling;
- Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;

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Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- Statement of financial performance.

The standard prescribes recognition and measurement for:

- Present value of defined benefit obligations and current service cost:
 - Actuarial valuation method;
 - Attributing benefits to periods of service;
 - Actuarial assumptions;
 - Actuarial assumptions: Discount rate;
 - Actuarial assumptions: Salaries, benefits and medical costs;
 - Actuarial gains and losses;
 - Past service cost.
- Plan assets:
 - Fair value of plan assets;
 - Reimbursements;
 - Return on plan assets.

The standard also deals with Entity combinations and Curtailments and settlements.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2011.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 104: Financial Instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one municipality and a financial liability or residual interest in another municipality. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

One of the key considerations in initially recognising financial instruments is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests. Financial assets and financial liabilities are distinguished from residual interests because they involve a contractual right or obligation to receive or pay cash or another financial instrument. Residual interests entitle a municipality to a portion of another municipality's net assets in the event of liquidation and, to dividends or similar distributions paid at management's discretion.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, a municipality considers the substance of the contract and not just the legal form.

Where a single instrument contains both a liability and a residual interest component, the issuer allocates the instrument into its component parts. The issuer recognises the liability component at its fair value and recognises the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or loss is recognised by separating the instrument into its component parts.

Financial assets and financial liabilities are initially recognised at fair value. Where a municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.

Concessionary loans are loans either received by or granted to another municipality on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. An municipality measures a financial instrument at fair value if it is:

- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

Derivatives are measured at fair value. Combined instruments that include a derivative and non-derivative host contract are accounted for as follows:

- Where an embedded derivative is included in a host contract which is a financial instrument within the scope of this Standard, an entity can designate the entire contract to be measured at fair value or, it can account for the host contract and embedded derivative separately using GRAP 104. An municipality is however required to measure the entire instrument at fair value if the fair value of the derivative cannot be measured reliably.
- Where the host contract is not a financial instrument within the scope of this Standard, the host contract and embedded derivative are accounted for separately using GRAP 104 and the relevant Standard of GRAP.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, an municipality can however designate such an instrument to be measured at fair value.

An municipality can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Once an municipality has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

An entity derecognises a financial asset, or the specifically identified cash flows of an asset, when:

- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, an municipality has transferred control of the asset to another municipality.

An municipality derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where an municipality modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

An municipality cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

GRAP 104 requires extensive disclosures on the significance of financial instruments for an municipality's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that an municipality is exposed to as a result of its annual financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

GRAP 104 does not prescribe principles for hedge accounting. An municipality is permitted to apply hedge accounting, as long as the principles in IAS 39 are applied.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2011.

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

The aggregate impact of the initial application of the statements and interpretations on the municipality's annual financial statements is expected to be as follows:

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Notes to the Annual Financial Statements

Figures in Rand 2010 2009

3. Investment property

Reconciliation of investment property - 2010

	Opening balance	Total
Investment property	-	-

Reconciliation of investment property - 2009

	Opening balance	Total
Investment property	-	-

Transitional provisions

Investment property recognised at provisional amounts

The municipality elected to adopt the transitional provisions for GRAP 16, Investment property, as per paragraph 67 of Directive 4. According to the transitional provision, the municipality is not required to measure investment property for reporting periods beginning on or after a date within three years following the date of initial adoption of the standards of GRAP on Investment property. Although investment properties have been identified, they have accordingly been recognised at provisional amounts. The municipality is in the process of measuring the investment property. The transitional provision expires on 30 June 2011.

4. Property, plant and equipment

	2010			2009		
	Cost / Valuation	Accumulated depreciation & other adjustments	Carrying value	Cost / Valuation	Accumulated depreciation & other adjustments	Carrying value
Land	409 000	-	409 000	7 290 696	(6 881 696)	409 000
Buildings	7 464 500	185 500	7 650 000	819 364	6 645 136	7 464 500
Landfill site	4 167 175	-	4 167 175	3 975 175	-	3 975 175
Plant and machinery	3 241 566	(2 510 265)	731 301	3 225 341	(2 371 390)	853 951
Furniture and fixtures	1 045 610	(620 135)	425 475	220 402	(51 110)	169 292
Motor vehicles	2 385 800	(1 421 426)	964 374	2 460 450	(1 323 020)	1 137 430
Office equipment	120 000	(27 000)	93 000	114 600	-	114 600
IT equipment	1 195 188	(474 567)	720 621	317 203	50 984	368 187
Infrastructure	62 621 983	(3 297 429)	59 324 554	44 942 198	-	44 942 198
Emergency equipment	52 872	(31 581)	21 291	57 686	(29 982)	27 704
Total	82 703 694	(8 196 903)	74 506 791	63 423 115	(3 961 078)	59 462 037

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Disposals	Under Construction	Depreciation reversal on disposal	Depreciation	Total
Land	409 000	-	-	-	-	-	409 000
Buildings	7 464 500	185 500	-	-	-	-	7 650 000
Landfill site	3 975 175	192 000	-	-	-	-	4 167 175
Plant and machinery	853 951	141 712	(125 487)	-	112 938	-	731 301
Furniture and fixtures	289 292	188 674	-	-	(52 491)	-	425 475
Motor vehicles	1 137 430	-	(74 650)	-	(118 560)	20 154	964 374
Office equipment	114 600	-	-	-	(21 600)	-	93 000
IT equipment	368 187	499 090	(6 500)	-	(143 179)	3 023	720 621
Infrastructure	44 942 198	14 314 351	-	3 365 434	(3 297 429)	-	59 324 554
Emergency Equipment	27 704	-	-	-	(6 413)	-	21 291
	59 582 037	15 521 327	(206 637)	3 365 434	(3 891 485)	136 115	74 506 791

Reconciliation of property, plant and equipment - 2009

	Opening balance	Additions	Other changes, movements	Depreciation	Total
Land	-	-	409 000	-	409 000
Buildings	-	-	7 464 500	-	7 464 500
Landfill site	-	-	2 348 715	-	3 975 175
Plant and machinery	1 626 460	-	1 858 110	(2 207 836)	853 951
Furniture and fixtures	1 203 677	-	529 303	(580 413)	169 292
Motor vehicles	220 402	-	958 193	(1 486 572)	1 137 430
Office equipment	1 665 809	-	-	-	1 137 430
IT equipment	114 600	58 572	466 505	(415 521)	114 600
Infrastructure	258 631	-	37 228 120	-	368 187
Community	7 714 078	-	(6 218 999)	-	44 942 198
Other property, plant and equipment	6 218 999	-	(4 288 932)	-	-
Emergency Equipment	4 288 932	30 948	(5 222)	(24 760)	27 704
	26 738	30 948	(5 222)	(24 760)	27 704

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6. Post Employment Defined Benefit Medical Aid Scheme (continued)

Post retirement medical aid plan

Membership profile: 2010

- The calculation is based on 4 members (2009: 4) with an average age of 65.1 (2009: 62.7), an 1 average dependant (2009: 1) and an average monthly contribution of R1 937 (R1 923)

- The unexpected large change in average age from 62.7 years to 65.1 years is due to a pensioner's age being reflected as 15 years older in the 2010 data when compared to the 2009 data. Since there are only four pensioners, this change affected the average age significantly.

- The small change in average monthly employer contribution is due to the following:

- The increase in the maximum subsidy amount from R 2,579.91 to R 2,850.80 (10.50%)
- An increase in the medical scheme contribution rates. The principal member contributions increased from R 1,352 to R 1,434 (6.07%) for LA Active and from R 2,113 to R 2,432 (15.10%) for LA Core.
- However, due to the death of Brummer, the contributions payable for this pensioner is now based on the spouse and child contribution and therefore, has reduced the overall average contribution significantly.

Carrying value

Present value of the defined benefit medical aid obligation	(1 714 738)	(1 809 261)
Non-current liabilities	(1 619 049)	(1 713 820)
Current liabilities	(95 689)	(95 441)
	(1 714 738)	(1 809 261)

There are no plan assets held by the municipality.

Movements for the year

Opening balance	(1 809 261)	-
Medical contributions	-	(1 809 261)
Interest cost	(135 409)	-
Benefit payments	95 441	-
Actuarial gain	134 491	-
	(1 714 738)	(1 809 261)

Net expense recognised in the statement of financial performance

Key assumptions used

Assumptions used on last valuation on 30 June 2010.

The results are sensitive to the assumptions made. We do not explicitly allow for the impact of HIV / AIDS.

Valuation method

The PRMA liability is valued on a generally accepted actuarial valuation method. We calculated the liability on a member-by-member basis, taking into account the liabilities arising in respect of principal members and their spouses. Ages were calculated as age last birthday on 30 June 2010.

We use the Projected Unit Credit Method as prescribed by IAS 19 (AC 116). This method is based on the approximation that the post-retirement benefit is notionally built up over the employees' working life.

The actuarial valuation of PRMA liability involves the following:

- The projection of future post-retirement medical contribution subsidy cashflows, taking into account probabilities

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6. Post Employment Defined Benefit Medical Aid Scheme (continued)

of survival, withdrawal, ill-health retirement, and death in service.

- The medical contribution subsidies arising in respect of adult dependants of employees.
- Increasing the projected subsidy cashflows in line with expected long term contribution escalation.
- Discounting these cashflows in order to express the PRMA liability in current Rand terms.

Claims cost versus contribution cost

This valuation quantifies the liability arising in respect of post-retirement medical scheme contributions. Provisions in the Medical Schemes Act stipulate that contributions may not increase by age, even though medical claims experience does. This means that younger healthier members are cross-subsidising older less healthy members. If the average age of the scheme remains more or less constant, the level of the cross-subsidy will continue. Sakhisizwe Municipality has no obligation to fund for pensioners' claims within the various medical schemes, and hence the cross-subsidy can be taken into account implicitly by valuing post-retirement contributions instead of claims. A valuation of contributions would be a sufficient reflection of the liability of Sakhisizwe Municipality.

Multiple benefit options

PGN301 also requires comments on the impact of multiple benefit options on the valuation. Sakhisizwe Municipality's subsidy policy is applicable to all the options of five medical schemes (Hosmed, Key Health, LA HEALTH, Bonitas and SAMWUMED medical schemes). We have assumed that current medical scheme members will not move out of their respective salary bands, and will not migrate to other medical schemes or options from now until retirement.

Valuation assumptions

We used realistic assumptions in the central basis.

In this section, we discuss the central basis, on which the main results are based. We also performed sensitivity tests in a separate section below where we changed the central basis to allow for other factors and examined the effects on the results. These adjusted bases are discussed below where the results of the sensitivity tests are shown.

Investment returns

There is general agreement amongst the actuarial profession that IAS 19 (AC 116) requires the valuation discount rate to be equal to actual long bond yields at the date of the valuation (par. 78-82 of IAS 19 (AC 116)). The statement stipulates that:

The rate used to discount post-employment benefit obligations (both funded and unfunded) shall be determined by reference to market yields at the balance sheet date on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields (at the balance sheet date) on government bonds should be used. The currency and term of the corporate bonds or government bonds shall be consistent with the currency and estimated term of the post-employment benefit obligations.

We have used the entire zero-coupon South African Bond Yield curve as at 30 June 2010 in the PRMA valuation of Sakhisizwe Municipality.

Medical inflation

Since the discount rates were described using a yield curve, a yield curve is also used to describe future medical inflation. Future medical inflation was assumed to be 1% lower than the valuation discount rate at each term to maturity.

It is not the actual levels of the assumptions that are important, but rather the differences or gaps between them (particularly between medical inflation and the discount rate). We believe that a long-term gap of 1% between medical inflation and the valuation discount rate is reasonable for long term valuation purposes. We refer to the difference between medical inflation and the discount rate as the 'gap' or the real discount rate.

Consumer Price Index

The Bureau of Economic Research (BER) has published a forecast for the average Consumer Price Index (CPI) headline inflation rate for 2010 of 4.8%. The BER has also forecasted this rate to climb to 5.8% by the end of 2011. Based on these rates, and the long-term view of the yield curve to be 9.3%, we have assumed CPI to be 3.5% lower than the discount rate at each term to maturity.

Salary inflation

The maximum subsidy amount payable by Sakhisizwe Municipality of R 2,850.80 at 30 June 2010 is expected to increase from time to time. The rate of increase is assumed to be equivalent to salary inflation. This implies that salary inflation will have an impact on the liability. For the current valuation we have assumed salary inflation to be 2% above CPI in the long run.

Based on this assumption, salary inflation is assumed to be at a rate of 5.4% in the valuation model as at 30 June 2010. This implies that the maximum subsidy amount is expected to increase to R3,003.71 for the year 1 July 2010 to 30 June 2011.

The real discount rate (or the 'gap')

This is the variable having the greatest effect on the liability. Small changes in this assumption will lead to large changes in

Sakhisizwe Local Municipality

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6. Post Employment Defined Benefit Medical Aid Scheme (continued)

the liability result. As discussed above, we have assumed a gap of 1%. The effect of changes in the real discount rate is shown under the sensitivity analysis in a separate section below.

Normal retirement age

The normal retirement age of the Sakhisizwe Municipality employees is 65 years for males and 60 years for females.

Mortality

The post-retirement mortality used in the valuation is PA(90) M for males, and PA(90) F for Females.

Marital Status/Number of Child Dependants/Number of Adult Dependants

The actual numbers of adult and child dependants was used when valuing the pensioners. The actual ages of adult dependants were used, as per the data received for 2010, as opposed to an age difference assumption of four years being made in 2009 due to a lack of data. The assumption made with regard to the ages of child dependants is that once he/she turns 21 years of age, he/she is no longer eligible for subsidy benefits.

Analysis of the difference between 2009 and 2010:

The past service liability has decreased by 5.22% since the previous valuation. The table above isolates the effects of the different factors which explain the change in liability from last year to this year.

From the previous valuation, the past-service liability was expected to grow with interest, service cost and reduce by benefits paid to pensioners over the past year. The service cost represents the increase in the liability due to the additional years of service accrued by active members. The expected past-service liability as at 30 June 2009, based on the previous valuation, is R 1.8 million.

The effect of medical aid contribution changes can be explained by the following:

As a whole, the medical aid contributions have increased by more than we expected i.e. on average 10.58% compared to anticipated medical inflation in 2009 of 6.55%. This implies an increase in the liability.

The fixed subsidy has increased by more than expected, i.e. by 10.50%, which is higher than the assumption for salary inflation of 6.02%. This also increases the liability.

The effect of membership changes is explained by the following:

The data received in 2010 for the pensioner "Labuschagne" is inconsistent with the 2009 data – his birth data changed from 14/11/1954 to 28/06/1939. Because this pensioner is now valued as being 15 years older, we expect that he will receive subsidy benefits for a much shorter time, which decreases the liability considerably.

The pensioner "Brummer" has passed away, and his spouse is now receiving a subsidy benefit. In the previous valuation the liability was based on the contributions payable for the principal member plus an adult dependant, whereas for the current valuation period the liability is based on the contributions payable for an adult dependant plus one child dependant. Therefore, due to the contributions in 2010 (R 2,196 for one adult and R 727 for one child dependant for LA Core), being lower than the contributions in 2009 (R 2,113 for one principal member and R 1,907 for one adult dependant), the liability has decreased.

Spouses' actual age differences were used, whereas an assumption of 4 years was made in 2009. This increases the average age of the affected spouses from 54.43 years based on last year's assumption, to 57.88 years based on actual received data (i.e. an increase of 6.34%). Since these spouses are now assumed to be older, it also has a decreasing effect on the liability.

The overall effect of membership changes has resulted in a significant decrease in the liability.

7. Inventories

RDP Housing

- -

The municipality elected to adopt the transitional provisions for GRAP 12, Inventory, as per paragraph 48 of Directive 4. According to the transitional provision, the municipality is not required to measure Inventory for reporting periods beginning on or after a date within three years following the date of initial adoption of the standards of GRAP on Inventory. Inventory property has accordingly been recognised at provisional amounts. The transitional provision expires on 30 June 2011.

8. Trade and other receivables from exchange transactions

Trade debtors	116 869	31 851
Irregular expenditure	14 497	-
Other receivables	36 160	10 354

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Figures in Rand	2010	2009
8. Trade and other receivables from exchange transactions (continued)		
	167 526	42 205
Trade Debtors includes an amount of R112 931.89 in respect of an overpayment to Mars Technology.		
The provision for impaired receivables have been included in operating expenses in the statement of financial performance.		
Trade and other receivables from exchange transactions are classified as financial assets: loans and receivables. No amortisation was applied. Fair value is estimated at cost.		
9. Other receivables from non-exchange transactions		
Chris Hani District Municipality Agency Account	3 191 610	13 446 223
Staff Salary overpayments	40 659	-
	3 232 269	13 446 223
Salaries paid to Section 57 managers during the financial year exceeded the salaries approved and authorised by Council by R40 659. The municipality is in the process of recovering the over payment from the staff and a corresponding debtors account has been created for the amount due from the staff.		
10. VAT receivable		
VAT receivable	2 509 606	3 391 468
11. Consumer debtors		
Gross balances		
Rates	9 562 569	7 191 230
Electricity	1 765 648	1 691 192
Refuse	11 553 541	9 649 707
	22 881 758	18 532 129
Less: Provision for debt impairment		
Rates	(9 345 468)	(6 953 586)
Electricity	(1 191 874)	(1 079 861)
Refuse	(11 353 898)	(9 207 738)
	(21 891 240)	(17 241 185)
Net balance		
Rates	217 101	237 644
Electricity	573 774	611 331
Refuse	199 643	441 969
	990 518	1 290 944
Rates		
Current (0 -30 days)	118 092	87 160
31 - 60 days	99 009	150 484
	217 101	237 644
Electricity		
Current (0 -30 days)	460 468	419 700
31 - 60 days	113 306	190 173
61 - 90 days	-	1 458
	573 774	611 331

Sakhisizwe Local Municipality

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Figures in Rand	2010	2009
11. Consumer debtors (continued)		
Refuse		
Current (0 -30 days)	199 643	228 693
31 - 60 days	-	213 276
	199 643	441 969
Reconciliation of debt impairment provision		
Balance at beginning of the year	(17 241 185)	(11 054 635)
Contributions to provision	(4 650 055)	(6 186 550)
	(21 891 240)	(17 241 185)

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	32 648	-
Short-term deposits	14 129 331	17 576 784
Bank overdraft	-	(1 036 665)
	14 161 979	16 540 119
Current assets	14 161 979	17 576 784
Current liabilities	-	(1 036 665)
	14 161 979	16 540 119

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2010	30 June 2009	30 June 2008	30 June 2010	30 June 2009	30 June 2008
First National Bank - Current Account - 6207-652-3135	504 350	204 891	211 764	32 648	759 353	634 567

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13. Finance lease obligation		
Minimum lease payments due		
- within one year	352 406	281 172
- in second to fifth year inclusive	304 094	496 068
	656 500	777 240
less: future finance charges	(59 124)	(98 934)
Present value of minimum lease payments	597 376	678 306
Present value of minimum lease payments due		
- within one year	308 192	223 436
- in second to fifth year inclusive	289 184	454 870
	597 376	678 306
Non-current liabilities	289 184	454 870
Current liabilities	308 192	223 436
	597 376	678 306

It is municipality policy to lease certain motor vehicles and equipment under finance leases. In terms of GRAP 13, when the office equipment is rented over the major part of its useful life, the relevant lease is deemed a finance lease and the related liability raised and the asset capitalised.

The average lease term was 5 years and the average effective borrowing rate was prime.

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
National conditional grants	643 993	4 265 026
Other conditional grants	623 522	1 486 143
	1 267 515	5 751 169

Movement during the year

Balance at the beginning of the year	5 751 169	2 770 512
Additions during the year	21 181 542	15 925 460
Income recognition during the year	(25 665 196)	(12 944 803)
	1 267 515	5 751 169

These amounts are invested in separate ring-fenced investments until utilised.

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding is expected over the next three financial years.

Sakhisizwe Local Municipality

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15. Provisions

Reconciliation of provisions - 2010

	Opening Balance	Additions	Total
Environmental rehabilitation	1 920 000	192 000	2 112 000
Provision for leave	1 003 182	794 196	1 797 378
	2 923 182	986 196	3 909 378

Reconciliation of provisions - 2009

	Opening Balance	Additions	Reversed during the year	Total
Environmental rehabilitation	-	1 920 000	-	1 920 000
Provision for Staff Leave	477 354	1 003 182	(477 354)	1 003 182
	477 354	2 923 182	(477 354)	2 923 182
Non-current liabilities			2 112 000	1 920 000
Current liabilities			1 797 378	1 003 182
			3 909 378	2 923 182

16. Trade and other payables from exchange transactions

Trade payables	3 537 954	361 375
Trade & other receivables in credit balance	-	40 252
Accrued expense: Provision 13th cheque	407 927	269 409
Accrued expense: Workmens Compensation	309 264	309 264
Dam and hall deposits received	5 476	3 842
Debtors in credit balance	435 888	-
Unidentified deposits	-	5 736
	4 696 509	989 878

The accrued expense for Workmens Compensation relates to an assessment received for the 2005 financial year, for which the municipality has not yet submitted an assessment to the Department of Labour its compensation for Health & Safety. The municipality is currently in the process of negotiation settlement terms for the debt.

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

17. Trade and other payables from non-exchange transactions

Housing Department agency account	215 019	79 575
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There is an agency agreement between the Department of Housing and Sakhisizwe Municipality, whereby the Department of Housing pays over funds to the municipality, who in return pays over the funds on behalf of the Department to the relevant contractors for the construction of housing. In terms of the agreement, the funds received are not treated as revenue and the payments made are not treated as expenditure in the financial statements of the municipality. The municipality merely acts as an agent on behalf of the department.

18. Revenue

Property rates	2 843 303	1 077 541
Service charges	5 504 652	5 666 052
Interest on arrear debtors	1 142 321	1 042 882
Government grants & subsidies	41 650 647	29 084 557

Sakhisizwe Local Municipality

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18. Revenue (continued)

	51 140 923	36 871 032
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The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	5 504 652	5 666 052
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The amount included in revenue arising from non-exchange transactions is as follows:

Property rates	2 843 303	1 077 541
Government grants & subsidies	41 650 647	29 084 557
Interest received (trading)	1 142 321	1 042 882
	45 636 271	31 204 980

19. Property rates

Rates received

Property rates received	2 843 303	1 077 541
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The new valuation roll was implemented 1st July 2009 resulting in a significant increase in the property rates received. In addition there were also properties included in the new valuation roll that were not previously included.

Valuations

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2009.

A general rate of 0.0046 cents - (2009: - 0.0218 cents) is applied to property valuations to determine assessment rates.

Rates are levied on an annual basis for agricultural properties and monthly for all other properties with the final date for payment being 31 August 2010 (31 August 2009). Interest is charged at prime plus 1% per annum (2009: prime plus 1% .

20. Service charges

Sale of electricity	3 770 094	4 051 644
Refuse removal	1 734 558	1 614 408
	5 504 652	5 666 052

The Sale of Electricity comprises of electricity in terms of monthly meter readings. No sales of pre-paid electricity takes place.

