

# Annual Report

BAVIAANS MUNICIPALITY

2011/12



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

## A. FOREWORD BY THE MAYOR

After three successive disclaimer reports it becomes clear that, despite the business plans to address the audit reports, certain major issues remained unaddressed:

- VAT related matters not corrected on the system
- Unbundling of assets
- Financial matters related to the personnel budget and personnel records
- Compliance to GRAP

It is also evident that Baviaans experiences capacity problems within the senior level of management. The quality of the Annual Financial Statements and the issues raised in the Audit Report furthermore reflects the lack of capacity in the finance department.

Baviaans Municipality informed the MEC of Local Government of the foreseen financial problems in November 2011. These problems materialised in May / June of the financial year when the municipality experienced major cash-flow problems. These problems, mostly due to the underfunding of the mandate to manage the previous DMA area incorporated into the Baviaans after the 2011 elections.

The previous year's service delivery seemed on par despite the disclaimer Auditor General Reports. However, the 2011/12 Annual Report indicates figures that reflect the influence of cash-flow problems on service delivery and problems stemming from the lack of capacity of senior level staff.

The lack of compliance is also reflected in the Annual Report. Despite all the attempts by Baviaans Municipality to lobby for assistance from National Treasury and the Department of Local Government to:

- a) Address compliance issues
- b) Address the cash-flow problems,

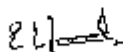
no response was received in the 2011/12 financial year.

One needs to realise that Baviaans is a small municipality with low capacity that needs oversight and assistance from government.

The Annual Report is a document reflecting the successes and the shortcomings of the municipality. The contents should be noted by the community, but the relevant government departments must recognise the shortcomings and assist the municipality in overcoming the critical issues.

On a positive note, the municipality is making progress on the Supply Chain opinions raised by the Auditor General in the previous years.

I would like to express my appreciation for the Municipal Manager, managers and personnel who contributed in terms of service delivery and the staff of Community Services for the completion of the Annual Report. Lastly, management must lead by example in the execution of the business plan to address the Audit Report of 2011/12.



E. Loock  
MAYOR



## **8. STATEMENT BY THE MUNICIPAL MANAGER**

The 2011/12 Annual Report of Baviaans Municipality has been prepared in terms of Section 46(1) of the Municipal Systems Act 5 of 2003, Section 121(1) of the Local Government Municipal Finance Management Act 56 of 2003(MFMA) and in line with the customized template and guidelines that were workshopped with Local Municipalities, presented by the Provincial Department of Local Government and Traditional Affairs.

It is important to put emphasis of the purpose of the Annual Report, which is:

- To provide a record of activities of Baviaans Municipality during the financial year 2011/12
- To provide a report on the performance in fulfilling the objectives as reflected in the IDP, the Budget and Service Delivery and Implementation Plan
- To promote accountability on the administrative side to the local community for decisions made throughout the financial year 2011/12. It is also a tool for Council to indicate challenges and priorities for the ensuing year.

During the year under review progress has been made in certain areas:

<b>Development Priority</b>	<b>Project Description</b>
Building the institution and Employee Capacity	The Audit opinion of a disclaimer has prompted Council to get departments to intervene in the financial processes of the municipality. A team from Operation Clean Audit was placed in Baviaans as well as an official from National Treasury to give financial assistance. A Strategic Manager Finance was also appointed in the office of the Municipal Manager to give support to the Municipal Manager and the Finance Department.

<b>Development Priority</b>	<b>Project Description</b>
Enhance Community Services	Baviaans Municipality is committed to the development of the community. Due to the financial pressure on the municipality a limited budget was allocated to this department for 11/12. In spite of this situation, computer training was done throughout the year in the Willowmore, Steytlerville and Baviaanskloof towns.

Development Priority	Project Description
Economic Development/Tourism	<p>The promotion of Baviaans' Integrated Development plan has led to Cacadu District Municipality approving and granting funding to municipalities performing in this project. A number of tourism projects have been extensively detailed in this document under Community Services Department KPA</p> <p>An Arts &amp; Craft project started where crafters were trained to develop products of high standards. Baviaans municipality erected a craft shop in Baviaanskloof, which are performing above expectations. We will apply for additional funding for the next phase of this project.</p>

Development Priority	Project Description
Basic Infrastructure	<p>During the 11/12 financial year the municipality applied for RB G funding from the Department of Water Affairs for the Erasmuskloof project. The outcome seems to be favourable for implementation in 12/13.</p>

#### **Challenges and weaknesses on matters raised above**

Due to the inclusion of the DMA area as a result of the redetermination of municipal boundaries, Baviaans Municipality began experiencing financial problems that we anticipated and communicated to all spheres of government.

Conversion to GRAP remains a problem due to capacity, training and funding. Effective utilisation of the SAMRAS system will assist us to adhere to correct reporting on Supply Chain, SARS matters related to VAT, PAYE returns, etc.

In developing communities, focus should be on the utilisation of skills acquired and resources obtained in the process as well as the evaluation of individuals who obtained the skills.

We must measure our successes and failures in promoting economic development and tourism.

With regard to basic infrastructure and human settlement, the complications related to housing construction remains a problem. We shall have reached a milestone if the water project in Steytleville was implemented in 2011.



## Achievements



### *Vuna Award for the cleanest towns in the Eastern Cape*

Baviaans Municipality received a Vuna award for the cleanest towns in the Eastern. The Vuna awards are awarded to municipalities by the Department of Local Government in cooperation with its partners the Development Bank of South Africa, the National Institute for Productivity and the South African Local Government Association.

### *Funding from DEDEAT for LED*

R 540 000 was received from DEDEAT towards Local Economic Development in Baviaans. Residents from Willowmore, Steytlerville and Baviaanskloof were taught craft, business and marketing skills over the course of a year and a craft shop was built from renewable materials in Baviaanskloof to serve as a selling point for the crafts produced by crafters.

### *Successful completion of MIG projects*

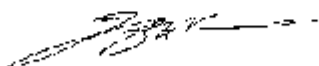
R 1 023 892 MIG allocations were applied for the completion of Down: Civil services for 88 low cost erven in Willowmore has been successfully completed in preparation for the building of houses by the municipality and the Department of Human Settlement.

### *Received a fire engine from Cacadu District Municipality*

Baviaans will act as fire fighting agent, on behalf of CDM, in the aforementioned's area of jurisdiction. The fully equipped fire engine as well as fire fighting equipment to the value of more than R2 million was received from the District municipality.

### *Successful Trans Baviaans Cycle Challenge*

Known as the longest and toughest mountain bike challenge in the country, the Trans Baviaans is held annually. The bicycle race starts in Willowmore, goes through the Baviaanskloof World Heritage site and ends in Jeffreysbay in the Kouga municipal area.

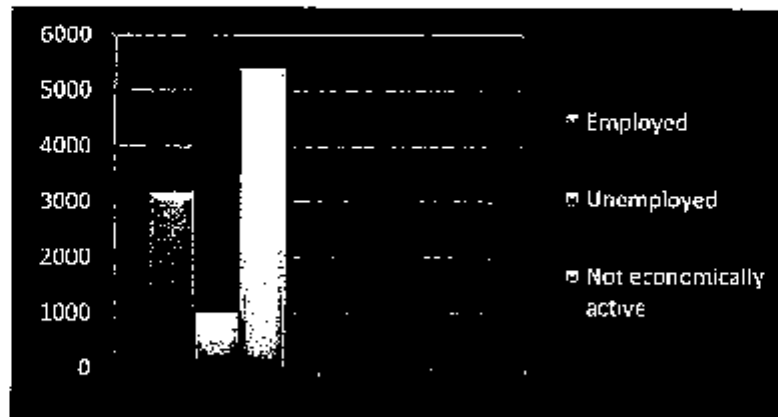


**J Z A Vumazonke**  
**Municipal Manager**



1996 – 2005. Yet, the proportion of people in poverty across the district is lower than the provincial average.

