

# DRAFT ANNUAL REPORT FOR 2009/2010



Gariep  
Local Municipality  
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1/31/2011

ep

The council of Gariep Local Municipality hereby presents this report to, in part, fulfill requirements of the section 46 of the Local Government: Municipal Systems Act, 2000 (Act No 56 of 2003) but most importantly, to account to citizens in our municipal area about our stewardship of our council for the past twelve months. The report provides a detailed account on what has been done to implement the Integrated Development Plan of the municipality, the financial statements of the municipality as was presented to the Auditor General and the report of the Auditor General on those statements. The report will further provide an detailed action plan on how the management of the municipality intends to correct all issues raised by the Auditor General.

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**Section 46  
Report for  
2009/2010**

January 31, 2011



## TABLE OF CONTENTS

1.0 INTRODUCTION AND OVERVIEW .....	5
1.1 THE MAYOR'S FOREWORD.....	5
1.1 KEY ACHIEVEMENTS.....	5
1.2 MUNICIPAL MANAGER'S STATEMENT .....	6
1.3 OVERVIEW OF THE MUNICIPALITY .....	7
1.2 THE POPULATION.....	7
1.2.1 SOCIAL ECONOMIC TRENDS.....	8
1.2.2 COMMUNITY FACILITIES .....	8
1.4 EXECUTIVE SUMMARY .....	9
2.0 HUMAN RESOURCE AND OTHER ORGANIZATONAL MANAGEMENT .....	12
2.1 GARIEP MUNICIPALITY ORGANIZATIONAL STRUCTURE .....	12
2.1.1THE POLITICAL STRUCTURE .....	12
2.1.2 THE ADMINISTRATIVE STRUCTURE .....	13
2.1.2.1 FUNCTIONS OF THE ADMINISTRATIVE STRUCTURE .....	13
2.2 STAFF DEVELOPMENT DURING THE SIX (6) MONTHS ENDING DECEMBER 2009 .....	14
2.3 TRAINING AND HUMAN RESOURCE DEVELOPMENT.....	14
2.4 KEY HR STATISTICS PER FUNCTIONAL AREA .....	15
2.5 IMPLEMENTATION OF PERFORMANCE MANAGEMENT SYSTEM.....	16
2.6 TECHICAL STAFF REGISTERED WITH PROFESSIONAL BODIES .....	17
2.6.1 LEVELS OF EDUCATION AND SKILLS .....	17
2.6.2 LIST OF MEDICAL AIDS TO WHOM EMPLOYEES BELONG .....	18
2.6.4 SENIOR OFFICIALS' WAGES AND BENEFITS.....	18
3.0 KEY PERFORMANCE AREAS FOR THE PERIOD ENDING DECEMBER 09	<b>Error! Bookmark not defined.</b>
3.1 BASIC SERVICE DELIVERY.....	<b>Error! Bookmark not defined.</b>
3.1.1 OTHER PROJECTS BEING UNDERTAKEN.....	35
3.2 MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT .....	39
3.3 HUMAN RESOURCE AND ORGANIZATIONAL MANAGEMENT .....	45
3.4 GOOD GOVERNANCE AND PUBLIC PARTICIPATION .....	52
4.0 ANNEXURES – SUMMARY OF EXPENDITURE PER VOTE ENDING DECEMBER 09 ....	<b>Error! Bookmark not defined.</b>



PART 1: INTRODUCTION AND OVERVIEW



## **1.0 INTRODUCTION AND OVERVIEW**

### **1.1 THE MAYOR'S FOREWORD**

I am obliged by section 46 of the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000) to cause the municipality to prepare and submit a report in terms of which it gives a full account of its performance against stated objectives and reasons, where necessary, why some objectives were not met. It gives me great pleasure as Mayor of Gariep Local Municipality to present the Annual Report for the year ended June 2010. This report covers all activities for the financial year July 2009 – June 2010. It is, by no means, a small matter that I present this report to both our council and to our community. It is an enormous responsibility to be entrusted with the leadership of this extraordinary institution. I am very proud to inform the community of the Gariep Local Municipality about the challenges and successes that the Council came across during the year under review.

The Council continues from the successes of the past financial year to make tremendous strides towards achieving its objectives in all five key performance areas, namely:

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

### **1.1 KEY ACHIEVEMENTS**

The Council of Gariep Local Municipality has built on the successes of the previous financial year in achieving its objectives in the financial year under review. Tremendous progress has been made in all five key performance areas, with more emphasis in the following:

- Improving basic service delivery to all the communities;
- Developing and implementing customer – centric models;
- Accelerating service delivery; and
- Working towards unqualified audit opinion.

I would like to thank all the Council members, officials and the public at large, for their support. The remainder of the financial year ending June 2010, will equally be more challenging and we all need to partner to achieve a better life for all communities within the Gariep Municipality.

**COUNCILLOR NCEDO WILLIAM NGOQO  
MAYOR GARIEP LOCAL MUNICIPALITY**



## 1.2 MUNICIPAL MANAGER'S STATEMENT

As the Accounting Officer of the Municipality, I join His Worship the Mayor; Cllr NCEDO WILLIAM NGOQO, in presenting the Annual Report of the Gariep Local Municipality for the financial year July 2009 – June 2010. The Annual Report has been compiled in line with the Local Government Municipal Systems Act 32 of 2000, the Municipal Finance Management Act 56 of 2003, as well as National Treasury Circular No. 11 (which outlines Annual Report Guidelines). I make this statement in order to emphasise that, unlike last year, we have cast aside the format developed by the Department of Local Government and Traditional Affairs for annual reports because of its serious deficiencies as far as legal requirements for performance reporting is concerned.

The report records the progress made by the Gariep Municipality in fulfilling its objectives as reflected in the IDP and the Service Delivery and Budget Implementation Plan for the entire financial year ending June 2010. Once again, we have to admit that, while we can see tremendous improvement in our performance, we still have many challenges. These include the limited revenue base, non payment of services by those who can afford, inability to recruit and retain some of the key skills due to poor pay structure arising from the low grading of the municipality and lack of discipline and commitment from some staff members.

We are, however, deeply appreciative of the political leadership and guidance provided by our Council led by His Worship the Mayor; Cllr. NCEDO WILLIAM NGOQO, their dedication, commitment and involvement provided us with valuable direction and support towards achieving our municipal objectives. The report will serve as a base from which we can work to enhance our performance and our service delivery going forward.

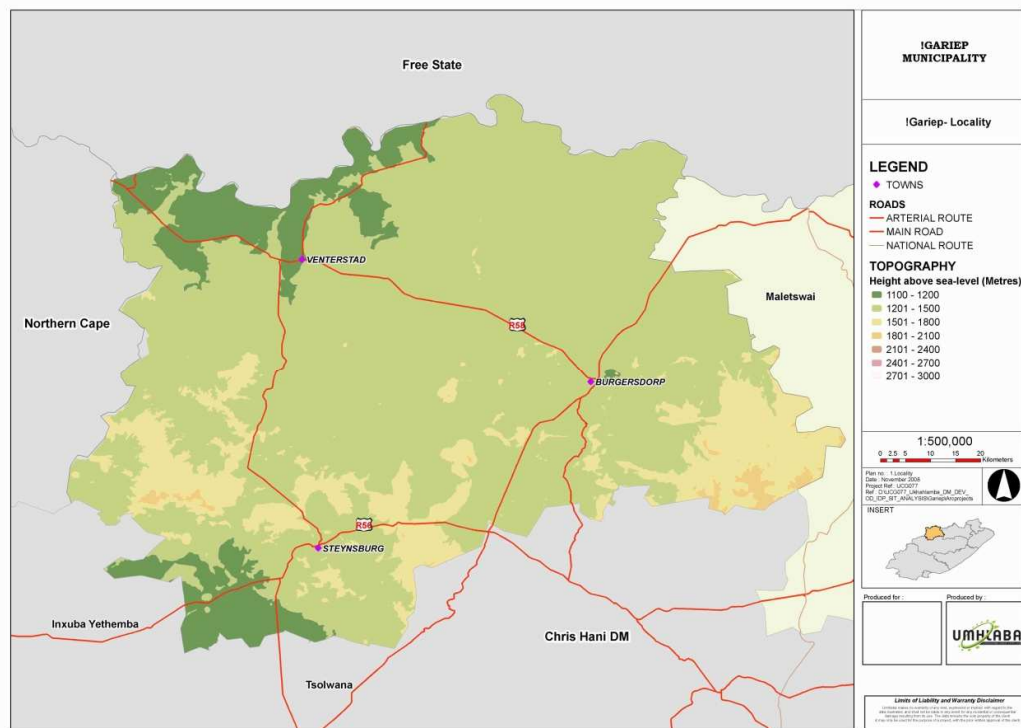
To the management team of the Gariep Local Municipality, we are grateful and acknowledge the contributions of each of you and the staff as a whole you have provided towards the development of this report. We need to, at all times, bear in mind that we have a responsibility to assist our communities to obtain and sustain higher levels of service delivery wherever practical. Let us move forward together, with the objective of building a better future for all, as our guiding principle.

**MR. THEMBINKOSI MAWONGA**  
**MUNICIPAL MANAGER**



### 1.3 OVERVIEW OF THE MUNICIPALITY

The Gariep municipal area is located in the west of the Ukhahlamba District Municipality. Gariep Local Municipality is located south of the Orange River and Gariep Dam and shares boundaries with the following local municipalities: Inkwanca to the southeast, Tsolwana to the south, Inxuba Yethemba to the southwest and Maletswai to east. Gariep Local Municipality covers an area of 8821km<sup>2</sup>. Gariep has three main towns namely Burgersdorp, Steynsburg and Venterstad.



### 1.2 THE POPULATION

The Gariep local municipality has a population of approximately 23,709 (compared to the 2001 Census estimate of 31,313) people residing in 8,208 households (compared to 8,229 households (Census 2001)). This population accounts for 7.69% of the total population residing in the Ukhahlamba district, making it the least populous local municipality in the district.

More than half of the population within the Gariep Local Municipality is females. The majority of the households are headed by women. Overall, the Gariep Local Municipality is made up of 53% females and 47% males. Black Africans constitute the majority of the population. Approximately 51.11% of the municipal population falls in the 20-65 age categories which can be seen as the economically active sector of the population, with 42.27% of the population below the age of 20. This suggests continuing population growth in the area with a need for educational facilities and a focus on education and skills training.



Data obtained from the Community Survey 2007 indicates that 36% of the Gariep population has received education up to Grade 6. 15.78% have received no schooling and a small percentage has some form of tertiary education. There are 23 primary, 4 secondary and 4 combined schools in Gariep local municipality. The municipal area has no tertiary facilities.

### **1.2.1 SOCIAL ECONOMIC TRENDS**

The data from the Community Survey 2007 indicates that 28.64% of the population of Gariep earn no income and that a further 32.12% earn between R1 and R1600 per month. This is compared to 50.58% of the district population with no income and 59.34% of the provincial population with no income. This has implications with regard to affordability of services and the sustainability of these services. Many people are dependent on social grants and government pensions.

The average unemployment rate of the Gariep Municipal area is 20%. The percentage of people who are unemployed but not looking for work is 47%, compared to 54% for the district and 48% for the province. There are 3 874 people employed in Gariep (26.64% of the population), compared to 25% in the district and 29% in the province. The urban areas and commercial farming district are the highest employers, where people have found employment in the agriculture, commercial and service sectors.

### **1.2.2 COMMUNITY FACILITIES**

The Municipality has invested in sports and recreation facilities in all wards, though some facilities need to be upgraded to ensure quality service to the communities within the municipality. Facilities include sports fields, swimming pools, Golf Course, Tennis Courts and Indoor Sports Center. All wards within the Gariep Municipal area have a Community Hall.

The Municipality has Library facilities operated on an SLA (Service Level Agreement) basis by the municipality and the Dept of Sport, Recreation, Arts & Culture which is aiming at having an improved coordination and collaboration between provincial and local government that would result in a transformed and equitable library and information services delivered to all communities of Gariep Municipality.





## **1.4 EXECUTIVE SUMMARY**

### **1.4.1 Vision**

Creation of a conducive environment for an improved quality of life for all.

### **1.4.2 Mission**

Fighting poverty by creating opportunities for employment, stimulating entrepreneurial spirit, thus encouraging self employment and reliance.

### **1.4.3 Values**

- Quality of Service and Performance Excellence
- Commitment and Teamwork
- Integrity, Honesty and Respect
- Accountability and Transparency
- Participation and Empowerment
- Learning and Development

## **1.4.4 OVERSIGHT FUNCTION**

### **1.4.4.1 Audit Committee**

Gariep Local Municipality has a functional Audit Committee which is an independent oversight advisory body of Council. The Committee performs a number of functions including financial issues and performance management, including quarterly performance evaluations. Members of the Audit Committee are supposed to meet four (4) times a year according to legislation. The following are members of the Audit Committee:

- Mr. Themba Radebe;
- Mr. Zolile Manjiya; and
- Mrs. Lungelwa Gaji
- Mr. Bongani Mathae

### **1.4.5 SERVICES OFFERED BY THE MUNICIPALITY**

The Integrated Development Plan (IDP) for the financial year 2008/2009 adopted by the Gariep Local Municipality Council, set out clear objectives and strategies for attaining the overall mandate of the institution. These objectives and strategies were translated into clear deliverables and informed the basis of both the Service Delivery and Budget Implementation Plans and Institutional Performance.



In terms of the Municipal Systems Act 32 of 2000 (as amended) and accompanying regulations, the Gariep Local Municipality reviewed its IDP during the year under review. Key themes during the review included Institutional arrangements, updated project lists and IDP – Project linkage.

#### **1.4.5.1 WATER AND SANITATION**

The Ukhahlamba District Municipality is the Water Services Authority, responsible for water and sanitation services and Water Services Plan has been adopted. A Water Services Plan was developed in 2008 and includes a comprehensive strategy to deal with water and sanitation backlogs including bulk infrastructure development in the district as a whole. The Community Survey 2007 data indicates the following:

- 96.5% of the population of Gariep has water provision above RDP standards, with 2.2% having no water and 1.3% having below RDP standard provision; and
- 91.8% of Gariep has been served and 8.2% un-served as far as sanitation is concerned.



**CHAPTER 1: TRANSFORMATION AND  
ORGANISATIONAL DEVELOPMENT**



## 2.0 HUMAN RESOURCE AND OTHER ORGANIZATONAL MANAGEMENT

### 2.1 GARIEP MUNICIPALITY ORGANIZATIONAL STRUCTURE

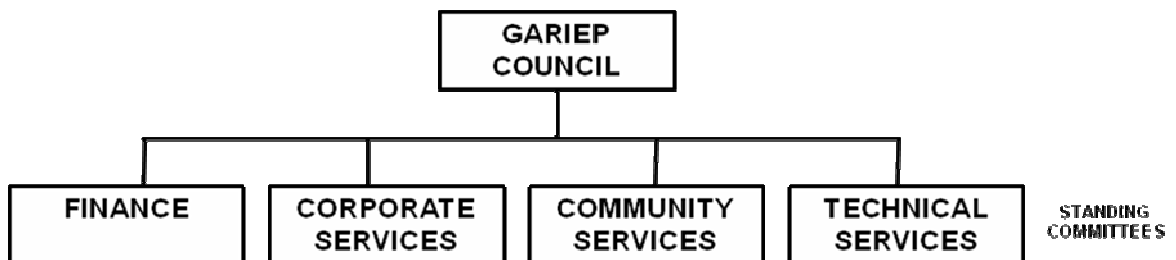
The organizational structure of the Gariep Local Municipality is divided into two (2) sections, namely political and administrative structures. The administrative structure is accountable to the political structure.

#### 2.1.1 THE POLITICAL STRUCTURE

The centre of the Gariep Municipality's political structure is Council which is led by Mayor NCEDO WILLIAM NGOQO. The Council is assisted by other committees in discharging its political mandate and responsibilities. The following are the committees that assist Council in carrying out its responsibilities:

- The Audit Committee;
- Standing Committees, which include:
  - ✓ Finance Standing Committee;
  - ✓ Corporate Services Standing Committee;
  - ✓ Community Services Standing Committee; and
  - ✓ Technical Services.

The above committees are set in terms of section 79 and 80 of the Local Government Municipal Structures Act 117 of 1998 (as amended).



## 2.1.2 THE ADMINISTRATIVE STRUCTURE

The centre of the Gariep Municipality's administrative structure is the Municipal Manager, who administers the municipality with departments and units reporting directly to him. The administrative structure develops and implements the Integrated Development Plan.

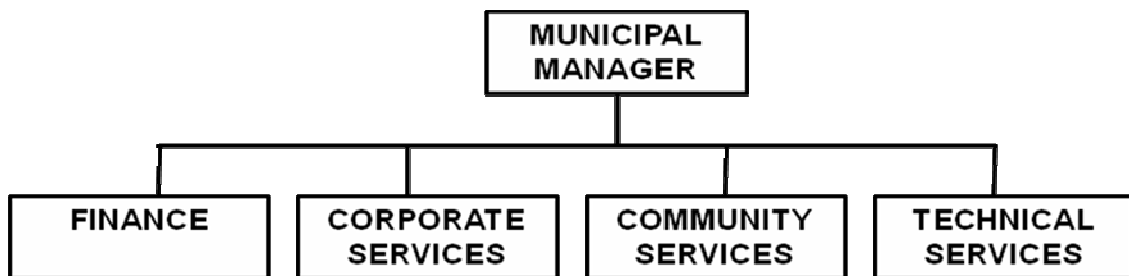
### 2.1.2.1 FUNCTIONS OF THE ADMINISTRATIVE STRUCTURE

The administrative structure performs the following functions:

- The overall management of the municipality;
- Rendering community services;
- Rendering engineering services;
- Rendering financial services;
- Providing assistance to the office of the Mayor; and
- Providing administrative service to the municipality.

The following departments were established to perform the administrative functions of the municipality:

- The office of the Municipal Manager;
- Budget and Treasury Office;
- Corporate Services;
- Community Services; and
- Technical Services.