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21. Government grants and subsidies: Revenue		
Equitable share	20 836 453	15 999 404
Other government grants	2 362 145	5 524 350
Municipal Improvement Grant	15 132 985	5 519 940
MSIG	623 133	352 351
Finance Management Grant	2 695 931	1 688 512
	41 650 647	29 084 557

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

National conditional grants

Balance unspent at beginning of year	4 265 026	1 215 985
Current-year receipts	14 862 595	10 842 487
Conditions met - transferred to revenue	(18 483 628)	(7 793 446)
	643 993	4 265 026

The fund will remain a liability as long as the conditions are still to be met. (see note 14)

Other conditional grants

Balance unspent at beginning of year	1 486 143	1 552 518
Current-year receipts	6 318 947	3 489 391
Conditions met - transferred to revenue	(7 181 568)	(3 555 766)
	623 522	1 486 143

22. Other revenue

Rental income	163 613	122 947
Traffic department income	2 760 224	1 896 837
Sundry Income	1 539 568	389 490
	4 463 405	2 409 274

23. Other income

Electricity re-connection fee	24 372	20 184
Commission on collection	39 074	30 375
Patient documentation	12 098	5 010
Building plan & inspection fees	10 914	9 238
Registration data base	6 717	18 100
Tender document sales	-	45 950
Sundry income	1 325 042	22 578
Rates clearance certificates	3 027	823
Site payments	80 063	46 269
Trading licences	12 791	13 912
Refunds	-	6 888
Other sundry income	25 470	156 305
Grader hire	-	13 858
	1 539 568	389 490

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Figures in Rand	2010	2009
24. General expenses		
Advertising	42 886	40 219
Auditors remuneration	987 872	807 260
Bank charges	105 864	65 934
Consulting, professional and legal fees	41 963	264 345
Consumables	127 274	70 729
Entertainment	239 110	94 765
Fines, penalties & interest	-	970 451
Insurance	165 976	151 120
IT expenses	234 201	131 996
Rent: Office equipment	81 852	100 920
Mayors Fund	156 933	97 920
Promotions and sponsorships	468 240	-
Magazines, books and publications	16 742	12 781
Fuel and oil	893 815	753 242
Printing and stationery	193 587	379 666
Material & stores	910	4 503
Protective clothing	143 697	18 083
Project database	-	136 086
Security services	81 553	119 681
Licence fees	203 714	231 018
Subscriptions and membership fees	123 862	142 008
Telephone, postage and fax	375 492	587 924
Training	162 651	78 722
Travel expenses	254 597	331 035
Electricity purchases	151 735	118 433
Refuse bags	11 996	19 186
Accommodation	456 403	186 433
Office equipment expenditure: non-capital expenditure	2 053	21 226
Free Basic Services (Electricity)	533 536	295 527
Pauper Burial	6 270	4 350
Administration charges	2 740	2 846
Casual Labour	861 861	-
Pound Expenditure	51 508	45 285
Tools & accessories: non-capital	326 444	229 692
	7 507 337	6 513 386

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25. Employee related costs		
Basic	7 795 974	6 706 935
Commissions	44 656	68 488
Bonus	639 027	647 478
Medical aid - company contributions	466 365	461 976
UIF	83 265	65 600
SDL	133 716	105 247
Leave pay provision charge	1 615 481	2 813 680
Post-employment benefits - Pension - Defined contribution plan	1 193 428	1 029 127
Overtime payments	622 560	331 765
Long-service awards	179 044	-
Transitional and other allowances	42 592	17 703
Telephone Allowance	7 911	6 145
Contribution Bargaining Council	4 654	20 283
	12 828 673	12 274 427
Remuneration of municipal manager		
Annual Remuneration	502 238	439 257
Car Allowance	123 797	84 000
Performance & Other Bonuses	185 592	34 523
Contributions to UIF, Medical and Pension Funds	182 956	100 214
Leave Pay	-	95 677
Housing and telephone allowances	83 208	99 708
Other	32 448	-
	1 110 239	853 379
Remuneration of chief finance officer		
Annual Remuneration	448 824	419 125
Car Allowance	88 476	60 000
Performance & Other Bonuses	36 592	-
Contributions to UIF, Medical and Pension Funds	131 717	117 318
Other	25 508	-
	731 117	596 443
Corporate and human resources (corporate services)		
Annual Remuneration	476 291	396 045
Car Allowance	119 490	93 000
Performance & Other Bonuses	64 980	-
Contributions to UIF, Medical, Pension Funds & other deductions	-	1 538
Telephone, housing & other allowances	1 000	12 000
Other	30 042	-
	691 803	502 583
IPED		
Annual Remuneration	477 681	401 893
Car Allowance	109 524	96 000
Performance & Other Bonuses	75 369	-
Contributions to UIF, Medical and Pension Funds	-	10 398
Housing and telephone allowances	11 786	12 000
Other	13 399	-
	687 759	520 291

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25. Employee related costs (continued)		
Technical Services		
Annual Remuneration	470 432	388 323
Car Allowance	115 573	96 000
Performance & Other Bonuses	66 186	-
Contributions to UIF, Medical and Pension Funds	-	17 475
Housing & telephone allowances	12 496	12 000
Other	5 922	-
	670 609	513 798
26. Remuneration of councillors		
Executive Major	1 088 717	505 642
Councillors	1 393 918	1 626 343
Councillors' pension contribution	-	20 099
Other # 10	133 920	16 043
	2 616 555	2 168 127
27. Investment revenue		
Interest revenue		
Interest on Investment Accounts	1 076 721	1 826 161
28. Depreciation and amortisation		
Property, plant and equipment	3 891 485	4 715 102
29. Finance costs		
Finance leases	68 366	93 274
30. Auditors' remuneration		
Auditor General Fees	973 872	807 260
Internal Audit Expenditure	14 000	-
	987 872	807 260
31. Grants and subsidies paid		
Other subsidies		
Fund: Cala gravel roads	-	1 800 635
Fund: Finance Management Grant	2 454 863	1 345 066
Fund: Skills Development	-	208 100
Fund: MSIG expenditure	306 542	359 735
Fund: MIG high mast towers	186 390	1 945 117
Fund: MIG expenditure roads	-	2 913 530
Fund: IDP	-	107 211
Fund: General valuation	-	601 444
Fund: LED	284 131	-
Fund: Repairs & maintenance: roads	288 915	-
Fund: Dipping tanks	97 875	-
Fund: Repairs & maintenance: pounds	2 124	-
Fund: Repairs and maintenance: street lights	8 134	-
Fund: Land audit & other	258 786	-
Fund: Election expenses	-	101 310

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
31. Grants and subsidies paid (continued)		
Fund: Cala reserve community hall	-	186 819
Fund: Cala pass community hall	-	193 593
Fund: Disaster expenditure	402 853	14 179
Fund: Web site	-	49 560
	4 290 613	9 826 299
32. Bulk purchases		
Electricity	4 249 447	3 069 751
33. Cash generated from (used in) operations		
Surplus (deficit)	2 168 768	(7 503 248)
Adjustments for:		
Depreciation and amortisation	3 891 485	4 715 102
Gain on sale of assets and liabilities	70 020	-
Finance costs - Finance leases	68 366	93 274
Interest income	(1 076 721)	(1 826 161)
Impairment deficit	4 172 709	-
Movements in retirement benefit assets and liabilities	(94 523)	1 809 261
Movements in provisions	986 196	2 715 237
Changes in working capital:		
Trade and other receivables from exchange transactions	(732 728)	(5 872)
Other receivables from non-exchange transactions	(40 659)	-
Consumer deposits	20 035	26 903
Other current assets	6 081 904	353 070
Trade and other payables from exchange transactions	3 706 630	(3 785 544)
VAT	881 862	(2 422 160)
Trade and other payables (non exchange)	135 444	79 575
Unspent conditional grants and receipts	(4 483 654)	2 980 667
Finance leases	(15 277)	-
	15 739 857	(2 769 896)

34. Contingencies

Workmans Compensation:

The municipality has not yet submitted the required assessments to the Department of Labour relating to Compensation for Occupational Health and Safety for the 2005, 2006, 2007, 2008, 2009 and 2010 financial years. At the time that the financial statements were compiled, an amount of R309 264 had been claimed from the municipality by the Department of Labour for the 2005 financial year. The municipality is currently in the process of negotiating payment terms, however it was not possible to quantify the amount owed for the 2006 to 2010 financial years, nor was it possible to quantify the amount that will be due by the municipality for penalties and interest.

35. Prior period errors

The correction of the error(s) results in adjustments as follows:

The opening bank balance was adjusted with the effects of prior year unknown differences.

The vat account was adjusted with the effects of prior year unknown differences

Prior year stale cheques reversed. Original expenditure department was unknown

Adjustments were made to the PPE as a result of prior year errors in the Fixed Asset Register

An adjustment was made to the consumer deposits account

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
35. Prior period errors (continued)		
Prior year deemed lease payments included in rentals per the I&E		
Restatement in 2010 of the provision for leave for 2009 (2009: correction of error was made directly against the relevant expense in the Statement of Financial Performance)		
Statement of financial position		
Property, plant and equipment	-	(29 912)
Consumer deposits	-	(58 380)
Bank	-	1 796 014
VAT	-	(1 822 501)
Provision for leave	-	(2 715 456)
Land & buildings: Owner occupied	-	(7 869 984)
Provision for doubtful Debts: Rates	-	3 476 793
Statement of financial performance		
Stale cheques	(2 041)	-
Lease rentals	-	89 881
Workmans Compensation	-	309 264
Provision for Doubtful Debts: Rates	-	3 476 793
Provision for Leave	-	(2 715 456)

36. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow and available borrowing facilities are monitored.

Interest rate risk

As the municipality has no significant interest-bearing liabilities, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Customers cannot be refused basic services and this constitutes a serious credit risk. A credit control policy is in place so as to minimise the risk but the risk is largely dependent on the political will for execution to control the credit risk

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2010	2009
Short term deposits	14 129 331	17 576 784
Consumer debtors	1 898 351	1 290 944
Trade and other receivables	3 359 136	13 488 428

37. Going concern

We draw attention to the fact that at 30 June 2010, the municipality had accumulated surplus of R 82 960 113 and that the municipality's total assets exceed its liabilities by R 82 960 113.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
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37. Going concern (continued)

basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

38. Unauthorised expenditure

Unauthorised expenditure	-	13 435 017
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Unauthorised expenditure in 2009 for R13 435 017 was due to the overspending on the budget.

39. Fruitless and wasteful expenditure

Licencing & service fees: Traffic department	23 138	-
Overpayment of expenditure	112 932	-
	136 070	-

Licencing & service fees totalling R23 138 were incurred by the Traffic department on licencing & service fees paid to TCS (Pty)Ltd for the use of a system which is no longer in use by the Traffic department, but for which no notice has been given to the relevant company to cancel the contract. No attempt has been made to recover the fruitless expenditure. No criminal or disciplinary steps were considered necessary in relation to the expenditure.

An amount of R112 932 was overpaid to Mars Technology during the current financial year where a duplicate payment was made by the municipality. An agreement has been reached whereby Mars Technology will refund the overpayment to the municipality in the 2011 financial year. No criminal or disciplinary steps were considered necessary in relation to the overpayment.

40. Irregular expenditure

Add: Irregular Expenditure - current year	5 284 247	-
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During the current financial year it was noted that under banking to the amount of R21 712.81 occurred at the Cala Receipting office. No explanation could be provided and no authorisation was given for the under banking of the cash receipts.

During the current financial year it was noted that the Nissan Hardbody 2.7 diesel vehicle (registration no. CZW102EC) had incurred approximately R126 468.86 in fuel costs. No controls exist around the monitoring of the vehicles travel and fuel usage and in addition, the vehicles odometer has been disconnected. Irregularities have been noted by management in connection with the fuel consumption and fuel purchases incurred for the respective vehicle. The extent of irregular expenditure on fuel for this vehicle could not be verified.

Expenditure to the value of R5 136 065.07 was incurred during the current financial year, for which the minimum required documentation was not available in order to comply with the required procurement procedures. As a result, the expenditure is considered irregular.

41. Additional disclosure in terms of Municipal Finance Management Act

Material losses through criminal conduct

Under banking of current Cala Municipal Office Cashier: R21 712.81

Under banking of Elliot Traffic Department Cashiers: R161 729.41

(refer to details in note on irregular expenditure above)

Audit fees

Opening balance	-	1 187 756
Current year subscription / fee	1 623 118	807 260
Amount paid - current year	(1 623 118)	(1 995 016)

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
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41. Additional disclosure in terms of Municipal Finance Management Act (continued)

	-	-
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VAT

VAT receivable	2 509 606	3 391 468
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VAT output payables and VAT input receivables are shown in note 7 .

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2010:

30 June 2010	Outstanding less than 90 days	Outstanding more than 90 days	Total
KJ Radzilani	2 061	217	2 278
SP Ntakana	5 628	2 969	8 597
M Mzuzu	576	6 473	7 049
	8 265	9 659	17 924

42. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix D1 for the comparison of actual operating expenditure versus budgeted expenditure.

43. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix E2 for the comparison of actual capital expenditure versus budgeted expenditure.

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Detailed Income statement

Figures in Rand	Note(s)	2010	2009
Revenue			
Property rates	19	2 843 303	1 077 541
Service charges	20	5 504 652	5 666 052
Interest received - arrears		1 142 321	1 042 882
Government grants received	21	41 650 647	29 084 557
Rental income		163 613	122 947
Motor Vehicles Licenses and Permits		2 760 224	1 896 837
Other income		1 539 568	389 490
Interest received - investment	27	1 076 721	1 826 161
Total Revenue		56 681 049	41 106 467
Expenditure			
Personnel	25	(16 720 200)	(15 260 921)
Remuneration of councillors	26	(2 616 555)	(2 168 127)
Depreciation and amortisation	28	(3 891 485)	(4 715 102)
Impairment loss: Chris Hani Agency account		(4 172 709)	-
Finance costs	29	(68 366)	(93 274)
Debt impairment		(8 135 802)	(6 196 673)
Repairs and maintenance		(2 789 747)	(766 182)
Bulk purchases	32	(4 249 447)	(3 069 751)
Expenditure through grants and subsidies	31	(4 290 613)	(9 826 299)
General Expenses	24	(7 507 337)	(6 513 386)
Total Expenditure		(54 442 261)	(48 609 715)
Gain or loss on disposal of assets and liabilities		(70 020)	-
Surplus (deficit) for the year		2 168 768	(7 503 248)

Appendix B: Analysis of property, plant and equipment

**SAKHISIZWE LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
FOR THE YEAR ENDED 30 JUNE 2010**

Category	Property, Plant and Equipment					Accumulated Depreciation					Closing Balance	Carrying Value	
	Opening Balance	Additions	Under-construction	Disposals	Other adjustments/transfers	Closing Balance	Opening	Depreciation Current year	Depreciation Infrastructure	Other Adjustments			Disposals
Land and buildings	7,873,500	185,500	-	-	-	8,059,000	-	-	-	-	-	8,059,000	409,000
Land	409,000	-	-	-	-	409,000	-	-	-	-	-	-	7,650,000
Municipal Buildings	7,464,500	185,500	-	-	-	7,650,000	-	-	-	-	-	-	-
Infrastructure	44,942,198	14,314,351	3,365,434	-	-	62,621,983	-	3,297,429	3,297,429	-	-	3,297,429	59,324,554
Electricity	5,024,561	-	-	-	-	5,024,561	-	466,125	466,125	-	-	466,125	4,558,436
Roads	39,917,637	14,314,351	3,365,434	-	-	57,597,422	-	2,831,304	2,831,304	-	-	2,831,304	54,766,118
Security	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage	-	-	-	-	-	-	-	-	-	-	-	-	-
Water	-	-	-	-	-	-	-	-	-	-	-	-	-
Community assets	3,975,175	192,000	-	-	-	4,167,175	-	-	-	-	-	-	4,167,175
Caravan parks	-	-	-	-	-	-	-	-	-	-	-	-	-
Care centres	-	-	-	-	-	-	-	-	-	-	-	-	-
Cometaries	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics and Hospitals	-	-	-	-	-	-	-	-	-	-	-	-	-
Community centres	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill sites	3,975,175	192,000	-	-	-	4,167,175	-	-	-	-	-	-	4,167,175
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-
Sport facilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	7,391,197	829,476	-	206,637	-	8,014,036	4,600,033	594,056	-	-	136,115	5,057,974	2,956,062
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer equipment	702,598	499,090	-	6,500	-	1,195,188	334,411	143,179	-	-	3,023	474,567	720,621
Emergency equipment	52,872	-	-	-	-	52,872	25,168	6,413	-	-	-	31,581	21,291
Furniture and fittings	829,836	188,674	-	-	-	1,018,610	540,644	59,491	-	-	-	593,135	425,475
Motor vehicles	2,460,450	-	-	74,650	-	2,385,800	1,323,020	118,560	-	-	20,154	1,421,426	964,374
Office equipment	120,000	-	-	-	-	120,000	5,400	21,600	-	-	-	27,000	93,000
Plant & machinery	3,225,341	141,712	-	125,487	-	3,241,566	2,371,390	251,813	-	-	112,938	2,510,265	731,301
Total PPE	64,182,070	15,521,327	3,365,434	206,637	-	82,862,194	4,600,033	3,891,465	3,297,429	-	136,115	8,355,403	74,506,791
Intangible Assets	-	99,063	-	-	-	99,063	-	-	-	-	-	-	99,063
Computer software	-	99,063	-	-	-	99,063	-	-	-	-	-	-	99,063
Total	64,182,070	15,620,390	3,365,434	206,637	-	82,961,257	4,600,033	3,891,465	3,297,429	-	136,115	8,355,403	74,605,854

SAKHISIZWE LOCAL MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED 30 JUNE 2010

Department	Opening Balance	Additions	Under-Construction	Disposals	Other movements/transfers	Closing Balance	Opening Balance	Depreciation	Other Adjustments	Disposals	Depreciation Closing Balance	Carrying Value
Executive & Council	534,715	-	-	-	-	534,715	77,811	64,166	-	-	141,977	392,738
Finance & Admin	9,226,342	683,338	-	81,150	-	9,828,530	703,550	197,444	30,017	79,554	851,457	8,977,073
Planning & Development	-	-	-	-	-	-	-	-	-	-	-	-
Health	228,754	9,696	-	-	-	238,450	161,549	21,404	1,924	-	164,877	53,573
Community & Social Services	418,020	199,656	-	-	-	617,676	195,743	25,043	1,207	105,635	116,358	501,318
Public Safety	467,769	9,112	-	-	-	476,881	363,171	11,094	3,164	891	376,538	100,343
Housing	-	-	-	-	-	-	-	-	-	-	-	-
Parks & Recreation	-	-	-	-	-	-	-	-	-	-	-	-
Sanitation (District)	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	5,293,793	192,000	-	-	-	5,485,793	1,013,155	20,394	-	-	1,033,489	4,452,304
Road Transport	42,699,017	14,514,660	3,365,434	125,487	-	60,453,624	2,052,098	3,069,618	9,189	112,938	5,017,967	55,435,657
Water (District)	-	-	-	-	-	-	-	-	-	-	-	-
Electricity	5,313,660	11,928	-	-	-	5,325,588	148,027	482,382	2,331	-	632,740	4,692,848
Total	64,182,070	15,620,390	3,365,434	206,637	-	82,961,257	4,715,104	3,891,485	47,832	299,018	8,355,403	74,605,854

**SAKHISIZWE LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2010**

2009 Actual Income R	2009 Actual Expenditure R	2009 Surplus/ (Deficit) R		2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R
534,000	8,638,206	(8,104,206)	Executive & Council		2,841,866	(2,841,866)
22,481,533	13,130,414	9,351,119	Finance & Admin	30,096,920	21,617,141	8,479,779
340,676	1,019,275	(678,599)	Planning & Development	16,132,412	2,132,013	14,000,399
1,330,011	1,482,487	(152,476)	Health	1,234,150	2,788,176	(1,554,026)
373,177	834,031	(460,854)	Community & Social Services	166,996	1,222,101	(1,055,105)
1,896,837	1,966,744	(69,907)	Public Safety	2,760,224	1,918,758	841,466
-	265,112	(265,112)	Housing	80,063	193,444	(113,381)
57	164,295	(164,238)	Parks & Recreation	1,650	1,269,460	(1,267,810)
-	-	-	Sanitation			-
2,294,143	6,060,723	(3,766,580)	Waste Management	2,318,370	6,757,399	(4,439,029)
5,529,376	7,986,334	(2,456,958)	Road Transport	2,608	5,765,346	(5,762,738)
-	-	-	Water			-
6,326,657	7,062,094	(735,437)	Electricity	3,887,656	8,006,577	(4,118,921)
41,106,467	48,609,715	(7,503,248)	TOTAL	56,681,049	54,512,281	2,168,768

SAKHISIZWE LOCAL MUNICIPALITY
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)
FOR THE YEAR ENDED 30 JUNE 2010

	2010 Actual (R)	2010 Budget (R)	2010 Variance (R)	2010 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget (Explanations to be recorded)
Revenue (by Source)					
Property Rates	2,843,303	2,982,165	(138,862)	-5%	
Property Rates - Penalties imposed and collection		-	-		
Service Charges	5,504,652	11,400,000	(5,895,348)	-52%	Water @ Sanitation not in Statement of Fin Perf
Rental of facilities and equipment	163,613	3,500	160,113		
Interest earned - External investments	1,076,721	1,500,000	(423,279)	-28%	Anticipated revenue did not realize
Interest earned - Outstanding Debtors	1,142,321	140,000	1,002,321		
Dividends Received		-	-		
Fines	55,673	25,250	30,423		
Licenses and permits		-	-		
Income for agency services		11,636,318	(11,636,318)	-100%	Water @ Sanitation not in Statement of Fin Perf
Government Grants and Subsidies	41,650,647	51,200,800	(9,550,153)	-19%	
Other Income	4,311,162	2,024,800	2,286,362	113%	More revenue received than budget for
Change in Fair Values		-	-		
Gain on Disposal of Assets	(67,043)	-	(67,043)		
Total Revenue	56,681,049	80,912,833	(24,231,784)		
Expenditure (by type)					
Employee related costs	16,720,200	19,799,952	3,079,752	16%	Saving on budget - vacancies filled at 1 July 2010
Remuneration of Councilors	2,616,555	2,553,000	(63,555)	-2%	
Bad Debt	8,135,802	3,572,500	(4,563,302)	-128%	Less provision made than budgeted for
Depreciation & impairment	8,064,194	5,370,000	(2,694,194)	-50%	Less than budget for
Repairs & Maintenance	2,789,747	4,904,000	2,114,253	43%	Less spent on roads
Interest Paid	68,366	213,955	145,589	68%	Budgeted for plant, but will purchase in 10/20/11
Bulk Purchases	4,249,447	5,150,000	900,553	17%	Saving on Electricity purchases
Contracted Services	81,852	298,000	216,148	73%	Saving on budget
Grants & Subsidies Paid	4,290,613	11,156,430	6,865,817	62%	
General Expenses	7,495,505	13,339,345	5,843,840	44%	Saving on general expenses
Total Expenditure	54,512,281	66,357,182	11,844,901		
Surplus/(Deficit)	2,168,768	14,555,651	(12,386,883)		

SAKHISIZWE MUNICIPALITY

APPENDIX E2

**ACTUAL VERSUS BUDGET: ACQUISITION OF PROPERTY PLANT AND EQUIPMENT
FOR THE YEAR ENDED 30 JUNE 2010**

	2010 Actual	2010 Under construction	2010 Total additions	2010 Budget	Variance	Variance %	Explanation of Significant Variances Greater than 5% versus Budget
	R	R	R	R	R		
Land							
Land	-	-	-	1,680,000	(1,680,000)	-	
Landfill Sites	-	-	-	1,680,000	-1,680,000	-	
Buildings	185,500	-	185,500		185,500		
Infrastructure							
Roads	14,411,722	3,268,063	17,679,785	6,301,920	11,377,865	181%	
Electricity Mains	-	-	-	-	-	-	
Reservoirs/Tanks/Pumps	-	-	-	-	-	-	
Taxi Ranks	-	-	-	-	-	-	
Airfield	-	-	-	-	-	-	
	14,411,722	3,268,063	17,679,785	6,301,920	11,377,865	181%	
Community Assets							
Parks & Gardens	-	-	-	-	-	-	
Libraries	-	-	-	-	-	-	
Recreation Grounds	-	-	-	-	-	-	
Civic Buildings	-	-	-	-	-	-	
Landfill Sites	192,000	-	192,000	3,787,080	(3,787,080)	-100%	
Halls	-	-	-	-	-	-	
Pre-Schools	-	-	-	-	-	-	
Arts & Craft	-	-	-	-	-	-	
Cemeteries	-	-	-	-	-	-	
	192,000	-	192,000	3,787,080	-3,787,080	-100%	
Other Assets							
Office Equipment	-	-	-	370,000	(370,000)	-	
Furniture & Fittings	425,527	-	425,527	1,458,486	(1,032,959)	-71%	
Plant and Equipment	141,712	-	141,712		141,712		
Motor vehicles	-	-	-	-	-	-	
Emergency Equipment	4,226	-	4,226	-	-	-	
Specialised vehicles	-	-	-	-	-	-	
Computer Equipment	628,409	-	628,409	-	628,409	-	
Intangible Assets	99,063	-	99,063	50,000	(50,000)	-	
Loose equipment	-	-	-	-	-	-	
	1,298,937	-	1,298,937	1,878,486	-682,838	-71%	
TOTAL	16,088,159	3,268,063	19,356,222	13,647,486	5,413,447	10%	

**ANNEXURE E:
AUDITOR GENERAL'S REPORT
Included as a Annexure – Pages 1 - 8**

DRAFT

Sakhisizwe Municipality

Audit Report

For the year ended 30 June 2010

AUDITOR'S REPORT OF THE AUDITOR-GENERAL TO EASTERN CAPE PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS OF SAKHISIZWE MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Sakhisizwe Municipality, which comprise the statement of financial position as at 30 June 2010, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory information, and the accounting officer's report as set out on pages ... to

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 South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act, 2007 (Act No. 1 of 2007) (DoRA). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of South Africa, 1996 (Act No. 108 of 1996) and, section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and 126(3) of the Municipal Finance Management Act of South Africa, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for adverse opinion

Investment properties and inventory

7. The municipality has not disclosed the fair value of investment properties and inventory under the cost model, in accordance with the Statement of Generally Recognised Accounting Practice, GRAP 16, *Investment property* and GRAP 12, *Inventory*. The independent valuation does not distinguish between investment properties and expenditure on reconstruction and development programme (RDP) housing projects. The subsequent measurement on these properties could not be determined. Under these circumstances the exemptions in Directive 4, *transitional provisions* could not be applied. Consequently I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the completeness and valuation of investment properties and inventory.