The levels of income of residents in Baviaans Municipality for the financial year 2011/12 are reflected in the figure below:



*Baviaans Municipality, IDP 2011/12*

Major events that affected the working environment during the year

- Performance Management cascade to suppliers
- Communication Strategy and Action Plan
- Community Based Planning
- Quarterly Baviaans newsletter to all residents
- Extension of Wanhoop phase 2 – additional water source
- Upgrading of streets and storm water, Willowmore and Steytlerville
- External services completed for 88 low cost erven (Down housing project) in Willowmore

**D FINANCIAL PERFORMANCE OVERVIEW FOR PAST THREE YEARS**

*2011/12 Financial Year*

<b>Operational Performance</b>	<b>2009/2010</b>	<b>2010/2011</b>	<b>2011/2012</b>	<b>Target/Benchmark</b>
<b>Actual operating expenditure to budget</b>	99.15%	100.74%	108.59%	100%
<b>Actual operating income to budget</b>	93.48%	115.6%	75.98%	100%
<b>Capital spending to budget</b>	100%	100%	89.76%	90%
<b>Personnel costs to income</b>	45.61%	39.67%	35.67%	35%
<b>Electricity distribution loss</b>	23.18%	14.2%	9.69%	8%
<b>Water distribution loss</b>	25.86%	27.24%	19.56%	10%
<b>1 LIQUIDITY</b>				
<b>Debtors collection period</b>	83 days	80 days	89 days	42 days
<b>Outstanding debtors to revenue</b>	18.95%	8.64%	11.19%	12%

## E PERFORMANCE OF INSTITUTION

### General Key Performance Indicators

Indicator	09/10	10/11	Target: 11/12	Actual 10/12
The percentage of households with access to basic levels of water, sanitation & electricity	100%	100%	100%	100%
The percentage of indigent households (Combined household income < R2270)	59%	60%	-	62%
Percentage of municipality's budget actually spent on capital projects identified for a particular financial year in terms of the municipality IDP	108%	100%	100%	89.76%
The number of jobs created through the municipality's LED initiatives, including capital projects		Capital projects: 104 Sakha Isizwe: 315 EPWP: 3518 (working opportunities created)		Sakha Isizwe: 254 EPWP: 421
The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's employment equity plan	32%	60%	100%	60%

<b>Indicator</b>	<b>03/10</b>	<b>10/11</b>	<b>Target: 11/12</b>	<b>Actual: 10/11</b>
The percentage of a municipality's budget for training actually spent on implementation of workplace skills	86%	72.33%	100%	70.56%
<b>Financial Viability</b>				
<b>Debt coverage:</b> <b>A=(B-C)/D</b> A = Debt Coverage B = Total Operating Revenue C = Operating grants D = Debt service payments	146.95%	159.58%	100%	231.44%
<b>Outstanding service debtors to revenue:</b> $A = \frac{B}{C}$ A = Outstanding service debtors to revenue B = Total outstanding service debtors C = Annual revenue actually received for services	76%	39.84%	100%	48.38%
<b>Cost Coverage</b> <b>A = (B+C)/D</b> A = Cost coverage B – All available cash at a particular time C = Investments D = Monthly fixed operating expenditure	8.89%	0%	8.89%	0.60%

## F EXECUTIVE SUMMARY

### VISION

The Baviaans Municipality strives towards the establishment of a progressive community within a safe environment where basic service delivery is guaranteed and wherein decision-making is based on maximum participation from the community.

### MISSION

The political office bearers, staff and the people of the Baviaans Local Municipality will:

- Effect participative and accountable developmental local government and governance;
- Facilitate sustainable development and ensure environmental integrity;
- Pro-actively identify suitable land for settlement;
- Facilitate housing delivery
- Provide basic services;
- Create a climate conducive to local economic development, with a particular focus on eradicating poverty, creating jobs and developing the tourism and eco-tourism sector; and
- Facilitate social upliftment and development

### DEVELOPMENTAL GOALS AND OBJECTIVES

As reflected in the Municipality's IDP its development priorities, objectives and strategies can be summarised as follows:

#### **Development Priority 1: Building the institution and Employee Capacity**

Objectives	Strategies
1. A well established municipality with sufficient resources and Institutional capacity to deliver an excellent municipal service	<ul style="list-style-type: none"><li>✓ Improve Financial Sustainability:</li><li>✓ Increase collection of revenue base</li><li>✓ Increase revenue base</li><li>✓ Improve internal control in Finance</li><li>✓ Reduce unnecessary expenditure - consider alternatives, savings options</li><li>✓ Control expenditure</li><li>✓ Improve financial systems and procedures</li><li>✓ Strengthen the municipal resources</li><li>✓ Strengthen the municipal accountability</li><li>✓ Improve and strengthen existing planning system</li><li>✓ Improve asset control</li><li>✓ Local Government Turnaround strategy</li><li>✓ Houses in the name of Baviaans Municipality</li></ul>

Objectives	Strategies
2. Working towards the creation of a stable, capacitated personnel – corps geared to increased service delivery and good performance in services delivered	<ul style="list-style-type: none"> <li>✓ Review and strengthen internal systems and procedures for better service delivery</li> <li>✓ Create Incentives for staff to improve performance / productivity</li> <li>✓ Local Labour Forum</li> <li>✓ Control complaints process in Willowmore and Steytleville</li> <li>✓ Performance management &amp; evaluations</li> </ul>
3. All areas of development in the Baviaans Municipal area must be thoroughly planned	<ul style="list-style-type: none"> <li>✓ Well planned documents for development areas in the municipality</li> </ul>
4. Promotion of the Image of Baviaans Municipality	<ul style="list-style-type: none"> <li>✓ Improve the Image of Baviaans Municipality</li> </ul>

### **Development Priority 2: Enhance Community Services**

Objectives	Strategies
1. Proud citizens that contribute to the development of their town/s	<ul style="list-style-type: none"> <li>✓ Better educated communities</li> <li>✓ Promote education, not only academic but also practical work related learning that would make them economic active in “technical trade”</li> <li>✓ After-school education</li> <li>✓ Early childhood development</li> <li>✓ Need to raise the level of skill competence of the community</li> <li>✓ Instil a sense of pride and ownership and dignity</li> <li>✓ Utilise local skill in community to assist in projects</li> <li>✓ Build community spirit</li> <li>✓ Remove sense of “helplessness”</li> <li>✓ More informed community</li> </ul>
2. The youth of Baviaans is actively integrated into and contribute to community development	<ul style="list-style-type: none"> <li>✓ Provision of recreational facilities</li> <li>✓ Promote after-school education</li> <li>✓ Exposure to extra curricula activities</li> <li>✓ Promote self development</li> <li>✓ Remove sense of helplessness</li> <li>✓ Instil a sense of community pride and dignity</li> <li>✓ Promote education</li> <li>✓ Security and safety of youth</li> </ul>
3. Improve opportunities for development of people	<ul style="list-style-type: none"> <li>✓ Skills training</li> <li>✓ Arts &amp; Culture</li> </ul>



Objectives	Strategies
4. Improve community access to a comprehensive health care service	<ul style="list-style-type: none"> <li>✓ Investigate private public partnerships</li> <li>✓ Lobby with district and province</li> <li>✓ Promote home-based care</li> <li>✓ Improve customer care / service</li> <li>✓ Attract more health services to the area (dentist, x-rays, minor surgical procedures, etc.)</li> <li>✓ Optimise District Hospital and make transport available for all areas in Baviaans to get to District Hospital</li> <li>✓ Improve / optimise existing health services available in the area</li> <li>✓ Better mortuary services</li> </ul>
5. Control and Improvement of animal health	<ul style="list-style-type: none"> <li>✓ Effective programmes for the health of animals in the Baviaans areas (dogs and cats)</li> </ul>
6. SAPS fulfil their mandated role and responsibility in the community	<ul style="list-style-type: none"> <li>✓ Bilateral discussions with SAPS</li> <li>✓ Build healthy relationships</li> <li>✓ Forge partnerships to combat crime</li> <li>✓ Better handling of raped women</li> </ul>
7. Communities have easier access to social services	<ul style="list-style-type: none"> <li>✓ Investigate other options to accessible services</li> <li>✓ Better communication</li> <li>✓ Reduce distance between service and the community</li> <li>✓ Intergovernmental relations</li> </ul>
8. Enhance Community participation	<ul style="list-style-type: none"> <li>✓ Community participation structures to help identify community needs</li> <li>✓ Effective external and internal communication</li> </ul>
9. Moral Regeneration in communities	<ul style="list-style-type: none"> <li>✓ Causes of substance abuse</li> <li>✓ Morale in communities</li> <li>✓ Old aged people</li> <li>✓ Parental programs</li> <li>✓ Churches</li> <li>✓ Communities</li> </ul>

### **Development Priority 3: Economic Development**

Objectives	Strategy
1. SMME's are provided with mandated municipal support that facilitates their growth and success	<ul style="list-style-type: none"> <li>✓ Empowerment of the SMME</li> <li>✓ Promote the services and or products of the SMME</li> <li>✓ Facilitate SMME website access and utilisation</li> <li>✓ The provision of municipal business sites, premises for business</li> <li>✓ Assist with marketing, exposure of the SMMEs product / service</li> <li>✓ Legalise, legitimise Spaza shops</li> <li>✓ Formalise local hawkers to promote organised trade</li> <li>✓ Promote opportunity for local job creation</li> </ul>

Objectives	Strategies
2. Local Economic Development	<ul style="list-style-type: none"> <li>✓ Promote local economic development</li> <li>✓ Community Based Economic Development (CBED)</li> <li>✓ Job creation programmes</li> </ul>
3. A pleasurable tourist experience	<ul style="list-style-type: none"> <li>✓ Promote local tourism</li> <li>✓ PDI involvement in product ownership of tourism products</li> <li>✓ Promote local "tourist" products, services available,</li> <li>✓ Facilitate website access and utilisation</li> </ul>
4. Promote agriculture	<ul style="list-style-type: none"> <li>✓ Minimise the losses of small stock of farmers</li> </ul>
5. Investigate the financial viability and sustainability of all resources and facilities of already existent agricultural projects & their contribution to LED	<ul style="list-style-type: none"> <li>✓ Ensure the implementation of sustainable projects</li> <li>✓ Law enforcement</li> <li>✓ Conserve soil</li> <li>✓ Accessing of funding for the soil committee to implement soil conservation projects</li> <li>✓ Increase number of beneficiaries of Agricultural projects</li> <li>✓ Avail land for emerging farmers</li> <li>✓ Households to grow their own fruit</li> </ul>
6. Supply sustainable basic infrastructure to all inhabitants of Baviaans: Transport / Roads	<ul style="list-style-type: none"> <li>✓ To provide the Baviaans community with a road infrastructure</li> <li>✓ Establish a well represented body to meet regularly with Dept of Roads and Transport</li> <li>✓ High standards of road infrastructure, towns</li> <li>✓ Vehicle testing centre</li> <li>✓ Access to transport for the people of Baviaans</li> <li>✓ Make use of Dept Roads &amp; Transport Project 5</li> <li>✓ Effective fleet management</li> </ul>