## 2.2 STAFF DEVELOPMENT DURING THE TWELVE (12) MONTHS ENDING JUNE 2010

The Gariep Local Municipality is making a concerted effort to ensure the implementation of sufficient skills development initiatives in order to offer quality services to the communities. For the year under review, the annual training plan was compiled, informed by the training needs of both Councillors and Officials. In total, eight (8) Officials and Four (4) Councillors were trained in various disciplines in the year under review.

## 2.3 TRAINING AND HUMAN RESOURCE DEVELOPMENT

The strategic objectives of training and development of Officials and Councilors are the following:

- To equip Councilors and Officials with the necessary skills to enable them to discharge their duties effectively and efficiently, in delivering services to the communities;
- To develop, implement and report on Gariep Municipality's Work Skills Plan;
- To organize student trainees to do practical work with the Council; and
- To ensure compliance with all legislation regarding training and development.

The following are the training interventions that were carried out during the twelve (12) months ending June 2010, for the Gariep Municipality Councillors and Officials:

NO	TRAINING	OFFICIALS	COUNCILLORS
1	Councillor training Human Settlement		3
2	Diploma in Local Government Law and Administration		4
3	Municipal Labour Relations	5	
4	Management Development	5	
5.	Finance and Administration Learnership	2	
6.	Criminal Law and Procedure	2	
7.	Skills Development Facilitation	2	
8.	CPMD	2	
9.	Examiner of Drivers License	1	



10.	Municipal Finance Development	4	
11.	Team building	1	

#### 2.4 KEY HR STATISTICS PER FUNCTIONAL AREA

	Approved positions	Number of approved and budgeted posts per position	Filled posts	Vacant posts
1	Budget and Treasury	27	25	2
2	Corporate Services	13	8	5
3	Technical Services	111	91	20
4	Community Services	115	99	116
5	Municipal Managers' Office	13	8	5
	Total	279	231	148



## 2.5 IMPLEMENTATION OF PERFORMANCE MANAGEMENT SYSTEM

Gariep Local Municipality has adopted a “Performance Management Framework”. This is in compliance with the requirements of the Municipal Systems Act 32 of 2000, and its subsequent local government, municipal planning and performance regulations, frameworks and guidelines which require municipalities to:

- Develop and implement a “Performance Management System”;
- Set targets, monitor and review performance based on indicators linked to the Integrated Development Plan (IDP);
- Publish an annual report on performance management for Councilors, staff, the public and other spheres of government;
- Incorporate and report on a set of general indicators prescribed nationally by the Minister responsible for local government;
- Conduct an internal audit on performance before tabling the report;
- Develop Performance Contracts and Performance Agreements for all Section 57 Managers;
- Have the annual performance report audited by the Auditor – General; and
- Involve the community in setting indicators and targets and reviewing municipal performance.

The framework will therefore guide the Gariep Local municipality in defining and describing their performance management system, its operation and the applicable legislation governing it. It will therefore guide the municipality in the following performance management aspects:

- The requirements of their respective PMS;
- The principles informing its development and application;
- The model that describes performance management areas to be managed;
- Processes to be followed in managing performance;
- Institutional arrangements necessary for the process; and
- The different role players involved in the system.

The Gariep Local Municipality is in the process of evaluating performance of all the Section 57 Managers on a quarterly basis in line with the adopted Performance Management Framework.





## 2.6 TECHICAL STAFF REGISTERED WITH PROFESSIONAL BODIES

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

### 2.6.1 LEVELS OF EDUCATION AND SKILLS

Total number of staff	Number of staff without Grade 12	Number of staff with Senior Certificate only	Number of staff with Tertiary/accredited professionals training
231	134	49	48

### 2.6.2 TRENDS ON TOTAL PERSONNEL EXPENDITURE

Financial years	Total number of staff	Total approved Operating Budget	Total approved Personnel Budget	Personnel Expenditure Actual	Percentage of Expenditure
2008-2009	235	R 52, 353, 707	R 27, 945, 102	R 21, 600, 165	40.4%
2009- 2010	231	R 65, 635, 187	R 34, 230, 780	R 27, 732, 428	42,2%



### 2.6.3 LIST OF MEDICAL AIDS TO WHOM EMPLOYEES BELONG

Names of pension fund	Number of members	Names of medical Aids	Number of members
Samwu Provided Fund	113	Bonitas Medical Aid	12
SALA Pension Fund	63	Munimed	9
Cape Joint Pens Fund	7	L A Health	11
Cape Joint Retirement Fund	39	SAMWU Med	12

### 2.6.4 SENIOR OFFICIALS' WAGES AND BENEFITS

ITEM	MUNICIPAL MANAGER	CFO	DIRECTOR CORPORATE SERVICES	DIRECTOR COMMUNITY SERVICES	DIRECTOR TECHNICAL SERVICES
Basic Salary	717, 392	225, 503	413, 440	344, 629	344, 273
Travel Allowance	173, 250	91, 534		139, 283	78, 000
Cell Phone Allowance			8, 760	8, 760	8, 760
Medical Aid	20, 113	18, 500		12, 168	
Pension		39,853	85, 913		
Other Allowances	45	794		41	1, 539
Bonus		16, 613	34, 453	23, 944	27, 727
TOTALS	910, 800	392, 797	542, 566	528, 825	460, 299





## CHAPTER 2: BASIC SERVICE DELIVERY PERFORMANCE

**NATIONAL KEY PERFORMANCE AREA: LOCAL ECONOMIC DEVELOPMENT**

**OWN KEY PERFORMANCE AREA: LOCAL ECONOMIC DEVELOPMENT**

<b>NO</b>	<b>FOCUS AREA</b>	<b>OBJECTIVE</b>	<b>INDICATOR</b>	<b>ACTUAL PERFORMANCE</b>	<b>VARIATIONS AND REASONS/COMMENTS</b>
1.0.0	Spatial Development Planning	Review of the Spatial Development Plan	SDF submitted and adopted by Council by sep 2009	0% completed	Funding could not be secured
1.2.0	Land Use Management	To prepare Land Use Management Plan	Land use Management Plan presented to council by June 2010	None	Funding could not be secured
1.2.1		To prepare commonage management plan and expansion plans for the commonages of Burgersdorp, Steynsburg and Venterstad	Commonage Management Plan workshopped with relevant stakeholders	100% completed.	
1.2.2		To investigate possible land acquisition and	210 000	UKDM	To appoint a service provider. Waiting for Supply Chain Processes

		expansion of irrigation and farming projects along the Orange River, Gariep Dam and Teebus Tunnel Outlet			
1.2.3		Promote community gardens and food security projects	None	Dept of Agriculture and Dept of Social Development	Good progress has been made and target will be met
1.2.4		Engage in land acquisition through Department of Land Affairs	None	Operational	Good progress has been made and target will be met
<b>NO</b>	<b>FOCUS AREA</b>	<b>OBJECTIVE</b>	<b>INDICATOR</b>	<b>ACTUAL PERFORMANCE</b>	<b>REASONS FOR VARIANCE/COMMENTS</b>
1.3.0	Sustainable Socio-Economic Development	Integration and cross linkages with integrated Development Plan and Local Economic Development Strategy	150 000	Operational	An LED Strategy has been developed, waiting implementation

1.3.1		Integrates with regional and provincial LED Programmes initiatives	150 000	Operational	Same as above in 1.3.0
1.3.2		Investigate and expand farming, irrigation and tourism initiatives with the aim of maximizing local job creation	150 000	Operational And UKDM	Same as above in 1.3.0
1.4.0	Sustainable Infrastructure Development	Implement and finalize bucket eradication programme with specific reference to Steynsburg	27,360m	MIG	The first two phases of the project are finished. UKDM is still awaiting the comments from DWAF for the third phase of the project
1.4.1		Upgrade bulk infrastructure in a proactive manner to deal with housing demand and possible future housing expansion	70m	UKDM	The business plan has been submitted by UKDM to DWAF on their Bulk Infrastructure Grant ( BIG) programme
1.4.2		Provide adequate services for business expansion and	None	Operational	

NO	FOCUS AREA	OBJECTIVE	INDICATOR	ACTUAL PERFORMANCE	REASONS FOR VARIANCE/COMMENTS
		tourism growth			
1.5.0	Integrated Sustainable Human Settlement (Housing)	Careful monitoring of projects	None	DoH	The projects are up and running. The major challenge is beurocract payment processes
1.5.1		Facilitate that all houses with defects are rectified	None	DoH	Same as above
1.5.2		Facilitation of recruitment processes, promotion and development of emerging contractors	None	Operational	Still engaging with the emerging contractors for them to participate in tendering processes
1.5.3		Lobby with the Department of Housing for placement of additional Inspectors	None	GLM	Two officials have been seconded from the Department of Housing dealing with quality assurance and buiding inspection
1.6.0	Provision of water and sanitation	Facilitate development of water master plan	500 000	CIP	The Ukhahlamba District Municipality has committed some funds
1.6.1		Facilitate Connection of	None	GLM	All the houses under the jurisdiction of Gariep Municipality have water and sanitation



		new households			connection
1.6.2		Facilitate Development and implementation of water efficiency management education	None	GLM & UKDM	Facilitate the program of water conservation and demand
1.6.3		Facilitate Implementation of water quality control	None	GLM & UKDM	Water quality has been excellent
<b>NO</b>	<b>FOCUS AREA</b>	<b>OBJECTIVE</b>	<b>INDICATOR</b>	<b>ACTUAL PERFORMANCE</b>	<b>REASONS FOR A VARIANCE/COMMENTS</b>
1.6.4		Facilitate Implementation of drought relief programmes	15,376m	UKDM	The amount has been gazetted by the office of the Premier
1.6.5		Implementation of new sanitation related projects	R14m	UKDM	Steynsburg Waste Water Treatment Works phase 3 of the project
1.6.6		Upgrading of water reticulation in specified areas		UKDM	The business plan has been submitted to the District Municipality for the upgrading of the reticulation
1.7.0	Electricity	Upgrading of the existing Power station and networks & the	R10m	INEP	Remarkable progress has been made

		development of the master plan			
1.7.1		Facilitate provision of street lighting to new settlement areas	R50 000	GLM	The functionality presentation will be made to Eskom
1.7.2		Repairs and Maintenance of street lights in all towns	Operational	GLM	Remarkable progress has been made
1.8.0	Roads and Storm Water	Upgrading and maintenance of roads	24M	MIG	MIG funds have been committed for the next three years
<b>NO</b>	<b>FOCUS AREA</b>	<b>OBJECTIVE</b>	<b>INDICATOR</b>	<b>ACTUAL PERFORMANCE</b>	<b>REASONS FOR A VARIANCE/COMMENTS</b>
1.9.0	Ecological Integrity	Upgrading and Maintenance of municipal parks and apparatus, open spaces and sidewalks.	None	IDT and DEAT	Business plan has been forwarded to IDT for financial support and to be forwarded to DEAT as well
1.9.1		Planting of 2000	None	None	No progress has been made.

		indigenous, fruit trees and flowers.			
1.9.2		Cleaning and Branding of all entrances.	None	None	Part of business plan has been submitted
1.9.3		Establishment of Environmental Advisory Committee for greening revolution.	None	DEDEA and UKDM	Scheduled sessions with DEDEA ,Ukhahlamba and Gariep
1.9.4		Erection of Lyciumville Hall and Greenfield	None	MIG	Registered with MIG
1.9.5		Wetland Rehabilitation Program implemented (Stormberg River).	None	None	No progress has been made
1.9.6		Development of Waste Management Plan	None	DEDEA and DEAT	Budget freezed, target 2010/2011. Engaging DEDEA and DEAT for technical support
1.9.7		Strategic placement of refuse drums.	None	None	Part of business plan forwarded
1.9.8		Solicit funding for landfill development in new site	4.4M	MIG	Registration with MIG done

NO	FOCUS AREA	OBJECTIVE	INDICATOR	ACTUAL PERFORMANCE	REASONS FOR VARIANCE/COMMENTS
1.9.9		Investigate the possibility of developing one central disposal site with transfer station erected in other areas	None	None	No progress as yet but process of ETA's will soon be started
1.9.10		Purchase of Bulk Waste Equipment	None	None	No progress has been made
1.10.0	Sports and Recreation	Development and implementation of management plan for indoor sports center in Steynsburg	Operational	GLM	To revise management plan with DSRAC. Appointed caretaker for cleaning and security.
1.10.1		Development and implementation of utilization and maintenance plan for Venterstad Sports field.	Opeartional	GLM	To appoint a caretaker
1.10.2		Maintenance of sports stadia and fields	Opeational	GLM	Stadia and fields are maintained. A maintenance plan is yet to be developed
1.10.3		Upgrading of Oviston	Operational	GLM	Fenced tennis court need upgrading. Continous cleaning of tennis court although it needs

NO	FOCUS AREA	OBJECTIVE	INDICATOR	ACTUAL PERFORMANCE	REASONS VARIANCE/COMMENTS
		Swimming Pool & Tennis Court			upgrading
1.10.4	Library Services	Provision of proper infrastructure for all three libraries	800 794	DSRAC	<ul style="list-style-type: none"> <li>▪ Finalized renovation for Eureka and and Martin Luther King in Steynsburg</li> <li>▪ Connectivity finalized in six (6) libraries through SITA</li> <li>▪ Literacy day held on 25<sup>th</sup> September 2009</li> </ul>
1.11.0	Land and Cemeteries	Fencing of existing, identification and development of cemetery parks	Operational	GLM	Spartial Development Framework will be used to identify new cemeteries. The cemeteries will also be registered for MIG for fencing, ablution blocks and water provision, however they are continuously cleaned
1.11.1		Development of a cemetery management plan	Operational	GLM	Currently cleaning cemeteries twice monthly.
1.12.0	Traffic Management ,Emergency Services and Public Safety	Deployment of Traffic Officers in all hot spots	Operational	GLM	Traffic law enforcement targets ie indicators developed for each officer
1.12.1		Improving traffic, direction and routing signage in all towns	80 000	GLM	Supply Chain Processes in progress
1.12.2		Structured	Operational	GLM	Break away session held on 23 <sup>rd</sup> and 24 <sup>th</sup>

		implementation of registration and licensing services to all applicants			November to re – engineer and shape up the traffic section
1.12.3		Improve driving license testing centers for compliance	Operational	GLM	<ul style="list-style-type: none"> <li>▪ Request for quotations made for the improvement of burgersdorp Learners License classroom.</li> <li>▪ Assessment report for all stations</li> </ul>
1.12.4		<ul style="list-style-type: none"> <li>▪ Fencing of the Junior Traffic Training Centre</li> <li>▪ Facilitate utilization of JTTC</li> </ul>	None	DOT	Awaiting for the official handover from the dept of Transport
NO	FOCUS AREA	OBJECTIVE	INDICATOR	ACTUAL PERFORMANCE	REASONS VARIANCE/COMMENTS
1.12.5		Facilitate movement of taxi rank to the new site	Operational	GLM	Engaging the taxi association and proposals being evaluated.
1.12.6		Purchasing of additional fire fighting vehicle	None	UKDM	The District Municipality will supply Gariiep Local Municipality with an additional fire fighting vehicle
1.12.7		Existing water tanker managed.	Operational	GLM	The tanker belongs to UKDM, however the Gariiep Municipality maintains it
1.12.8		Participate in	N/A		This function is shared with the District

		development and implementation of Disaster Management Plan.			Municipality and good progress has been made
1.13.0	Primary Health care	Upgrading of clinic infrastructure including apparatus, furniture & provision of security - Venterstad Clinic improved to function 24 hour	N/A	EoH	Business Plan for erection of Thembisa Clinic has been forwarded to Transnet and Broad Ridge for funding and positive response has been received from Broad Ridge. Information for designs has been forwarded to Broad Ridge.