Property, plant and equipment

8. Property, plant and equipment with of R74.5 million (2009: R59.4 million) is disclosed in the statement of financial position and in note 4 to the financial statements. Municipal properties of R800 000 for which the municipality does not have title have been included in this balance. In addition, property, plant and equipment expenditure of R653 000 has been incorrectly classified as general expenditure. GRAP 17 requires assets to be recognised at cost less accumulated depreciation and impairment. The depreciable amount should be allocated over the useful life of the asset. Also included in property, plant and equipment is a landfill site with a carrying value of R4.1 million. Management has estimated the useful life of this landfill site asset to be between 5 and 15 years. On 30 June 2009, management declared their intention to close the landfill site by 30 June 2010. The landfill site has not been closed and management has now indicated that the landfill site will be closed by 30 June 2012. The landfill site should have been depreciated during the 2009-10 financial year by an amount of R1.3 million. This asset is thus overstated by R1.3 million.

Consequently, as a result of the above, property, plant and equipment and accumulated surplus is overstated by R1.4 million.

9. The municipality could not provide sufficient supporting documentation to reconcile infrastructure additions of R14.3 million (2009: R0). Sufficient supporting documentation could also not be provided to confirm the value of roads infrastructure assets of R6.9 million at year-end. A property of the municipality was also not included in property, plant and equipment. Documentation or any other information regarding the value of this municipal property could not be provided.

Consequently I could not obtain sufficient appropriate audit evidence to satisfy myself as to the completeness, existence and valuation of property, plant and equipment.

Consumer debtors

10. The municipality did not account for interest on overdue consumer debtors' accounts. The billing module on the financial system did either not charge interest to debtors for certain months, or charged the incorrect amount. Consequently, consumer debtors and the accumulated surplus are understated by R1.1 million.

Consumer deposits

11. Consumer deposits of R307 000 (2009: 287 000) are disclosed in the statement of financial position. Approximately half of the municipality's consumers were not charged deposits, before services were provided to them. The municipality also did not maintain an adequate register of consumer deposits. As a result, I could not satisfy myself that consumer deposits were complete.

Value Added Tax (VAT) Receivable

12. VAT receivable disclosed in note 10 to the financial statements is R2.5 million (2009: R3.3 million). The reconciliation between the VAT returns and the general ledger reflected reconciling items amounting to R500 000. Supporting documentation for these reconciling items could not be provided. VAT refunds have also not been received since the February 2010 tax period and there is a material uncertainty as to the recoverability of these refunds. Consequently I could not obtain sufficient appropriate evidence to satisfy myself as to the existence, valuation and completeness of this balance.

Accruals, provisions and contingent liabilities

13. Trade payables of R3.5 million (2009: R300 000), as disclosed in note 16 to the financial statements, differs from the underlying records. There were no satisfactory alternative audit procedures that I could perform to confirm the existence of trade payables.

Revenue

14. Service charges of R 5.5 million (2009: R5.7 million) and assessment rates of R2.8 million (2009: R1.1 million) are included in note 18 to the financial statements.
15. A reconciliation of rateable properties was not performed and errors occurred in readings and the processing of meter readings. As a result service charges and rates revenue were understated by R732 000 and R130 000 respectively. Consequently consumer debtors and the accumulated surplus were both understated by R770 000.
16. Supporting documentation for an assessment rates journal of R106 000 and electricity charges of R450 000 could not be provided. The entity's records did not permit the application of alternative procedures to verify these transactions. Consequently I could not obtain sufficient appropriate evidence as to the completeness, accuracy and occurrence of revenue.

General expenditure

17. General expenditure of R7.5 million is included in note 24 and in operating expenditure on the statement of financial performance. Supporting documentation could not be provided for R672 000 of this expenditure. The accounting records did not permit the use of alternative procedures and consequently I could not satisfy myself as to the occurrence and accuracy of operating expenditure.

Government grants

18. Disclosed in the statement of financial performance and note 21 of the financial statements is grant revenue of R41.7 million (2009: R29.1 million). The financial statements disclosed that equitable share revenue of R561 000 had not been received. The financial statements also disclosed that the municipality had an excess of R1.3 million on their infrastructure grant. I could not, even through alternative procedures, obtain sufficient appropriate evidence to satisfy myself as to the completeness, occurrence and classification of government grant revenue.

Employee related costs

19. Employee costs of R12.8 million (2009: R12.2 million) are disclosed in note 25 to the financial statements. The municipality could not provide sufficient appropriate audit evidence that employee costs of R352 000, included in this disclosure, were incurred at the correct salary grade. The municipality's accounting records did not permit the application of alternative procedures. Casual wages of R861 000 was classified as general expenditure. The municipality could also not provide supporting documentation, in the form of timesheets or wages registers, for casual wage expenditure of R159 000. Consequently I was unable to obtain sufficient appropriate audit evidence procedures over the occurrence and accuracy of employee costs.

Commitments

20. The municipality did not disclose commitments at year-end. The municipality entered into contracts for the upgrading and construction of roads for which expenditure had not been incurred at year-end. Consequently commitments are understated by R4.2 million.

Irregular expenditure

21. Irregular expenditure of R5.2 million (2009: R0) is disclosed in note 39 to the financial statements. Further irregular payments of R7.1 million were identified but not disclosed in note 39. Irregular expenditure is consequently understated by R7.1 million.

Opinion

Adverse Opinion

22. In my opinion, because of the significance of the matters described in the basis for adverse opinion paragraphs, the financial statements do not present fairly the financial position of the Sakhisizwe Local Municipality as at 30 June 2010 and its financial performance and its cash flows for the year then ended, in accordance with South African Generally Recognised Accounting Practice (GRAP) and in the manner required by the Municipal Finance Management Act of South Africa (MFMA).

Emphasis of matters

I draw attention to the matters below. My opinion is not modified in respect of these matters:

Amendments to the applicable basis of accounting

23. The municipality adopted the Statements of Generally Recognised Accounting Practice in the current financial year as in the prior year the municipality was on the GAMAP framework. No further amendments to the basis of accounting have been made.

Restatement of corresponding figures

24. As disclosed in note 34 to the financial statements, the corresponding figures for 30 June 2009 have been restated as a result of errors discovered during 2010 in the financial statements of the Sakhisizwe Local Municipality at, and for the year ended, 30 June 2010. Scope limitations in the prior year audit prevented these errors from being detected.

Matters important to the users of the financial statements

Fruitless and wasteful expenditure

25. As disclosed in note 29 to the financial statements fruitless and wasteful expenditure of R136 000 was incurred.

Material losses

26. Material losses of R180 000 are disclosed in note 41 to the financial statements. These material losses incurred as a result of cash receipts not being banked.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

27. As required by the PAA and in terms of *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*, I include below my findings on the report on predetermined objectives, compliance with the following key laws and regulations MFMA and DORA, and financial management (internal control).

Predetermined objectives

28. Material findings on the report on predetermined objectives, as set out on pages ... to ..., are reported below:

Non-compliance with regulatory and reporting requirements

29. Contrary to regulation 14(2) of the Municipal Planning and Performance Management Regulations 2001, the municipality did not budget for or appoint a performance audit committee. It did also not utilise the audit committee as the performance audit committee.

Usefulness of information

30. For the selected objectives, all of the planned and reported indicators were not :

- Specific in clearly identifying the nature and the required level of performance;
- Measurable in identifying the required performance, and
- Time bound in specifying the time period or deadline for delivery.

31. The municipality has not reported throughout on its performance against pre-determined objectives, indicators and targets which is consistent with the approved integrated development plan.

Reliability of information

32. For the selected objectives the validity, accuracy and completeness of ninety percent of the reported indicators and targets could not be established as sufficient appropriate audit evidence and supporting documentation could not be provided for audit purposes.

Lack of adoption or implementation of a performance management system

33. The municipality did not adopt a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players, as required in terms of regulation 7 and 8 of the Municipal Planning and Performance Management Regulations, 2001.

Compliance with laws and regulations

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

34. The municipality did not make all payments due to creditors within 30 days as required by section 65(2)(e) of the Municipal Finance Management Act.
35. The municipality's supply chain management policy is in conflict with the Municipal Supply Chain Management Regulations as it requires two rather than three quotes.
36. The audit committee did not carry out all its duties as required by section 166(1) and (2)(a) of the MFMA.

Division of Revenue Act, 2009 (No 12 of 2009) (DoRA)

37. Contrary to the requirements set out in section 11(5) of DoRA, the municipal manager did not annually evaluate its performance in respect of programs funded or partially funded by a schedule 4 allocation, and did not submit this evaluation to the transferring national office within two months after the municipal financial year.

INTERNAL CONTROL

I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives as well as compliance with the MFMA and DoRA but not for the purpose of expressing an opinion on the effectiveness of internal control.

38. The matters reported below are limited to the significant deficiencies regarding the basis for the adverse opinion paragraph, the findings on the report on predetermined objectives and the findings on compliance with laws and regulations.

- **Leadership**

Management's philosophy and operating style does not promote effective control over reporting. This was apparent by the nature and extent of errors that exist in accounting records, the quality of the financial statements that were provided for auditing, the non-compliance with laws and regulations and the non-adherence to supply chain management regulations which resulted in irregular expenditure of R5.2 million. Limited oversight responsibilities by management have also resulted in non compliance with laws and regulation and deficiencies in performance reporting.

- **Financial and performance management**

Pertinent information is not always provided in a timely and complete form to support financial reporting and performance management processes. Vacancies in the finance department have resulted in limitations in inherent controls and risk assessment processes. The financial statements and the report on performance information were not properly reviewed for completeness and accuracy prior to submission for audit.

- **Governance**

The audit committee and internal audit did also not fulfil their functions in the prescribed manner for the year under review. Oversight functions also had a limited impact in assessing and responding to risk.

Auctor - General

East London

30 November 2010



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

**ANNEXURE F:
RESPONSE TO THE AUDITOR GENERAL'S REPORT**

DRAFT

Sakhisizwe Municipality: Response to the Auditor-General's Report 2009-2010

Sakhisizwe Municipality's response to the Auditor-General's report on the Consolidated Financial Statements for the year ended 30 June 2010, are reflected in the detail which follows:

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 in the annual report of the municipality.

In the response to the Auditor-General's Report for 2009 – 2010 it must be noted that:

- Every reasonable and practical effort will be made to address the issues raised within the Audit Report and commitment is made to regard this as a matter of priority;
- Efforts made to address the deficiencies raised will be detailed through the development of an Audit Action Plan and these issues in the broadest sense will incorporate issues relating to:
 - Internal controls;
 - Risk Management;
 - Legislative Compliance;
 - Management of data; and
 - Assignment of roles and responsibilities to ensure reporting compliance.

More specific comments in response to the Auditor-General's report are detailed below, **with specific reference to the numbering that appears within the Auditor-General's Report** (detailing the appropriate action that has or will be taken). It is therefore imperative that these reports are read together.

It is noted that an **“adverse opinion”** was awarded by the Auditor-General and the detail which follows highlights the basis for this opinion by reflecting on the actions taken or still required to be taken by the Municipality.

BASIS FOR THE ADVERSE OPINION

7. Investment Properties and Inventory

Efforts to address these issues highlighted will involve:

- The review of the Property Valuation Roll in order to establish errors and omissions by the Valuer, so that adequate identification and distinction between: all investment properties; RDP houses; and all Owner Occupied Properties can be made.
- Meeting being set with the Department of Housing in order to discuss the way forward; and
- Issuing Letters of Notice in which all debtors are notified of outstanding debt, and are requested to either settle these immediately, or to make appropriate payment arrangements.

8. Property, Plant and Equipment

- Remedial action is required as: accumulated surpluses in specified areas have been overstated due to the lack of title deeds for properties that have been surveyed and registered and in other instances properties have not been surveyed and are registered as commonages.
 - As detailed in point 7 above, the Property Valuation Roll is to be reviewed and a meeting set up with the Department of Housing to discuss a way forward.
 - Additionally, the Department of Local Government has been requested to make their surveyors available to assist in surveying the land and registering an erf number;
 - The Town Planner is required to request copies of the title deeds for all registered sites from the Deeds Office;
 - In order to resolve the incorrect classification of PPE expenditure and equipment as general expenditure, the general Ledger Expenditure accounts for Capital Expenditure will be re-allocated in 2011. Procedures will also be developed to ensure that capital expenditure is properly classified and assets will be barcoded for processing prior to any payments being made.
 - In order to address the issue of the landfill site and lack of depreciation the following action was required:
 - Efforts are to be made to upgrade the landfill site; and
 - All accounting entries are to be corrected in the drafting of the 2011 AFS.

Progress in respect of this issue is detailed as follows:

- The Municipal Manager has approved the appointment of a Technical Engineer, who will look at alternatives to ensure that the landfill site is compliant with legislation;
- A Council Resolution has been taken to prioritize solid waste;
- The landfill site will be registered by 2011/2012;
- MIG funding has been secured for the cost of this process (approximately R5 million)
- Reconciliation will be conducted between the infrastructure additions as per the Technical Managers MIG Report and the General Ledger – thereby providing the required supporting documentation, and validation of the value of Roads Infrastructure Assets; and
- The Review of the Property Valuations Roll will ensure that the property excluded from this will finally be included at the correct value and with documentary evidence to support this.

Consumer Debtors

- 10 The SEBATA consultant has reviewed the system in order to ensure that the correct interest was charged and spot checks for accuracy were conducted by an independent person. SEBATA has corrected the interest setting in the 2011 financial year.

Consumer Deposits

- 11 The Auditor General is to be consulted in order to determine what action is to be taken where approximately half of the municipalities consumers were not charged deposits prior to receiving service provision. A deposits register is to be developed, maintained and reconciled to the deposits control account.

Value Added Tax (VAT) Receivable

12. SEBATA is required to perform a reconciliation between the VAT returns and the general ledger;
The Chief Financial Officer is to conduct a follow up with SARS to ensure that all outstanding refunds are received; and
The Chief Financial Officer is to amend the VAT registration of the municipality with SARS from the **Invoice to the Cash Basis**;

Accruals, provisions and contingent liabilities

13. In order to remedy this situation, SEBATA will be required to reconcile the trade payables to the General Ledger and underlying records for both 2010 and 2011. Thereafter, the current year will be required to be reconciled on a monthly basis.

Revenue

14. SEBATA is to be consulted on action to be taken. SEBATA to reconcile the rateable properties as per the valuation register and the rates levied as per the General Ledger.

The Auditor-General is to be consulted in order to clarify any issues that are raised in respect of this.

15. It will be required that the Technical Manager and the Chief Financial Officer meet with Chris Hani District Municipality representatives in order to discuss the problems experienced and the way forward. Both managers will be required to ensure that the meter-readings are performed and processed correctly and accurately.
16. All supporting documentation for all journals processed are to be made available and to be secured by all staff who compile and process journals.

General Expenditure

17. It is required that the Auditor-General Management Reports be analysed in order to determine a breakdown of the journals identified. Completeness checks will be conducted on all supporting documentation.

Discussions will be held with the Auditor-General in order to assess whether adjustments are required for the 2010 years corresponding figures in 2011.

No payments will be made from Finance unless all the required documentation is available.

A comprehensive completeness check will be conducted on all expenditure with effect from 1 July 2010 - 31 December 2011.

Government Grants

18. The Auditor-General's management report will be analysed in order to determine the breakdown of transactions identified. Discussions will be held with the Auditor-General in order to determine their requirements for correcting the issues identified.

Employee-Related Costs

19. Discussions are to be held with the Auditor-General to determine their requirements in order to correct the issues identified and to assess whether the previous years corresponding figures need to be adjusted for the 2011 Annual Financial Statements.

SEBATA and Human Resources will be required to ensure that sufficient supporting documentation is always available and filed/secured so as to support all employee costs incurred.

SEBATA is to ensure that casual wages are correctly classified in the General Ledger and the Auditor-General is to be consulted in order to determine why casual wages should not be classified as general expenditure.

As Human Resources has confirmed that timesheets are kept and made available to the Auditor-General, discussions with the Auditor-General will be held to determine the AG requirements in this regard. All supporting documentation is to be kept and filed.

Commitments

20. Commitments will in future be disclosed. To remedy the current situation, the Technical Manager is required to compile a list of all commitments at year end, and to assess if the notes to the previous year's corresponding figures need to be adjusted for the 2011 annual financial statements

Irregular Expenditure

21. Moving forward, the Chief Financial Officer is to ensure that the Procurement Policy is aligned with the relevant legislation.

Training is to be arranged for all staff in order to capacitate them and to keep them informed of all changes to policy and all aspects of compliance when managing procurement.

The notes to the previous year's corresponding figures need to be assessed in order to establish whether these figures are required to be adjusted for 2011.

Fruitless and Wasteful Expenditure

25. Although disclosed as required, procedures are to be strictly adhered to in respect of supply chain management in order to ensure that no further fruitless and wasteful expenditure occurs.

Material Losses

26. Cash receipts are to be banked timeously and as per procedure in order to prevent material losses.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Non-compliance with Regulatory and Reporting Requirements

29. This statement is disputed. It must be noted that a shared audit function is available. The internal audit system was outsourced as a shared function with support provision from Lukhanji Municipality. This shared audit function operates between Sakhisizwe Municipality, Emalahleni Municipality and Lukhanji Municipality. An Internal Auditor has now been appointed and this unit has now been effectively established. This shared function is working successfully and has resulted in huge improvements as compared with the 08/09 financial year. The only issue perhaps is that this audit committee was not available at the start of the financial year and as such audit reporting may not have occurred at all the required intervals. This situation is clearly being remedied and the committee meets more frequently.

The municipality's internal auditors are required to submit quarterly reports on the audits undertaken to the Municipal Manager and the Audit Committee.

Useful Information

30. All planned and reported indicators for the selected objectives will in future be
- Specific, measurable and time bound in the manner in which they will represent performance targets. These indicators will be required to be re-written.
31. All IDP reporting in respect of performance will be completed as prescribed, and will be facilitated through SDBIP quarterly reporting.

Reliability of Information

32. For all performance indicators, every effort will be made to ensure that measurement is consistently and accurately recorded, and filed for reference and audit purposes (ensuring sufficient and appropriate supporting documentation).

Lack of adoption or implementation of performance management system

33. This statement is disputed. The PMS Framework was adopted and applied to all 57 Managers in terms of Regulations 7 and 8 of the Municipal Planning and Performance Management Regulations, 2001. Every effort will be made to apply the system more rigidly and to ensure that assessments and all required reporting are conducted quarterly or as planned.

COMPLIANCE WITH LAWS AND REGULATIONS

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

34. Creditors must be paid within 30 days as per s65 (2)(e) of the MFMA,
35. The Supply Chain Management Policy will be amended to the SCM Regulations to ensure that 2 rather than 3 quotes are required.
36. The Audit Committee will be performance bound in terms of its duties to comply with s166 (1) and (2) (a) of the MFMA.

Division of Revenue Act, 2009 (Act 12 of 2009) (DORA)

37. The Municipal Manager will evaluate performance annually in respect of programmes funded or partially funded by a schedule 4 allocation. This assessment must in future be submitted to the transferring National office within 2 months after the municipal financial year.

Internal Control

Leadership

Greater oversight will be provided by leadership to ensure the provision of data and supporting documentation for auditing and compliance with laws, regulations and required performance reporting.

Finance and Performance Management

Information will be accurately recorded and completed. Risk Management processes will be applied and internal controls developed to manage risk.

Accurate financial reporting and recording will be addressed.

Governance

Effective Internal Audit and Audit Committees will be created and effectively trained in order to ensure the fulfilment of all legislative functioning.

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ANNEXURE G: AUDIT COMMITTEE REPORT

DRAFT

NORTHERN CLUSTER AUDIT COMMITTEE: AUDIT COMMITTEE REPORT: Sakhisizwe Municipality FOR THE YEAR ENDED 30 June 2010

We are pleased to present our report for the financial year ended 30 June 2010

AUDIT COMMITTEE MEMBERS AND ATTENDANCE

NO	MEMBER NAME	TOTAL NO	NUMBER OF MEETINGS ATTENDED 2009/2010
1	TRACEY PUTZIER CHAIRMAN		
2	VAUGHN HARTLEY		
3	GERRY GROENEWALD		

The Audit Committee acts under the provisos contained in the contract creating the Northern Cluster within Chris Hani District Municipality between 3 Municipalities being Lukhanji, Emalaheni & Sakhisizwe Municipalities.

Sakhisizwe Municipality had a functioning Audit Committee throughout the year under review. Meetings were held on 01 October 09, 20 August 09, 21 April 2010, 13 May 2010 and 14 June 2010.

The members, Ms Putzier and Mr. Hartley have a contract with the cluster, which is valid from 01 May 2009 up to the maximum period of 3 years there from. The Audit Committee comprises of three independent members. Ms Putzier and Mr. Hartley were appointed by the Cluster on 01 May 2009. Mr. Groenewald was nominated to replace Mr. Ian McEwan who resigned and he has a contract with the cluster, which is valid from 21 April 2010 up to the maximum period of 3 years there from.

The Municipal Manager, Chief Financial Officer, Internal Audit and the Auditor-General attend meetings by standing invitation as well as Senior Managers when items arise relevant to their departments.

These meetings were scheduled to take place quarterly but due to the fact that the cluster was newly established and, the number of issues raised in the prior years Auditor General's reports that needed to be addressed and the commitment of the members toward working to achieving a clean audit the meetings were changed to a monthly basis.

The Chairperson is available to attend the Council meetings and report on the activities of the Committee, by invitation from the council. In the year ending 2009/2010 no invitation was extended to the audit committee and hence no council meetings were attended.

AUDIT COMMITTEE RESPONSIBILITY

We report that we have adopted appropriate terms of reference in our Terms of Reference in line with the requirements of Section 51 (1) (a) of the PFMA and Treasury Regulations 27.1. We further report that we have conducted our affairs in compliance with these terms of reference. We are in the process of drafting a Charter to govern our conduct to be adopted.

THE EFFECTIVENESS OF INTERNAL CONTROLS

In line with the PMFA, MFMA, and Corporate Governance requirements, Internal Audit provided the Audit Committee and management with reports pertaining to the appropriateness and effectiveness or not of internal controls. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

From the various reports of the internal Auditors, the Audit report on the Annual Financial Statements and the management report of the Auditor-General, it was noted that the system of internal controls was not effective for the year under review primarily because of shortfalls in the staffing capacity, a factor that is often linked to staff numbers in a small entity.

Action plans were developed by the Management of the Municipality to respond to matters dealt with in the Auditor-General's prior year report. The Audit Committee requested that updates on the action plans be tabled for discussion at each Audit Committee. Unfortunately the report required the Audit Committees attention for the whole duration of the year under review and still at the end, not all items were addressed.

THE QUALITY OF ANNUAL MANAGEMENT AND MONTHLY / QUARTERLY REPORTS SUBMITTED IN TERMS OF THE MFMA

We were not entirely satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer during the year under review and noted and addressed these concerns at our meetings. It should also be noted that some aspects pertaining to performance reporting were not always satisfactory, making it difficult to assess the Municipality. Accountability to address and resolve internal audit findings is also problematic and would need to be addressed more vigorously. Performance reporting will become a focus area for the Audit Committee in the future so as to address issues as they arise and thus alleviate the large array of issues with the financial year end.

RISK MANAGEMENT

The Municipality has established a Risk Management Charter Committee, developed and adopted a risk management strategy and charter during the year under review.

EVALUATION OF ANNUAL FINANCIAL STATEMENTS

We have:

- Reviewed and discussed the annual financial statements, included in the annual reports, with the Auditor-General, but not with the Accounting Officer and the CFO.
- Reviewed the Auditor-General's management report and management's response thereto;
- Reviewed changes in accounting policies and practices;
- Reviewed Sakhisizwe Municipalities compliance with legal and regulatory provisions; and
- We have not reviewed adjustments resulting from the Audit

We concur with and accept the Auditor-General's report on the Annual Financial Statements, and are of the opinion that the audited Annual Financial Statements should be accepted and read together with the report of the Auditor-General.

INTERNAL AUDIT

We are satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the Municipality in the audits, however we would recommend Council look at increasing the capacity of this unit going forward. The risk profile of this municipality is very high and as such would require more staff in Internal Audit to adequately address the risks.

AUDITOR-GENERAL

We have met with the Auditor –General to ensure that there are no unresolved issues.

Report compiled by

Tracey Putzier
Audit Committee Chairperson.