#### **Development Priority 4: Infrastructure Development**

Objectives	Strategy
1. Water : Supply sustainable basic water infrastructure for all inhabitants	<ul style="list-style-type: none"> <li>✓ Supply water to all inhabitants of Baviaans</li> <li>✓ Efficient accounting system for water usage</li> <li>✓ Budget for operation and maintenance of water reticulation network</li> </ul>
2. Supply sustainable basic infrastructure to all inhabitants of Baviaans: Roads – Rural areas	<ul style="list-style-type: none"> <li>✓ Establish a well-represented body to meet regularly with the Dept of Roads &amp; Transport</li> </ul>
3. Supply sustainable basic infrastructure to all inhabitants: Refuse Removal & Management of Dumping sites	<ul style="list-style-type: none"> <li>✓ Legal compliance of all dumping sites</li> <li>✓ Improve refuse removal plans</li> </ul>
4. Supply sustainable basic infrastructure to all inhabitants of Baviaans: Sanitation	<ul style="list-style-type: none"> <li>✓ Provide sanitation of an acceptable standard to all communities</li> <li>✓ Provide sanitation to farm workers</li> </ul>
5. Supply sustainable basic infrastructure to all inhabitants: Housing	<ul style="list-style-type: none"> <li>✓ Eradicate all squatters and informal settlements in Baviaans</li> <li>✓ Provide housing for needy people in Baviaans</li> <li>✓ Provision of housing for middle and high income earners</li> <li>✓ Enhance quality and standards of RDP housing</li> </ul>

Objectives	Strategies
6. Supply sustainable basic infrastructure to all inhabitants of Baviaans: Electricity	<ul style="list-style-type: none"> <li>✓ Electricity supply to all inhabitants of Baviaans by 2012</li> <li>✓ Avoid power failure from the municipal supply network</li> <li>✓ Eradicate or minimise electricity loss that is not accounted for</li> <li>✓ Alternative energy sources</li> </ul>
7. Supply sustainable basic infrastructure to all inhabitants of Baviaans: Streets and Stormwater drainage	<ul style="list-style-type: none"> <li>✓ Improve conditions of internal streets and roads in Willowmore and Steytlerville</li> </ul>
8. Supply sustainable basic infrastructure to all inhabitants of Baviaans: Municipal Buildings	<ul style="list-style-type: none"> <li>✓ Encourage efficient usage of municipal halls, buildings by community for revenue</li> </ul>
9. TV	<ul style="list-style-type: none"> <li>✓ Maintenance of TV satellites stations</li> </ul>
10. Fire Function	<ul style="list-style-type: none"> <li>✓ Fire function</li> </ul>
11. Repair & Maintenance	<ul style="list-style-type: none"> <li>✓ Repair &amp; maintenance programmes</li> </ul>

## **PART 2: KPA ACHIEVEMENT REPORT**

## **CHAPTER 1: ORGANISATIONAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT (KPA 1)**

### **1.1 PRESENTATION OF THE ORGANIZATIONAL STRUCTURE (APPROVED ORGANOGRAM): 2011/12 FINANCIAL YEAR**

<b>Total number of approved posts</b>	<b>Total number of vacant posts</b>	<b>Number of Performance Agreement Section 56</b>
124	14	5

Change in the organisational structure compared to the previous financial year 2010/11

*The following posts were created 2011/12:*

1. 3 x General workers
2. 1 x General worker – refuse
3. 1 x Foreman: Refuse & Roads
4. 1 x Cashier: E-Natis – Technical Services
5. 1 x Administrator: Logistics & Disposal
6. 1 x HR Officer: Willowmore
7. 1 x Customer Care clerk
8. 1 x Clerk – Tourism
9. 2 x Intern – Electrical
10. 1 x Manager: Protection Services, Traffic / Disaster management

*Vacancies: 2011/2012 (30 June 2012)*

1. General worker – Steytlerville – T2
2. 2 x General worker – Willowmore – Water / Sanitation – T2
3. Electrical intern – Willowmore – T8
4. Senior Clerk – Steytlerville – T6
5. 2 x Foreman – Refuse & Roads – Willowmore – T10
6. Manager: Protection Services, Traffic / Disaster management
7. General worker, Refuse – Steytlerville – T2
8. Administrator – Logistics & Disposal, Willowmore – T9
9. HR officer – Willowmore – T11
10. Customer Care clerk – Steytlerville – T5
11. Clerk – Tourism – Willowmore – T5

## 1.2 STAFF DEVELOPMENT INITIATIVES DURING THE FINANCIAL YEAR

Types of training	Number of people
• Waste & Wastewater training	10
• Labour intensive methods of Construction	1
• EC Coaching course	1
• Fire Fighting Training	3
• E-Natis training refresher course	2
• Contract Law training	1
• Water & Wastewater Plant operating	6
• Project management	2
• Life Capturing unit training	4
• LIC NQF7 Training	1
• Water purification operator training: Level 2	5
• Water & Waste Water Learner ship	3
• CIDB training	2

### *Workplace Skills Plan*

A workplace Skills Plan was adopted and implemented.

### *Human Resource Development Plan*

Substantial progress was made with the development of this plan, which will be adopted in the 2011 / 2012 financial year.

### 1.3 KEY HR STATISTICS PER FUNCTIONAL AREA

#### 1.3.1. FULL TIME STAFF COMPLEMENT PER FUNCTIONAL AREA

##### a) MM/Section 56

	Approved positions (e.g. MM –556 etc.)	Number of approved and budgeted posts per position	Filled posts	Vacant posts
1	Municipal Manager	1	1	0
2	Chief Financial Officer	1	1	0
	Approved positions (e.g. MM –556 etc.)	Number of approved and budgeted posts per position	Filled posts	Vacant posts
3	Corporate Services	1	1	0
4	Technical Services	1	1	0
5	Community Services	1	1	0
	<b>Total</b>	<b>5</b>	<b>5</b>	<b>0</b>

##### b) Functional areas per organogram

##### *Line Managers: Budget and Treasury Office*

	Line Managers	Number of approved and budgeted posts per position	Filled posts	Vacant posts
1	Accountant: Financial Management & Support	1	1	0
2	Accountant: Debt & Revenue Management	1	1	0
3	Accountant: Supply Chain Management & Expenditure	1	1	0
	<b>Total</b>	<b>3</b>	<b>3</b>	<b>0</b>

*Line Managers: Technical Department*

	<b>Line Managers</b>	<b>Number of approved and budgeted posts per position</b>	<b>Filled posts</b>	<b>Vacant posts</b>
1	Assistant Technical Manager	2	2	0
2	Assistant Technical - PMU	1	1	0
	<b>Total</b>	<b>3</b>	<b>3</b>	<b>0</b>

*Line Managers: Community Services*

	<b>Line Managers</b>	<b>Number of approved and budgeted posts per position</b>	<b>Filled posts</b>	<b>Vacant posts</b>
1	Tourism Manager	1	1	0
2	Human Development official	1	1	0
3	LED Official	1	1	0
	<b>Total</b>	<b>3</b>	<b>3</b>	<b>0</b>

*Line Managers: Corporate Services*

Not applicable

*Staff complement in the Municipal Manager's office*

	<b>Approved positions</b>	<b>Number of approved and budgeted posts per position</b>	<b>Filled posts</b>	<b>Vacant posts</b>
1	Municipal Manager	1	1	0
2	Personal Assistant to the Municipal Manager	1	1	0
3	Senior clerk	1	1	0
	<b>Total</b>	<b>3</b>	<b>3</b>	<b>0</b>



*Staff complement in the Budget and Treasury Office*

	Approved positions	Number of approved and budgeted posts per position	Filled posts	Vacant posts
1	Chief Financial Officer	1	1	0
2	PA to the Chief Financial Officer	1	1	0
3	Accountant: Debt & Revenue Management	1	1	0
4	Accountant: Financial Management & Support	1	1	0
	Approved positions	Number of approved and budgeted posts per position	Filled posts	Vacant posts
5	Accountant: Supply Chain Management & Expenditure	1	1	0
6	E Natis License Centre	1	1	0
7	2 x Controller: Debt & Revenue	2	2	0
8	Data Administrator	1	1	0
9	2 x Cashier / Inquiry Clerks	2	2	0
10	2 x Meter Readers	2	2	0
11	Controller: Expenditure	1	1	0
12	Administration Clerk: Supply Chain Management	1	1	0
13	Expenditure clerk	1	1	0
14	Principle clerk: Asset management	1	1	0
15	Financial Administrator	1	1	0
16	Administrator: Demand & Acquisition	1	1	0
	<b>Total</b>	<b>16</b>	<b>16</b>	<b>0</b>