NO	FOCUS AREA	OBJECTIVE	INDICATOR	ACTUAL PERFORMANCE	REASONS FOR VARIANCE/COMMENTS
1.13.1		Ensure maintenance of clinics for compliance with infection control standards	None	GLM	To shift funds from personnel budget to install elbow taps (Adjustment budget)
1.13.2		Purchasing of medical equipment for all clinics	None	DOH	Department of Health (Subdistrict) currently assists with purchasing of medical equipment
1.13.3		Improving drug supply and management in Gariep	None	DoH	Standard operating procedure has been developed including all demander codes in collaboration with Dept. of Health
1.13.4		Strengthening and formation of clinic management committees	None	DoH	<ul style="list-style-type: none"> <li>▪ Three clinic committees are fully functional and three (3) need revival.</li> <li>▪ Turnaround time for complaints management not relaxed yet</li> </ul>
1.13.5		Facilitate the filling in of vacant posts	Operational	GLM	At least one professional nurse in charge has been employed



NO	FOCUS AREA	OBJECTIVE	INDICATOR	ACTUAL PERFORMANCE	REASONS FOR VARIANCE/COMMENTS
1.14.0	HIV&AIDS Management	Development and Implementation of HIV&AIDS Strategy	20 600	100% completed	Approved by council on 90% completed. Awaiting Council approval
1.14.1		Strengthen Existing HIV&AIDS Council and ensure effective coordination of HIV & AIDS programs	Operational	GLM	<ul style="list-style-type: none"> <li>▪ 14 civil society organization and sector departments identified as partners in the Local Aids Council</li> <li>▪ Local Aids Council induction workshop held and roles and responsibilities clarified</li> <li>▪ LAC sub – committees set up and conveners assigned to each</li> </ul>
1.15.0	Social Safety Net	Upgrading of Early Childhood Development Facilities	25 000	Gariiep Insurance	Supply chain processes for inkqubela creche in progress
1.15.1		Facilitate expansion of Nomzamo Crèche in Thembisa	None	None	Engaging local contractors for social responsibility
1.16.0	SMME Development	<ul style="list-style-type: none"> <li>- Capacity Development of SMME</li> <li>- Provision of Information and</li> </ul>	None	GLM	The training is conducted on – going basis as the need arises

NO	FOCUS AREA	OBJECTIVE	INDICATOR	ACTUAL PERFORMANCE	REASONS FOR VARIANCE/COMMENTS
		Resources to SMME			
1.16.1	Tourism Development	Development of a tourism trail that showcases culture and heritage	None	GLM	<ul style="list-style-type: none"> <li>▪ Profiled rock art and amaXhosa culture in partnership with DSRAC and Potchefstroom University</li> <li>▪ Packaging of tourism offerings has been done</li> <li>▪ Local Tourism Organisations have been established and trained</li> <li>▪ Exhibited crafters at provincial level (Mandle Nkosi) and Zenzile women co-operatives</li> </ul>

## 3.1.1 OTHER PROJECTS BEING UNDERTAKEN

NO	PROJECT NAME	APPROVED BUDGET [RANDS]	SOURCE	COMMENTS
1	Consolidation 140 Houses Mzamomhle - Burgersdorp	10m	DoH	The project is currently on the design & tender stage
2	Upgrading Electricity Network Burgersdorp, and Power Station	10m	INEP or DoE	The tender has been awarded to the service provider. The contractor will be physically on site as from the month of February
3	Construction of Roads and Stormwater Mzamomhle (Burgersdorp)	10m	MIG	The project is complete. The contractor is busy with some few snags that were identified
4	Bulk Water Supply Steynburg	8,3m	UKDM	Two contractors are already appointed. The site handover meeting will take place on the 2 <sup>nd</sup> February 2010
5	Bucket Eradication Khayamnandi Steynburg	27,3m	UKDM	The first two (2) phases of the project have been completed
6	Consolidation 360 Houses Nozizwe Venterstad	18m	DoH	The project is almost finished

7	Consolidation 530 Houses Khayamnandi Steynburg	38,6m	DoH	The project is currently on the design & tender stage
8	Rectification 1000 Houses (Burgersdorp	8,6m	DOH	The project is in progress



## CHAPTER 3: MUNICIPAL FINANCIAL MANAGEMENT AND VIABILITY

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GARIEP LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
30 JUNE 2010



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## Gariep Local Municipality

(Registration number: EC 144)

Annual Financial Statements for the year ended 30 June 2010

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### General Information

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<b>Legal form of entity</b>	Local Authority
<b>Nature of business and principal activities</b>	Service delivery
<b>Mayoral committee</b>	
Executive Mayor	NW Ngoqo
Councillors	EM Thomas YL Magqazolo TZ Notyeke N Mabunu B Kweyiya HL Cary AM Van Zyl
<b>Grading of local authority</b>	2
<b>Chief Finance Officer (CFO)</b>	M. L. Mosala
<b>Accounting Officer</b>	Mr TA Mawonga
<b>Business address</b>	Jan Greyling Street Burgersdorp
<b>Postal address</b>	P O Box 13 Burgersdorp 9744
<b>Auditors</b>	Auditor General
<b>Attorneys</b>	Horn and Kumm



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## Gariep Local Municipality

(Registration number EC-111)

Annual Financial Statements for the year ended 30 June 2010

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### Index

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

<b>Index</b>	<b>Page</b>
Accounting Officer's Responsibilities and Approval	3
Accounting Officer's Report	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 - 22
Notes to the Annual Financial Statements	23 - 38

#### Abbreviations

DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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## Gariep Local Municipality

(Registration number EC 144)

Annual Financial Statements for the year ended 30 June 2010

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### Accounting Officer's Responsibilities and Approval

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP).

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2011 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented in the annual report.

The municipality has noted that certain officials have misappropriated cash receipts from customers. To date the quantum of cash not banked has yet to be determined however an investigation is pending.

The annual financial statements set out on pages 4 to 38, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2010 :

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Mr TA Mawonga  
Accounting Officer

# Gariep Local Municipality

(Registration number: EG 144)

Annual Financial Statements for the year ended 30 June 2010

## Accounting Officer's Report

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The accounting officer submits his report for the year ended 30 June 2010.

### 1. Review of activities

#### Main business and operations

The municipality is engaged in service delivery and operates principally in South Africa.

Net deficit of the municipality was R 41,177,489 (2009: deficit R 10,606,988).

### 2. Going concern

We draw attention to the fact that at 30 June 2010, the municipality had accumulated deficits of R (44,494,372) and that the municipality's total liabilities exceed its assets by R (44,494,372).

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This 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.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

### 3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

### 4. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name  
Mr TA Mawonga

### 5. Bankers

ABSA Bank

### 6. Auditors

Auditor General will continue in office for the next financial period.

# Gariep Local Municipality

(Registration number EC 144)

Annual Financial Statements for the year ended 30 June 2010

## Statement of Financial Position

Figures in Rand	Note(s)	2010	2009
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	5	-	-
Trade and other receivables from exchange transactions	6	6,616,259	21,786,778
Cash and cash equivalents	7	569,109	792,274
		<u>7,185,368</u>	<u>22,579,052</u>
<b>Non-Current Assets</b>			
Investment property	3	-	-
Property, plant and equipment	4	7,947,198	-
		<u>7,947,198</u>	<u>-</u>
<b>Total Assets</b>		<u>15,132,566</u>	<u>22,579,052</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables from exchange transactions	11	38,169,795	23,737,835
VAT payable	12	3,146,971	9,022,647
Unspent conditional grants and receipts	8	14,900,857	5,996,590
Provisions	9	268,699	1,660,264
Current portion of long term liabilities	10	511,952	392,412
Bank overdraft	7	194,439	-
		<u>57,192,713</u>	<u>40,809,748</u>
<b>Non-Current Liabilities</b>			
Provisions	9	84,916	-
Long term liabilities	10	2,349,309	2,918,196
		<u>2,434,225</u>	<u>2,918,196</u>
<b>Total Liabilities</b>		<u>59,626,938</u>	<u>43,727,944</u>
<b>Net Assets</b>		<u>(44,494,372)</u>	<u>(21,148,892)</u>
<b>Net Assets</b>			
Accumulated surplus		(44,494,372)	(21,148,892)

# Carlep Local Municipality

(Registration number EC 144)

Annual Financial Statements for the year ended 30 June 2010

## Statement of Financial Performance

Figures in Rand	Note(s)	2010	2009
<b>Revenue</b>			
Rendering of services			
Property rates		344,841	1,044,193
Service charges	14	7,158,621	5,116,936
Rental of facilities and equipment	15	31,528,993	16,625,108
Interest received - trading		194,093	169,691
Fines		4,209,032	3,978,111
Licences and permits		116,681	81,462
Government grants & subsidies		802,285	974,398
Grant from District Municipality	16	25,807,723	11,475,546
Sundry Income		4,364,219	155,861
Interest received - investment		58,254	-
<b>Total Revenue</b>	23	<b>203,838</b>	<b>50,380</b>
		<b>74,788,580</b>	<b>39,671,686</b>
<b>Expenditure</b>			
Personnel	19	(27,732,428)	(18,679,000)
Remuneration of councillors	20	(1,722,429)	(1,640,654)
Administration	21	(3,027)	(295,491)
Finance costs	24	(381,314)	(1,984,804)
Debt impairment	22	(45,058,436)	(10,747,922)
Fair value adjustments		1,942,162	-
Repairs and maintenance		(1,410,280)	(1,214,675)
Bulk purchases	26	(7,626,784)	(5,611,158)
Grant expenditure		(2,734,367)	(1,775)
General Expenses	18	(31,239,166)	(10,103,195)
<b>Total Expenditure</b>		<b>(115,966,069)</b>	<b>(50,278,674)</b>
<b>Deficit for the year</b>		<b>(41,177,489)</b>	<b>(10,606,988)</b>

# Carlep Local Municipality

(Registration number EC 144)

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	(17,997,706)	(17,997,706)
Adjustments		
Change in accounting policy	7,405,802	7,405,802
Prior year adjustments	50,000	50,000
<b>Balance at 01 July 2008 as restated</b>	<b>(10,541,904)</b>	<b>(10,541,904)</b>
Changes in net assets		
Surplus for the year	(10,606,988)	(10,606,988)
Total changes	(10,606,988)	(10,606,988)
<b>Balance at 01 July 2009</b>	<b>(21,148,888)</b>	<b>(21,148,888)</b>
Changes in net assets		
Surplus for the year	(41,177,489)	(41,177,489)
Change in accounting policy	1,598,729	1,598,729
Prior year adjustments	16,233,276	16,233,276
Total changes	(23,345,484)	(23,345,484)
<b>Balance at 30 June 2010</b>	<b>(44,494,372)</b>	<b>(44,494,372)</b>
Note(s)		

**Gariep Local Municipality**

(Registration number EC 114)

Annual Financial Statements for the year ended 30 June 2010

**Cash flow statement**

Figures in Rand	Note(s)	2010	2009
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Government Grants		25,807,723	11,475,546
Interest income		4,209,032	3,978,111
Other receipts		7,798,359	11,382,284
		<u>37,815,114</u>	<u>26,835,941</u>
<b>Payments</b>			
Employee costs		(29,454,857)	(20,319,654)
Finance costs		(381,314)	(1,984,804)
		<u>(29,836,171)</u>	<u>(22,304,458)</u>
<b>Net cash flows from operating activities</b>	27	<u>7,978,943</u>	<u>4,531,483</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(7,947,198)	-
Other non-cash item		-	6,410,122
<b>Net cash flows from investing activities</b>		<u>(7,947,198)</u>	<u>6,410,122</u>
<b>Cash flows from financing activities</b>			
Movement in Long-term Loan		(449,347)	(105,306)
<b>Net cash flows from financing activities</b>		<u>(449,347)</u>	<u>(105,306)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>(417,602)</u>	<u>10,836,299</u>
Cash and cash equivalents at the beginning of the year		792,274	(10,044,025)
<b>Cash and cash equivalents at the end of the year</b>	7	<u>374,672</u>	<u>792,274</u>



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# Gariep Local Municipality

(Registration number EC 144)

Annual Financial Statements for the year ended 30 June 2010

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## Accounting Policies

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### 1. Basis of Preparation

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The Annual Financial Statements have been prepared in accordance with the Accounting Standards and have adopted the transitional provisions as applicable and described below and also in terms of the standards and principles contained in Directives 4 and not Directive 5 issued by the Accounting Standards Board in March 2009 and have adopted the transitional provisions as applicable and described below

Those standards of GRAP and interpretations of such standards applicable to the operations of the municipality, is therefore as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 9	Revenue from Exchange Transactions
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the Reporting Date
GRAP 16	Investment property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GAMAP 9	Paragraphs relating to Revenue from Non-Exchange Transactions
GRAP 100	Non-Current Assets Held for Sale and Discontinued Operations
GRAP 102	Intangible Assets
IPSAS 20	Related Party Disclosure
IPSAS 21	Impairment of Non Cash-Generating Assets
IFRS 7	Financial Instruments: Disclosures
IAS 19	Employee Benefits
IAS 32	Financial Instruments: Presentation
IAS 36	Impairment of Assets
IAS 39	Financial Instruments: Recognition and Measurement
IFRIC 4	Determining whether an arrangement contains a lease

#### 1.1 Changes in accounting policy and comparability

#### 1.2 Presentation currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

#### 1.3 Investment property

##### 1.4.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings 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.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired 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.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality); and



## **Accounting Policies**

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### **1.3 Investment property (continued)**

- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

### **Directive 4 Impact - Investment Property (GRAP 16)**

Investment property is reported at provisional amounts (nil value), due to the fact that the initial accounting for Investment property was incomplete by the end of a reporting period in which the Standard became effective.

Investment property was not disclosed in the financial statements for the year ending 30 June 2010.

It is expected that the measurement of investment property will be addressed in conjunction with efforts related to Property, plant and equipment which are expected to be finalised by 30 June 2011.

### **1.4 Property, plant and equipment**

#### **1.5.1 Initial Recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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.

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

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

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

#### **1.5.2 Subsequent Measurement**

## Accounting Policies

### 1.4 Property, plant and equipment (continued)

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

### 1.5.3 Depreciation

Land is not depreciated as it is regarded as having an infinite life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives, are depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

	Years	Other	Years
Infrastructure		Buildings	30
Roads and Paving	15 - 20	Specialist Vehicles	5 - 20
Pedestrian Malls	30	Other Vehicles	5 - 10
Electricity	20 - 30	Office Equipment	3 - 7
Water	15 - 20	Furniture and Fittings	7 - 10
Sewerage	15 - 20	Watercraft	15
Housing	30	Bins and Containers	5
Landfill Sites	15	Specialised Plant and Equipment	10 - 15
		Other items of Plant and Equipment	2 - 5
Community			
Improvements	30		
Recreational Facilities	20 - 30		
Security	5		

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

### 1.5.4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

### 1.5.5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

### 1.5.6 Heritage Assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding their estimated useful lives.

### 1.5.7 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

## **Accounting Policies**

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### **1.4 Property, plant and equipment (continued)**

#### **1.7.8 Derecognition of property, plant and equipment**

The carrying amount of an item of property, plant and equipment is 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 an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not included in revenue. Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the sales proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

#### **1.5.9 Impairment of assets**

##### **1.5.9.1 Cash generating assets**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss of assets carried at cost less any accumulated depreciation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior period. A reversal of an impairment loss of assets carried at cost less accumulated depreciation or is recognised immediately in surplus or deficit.

##### **1.5.9.2 Impairment of Non-Cash generating assets**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset. If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined. The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss. An impairment loss of assets carried at cost less any accumulated depreciation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of



## Accounting Policies

### 1.4 Property, plant and equipment (continued)

an impairment loss of assets carried at cost less accumulated depreciation is recognised immediately in surplus or deficit

#### Directive 4 Impact - Property, Plant and Equipment (GRAP 17)

In terms of directive 4, the municipality are not required to measure property, plant and equipment for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Property, Plant and Equipment. The Standard of GRAP on Property, Plant and Equipment was initially adopted on 1 July 2008.

Due to the fact that the municipality has taken advantage of the transitional provisions, property, plant and equipment were not recognised and measured in accordance with the Standards of GRAP on: Property, Plant and Equipment, the Presentation of Financial Statements, Effect of Changes in Foreign Exchange Transactions, Leases, Segment Reporting, and Non-current Assets Held for Sale and Discontinued Operations.

Property, plant and equipment acquired prior to the date of initial adoption of the Standard of GRAP are measured at provisional amounts (Nil value) in line with Directive 4. Additions to property plant and equipment since the Standard of GRAP on Property, Plant and Equipment was initially adopted are recognised at cost. No depreciation is recognised on these assets as all the related elements of the depreciation calculation could not be considered at year end.

No measurement adjustments were made for the year ending 30 June 2010.

### 1.5 Standards, amendments to standards and interpretations issued but not yet effective

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

GRAP 18	Segment Reporting - issued March 2005
GRAP 23	Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
GRAP 24	Presentation of Budget Information in Financial Statements - issued November 2007
GRAP 103	Heritage Assets - issued July 2008
GRAP 104	Financial instruments
GRAP 26	Impairment of cash generating assets
GRAP 25	Employee benefits
GRAP 21	Impairment of non cash generating assets

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

IAS 19	Employee Benefits - effective 1 January 2009
IFRIC 17	Distribution of Non-cash Assets to Owners - effective 1 July 2009
IAS 39	Financial Instruments: Recognition and Measurement - portions of standard effective 1 July 2009
IFRS 7	Financial Instruments Disclosure
IFRS 9	

Management has considered all the of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

### 1.6 Financial instruments

#### Financial Assets - Classification

The municipality has various types of financial instruments and these can be broadly categorised as either Financial Assets or Financial Liabilities.

A financial asset is any asset that a cash or contractual right to receive cash or another financial asset or equity. The municipality has the following types of financial assets:

- Investments in Fixed Deposits (Banking Institutions, etc)
- Long-term Receivables
- Consumer Debtors
- Certain Other Debtors
- Short-term Investment Deposits
- Bank Balances and Cash

## Accounting Policies

### 1.6 Financial instruments (continued)

The Financial Assets of the municipality are classified as follows into the four categories allowed:

Type of Financial Asset	Classification in terms of IAS 39.09
Short-term Investment Deposits – Call	Held-to-maturity investments
Bank Balances and Cash	Loans and receivables
Long-term Receivables	Loans and receivables
Consumer Debtors	Loans and receivables
Other Debtors	Loans and receivables
Investments in Fixed Deposits	Held-to-maturity investments

Loans and Receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and receivables are recognised initially at cost which represents fair value. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Held-to-Maturity Investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment to maturity.

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

### Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities:

- Long-term Liabilities
- Certain Other Creditors
- Bank Overdraft
- Short-term loans
- Current Portion of Long-term Liabilities
- Consumer Deposits

There are two main categories of Financial Liabilities, the classification determining how they are measured. Financial liabilities may be measured as:

- Fair value through profit or loss; or
- Other financial liabilities.

Financial liabilities that are measured at fair value through profit or loss are financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives). Financial liabilities that are measured at fair value through profit or loss are stated at fair value, with any resulting gain or loss recognised in the Statement of Financial Performance.

Any other financial liabilities are classified as "Other financial liabilities" and are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

In accordance with IAS 39.09 the Financial Liabilities of the municipality are all classified as "Other financial liabilities".

### Initial and Subsequent Measurement

#### 5.3.1 Financial Assets:

Held-to-maturity Investments and Loans and Receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an effective yield basis.

#### 5.3.2 Financial Liabilities:

Financial liabilities at fair value are initially and subsequently measured at fair value. Other financial liabilities are measured at

## Gariep Local Municipality

(Registration number EC 144)

Annual Financial Statements for the year ended 30 June 2010

### Accounting Policies

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#### 1.6 Financial instruments (continued)

amortised cost using the effective interest rate method.

##### Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in surplus or deficit.

A provision for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Consumer Debtors are stated at cost less a provision for impairment. The provision is made whereby the recoverability of Consumer Debtors is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the surplus or deficit for the year.

In a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the surplus or deficit for the year to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

##### Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

##### Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

##### Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. 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 90 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.