ANNEXURE H: AUDIT ACTION PLAN

**To be provided in response to
the Auditor General's Report and response thereto**

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**SAKHISIZWE MUNICIPALITY
ACTION PLAN FOR 2011**

Basis for Adverse Opinion	Problem identified	Action plan	Responsible person	Next step	Progress/ Status	Next follow up date
<p>1 Fair value of investment property and inventory not disclosed under the cost model</p>	<p>- The independent valuation does not distinguish between Investment properties & RDP land for housing projects (to be classified as Inventory); - Land was identified that has not yet been transferred from the name of the municipality to the new owners; - Properties have been sold by the municipality to private owners (employed & indigent), however the transfer has not yet taken place for many as for many there are outstanding service charges and transfer duties owed. (Completeness and valuation)</p>	<p>1. The Property Valuation Roll is to be reviewed for errors and omissions by the Valuer in order to identify and distinguish between all: - all Investment Properties, - RDP houses - and also Owner Occupied properties. 2. A meeting needs to be set up with the Department of Housing to discuss a way forward; 3. Letters of notice will be issued, notifying all Debtors of outstanding debt and requesting them to settle their outstanding debt or make payment arrangements.</p>	<p>Saleni: manager IPED (Integrated Planning & Economical Development), MM, CFO & Valuer</p>	<p>1. CFO to meet with Valuer on Thursday 20th January to discuss the relevant issues identified in the AG Management letter; 2. A meeting needs to be set up with the Department of Housing to discuss a way forward. 3. Detailed Working Papers to be requested from the AG in order to establish problems identified.</p>	<p style="text-align: center;">T</p>	<p>Issue letters of notice by 21 January; Meet with Dept of Housing by 4th February</p>

	Basis for Adverse Opinion	Problem identified	Action plan	Responsible person	Next step	Progress/ Status	Next follow up date
2	PPE and Accumulated Surplus is overstated	<p>- Municipal properties of R800 000 for which the municipality does not have title have been incorrectly included in the balance of PPE;</p> <p>Root cause:</p> <ul style="list-style-type: none"> - many municipal properties have not yet been surveyed and are still registered as commonage. These properties need to be surveyed and an erf number registered; - the municipality does not have copies of title deeds for certain properties that have been surveyed and registered 	<ol style="list-style-type: none"> 1. The Property Valuation Roll is to be reviewed in order to identify and distinguish between all: <ul style="list-style-type: none"> - all Investment Properties, - RDP houses - and also Owner Occupied properties. 2. A meeting needs to be set up with the Department of Housing to discuss a way forward; 3. The Department of Local Government has been requested to make their Surveyors available to assist in surveying the land and registering an erf number; 4. The Town Planner is to request copies of title deeds for all registered sites from the Deeds Office 	Saleni: manager IPED (Integrated Planning & Economical Development), MM, CFO & Valuer	<ol style="list-style-type: none"> 1. CFO to meet with Valuer on Thursday 20/1 to discuss the relevant issues identified in the AG Management letter; 2. A meeting needs to be set up with the Dept of Housing to discuss a way forward; 3. Detailed WP's to be requested from the AG in order to establish problems identified; 4. Dept of Local Govt to confirm if their surveyors can be used; 5. Town Planner to request copies of all title deeds. 	T	Department of Local Government to confirm by 21st January; Meet with Dept of Housing by 4th February;

Basis for Adverse Opinion	Problem identified	Action plan	Responsible person	Next step	Progress/ Status	Next follow up date
	<p>- PPE expenditure and equipment expenditure of R653 000 has been incorrectly classified as general expenditure.</p>	<p>- 2011: Review the general ledger expenditure accounts for capital expenditure to be reallocated;</p>	<p>CFO & Technical Manager</p>	<p>1. Detailed WP's to be requested from the AG in order to establish problems identified; 2. 2010: Review the Audit Management letter for a detailed listing of the expenditure identified by the AG to be corrected in the AFS; 3. Procedures to be developed to ensure capital expenditure is properly classified and assets bar-coded for processing before payment are made.</p>		<p>Contact AG by 25 January</p>

Basis for Adverse Opinion	Problem identified	Action plan	Responsible person	Next step	Progress/ Status	Next follow up date
	<p>- Included in PPE is a landfill site with a carrying value of R4.1 million. The useful life of the landfill site was estimated to be 5 to 15 years; however management has indicated the intention to close the landfill site by the 30 June 2010 (revised to 30 June 2012). The landfill site should have been depreciated in 2010 by R1.3 mil (overstatement of R1.3 mil);</p> <p>- Landfill site to be licensed.</p>	<p>1. A valuation will not be completed by 30 June 2011, but actions to upgrade the landfill site are in progress;</p> <p>2. The accounting entries are to be corrected with the drafting of the 2011 AFS.</p>	<p>Technical Manager</p>	<p>Actions to upgrade the landfill site are in progress</p>	<p>- The MM has authorized the appointment of Technical Engineers who will look at alternatives to ensure that the Landfill site is compliant with legislation;</p> <p>- Council has taken a resolution whereby solid waste will be prioritized for the municipality;</p> <p>- The landfill site will be registered by 2011/12;</p> <p>- Funding have been secured with MIG for the cost of the process (R5 mil)</p>	<p>Follow up on the progress of the engineers on 28 February</p>

Basis for Adverse Opinion	Problem identified	Action plan	Responsible person	Next step	Progress/ Status	Next follow up date
		<p>- Insufficient supporting documentation to reconcile Infrastructure additions of R14.3 million between the GL, Technical Department Register and physical assets.</p>	<p>- 2010 & 2011: Reconcile the Technical Managers MIG report to the general ledger.</p>	<p>Technical Manager & CFO</p>	<p>1. A reconciliation to be performed between the Infrastructure additions as per the Technical Managers MIG report and the general ledger.</p>	<p>Meeting with Asset clerk on 26 January</p>
		<p>- Insufficient supporting documentation to confirm the value of Roads infrastructure assets of R6.9 mil.</p>	<p>- 2010 & 2011: Reconcile the Technical Managers MIG report to the general ledger.</p>	<p>Technical Manager & CFO</p>	<p>1. A reconciliation to be performed between the Infrastructure additions as per the Technical Managers MIG report and the general ledger;</p>	<p>Meeting with Asset clerk on 26 January</p>

Basis for Adverse Opinion	Problem identified	Action plan	Responsible person	Next step	Progress/ Status	Next follow up date
	<p>- A property belonging to the Municipality was not included in the valuation roll and PPE. No supporting documentation was available to support the value of the building.</p>	<p>1. The Property Valuation Roll is to be reviewed in order to identify and distinguish between all:</p> <ul style="list-style-type: none"> - all Investment Properties, - RDP houses - and also Owner Occupied properties. 	<p>Saleni: manager IPED (Integrated Planning & Economical Development), MM, CFO & Valuer</p>	<p>1. CFO to meet with Valuer on Thursday 20th January to discuss the relevant issues identified in the AG Management letter</p>		<p>Meet with Valuer 20 January</p>
	<p>(Completeness, existence & valuation of PPE)</p>					

Basis for Adverse Opinion	Problem identified	Action plan	Responsible person	Next step	Progress/ Status	Next follow up date
3 The Municipality did not account for interest on overdue consumer debtors accounts.	The billing module on SEBATA, either did not charge interest to debtors for certain months, or else interest at the incorrect amount. Consumer debtors and accumulated surplus are understated by R1.1 million.	<ul style="list-style-type: none"> - SEBATA consultant to review the system to verify that interest is being charged correctly. - An independent person to perform a spot check for the accuracy and consistency of the interest charged on debtors. 	SEBATA & CFO	1. The AG needs to be consulted in order to determine if the interest calculation needs to be corrected for the prior financial year;	- SEBATA has corrected the interest settings in the current 2011 financial year.	Contact AG by 25 January
4 The consumer deposits register is not complete.	Approximately half of the municipality's consumers were not charged deposits before services were provided to them.	- Action to be discussed with the CFO and the AG.	CFO	1. The AG needs to be consulted in order to determine what action can be taken to correct the issue identified.		Contact AG by 25 January
	The municipality did not maintain an adequate register of consumer deposits.	A deposits register must be developed and maintained. The register must be reconciled to the deposits control account.	CFO	1. A deposits register must be developed and maintained. The register must be reconciled to the deposits control account.		Contact AG by 25 January

Basis for Adverse Opinion	Problem identified	Action plan	Responsible person	Next step	Progress/ Status	Next follow up date
5 The VAT 201 returns did not reconcile to the VAT general ledger.	The reconciliation between the vat returns and the general ledger reflected reconciling items amounting to R500 000. No supporting documentation for the reconciling items could be provided.	SEBATA to perform a reconciliation between the VAT returns and the general ledger	SEBATA & CFO	1. SEBATA to perform a reconciliation between the VAT returns and the general ledger		Meeting to be held with SEBATA on 25 January so discuss a way forward
	VAT refunds have not been received since the February 2010 tax period and there is a material uncertainty as to the recoverability of these refunds.	CFO to follow up with SARS to ensure that all outstanding refunds are received	SEBATA & CFO	1. CFO to follow up with SARS to ensure that all outstanding refunds are received		CFO to follow up with SARS by 4 February on his registration as a contact person
	VAT registration to be amended from the Invoice to the Cash Basis.	CFO to amend the VAT registration of the municipality with SARS	CFO	1. CFO to amend the VAT registration of the municipality with SARS		Meeting to be held with SEBATA on 25 January so discuss a way forward
	(existence, valuation & completeness of this balance)					

Basis for Adverse Opinion	Problem identified	Action plan	Responsible person	Next step	Progress/ Status	Next follow up date
6 The existence of trade payables could not be confirmed.	Trade payables of R3.5 million as disclosed in note 16 to the AFS, differs from the underlying records.	SEBATA is to reconcile the trade payables to the general ledger and underlying records for both 2010 and 2011. The current year must be reconciled on a monthly basis.	SEBATA	1. SEBATA is to be consulted in order to assess the action to be taken to correct the issue identified		Meeting to be held with SEBATA on 25 January so discuss a way forward
7 Service charges of R5.5 million and assessment rates of R2.8 million included in note 18 to the AFS were understated by R732 000 and R130 000 respectively. Consequently consumer debtors and the accumulated surplus were both understated by R770 000.	No reconciliation was performed on rateable properties.	SEBATA to reconcile the rateable properties as per the valuation register and the rates levied as per the general ledger.	SEBATA & CFO	1. SEBATA is to be consulted in order to assess the action to be taken to correct the issue identified; 2. AG to be consulted in order to clarify the issues identified.		Contact AG by 25 January

Basis for Adverse Opinion	Problem identified	Action plan	Responsible person	Next step	Progress/ Status	Next follow up date
	Errors occurred in the reading and the processing of meter readings (water & electricity, however greatest problem is with water meters that have not been installed or broken water meters.)	Technical Manager and CFO to meet with Chris Hani District Municipality in order to discuss the problems experienced and the way forward; Technical Manager and CFO to ensure that meter readings are performed and processed correctly.	Technical manager & CFO	1. Technical manager & CFO to meet with Chris Hani District Municipality to discuss action to be taken.		Meet with Chris Hani District Municipality by the 4th February
	Supporting documentation could not be provided for an assessment rates journal of R106 000 and electricity charges of R450 000.	<ul style="list-style-type: none"> - All staff who compile and process journals to ensure that sufficient supporting documentation is available for all journals processed; - CFO to review and sign off on all journals processed. 	CFO	1. All staff who compile and process journals to be notified that they will be required to ensure that sufficient supporting documentation is available for all journals processed		4-Feb

Basis for Adverse Opinion	Problem identified	Action plan	Responsible person	Next step	Progress/ Status	Next follow up date
	(Completeness, accuracy and occurrence of revenue could not be verified)					
8 The occurrence & accuracy of operating expenditure could not be verified.	Supporting documentation for R672 000 of the general expenditure of R7.5 million in note 24 could not be provided. Root cause: one of the problems is that there is no central stores to receive goods and signed delivery notes are not always forwarded on to the Finance Department.	<ul style="list-style-type: none"> - Analyze the AG management report to determine a breakdown of the journals identified; - Completeness check to be performed on all supporting documentation; - 2010: Hold discussions with the AG to assess if it's necessary to adjust the prior year corresponding figures in the 2011 AFS. - No payments should be made by Finance unless all the required documentation is available. 	Supply Chain & CFO	<ol style="list-style-type: none"> 1. Analyze the AG management report to determine a breakdown of the supporting documentation identified; 2. A completeness check to be performed on all expenditure from 1 July 2010 till 31 December 2011. 		December to January expenditure to be checked for completeness by end February

Basis for Adverse Opinion	Problem identified	Action plan	Responsible person	Next step	Progress/ Status	Next follow up date
<p>9 The completeness, occurrence & classification of government grant revenue could not be verified due to insufficient supporting evidence.</p>	<p>There was insufficient supporting documentation to support Grant revenue of R41.7 million in note 21 of the AFS.</p>	<p>Analyze the AG management report to determine a breakdown of the transactions identified; Hold discussions with the AG to determine their requirements in order to correct the issues identified</p>	<p>CFO</p>	<p>1. Analyze the AG management report to determine a breakdown of the transactions identified; 2. Hold discussions with the AG to determine their requirements in order to correct the issues identified (as CFO had submitted the DoRA and there are no other available supporting documents)</p>	<p></p>	<p>Contact AG by 25 January</p>

Basis for Adverse Opinion	Problem identified	Action plan	Responsible person	Next step	Progress/ Status	Next follow up date
10	There was insufficient supporting documentation to verify the occurrence and accuracy of employee costs of R12.8 million in note 25 to the AFS.	Insufficient supporting documentation to verify that employee costs of R352 000 were included at the correct salary grade.	<ul style="list-style-type: none"> - SEBATA & Human Resources to ensure that sufficient supporting documentation is available and filed in order to support all employee costs; - 2010: Assess if the prior year corresponding figures need to be adjusted for the 2011 AFS. 	CFO & Human Resources	1. Hold discussions with the AG to determine their requirements in order to correct the issues identified & assess if the prior year corresponding figures need to be adjusted for the 2011 AFS	Contact AG by 25 January

Basis for Adverse Opinion		Problem identified	Action plan	Responsible person	Next step	Progress/ Status	Next follow up date
		Casual wages of R861 000 was classified as general expenditure.	SEBATA to ensure that casual wages is correctly classified in the general ledger	CFO	1. Consult AG to ensure why casual wages should not be classified as general expenditure		Contact AG by 25 January
		No supporting documentation, in the form of timesheets or wage registers, could be provided for casual wages expenditure of R159 000.	<ul style="list-style-type: none"> - Human Resources to ensure that sufficient supporting documentation if available and filed to support all employee costs; - 2010: Assess if the prior year corresponding figures need to be adjusted for the 2011 AFS. 	Human Resources	1. Hold discussions with the AG to determine their requirements in order to correct the issues identified (as HR confirmed that timesheets are kept and were available for the AG)		Contact AG by 25 January
11	Commitments were understated by R2.4 million at year end.	The municipality entered into contracts for the upgrading and construction of roads for which expenditure had not been incurred at year-end.	<ul style="list-style-type: none"> - The Technical Manager to compile a listing of all commitments at year-end; - 2010: Assess if the notes to the prior year corresponding figures need to be adjusted for the 2011 AFS. 	Mr X Mntonintshi : Technical Manager	1. The Technical Manager to compile a listing of all commitments at year end;		30-Jun-11

Basis for Adverse Opinion		Problem identified	Action plan	Responsible person	Next step	Progress/ Status	Next follow up date
12	Irregular expenditure is understated by R7.1 million.	Irregular expenditure of R7.1 million was identified which was not disclosed in note 39.	<ul style="list-style-type: none"> - CFO to ensure that the Procurement Policy is amended in line with legislation; - arrange training for staff in order to inform them of the changes to the policy and the requirements they need to adhere to when procuring goods; - 2010: Assess if the notes to the prior year corresponding figures need to be adjusted for the 2011 AFS. 	CFO	1. CFO to conclude the changes to the Procurement Policy to ensure it is amended in line with legislation;	The CFO has commenced the review of the Procurement Policy in order to align it with legislation.	4-Feb
13	Monthly checklist	Lack of Audit Trail	<ul style="list-style-type: none"> - Compile a monthly checklist for all reconciliations to be performed; - Checklist to be reviewed and signed off by the CFO on a monthly basis 	Service Provider/ CFO	Compile a monthly checklist for all reconciliations to be performed		11-Feb

CHAPTER 5.

GOOD GOVERNANCE AND PUBLIC PARTICIPATION

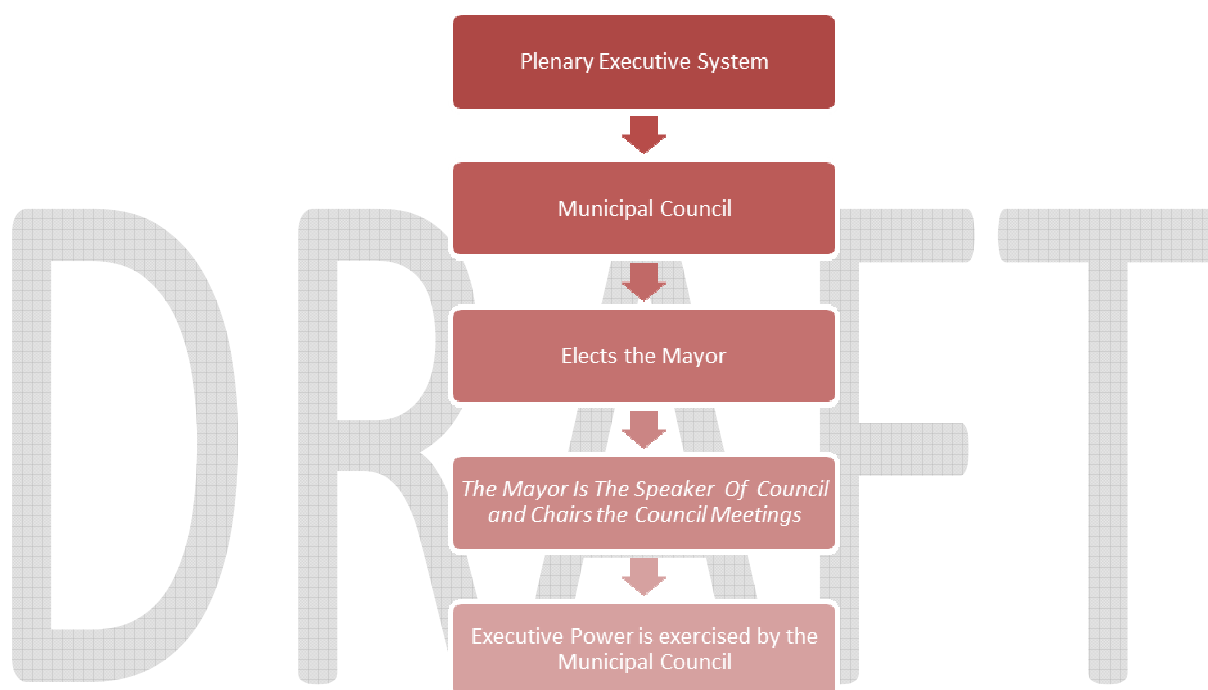
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5.1. OVERVIEW OF THE EXECUTIVE AND COUNCIL FUNCTIONS

a. Political Structure

In terms of the Municipal Structures Act, Act No.117 of 1998, Sakhisizwe Municipality has a Plenary Executive System of functioning.

As a democratically elected Category B Municipality, Sakhisizwe Municipality's Council is comprised of elected Ward Councillors and Proportional Representation Councillors. Sakhisizwe Municipality was established as a Plenary Executive Type.



b. Standing Committees

Standing Committees have been created in accordance with s79 and s80 of the Municipal Structures Act (Act 32 of 2000) and s160 of the Constitution.

Standing Committees have been created in order to assist the Mayor and Council in order to be better informed about issues requiring Council input and decision-making. Through the establishment of Ward Committees, Standing Committee Councillors become more involved and knowledgeable about specific issues affecting the departments that they represent within these Ward Committees. This process enables these Councillors to gain additional insight into the challenges, functions, and processes faced by these sections, and ensures that Council is able to make informed decisions within these areas.

The following Standing Committees have been established:

- φ Finance / Admin Governance & SPU
- φ Infrastructure
- φ Social Needs

Standing Committees are chaired by Standing Committee members and include members from political parties.

There are 13 Councillors in total. These are made up of 7 Ward Councillors and 6 Party Representatives.

MAYOR W Tikana	Portfolio: Finance, Admin, and Governance & SPU
Cllr: S Ntakana	Portfolio: Finance, Admin Governance & SPU - Ward 2
Chief Whip: Cllr: M Mxhonywa	Chairperson: Portfolio: Social Needs - Ward 1
Cllr: T Hoza	Portfolio: Social Needs - Ward 3
Cllr: M Sondlo	Portfolio: Infrastructure - Ward 4
Cllr: S Jentile	Chairperson: Portfolio: Infrastructure - Ward 5
Cllr: M Tshona	Portfolio: Finance, Admin Governance & SPU - Ward 6
Cllr: F Ngondo	Portfolio: Social Needs - Ward 7
Cllr: N Kutuka	Portfolio: Infrastructure – PR
Cllr: M Mahlombe	Portfolio: Infrastructure - PR
Cllr: M Mzuzu	Portfolio: Social Needs – PR
Cllr: Z Dyonase	Portfolio: Social Needs – PR
Cllr: N Ponoshe – Razilane	Portfolio: Social Needs – PR

c. Ward Committees

Sakhisizwe Local Municipality is a plenary executive system that has ward participatory system. In a plenary system, executive powers are exercised by a full meeting of the municipal council – the council takes all executive decisions regarding the business of council. In this system, the chairperson is the Mayor.

Sakhisizwe is subdivided into seven (7) Ward Committees, which have been established, as a result of s72 – 78 of the Municipal Structures Act. Each Committee is chaired by its respective Ward Councillor.

Ward Committees are recognised as “consultative” community forums. Its purpose being to broaden participation in a democratic process of Council.

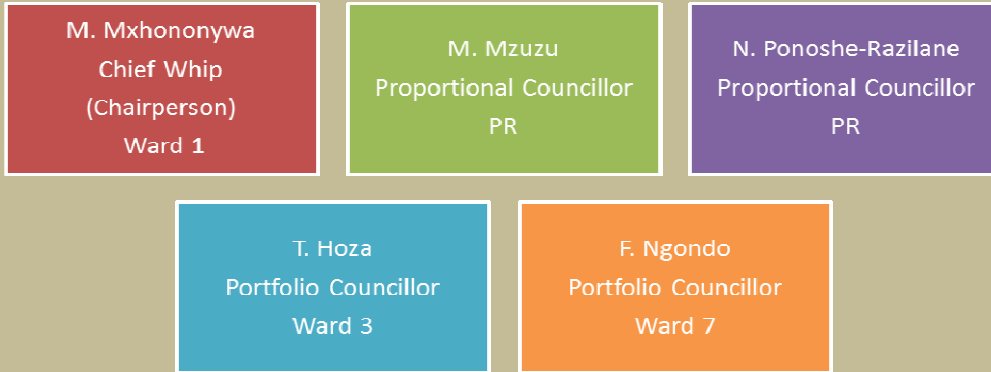
Ward Committees do not have any formal powers. Submissions are made to Council via the respective Ward Councillor. In this manner, a consultative community structure is created and maintained.

The Ward Committee Structure appears not be functioning fully or effectively and this is an issue that must be clearly addressed in future.