*Staff complement in Technical Services Department*

	Approved positions	Number of approved and budgeted posts per position	Filled posts	Vacant posts
1	Technical Services Manager	1	1	0
2	Administrator: Technical Services Manager	1	1	0
3	Assistant Technical Manager	2	2	0
4	Assistant manager	1	1	0
5	2 x Superintendents: Water & Electricity, Steyterville	2	2	0
6	2 x Superintendent: Water & Electricity, Willowmore	2	2	0
7	Superintendent: Water & Electricity, Wanhook	1	1	0
8	Traffic Officer / Protection Services / Disaster Management	1	0	1
9	3 x Foremen Refuse, Willowmore, Rietbron & Steyterville	3	2	1
10	2 x Foremen, Roads, Willowmore & Steyterville	2	2	0
11	Drivers	7	7	0
12	General Workers	29	25	4
13	3 x Handyman: Plumbing Buildings & maintenance	3	3	0
14	Street sweepers	4	4	0
15	Caretaker: Dumping site	2	1	1
16	Caretaker: Sewerage Dams	2	2	0
17	Shift workers	2	2	0
18	2 x Electrical intern	2	1	1
19	Administrator: Housing	1	1	0
20	2 x Disaster management officer	2	2	0
21	Supervisor: Refuse (sol'd waste & disposal site)	1	1	0
	<b>Total</b>	<b>71</b>	<b>63</b>	<b>8</b>

*Staff complement in Corporate Services*

	Approved positions	Number of approved and budgeted posts per position	Filled posts	Vacant posts
1	Manager: Corporate Services	1	1	0
2	PA Corporate Services manager	1	1	0
3	Clerk: Customer Care	2	1	1
4	Records and Archives Clerk	1	1	0
5	Administrative officer	1	1	0
6	Human Resources Officer	2	1	1
7	2 x Cleaners	2	1	1
8	HR Intern	1	1	0
	<b>Total</b>	<b>11</b>	<b>8</b>	<b>3</b>

*Staff complement in Community Services*

	Approved positions	Number of approved and budgeted posts per position	Filled posts	Vacant posts
1	Manager: Community Services	1	1	0
2	PA to Community Services	1	1	0
3	PA to the Mayor	1	1	0
4	Human Development Official	1	1	0
5	2 x Youth officers	2	2	0
6	LED official	1	1	0
7	2 x Assistant Librarians	2	2	0
8	Tourism manager	1	1	0
9	1x Tourism officers	1	1	0
10	Driver operator	2	2	0
11	Administrative officer	1	1	0
12	Clerk: Tourism	1	0	1
	<b>Total</b>	<b>15</b>	<b>14</b>	<b>1</b>

*Technical staff registered with professional bodies*

Technical Service (e.g. water, electricity, etc.)	Total number of Technical Service Managers	Total number registered in the accredited professional body	Total number pending registration confirmation in the accredited professional body	Total number not yet registered in the accredited professional body
Water	1	1	0	0
Electricity	1	1	0	2

*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
110	52	23	35

*Trends on total personnel expenditure*

Financial Years	Total Number of staff	Total approved operating Budget	Personnel expenditure (salary and salary related)	Percentage of expenditure
2006-2007	65	5 511 132	5 406 336	43.60%
2007-2008	78	7 796 856	7 303 208	44.06%
2008-2009	91	10 432 892	9 332 173	39.44%
2009-2010	100	18257395	7556568	41.40%
2010 - 2011	109	39 692 897	15 528 278	39.12%
2011-2012	110	48 469 921	18 821 143	38.83%

*List of pension and medical aids to which employees belong*

Names of pension fund	Number of members	Names of Medical Aids	Number of members
Cape Joint Retirement	13	Bonitas	5
SAMWU	29	Fed Health	1
SALA	31	Key Health	14
Samwumed	1 x Retired official 2 x Employees	LAMAF	1 x Councillor 3 x Retired officials 6 x Employees
		HOSMED	7

*Senior officials' wages and benefits*

Designation	Annual Remuneration	Performance Bonus	Vehicle Allowance	Other
Municipal Manager	478 335		60 000	14 400
Chief Financial Officer	317 811		134 138	10 800
Manager: Technical Services	416 949		72 500	10 800
Manager: Community Services	351 949		72 500	10 800
Manager Corporate Services	376 949		75 000	10 800
<b>Total</b>	<b>1 981 993</b>		<b>414 138</b>	<b>52 688</b>

**1.3.2 IMPLEMENTATION OF PERFORMANCE MANAGEMENT SYSTEM (PMS)**

The monitoring and implementation of the IDP is done through the Performance Management System. A Framework/Plan for PMS in the Baviaans Municipality was adopted by Council in February 2008

Performance management at the municipality refers to the monitoring of three different levels of performance plans. These levels are as follows:

- (a) Organisational / Institutional Performance: Institutional Performance was done for 2011/12
- (b) Section 57 Managers: Evaluations are done on a quarterly basis with a final evaluation at the end of the financial year (30 June 2012).
- (c) Non-section 57 Employee's (Section 66 employees): during 11/12, evaluations were done for lower level staff.

The full implementation of the Performance Management System was completed in 09 / 10

#### 1.4 ANNUAL PERFORMANCE AS PER KEY PERFORMANCE INDICATORS

##### 1.4.1 ORGANISATIONAL DEVELOPMENT

	Indicator name	% planned for during the year under review	Achievement level during the year under review (%0	Achievement percentage during the year (%)	Comments on the gap
1	Vacancy rate for all approved and budgeted posts;	100	99	99%	-----
2	Percentage of appointment in strategic positions (Municipal Manager and Section 57 Managers)	100%	100	100	-----
3	Percentage of Section 57 Managers including Municipal Managers who attended at least 1 skill development training course within the FY	100%	0	0	Financial constraints
4	Percentage of Managers in Technical Services with a professional qualification	100%	100	100	-----
5	Percentage of municipalities within the district area that have a fully functional Performance Management System (DM only)	N/A	N/A	N/A	-----
8	Percentage of staff that have undergone a skills audit: (including competency profiles) within the current 5 year term	100%	100	100%	N/a
9	Percentage of councillors who attended a skill development training within the current 5 year term	100%	30	10	Financial constraints
10	Percentage of staff complement with disability	30%	1	1	-----
11	Percentage of female employees	40%	27	27	-----
12	Percentage of employees that are aged 35 or younger	60%	40	37	-----

1.4.2 MAJOR CHALLENGES AND REMEDIAL ACTIONS CONCERNING HUMAN RESOURCES AND ORGANISATIONAL MANAGEMENT

CHALLENGES	REMEDIAL ACTIONS	TIME FRAMES	ACTION TAKEN	RESPONSIBLE PERSON
Human Resource Development Plan	Involvement of DPLG to finalise HR plan	2010 /11	Adopted	M Lotter
Delegation of authority and responsibilities in compliance with the Municipal Systems Act	Service Provider to be appointed. Delegation of authority will be cascaded down to include councillors, management and senior personnel	2010	Approved by Council	M Lotter
Effective control, monitoring and supervision	Managers will compile a list of all control-matters, the list will form part as a standing item at management meetings	Weekly management meetings	Updated weekly	MM

## **CHAPTER 2: BASIC SERVICE DELIVERY PERFORMANCE HIGHLIGHTS (KPA 2)**

### **2.1 WATER SERVICES**

#### **A. WATER SERVICES DELIVERY STRATEGY AND MAIN ROLE-PLAYERS:**

Baviaans Municipality is the Water Services Authority (WSA) and the Water Services Provider (WSP). There is no bulk water supplier in the Baviaans Municipal area. DWAF, as the government department, plays a role in bulk water supply by regulating the National Water Act, by its own investigations and by providing assistance to local municipalities.

Likewise, there is at present no Catchment Management Agency (CMA) and DWAF fulfils this role until the CMA is established. No abstraction from surface water sources takes place in the WSA's area of jurisdiction and abstraction only takes place from underground water. The primary function of the municipality is the delivery of basic services to its community.

#### **B. LEVELS AND STANDARDS IN WATER SERVICES:**

3658 households have access to a basic level of water supply. All the households in the towns Willowmore, Steytlerville, Rietbron and Saaimanshoek have access to water. The current water demand is determined by the level of services provided to the consumers. The current level of service provided to consumers in the towns Willowmore, Steytlerville, Saaimanshoek and Rietbron are individual metered erf connections to all erven. Water provision to privately owned land (farms, farm dwellers) remains a challenge especially small settlement within the municipal area of jurisdiction. During the 2011 /12 Financial Year, the municipality developed a policy that deals with water provision to privately owned land.