## **Accounting Policies**

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### **1.6 Financial Instruments (continued)**

Trade and other receivables are classified as loans and receivables.

#### **Trade and other payables**

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

#### **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 and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

#### **Bank overdraft and borrowings**

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs. The municipality does not have a bank overdraft facility.

### **1.7 Leases**

#### **1.9.1 The Municipality as Lessee**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### **Finance Lease**

Finance leases are recognised as assets and liabilities in the statement of financial position 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.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

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

#### **1.9.2 The Municipality as Lessor**

Amounts due from lessees under finance leases or installment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or installment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or installment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

## **Accounting Policies**

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### **1.7 Leases (continued)**

#### **Directive 4 Impact - Leases (GRAP 13)**

In terms of Directive 4 the municipality are not required to recognise finance lease assets/liabilities in the financial statements in relation to those Property, plant and equipment that have not been recognised as a result of applying the transitional provisions in the Standards of GRAP related to Property, plant and equipment.

The disclosure requirements included in the Standard of GRAP on Leases were applied insofar as the lease assets/ liabilities have been identified.

No measurement adjustments were made for the year ending 30 June 2010. The future lease commitments not disclosed in the financial statements for the year ending 30 June 2009 are now however disclosed in the financial statements.

It is anticipated that the requirements of the Standard of GRAP on Leases will be applied in the financial statements for the year ending 30 June 2010 when the transitional provisions in the Standards of GRAP on Property, Plant and Equipment expire.

### **1.8 Inventories**

#### **1.10.1 Initial Recognition**

Inventories comprise current assets held for sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

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

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

#### **1.10.2 Subsequent Measurement**

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the valuation of inventory are recognised in the Statement of surplus and deficit in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

### **Transitional provision**

According to the transitional provision, the municipality is not required to measure inventories for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Inventories. Inventories have accordingly been recognised at provisional amounts, as disclosed in 5. The transitional provision expires on 30 June 2012.

### **1.9 Non-current assets held for sale**

#### **1.11.1 Initial Recognition**



## Gariep Local Municipality

(Registration number EC 144)

Annual Financial Statements for the year ended 30 June 2010

### Accounting Policies

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#### 1.9 Non-current assets held for sale (continued)

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

##### 1.11.2 Subsequent Measurement

Non-current Assets (and Disposal Groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

#### 1.10 Employee benefits

##### Short-term employee benefits

Remuneration to employees is recognised in the Statement of surplus and deficit as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

##### Defined contribution plans

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of surplus and deficit in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

#### 1.11 Provisions

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

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

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the surplus or deficit for the year as a finance cost as it occurs.

#### 1.12 Revenue Recognition

##### 1.14.1 General

## Accounting Policies

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### 1.12 Revenue Recognition (continued)

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service benefit will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

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

#### 1.14.2 Revenue from Exchange Transactions

##### 1.14.2.1 Service Charges

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

##### 1.14.2.3 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

##### 1.14.2.4 Tariff Charges

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

##### 1.14.2.5 Income from Agency Services

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

##### 1.14.2.6 Sale of Goods

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

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

## **Accounting Policies**

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### **1.12 Revenue Recognition (continued)**

#### **1.14.2.7 Rentals**

Revenue from the rental of facilities and equipment classified as operating leases is recognised on a straight-line basis over the term of the lease agreement, where such lease periods span over more than one financial year.

#### **1.14.3 Revenue from Non-exchange Transactions**

##### **1.14.3.1 Rates and Taxes**

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

##### **1.14.3.2 Fines**

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

##### **1.14.3.3 Public contributions**

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received and the municipality has not met the condition, a liability is recognised.

##### **1.14.3.4 Other Donations and Contributions**

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

##### **1.14.3.5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure**

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

#### **1.14.4 Transitional Provisions**

Revenue was initially recognised at cost and not at fair value in the previous financial year as the requirements of GAMAP 9.12 and SAICA circular 09/2006, which states that revenue should be recognised initially at fair value through discounting all future receipts using an imputed rate of return, have been exempted in terms of General Notice 522 of 2007. Revenue is initially recognised at fair value for the year ended 30 June 2009 (and retrospectively, where practicable) by discounting all future receipts using an imputed rate of return in accordance with the requirements of GRAP 9, GRAP 3 SAICA circular 09/2006.

#### **Rendering of services**

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

## **Accounting Policies**

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### **1.12 Revenue Recognition (continued)**

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

### **1.13 Government Grants and Receipts**

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of surplus and deficit in the year in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of surplus and deficit.

Accounted for government grants and receipts in the previous financial year in accordance with the requirements of IAS 20.24 and .26, GAMAP 12.8, GAMAP 17.25 and GAMAP 9.42 – .46, as appropriate, and not in accordance with the requirements of the entire IAS 20 as these requirements, other than IAS 20.24 and .26, were exempted in terms of General Notice 522 of 2007. Accounted for government grants and receipts for the year ended 30 June 2009 (and retrospectively, where practicable) in accordance with the requirements of GAMAP 9.42 - .46 and ASB Directives 4.

### **1.14 Comparative information**

#### **22.1 Prior year comparatives**

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

### **1.15 Unauthorised expenditure**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

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

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of surplus and deficit. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

### **1.17 Irregular expenditure**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of surplus or deficit. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

### **1.18 Changes in Accounting Policies, Estimates and Errors**

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note XX for details of changes in accounting policies.



## **Gariep Local Municipality**

(Registration number EC 144)

Annual Financial Statements for the year ended 30 June 2010

### **Accounting Policies**

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#### **1.18 Changes in Accounting Policies, Estimates and Errors (continued)**

Retrospective application, where practicable, of changes in accounting policies affected by management in accordance with the requirements of GRAP 3 was exempted in the previous financial year in terms of General Notice 522 of 2007 (providing that these changes in accounting policies were applied prospectively by the municipality), the National Treasury approved a deviation from the basis of accounting applicable to the municipality in terms of the above-mentioned General Notice which granted the municipality the retrospective application, where practicable, of changes in accounting policies affected by management in the previous financial year. Continued to apply changes in accounting policies affected by management retrospectively, where practicable, for the financial year ended 30 June 2009 in accordance with the requirements of GRAP 3.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of Errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Although the identification and disclosure of the impact of GRAP standards that have been issued but are not yet effective was exempted in the previous financial year in terms of General Notice 522 of 2007, the National Treasury approved a deviation from the basis of accounting applicable to the municipality in terms of the above-mentioned General Notice which granted the municipality the identification and disclosure of the impact of GRAP standards that have been issued but are not yet effective in the previous financial year. Continued to identify and disclose the impact of GRAP standards that have been issued but are not yet effective for the financial year ended 30 June 2009 in accordance with the requirements of GRAP 3.

#### **1.19 Value-Added Tax**

The Municipality accounts for Value Added Tax on the payments basis.

#### **1.20 Related Parties**

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

#### **1.21 Events after the Reporting Date**

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

#### **1.22 Contingent Assets and Contingent Liabilities**

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

#### **1.23 Offsetting**

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

#### **1.24 Investments**

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

#### **1.25 Going Concern Assumption**

The Annual Financial Statements have been prepared on a going concern basis.

# Gariep Local Municipality

(Registration number EC 144)

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>2. Changes in accounting policy</b>		
Accounting Policies have been consistently applied, except as indicated below: The municipality changes an accounting policy only if the change:		
a)	is required by a Standard of GRAP; or	
b)	results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the performance or cash flow.	
The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.		
<b>Statement of financial position</b>		
<b>Statutory Funds</b>		
Balance as previously recorded	-	(9,611,118)
Transferred to Accumulated surplus	-	9,611,118
	-	-
<b>Property, plant and equipment</b>		
Total PPE - previously recorded	-	39,007,991
Less: Loans redeemed and other capital receipts - previously recorded	-	(33,244,276)
Transferred to Accumulated surplus	-	(5,763,715)
	-	-
<b>Provisions</b>		
Provision for audit fees as previously reported	-	555,000
Reversal of provision to audit fee expense per Statement of financial performance	-	(505,000)
Adjusted to prior period error - refer to Prior period adjustment note	-	(50,000)
Provision for leave as previously reported	-	1,597,877
Reclassification to Accrued leave per Trade and other payables	-	(1,597,877)
	-	-
<b>Project Funds and Trust Funds - as previously reported</b>		
DPLG Burgersdorp Cemetery	-	(72,600)
LG SETA	-	(55,529)
Nosizwe Venterstad	-	(5,748)
Premiers Trust Fund	-	(17,762)
Public Participation Grant	-	(40,000)
Vehicles Grant Funding	-	(224,523)
MSP	-	(574,074)
Grant Office	-	(250,505)
Steynsburg Toilets	-	(1,224,669)
Commonage Management Plan	-	(225,000)
Gariep Development Centre Fund	-	(250,000)
Mzamomhle Waterborne Sanitation	-	(546,158)
Libraries Replacement Books	-	(407,300)
Tourism Sector Plan	-	(100,000)
BELEGGING DORPSREGISTER	-	1,771
Trust Fund - CI Hughes	-	(2,107)
Transferred to Accumulated surplus	-	3,994,204
	-	-
<b>Inventory</b>		
Balance as previously reported	-	435,804
Transferred to Accumulated surplus (application of Directive 4)	(61,535)	(435,804)
	(61,535)	-

# Gariep Local Municipality

(Registration number EC 144)

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>2. Changes in accounting policy (continued)</b>		
<b>Provision for landfill site rehabilitation</b>		
Balance as previously reported	1,660,264	-
Transferred to accumulated surplus (application of Directive 4)	(1,660,264)	-
	-	-
<b>Accumulated surplus</b>		
Statutory funds	-	(9,611,118)
Property, plant and equipment	-	5,763,716
Project funds and Trust funds	-	(3,994,204)
Inventory - application of Directive 4	(61,535)	435,804
Provision for landfill site rehabilitation - application of Directive 4	1,660,264	-
	<b>1,598,729</b>	<b>(7,405,802)</b>

### 3. Investment property

#### Transitional provisions

#### Directive 4 Impact - Investment Property (GRAP 16)

The municipality elected to adopt the transitional provisions for GRAP 16, Investment property, as per paragraph 67 of Directive 4. According to the transitional provisions, 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 Standard of GRAP on Investment property. Investment property has accordingly been recognised at provisional amounts. The transitional provisions expires on 30 June 2012.

The municipality is in the process of considering the options and methods available to determine the value of all of its investment property by the end of 30 June 2012 and based on the outcome of this a relevant service provider will be appointed to assist the municipality, if necessary.

### 4. Property, plant and equipment

	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Buildings	490,512	-	490,512	-	-	-
Infrastructure	7,308,086	-	7,308,086	-	-	-
Recreation facilities	148,600	-	148,600	-	-	-
<b>Total</b>	<b>7,947,198</b>	<b>-</b>	<b>7,947,198</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Total
Buildings	-	490,512	490,512
Infrastructure	-	7,308,086	7,308,086
Recreation facilities	-	148,600	148,600
	<b>-</b>	<b>7,947,198</b>	<b>7,947,198</b>

#### Transitional provisions

#### Property, plant and equipment recognised at provisional amounts

The municipality elected to adopt the transitional provisions, whereby the municipality do not have to value property, plant and

# Cariep Local Municipality

(Registration number EC 144)

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand

2010

2009

### 4. Property, plant and equipment (continued)

equipment for a period of three years since the first adoption of GRAP. In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, certain property, plant and equipment was recognised at provisional amounts. Due to the adoption of the transitional provisions, no depreciation was calculated. The transitional provisions expires on 30 June 2012 by when the municipality have to comply in full with GRAP 17 (Property, plant and equipment). The municipality is in the process of considering the options and methods available to determine the value of all of its property, plant and equipment by the end of 30 June 2012 and based on the outcome of this a relevant service provider will be appointed to assist the municipality, if necessary.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### 5. Inventories

Inventory consists of the following categories:

- Housing scheme (houses)
- Water
- Consumables (repairs & maintenance)
- Uniforms / overalls
- Cleaning materials
- Fuel & oil
- Stationery

#### Transitional provisions

#### Inventories recognised at provisional amounts

The municipality elected to adopt the transitional provisions as per Directive 4, whereby inventories need not be valued for a three year period after the adoption of GRAP. In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, inventories were recognised at provisional amounts.

The municipality will, during the forthcoming financial year, be looking into the possibility of putting a perpetual inventory system into action that will enhance inventory management and assist the municipality in complying with Directive 4 by 30 June 2012 when the transitional period expires.

### 6. Trade and other receivables from exchange transactions

Other Debtors	4,447,335	12,997,772
Trade debtors	2,168,924	8,789,006

Comparative amounts for trade debtors do not include receivables for water and sanitation services due to a previous water service authority and water service provider agreement that was signed with the Ukhahlamba District Municipality.

#### Trade and other receivables impaired

As of 30 June 2010, trade and other receivables of R 67,186,988 (2009: R 30,781,834) were impaired and provided for.

The amount of the provision was R65,293,303 as of 30 June 2010 (2009: R21,992,828).

#### Gross Balances - Trade debtors

Rates	16,070,902	11,454,492
Consumer Accounts	50,602,525	18,597,572
Sundries	788,801	729,771
	<u>67,462,228</u>	<u>30,781,835</u>

#### Provision for Bad debts impairment - Trade debtors

Bad debt provision	<u>(65,293,304)</u>	<u>(21,992,828)</u>
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# Gariep Local Municipality

(Registration number EC 144)

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand

	2010	2009
<b>6. Trade and other receivables from exchange transactions (continued)</b>		
<b>Other debtors</b>		
Gross balances	6,205,296	12,892,042
Bad debt provision	(1,757,961)	-
	<b>4,447,335</b>	<b>12,892,042</b>
<b>7. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	4,450	4,450
Bank balances	-	426,815
Short-term deposits	564,659	361,009
Bank overdraft	(194,439)	-
	<b>374,670</b>	<b>792,274</b>
Current assets	569,109	792,274
Current liabilities	(194,439)	-
	<b>374,670</b>	<b>792,274</b>

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
ABSA - Cheque Account - 18-0022-0161	(194,439)	676,449	5,251,048	(194,439)	426,814	(1,202,385)
ABSA - Town register account - 5064344937	1,829	1,771	1,646	58	-	1,646
ABSA - Nosiswe account - 9064489631	5,936	5,748	5,338	5,748	5,748	5,338
ABSA - Premier's fund account - 9059967363	78,988	77,762	73,545	78,988	77,762	73,545
ABSA - Electrification fund account - 2069462077	169,204	-	-	169,204	-	-
ABSA - Fixed deposit - 2067401932	310,661	277,500	250,000	310,661	277,500	250,000
<b>Total</b>	<b>372,179</b>	<b>1,039,230</b>	<b>5,581,577</b>	<b>370,220</b>	<b>787,824</b>	<b>(871,856)</b>

### 8. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Municipal systems improvement grant	500,000	-
Upgrade electrification grant	6,465,412	2,000,000
JL de Bruin dam grant	762,619	911,219
Finance management grant	-	577,366
Municipal infrastructure grant	5,661,426	1,373,091
Other grants	1,511,400	1,134,914
	<b>14,900,857</b>	<b>5,996,590</b>

#### Municipal systems improvement grant

Balance at the beginning of the year	-	-
Additions during the year	500,000	-
Income recognition during the year	-	-

## Gariep Local Municipality

(Registration number EC 144)

Annual Financial Statements for the year ended 30 June 2010

### Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>8. Unspent conditional grants and receipts (continued)</b>		
<b>Balance at the end of the year</b>	<b>500,000</b>	<b>-</b>
<b>Upgrade electrification grant</b>		
Balance at the beginning of the year	2,000,000	-
Additions during the year	10,000,000	2,000,000
Income recognition during the year	(5,534,588)	-
<b>Balance at the end of the year</b>	<b>6,465,412</b>	<b>2,000,000</b>
<b>JL de Bruin dam grant</b>		
Balance at the beginning of the year	911,219	911,219
Additions during the year	-	-
Income recognition during the year	(148,600)	-
<b>Balance at the end of the year</b>	<b>762,619</b>	<b>911,219</b>
<b>Finance management grant</b>		
Balance at the beginning of the year	577,366	-
Additions during the year	1,000,000	577,366
Income recognition during the year	(1,577,366)	-
<b>Balance at the end of the year</b>	<b>-</b>	<b>577,366</b>
<b>Municipal infrastructure grant</b>		
Balance at the beginning of the year	1,373,091	-
Additions during the year	6,423,000	1,373,091
Income recognition during the year	(2,134,665)	-
<b>Balance at the end of the year</b>	<b>5,661,426</b>	<b>1,373,091</b>
<b>Other grants</b>		
Balance at the beginning of the year	1,134,914	-
Additions during the year	919,508	1,134,914
Income recognition during the year	(543,022)	-
<b>Balance at the end of the year</b>	<b>1,511,400</b>	<b>1,134,914</b>

Unfulfilled conditions remain liabilities.

These amounts are invested in a ring-fenced investment until utilised.

# Gariep Local Municipality

(Registration number EC 144)

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand

2010

2009

### 9. Provisions

#### Reconciliation of provisions - 2010

	Opening Balance	Additions	Reversed during the year	Total
Environmental rehabilitation	1,660,264	-	(1,660,264)	-
Provision for long service awards	-	134,293	-	134,293
Provision for performance bonuses	-	219,322	-	219,322
	<u>1,660,264</u>	<u>353,615</u>	<u>(1,660,264)</u>	<u>353,615</u>
Non-current liabilities			84,916	-
Current liabilities			268,699	1,660,264
			<u>353,615</u>	<u>1,660,264</u>

The municipality has five landfill sites operated in Burgersdorp, Steynsburg and Venterstad. accordance with Directive 4 we have not quantified the value of rehabilitation but are the process of doing so.

### 10. Long term liabilities

The municipality acquired two loans from Development Bank of South Africa. The loan is payable monthly and half yearly at a rate of 15.1% and 5%. The loans are redeemed on the 31 July 2012 and 30 September 2018. The loans are unsecured.