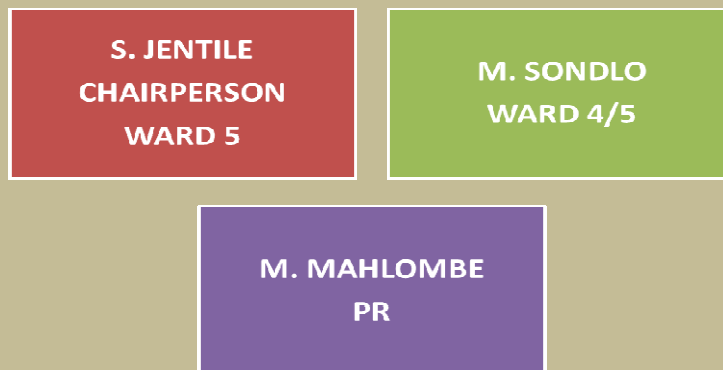
Ward participation has increased and cluster meetings have been held more regularly. The Community Participation Plan and Strategy are required to be approved

d. Council Portfolios

Social Needs Standing Committee



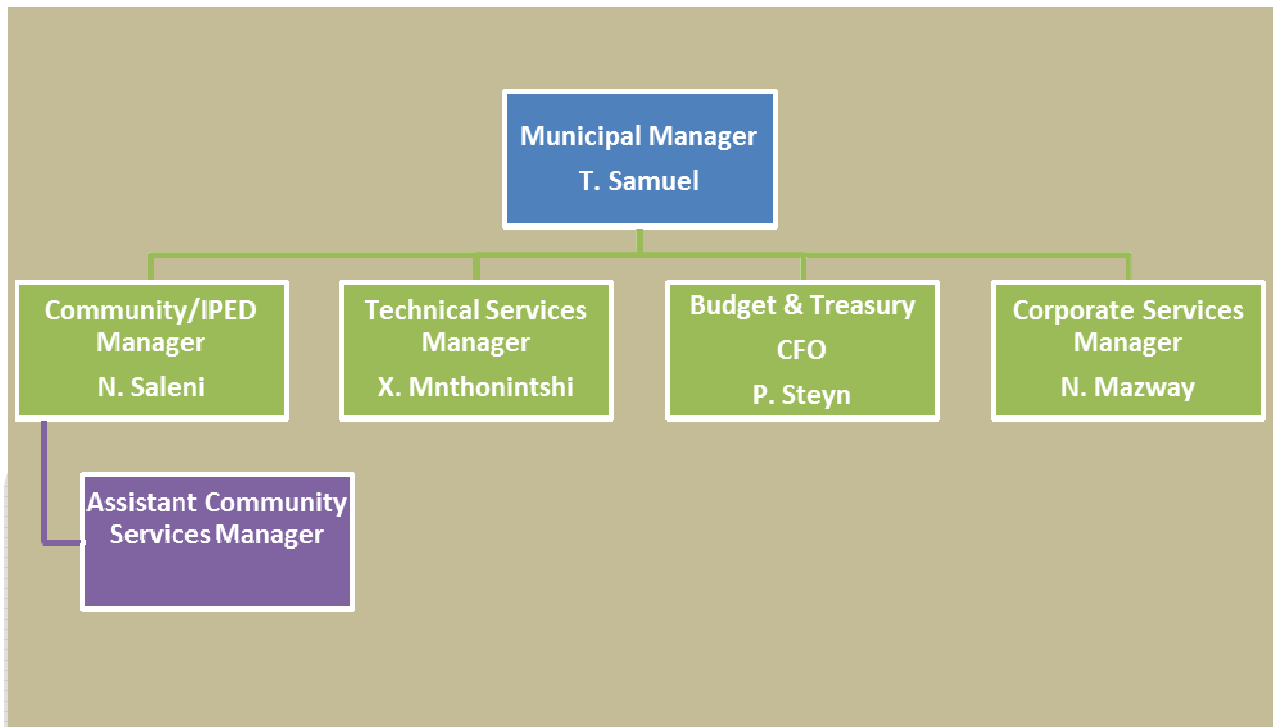
Infrastructure Standing Committee



Finance, Administration, Governance and SPU



5.2. ADMINISTRATIVE STRUCTURE – CURRENT STRUCTURE



The Municipal administration consists of 4 departments/directorates (with the Community Services Department incorporated under IPED) and these section 57 managers report directly to the Municipal Manager.

The IDP determines the organisations strategic focus and prioritised goals are translated from the IDP to annual priorities, and this ultimately informs the SDBIP – reflecting required performance within various areas and disciplines over the financial year ahead.

These managers are responsible for ensuring that the support and administrative staff work towards achieving the strategic objectives.

Although these 4 departments have been created and reflected on, it must be noted that there is in fact another department i.e. Community Services. The position of Community Services Manager has not been filled for the past 3 year and this has resulted in tremendous overlaps and sharing of functions between Technical and IPED divisions. In the absence of the Community Services Manager, this department was managed as a spilt management function. Within this financial year, an Assistant Community Services Manager was appointed and is responsible for the Community Services administration and management while, in turn, reporting to the IPED Manager (as a sub-directorate).

Issues relating to Housing, Town Planning and Spatial Development continue to be managed by the IPED Manager due to the lack of capacity and expertise. Following these changes in functional responsibility the IPED Manager is now termed the Community/IPED Manager.

The strategic management of this municipality took an unexpected turn during May and June 2008 when the management team were appointed i.e. IPED, Technical, Corporate and Financial Managers. At the time and as a newly created strategic team, the level of strategic direction was not as strong as it should have been and efforts were made to capacitate and empower this team through mentoring and training where possible.

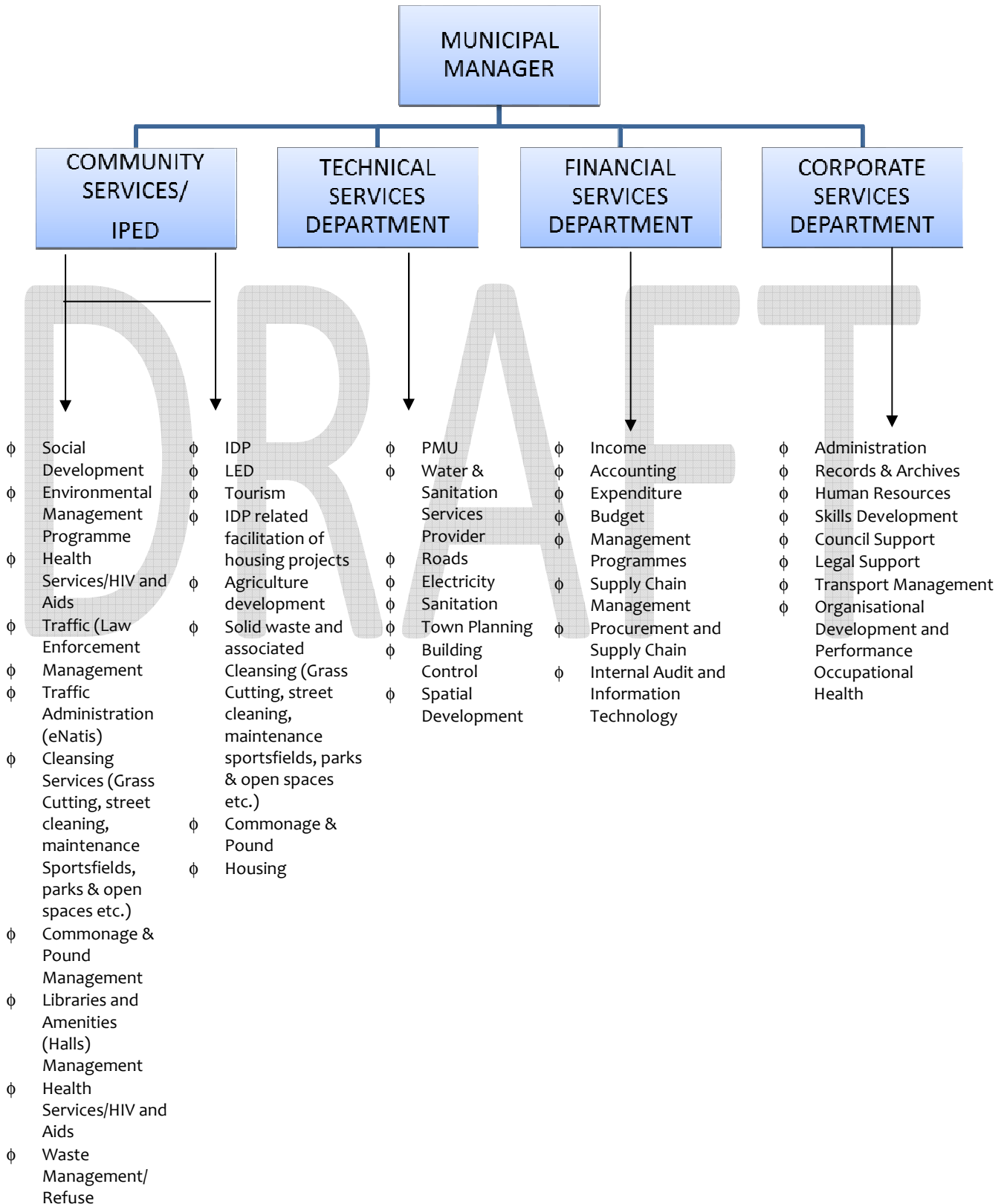
Notwithstanding and although progress has been made, these departments have not yet achieved the required levels of functionality. Service delivery was and still is affected dramatically as a direct result of this.

The creation of the PMU unit under the Technical Services directorate and the appointment of the PMU Manager, has greatly assisted in the management of the technical –related projects (both IDP and grant funded) and this has been clearly seen as MIG funded projects have been successfully achieved for the most part and so too the planned IDP projects (as per financial constraints).

Overall it is acknowledged that great improvements have been made with the newly approved structure and the logical groupings of functional areas. It is envisaged that these changes will facilitate service delivery overall.

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FUNCTIONAL STRUCTURE



5.3. THE INTEGRATED DEVELOPMENT PLAN IDP

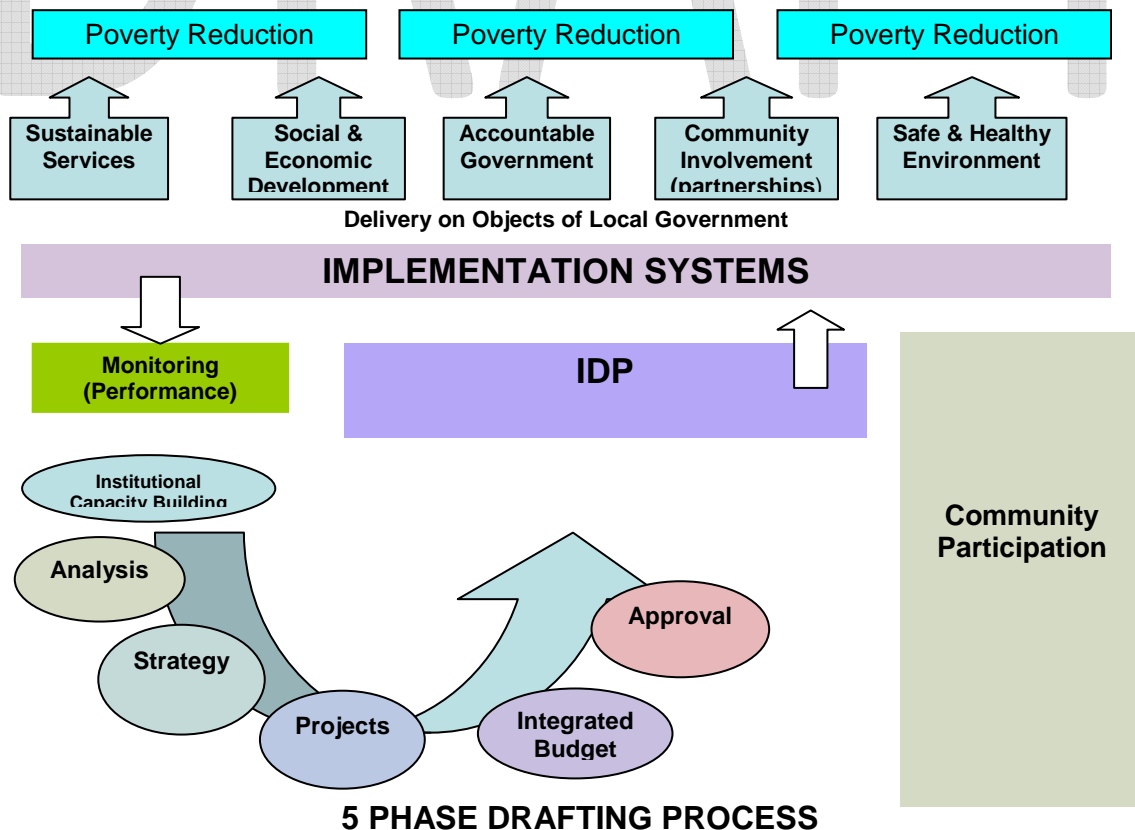
In compliance with Section 34 of the Municipal Systems Act (Act No 32 of 2000), together with Chapter 2 of the Local Government: Municipal Planning and Performance Management Regulations, No R796/2001, Sakhisizwe Municipality completed its first IDP in 2002. This document is reviewed and updated annually after obtaining required inputs from public participation initiatives.

The IDP is a strategic planning instrument that guides and informs all municipal development in the Municipality. It is the key instrument that enables the municipality to work towards achieving its development goals as outlined in the Constitution. It consists of a long-term vision. It details the development, priorities and objectives that contribute toward achieving this vision. It reflects strategies, which are underwritten by the details in the Budget, which must be linked to the IDP

A primary objective remains to ensure that all members of the community receive a basic level of service.

The IDP follows a holistic approach to planning and, on this basis, attempts to construct linkages between financial planning, infrastructure investment planning, service delivery and inter-governmental relations.

The IDP is utilized as a way of maximising the impacts of all developmental interventions that government makes.



In describing this diagram, it is acknowledged that the IDP is an essential strategic management tool that drives and focuses the strategic and operational functioning of Sakhisizwe Municipality. It is this document that provides an integrated, long-term vision for the Municipality, which also enables the Municipality to meet its developmental goals as outlined within the Constitution. The IDP document contains the departmental goals and objectives and incorporates cross-cutting issues.

Identified projects in the IDP are assigned to specific departments of the Municipality and reflected in the Service Delivery and Budget Implementation Plans. The Manager of that specific department takes primary responsibility for the implementation of the project assigned to his /her department (contained within the SDBIP's and these targets are reflected in his/her performance scorecard). Input is required from other departments, but it still remains the responsibility of the department that has been assigned with the primary responsibility to ensure that the project is implemented.

Purpose of Integrated Development Planning

- * To speed up the delivery of basic services and to ensure that such service delivery is appropriate in terms of scale and standard of service; and
- * To provide a financial, institutional and spatial framework for economic and social development within a Municipality.

The IDP is regarded as a strategic document that is required to change, in order to accommodate changes in circumstances. It is therefore legislated that the IDP is reviewed annually and that with the appointment of each new Council, that a completely new IDP is approved.

As per the provisions of the Municipal Systems Act 32 of 2000 (s34) and the MFMA, the Municipality initiated the review of the IDP in conjunction with the 2009/2010-budget process.

The key issues for Sakhisizwe Municipality relate to:

Financial Viability

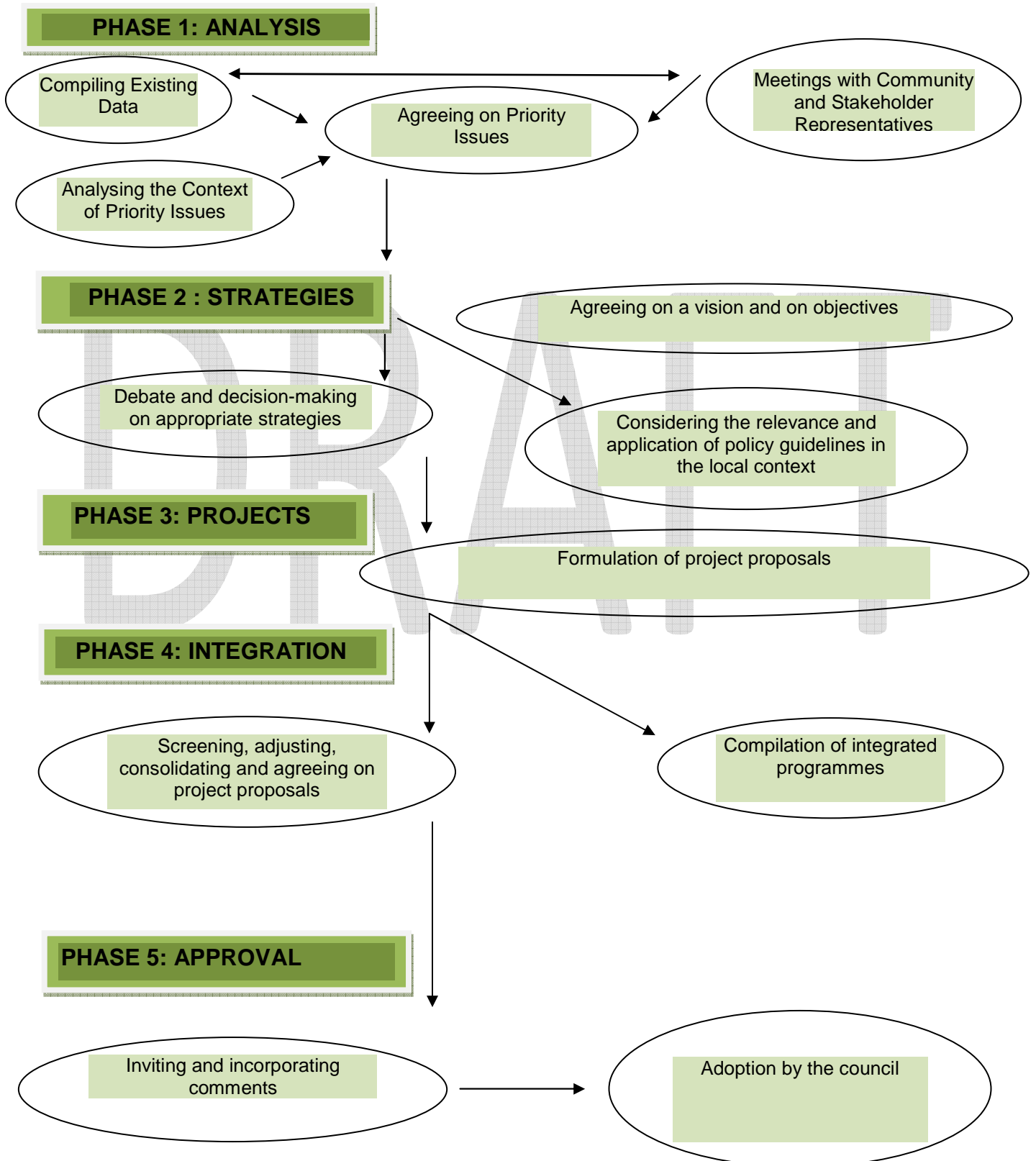
In order for Sakhisizwe to achieve and continue to achieve its mandate, it needs to maintain financial viability and expand its revenue in relation to costs. Whilst most of Sakhisizwe's financial fundamentals have shown improvement, as well as a level of financial stability and predictability within the operating budget, there remain serious issues to be addressed.

Institutional Capacity

Sakhisizwe was established in December 2000 and its establishment brought together the Transitional Local Authorities of Elliot and Cala, as well as the rural areas. Since then, substantial work has been undertaken to structure and re-orientate the municipality on an operational level.

The phases required to be followed in order to develop and review the IDP are reflected in the diagram which follows and are followed annually as part of the review process.

SOURCE: SAKHISIZWE: IDP: 2006 / 2011



The IDP Steering Committee is comprised of a number of stakeholders:

Internal

- ❑ The Municipal Manager
- ❑ The IPED Manager
- ❑ Members of the IDP steering Committee

External

- ❑ IDP Stakeholders
- ❑ IDP Representative Forum
- ❑ Sectors Departments
- ❑ Intergovernmental Representative Forum (monthly)

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- ❑ Members of the IDP steering Committee

External

- ❑ IDP Stakeholders
- ❑ IDP Representative Forum
- ❑ Sectors Departments
- ❑ Intergovernmental Representative Forum (monthly)

Public Participation

When reviewing the IDP, the representative forum and outreach programmes served as the primary vehicle for consultation and public participation. Public participation during the period under review was conducted mainly through Ward Committee Meetings in conjunction with Community Development Workers and through the use of Mayoral Imbizos.

While greater community involvement was achieved it is acknowledged that additional efforts are required for continued improvement of the effectiveness of ward committees.

Already from 2008/2009 the initial “2 ward involvement”, from the community increased to 7 ward meetings that were held during the IDP Review and Budget process (although minimal input was obtained);

From the communications and public participation perspectives it must be noted that branding materials have been developed and are successfully utilized for community outreach programmes

In order to fully appreciate the success achieved during 2009/2010 it must be noted that no planned IDP projects were implemented during 2008/2009 due to the financial crisis faced by the Municipality. Twenty projects were registered with MIG, (perhaps the most noticeable being the new Cala Road between Pep stores to Cala Hospital), however funding remained a challenge and impeded progress.

During 2008/2010 great progress was made and MIG projects and certain IDP projects were conducted as planned, and detailed within the functional reporting throughout this document.

Legal Matters

Setting up of legal units

Sakhisizwe Municipality currently has no formal designated legal unit and the municipality outsources its legal services.

Management of litigation

Two unfavourable cases are detailed below and Corporate Services manages this function.

Case Name	Recovery Yes/No	Reasons for Non- Recovery
Mrs Z. Ndamase		Case underway
Ms. N. Ntlonze		Case underway

Criminal matters emanating from corruption and fraud

The outcome of the current cases will determine whether criminal cases will result, however none were applicable during 2009/2010.

Management of Legal Risks

No policy on the management of Legal Risks exists.

CHAPTER 6.

FUNCTIONAL AREAS SERVICE DELIVERY

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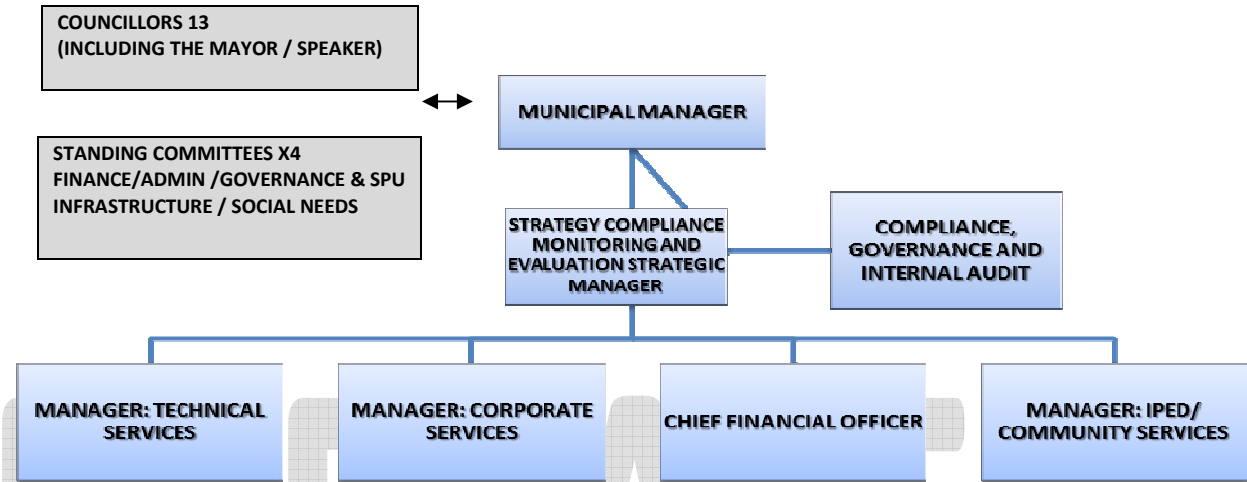
6.1 OFFICE OF THE MUNICIPAL MANAGER

MUNICIPAL MANAGER: T SAMUEL

The Municipal Manager functions as the administrative and strategic operational head of Sakhisizwe Municipality. As such he is required to ensure that at the operational level, the strategic objectives (as translated from the Integrated Development Plan) are met within each department.

Additionally and functioning to a large extent as the “strategic and compliance arm” the Municipal Manager is required to facilitate, “Participative Local Government”, and therefore to ensure first and foremost that communities become part of local government, from a participative perspective. As such, public participation is enhanced by arrangement of Mayoral Imbizo’s, forums, door-to-door campaigns, Council meetings and the like. Additionally, it is required that effective contact and dialogue is developed and maintained between all spheres of government (including sector departments, NGO’s, FBO’s, CBO’s as well as private partnerships) – thereby ensuring compliance, and optimal functioning and provisioning.

STRUCTURE OF MUNICIPAL MANAGERS OFFICE



Note: The Municipal Manager administratively facilitates functioning within the Mayoral Office.

FUNCTIONAL RESPONSIBILITIES

- Review, update and application of Institutional and Employee Performance Management Framework and System
- Achievement of IDP objectives;
- Organizational Structural Review and Alignment;
- Policy and By-law Review;
- Delegations Framework Review and Compliance;
- Public Participation Initiatives;
- Management of Ward Committees;
- Functioning of Community Development Workers;
- Internal and External Communication (Communications, media/marketing & customer care);
- Special Programmes;
- HIV/AIDS management;
- Indigent Management;
- Intergovernmental Relations;
- Compliance monitoring & evaluation,
- Governance & Internal Audit, and
- Financial Viability and legislative compliance.

OVERALL OBJECTIVES FOR 2009/2010

- Reviewed and approved IDP;
- Review and facilitation of the organisational structure;
- Development and approval of a Community Participation Plan and Strategy for implementation;
- Effective & efficient Ward Committee structures;
- Improved communication (both internally and externally);
- Reviewed, approved and applied PMS Framework and Policy (at institutional and individual level);
- Delegations Framework approved and workshopped to staff;
- Public Participation Plan approved and implemented as required;
- Facilitation of Mayoral Imbizos'
- Application of HIV/AIDS programmes;
- Application of Special Programmes as planned;
- To ensure that internal auditing is completed as scheduled and in the manner required;
- To ensure all service delivery targets are met;
- To ensure all backlogs are addressed as planned;
- Indigent Policy adopted is applied;
- All governance issues addressed as planned; and
- Ensuring that the Sakhisizwe Municipality area develops in the manner required through local economic development initiatives and tourism.