#### **C. ANNUAL PERFORMANCE AS PER KEY PERFORMANCE INDICATORS IN WATER SERVICES**

	<b>Indicator name</b>	<b>Total number of household/customer expected to benefit</b>	<b>Estimated backlogs</b>	<b>Target set for the FY under review</b>	<b>Number of HH/customer reached during the FY</b>	<b>Percentage of achievement during the year</b>
1	Percentage of households with access to potable water	100%	0	100%	100%	100%
2	Percentage of indigent households with access to free basic potable water	100%	0	2675	2675	100%
4	Percentage of clinics with access to potable water	100%	0	100%	100%	100%
5	Percentage of schools with access to potable water	100%	0	100%	100%	100%
6	Percentage of households using buckets	1,1%	37	100%	0	0



## D. MAJOR CHALLENGES IN WATER SERVICES AND REMEDIAL ACTIONS

The peak water demand in the hot summer months exceeds the potential bulk water supply capacity of the current water resources for Willowmore, Steytlerville and Rietbron. The peak water demand in the hot summer months for Willowmore and Steytlerville is approximately double that as in the cold winters months and approximately 1.6 times the average annual water demand. During the summer months, water needs to be carted to Vondeling and Fullarton.

DWAF recommends that a water supply safety factor (1.5 times of peak demand) must be used to ensure water demands are met. Alternative water sources as identified per previous investigations and reports as listed above are as follows:

### *Steytlerville Alternative Water Sources*

- Surface Water from Erasmuskloof
- Rainwater Tanks
- Import water from Kouga Dam
- Regional Orange River Project

### *Willowmore Alternative Water Sources*

- Rainwater Tanks
- Development of Additional Borehole Scheme for Willowmore
- Water from the Haarlem Dam
- Relocation of existing Water Treatment Works from Wanhoop to Willowmore and Supply of Ground and Surface Water Sources to Willowmore.

### *Vondeling Alternative Water Sources*

- Rainwater Tanks
- Development of Additional Borehole Scheme for Vondeling

It is evident from the above that the lack of funding is the main obstacle in ensuring sustainability and supplying the basic level of service to the community.

## 2.2 ELECTRICITY SERVICES

### A. ELECTRICITY SERVICES DELIVERY STRATEGY AND MAIN ROLE-PLAYERS

The National Electricity Regulator has licensed Baviaans Municipality to distribute and supply electricity to all consumers within the municipal area of Baviaans that includes Willowmore, Steytlerville and Saaimanshoek. Eskom is supplying electricity directly to the Vuyolwethu area in Steytlerville that consists of 376 households and to Rietbron consisting of 425 households.

### B. LEVEL AND STANDARDS IN ELECTRICITY SERVICES

Three thousand seven hundred and fifty two (3758) households have access to electricity with the exceptions being of houses on private land, certain rural developments and any new housing

developments in progress. The majority of the MV and LV reticulation appears to be in good condition. All towns are faced with power dips that occur occasionally.

#### C. ANNUAL PERFORMANCE AS PER KEY PERFORMANCE INDICATORS IN ELECTRICITY SERVICES

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs	Target set for the f. year under review	Number of HH/customer reached during the FY	Percentage of achievement during the year
1	Percentage of households with access to electricity services	99.87%	0,1%	0.1%	0	0
2	Percentage of indigent households with access to basic electricity services	100%	0	2675	2675	100%
4	Percentage of indigent households with access to free alternative energy sources (i.e. solar geysers)	1500	1175	1500	1500	100%

#### D. MAJOR CHALLENGES IN ELECTRICITY SERVICES AND REMEDIAL ACTIONS

The challenges Baviaans Municipality are facing relating to electricity provision within its jurisdiction are as follows:

##### *Steytlerville*

- The main 22/11kv step down transformer needs to be upgraded immediately due to overloading.
- Damaged pole-top boxes
- Broken kiosks
- Required clearances between MV and LV lines were partially corrected during the financial year due to limited budget available in terms of lines sharing the same structure.
- One of the mini-substations was fitted with SF<sub>6</sub> gas type ring main units, while others to be phased in over a number of years.

##### *Willowmore*

- The shortage of Bulk Electricity Supply in Willowmore from Eskom is a problem. The Municipality currently exceeds the Notified Maximum Demand and pay monthly penalties to Eskom.
- The shortage of bulk electricity supply in Saaimanshoek is also a problem, and some consumers do not have access to the services.
- Sectionalising links
- Proper pole numbers replace bundle conductor with bare conductors

## 2.3 SANITATION

### A. SANITATION SERVICE DELIVERY STRATEGY AND MAIN ROLE-PLAYERS

Maintain and improve the existing level of service to urban communities and ensure environmentally acceptable disposal methods. Baviaans Municipality ensures regular removal of sanitation from houses with septic tanks, removal of sanitation from rural areas and DWA assist with health and hygiene. The Cacadu District Municipality also assists with funding for installation of VIP toilets.

### B. LEVEL AND STANDARDS IN SANITATION SERVICES

Three thousand six hundred and fifty eight (3658) households have access to sanitation services of which approximately 75 percent is a waterborne level of service and the balance of 25 percent is attributed to other level of services such as septic tanks and ventilated improve pit latrines.

### C. ANNUAL PERFORMANCE AS PER KEY PERFORMANCE INDICATORS IN SANITATION SERVICES

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs	Target set for the f. year under review	Number of HH/customer reached	Percentage of achievement during the year
1	Percentage of households with access to sanitation services	100%	0	0	0	100%
2	Percentage of indigent households with access to free basic sanitation services	100%	0	2675	2675	100%
4	Percentage of clinics with access to sanitation services	100%	0	3	3	100%
5	Percentage of schools with access to sanitation services	100%	0	0	14	100%

### D. MAJOR CHALLENGES IN SANITATION SERVICES AND REMEDIAL ACTIONS

- The registration of the WWTW.
- Training for communities' health and hygiene.
- Compliance to the Green Drop Certification.
- Upgrading of Rietbron WWTW.

## 2.4 ROAD MAINTENANCE

### A. ROAD MAINTENANCE SERVICES DELIVERY STRATEGY AND MAIN ROLE-PLAYERS

To ensure adequate driving surface, and to maintain reasonable access at all times. Ensure potholes are repaired immediately and gravel roads are maintained regularly.

### B. LEVEL AND STANDARDS IN ROAD MAINTENANCE SERVICES

The roads in Baviana Municipality can be classified as follows:

Town	% Tar Town	% Gravel Town	% Tar Township	% Gravel Township
Willowmore	35%	65%	17% and 18% brick paving	47%
Steylerville	30%	70%	5% and 15 % brick paving	80%
Saaimanshoek	n/a	n/a	n/a	100%
Rietbron	26%	74%	41% 13%(paved)	59%

Storm water Management System is one of the major problems in this municipality that requires urgent attention.

### C. ANNUAL PERFORMANCE AS PER KEY PERFORMANCE INDICATORS IN ROAD MAINTENANCE SERVICES

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the f. year under review (Actual numbers)	Number of HH/customer reached during the FY	Percentage of achievement during the year
1	Percentage of households without access to gravel or graded roads	0	0	0	0	0
2	Percentage of road infrastructure requiring upgrade	2097	15/1	2097	2097	100%
4	Percentage of planned new road infrastructure actually constructed	2097	43km	1.25km	2097	100%
5	Percentage of capital budget reserved for road upgrading and maintenance effectively used.	R8, 214, 717	R215m	R8, 214, 717	2097	57%

#### D. MAJOR CHALLENGES IN ROAD MAINTENANCE SERVICES AND REMEDIAL ACTIONS

MAJOR CHALLENGE	REMEDIAL ACTION
Baviaans municipality has no storm water management system	To source funding and appoint a service provider for the stormwater management system
Limited MIG funding to improve the roads	Source funding from CDM and DPLG
Lack of equipment to maintain roads, e.g. grader, water truck, roller, JCB	Request CDM to assist with equipment

## 2.5 WASTE MANAGEMENT

### A. WASTE MANAGEMENT SERVICES DELIVERY STRATEGY AND MAIN ROLE-PLAYERS

Attain and maintain minimum waste management standards in order to protect human health and the environment from possible harmful effects caused by the handling, treatment, storage and disposal of waste. The Baviaans Municipality has adopted the Integrated Waste Management Plan.

### B. LEVEL AND STANDARDS IN WASTE MANAGEMENT SERVICES

The Municipality services 3658 households. The waste service delivery of Baviaans Municipality is co-ordinated from Willowmore. A regular waste removal service is provided to all households and commercial properties within the major towns of the Municipal area, except to households in rural areas. The farming areas in Baviaans Municipality do not receive a waste removal service. The provision of such a service is not at the moment envisaged by the Municipality. There are also no private waste contractors active within the municipal area.

The municipality provides a weekly (2 day per week) waste collection service to all the households (on Mondays and Tuesdays) and commercial properties (on Wednesdays) in Willowmore, Steytlerville and Rietbron.

Street cleaning (litter picking, sweeping, and cleaning of ablution facilities) is done from Mondays to Fridays in the CBD areas of Willowmore, Steytlerville and Rietbron. Baviaans Municipality utilises a black refuse bag system for all the households in the municipal area. Businesses make use of 80 litre plastic bins for the disposal of their refuse. The municipality provides residents with 10 black bags every month while businesses have to buy their own receptacles. The municipality accepts any number of bags or bins per household or business.