#### Long term liabilities

External Loans	2,861,261	4,351,972
Senqu Loan transferred to creditors	-	(650,904)
Loan transferred to Ukhahlamba District Municipality	-	(390,461)
Current Portion transferred to Current Liabilities	(511,952)	(392,411)
	<u>2,349,309</u>	<u>2,918,196</u>

### 11. Trade and other payables from exchange transactions

Trade payables	15,388,385	8,978,538
Accrued leave pay	3,059,041	1,597,876
Deposits received	641,327	640,174
Other payables	17,281,488	12,208,466
Trade receivables with credit balances	1,799,554	312,781
	<u>38,169,795</u>	<u>23,737,835</u>

### 12. VAT payable

VAT Payable	3,146,971	9,022,647
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### 13. Revenue

Rendering of services	344,841	1,044,193
Property rates	7,158,621	5,116,936
Service charges	31,528,993	16,625,108
Rental of facilities & equipment	194,093	169,691
Fines	116,681	81,462
Licences and permits	802,285	974,398
Government grants & subsidies	25,807,723	11,475,546
Miscellaneous other revenue	4,364,219	155,861
	<u>70,317,456</u>	<u>35,643,195</u>

# Gariep Local Municipality

(Registration number EC 144)

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand

	2010	2009
<b>13. Revenue (continued)</b>		
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Rendering of services	344,841	1,044,193
Service charges	31,528,993	16,625,108
Rental of facilities & equipment	194,093	169,691
Licences and permits	802,285	974,398
Miscellaneous other revenue	4,364,219	155,861
	<b>37,234,431</b>	<b>18,969,251</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
Property rates	7,158,621	5,116,936
Fines	116,681	81,462
Government grants & subsidies	25,807,723	11,475,546
	<b>33,083,025</b>	<b>16,673,944</b>
<b>14. Property rates</b>		
<b>Rates received</b>		
Property rates	7,158,621	5,116,936
<b>15. Service charges</b>		
Sale of electricity	13,430,176	10,936,347
Sale of water	6,325,657	-
Sewerage and sanitation charges	5,627,135	-
Refuse removal	6,146,025	5,688,761
	<b>31,528,993</b>	<b>16,625,108</b>
<b>16. Government grants and subsidies</b>		
Equitable share	15,083,183	5,884,820
Grants from other spheres of government	10,191,102	4,457,425
Other grants - (non-conditional)	533,438	1,133,301
	<b>25,807,723</b>	<b>11,475,546</b>
<b>17. Sundry Revenue</b>		
Tender Revenue	58,254	-

## Gariep Local Municipality

(Registration number EC 144)

Annual Financial Statements for the year ended 30 June 2010

### Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>18. General expenses</b>		
Advertising	75,353	255,157
Auditors remuneration	1,672,665	-
Bank charges	154,973	155,885
Cleaning	232,782	278,344
Commission paid	19,246	36,118
Consulting and professional fees	735,402	742,728
Entertainment	94,798	53,857
Fines and penalties	-	116,420
Insurance	733,623	564,189
Lease rentals on operating lease	4,207,866	1,184,626
Motor vehicle expenses	572,842	520,811
Fuel and oil	938,793	662,569
Postage and courier	214,659	116,346
Printing and stationery	595,260	896,104
Subscriptions and membership fees	333,142	184,973
Telephone and fax	1,222,904	999,153
Training	208,990	112,165
Assets expensed	24,468	80,000
Electricity	3,084,078	754,259
Sewerage and waste disposal	29,477	25,996
Water	85,132	122,043
Refuse	39,164	33,030
Uniforms	4,164	68,920
Refreshments	81,904	90,048
Municipality Electricity	114,667	178,460
Sundries	619	12,257
Free basic electricity	855,571	602,853
Landfill sites	-	87,626
Subsistence and travelling expenses	1,347,238	881,759
Council Public Relations	180,815	285,873
Indigent debtor relief	9,854,329	-
Other - over expenditure on grants (own funds)	3,522,184	-
Property only	2,058	626
	<b>31,239,166</b>	<b>10,103,195</b>

# Cariep Local Municipality

(Registration number EC 144)

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>19. Employee related costs</b>		
Basic	17,774,936	13,716,770
Bonus	1,829,993	698,596
Medical aid - company contributions	993,533	733,039
UIF	100,516	63,312
WCA	216,924	37,655
SDL	234,842	10,865
Industrial Council and Bargaining Council	54,130	8,625
Leave pay provision charge	1,487,182	37,615
Pension Fund Contributions	3,224,954	1,898,529
Travel allowance	42,000	24,500
Overtime payments	609,503	405,418
Travell Allowance	880,753	766,988
Housing benefits and allowances	97,207	209,835
Standby Allowance	177,813	59,757
Municipal manager expenses	8,142	7,496
	<b>27,732,428</b>	<b>18,679,000</b>
<b>Remuneration of municipal manager</b>		
Annual Remuneration	717,392	623,860
Travel Allowance	173,250	109,250
Contributions to Medical Aid	20,113	18,778
Bargaining Council	45	-
Other Allowances	-	79,713
Cellphone Allowance	-	21,252
	<b>910,800</b>	<b>852,853</b>
<b>Remuneration of chief finance officer</b>		
Annual Remuneration	225,503	176,412
Travel Allowance	91,534	78,840
Bargaining Council	45	-
Contributions to Pension Fund	39,853	31,754
Contributions to Medical Aid	18,500	15,739
UIF	749	-
Service Bonus	16,613	11,026
Cellphone Allowance	-	8,760
Other Allowances	-	216,943
	<b>392,797</b>	<b>539,474</b>
<b>Remuneration of corporate services manager</b>		
Annual Remuneration	413,440	408,645
Contributions to Pension fund	85,913	74,147
Service bonus	34,453	34,453
Cellphone allowance	8,760	8,760
Other	-	4,794
	<b>542,566</b>	<b>530,799</b>
<b>Remuneration of technical services manager</b>		
Annual Remuneration	344,273	200,826
Travel allowance	78,000	45,500
Service bonus	27,727	-

# Gariop Local Municipality

(Registration number EC 144)

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>19. Employee related costs (continued)</b>		
Cellphone allowance	8,760	5,110
Other	1,539	-
	<u>460,299</u>	<u>251,436</u>
<b>Remuneration of community services manager</b>		
Annual Remuneration	344,629	186,064
Travel allowance	139,283	69,642
Contributions to Medical aid	12,168	11,503
Service bonus	23,944	-
Cellphone allowance	8,760	4,380
Other	41	-
	<u>528,825</u>	<u>271,589</u>
<b>20. Remuneration of councillors</b>		
Executive Mayor	90,887	84,126
Councillors Other Allowances	326,653	293,835
Council: Salaries	1,286,053	1,260,699
Industrial Council	-	28
Council : UIF	-	982
Council: Skills Development Levy	18,836	984
	<u>1,722,429</u>	<u>1,640,654</u>
<b>21. Administrative expenditure</b>		
Administration and management fees - third party	3,027	295,491
	<u>3,027</u>	<u>295,491</u>
<b>22. Debt impairment</b>		
Debt impairment	45,058,436	10,747,922
	<u>45,058,436</u>	<u>10,747,922</u>
<b>23. Investment revenue</b>		
<b>Interest revenue</b>		
Bank	203,838	50,380
	<u>203,838</u>	<u>50,380</u>
Total interest income, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit .		
<b>24. Finance costs</b>		
Interest on SENQU loan	68,910	1,140,902
Bank	41,752	-
Capitalised	270,652	843,902
	<u>381,314</u>	<u>1,984,804</u>
Total interest expense, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit .		
<b>25. Rental of facilities and equipment</b>		
<b>Premises</b>		
Venue hire	189,884	165,556



# Gariep Local Municipality

(Registration number EC 144)

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>25. Rental of facilities and equipment (continued)</b>		
<b>Facilities and equipment</b>		
Rental of equipment	-	125
	<b>189,884</b>	<b>165,681</b>
<b>26. Bulk purchases</b>		
Electricity	7,390,407	5,611,158
Water	201,261	-
Sewer purification	35,116	-
	<b>7,626,784</b>	<b>5,611,158</b>
<b>27. Cash generated from operations</b>		
Deficit	(41,177,489)	(10,606,988)
<b>Adjustments for:</b>		
Debt impairment	45,058,436	10,747,922
Movements in provisions	(1,306,649)	(340,448)
Prior period adjustment	16,233,276	-
Change in Accounting Policy	1,598,735	(21,503,161)
<b>Changes in working capital:</b>		
Inventories	-	357,193
Trade and other receivables from exchange transactions	(29,887,917)	11,327,501
Trade and other payables from exchange transactions	14,431,960	7,401,927
VAT	(5,875,676)	1,150,946
Unspent conditional grants and receipts	8,904,267	5,996,591
	<b>7,978,943</b>	<b>4,531,483</b>
<b>28. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Approved and contracted</b>		
• Property, plant and equipment	26,191,537	13,215,389
<b>Approved but not yet contracted</b>		
• Property, plant and equipment	59,492,499	-
• Other Commitments	4,461,000	-
	<b>63,953,499</b>	<b>-</b>
This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.		
<b>Operating leases - as lessee (expense)</b>		
<b>Minimum lease payments due</b>		
- within one year	676,248	677,044
- in second to fifth year inclusive	281,770	1,634,266
	<b>958,018</b>	<b>2,311,310</b>

Operating lease payments represent rentals payable by the municipality for certain equipment. The HP Financial Services lease was negotiated for a 36 month period at a fixed monthly cost of R56 354. The lease commenced on the 1 December 2008. The Summit Finance (Office World) lease was negotiated for a 60 month period at an initial monthly cost of R454.86, with a 15% escalation rate. The lease commenced on the 27 July 2004.



## Gariep Local Municipality

(Registration number EC 144)

Annual Financial Statements for the year ended 30 June 2010

### Notes to the Annual Financial Statements

Figures in Rand 2010 2009

#### 29. Contingencies

##### Contingent liabilities

The municipality's Legal Advisors have indicated that the following cases reflect the municipality's exposure to contingent liabilities.

A magistrate's court action have been served with regards to the legal fees for a plaintiff Mr. J Heunis for R60 000 towards legal costs. There is a possibility that the plaintiff might not be successful.

An unfair dismissal dispute is pending with the CCMA. Estimated financial exposure is R400 000. It is unlikely that the former employee's claim will be successful.

The municipality does not have adequate budgeted funds to cover the litigation costs and claims. The amount will have to be paid from the operational budget of the municipality.

##### Contingent liabilities

CCMA dispute and legal fees	460,000	1,495,789
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#### 30. Related parties

No related party transactions.

#### 31. Prior year adjustments

A number of prior period adjustments were made. Refer to the table below for a summary of the adjustments made to Accumulated surplus.

During the current year it was discovered that a number of unreconciled items on the bank reconciliation related to prior periods. These entries could not be cleared in the normal course of the monthly bank reconciliation and have been long outstanding. These items have therefore been written off to Accumulated surplus, with the corresponding entry being Cash and cash equivalents. The items amounted to R1 052 271.

Previously, under the IMFO method of accounting, provisions were raised for audit fees. However, according to the principles of GRAP, these provisions do not meet the definition of a provision as per GRAP 19, therefore the Provision for audit fee of R555 000 as reported in the prior year, had been reversed in the prior period. R505 000 of this provision had been reversed to the Statement of financial position to Audit fees and R50 000 related to prior periods which had been allocated to the Accumulated surplus.

Work in progress on infrastructure assets to the amount of R423 875 was previously included under Fixed assets of R5 763 715 in the prior year financial statements. With the transfer of prior year closing balances as opening balances in the prior year, the R423 875 had been omitted. This was adjusted to the Accumulated surplus.

In the prior period, the municipality created unsubstantiated and unbacked amounts receivable to the amount of R1 548 007, which is in non accordance with with the prescripts of GRAP. These assets were created for budgeting purposes and are non recoverable, hence written off.

During the current year the municipality wrote off the debtor Ukhahlamba District Municipality, with a credit balance, amounting to R15,685,639. This amount pertains to prior year and is in respect of water and sanitation services that were provided by the municipality on behalf of the district municipality. The municipality also wrote off an amount of R1 683 866 in terms of other aged accounts receivable relating to prior years.

During the current year an adjustment to the amount of R4 407 905 had been made in terms of a VAT adjustment.

<b>Accumulated surplus - prior year adjustments</b>		
Outstanding reconciling items per bank reconciliation cleared	(1,052,271)	-
Audit fee provision	-	50,000
Work in progress balance not accounted for	423,875	-
Accounts receivable unsubstantiated	(1,548,006)	-
Ukhahlamba district municipality write off of accounts receivable	15,685,639	-

# Carriep Local Municipality

(Registration number EC 144)

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>31. Prior year adjustments (continued)</b>		
VAT adjustment	4,407,905	-
Bad debts written off i.t.o prior year aged debtors	(1,683,866)	-
	<b>16,233,276</b>	<b>50,000</b>

### 32. Comparative figures

Comparative figures have been presented for the year ended 30 June 2009. Certain comparative figures have been re-classified due to the implementation of GRAP.

### 33. Risk management

#### Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern. Available capital is largely dependant on grant receipts from national government. Minimised use of capital from external borrowings ensures optimal capital structures and also reduces the cost of capital. The municipality manages capital risk through the monitoring of proposed grants to be received from national government and through the synchronisation of capital outlay with grant receipts.

The capital structure of the municipality consists of cash and cash equivalents and equity.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

#### Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried out by the financial department with the assistance of operating divisions. Risk management is carried out under policies approved by the accounting officer.

#### Interest rate risk

The municipality's interest bearing assets are included under cash and cash equivalents. The municipality's income and operating cash flows are substantially independent of changes in market interest rates due to the short term nature of interest bearing assets.

The sensitivity analysis below has been determined based on financial instruments exposure to interest rates at reporting date. For floating rate instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year.

The basis points increases or decreases, as detailed in the table below, were determined by management and represent management's assessment of the reasonably possible change in interest rates.

A positive number below indicates an increase in surplus. A negative number below indicates a decrease in surplus.

The sensitivity analysis shows reasonable expected change in the interest rate, either an increase or decrease in the interest percentage. The equal but opposite % adjustment to the interest rate would result in an equal but opposite effect on surplus and therefore has not been separately disclosed below. The disclosure only indicates the effect of the change in interest rate on surplus.

There were no changes in the methods and assumptions used in preparing the sensitivity analysis for one year to the next.

2010

2009

## Caripon Local Municipality

(Registration number EC 144)

Annual Financial Statements for the year ended 30 June 2010

### Notes to the Annual Financial Statements

Figures in Rand

2010

2009

#### 33. Risk management (continued)

The estimated increase rates

The estimated increase in basis points

100

100

Effect on Net Surplus

( 6252 )

( 8609 )

#### Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the municipality. Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any particular counter-party. Trade receivables comprise a widespread customer base. Credit exposure is controlled by the application of the municipality's credit control and debt collection policies. Adequate provision has been made for anticipated doubtful debts.

The carrying amount of financial assets, represent the entity's maximum exposure to credit risk in relation to these assets.

The municipality's cash and cash equivalents and short-term deposits are placed with high credit quality financial institutions.

There has been no significant change during the financial year, or since the end of the financial year, to the municipality's exposure to credit risk, the approach of measurement or the objectives, policies and processes for managing this risk.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk.

#### Foreign exchange risk

The municipality is not exposed to currency risk as no transactions are negotiated in foreign currency.

#### 34. Going concern

We draw attention to the fact that at 30 June 2010, the municipality had accumulated deficits of R (44,494,372) and that the municipality's total liabilities exceed its assets by R (44,494,372). Actual current expenditure exceeded the actual current revenue by R41 177 489.

The municipality is facing various challenges in the collection of outstanding receivables in terms of services rendered and might not be in a position to settle its current obligations in the normal course of business. The municipality is significantly dependent on the national and provincial government for its continued sustainability.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This 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.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding from the various spheres of government for the ongoing operations of the municipality.

#### 35. Unauthorised expenditure

Opening balance	4,205,334	576,432
Unauthorised operating expenditure incurred	49,161,396	3,604,443
Unauthorised capital expenditure incurred	-	24,459
	<u>53,366,730</u>	<u>4,205,334</u>

#### 36. Fruitless and wasteful expenditure

Opening balance	2,356,359	697,301
Interest paid	41,752	1,368,847
SARS penalties	-	116,420
Fruitless lease payments	-	173,792
	<u>2,398,111</u>	<u>2,356,360</u>

## Carleton Place Municipality

(Registration number EC 144)

Annual Financial Statements for the year ended 30 June 2010

### Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>37. Irregular expenditure</b>		
Opening balance	2,431,840	1,843,637
Add: Irregular Expenditure - current year	1,160,379	588,203
	<u>3,592,219</u>	<u>2,431,840</u>
<b>Details of irregular expenditure – current year</b>		
	<b>Disciplinary steps taken/criminal proceedings</b>	
Non-compliance to procurement requirements - MW Fuel (no quotations)	None	260,034
Credit card payments (not made according to SCM)	None	223,463
Multi Finance Solutions (no quotations)	None	676,882
		<u>1,160,379</u>
<b>38. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>39.1 Contributions to organised local government</b>		
Current year contributions	17,050	13,700
Amount paid - current year	(17,050)	(13,700)
	<u>-</u>	<u>-</u>
<b>39.2 Material losses through criminal conduct</b>		
Current year losses	-	1,053,240
Recovered amount - previous years	648,603	-
	<u>648,603</u>	<u>1,053,240</u>
<p>The material losses referred to above, relate to the theft of municipal motor vehicles within the 2009 financial year. Material losses resulting from the theft amounted to R1,053,240. R648,603 was recovered from insurance during the 2010 financial year.</p>		
<b>39.3 Audit fees</b>		
Opening balance	930,912	-
Current year fee	1,672,665	1,630,912
Amount paid - current year	-	(700,000)
	<u>2,603,577</u>	<u>930,912</u>
<b>39.4 PAYE and UIF</b>		
Opening balance	1,491,678	-
Current year contributions	2,562,622	4,764,135
Amount paid - current year	(2,964,094)	(3,272,457)
	<u>1,090,206</u>	<u>1,491,678</u>
<b>39.5 Pension and Medical Aid Deductions</b>		
Opening balance	349,317	(850,052)
Current year contributions	6,566,726	9,422,815
Amount paid - current year	(6,137,467)	(8,223,446)
	<u>778,576</u>	<u>349,317</u>

## Gariep Local Municipality

(Registration number EC 144)

Annual Financial Statements for the year ended 30 June 2010

### Notes to the Annual Financial Statements

Figures in Rand

2010

2009

#### 38. Additional disclosure in terms of Municipal Finance Management Act (continued)

##### 39.6 VAT

VAT payable

3,146,971

9,022,647

All VAT returns have been submitted by the due date throughout the year.