PERFORMANCE REPORTING AND CHALLENGES

FINANCIAL VIABILITY AND COMPLIANCE

The financial viability of Sakhisizwe Municipality has been an area of great concern, which has been exacerbated by high unemployment rates and high levels of poverty. Sustained mentorship from our DBSA consultant, Mr. Peter McEwen and the financial oversight provided by the Chief Financial Officer, Mr. P. Steyn, has provided much needed oversight and financial management. Recognizing the severe limitations experienced by this municipality due to lack of internal controls and systems has resulted in concerted efforts to remedy these, and this in turn is contributing to greater success albeit predominantly within the Finance Department.

The application of the Credit Control Policy and the implementation of “cut offs” for apparent cases of late/non-payment have contributed towards a better collection rate --- thus contributing to greater revenue. An overall result of improved financial oversight (systems and controls) has resulted in an organization that is now able to reflect investments and a positive cash flow statement – something that was not possible just one year prior to this.

The internal audit function is performed as a shared function that is provided by Lukhanji Municipality, and meetings occur regularly (monthly) which greatly assists with the financial oversight issues.

Although the Leave Audit was completed by external consultants, it is acknowledged that leave maintenance is an ongoing exercise and must be updated more regularly than is currently the case, so as to ensure appropriate maintenance.

Compliance in respect of GRAP has been successful (while taking into account allowable deviations for low capacity municipalities), and this has extended to include compliance in respect of municipal assets.

An additional challenge relates to financial management capacity, and efforts are underway to ensure that staff are capacitated in the manner required.

All MFMA reporting has been completed timeously within all areas and 2009/2010 saw the submission of the first s46 Report. Overall therefore, a very positive outcome, and an Audit Action Plan will be developed to ensure that appropriate controls and systems are put into place in order to ensure financial oversight throughout, in response to the Auditor General’s Report.

Supply Chain Management

It is anticipated that the appointment of the Supply Chain Manager (1 July 2010) will assist greatly in ensuring efficient and effective functioning of SCM issues. The Service Provider Database is still to be populated and so too training for staff regarding supply chain management, which is needed in order to ensure adequate application and functioning.

Basic Service Delivery Backlogs

Due to ongoing infrastructure challenges (lack of and where in existence ageing or inadequate); lack of financial, human and operating resources; backlogs continue to exist within electricity, water, roads and sanitation. Measurement of these backlogs remains a challenge, as these have not been measured previously.

These will be addressed over time with coordinated effort and progress has been made especially with the MIG grant funding and operational expenditure on planned projects, which incorporate infrastructure projects.

IDP AND PERFORMANCE MANAGEMENT

The IDP was reviewed and submitted timeously and as per annual requirements and according to the review phases. 2009/2010 witnessed the move towards greater alignment between the IDP, Budget, SDBIP and Performance Scorecards, with particular emphasis on ensuring that objectives were expressed within national indicators. Community input was ensured through various levels and types of public participation including cluster meetings.

Aside from focussing performance on prioritised areas, this practice will ensure that aspects relating to the national indicators will be regarded as areas of priority for all.

Performance Agreements have been signed and concluded for all 57 Managers, and performance scorecards concluded.

Although a Performance Management Framework/policy is in place this requires review. It must be acknowledged that performance management has to date not been correctly applied – however great progress has been made, and the refinement of scorecards and targets, together with the completion of formal assessments has allowed much needed insight into the practical application of the said system. Formal assessments were have not yet been completed / conducted for the 2008/2009 period.

Institutionally, the SDBIP's have been refined (as per national indicators), and departmental performance is being measured accordingly (as reflected in quarterly SDBIP Reports and various compliance reports including the 546 Performance Report). As indicated, targets are required to be refined and to reflect the reporting targets required by national government. A particular challenge relates to SERVICE DELIVERY reporting, especially in respect of backlogs as to date, baseline information and accurate reporting has not taken place. Until such time as these targets, measurements and controls are set in place and incorporated within scorecards, adequate and accurate reporting on these service delivery areas will not be possible.

Service delivery reporting is becoming more formalized and similarly structured which will over time aid performance measurement and delivery. The 546 Report as a case in point reflected reporting on all areas of the SDBIP (within National Indicators), and required reporting of this nature is aiding performance measurement, as it is understood what specific data is required to be reported on.

Institutionally performance reporting is occurring timeously, however as indicated improvements are required both in terms of targets and in terms of the correct measurement.

ORGANISATIONAL STRUCTURE

The organisational structure has been reviewed and updated, and Job Descriptions written for all positions reflected.

Critical scarce skills are apparent and progress has been made in the staffing of posts, with appointments having been made in the technical fields, and the appointment of DBSA technical expert within the IT section. Similarly, funded vacant positions in respect of the HR Officer, PMU Officer and assistant Community Services Manager were filled. Efforts are required to be made to develop and introduce a Staff Retention Strategy.

PUBLIC PARTICIPATION

A number of successes were experienced with the application of different public participation initiatives, which included;

Mayoral Imbizo's

These were held and attended within all Wards and were presented in a manner that not only provided feedback to the public regarding IDP and Budget issues, but in a manner that obtained information and input from the public which was then fed back through the applicable Standing Committees to Council for further action.

In this manner input into the SDBIP's and Budget were obtained, although this remains an ongoing challenge.

Public Hearings

During the course of the year public hearings were held with various sector departments, and in this manner issues regarding the IDP and budget received focus. The challenge (as with the Imbizo's) will always translate to efforts to ensure ongoing participation and support.

Ward Committees

In an effort to improve effectiveness of Ward Committee functioning, it is noted that Ward Committees have been established in all Wards. Through formalized training and development within this area every effort is being made to increase efficiency and effectiveness of functioning by adhering to all prescriptions regarding meeting attendance and reporting, and administrative functions.

However, these committees are only partially functional, and difficulties are at times experienced regarding meeting attendance which may in part be due to the geographical terrain and spread which makes meeting attendance a challenge in the absence of a suitable vehicle for transportation.

Community Development Worker's Performance Monitoring

Community Development Workers have been deployed by the Department of Local Government and Traditional Affairs in order to engage within community development functions within all Wards.

It is noted that the municipality continues to experience difficulties with the monitoring and coordinating of Community Development Workers activities, as they are required to report directly to Province. This arrangement results in the CDW's not being available or directly accountable to the municipality, which makes performance management a real challenge, and thereby goal setting, and performance management in relation to this. This issue is to be raised and further addressed in the new financial year.

Internal and External Communication

The Communications Strategy has been well applied and the Communications Manager was particularly vigilant in ensuring that many avenues were pursued to enhance communication. As such, functional e-mail facilities were created, and staff encouraged to meet regularly and to follow all communication lines. At an external level, efforts were made to market the municipality over the radio, in the local newspapers, and at public events. The vacation of this position after the resignation of the Communications Manager has left a huge void and attempts are being made to fill this.

The Communications Manager sought to ensure that all communication required activities were directed and facilitated appropriately, and that internal support structures were created to facilitate quick and easy communication.

The electronic communications system and the electronic document management systems have been well achieved and maintained. Website Maintenance is to be improved.

Intergovernmental Relations

In an effort to promote and to improve intergovernmental relations, the dates for IGR meetings are circulated well in advance to all sector departments during January 2010.

Whilst meetings are scheduled, the real challenge is to ensure adequate attendance by some departments within the IGR forum. Efforts are currently underway (through the Office of the Premier) to facilitate the required commitment towards attending IGR activities and forums.

Special Programmes (Youth, Disabled, Gender, Children, Elderly, HIV & AIDS)

A focussed strategy on strategically managing HIV/AIDS and to report on this, is in its infancy. This situation has been made more challenging due to the lack of statistics available regarding the HIV prevalence rate, however a more focussed approach is to be followed moving forward.

Special programmes in respect of the disabled, youth, gender and children are to receive attention in 2009/2010.

Policies, procedures and by-laws

The Delegations Framework is still regarded as work in progress and has not yet been approved although workshops have been held in an effort to obtain input.

Organizational policies and procedures were audited and identified policies were reviewed and updated as required.

By-Laws have not been achieved due to lack of internal capacity and lack of public input on drafts.

Capacitation of Staff and Employment Equity

Overall, Sakhisizwe Municipality must be commended for all efforts towards capacitating staff, and training has been taking place. Training within all areas is required and it is noted that for the first time labourers within the water section have been sent on technical training in order that they become more operationally competent (2 staff attended this training).

However, the functioning of training committees and the roll-out of employment equity have not been well achieved. The Training Committee meetings are not occurring regularly, and employment equity targets have not been well achieved – primarily due to the scarcity of skills and challenges relating to retention.

Indigent Management

Progress within this area has been made. The Indigent Policy is in place and the Indigent Roll-out Plan completed. However this process has not been concluded and is required to be continuously updated. Currently capturing is taking place in respect of farms. When completed these statistics will be approved and the process of writing back old debt will be applied.

Housing Provision

Due to the absence of a Housing Sector Plan and slow progress in this regard, the Department of Housing, Local Government and Traditional Affairs has appointed a service provider to assist in the facilitation of Housing Applications within the approved Elliot Housing Project.

LED /IPED

Within LED it is noted that funding has been sourced for an LED Strategy and SMME Database which will in turn focus this section.

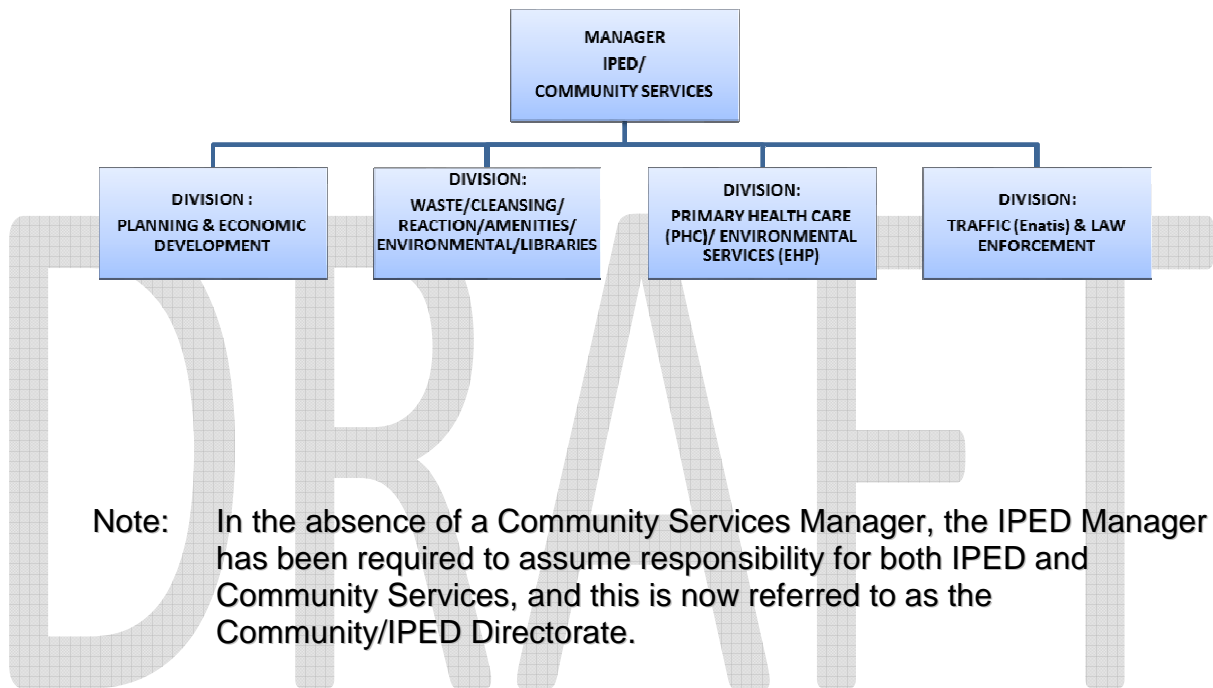
Notwithstanding many challenges, great progress has been made in respect of agriculture plans, and projects (e.g. Shearing sheds, Nguni Bulls and Mgcunube Animal Project).

Both the Green Project and the Charcoal Project have received great success.

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6.2. COMMUNITY / IPED DEPARTMENT

DEPARTMENTAL MANAGER: COMMUNITY/ IPED N SALENI



FUNCTIONAL RESPONSIBILITIES FOR COMMUNITY/IPED DIRECTORATE

- Local Economic Development
- Housing
- Town Planning and Land Use Management
- Agricultural and rural development (Livestock and Crop)
- Tourism
- Libraries
- Traffic Management: Law enforcement and ENatis
- Waste/refuse management
- Parks & Public Open Space (Commonages/Pounds)
- Sportsfields, Halls and Recreation
- Cemeteries
- Primary Health Care and Environmental Services

OVERALL OBJECTIVES 2009/2010

- Effective provision of Primary Health Care and Environmental Services
- Management of Traffic Services relating to e-Natis and Law Enforcement

- Marketing of Tourism
- Agriculture (Livestock and Crop)
- Local Economic Development and Business Development
- Coordination and collaboration with other Health authorities in determining a health policy and rendering services
- Effective management of all matters pertaining to offensive trades
- Management of all matters pertaining to cleansing and refuse removal within the Municipal Area
- Implementation of Acts and Ordinances relating to cemetery operation
- Operation of municipal pounds and commonages
- Management of libraries, halls and public open spaces
- Town planning (including land use management and building inspections)
- Development of departmental SDBIP (aligned to IDP and Budget); and
- Public Participation initiatives

PERFORMANCE REPORTING AND CHALLENGES 2009/2010

Each of these functional areas will be examined in more detail below:

HOUSING (Projects) Housing function is now administered and funded by DPLG and it is required of Sakhisizwe Municipality to facilitate certain processes and to provide land for developments.

- The majority of housing units within the Municipality are formal structures;
- The greatest housing backlog is to be found within Cala where approximately 837 units are informal structures;
- Gaps that were required to be addressed are reflected as follows:

Housing Backlogs: 2009/2010

Ward 1: 1500 Houses	Ward 5: 3 000 Houses
Ward 2: 2 000 Houses	Ward 6: 2050 Houses
Ward 3: 1 000 houses	Ward 7: 1 000 Houses
Ward 4: 1725 Houses	

A number of housing projects have been concluded and challenges are reflected as follows:

- Low cost housing remains a high demand in order to cater for the poor and as such, tremendous shortages exist which are required to be managed at the earliest opportunity;
- The total housing backlog is estimated to be 8250 (updated through the Housing Sector Plan);
- The Housing Data Base is still required to be updated and maintained monthly;
- Allocation of beneficiaries – there is an established database and houses have been handed over to small numbers of beneficiaries (no statistics/record of number of beneficiaries provided on this);
- Funding constraints and securing of funds remains a constant challenge;

- Slow progress by developers /funders impedes progress;
- Progress has generally been slow and the absence of a Housing Sector Plan does little to relieve this. Additionally it is noted that there is no alignment of future Housing Projects to community needs. Many meetings have been scheduled and held with the Department of Housing to be able to move forward. The Elliot Housing project for 1 000 houses for upgrade was approved and funded, and the Department of Housing approved a service provider to assist in facilitation of applications. The 2003 Housing Project was finally completed.
- Statistical data and reporting remains a challenge.

Building and Town Planning Provision

- The appointment of a DBSA professional in the position of Building Control Officer has been a very positive move. Notwithstanding, and due to staff shortages, building plans were not always timeously approved;
- By-law (building and town planning) enforcement remains a huge challenge; and
- A Land Audit was required to be undertaken in order to be able to verify and update land audit data, within the Sakhisizwe Municipality, however this project was never achieved and it was only during the last quarter that a submission was made to Council to approve the land audit.

Spatial Planning

The municipality's main strategy remains to develop an effective and uniform Land Use Management System. During 2009/2010, the SDF was reviewed and project proposals developed for the review of the Spatial Development Framework for Cala and Elliot.

The major challenges within spatial planning related to the non-availability of a Town Planning budget; the non-compliance of citizens to Town Planning legislation and procedures; the lack of proper infrastructure and proper storm water drainage systems, and the fact that property owners have not registered all of their properties (resulting in financial loss for the organization).

Local Economic Development & Tourism

- The LED Strategy was not achieved during 2009/2010. However funding was sourced for completion of this strategy and the SMME database, and a service provider was duly appointed to achieve this target, although the completion time would extend beyond this financial year.
- LED remains challenging in terms of practical engagement;
- This strategy should be finalized and completed during the early stages of the new financial year, which should lead to improved effectiveness throughout;
- Very little progress has been made within the tourism sector and effectively marketing efforts and approaches to advertise the municipality generally were made by the Communications Officer with little formal focus on tourism itself.

It is noted that human resource capacity contributes generally towards the lack of progress and achievement within this area. In particular, the following critical skills are required:

- Public management;
- Facilitation and communications skills in LED; and
- LED Management Skills
- Tourism & Marketing

Libraries

The overall objectives of this function are to provide reading and study material amongst the youth and for the community. Currently two (2) libraries are being managed one in Elliot and one in Cala. The Department of Sports, Arts and Culture provide funding for two Interns.

In terms of the main functions of library provision, the following activities were required to be undertaken by the librarians and library assistants:

- Library infrastructure provision
- Purchase of library materials
- Sourcing books from the book fare
- Promotion and participation in the library week activities, and
- Promotion of libraries within rural areas

Community Halls and Recreational Facilities

During this financial year our area of priority was the establishment of recreational facilities generally, including public halls, parks and sports facilities.

It is required that:

- Sports codes be determined based on communities needs within various Wards;
- Appropriate land be developed and acquired;
- Funding be negotiated for the development from National, Provincial and CHDM structures;
- Business plans be developed for appropriate development and;
- Sustainability plans be developed with community involvement

Currently the Community Services Officer (Public Amenities) has been appointed.

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.

General objectives remain:

- Development of Pauper Burial Policy and adoption by Council of additional sites for cemeteries in all towns;

- Acquisition of land from the Department of Land Affairs;
- Development of by-laws for Council resolution;
- Promulgation of by-laws in the local papers and local radio stations; and
- Ensuring adequate infrastructure provision.

The greatest challenge remains funding and obtaining and developing appropriate sites while ensuring staff capacitation at all levels and within all areas to ensure that staff function optimally.

Parks and Recreation

The overall objectives of this function are to provide and maintain parks and open spaces thereby creating a pleasant environment for the communities, contributing towards global “greening” and to maintain sidewalks and pavements. The maintenance of these areas was not well achieved and targets of the maintenance plan were only met about 65%. A feasibility study was required to be developed to identify solutions but this project was delayed due to lack of funding and approval.

Sporting Facilities

With funding that was made available within the 2009/2010 budget for the development of 10 new sportsfields in within the rural areas and this was achieved.

Commonages/Pounds

There are currently commonages behind Ext 8 to 12 in Cala and the municipality are faced with Hudge challenges in management of the commonages.

Two formalized municipal pounds exist and are located in Cala and Elliot. These function at a very basic level and require extensive upgrading especially in terms of fencing and the ongoing related maintenance. This is particularly challenging due to the rural nature of this environment, the incidence of fencing theft and the financial constraints.

Efforts to lobby for funding from the Department of Agriculture have to date been unsuccessful. Additionally huge challenges are experienced by the incidence of stray and roaming animals. Currently an arrangement exists that all strays are taken by designated Department of Roads staff and are transported to Queenstown where they are impounded for future collection. Revenue is created in this manner for another local municipality and the offenders from Sakhisizwe Municipal area are not only faced with the cost of the pound fees / fines but the cost of transporting their animal back to their community area.

It has been recommended through meetings with both the Department of Transport and the Department that the pounds at Cala and Elliot be utilized for stray animals in this area. This would not only serve the community better but would also ensure that any financial gain as a result of pound fees / fines collected would be channelled through Sakhisizwe Municipality.

Rangers have been appointed to make sure that stray animals are removed from the towns and the Municipality is in the processes of establishing a commonage register that will ensure effective management of the municipal commonages.

It is noted that

- Commonages were fenced as per maintenance plans and it was required that farms and suitable lands be procured for commonage users as these commonages are over grazed.
- Pound masters and rangers were appointed to facilitate the commonage maintenance process.

Waste Management: Solid Waste Section

- Great challenges exist in respect of refuse removal, and it is only collected within the CBD area and within town.
- Due to staffing and capital shortages refuse is not regularly removed;
- Within the Elliot locations, attempts are made to collect refuse during weekends and these attempts are not very successful.
- Assistance is clearly required in order to purchase the required plant for the solid waste site.
- The majority of households utilize their own refuse dump for solid waste disposal and the local authority serves Masibambane, Elliot and parts of Cala. The solid waste sites remain in a bad way and do not meet current standards.

Health (Clinic) Section

This section is responsible for the provision of Clinic Services. 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 in respect of
 - Reporting daily activities
 - Monthly reports/statistics
 - Quarterly reports
- Ensuring optimal primary health for all citizens;
- Investing in the training of staff in order to ensure development of skills and thereby contributing towards quality in-service delivery;
- Regular HIV/Aids forum meetings;
- Training of HIV/Aids peer educators;
- Water quality monitoring programme by the CHDM and the provision of related reports; and
- Inspection of business premises to ensure food preparation is done within the parameters of health requirements. This is currently completed by the Municipal Health division of CHDM Municipality and reports provided as required.

The following table shows the infrastructure currently in place within Sakhisizwe Municipality

*Clinics	Mobiles	Hospitals
Elliot Main Clinic	1 District Mobile (CHDM)	Cala
Beestekraal	Elliot mobile (Gubenxa & Mhlwazi) 2	Elliot
Tsengiwe	Cala Mobile (2 mobile vehicles) with 37 stopping stations	
Upper Lafuta		
Ncedolwethu		
Sifondile		
Askeaton		
Temheihle		
Nyalasa		

*Sakhisizwe LSA with 24 villages covered by serviced clinics

Area covered by Mobile Vehicles

1. Sweetline – Sigangeni
2. Quba – Zikhonkwane
3. Ndyavu – Ndum-Ndum
4. Mnxe X 2
5. Mbenge, Mmangeni, Ngxingo
6. Roma, Siphanfeni – New Rest
7. Lower Cala x2
8. Macangceni, Chibini – Xonya
9. Upper Mnxe – Raren
10. Cala Pass & taleni – Lmaganci & Centre
11. Mtingwevu X 2
12. Upper Indwana – Gubenxa
13. Pindela, Botha Rarms – Tiwane Pelendaba
14. Mhlwazi – Pre schools
15. Qiti – Lahlangubo
16. Ncalweni – Pre schools

Sakhisizwe has a ratio of one clinic per 6 752 people. According to national norms of one clinic per 10 000 people, Sakhisizwe has more clinics than is recommended. However, the rural distribution of the population and the spread of health facilities throughout the area to meet the needs of these communities could justify this situation.

It should, however be noted that whilst the above health facilities might well exist throughout the Sakhisizwe Municipality, it needs to be borne in mind that the infrastructure serving the facilities (water, sanitation, electricity etc.) is very often well below optimum. According to the findings published in the Eastern Cape Department of Health's Strategic **Position Statement (3)** 27.5% of clinics in the Eastern Cape do not have water borne toilets, 39% do not have access to safe water and 18% do not have electricity.

The high levels of poverty in the Municipality place pressure on the current health facilities. There is a strong correlation between poverty and disease such as TB, malnutrition, pneumonia, diarrhoea, gastrointestinal etcetera. It is also important to note the HIV/AIDS will put more pressure and demand on health and social services. The national Antenatal HIV Survey 4 reported that in 1999, 450 000 people in the Eastern Cape Province were infected with HIV. It went on to state that it projects that 160 000 people would have died of AIDS in the province by the year 2009. This will place even further pressure on the present medical facilities.

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HIV/Aids Mainstreaming

The HIV/Aids Strategy has been approved by Council. In efforts to revive and ensure success of this strategy councillors were workshopped on this plan. The AIDS Council is in the process of being revived within all Wards (through training and participation initiatives) in order to ensure the successful implementation of these projects.

Disaster Management

The Municipality does not have a Disaster Management Policy Framework. Currently the Municipality is making use of the Chris Hani Disaster Management Framework. There is therefore a need for the Municipality to develop its own framework.

There is not currently an integrated approach to disaster management, and funding challenges remain and prevent targets from being achieved. Municipal representatives have been chosen to sit on the Disaster Management Forums as this is a District competency and this occurs as required.

Traffic (eNaTIS, testing and law enforcement)

Many challenges exist and reporting 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 of management and control.

The **status quo** in respect of functioning of the Traffic section stands from 2008/2009 and great deficiencies in the functioning and reporting within this area remain and are to be addressed.