C. ANNUAL PERFORMANCE AS PER KEY PERFORMANCE INDICATORS IN WASTE MANAGEMENT SERVICES

Indicator name	Total number of household/customer expected to benefit	Estimated backlogs	Target set for the f. year under review	Number of HH/customer reached	Percentage of achievement during the year
1 Percentage of households with access to refuse removal services	1381	0	100%	100%	100%

D. MAJOR CHALLENGES IN WASTE MANAGEMENT SERVICES AND REMEDIAL ACTIONS

MAJOR CHALLENGES	REMEDIAL ACTION
The landfill sites in the municipal area do not have weighbridges and therefore the quantities of waste disposed are not exactly known.	Operational maintenance budget to be included in the cost operational budget. Source funding from other governmental bodies
There are no formal waste minimisation activities taking place in Baviaans Municipality and the municipality is also not offering any recycling incentives to private people or businesses	Municipality to start recycling initiatives
Illegal dumping is common all over the municipal area, and the municipality has to collect this waste at unnecessary cost.	Enforcement of by-law relating to illegal dumping
The municipality has recognises the need for education of people.	Awareness & training programs
No permitted landfill sites.	To permit landfill sites with assistance of CDM, DME

2.6 HOUSING AND TOWN PLANNING

A. HOUSING AND TOWN PLANNING SERVICES DELIVERY STRATEGY AND MAIN ROLE-PLAYERS

The Housing Services Delivery Strategy is to supply basic infrastructure to all inhabitants of Baviaans. The Department of Human Settlement provides the funding and project management for the project. Provide housing for needy people in Steytleville, Willowmore and Rietbron. Enhance quality and standards of RDP houses.

The following are the role-players in housing development:

CDM, Provincial Department of Human Settlement, National Department of Human Settlement and Baviaans Municipality

B. LEVEL AND STANDARDS IN HOUSING AND TOWN PLANNING SERVICES

**HOUSING ANALYSIS**

**INSTITUTIONAL ANALYSIS (TECHNICAL SERVICES DEPARTMENT)**

Baviaans' Organisational set-up comprises of 71 positions (8 vacant) in the Technical Services Department, which are scattered in Steytleville, Willowmore and Rietbron ranging from Technical Services manager to general workers. However, in terms of addressing housing development programs, the Municipality does not have a Housing Department for tackling housing issues. Table 1 Indicates the organisational set-up in the Municipality.

**Table 1: Municipal Capacity for Housing Delivery**

Position	Positions		Comments
	Approved	Filled	
Management	4	4	Delegated staff on housing issues comprises of a senior admin officer a technical manager, building inspector and Assistant technical manager
Technical & financial control	58	51	
Administrative Support	9	9	
Social Facilitation and Support	0	0	
Contracts Implementation & Management	0	0	
<b>Total</b>	<b>71</b>	<b>63</b>	

Source: Baviaans Municipality, 2011

In relation to housing delivery programmes the following activities are done in house; Project Inception, Planning and Programming, Beneficiary Identification and PHB Approval, PHB Project and Business Plan Application, Financial Control and Top Structure Construction. Refer to Table 2

**Table 2: Capacity to Manage Housing Delivery**

Capacity to Housing Delivery	Resource Availability/Utilisation				
	In-House	Consultants	PIMMS	Contracts	Developers
Project Inception	✓	✓	-	-	✓
Planning & Programming	✓	✓	-	-	-
Engineering design	-	✓	-	-	-
Beneficiary Identification & PHB Approval	✓	-	-	-	-
PHB Project & Business Plan Application	✓	✓	-	-	-

Capacity to Housing Delivery	Resource Availability/Utilisation				
	In-House	Consultants	PIMMS	Contracts	Developers
Financial Control	✓	-	-	-	-
Progress Report		✓	-	-	-
Building Construction	-	✓	-	-	-
Services Installation	-	✓	-	-	-
Top Structure Design	-	✓	-	-	-
Top Structure Construction	✓	✓	-	-	-

Source: Baviaans Municipality 2011

The Housing Sector Plan dated March 2011 cites that Baviaans Municipality lacks the capacity to discharge its constitutional obligations due to shortage of key personnel and budgetary constraints. It also notes that there is staff shortage in the Technical Services Department.

Poor skill displayed among contractors is highlighted as a major factor in housing delivery at Baviaans. Contractors are not able to finish projects within the targeted financial year. Delays in project completion results in increased losses leading to project being left unfinished. The Municipality needs to review contracts and implement punitive measures for non-compliance.

#### HOUSING NEEDS/ BACKLOG

The current housing backlog at Baviaans Municipality is 760 (R49 400 000: R65 000 subsidy/month) as per housing waiting list.

Details of the housing waiting list provided by the Baviaans Municipality are summarised as follows:

Table 3: Housing Needs

Category	Number
Special Need (disabled):	--
Steytlerville RDP houses	72
Subsidy Housing < R3 500/h	--
<b>Housing needed</b>	
New applicants	82
Current Accommodation	--
Informal settlement	--
<b>Total</b>	<b>160</b>



**Table 4: Current Housing Projects (Baviaans)**

Project Title	No. of Sites	Project Value (R)	Ward	Project Type	Comments
Steytlerville	87	3 391 608.00			Project completed with major snags (aprons, etc)
<b>TOTAL</b>	<b>87</b>	<b>3 391 608.00</b>	<b>2</b>		

Source: Baviaans Municipality, 2011

**PLANNED HOUSING PROJECTS (ORDER OF PRIORITY)**

**Table 5: Planned Projects (Short-Term)**

Project Title	No. of Sites	Project Value	Comments
Willowmore	88	3 466 152.00	Civil services completed. Top structures to be constructed
Willowmore	373	10,095,645.76	373 Houses completed, but project requires verification.
Steytlerville	72	2 806 848.00	Land availability agreement in place. Baviaans Municipality to appoint consultant for pre-planning phase
<b>TOTAL</b>	<b>533</b>	<b>16 368 645.76</b>	

Source: Baviaans Municipality 2011



## **STRATEGIC FRAMEWORK**

### **KEY ISSUES**

The list below cites the issues identified.

- The Department of Human Settlement centralization of housing delivery programs creates bureaucracy.
- Baviaans Municipality does not have a Housing department within the municipality
- Municipality unable to attract permanent and fully qualified staff
- Difficult to contract experts to deal with housing issues on a short-term basis
- Slow disbursement of funds by the PDH creates a rift between the contractors/service providers and the local authorities.
- Inflation levels affecting project implementation.
- Terrain challenges

## **STRATEGIES AND PROJECTS**

### **STRATEGIES AND PROPOSED PROJECTS**

#### *Institutional Capacity*

A housing directorate/unit need to be established. The organogram in Annexure A presents a full capacity building structure, which will ensure effective execution of housing projects.

Duties:

#### *Contract Manager*

- Co-ordinate and implement contracts
- Monitor claims and payments
- Contract arrangements
- Progress reports

#### *Financial Officer*

- Claims and payments

#### *Building Inspector*

- Quality management
- Co-ordination
- Monitoring

#### *Development Support Officer*

- Application for I & E Services
- Geotech

- Services Certificates
- GPs
- Surveys
- Site Plans

**C. ANNUAL PERFORMANCE AS PER KEY PERFORMANCE INDICATORS IN HOUSING AND TOWN PLANNING SERVICES**

	<b>Indicator name</b>	<b>Total number of household/customer expected to benefit</b>	<b>Estimated backlogs</b>	<b>Target set for the f. year under review</b>	<b>Number of HH/customer reached</b>	<b>Percentage of achievement during the year</b>
1	Percentage of households living in Informal settlements	0	0	0	0	0
2	Percentage of Informal settlements that have been provided with basic services	0	0	0	0	0
3	Percentage of households in formal housing that conforms to the minimum building standards for residential houses	3582	160	160	87	54%

**D. MAJOR CHALLENGES IN HOUSING AND TOWN PLANNING SERVICES AND REMEDIAL ACTIONS**

- Creation of a housing organogram with requisite expertise
- Ensure alignment of housing backlog with bulk infrastructure, land and national obligations
- Formulate and implement strategies to meet the demand
- Capacity Building to ensure improved capability and effectiveness to ensure sustainability of the housing unit
- Data capture methods to be revised for comprehensiveness
- An integration of department programs
- Explore other alternatives in disbursement of funds by PDH
- Increase monitoring and control to ensure good quality of houses

## **2.7 SPATIAL PLANNING**

### **A. PREPARATION AND APPROVAL PROCESS OF SDF:**

The Baviaans Local Municipality has a Spatial Development Framework (SDF), which represents the spatial development goals of the area. In drafting the framework all relevant national legislation, the Province of the Eastern Cape: Spatial Development Plan and the Cacadu District Municipality Spatial Development Framework were considered.

The incorporation of the previous demarcated areas Rietbron, Vondeling and Miller consequently requires updating of Baviaans' SDF to include these areas. Cacadu District Municipality identified Baviaans as a priority area for assistance in this regard.

The Baviaans Spatial Development Framework will be implemented by means of land use management package. The Spatial Development Framework states that the current land use management mechanisms in the Baviaans are unable to address the needs of the residents. The SDF are revised when the IDP are revised.