##### 39.7 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 R	Outstanding more than 90 days R	Total R
M Mabunu	772	2,565	3,337
AM Van Zyl	2,152	553	2,705
	<u>2,924</u>	<u>3,118</u>	<u>6,042</u>

#### 39. Distribution losses

Electricity

Loss - current year

111,757

3,024,618





The accounting officer  
Gariep Municipality  
PO Box 13  
BURGERSDORP  
9744

30 November 2010

Reference: 21294REG09/10

Dear Mr Mawonga

**Report of the Auditor-General on the financial statements and other legal and regulatory requirements of Gariep Municipality for the year ended 30 June 2010**

1. The above-mentioned report of the Auditor-General is submitted herewith in terms of section 21(1) of the Public Audit Act of South Africa read in conjunction with section 188 of the Constitution of the Republic of South Africa and section 121(3) of the Municipal Finance Management Act of South Africa (MFMA).
2. In terms of section 121(3) of the MFMA you are required to include the audit report in the municipality's annual report to be tabled.
3. Until the annual report is tabled as required by section 127(2) of the MFMA the audit report is not a public document and should therefore be treated as confidential.
4. Prior to printing or copying the annual report which will include the audit report you are required to do the following:
  - Submit the final printer's proof of the annual report to the relevant senior manager of the Auditor-General of South Africa for verification of the audit-related references in the audit report and for confirmation that the financial statements and other information are those documents that have been read and audited. Special care should be taken with the page references in your report, since an incorrect reference could have audit implications.
  - The signature *Auditor-General* in the handwriting of the auditor authorised to sign the audit report at the end of the hard copy of the audit report should be scanned in when preparing to print the report. This signature, as well as the place and date of signing and the Auditor-General of South Africa's logo, should appear at the end of the report, as in the hard copy that is provided to you. The official logo will be made available to you in electronic format.
5. Please notify the undersigned Senior Manager well in advance of the date on which the annual report containing this audit report will be tabled.
6. Your cooperation to ensure that all these requirements are met would be much appreciated.

Kindly acknowledge receipt of this letter.

62

Yours sincerely

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.....  
Caryn Boettger

Senior Manager: ELO1

Enquiries: Pieter Theron  
Telephone: (043) 709 7200  
Fax: (043) 709 7300

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**AUDITOR'S REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL  
LEGISLATURE AND THE COUNCIL ON GARIEP MUNICIPALITY**

**REPORT ON THE FINANCIAL STATEMENTS**

**Introduction**

1. I have audited the accompanying financial statements of Gariep Municipality, which comprise the statement of financial position as at 30 June 2010, the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages ... to ....

**Accounting officer's responsibility for the financial statements**

2. The accounting officer is responsible for the preparation of these financial statements in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) and in the manner required by the Municipal Finance Management Act (Act No. 56 of 2003) (MFMA). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; 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), section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, 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 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.



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## Basis of qualified opinion

### Property, plant and equipment

7. The asset register of the municipality did not contain sufficient information to confirm the valuation, existence and completeness of non-current assets acquired for the year under review disclosed at R7,9 million in the statement of financial position as at 30 June 2010. In addition, the municipality did not reconcile the difference between the amount disclosed as non-current assets in the statement of financial position of R7,9 million and the amount recorded as R6,7 million in the asset register. The municipality's records did not permit the application of alternative audit procedures regarding the disclosure and recording of property, plant and equipment. Consequently, I did not obtain all the information necessary to satisfy myself as to the valuation, existence and completeness of property, plant and equipment.

### Value-added tax (VAT)

8. The municipality is registered for the payment of VAT on the invoice basis for the time of supply. However, in contravention with section 15 of the VAT Act, 1991 (Act No. 89 of 1991), the municipality recorded transactions on the cash basis and therefore VAT was accounted for, and claimed and paid on the same basis. In addition, the municipality was unable to reconcile the VAT payable of R3,1 million (2009: R9 million), as disclosed in the statement of financial position, with the last return submitted to the South African Revenue Services (SARS) amounting to R2,3 million, resulting in an unexplained difference of R859 690. Consequently, I was not able to verify the completeness, existence and valuation of VAT.
9. I could not confirm that journals that decreased VAT payable, as disclosed in note 12 to the financial statements, by R4,2 million should have been processed or were recorded in the correct accounts and at the correct amounts as they were not supported by appropriate supporting documentation. The municipality's records did not permit the application of alternative audit procedures.

### Trade and other payables from exchange transactions

10. Included in trade and other payables from exchange transactions are debtors with credit balances of R1,8 million (2009: R312 781) as disclosed in note 11 to the financial statements. Included in the debtors with credit balances amount of R1.8 million, are balances amounting to R1,2 million, which could not be confirmed as journals processed are not supported by appropriate supporting documentation. As a result, the existence, accuracy and completeness of debtors with credit balances could not be confirmed. The municipality's records did not permit the application of alternative audit procedures.

### Cash and cash equivalents

11. Management has corrected the overdraft bank balance of R194 439 (2009: R1,8 million - favourable) with the amount of R1,4 million as at 30 June 2010 and the corresponding entry has been processed to accumulated surplus. However, it was not possible to verify the existence and accuracy of this correction due to insufficient supporting documentation for the journal entry.

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#### **Employee benefits**

12. The municipality did not disclose post-employment medical care benefits for the financial year under review in accordance with the South African Statement of Generally Accepted Accounting Practice, IAS 19, Employee benefits. Due to the non-disclosure, I was not able to perform alternative procedures. Consequently, the extent of the non-disclosure could not be determined.

#### **Distribution losses**

13. Section 125(2)(d)(i) of the MFMA states that the notes to the annual financial statements of a municipality must disclose particulars of any material losses. Electricity distribution losses amounting to R111 757 (2009: R3 million) were disclosed in note 39 to the financial statements. I was unable to obtain audit assurance that all distribution losses that should have been recorded, were recorded and that distribution losses were recorded at an appropriate amount. This was as a result of the municipality not being able to provide sufficient appropriate audit evidence to support these amounts. I was unable to perform alternative procedures due to a lack of controls with regard to the recording of these losses.

#### **Qualified opinion**

14. In my opinion, except for the possible effects of the matters described in the Basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the Gariep Municipality as at 30 June 2010 and its financial performance and its cash flows for the year then ended, in accordance with GRAP and in the manner required by the MFMA.

#### **Emphasis of matters**

15. I draw attention to the matters below. My opinion is not modified in respect of these matters:

#### **Unauthorised expenditure**

16. As disclosed in note 35 to the financial statements, unauthorised expenditure amounting to R49,2 million was incurred by the municipality during the year ended 30 June 2010. The unauthorised expenditure was incurred as a result of inadequate budget control.

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

17. As disclosed in disclosure note 36 to the financial statements, fruitless and wasteful expenditure amounting to R41 752 was incurred by the municipality during the year ended 30 June 2010 due to interest incurred on late payments.

#### **Irregular expenditure**

18. As disclosed in disclosure note 37 to the financial statements, irregular expenditure amounting to R1,2 million was incurred by the municipality during the year ended 30 June 2010. This is a result of procurement processes not having been followed.

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### **Going concern**

19. Note 34 to the financial statements indicates that the Gariiep Municipality incurred a net loss of R41,2 million during the year ended 30 June 2010 and, as of that date, the entity's current liabilities exceeded its total assets by R44,4 million. These conditions, along with other matters as set forth in note 34, indicate the existence of a material uncertainty that may cast significant doubt on the entity's ability to operate as a going concern.

### **Restatement of corresponding figures**

20. The previously issued financial statements were restated where a change in accounting policy had been affected. This was as a result of the municipality changing its basis of accounting from an entity-specific basis (IMFO) to the GRAP reporting framework.

### **Members of council arrear rates and service charges**

21. The rates and service charges of members of the council who have not paid their accounts for more than three months are disclosed in note 39.7 to the financial statements. Paragraph 12A of the code of conduct for members of the council issued in terms of section 54 of the Municipal Systems Act, 2000 (Act No. 32 of 2000) prohibits members of the council from being in arrears with their rates and service charge accounts for more than three months.

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

22. 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 Municipal Systems Act (Act 32 of 2000) (MSA), and financial management (internal control).

#### **Predetermined objectives**

23. Material findings on the report on predetermined objectives, as set out on pages ... to ..., are reported below:

#### **Non-compliance with regulatory and reporting requirements**

#### **No reporting against predetermined objectives, indicators and targets**

24. I could not conduct the audit of performance against predetermined objectives as the municipality did not prepare the annual performance report as required in terms of section 46 of the MSA.

#### **Internal auditing of performance measurements**

25. The municipality did not develop and implement mechanisms, systems and processes for auditing the results of performance measurement as part of its internal audit processes, as required in terms of section 45 of the MSA.

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**Lack of adoption or implementation of a performance management system**

26. 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 sections 36, 38 and 41(2) of the MSA, and regulations 7 and 8 of the Municipal Planning and Performance Management Regulations, 2001.

**No mid-year budget and performance assessments**

27. The accounting officer of the municipality did not (by 25 January of each year) assess the performance of the municipality during the first half of the financial year, taking into account the municipality's service delivery performance during the first half of the financial year and the service delivery targets and performance indicators set in the service delivery and budget implementation plan, as required by section 72(1)(a)(ii) of the MFMA.

**Compliance with laws and regulations**

**Municipal Finance Management Act (Act 56 of 2003) (MFMA)**

**The audit committee was not properly functioning**

28. The audit committee did not fulfil all of its responsibilities for the year, as set out in section 166 of the MFMA.

**The internal audit unit was not properly established**

29. The municipality did not have an internal audit unit for the year under review as required by section 165 of the MFMA.

**Expenditure was not paid within the parameters set by the applicable legislation**

30. The municipality did not make all payments to creditors within 30 days of receipt of the invoice, as required by section 65(2) (e) of the MFMA.

**The financial statements were not prepared in accordance with applicable legislation**

31. The financial statements submitted for auditing did not comply with section 122(1) of the MFMA. Material misstatements were identified during the audit, certain of these were corrected by management and those that were not are included in the basis for qualified opinion paragraphs.

**Expenditure was incurred otherwise than in accordance with sections 15 and 11(3) of the MFMA resulting in unauthorised expenditure**

32. Expenditure was not incurred in accordance with the approved budget of the municipality and consequently overspent the total amount appropriated in the municipality's approved budget.

~~Expenditure was incurred otherwise than in accordance with applicable legislation resulting~~  
**In irregular expenditure**

33. Expenditure was not incurred in accordance with the requirements of section 3.13 of the supply chain management policy of the municipality.

**Expenditure incurred could have been avoided resulting in fruitless and wasteful expenditure**

34. Expenditure incurred was made in vain and could have been avoided based on the fact that reasonable care had been exercised, as set out in section 1 the definition of "fruitless and wasteful expenditure" of the MFMA.

**INTERNAL CONTROL**

35. 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, but not for the purpose of expressing an opinion on the effectiveness of internal control.
36. The matters reported below are limited to the significant deficiencies regarding the basis for qualified opinion paragraphs, the findings on the report on predetermined objectives and the findings on compliance with laws and regulations.

• **Leadership**

In the year under review the position of chief financial officer was occupied by an acting chief financial officer for 10 months of the financial year. The lack of sustainability at chief financial officer level contributed towards a weak control environment. This resulted in material findings within the financial accounting records and reported predetermined objectives. In addition, instances of material non-compliance were identified which was a result of inadequate supervision and review of internal controls. The necessary mechanisms are not in place at the municipality to detect the deficiencies in the control environment and to detect non-compliance with laws and regulations.

• **Financial and performance management**

Significant misstatements in the financial statements were identified during the audit signifying weaknesses in accountability and reporting practices. This negatively affected the quality and reliability of the submitted financial statements and predetermined objectives reported. Management subsequently made the appropriate corrections. These issues may be attributable to the following:

- Sufficient ongoing monitoring and supervision of the financial statements and the report of predetermined objectives were not undertaken to enable the assessment of the effectiveness of internal control over financial and predetermined objective reporting.
- Internal control deficiencies and non-compliance were not identified and communicated in a timely manner to allow for corrective action to be taken.



There was no internal audit division for the financial year under review. This contributed to the audit committee not adequately discharging all its duties during the financial year under review. Although a risk assessment was performed and a fraud prevention plan compiled during the financial year under review, both documents were in draft format and not approved by the council.

## OTHER REPORTS

### Investigations

37. An investigation was initiated by the municipality and conducted by an independent consulting firm for suspected irregularities in the cash management and cash handling activities in the finance and traffic departments at the municipality. The investigation was still ongoing at reporting date and the extent of the irregularities could not be determined at year-end.

*Auditor-General*

East London

30 November 2010



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

Audit Issue	Proposed Action(s) to be taken	Targeted Completion Date	Person Responsible		Position	Progress
			Title	Name		
<b>EX 56: Cash and Bank- No supporting documentation</b> Through inspection of the year end reconciliation it was noted that there was a reconciling item amounting to R1 402 959.51 for prior year errors and misappropriation of funds. Sufficient appropriate audit evidence could not be obtained to substantiate	<i>Describe activities in point form to address issue (use lower case)</i> 1 Independent / Senior official to review & check receipts vs banked monies on a daily basis	<i>Select completion dates:</i> Tuesday, March 01, 2011	<i>enter name (use</i> Mrs.	Kanyi	<i>Select position:</i>	<i>Select progress or activity:</i> 60% - Task progressing well
	2 Discrepancies to be followed up and disciplinary hearing be constituted where applicable					
<b>EX 72: Cash and Bank: Daily Cash receipts does not agree to daily cash banked.</b>  The daily cash receipts do not agree to amounts deposited into the bank account Undetected fraud and/or error has occurred which could lead to financial loss and/or misstatement in the financial statements.	1 Ensure daily banking	Thursday, March 31, 2011	Mrs.	Vatiswa		60% - Task progressing well
	2 Independent / Senior official to review & check receipts vs banked monies on a daily basis					
	Discrepancies to be followed up and disciplinary hearing be constituted where applicable					
<b>EX 10: Audit committee</b> During the evaluation of the effectiveness of the audit committee for the period under review, the following weaknesses were identified :  1. No evidence could be found that the audit committee has established appropriate measures to effectively discharge its mandate in respect of the following areas: <ul style="list-style-type: none"> <li>• Adequacy and effectiveness of the systems of internal and financial control, accounting practices, and auditing processes</li> <li>• Communication between the council</li> </ul>	1 The audit committee should fulfil all its functions and requirements as per Audit Committee Charter	Thursday, March 31, 2011	Mr.	Mawonga	Accounting Officer	
	2 The audit committee should meet regularly, at least four times a year.					
	3 All the minutes of the audit committee meetings should kept safely					
	4 The external auditor, head of internal audit and CFO should be invited on the audit committee minutes					
	5 The audit committee should prepare an annual report to be included in the municipality's annual report.					