The traffic services are required to conduct testing for learners and drivers licences and to then manage all related records while processing on the e-Natis system, While reports are generated to the Department of Transport their validity is seriously questioned as staff are unable to draw reports or provide any information on related statistics. Notwithstanding, this test station has been refurbished but it is fair to say that from both the e-Natis and the testing / law enforcement side operations are not effective and unable to be verified. Currently document management and controls within this area are **extremely poorly handled** and this raises huge concerns especially in respect of legislative compliance issues Policies, procedures and strict control measures are required to be put into place to ensure that this section functions in a competent manner and is able to provide required services.

Community Services: Statistics on Facilities

Facility	No of Facilities	No. of Users	No. of Employees	Cost R(000)
Library Services	2	530	2	330
Museums and Art Galleries	0	0	0	0
Other Community Halls /facilities	10	3000	10	803

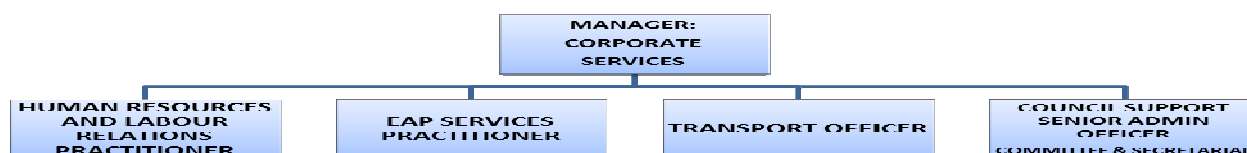
Facility	No of Facilities	No. of Users	No. of Employees	Cost R(000)
Cemeteries and Crematoriums	6	102 000	4	280
Child-Care (including crèches)	178	5 000	0	0
Schools	119	17 850	0	0
Sporting Facilities	3	102 000	3	197
Parks	500	60 000	1	-

IDP PROJECTS: 2009/2010

PROJECTS	AREA	FUNDER	AMOUNT	STATUS
Maxongo's Hoek	Ward 2	MIG	R2,5m	Implementation Stage
Masibambane	Ward 2	MIG	R2m	Implementation Stage
Lower Cala-Lapesini	Ward 4	MIG	R3m	Implementation Stage
Tractors for ploughing the fields	Elliot Unit & Cala Unit	SM	R3m	Planning
Cala Abattoir Completion	Ward 5	CHDM	R1m	Planning
Sakhisizwe Greening	Ward 5 & Ward 2	DEAT	R7m	Implementation Stage
Electrification of Cala Extension	Ward 4 & 3	Eskom	R18m	Planning
Electrification of Takalani	Ward 1	DME	R6m	Planning
Dipping Tanks	Ward 1 – 7	CHDM	R1,5m	Planning
Taxi Rank	Ward 5	MIG	R1m	Planning
Hawker Stalls	Ward 1 – 5	MIG	R2m	Planning

6.3 CORPORATE SERVICES DEPARTMENT

Corporate Services Manager: Ms N Mazwayi



FUNCTIONAL RESPONSIBILITIES

- Human Resources (Benefit Administration; Recruitment & Selection; Organisational Development and Structure; Staff Provisioning; Employment Equity; Employee Assistance Programmes; Policy Development and Compliance Management);
- Labour / Employee Relations (ensuring effective application of LR Policy and Practices);
- Occupational Health and Safety (ensuring compliance with Occupational Health and Safety Act, Act no. 85 of 1993);
- Skills Development and Employment Equity Act (ensuring compliance with both pieces of legislation);
- Council Support and Administration; and
- Transport Management.

DEPARTMENTAL OBJECTIVES

- Develop and update HR Policy and Procedures;
- Conduct / update Skills Audit and Needs Analysis;
- Development and implementation of the WSP;
- Legal support and compliance management (By-laws, Policy Management, contract management and legislative compliance);
- Occupational Health and Safety;
- Application of Employee Assistance Programmes
- Council administrative support;
- Knowledge management administrative support;
- Human resource development and management support;
- Performance Management System support;
- Employment equity support and application;

- Leave Auditing; and
- Organisational Restructuring facilitation.

PERFORMANCE REPORTING & CHALLENGES FOR 2009/2010

Within each area, comments will be provided regarding achievement of significant targets, whilst highlighting significant challenges.

Human Resources

- Many challenges exist within Human Resources, not the least of which relates to the filling of funded posts – the post of the Community Services Manager is a case in point (s 57 unfunded vacant post). Aside from Scarcity of skills challenges, it is noted that greater effort and success has been achieved with the appointment of critical staff and in the case of Community Services an Assistant Community Services Manager has been appointed;
- Recruitment and selection is applied with adherence to the Provisioning Policy;
- The Workplace Skills Plan (WSP) was developed, after ascertaining annual training and developmental needs within departments. This has been successfully applied as evidenced by the submission of the WSP, and two implementation reports which were submitted timeously to the LGWSETA;
- The Employment Equity Plan was updated and submitted to the Employment Equity Registry by 1 October 2009.
- The organogram was updated; Job Descriptions were developed for all positions on the structure (these are now outdated as they developed more than 7 years ago). These in turn have been evaluated and benchmarked according to the TASK system of evaluation.
- It must be noted that although an approved organogram is being applied, discussions have been underway to resolve certain practical issues and in so far as this is concerned, a new approved organogram would become applicable at some later date. Many strategic posts (previously vacant) have now been filled.
- Due to geographical context and non-competitive remuneration packages, staff attraction and retention remains a challenge. The application of a Skills Retention Strategy is on-going
- Historically and due to the vast number of unfilled posts, many diverse functions have been performed by employees, who in many cases lack the capacity to fulfil these requirements;
- A Scarcity of Skills Committee is required to be appointed and through an ongoing Turnaround Strategy and planned capacity building, (and implementation thereof); greater success will be achieved with recruitment.
- The HR Strategy has not been developed;
- Review and updates of all HR Policies have been achieved and so too the identified manuals for training /referral on changed policies;
- The TASK Outcomes Report was received by the PJEC and results were implemented in terms of the newly provided SALGBC salary/wage curve. Of particular concern are the many anomalies, the apparent withdrawal of the PJEC from this process, and the

fact that many of these JD's are no longer completely applicable in terms of content (due to this exercise having begun more than 7 years ago);

- Identified policies and procedures have been updated and workshopped to Council prior to adoption.
- Five interns were appointed as required (within Corporate and IT Services.
- An electronic Leave Management System is being applied through SEBATA and so too the related electronic HR system relating to payroll and leave administration. Service Providers conducted another Leave Audit and the results thereof have illustrated the need for regular updating of information.

Labour/Employee Relations

- Legal matters are being monitored more effectively in-house and in respect of issues that are taken to CCMA. Notwithstanding, it has become very apparent that the capacity of supervisory and senior staff within the area of labour relations is required to be enhanced through appropriate training and development interventions.
- Staff do not always follow policies and procedures (LR /Compliance) and every effort will be made to attempt to remedy these issues.

Occupational Health and Safety

- Compliance in respect of the Occupational Health and Safety Act, Act no. 85 of 1993, remains an ongoing challenge, and requires stricter controls are to be put in place to ensure that the Act is strictly applied in terms of compliance.
- Health and Safety Committees have been formed, and meetings are held regularly as required, although practical application and functioning of these committees is questioned.
- OHS compliance and assessment forums and reports are to be examined in order to establish how and when reporting must occur in order to ensure compliance.
- Employee Wellness initiatives are not proactive except in support of mainstreaming initiatives, and the issue of employee wellness is an issue that must be addressed in future.

Skills Development and Employment Equity

- This section has been operating relatively effectively only since the Employment Equity Committee has been meeting.
- 70% of the training budget has been spent as required on planned training.
- The WSP was developed and approved for 2009/2010 and implementation plans were submitted during June and September.
- The SDF was appointed and the skills analysis exercises completed as required.
- Capacity building continues to remain one of the greatest challenges for this organisation, within all departments although great strides have been made within the water section where 2 labourers were sent for operator training, to mention but one example.
- Challenges in respect of implementation of the ABET Programme remain in terms of the status quo and attendance remains a challenge.
- The Employment Equity Report was submitted, in the required legislated format, and timeously.

- Councillors continue to be trained on Finance Policies and attend SALGA Workshops from time to time.

General Administration and Council Support

- All prescriptions regarding Conditions of Service from SALGBC are applied to the letter.
- All by-laws were reviewed as planned and approved by Council (therefore being gazette by Council).
- Training in respect of all new guidelines, policies and by-laws has been scheduled and has occurred as required.
- All contracts of employment have been reviewed, updated and re-signed as and when appropriate.
- The Records Management System is still outdated and has not been brought up to date, which continues to pose a threat for the institutional memory;
- The Electronic Document System has not been implemented,
- Capacity building remains a serious deficiency as staff are not capacitated to manage meetings, minutes and agendas, and to ensure good administrative support; and
- Filing Systems and Archives are still requiring updating.

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 within service delivery mechanisms, as per legislative requirements. The Corporate Services Manager works with the Municipal Manager's office in order to assist with coordinating these functions.

- During 2007/2008 the regulated PMS system was introduced and piloted; it was only affected for top management – 57 Managers. – further customization was required in respect of scorecards and the like;
- During 2009/2010 scorecards were aligned to Service Delivery and Implementation Plan and scorecards were aligned to national indicators, which was not previously the case;
- SDBIP structures required review (formatted to include national indicators and performance service delivery targets so as to ensure that populated scorecards are aligned to same. The SDBIP for Corporate Services was populated;
- Annual PMS evaluations for 2008/2009 have not been conducted;
- Quarterly re reporting done evaluations not conducted – no Personal Development Plans are in place and effectively this system is not being fully applied; and
- Annual PMS Reporting is being complied with in relation to annual performance evaluations of 57 Managers - compliance issues require attention.

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 has not been established and a shared audit functional arrangement exists with Lukhanji Municipality which is working well and meetings are occurring regularly. An Internal Auditor has been appointed during this time in order to drive this process internally.
- Capacity and funding constraints remain an issue ongoing.

Transport / Fleet Management

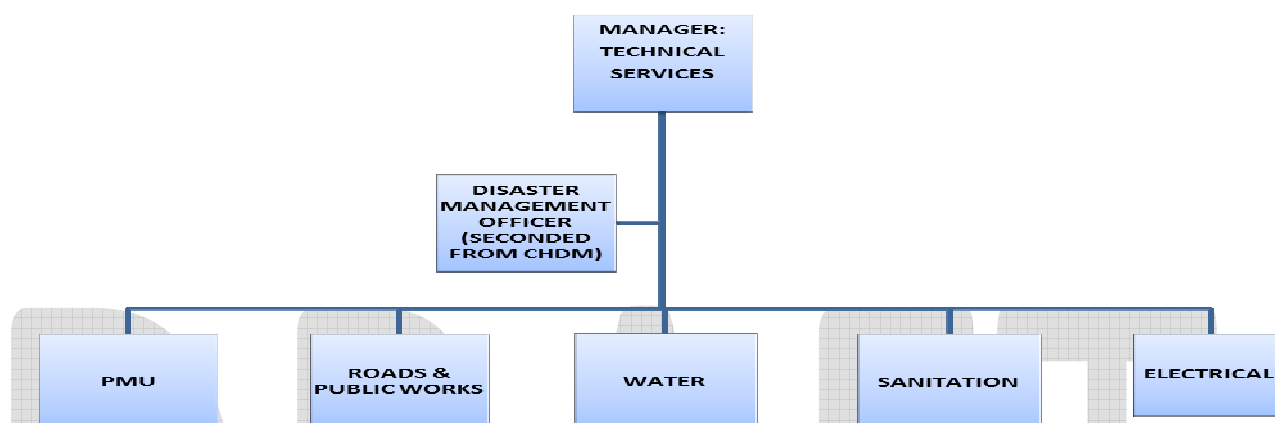
Municipal vehicle provision and ensuring that these are well-maintained and roadworthy (to facilitate effective service delivery) is required to be managed by Corporate Services.

- A Fleet Management Policy is currently in place and implemented;
- The capacity of staff to manage this function effectively is in question; and
- The fact that the municipal fleet is ageing and vehicles are required to be maintained more effectively remains an ongoing concern and challenge.

More effective management of this division is required.

5.3. TECHNICAL SERVICES

DEPARTMENTAL MANAGER: X MNTONINTSHI



KEY FUNCTIONAL AREAS

- Project management of IDP and grant funded projects through PMU unit;
- To reduce backlogs in water, sanitation, roads and electricity as defined;
- Electricity distribution in licences areas only;
- Street lighting
- Roads construction and maintenance (municipal access roads);
- Stormwater and pavement construction;
- Water provision – bulk, treatment and reticulation;
- Sanitation – sewerage removal and treatment;

DEPARTMENTAL OBJECTIVES

- Ensure that all aspects of Occupational Health and Safety are strictly applied, and ensuring functional safety committees;
- Monthly and quarterly reporting on all divisional operations within the Technical Services division;
- SLA signed with ESKOM;
- Measurement of electricity losses;
- Measurement of performance against refuse removal and treatment programme as per schedule;
- Reporting on Water Maintenance Plan, Water Treatment Works, Faults and Repairs;
- MIG project progress reports;
- Implementation of all IDP funded projects;
- Approval of the Roads Master Plan;

- Roads construction and project plans; and
- Approval of Waste Management Plan.

PERFORMANCE REPORTING AND CHALLENGES FOR 2009/2010

The greatest challenges facing the Technical Services Department relate to poor infrastructure, and limited resources (human, physical i.e. plant & machinery and financial).

In order to better deliver on the Technical Services mandate, the Department is now required to provide specific reporting to National Treasury and Department of Housing, Local Government and Traditional Affairs, on the backlogs in service delivery, and all progress within these areas, particularly in terms of actions to be taken to address areas and achieve sustainable and ongoing delivery.

To date, the municipality has not been in a position to provide this information and in real terms much of these statistics are simply not available as it has not previously been measured. Moving forward, steps are being taken to begin to measure these required areas, but as a result reporting within 2009/2010 will not adequately or fully reflect within all areas that were required to be reported in.

During 2009/2010 great success was had with the implementation of both MIG and IDP projects (unlike within previous years where limited IDP projects were conducted due to severe financial constraints).

All operational and maintenance costs are funded through the Municipality's internal funding and this is derived from service charges, equitable share allocations under the Division of Revenue Act and rates and taxes. All capital projects are undertaken with internal resources and MIG conditional grants (Municipal Infrastructure Grants).

The tables below detail planned projects and project expenditure for 2009/2010:

SAKHISIZWE MUNICIPALITY SUBSIDIZED PROJECTS 2009/2010

PROJECT	2010	2009
Grants and subsidies paid		
Other subsidies		
Fund: Cala Gravel Roads	-	1 800 635
Fund: Finance Management Grant (Related Projects)	2 454 863	1 345 066-
Fund: Skills Development	-	208 100
Fund: MSIG expenditure	306 542	359 735
Fund: MIG High Mast Towers	186 390	1 945 117
Fund: MIG expenditure roads	-	2 913 530
Fund: IDP	-	107 211

IDP PROJECTS: 2009/2010

PROJECTS	AREA	FUNDER	AMOUNT	STATUS
Maxongo's Hoek	Ward 2	MIG	R2,5m	Implementation Stage
Masibambane	Ward 2	MIG	R2m	Implementation Stage
Lower Cala-Lapesini	Ward 4	MIG	R3m	Implementation Stage
Tractors for ploughing the fields	Elliot Unit & Cala Unit	SM	R3m	Planning
Cala Abattoir Completion	Ward 5	CHDM	R1m	Planning
Sakhisizwe Greening	Ward 5 & Ward 2	DEAT	R7m	Implementation Stage
Electrification of Cala Extension	Ward 4 & 3	Eskom	R18m	Planning
Electrification of Takalani	Ward 1	DME	R6m	Planning
Dipping Tanks	Ward 1 – 7	CHDM	R1,5m	Planning
Taxi Rank	Ward 5	MIG	R1m	Planning
Hawker Stalls	Ward 1 – 5	MIG	R2m	Planning

**SAKHISIZWE MUNICIPALITY
PROJECT EXPENDITURE 2009/2010**

PROJECT	2010	2009
Grants and subsidies paid		
Fund: Housing	6 297 562-	1 259 343-
Fund: General Valuation	-	601 444
Fund: LED	284 131	-
Fund: Repairs and Maintenance	288 915	-
Fund: Dipping Tanks	97 875	-
Fund: Repairs & Maintenance: Pounds	2 124	-
Fund: Repairs & Maintenance: Street Lights	8 134	
Fund: Land Audit & Other	258 786	
Fund: Election Expenses		101 310
Fund: Cala Reserve Community Hall	-	186 819
Fund: Cala Pass Community Hall		193 593
Fund: Disaster expenditure	402 853	14 179
Fund: Web Site	-	49 560
TOTAL	10 588 175	11 085 642

The appointment of the PMU Unit Manager and the creation of this unit has been of tremendous value for ensuring effective roll-out of the projects as detailed.

Each area will be reported on in greater detail as follows.

WATER

Section objectives

- CHDM is the Water Services Authority – Sakhisizwe was appointed on an agency basis to reticulate until the Section 78 process was completed and this was to be 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 conducted 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;
- Curbing water shortages
- Development of the Water Master Plan;
- Purchase required and budgeted vehicles and equipment; and
- Build dams and reservoirs and planned pipeline extensions

Challenges and general comments

The Water Services backlog for Sakhisizwe Municipality is currently 23% for water and 71% for sanitation.

As a Water Services Provider, Sakhisizwe is contracted with CHDM to provide water services to urban and rural areas of Sakhisizwe.

The provision of potable water requires the pumping of raw water, the treatment of water (chemically and operationally), repairs and maintenance to pipe leakages (in terms of bulk and internal reticulation) and the operational monitoring re: water.

For the reasons mentioned earlier, it has been extremely difficult to report on the levels and standards in water and the following challenges abound:

- A lack of process control due to the fact that there are no qualified process controllers in all three WTW's, as general workers are normally used for this quality related operation. The need to employ qualified and classified process controllers for these Class D WTW

remains essential as the current operators (in the form of general workers) are mostly non-trainable, do not have the required qualification and/or are nearing retirement. At least 12 process controllers are required (4 for each of the three water treatment works).

- An increase in the raw storage is required as currently:
 - Cala WTW is at 45% capacity and half of this is silt/sand. This requires a de-silt and an increase of 100% in the dams capacity for future storage.
 - Tsomo River for the Cala package of WTW has been seriously affected by drought and there is no raw water storage as all water is directly extracted from the river into the treatment works. There is therefore a dire need to construct a raw water storage dam; and
 - At the moment, the Thomson Dam raw water storage for Elliot WTW is at 55% and half of this is silt/sand. The de-silting of this dam is essential.
- Staff within the water section have been appointed by both Sakhisizwe and CHDM, and programmes in respect of maintenance, water treatment, bulk and repairs, have been funded by Treasury Department on a ring-fenced fund. Notwithstanding the poor infrastructure and lack of qualified operators, these project targets have been achieved re-maintenance, water treatment reports, faults and repairs.
- Water shortage – severe drought within the area has affected water provision and water carts have been required to be used to transport water to affected areas;
- Shortage of dams and reservoirs to contain water continues;
- Old aging infrastructure, vehicles and equipment;
- Skilled staff/qualified staff are in short supply;
- The culture of non-payment remains – and cuts offs are implemented regularly;
- Water backlogs continue and are to be reduced;
- Illegal connections and meter tampering continues unabated and no fines are implemented;
- Poorly maintained pumps exacerbate efficient and effective service delivery;
- 3 128 receive subsidies

Disaster Management (Core function of the CHDM)

Disaster Management Forum meetings are attended in order to input into an integrated approach to the management of disaster, and the development of a Disaster Management Plan. This plan has not been approved but remains a core function of CHDM.

Challenges remain:

- Lack of integrated approach and co –ordination
- 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 and have continued during 2009/2010. In this regard all DORA stipulated guidelines were met. The project is funded and administered by DPLG.

Challenges

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

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 are served
- Conservancy tanks - 40
- Many VIP's are below RDP standards– 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 to provide waterborne sanitation in urban areas and VIP's in rural areas.

Sanitation challenges and general comments

- Rural sanitation backlogs are being addressed but remain a real challenge;
- There is a shortage of VIP toilets in rural areas;

- Maintenance ponds – sanitation ponds are needed in rural areas and the amount outstanding for waterborne is 1500;
- Old aging infrastructure continues to impede service delivery;
- Poor maintenance impedes service delivery;
- Construction of oxidation ponds has commenced in Elliot Extension; and
- Construction of new treatment works has commenced in the design stage.

Roads / Public Works

Objectives

- To engage in all service delivery projects (IDP and grant funded), which relate to specific projects in respect of:
 - The construction and maintenance of gravel and surfaced roads;
 - Rehabilitation and maintenance of roads;
 - The construction of access roads;
 - The construction of sidewalks;
 - The construction of stormwater systems;
 - The construction of bridges and river crossings;
 - The maintenance of road furniture;
 - The planning and design of new projects and the purchase of new plant and equipment.

Progress and Challenges

Specific targets were at times fully or partially achieved as follow:

- The gravel road access roads were stalled;
- 6 access roads were completed for 2009/2010;
- MIG Roads projects were well achieved, and these projects will to a large extent continue into the next financial year,
- Stormwater clearing has been completed and one of the greatest challenges relates to the development of the Roads Master Plan;
- The CHDM is currently organizing a Roads Indaba in order to determine the functional responsibilities of each role player i.e. local municipalities, DORT and the District Municipality;
- Reporting on roads maintenance and construction as per the gravel and tar roads and paving of Polar Park Streets, and the access roads projects remain an issue; and reporting cannot be validated re-progress and project implementation; and
- In respect of sustainable development, electricity and roads projects were started together and completed as scheduled. An additional 3 roads projects have been added and completed within 2009/2010.

Sanitation

The urban area of Masibambane is well services with 99% of households using flush or chemical toilets. This is not true for Elliot and Cala where 946 and 599 households do not have sanitation facilities.

The greatest challenges in respect of sanitation remain the ageing and inadequate infrastructure and a number of challenges are reflected as follows:

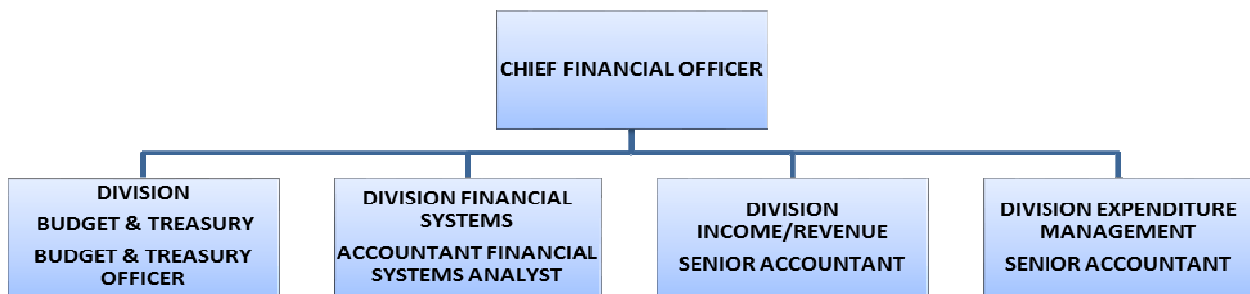
- The treatment works in Elliot has exceeded its design period;
- Sewerage ponds are at capacity;
- Pond walls are damaged;
- Sewerage flows into the river;
- There are rural sanitation backlogs;
- There is a shortage of VIP toilets and sanitation ponds in rural areas;
- Elliot requires waterborne sanitation;
- Operators (although recent appointments have been made), are to a large extent unqualified.

While day-to-day functioning and maintenance is conducted, this clearly does not meet the full requirements.

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6.5 BUDGET & TREASURY DEPARTMENT

CFO: DEPARTMENTAL MANAGER: MR P STEYN



Functional Responsibilities

- Revenue Collection/Income Generation
- Expenditure
- Budgeting
- Accounting and Reporting
- Information Technology
- Assets and Risks
- Supply Chain Management

Overall Objectives 2009/2010

In order to achieve the objectives of the vision and mission of the Sakhisizwe Municipality, the office of the Finance Department seeks to deliver the following:

- Develop all policies, procedures and by-laws required by the Municipal Finance Act (MFMA);
- Implement all Regulations as issued by National Treasury;
- Implement all policies and procedures as stipulated in the Municipal Finance Management Act (MFMA) and the Financial Regulations issued by National Treasury;
- Give effect to all accounting principles as required by GRAP (in respect of National Targets);
- Ensure that a transparent, effective supply chain management system is implemented;
- Ensure the effective, efficient and economic management of the monetary resources of the municipality;

- Support all Departments of the Municipality to achieve their objectives specified within in their 5 year departmental strategic plan;
- Manage and safeguard the assets of the municipality in order to ensure effective and economic delivery of services;
- Maintain, support and upgrade the IT network and equipment of the municipality to ensure effective service delivery;

PERFORMANCE REPORTING AND CHALLENGES

Sakhisizwe Municipality must be commended for the tremendous successes that they have achieved in 2009/2010. Under the guidance of Mr McEwen (DBSA mentor and coach) and the capable management of the CFO, Mr P Steyn, the financial health of Sakhisizwe has grown from strength to strength and as of 30 June 2010, Sakhisizwe had investments totalling R???? million.