The following strategies and guidelines were developed:

- **The Nodal Hierarchy**
- **Urbanisation**
- **Human settlements**
- **Non-Residential Users**
- **Tourism Policy**
- **Transport Policy**
- **Water resources and catchment areas policy**
- **Environment, conservation and forestry policy**
- **Agriculture policy**
- **Housing policy**
- **Indigent policy**
- **Areas Based Plan & LAA**

## B. LAND USE MANAGEMENT

Applications for rezoning, subdivision and removal of restrictive conditions in 2011/12 financial year:

Srf Number	Owner	Rez / subd / consent use	Council Res. Date	Council Res. Nr.
1298	W.A. Swanepoel	Rezoning	12 June 2012	7.3.7
2645	W.A. Swanepoel	Rezoning	12 June 2012	7.3.9
1216	L.B. Ferreira	Subdivision	31 October 2011	7.3.18
2600 & 2603	C. Potgieber	Rezoning / Consolidation and Subdivision	31 October 2011	7.3.19
1581 & 1582	Ibuyamfo & Noni Management	Rezoning / Consolidation	31 October 2011	7.3.20
1689 & 1690	J. Hare	Rezoning / Consolidation	31 October 2011	7.3.21
1176	M.W. Nohkonana	Rezoning	31 October 2011	7.3.22

## C. MAJOR CHALLENGES IN SPATIAL PLANNING SERVICES AND REMEDIAL ACTIONS

- The lack of adequately trained staff due to budget constraints.
- Ineffective zoning records, specifically for the former Western District Council Area
- The public does not have easy access to information.
- The zoning regulations are outdated and cannot address the developmental needs of the residents.
- No strategic plan and local plans to promote and guide development
- Current land use trends e.g. densification is not addressed holistically.
- No appointed Town planner, Assistant Technical Services Manager deals with Town planning issues with the assistance of Consultant's. A Service Level Agreement was signed between Baviaans Municipality and Cacadu District Municipality in terms of assistance with land use problems, but no assistance was given during the financial year.

## 2.8 INDIGENT POLICY IMPLEMENTATION

### A. PREPARATION AND APPROVAL PROCESS OF THE INDIGENT POLICY

The Indigent Policy is reviewed annually because of the anticipated changes in the economic status of households. This enables the municipality to identify challenges and improvements in the policy. The community is consulted during the IDP / Budget review processes.

### B. IMPLEMENTATION OF THE POLICY

To this extent, the municipality has amended its Indigent Policy to accommodate residents in retirement villages.

## 2.9 OVERALL SERVICE DELIVERY BACKLOGS

Basic Service Delivery Area	30 June 2011			30 June 2012			Notes
	Required	Budgeted	Actual	Required	Budgeted	Actual	
<b>Water backlogs (6kl / month)</b>							
Backlogs to be eliminated (no HH not receiving the minimum standard service)	0	0	0	0	0	0	Bulk infrastructure is a problem
Backlogs to be eliminated (% total HH identified as backlog / total number of HH in the municipality)	1357	0	0	1357	0	0	Erasmusklouf project
Spending on new infrastructure to eliminate backlogs (R000)	R20 m	0	0	R20 m	0	0	Erasmusklouf project
Spending on renewal of existing infrastructure to eliminate backlog (R000)	0	0	0	0	0	0	
<b>Total spending to eliminate backlogs (R000)</b>	<b>R20 m</b>	<b>0</b>	<b>0</b>	<b>R20 m</b>	<b>0</b>	<b>0</b>	
Spending on maintenance to ensure no new backlogs (R000)	R500 000	R500 000	R550005	R500 000	R500 000	R141528	
<b>Electricity backlogs (30 KWH / month)</b>	<b>Required</b>	<b>Budgeted</b>	<b>Actual</b>	<b>Required</b>	<b>Budgeted</b>	<b>Actual</b>	<b>Notes</b>
Backlogs to be eliminated (no of HH not receiving the minimum standard service)	0	0	0	0	0	0	Bulk infrastructure is a problem
Backlogs to be eliminated (% of total HH identified as backlog / total no of HH in the municipality)	R1,5 m 1937hh	R40 000	R40 000	R1,5 m 1937hh	R40 000	R40 000	R40 000 used to obtain quotation from Eskom to eradicate the backlog
Spending on new infrastructure to eliminate backlogs (R000)	R1,5 m	0	0	R1,5 m	0	0	

<b>Electricity backlogs (30 KWH / month)</b>	<b>Required</b>	<b>Budgeted</b>	<b>Actual</b>	<b>Required</b>	<b>Budgeted</b>	<b>Actual</b>	<b>Notes</b>
Spending on renewal of existing infrastructure to eliminate backlog (R000)	0	0	0	0	0	0	
<b>Total spending to eliminate backlogs (R000)</b>	<b>R 3m</b>	<b>R40 000</b>	<b>R40000</b>	<b>R3 m</b>	<b>R40000</b>	<b>R40000</b>	
Spending on maintenance to ensure no new backlogs	R350 000	R350 000	R414256	R350 000	R350 000	R160558	

(R000)	Required	Budgeted	Actual	Required	Budgeted	Actual	Notes
<b>Sanitation backlogs</b>							
Backlogs to be eliminated (no of HH not receiving the minimum standard service)	0	0	0	0	0	0	
Backlogs to be eliminated (% of total HH identified / total no of HH in municipality)	37	0	0	37	0	0	Provision in 2012/13 financial year (Bucket eradication)
Spending on new infrastructure to eliminate backlogs (R000)	R6,5 m	0	0	R6,5 m	0	0	WWTW Rietbron
Spending on renewal of existing infrastructure to eliminate backlog (R000)	R7,495	R7,495	R5,789,350	R7,495	R7,495	R5,789,350	
<b>Total spending to eliminate backlogs (R000)</b>	<b>R13,995</b>	<b>R7,945</b>	<b>R5 789 350</b>	<b>R13,995</b>	<b>R7,945</b>	<b>R5 789 350</b>	
Spending on maintenance to ensure no new backlogs	R50 000	R50 000	R71 451	R50000	R50000	R78 216	
<b>Basic Service Delivery Area</b>	<b>30 June 2011</b>			<b>30 June 2012</b>			<b>Notes</b>
<b>Road maintenance backlogs</b>	<b>Required</b>	<b>Budgeted</b>	<b>Actual</b>	<b>Required</b>	<b>Budgeted</b>	<b>Actual</b>	
Backlogs to be eliminated (no of HH not receiving the minimum standard of service)	0	0	0	0	0	0	
Backlogs to be eliminated (% total HH identified as backlog / total no of HH in the municipality)	R111300 000	R84229434	R842294 34	R111300 000	R842294 34	R842294 34	
Spending on new infrastructure to eliminate backlogs (R000)	0	0	0	0	0	0	
Spending on renewal of existing infrastructure to eliminate backlog (R000)	0	0	0	0	0	0	
<b>Total spending to eliminate backlogs (R000)</b>	<b>R111300 000</b>	<b>R84229434</b>	<b>R842294 34</b>	<b>R111300 000</b>	<b>R842294 34</b>	<b>R842294 34</b>	
<b>Basic Service Delivery Area</b>	<b>30 June 2011</b>			<b>30 June 2012</b>			<b>Notes</b>
<b>Road maintenance backlogs</b>	<b>Required</b>	<b>Budgeted</b>	<b>Actual</b>	<b>Required</b>	<b>Budgeted</b>	<b>Actual</b>	
Spending on maintenance to ensure no new backlogs (R000)	R85000 0	R850000	R959 023	R85000 0	R85000 0	R278 310	

<b>Refuse removal</b>	<b>Required</b>	<b>Budgeted</b>	<b>Actual</b>	<b>Required</b>	<b>Budgeted</b>	<b>Actual</b>	<b>Notes</b>
Backlogs to be eliminated (no of HH not receiving the minimum standard service)	R10500 000	R200000	R198 000	R10500 000	R20000 0	R198 000	
Backlogs to be eliminated (% total HH identified as backlog / total no of HH in the municipality)	0	0	0	0	0	0	
Spending on new infrastructure to eliminate backlogs (R000)	0	0	0	0	0	0	
Spending on renewal of existing infrastructure to eliminate backlog (R000)	0	0	0	0	0	0	
<b>Total spending to eliminate backlogs (R000)</b>	<b>R10500 000</b>	<b>R200000</b>	<b>R198 000</b>	<b>R10500 000</b>	<b>R20000 0</b>	<b>R198 000</b>	
<b>Spending on maintenance to ensure no new backlogs (R000)</b>	<b>R50 000</b>	<b>R50 000</b>		<b>R50 000</b>	<b>R50 000</b>		<b>Fencing</b>

<b>Basic Service Delivery Area</b>	<b>30 June 2011</b>			<b>30 June 2012</b>			<b>Notes</b>
<b>Housing &amp; Town planning</b>	<b>Required</b>	<b>Budgeted</b>	<b>Actual</b>	<b>Required</b>	<b>Budgeted</b>	<b>Actual</b>	
Backlogs to be eliminated (no of HH not receiving the minimum standard of service)	R6 273 000	0	0	R6 273 000	0	0	Funds from Dept Human Settlements
Backlogs to be eliminated (% total HH identified as backlog / total no of HH in the municipality)	R2,5 m	0	0	R2,5 m	0	0	Rectification 373 Housing project
Spending on new infrastructure to eliminate backlogs (R000)	R33916 08	R339160 8	R33916 08	R33916 08	R33916 08	R33916 08	
Spending on renewal of existing infrastructure to eliminate backlog (R000)	0	0	0	0	0	0	
<b>Total spending to eliminate backlogs (R000)</b>	<b>R58916 08</b>	<b>R339160 8</b>	<b>R33916 08</b>	<b>R58916 08</b>	<b>R33916 08</b>	<b>R33916 08</b>	
<b>Spending on maintenance to ensure no new backlogs (R000)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	



## **2.10 MIG PROJECTS**

The following MIG projects were implemented during the year under review:

- Willowmore Upgrading of Gravel Streets, Phase 3
- Steytlerville upgrading of streets and storm water drainage, Phase 3
- Willowmore Down Township External Services for 88 low cost erven
- The total budget for MIG projects was R10 477 000

## **2.11 DISASTER MANAGEMENT**

The Bavlaans Municipality has signed a Service Level Agreement with the Cacadu Districts Municipality to deliver emergency services, fire and disaster.