EX 2: Internal Audit According to Section 165 of the MFMA, each municipality and each municipal entity must have an internal audit unit. 1. Due to non-submission of internal audit reports it could not be ascertained if any internal audit work was performed by the internal audit function during the financial year under review in terms of section 165(2)(b)(i) of the MFMA. 2. Although a risk register was performed for the year ending 30 June 2010 in terms of section 165(2)(b)(iv), it is still in a draft format and no evidence were obtained of approval of the risk register by the Audit Committee and Council. 3. During the financial year under review an amount of R1 065 848 was paid to the outsourced service provider (Multi Finance Solutions). The cost-effectiveness of the outsourcing of the internal audit function in terms of section 165(3) of the MFMA	Describe activities in point form to address issue (use lower case):		Select completion dates:	enter name (use lower case):		Select position:	Select progress of activity:
	1	The internal audit division or the appointed service provider should prepare internal audit reports as per MFMA requirement	Thursday, March 31, 2011	Mr.	Mawonga	Accounting Officer	0% - No progress
2	The risk register should be prepared in terms of the applicable legislation (sec 165(2)(b)iv of MFMA and it should be approved by the Audit committee and the council						
3	Service providers appointed by the municipality should be closely monitored by the municipality to ensure the the service is delivered appropriately						

EX 28: Non-disclosure of post-retirement benefits Post retirement medical aid benefits are paid to the ex-employees of the municipality and no disclosure of post-retirement benefits were made in the annual financial statements. Disclosure of post-retirement benefits are incomplete	* Describe activities in point form to address issue (use lower case):		* Select completion dates:	* Select name and enter name (use lower case):		* Select position:	* Select progress of activity:
	1	Ensure proper disclosure of all pertinent information on the AFS	Thursday, March 31, 2011	Mr.	Mosala	Chief Financial Officer	
2	Ensure timeous review of AFS by the independent official / Audit Committee to eliminate the risks of incomplete disclosure						
3	HR to provide the list of all eligible post retirements beneficiaries						
4	Finance to design a checklist for HR to provide the list of all eligible post retirements beneficiaries						

EX 18: Expenditure: Non-compliance with credit card policy On inspection of the credit card statements dated 06/08/2010, it was noted that the limit has been set at R20 000. In addition 2 credit card accounts were noted: No. Name Account number Bank 1 Gariiep Municipality 4570-2300-3342-9023 ABSA 2 TA Mawonga 4570-2300-3342-8017 ABSA	Describe activities in point form to address issue (use lower case):		Select completion dates:	enter name (use lower case):		Select position:	Select progress of activity:
	1	Keep a separate file for all credit card invoices Timeous submission of credit card invoices & statements to finance department	Thursday, March 31, 2011	Mrs.	Sandt	Expenditure Accountant	
2	Perform monthly reconciliation between business and private / personal expenditure						
3	Private / personal expenditure to be recovered from the municipal official who is the custodian and user of the credit card						
4	Finance to request statements from the bank Review of credit card policy						



EX.21: Expenditure: Misuse of municipal credit card During the year under review (2009/2010 financial year-end) a total amount of R 223, 463.23 of municipal credit card usage was noted. For the	Describe activities in point form to address issue (use lower case)		Select completion dates	enter name (use		Select position	Select progress or activity
	1	Keep a separate file for all credit card invoices	Thursday, March 31, 2011	Mrs.	Sandt	Expenditure Accountant	
	2	Timeous submission of credit card invoices & statements to finance department					

EX.35: Expenditure: Payments not made within 30 days Creditors were not paid within 30 days. There is a risk that interest will be charged on overdue debts and that the municipality might thereby incur fruitless and wasteful expenditure.	Describe activities in point form to address issue (use lower case)		Select completion dates	enter name (use		Select position	Select progress or activity
	1	Pay creditors within 30 days	Saturday, April 30, 2011	Mrs.	Sandt	Expenditure Accountant	
		Valid reasons for non-payment to be provided					
	2	Date stamp the invoices on arrival, capture them into a register and submit them to finance for processing					
		All invoices to be received at a central point (e.g. Registry)					
		Capture the invoice in the accrual register					
5	Ensure that there is enough cash flow to cover the expenditure						

EX.71: Expenditure: Finance costs included under general expenditure Finance costs transactions were identified under general expenses. The finance costs were agreed to the ABSA cheque account 18-0022-0161 bank statements and occurred due to the bank balance being in overdraft. Interest on overdue accounts indicates fruitless and wasteful expenditure has occurred. Interest expense incorrectly disclosed under general expenses in the annual financial statements. Fruitless and wasteful expenditure has occurred.	Describe activities in point form to address issue (use lower case)		Select completion dates	enter name (use		Select position	Select progress or activity	
	1	Capture the finance costs in the Fruitless, Wasteful, Irregular and Unauthorised expenditure register	Thursday, March 31, 2011	Ms.	Mxo			
		Disclose the amounts in the AFS						

EX.11: Audit of Predetermined Objectives The performance report included in the draft annual report as submitted on 31 August 2010 did not include the performance targets for 2009/10 and the actual performance for each indicator. There is a risk that the performance of the municipality is not monitored at all and that the municipality will not comply	Describe activities in point form to address issue (use lower case)		Select completion dates	enter name (use		Select position	Select progress or activity
	1	Monitor (office of the MM to monitor)	Thursday, March 31, 2011				
		Management to perform quarterly report on performance information					











EX 5: Value Added Tax (VAT): Non-compliance with VAT act.	* Describe activities in point form to address issue (use lower case):	* Select completion dates:	enter name (use		* Select position:	* Select progress of activity:	
<p>The municipality is registered for the payment of VAT on the invoice basis for the time of supply. However, in contravention with section 15 of the VAT Act, the municipality recorded transactions on the cash basis and therefore VAT was accounted for, and claimed and paid on the same basis. The necessary approval from South African Revenue Services (SARS) for accounting of VAT on the cash basis could not be produced for audit purposes.</p> <p>Non-compliance with section 15(1) of the VAT Act.</p> <ul style="list-style-type: none"> <li>• There is a risk that VAT is not being correctly recorded, paid and claimed which could result in a financial loss to the municipality.</li> <li>• The Municipality could be incurring interest and penalties which would result in fruitless and wasteful expenditure.</li> <li>• There is a risk that the VAT balance at year end might be misstated.</li> </ul>	<p>1 The municipality must change to invoice basis to cash basis</p>	<p>Tuesday, January 04, 2011</p>	<p>Ms.</p>	<p>Spelt</p>			

EX 83: Value added tax: Non compliance	* Describe activities in point form to address issue (use lower case):	* Select completion dates:	enter name (use		* Select position:	* Select progress of activity:					
<p>1. No reconciliations were performed by the municipality between the VAT201 returns and the general ledger for the period under review</p> <p>2. On inspection of VAT 201 returns it was noted that they are not submitted timorously to SARS. 3. Based on the work performed it was noted that the municipality's VAT number does not appear on the suppliers invoice even though the invoice amount exceeds R30 000</p>	<p>1 The municipality should perform the reconciliations between the VAT 201 and the general ledger</p>	<p>Thursday, March 31, 2011</p>	<p>Ms.</p>	<p>Spelt</p>							
	<p>2 The reconciliation must be reviewed and signed by the senior official.</p>										
	<p>3 The VAT returns must be submitted to SARS before 22 days after the end of the VAT period</p>										

EX 95: Value added tax: Misstatements identified	* Describe activities in point form to address issue (use lower case):	* Select completion dates:	enter name (use		* Select position:	* Select progress of activity:					
<p>VAT refundable per the financials does not agree to VAT per 201 returns. Vat receivable disclosed on the financial statements is overstated by R859,689.64. No reconciliation could be provided for the difference.</p> <p>Furthermore, it was noted that journal</p>	<p>1 VAT returns / reconciliation to be performed on a monthly basis</p>	<p>Thursday, March 31, 2011</p>	<p>Ms.</p>	<p>Spelt</p>							
	<p>Invoices supporting the VAT amounts to be attached in the VAT reconciliations</p>										
	<p>A senior official should review the VAT reconciliation</p>										
	<p>VAT returns to be submitted to SARS within the specified time period</p>										





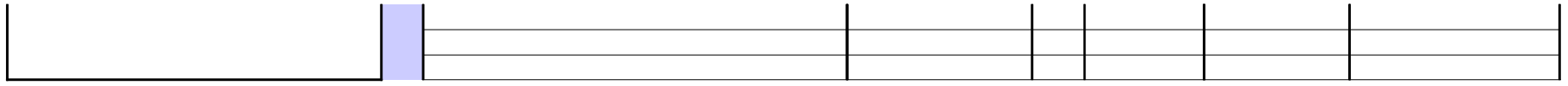


EX 58: Assets: Discrepancies with revised asset register. a) The revised fixed asset register submitted on the 14th of October 2010 does not agree to the additions in the annual financial statements as follows: Amount per Difference Amount per. financials asset register	* Describe activities in point form to address issue (use lower case):		* Select completion dates:		enter name (use		* Select position:	* Select progress of activity:
	Buildings 490,512 0 Recreation facilities 148,600 0 Infrastructure 7,308,086 6,748,149.24 559,936.76 Total 7,947,198 6,748,149.24 1,199,048.76	1	All additions should be accurately reflected on the annual financial statement as per fixed asset register	Thursday, March 31, 2011	Ms.	Mxo		
	2	All asset additions should be supported by asset acquisition form with an suppliers invoice						
	3	Additions should be registered in the general ledger and the fixed asset register as soon as						
b) No supporting documentation was provided for a balance of R7 817 836 recorded as Asset take-on in the Statement of Changes in Net Assets. Fixed assets could be misstated in the annual financial statements.								

EX 30: Assets :Weaknesses noted during physical verification 1. The assets recorded on the fixed asset register could not be located 2. The asset exists but it is not in good working condition 3. The assets are not recorded in the fixed assets register There is a risk that the fixed asset register is incomplete.	* Describe activities in point form to address issue (use lower case):		* Select completion dates:		enter name (use		* Select position:	* Select progress of activity:
		1	Asset verification should be conducted by the asset management division at least half yearly.	Thursday, March 31, 2011	Ms.	Mxo		
	2	Any discrepancies identified during the verification should be followed up and necessary adjustment should be made						
	3	All the adjustments made should be reviewed and signed by the senior official						
	4	All assets which are not in good working order should be removed from the fixed asset register (FAR) or be listed seperately form the FAR						

EX 17:Property, Plant and Equipment - Additions 2009/10 According to note 3 of the Notes to the Annual Financial Statements additions for Property, Plant and Equipment amounts to R 8 257 899 as detailed below. However these amounts could not be traced to the fixed asset register provided for audit purposes as the values for these additions were not recorded in the asset register. As a result the completeness of the 2009/10 additions of Property, Plant and Equipment could not be substantiated	* Describe activities in point form to address issue (use lower case):		* Select completion dates:		enter name (use		* Select position:	* Select progress of activity:
		1	All additions should be accurately reflected on the annual financial statement as per fixed asset register	Thursday, March 31, 2011	Ms.	Mxo		
	2	All asset additions should be supported by asset acquisition form with an suppliers invoice						
	3	Additions should be registered in the general ledger and the fixed asset register as soon as						















EX 29:Employee Costs: Non compliance with SALBC regulations	Describe activities in point form to address issue (no longer used)	Select completion date	enter name (use		Select position	Select progress or activity																																																																				
<p>An employee is required to take leave within each leave cycle as follows:            3.1.2.1 A five-(5) day worker shall take a minimum of sixteen (16) days leave; and            3.1.2.2 A six-(6) day worker shall take a minimum of nineteen (19) days leave.            The following employee did not take the minimum requirement of 19 or 16 days in a leave cycle</p> <table border="1"> <thead> <tr> <th>No.</th> <th>Employee #</th> <th>Employee name</th> <th>Days taken</th> </tr> </thead> <tbody> <tr><td>1</td><td>382</td><td>Gologolo Bulelwa</td><td>8</td></tr> <tr><td>2</td><td>334</td><td>Mahlungulu Ntandazo W</td><td>5</td></tr> <tr><td>3</td><td>18026</td><td>Keyise Vuyani</td><td>5</td></tr> <tr><td>4</td><td>478</td><td>Khohlise Norites Stanford</td><td>5</td></tr> <tr><td>5</td><td>16028</td><td>Jonkers Wielem Trevor</td><td>13</td></tr> <tr><td>6</td><td>19031</td><td>Joyi Tololo Sidney</td><td>1</td></tr> <tr><td>7</td><td>412</td><td>Albertyn Christina Patricia</td><td>15</td></tr> <tr><td>8</td><td>387</td><td>Barendse Jean Jeanett</td><td>5</td></tr> <tr><td>9</td><td>66</td><td>Dumezweni Dambile</td><td>9</td></tr> <tr><td>10</td><td>6027</td><td>Khwitshi Speelman</td><td>0</td></tr> <tr><td>11</td><td>473</td><td>Campbel Piet</td><td>6</td></tr> <tr><td>12</td><td>17015</td><td>Coetze Thobeka</td><td>15</td></tr> <tr><td>13</td><td>367</td><td>Dampies Magda Petra</td><td>15</td></tr> <tr><td>14</td><td>175</td><td>Mabunu Lunga</td><td>0</td></tr> <tr><td>15</td><td>18057</td><td>Mbi Ncumisa</td><td>13</td></tr> <tr><td>16</td><td>141</td><td>Mawonga Thembinkosi</td><td>11</td></tr> </tbody> </table> <p>Non compliance with SALBC regulations.</p>	No.	Employee #	Employee name	Days taken	1	382	Gologolo Bulelwa	8	2	334	Mahlungulu Ntandazo W	5	3	18026	Keyise Vuyani	5	4	478	Khohlise Norites Stanford	5	5	16028	Jonkers Wielem Trevor	13	6	19031	Joyi Tololo Sidney	1	7	412	Albertyn Christina Patricia	15	8	387	Barendse Jean Jeanett	5	9	66	Dumezweni Dambile	9	10	6027	Khwitshi Speelman	0	11	473	Campbel Piet	6	12	17015	Coetze Thobeka	15	13	367	Dampies Magda Petra	15	14	175	Mabunu Lunga	0	15	18057	Mbi Ncumisa	13	16	141	Mawonga Thembinkosi	11	<p>1 The leave policy must be amended in order to cater for the weaknesses identified by AG</p>	<p>Saturday, April 30, 2011</p>	<p>Visser</p>			
No.	Employee #	Employee name	Days taken																																																																							
1	382	Gologolo Bulelwa	8																																																																							
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16	141	Mawonga Thembinkosi	11																																																																							

EX 38: Employee cost: Rental agreements not signed	Describe activities in point form to address issue (no longer used)	Select completion date	enter name (use		Select position	Select progress or activity
<p>Some of the lease rental agreements for employees renting municipal houses were not</p>	<p>1 Lease agreements need to be reviewed on an annual basis</p>	<p>Saturday, April 30, 2011</p>	<p>Mrs. Nyezi</p>			



EX 54: Employee cost: No tax reconciliation No annual tax reconciliation (IRP5 reconciliation) was performed by personnel to reconcile variances that may arise between the payroll and the SARS account. Variances could not be detected between payroll and SARS accounts.	Describe activities in point form to address issue (use lower case)	Select completion dates	enter name (use		Select positions	Select progress or activities
	Monthly tax returns(EMP201) should be reconciled on a monthly basis and submitted to SARS.	Thursday, March 31, 2011	Ms.	Spelt		
	A seperate EMP201 file should be maintained and all the Monthly tax returns should be kept safely					
	Annual PAYE reconciliation must be performed and submitted to SARS before the of the PAYE season.					
	All the ammendments effected on the employees tax calculation should filed and kept safely for audit purposes					
	A senior official must review the monthly and annual tax returns prior submission to SARS					

EX 4: Non Compliance with the Investments Policy . The CFO did not comply with the requirements of sections 4.4,2,8,3 and 6 of the MFMA While performing the walkthroughs on investments the following were noted:  <ul style="list-style-type: none"> <li>The municipality has not yet established an investment committee.</li> <li>There are no investment certificates for the investments held by the municipality.</li> <li>There were no quotations obtained by the municipality when investments were made by the municipality in terms of the Code of Investment Practice and paragraph 6 of the investment policy.</li> <li>The CFO did not submit a report to council every three months indicating the council's investment portfolio, including the type of investment. Interest rates, period of investment and summary of the exposures to particular financial institutions.</li> <li>The CFO did not perform a reconciliation of the trust funds to the investment to determine if the investment money has been spent in the prescribed manner and that the expenses paid out of the account are valid, accurate and complete on a monthly basis.</li> </ul> Non-compliance with Section 13(2) of the MFMA and the applicable sections of the Investment Policy.	Describe activities in point form to address issue (use lower case)	Select completion dates	enter name (use		Select positions	Select progress or activities
	1 The CFO must ensure that the municipality's investment policy is adhered to.	Saturday, April 30, 2011		Mosala		
	2 An investment committee is established					
	3 Investment certificates are obtained for each of the municipality's investments,					
	4 In future when investments are made there should be quotations obtained in order to invest at a bank that offers favourable interest					
	5 The CFO should submit a report to council every three months indicating the council's investment portfolio, including the type of investment. Interest rates, period of investment and summary of the exposures to a particular financial institutions					

EX 15: Expenditure submission of documents to the auditors (Missing tax invoice)	Non	Describe activities in point form to address issue (no longer used)		Select completion dates	enter name (use		Select positions	Select progress or activity
1		The municipality must ensure that all tax invoice and other important supporting documents are filed and kept in a safe location		Thursday, March 31, 2011	Mrs.	Sandt		
		No payments should be effected without a valid tax invoice						
		Payment vouchers should be sequentially numbered						
		Access to the office containing the expenditure vouchers should be restricted to authorised personnel						

Ex20: Journal Journals amounting to 1.13 million were not submitted for audit purposes. The extrapolated figure is 2.3 million. Non submission of documents results in limitation of scope.		Describe activities in point form to address issue (no longer used)		Select completion dates	enter name (use		Select positions	Select progress or activity
1		The municipality should design document management procedures which ensure that all supporting documents are readily available.		Saturday, April 30, 2011	Mrs.	Cebe		
		2	Journals should be pre- numbered and kept in files in a lockable area (office)					
			Access to the offices containing journals should be restricted to authorised personnel					

EX69: Expenditure supporting documentation ws provided for S&T payments amounting to 12.882 (Extrapolated figure of R26.730).	No	Describe activities in point form to address issue (no longer used)		Select completion dates	enter name (use		Select positions	Select progress or activity
1		The municipality should design document management procedures which ensures that all supporting documents for any payment are readily available.		Thursday, March 31, 2011	Mrs.	Spelt		
		2	No payments should be effected without a valid tax invoice					
			Payment vouchers should be sequentially numbered					
			Payment vouchers should be kept in files in a lockable and safe office					
			Access to the office containing the expenditure vouchers should be restricted to authorised personnel					

EX76: Expenditure- Cut off payments for SA Post		Describe activities in point form to address issue (no longer used)		Select completion dates	enter name (use		Select positions	Select progress or activity
---	--	---	--	-------------------------	-----------------	--	------------------	-----------------------------

Office  
Completeness of payments could not be validated  
resulting in understatement of expenses

1	Although the completeness of payments was subsequently updated per auditor's conclusion, the expenditure clerk/personnel must, by scrutiny of invoices ensure that payments are timeously recorded in the period to which they relate.	Thursday, March 31, 2011	Mrs.	Sandt		
2						
3						



debtors (i) No supporting documentation could be provided to substantiate the debtor raised on account 928 amounting to R1.6 million (ii) No movement and supporting documentation on the debtors accounts classified as other debtors. (iii) Personnel deductions amounting to R393,257

1	The municipality should design document management procedures which ensure that all supporting documents for any payment are readily available.	Saturday, April 30, 2011		Venter		
2	The debtors personnel/ responsible official should performing an ageing of debtors and all long outstanding debtors should be identified and followed. Appropriate steps should promptly taken to ensure that all the monies owing to the municipality are recovered.					
3						