In response to the Auditor General's Report, the Audit Action Plan was prepared and implemented for 2008/2009 and a audit action plan will be prepared for 2009/2010 financial year , and utilized as a base for resolving issues that will be identified within the Audit Report for 2009/2010.

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%.

Revenue Collection/Income Generation

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 functions and to ensure that the SABATA System becomes fully functional. Outstanding debtors are being dealt with by Legal Advisors.

The Municipality during the year under review completed 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 additional accounts raised for property rates (urban and rural) as of 1 July 2010.

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.

- While an increase of the **Debt Collection Rate to 30% was achieved**, this is very possibly due to the challenges experienced by the municipality in respect of the high poverty levels and political and economic influences.
- The Indigent Register is required to be regularly updated in order to accurately reflect these poverty levels.
- The Valuation Roll was well achieved and the supplementary and interim valuation rolls were implemented and updated in terms of MPRA 2004.
- The Rates Policy and the new Tariff Policy were tabled for adoption;
- The Credit Control and Debt Collection Policy is applied consistently and in an effort to implement this, cut-offs have been performed.
- Efforts have been made to ensure that staff update the SEBATA system with the corrected interest rates as per policy and interest rate changes;
- **Formal agreements between tenants and the municipality have been established and drawn up by legal experts, in order to ensure legislated prescriptions regarding payment commitments;**
- The monthly billing of accounts is more accurately completed;
- The Indigent Policy was updated, tabled and approved by Council;
- The utilization and implementation of the upgraded SEBATA software has been beneficial in addressing controls and reporting issues;
- Staff were capacitated as part of ongoing commitment to training and development;
- Tighter control in respect of cash management and revenue management remain an ongoing challenge, and extensive staff capacitation in terms of systems and controls is required.

Expenditure and Control

No dedicated staff exist for the Payroll Section, and it is clear that great deal of training and capacitation must occur for all staff.

- Expenditure reporting was provided monthly and quarterly in respect of reports to the Mayor, Council, National Treasury and Provincial Treasury; Any variance on expenditure (over or under-expenditure) was reported to National Treasury as required.
- Errors in the recording and processing of VAT were examined and adjustments made as required and approved.
- Reports from SEBATA were provided in order to be able to establish and determine the accuracy of the latest figures for the general ledger and the trial balance.
- Appropriate training in respect of functional areas was provided to staff in an endeavour to heighten capacity.
- The Service Provider conducted a completeness check on all supporting documentation for all transactions relating to operating grant expenditure and VAT, in order to verify figures provided (utilizing SEBATA downloads of general ledger and trial balance).

- A Purchasing Clerk was appointed in order to address irregular expenditure and the Service Provider assisted with performance targets and in capacitating the Purchasing Clerk to perform effectively.
- Any unauthorized, irregular or fruitless and wasteful expenditure identified was reported to the MEC for Local Government and data kept for record purposes.
- All creditors were paid within 30 days.

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Supply Chain Management

- Staff and Councillors were workshopped on the operation and functioning of Supply Chain Management although ongoing training and support is required;
- The Supply Chain Management Policy and Procedure was not fully applied in a number of areas and expenditure is to be managed with stricter controls.
- The appointment of the Supply Chain Manager should facilitate effective functioning;
- The Service Provider Database has not yet been updated and Service Providers Assessments are to be conducted and reported on regularly in future.

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:

- Timelines in respect of the Budget and budget issues have been well achieved
- Public committees and consultation forums for Finance (IDP linked) have been established.
- The following budget-related activities were achieved:
 - Alignment of budget to IDP
 - Service Delivery Agreements
 - Delegations
 - Budget-related Policies
 - Operational and capital budget
- Tariffs were determined as per updated Policies
- The Budget and supporting documents approved
- Budget and supporting documents provided to :
 - National Treasury
 - Provincial Treasury
 - Public
- Service Delivery and Budget Implementation Plan (SDBIP), completed for Finance division and adhered to;
- All wards participated in the Budget process which represented an incredible improvement in public participation
- Senior Staff in the Budget & Treasury possess the required tertiary qualifications but lack practical 'on the job' experience and this is to be attended to via coaching and training;
- Capacity issues and shortage of staff in the Budget & Treasury Department remain a huge issues and steps are underway to resolve this;
- Financial constraints remain a challenge
- SDBIP Plans were linked to Budget/IDP and aligned –achieved 2009/2010 as SDBIP aligned to Budget and National Indicators;
- Improvements in financial controls is evident;

- Financial Policies are in place – policies developed and implemented in 2009/2010 financial year;
- Service delivery agreements have been signed with the Department of Transport, Department of Arts & Sports and Library Services;
- Legislative compliance in respect of the MFMA has occurred and in respect of- GRAP conversions for low capacity municipalities this has been extremely well achieved;
- The Budget has been concluded in the new GRAP format; and
- Annual Financial Statement have been done within required timeframes as legislated -- during 2009 /2010 financial

Accounting and Reporting

Daily and monthly updating of accounting records and 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 include:

- Monitoring and control although much improved will remain an ongoing challenge to ensure constant and accurate data integrity and management;
- Reconciled registers and supporting documentation are maintained.

Assets and Risks

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

- GRAP compliance in respect of moveable assets and proper stock evaluation of assets has been done.
- Ongoing Stock take of asset – acquisition and disposal of assets occurs;
- Fixed assets are to be reviewed;
- An asset vote and asset management report is to be developed;

- The Assets Register has been converted to GRAP as per prescriptions, and the Fixed Assets Register has been updated as per the physical asset verification.
- The Asset Register was a particular weakness during 2008/2009 and this has been addressed more thoroughly in 2009/2010.

Motor Vehicle Licensing

Many challenges exist and reporting 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 of management and control.

Information Technology

- The planned IT Plan developed by SITA is awaiting proposals and feedback;
- DBSA is initialising the programme link of the Municipality to LGNET
- All users have secure log in access
- DBSA is to integrate the system
- IT Training has 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 computerised; there is no attendance register controller and no exception reports are run.

OVERVIEW AND CONCLUSION

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OVERSIGHT REPORT 2009-2010

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1. **Background**

In terms of s129 of the Municipal Finance Management Act, Act 56 of 2003, Council is required to consider its Annual Report and after suitable reflection and analysis, it is required to prepare and adopt an Oversight Report, which will be approved together with the final draft of the Annual Report.

It is the intention and full purpose of the Oversight Report, to provide comments and evaluation of the manner in which the annual report was written, from a technical perspective, a compliance perspective and in terms of the degree to which the Annual Report reflects an accurate account of performance and highlighted issues for the period under assessment. Any reservations in respect of structure or content are highlighted within the Oversight Report and taken into account at the point where Council makes a decision to approve the Annual Report, with or without reservations.

The draft Annual Report is required to be submitted to Council for approval by 31 January 2011, in order that this report may be taken further for public comment. Comments and additions will be allowed during February as feedback and where required, the necessary amendments will be undertaken.

After amendments, the final draft Annual Report and the related Oversight Report are submitted to Council for final approval by 31 March 2011.

Traditionally the Oversight Report was prepared by the Oversight Committee that was prepared for this purpose. In terms of new **Regulations** municipalities are now required to establish MUNICIPAL PUBLIC ACCOUNTS COMMITTEES (MPAC), which will replace the traditional Oversight Committees, although their function and terms of reference remain very much the same.

The first meeting of the MPAC (comprised of Portfolio Councillors) is scheduled for 4 February 2011 and extensive discussion and evaluation of the Annual Report will take place as planned. An Oversight Report is developed from this meeting and this will provide an accurate analysis and assessment of the content of this Annual Report.

Based on this report and after due consideration of the written submissions received from members of the community and organs of the state, the Annual Report will be adopted with or without reservations.

2. **Analysis of the 2009/2010 Annual Report**

The process of analysing the Annual Report required not only a thorough analysis of the report itself, but due consideration of all written submissions (from members of the community and organs of the state).

Areas of focus (in respect of comments), may be summarised as: legislative compliance, a summary of representations received from the community and others, and a summary of reservations expressed and corrective actions required by the MPAC.

2.1 Reporting on the Annual Financial Statements

As stated within the Auditor-General's Report for 2009-2010, an **adverse opinion** was awarded to Sakhisizwe Municipality as is referenced below:

“In my opinion, because of the significance of the matters described in the basis for adverse opinion paragraphs, the financial statements do not present fairly the financial position of Sakhisizwe Local Municipality as at 30 June 2010, and its financial performance and its cash flows for the year then ended, in accordance with South African Generally Recognized Accounting Practice (GRAP) and in the manner required by the Municipal Finance Management Act of South Africa (MFMA).”

When reporting on the accuracy of the Annual Financial Statements and related issues, it is necessary to refer directly to both the Auditor General's Report and to the Response to the Auditor-General's Report in order to facilitate required insight.

In terms of the response to the Auditor-General's Report, the following issues are receiving priority and ongoing commitment is invested in ensuring that challenges identified become resolved over time and in a consistent manner.

In an effort to address these issues in a coordinated manner an Audit Action Plan has been developed which details the manner in which issues raised within the Auditor-General's Report, will be dealt with.

Looking at the overall issues raised within the Auditor-General's Report, the following broad areas will receive focus:

- Management of performance (at an organisational and individual level);
- Internal Controls;
- Document Management and Record-Keeping;
- Updated policies and procedures;
- Risk Management; and
- Legislative compliance

As detailed within the Audit Action Plan, each of these areas will receive specific focus in order to ensure they are addressed in a coordinated manner.

2.2 Circulation of the Audit Report

After the approval of the draft Annual Report by Council by 31 January 2011, this report is made available to the community, officials, Councillors and other stakeholders so that public participation may be exercised in the broadest sense.

This process is achieved by making copies of the Annual Report available to the communities and advertising its availability for inspection at designated public areas in the following towns:

- Cala

- Elliot

It must be noted that all inputs are to be received by no later than 28 February 2011, in order to allow enough time for appropriate amendments to be made.

2.3 Summary of Findings: Annual Report 2009-2010

In analysing and assessing the content of the Annual Report, the Municipal Public Accounts Committee (MPAC), will also evaluate the extent to which this report has complied with statute. Findings are reflected in the table below:

Reservation Expressed by the Oversight Committee	Actions Required	Due Date
The Annual Report was submitted to Council on due date. The Council meeting was held on the 31 January 2010.		31 January 2010

2.4 Representations from the Community and Others

The following table details the key written representations received from the respective bodies/individuals relating to the contents of the Annual Report.

Representation submitted by	Key Issues Raised	Determination by MPAC
Individual Councillors		
Private Individuals		
Civic organizations		

Representation submitted by	Key Issues Raised	Determination by MPAC
Other organized community structures (business, churches, sporting bodies, agriculture, labour, etc.)		
Auditor-General		Presented at Oversight Committee Meeting
Audit Committee/ Oversight		Presented at Oversight Committee meeting
Other Spheres of government	Members of other spheres of government	

2.5 Summary of Reservations and Corrective Action Required

The reservations as expressed by the MPAC and the required action to be taken by the Mayor and the Administration in respect of this are detailed below with specific reference to each chapter of the Annual Report as follows:

Chapter 1: Organisational Transformation and Institutional Development

Issues

Clarity is required in respect of the statistical data provided, as many discrepancies with data exist, and it is noted that in many instances common statistics between different databases do not correlate.

More specifically, verification of the following data is required:

- Staff Complement
- Total number of positions within the organisation (detailing approved vs. funded positions, and vacant funded vs. vacant unfunded positions);
- Budget figures relating to training conducted (per course and per person) are to be verified and detailed as these have not all been provided;

- The Human Resources Statistics per functional area and in terms of gender are required to be verified and audited -- these figures do not appear to tie up with staff complement and the number of filled posts;
- The lists and detail regarding the pension and medical aids to whom employees belong must be checked and updated as per required reporting data;
- The table relating to point 1.5 (Annual Performance as per key performance indicators in municipal transformation and organisational development) must be completed in all areas. More specifically statistics are required for specified indicators i.e. vacancy rates for all approved and budgeted posts; the percentage of Technical Services Managers with a professional qualification; the percentage of female employees (accuracy is in doubt), and so too the percentage of employees aged 53 or younger;
- The table in 1.6 (Major Challenges and Remedial Actions – taken and planned), is considered to be an accurate reflection of the status at that time.

Note: It must be recognized that as the Annual Financial Statements are first audited by the Auditor-General, these figures are to be taken as correct. Related data in respect of payroll, employment equity, skills development and the like needs to tie up and must be re-worked, recalculated and thus verified accordingly. It is possible that discrepancies could arise due to staff movement (promotions, terminations and the like), however a single set of statistics must be accepted as the reliable/accurate version, and if necessary a qualification must be attached to indicate how this figure was determined i.e. figures at a particular date or average figure for a particular indicator.

Corrective Action

In each area identified above, corrective action will be taken by sourcing, and verifying the correct data to be used, and validating these with the Annual Financial Statements.

All related data throughout this report is to reflect the same data and statistics in order to ensure the credibility of data, and to prevent unnecessary audit queries.

Performance Management is to be more effectively applied, and in this manner all staff are to be adequately trained in its application; indicators are to be refined and control measures and reporting is to be improved.

While the SDBIP was reworked to ensure alignment with the IDP and scorecards the true significance of all of these tools was not appreciated and systems were not always applied in the manner required. Although performance was recorded and reported, performance assessments were not held regularly and reporting was not always maintained in the manner required. The final performance assessment was not completed for the 557 managers (currently the only level to which this policy

applies) and this prevents any applicable bonus award being paid. This practice is in contravention of the contract of performance applicable to 57 employees.

Chapter 2: Performance Highlights

Issues

The following areas will require that effort is made to measure and record data that is required in terms of legislative prescriptions. Within service delivery very specific data is required to be presented, not only in terms of compliance but as a means to ensure improved service delivery and sustainability of improved service delivery levels over time through appropriate forward planning.

These are detailed as follows and cut across all service delivery departments:

- Percentage of clinics, schools and households with access to potable water, sanitation, electricity, road infrastructure and refuse removal services;
- Total number of households expected to benefit in respect of , potable water, sanitation, electricity, road infrastructure and refuse removal services;
- Estimated backlogs in respect of potable water, sanitation, electricity and road infrastructure and refuse removal services;
- Targets for the financial year under review in respect of potable water, sanitation, electricity, road infrastructure and refuse removal services;
- Number of households reached during the financial year in respect of potable water, sanitation, electricity, road infrastructure and refuse removal services;
- Percentage of planned service levels achieved during the current financial year in respect of potable water, sanitation, electricity, road infrastructure and refuse removal services;

As per the above, the same requirements exist for establishing:

- The estimated backlogs (actual numbers) of indigent households with access to free alternative energy sources;
- Estimated backlogs for indigent households who do not have access to free basic sanitation services;
- The number of households /customers reached during the financial year in respect of actually constructed roads infrastructure;
- The number of households/customers reached during the financial year in respect of road upgrading and maintenance;
- Similarly, for housing and town planning services it is required that statistics be provided in respect of households living in informal settlements; those settlements that have been provided with basic services and the percentage of households/informal housing that conform to the minimum building standards for residential houses. Currently no statistics have been provided within this area.

Corrective Action

While Sakhisizwe Municipality must be commended for their ability to provide the required statistics in almost all areas relating to service delivery, the accuracy of numbers and statistics in respect of refuse removal would need to be verified.

Statistics in respect of figure 2.6.3 must be obtained and provided. Plans must be made to ensure that this type of measurement occurs as required, and similarly for Land Use Management as per table 2.7.2.

Additionally it must be noted that ongoing measurement and evaluation for all of these statistics must be maintained for future planning and heightened efficiency.

The Service Provider Reports have not been completed and the required information is not readily available to be able to complete these tables and reporting structures. This type of reporting in itself will ensure that the required reporting information and the performance of these service providers will be better managed.

Efforts must be made to consciously factor all required reporting into day-to-day or monthly reporting structures and SDBIP reporting must be completed as is formally required.

Chapter 3: Municipal Local Economic Development Framework

Issues

Progress in respect of LED has been very limited and in the absence of an approved LED Strategy; the LED Unit is not functional. LED initiatives occur ad-hoc in the absence of this strategy and any formal direction.

The approval of the Spatial Development Framework is also anticipated to improve this situation.

No statistics have been provided for table 3.3 in respect of LED, SMME and EPWP required information and statistics.

Notwithstanding and while acknowledging the limitations within LED (due to resource capacity and financial and operational commitment), we feel that this chapter accurately reflected the nature and focus of LED for the period under discussion.

Corrective Action

It is required that all statistical detail is provided as detailed.

More importantly, the LED Strategy and implementation plan are required to be approved. Once this has been achieved, plans are to be put in place to ensure that all required statistics emanating from required activities will be detailed and recorded formally.

Similarly, as per the table on LED Projects, all data is required to be updated and recorded as per the table content.

Chapter 4: Audited Financial Statements

In this regard issues have already been highlighted within the Auditor Generals report and its response. The Audit Action Plan must be read together with these reports in order to achieve a greater understanding of the situations highlighted. Formal SDBIP Reporting is required to be formally conducted as per issues of compliance

Chapter 5: Good Governance and Public Participation

Issues

The following issues have been raised:

- No policy currently existed on the management of Legal Risks – and this is required to be developed.
- Record keeping is an extremely weak area (lack of staff and capacity) and this is extremely damaging not only to institutional memory, but also to the ability to access the required documents when requiring statistic data of a specific nature;
- The IDP although Reviewed annually is a document that requires additional rework and review in order to ensure that:
 - It accurately reflects the needs of the community;
 - It is written in terms of the national indicators;
 - Indicators are to be reworded where required in order to be written in goal directed and performance target measures;
 - All IDP and MIG related projects are required to be specified with required detail as required by the template.

Corrective Action

Every effort will be made to ensure these issues are addressed and that all reporting and statistical data are appropriately managed so as to ensure accurate and complete record keeping and to facilitate easy access to files and data.

Overall, this chapter is considered to be an accurate account of the administrative functioning relating to governance and public participation.

Chapter 6: Functional Areas

Issues

In most areas, the information on functional areas has been adequately provided. Again it is statistical data that is at times found to be lacking, for example:

- The table on community statistics for facilities;
- IDP Project information (Budget and Progress);
- Subsidised Projects and IDP Projects and project expenditure;
- The revenue collection ratio statistics;
- The debt collection ratio statistics;
- Compliance with assets and risks; and
- Motor vehicle licensing reporting (it remains impossible to access required data /statistics and detail and this has huge compliance and legal ramifications.

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Corrective Action

In order to remedy this situation all required data must be sourced and provided where required. Filing systems are to be reviewed and all staff are to ensure that documents are managed in the manner required.

2.6 Concluding Comments on Effectiveness and Structure of Annual Report

In terms of the content of the Annual Report and in terms of the format and the manner in which the required information was captured we are confident that the information presented reflects an accurate account of performance within the municipality.

In accordance with Section 13(3) of the MFMA (No 56 of 2003), it is required that the Annual Report include the following information:

- 1) Annual Financial Statements for this period that have been submitted to the Auditor General;
- 2) The Auditor General's Audit Report;
- 3) The Annual Performance Report of the Municipality in terms of s46 of the Municipal Systems Act;
- 4) The Auditor General's report in terms of Section 45(b) of the Municipal Systems Act;
- 5) The assessment by the Municipality's Accounting Officer of any arrears on the municipal taxes and service charges; and
- 6) An assessment by the Municipality's Accounting Officer of the Municipality's performance against the measurable performance objectives referred to in Section 17(3)(b) for revenue collection from each revenue source and for each vote within the Municipality's approved budget for the relevant financial year.

The 2009/2010 Annual Report has been prepared in accordance with all legal prescriptions and strictly in accordance with the guidelines contained in the MFMA Circular No 11 of the Municipal Finance Management Act No 56 of 2003.

In accordance with this, five (5) key chapters were developed as follows:

1. Introduction and Overview
2. Performance Highlights
3. Human Resource and other Organisational Management
4. Audited Statements and Related Financial Information.
5. Functional Area Service Delivery Reporting.

In this regard, it is felt that the purpose of this report was indeed achieved, namely:

- To provide a record of the activities of the Municipality or entity;
- To provide a report on performance in service delivery and budget implementation; and
- To ensure accountability to local communities.

3. **Minutes of the meetings of the MPAC Committee**

Copies of the minutes of the meetings of the MPAC will be included in the final Oversight Report to facilitate transparency in the dealings and deliberations of the committee in compiling the Oversight Report.

The committee met on 4 February 2011 and a copy of the minutes will be available for future reference.

4. **Resolution of Council**

The resolution of Council at the meeting where the final version of the Oversight Report was considered is reflected as follows:

4.1. The Council having fully considered the 2009/2010 Annual Report of the municipality and representations made thereon, adopts the 2009/2010 Oversight Report and;

4.2. Council approves the 2009/2010 Annual Report with reservations as included in the comments in the Oversight Report and;

4.3. Council requests the Mayor to provide monthly reports to Council on progress with execution of the corrective actions contained in the Oversight Report.

NOTES TO THE AUDITOR GENERAL AND MANAGEMENT OF SAKHISIZWE MUNICIPALITY

- First and foremost your attention is drawn to the fact that this report is for all intents and purposes a draft;
- In producing this report there has been reliance on information that was to be provided by the s57 managers and reference has been made to organizational documents such as the s46; SDBIP's; Strategic Scorecard and the IDP together with the Annual Financial Statements, which have subsequently been audited and adjusted.
- In most instances information has not been forthcoming and with minimal input the content was drawn from the various documents as indicated.
- Reporting required in terms of service delivery backlogs and relevant statistics is simply non-existent in many areas. Understanding the level of reporting now required (both in terms of the s46 and in terms of the manner in which the new GRAP financials are now designed ---which will in itself aid this type of reporting – this information must now be accessed. Perhaps it would be pertinent to engage in service providers to set up required measures and to obtain at least the baseline figures moving forward.
- It is trusted that any gaps in information and reporting will be timeously highlighted in order to ensure that appropriate information can be timeously provided and verified for audit purposes.

CLOSING SUMMARY

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

Within Part 1; 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. The Mayors Foreword; Municipal Managers Report and the Executive summary.

Part 2; Chapter 2 has Achievements highlighting the Performance and the key successes and challenges experienced by the 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 organization LED Framework and Implementation

Chapter 4; represents an account of Sakhisizwe's financial health and includes all financial statements as public documents.

Chapter 5; provides insight into the Good Governance and Public Participation and the organization structure and changes required to ensure that Sakhisizwe Municipality is able to fulfil its developmental Local Government objectives, through compliance at every level.

Chapter 6; 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.

Finally, it must be noted that the Annual Report for 2009/2010 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.

Concluding remarks

In concluding, it must be noted that while every effort has been made to reflect on the annual performance of Sakhisizwe Municipality during the 2009/2010 period and the degree to which the performance targets have been met, it must also be acknowledged that in certain instances there has been a lack of information (as detailed within the draft Oversight Report). Lack of adequate formal records, and systems and controls to verify various aspects of performance have already been highlighted as areas for concern within the Auditor General's Report.

Notwithstanding and as per the Audit Action Plan, steps are underway to ensure that required information is recorded in an effective manner. In respect of service delivery it has already been indicated that certain aspects were never required to be measured in the past but that these are now required for statistical purposes, compliance and to ensure sustainability. These limitations we acknowledge and it is understood that all of these inadequacies could never be resolved "over- night".

What is commendable is the manner in which the Audit Action Plan for the previous financial (2008/2009) has been developed and the manner in which efforts are being made to resolve these issues moving forward.

Cognizance must be taken on the work done thus far by The Municipal Manager the CFO and the Audit Committee (driving compliance issues) however there is still room for much improvement.

Notwithstanding these issues it is recommended that Council adopt this Annual Report as a reflection of the activities, progress and issues as they occurred within the 2009 -2010 financial year.



Recommendations

It is recommended that

Council, having considered the 1st draft Annual Report for 2009/2010 and representations thereon adopts the **draft Annual and draft Oversight Report**.

That Council approves the Annual Report without reservation for Sakhisizwe Municipality for the period 2009/2010 as reflected in the 1st draft Annual Report attached for this purpose.

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
PMCL	Prevention mechanisms of current litigations
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 Honourable 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**
- **DBSA Mentor: Mr P McEwan**



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