EX49: Receivables: Valuation Roll interim valuations were performed for 2009 as required by S77 of the Valuation Act (i) No evidence that the valuation was reviewed (ii) No evidence that the valuation was reviewed (iv) The municipality did not contain a property register containing part A & B in accordance with S 23(5) of Municipal Property Rate Act	Describe activities in point form to address issue (use lower case)		Select completion dates	enter name (use		Select positions	Select progress or activity
1	The Municipality must ensure that all applicable pieces of legislation are adhered	Saturday, April 30, 2011	Mrs.	Cebe			
2	Valuation documentation must be signed by the responsible official as evidence that the control procedure has been undertaken						
3	The Municipality must ensure that the property register is developed and maintained by a designated official						
4	The Property register should then updated and monitored regularly.						
5							

EX50: Revenue: Direct Income register not reconciled Municipality did not perform reconciliation on a monthly basis to determine the rent received for the month, monies earned, deposits paid and deposits that still need to be paid.	Describe activities in point form to address issue (use lower case)		Select completion dates	enter name (use		Select positions	Select progress or activity
1	The Revenue clerk should perform monthly reconciliations for direct income	Thursday, March 31, 2011	Mrs.	Cebe			
2	The reconciliation should be prepared within seven days after the month to which they relate.						
3	The reconciliation should be reviewed and signed by a senior person						

EX51: Revenue: Grants Grant agreements were not obtained for grants received via LG Seta and LED grant among others (i) No reconciliation was performed for grant income receivable per DoRA and grant income actually received	Describe activities in point form to address issue (use lower case)		Select completion dates	enter name (use		Select positions	Select progress or activity
1	The Accounting Officer must ensure that all grant agreements are received and kept secure by a designated official.	Thursday, March 31, 2011		Mawonga			
2	Good documents management procedures to prevent unauthorised, theft, or loss .						
3	The Budget and treasury officer must ensure that a reconciliation is performed between grant income actually received and grant income per DoRA						

EX93: Revenue: Rate Reconciliation Rateable property valuation receivable was not performed and as a result income could be misstated	Describe activities in point form to address issue (use lower case)		Select completion dates	enter name (use		Select positions	Select progress or activity
1	The recons should be performed to determine the completeness of revenue therefrom	Saturday, April 30, 2011	Mrs.	Cebe			
2	The reconciliation should be reviewed and signed by a senior person						



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EX 39: Value Added Tax No supporting documentation was provided for certain Vat journals.The extrapolated errors of R3,411	1	<i>Describe activities in point form to address issue (use lower case)</i>	<i>Select completion dates</i>	<i>enter name (use</i>		<i>Select positions</i>	<i>Select progress of activity</i>
			All journals should be attached to the supporting documents to enable auditors to establish the validity of the journals	Thursday, March 31, 2011	Ms.	Spelt	
	2						
	3						

EX 68: Expenditure was not claimed on invoices amounting to R1,594,649	1	<i>Describe activities in point form to address issue (use lower case)</i>	<i>Select completion dates</i>	<i>enter name (use</i>		<i>Select positions</i>	<i>Select progress of activity</i>
			The Municipality should establish a chart of accounts which accounts are vatiable at standard rate, zero rate or exempt	Thursday, March 31, 2011	Ms.	Spelt	
	2	The system should configured to ensure that vat is automatically charged on applicable transactions					

EX 84: VAT Output was not charged on certain consumer accounts. The extrapolated error on the finding is 3990	1	<i>Describe activities in point form to address issue (use lower case)</i>	<i>Select completion dates</i>	<i>enter name (use</i>		<i>Select positions</i>	<i>Select progress of activity</i>
			The Municipality should establish a chart of accounts which accounts are vatiable at standard rate, zero rate or exempt	Thursday, March 31, 2011	Ms.	Spelt	
	2	The system should configured to ensure that vat is automatically charged on applicable transactions					
	3						

EX 39: Value Added tax Record Keeping The Municipality did not keep the following records as per the requirements of section 55 of the VAT Act. accounts (i) Chart and Codes of (ii) Accounting Instruction manuals (iii) The system and programme documentation which describes the accounting system used in each tax period in the supply of goods and services	Describe activities in point form to address issue (use lower case)		Select completion dates	enter name (use		Select positions	Select progress of activity
1	This is a statutory requirement which the municipality must adhere to. If the municipality does not have the capacity to perform this statutory requirement, it should consider the services of an expert.		Saturday, April 30, 2011		Mosala		
2							
3							

Ex 55: Employee Costs Organogram includes vacant posts not permitted examples include: 1. Director -Strategic Support 2.Chief Income clerk	Describe activities in point form to address issue (use lower case)		Select completion dates	enter name (use		Select positions	Select progress of activity
1	The Corporate Service manager must ensure that the organogram is revised and only includes approved posts that are funded. The Corporate service manager should ensure that the organogram provides a true reflection of staff requirements.		Saturday, April 30, 2011		Visser		
2	The Municipal Manager must approve the Organogram.						

EX 6: CIS: Computer information risks identified (i) There are no policies and procedures available for CIS environment.	Describe activities in point form to address issue (use lower case)		Select completion dates	enter name (use		Select positions	Select progress of activity
1	The Municipality should appoint a competent IT administrator who will manage the CIS environment		Saturday, April 30, 2011		Mawonga		
2	Due to the implementation of the new system, no recommendations have been proposed						

EX 7: Monthly Creditors Reconciliations During the audit, it was noted that monthly creditors reconciliations were not performed.	Describe activities in point form to address issue (use lower case)		Select completion dates	enter name (use		Select positions	Select progress of activity
1	The Municipality must ensure that they obtain monthly creditors statement and creditors clerk must reconcile them to the creditor's balance (For significant creditors)		Saturday, April 30, 2011		Sandt		
2	The Municipality must ensure that the creditors control account agrees to the listing of creditors by performing monthly reconciliations.						

	3	The monthly reconciliations should be performed , ideally, within seven days after the end of the month.				
	4	The official performing the reconciliation must sign the reconciliation to acknowledge responsibility				
	5	The reconciliations should be reviewed by an independent person and signed to indicate that the control process have been undertaken.				

EX 14: Consumer Deposits	<i>Describe activities in point form to address issue (use lower case):</i>	<i>Select completion dates:</i>	<i>enter name (use</i>		<i>Select position:</i>	<i>Select progress or activity:</i>
Monthly reconciliations not performed for consumer deposits	1 Noted that management has indicated that the monthly recons are currently being performed.	Thursday, March 31, 2011		Cebe		
	2 The monthly reconciliations should be performed , ideally, within seven days after the end of the month.					
	3 The official performing the reconciliation must sign the reconciliation to acknowledge responsibility					
	4 The reconciliations should be reviewed by an independent person and signed to indicate that the control process have been undertaken.					

EX 26: Financial Statements Additional disclosures	<i>Describe activities in point form to address issue (use lower case):</i>	<i>Select completion dates:</i>	<i>enter name (use</i>		<i>Select position:</i>	<i>Select progress or activity:</i>
required by S125 of the MFMA Act 56 of 2003 have not been adhered to	1 As much as the disclosures were subsequently made to the financial statements, the CFO must ensure that a disclosure checklist is maintained that includes the requirements of section 125.	Tuesday, May 31, 2011		Mosala		
	2 The CFO should then ensure that all the					

EX 27: Financial Statements	<i>Describe activities in point form to address issue (use lower case):</i>	<i>Select completion dates:</i>	<i>enter name (use</i>		<i>Select position:</i>	<i>Select progress or activity:</i>
No related party transactions were disclosed	1 The CFO must develop a policy and procedures for identifying related party transactions	Tuesday, May 31, 2011		Mosala		
	2 The identified related party transactions should be disclosed in the financial statements to comply with the applicable reporting framework					

EX 37: Employee Cost	<i>Describe activities in point form to address issue (use lower case):</i>	<i>Select completion dates:</i>	<i>enter name (use</i>		<i>Select position:</i>	<i>Select progress or activity:</i>
Noted was non disclosure of the remuneration of Sec. 57 managers as required by Sec 124 of the MFMA	1 As much as the disclosures were subsequently made to the financial statements, the CFO must ensure that a disclosure checklist is maintained that includes the requirements of section 124	Tuesday, May 31, 2011		Mosala		
	2 The CFO should then ensure that all the MFMA Financial statements disclosures are included in the AFS before the AFS are submitted for audit purposes					

EX 44: Unspent Conditional Grants	<i>Describe activities in point form to address issue (use lower case):</i>	<i>Select completion dates:</i>	<i>enter name (use</i>		<i>Select position:</i>	<i>Select progress or activity:</i>

(i) Incorrect accounting treatment of conditional grants	1	Per management comment, necessary adjustments were made, however the Municipality must develop procedures for recording transactions relating to conditional grant	Tuesday, May 31, 2011		Mosala		
	2	The procedures must be consistent with the recognition and measurements requirements of GRAP 23 .					

EX 85: Unspent Conditional Grants: Ring Fencing of grant funds The Integrated Electrification Programme Grant has a condition that all grant funds received should not be utilised for other purposes other than electrification. The IEPG funds received were invested in ABSA, no supporting documentation was provided for expenditure relating to withdrawals from the investment, thus it would not be determined if the funds were spent for the purposes of electrification	Describe activities in point form to address issue (use lower case):		Select completion dates:	enter name (use	Select position:	Select progress of activity:
	1	Management must ensure that the grant conditions are understood and adhered to. The supporting documentation should also be kept and readily available when requested.	Tuesday, May 31, 2011		Mosala	
2						
3						

NO	KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATOR	BUDGET	SOURCE	COMMENTS
1.2.0	Expenditure Management	Creditors Payments and Reconciliations	None	GLM	Payments done inline with cashflow
1.2.1		Project Accounts Reconciliations	Operational	GLM	Project accounts are done monthly and reported to MIG, MFMG and MSIG
1.2.2		Bank Reconciliations	Operational	GLM	Bank reconciliations are done monthly

NO	KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATOR	BUDGET	SOURCE	COMMENTS
1.3.0	Asset Management	Implementation of Asset Management Policy	200000	GLM	No progress has been made
1.3.1		Develop and Implement Risk Management and Internal Control Procedures	None	GLM	A risk management framework has been developed
1.3.2		Update Asset Register and Identification of Obsolete Assets	None	GLM	An Asset Register is in place
1.4.0	Budget Reform and Reporting	Budget Reform Plan	None	GLM	Done accordance to the new reforms
1.4.1		Reporting and Variance Analysis	None	GLM	S.71 reports are done on a monthly basis
1.4.2		MFMA Implementation	None	GLM	MFMA implementation plan has been done and submitted to treasury
1.5.0	Investments and Liquidity	Investments Planning and Profiling	None	GLM	No progress has been made

	Management				
1.5. 1		Investments Register Maintenance	None	GLM	Investment register is in place
1.6. 0	Financial System	To Ensure Effective and Efficient Financial Reporting and Management	2000 000	GLM & MSIG	<ul style="list-style-type: none"> <li>- Waiting finalisation of prepaid electricity</li> <li>- System is not compatible to prepaid electricity</li> </ul>



NO	KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATOR	BUDGET	SOURCE	COMMENTS
1.7.0	Supply Chain Management	Development and Implementation of Supply Chain Management Policies	Operational	GLM	SCM Policies are being implemented and still room for improvement
1.7.1		Supplier Database Updating	Operational	GLM	Not all service providers are on the municipality's database
1.7.2		Management of Inventories	Operational		Inventories are done manually currently, however the new financial management system will address this.
1.8.0	Financial Reporting	Conversion of Financial Statements to be Grap and GAMAP Compliant	None		Still finalizing the terms of reference to appoint a service provider
1.8.1		Quarterly, Half – yearly and Annual Financial Reporting	Operational	GLM	AFS have been submitted, a lot can be done for improvement

**CHAPTER 4: HUMAN RESOURCE AND ORGANIZATIONAL MANAGEMENT**

KEY TO THE STATUS COLUMN



Excellent progress has been made and “Target will be met”.



Good Progress has been made despite encountering some challenges



No progress has been made

## 3.3 HUMAN RESOURCE AND ORGANIZATIONAL MANAGEMENT

NO	KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATOR	BUDGET	SOURCE	COMMENTS
1.0.0	Personnel Management	<ul style="list-style-type: none"> <li>- Employees Benefits Administration</li> <li>- Leave Administration</li> <li>- Personnel Records Management</li> </ul>	887,383	Operational	Personnel management is manually done. Waiting for the implementation of financial management system which will have a personnel management module.
1.1.0	Employee Wellness	<ul style="list-style-type: none"> <li>- Occupation Health and Safety Management</li> <li>- HIV/ Aids Management</li> <li>- Employees Assistance Programs</li> </ul>	None	None	There is no employee wellness program within the Municipality. Employee Wellness policies need to be developed
1.2.0	Recruitment and Selection	<ul style="list-style-type: none"> <li>- Recruitment, Selection and Placement of Employees</li> </ul>	887,833		Most of the budgeted posts have been filled. The planning is to fill all vacant posts which have been budgeted for.

		- Staff Retention			
1.3.0	Human Resource Development	- Skills Development and Training - Bursary Assistance - Team Building Exercises	210 511	Operational	Eight (8) officials and four (4) Councillors have been trained in the six (6) months ending December 09
NO	KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATOR	BUDGET	SOURCE	COMMENTS
1.4.0	Employment Equity Plan	Development of an Employment Equity Plan to enhance the representation of designated groups and address equity at all levels	None	None	The Employment Equity Plan will be done internally with the assistance of SALGA

1.5.0	Performance Management System	Implementation of performance management system and appraisal of employees for consistent application, monitoring and evaluation of performance			The Municipality has a performance management framework in place and all section 57 managers are being appraised.
NO	FOCUS AREA	OBJECTIVES	INDICATOR	ACTUAL PERFORMANCE	REASONS FOR VARIANCE

1.6.0	Formulation and Reviewal of Policies and By – laws	<ul style="list-style-type: none"> <li>- Labour Relations Management</li> <li>- Formulation of Policies and By – laws</li> <li>- Minimum Essential Services Implementation</li> </ul>	150 000	MSIG	There are no by – laws in place. A service provider will be appointed to assist the municipality in developing them.
1.7.0	Committee Services and Administration Support	<ul style="list-style-type: none"> <li>- Provision of support to Council Structures</li> <li>- Reception Management</li> </ul>	887 833	Operational	All planned Committee meetings happened on the scheduled dates and administrative support was visible
1.8.0	Information Management	<ul style="list-style-type: none"> <li>- Structured Filing System</li> <li>- Electronic Records Management System</li> </ul>	150 000	Operational	The budget was frozen, still using manual system
1.9.0	ICT Management	<ul style="list-style-type: none"> <li>- Maintenance of Administration Systems</li> <li>- Website Development</li> <li>- ICT Projects</li> </ul>	500 000	UKHDM	The budget was frozen, however the District Municipality is assisting in developing a website for the Municipality

		Management			
1.10.0	Catering	To provide food and refreshments to all Council meetings and events	30 000	Operational	The Municipality does not cater for all Council meetings. There is a provisional budget however to cater for specific functions
<b>NO</b>	<b>FOCUS AREA</b>	<b>OBJECTIVES</b>	<b>INDICATOR</b>	<b>ACTUAL PERFORMANCE</b>	<b>REASONS FOR VARIANCE</b>
1.10.1	Printing and Stationery	Provision of Office Stationery	103 000	Operational	Printing and stationery is available at all times
1.10.2	Organizational Structure	Review of the Organizational Structure	None	None	The organizational structure has been sent to the HOD's for comments. To be finalized in march





**CHAPTER 5: GOOD GOVERNANCE AND PUBLIC  
PARTICIPATION**

### 3.4 GOOD GOVERNANCE AND PUBLIC PARTICIPATION

NO	FOCUS AREA	OBJECTIVE	INDICATOR	ACTUAL PERFORMANCE	COMMENTS
1.0.0	Stakeholder Mobilization	<ul style="list-style-type: none"> <li>- Exco Outreach</li> <li>- National Calendar Days and Council Events</li> </ul>	300 00	Operational	Stakeholder Mobilization is happening though its not completed, awaiting the reviewal of the IDP
1.1.0	Executive Support to Council	<ul style="list-style-type: none"> <li>- Speech writing</li> <li>- Response to Community Queries</li> <li>- Committee Meetings Support</li> </ul>			The Municipal Manager's office is responsible for Executive Support to Council and renders this support.
1.2.0	Special Programs	<ul style="list-style-type: none"> <li>- Identification of the needy Children and Elderly</li> <li>- Disability Management</li> </ul>	480 000	GLM	Mayoral tournanent was organised for sports development (youth)

NO	KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATOR	BUDGET	SOURCE	COMMENTS
1.3.0	Communication and Inter - municipal Relations	<ul style="list-style-type: none"> <li>- Municipal Branding and Marketing</li> <li>- Develop Newsletter</li> <li>- Develop Diaries and Calendars</li> <li>- Council Outreach and IGR</li> <li>- Media Breakfast and Lunch Meetings</li> <li>- Customer Care Management</li> <li>- Communication Strategy Development</li> </ul>	300 000	Operational	Considerable progress has been made as far as communication and Inter – municipal relations are concerned

1. Basic Computer Training	Computer classes given twice a week to 12 grade 12 learners of Ethembeni High school, Microsoft Word Program.
2. Entrepreneurship	90% of local cooperatives including youth businesses have been mainstreamed in terms of their

Development 3.	progress reports,i.e. financial status, gender equality and number of beneficiaries and the projects managers. 40% of youth and women cooperatives have been identified and received top up funding by Dept of Social development and we also referred them to Seda.
4. Job Preparation	Four Hundred and Fifty ( <b>450</b> ) young people assisted in applying and preparing for the interviews and <b>20</b> of them placed in the temporary employment. <b>5</b> young people have been placed in permanent employment. One young lady has been placed in an internship program with dept of Agriculture
5. Career Exhibition	We had conducted the career exhibition and recruitment day program in conjunction with the HRD Section of dept of Soc.dev and DoE to do presentations to grade 12 learners of Ethembeni High school. To date we had assisted 20 young people to complete the admission, bursaries and NSFAS forms which were send by Rhodes university and others who apply
6. Special Projects	Ward based Youth and Women structures established.