The municipality have two trained fire services officials with the assistance of volunteers to deliver services. The posts of these officials can be obtained from the attached organogram of the municipality.

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

### **3.1 BRIEF PRESENTATION OF LED STRATEGY/PLAN**

An LED strategic & LED Action Plan were adopted by council on 12 August 2010 and are fully implemented. The LED Action Plan is the working document of the LED unit. See the Action Plan on page 42 and the structure of the LED unit on page 52.

All LED objectives & strategies of the municipality are discussed in the IDP of the municipality. The LED objectives and strategies are well articulated within the LED Action Plan as well as competitive and comparative advantages. The action plan also makes provision for a database for LED related programmes, SMME and EPWP. The municipality has created 270 jobs with the EPWP program and 254 with the Sakha Isizwe program.

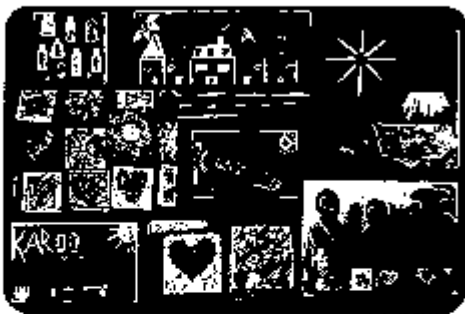
It is important for the municipality to make provision for business retention, expansion. Attraction strategies are taken into account in the LED Action and Tourism Sector Plan.

LED activity is dominated by the public sector without systematic engagement with the local business sector. Baviaans Municipality does not have a business chamber which hinders closer cooperation and interaction with the local business sector.

Baviaans Municipality has built partnerships with various tourism organisations as well as with the Cacadu Districts Municipality.

Baviaans had a very successful year in terms of craft development. An amount of R 540 000 was received from the Department of Economic Development Environmental Affairs and Tourism (DEDEAT) for the development of crafts in Baviaans. Interested residents received training in craft production, marketing and business skills.

MEC Jonas visited the craft shop in Baviaanskloof, built from scratch from renewable materials, in July 2012.



The next table depicts Baviaans Municipality's LED Action Plan which provides more information LED objectives and activities.

**INTEGRATED LED STRATEGY AND ACTION PLAN**

**Objectives 3.1 – 3.7 Development priority: Local Economic Development**

<b>Focus Area</b>	<b>Objective</b>	<b>Activity</b>	<b>Priority</b>	<b>Target</b>	<b>Project</b>	<b>Budget</b>	<b>Who</b>	<b>Action</b>	<b>Time Frame</b>	<b>Comments</b>
<b>Area 1 Institutional development</b>	Effective LED Unit /Forum In the Baviaans	Create LED Unit	High	Establish a LED Unit	IDP 35 (b)	-	M E de Beer	Establish a LED Unit & Forum Appoint a LED Manager	Quarterly	LED unit & forum is established. Held quarterly meetings. (Forum: Agriculture/Social Development)
	Capacitate all LED staff	Capacity workshop for LED staff	High	Organise workshops	IDP 35 (b)	N/a	M E de Beer	Organise capacity Workshops	Aug-Oct 2011	Done - workshops attended Aug - Oct 2011
	Establish a LED Office in Willowmore with weekly visits to other areas	Develop LED Office	High	Establish office with equipment needed	IDP 35 (b)	R150 000 BIM	M E de Beer	Organise equipment for office of LED Ming & SMME support	Sept 2012	Purchased some of the office equipment. Other equipment will be purchased in new financial year 12/13
	Investigate possibility to establish a local development trust	Do investigation on a development trust	Low	Investigate how to develop a development trust	New	Unfunded	M E de Beer	Do investigation	12/13	Investigate & negotiate with private investors.

Focus Area	Objective	Activity	Priority	Target	Project	Budget	Who	Action	Time Frame	Comments	
Area 2 General structural problems in the way of effective LED	To address problem areas that causes economic development problems	Develop the capacity of residents through more effective education- Effective management of house holds existing income	High	Training and education of house holds - Household budget - How to save water	IDP 16	R150 000 BM	N.W. Barnard	Organise quarterly sessions with Old Mutual to involve as many as possible residents in all areas	Jan 2012	Old Mutual - On the money training. Training done during March/April in Steytlerville, Willowmore & Rietbron.	
			High	1. Accessible Resource Centre	IDP 15 (15(a))	Utilise own Interna. resources R150 000	J C Maarl	3 x Resource Centres: WM, SV & BK - fully equipped.  On receipt of funds - equip Rietbron's BYAC.	Done  Await funds	Computers for SYAC have arrived and have been installed.  Await funds	
			Medium	2. Efficient transport system	IDP 93	R36 000 BM	M E de Beer	Meeting with taxi-owners re transport fee & available transport	12/13	Make sure that representatives of taxi-associations attend the road forum meetings. They have been moved from the transport forum to the road forum. Make contact with Dept. of Transport to check permits of taxi owners.	
			Medium	To have access to cost effective and available municipal services	Availability of municipal services	Provision of basic infrastructure	Repair & Maintenance budget of BM	B Atends/ J Doyle	Repair & Maintenance budget attached / Access to power purchase points	On-Going Service	Repair & maintenance takes place on a continuous basis. Help Desk established - monthly reports to council. Helpdesk in Steytlerville is not functional. Post being advertised.

Focus Area	Objective	Activity	Priority	Target	Project	Budget	Who	Action	Time Frame	Comments
Area 3 Structural problems in focus areas of Agriculture	Create a productive agriculture sector. Look into the problem areas which result to poor economic development in the Bavarians area	1. Availability, capacity and cost of farm labour	Medium	1. Investigate current situation 2(a) Training programme for farm workers (b) JA emerging farmers (c) Attendance of special information days for ex	IDP 47 IDP 15/16 IDP 44 f	R0 R10 000 B/M R30 000 B/M	M E de Beer J C Maart	Determine cost of farm labour Organise training for farm workers	Out-standing Done 2011 Nov 2011	Mayor will discuss at farmer union meet ngs. SV training done W/M done Ram bought for Sawefoulin upstarting farmers. Pig & Poultry learner ship is ongoing on now through Agriculture in partnership with Bavarians. Finished workshop in Steytlerville (March 2012) New negotiations with GAC Pig & Poultry Training provided in SV. Finished workshop in Steytlerville (March 2012)
		2. Availability and cost of land	High	1. Create a Land & Agri forum 2. Agricultural training for unempLOYed people	IDP 46(a) IDP 12(c)	R0 R0	J C Maart M E de Beer M/M/ Arends	Written request to GAC. Await their reply Done	31/7 Quarterly	Done. Forum created. Current problems on mortgages must be solved. Meeting on 8 December
		3. Capacity of farmers	Medium	1. Expose farmers to al. training programmes 2. Execute AAB & LAA	IDP 16 / 44f IDP 47	R10 000 \$M	J C Maart Dept Agric	Training to farmers	Outstand ing	Done. Council must re-think the purchasing of additional land for upcoming farmers. Send letter to CDM on future on this meetings (M/M) No reply from M/ Pillay Meetings with Farmers.

Focus Area	Objective	Activity	Priority	Target	Project	Budget	Who	Action	Time Frame	Comments
A1003 Structural problems in focus areas (continue)	Create well-known tourists sector. Look into the problem areas which result to the poor economic development in the Bavlsans area	Tourism action plan	High	Execution of tourism action plan	IDP 36	Tourism budget	J Zaayman	Monthly reports to Council	Monthly	Monthly reports to council
		1. Quality of products	High	1. To evaluate products: Arts & Craft Tourism related Products	44(a)	RS20 000 DEDEAT	J Zaayman	Applied for funds from Dedebe - Funds approved. S Levy Consulting appointed as Service Provider. Project started 1/3/11.	Current	Monthly reports to council
c) Business	Create an effective business sector. Look into the problem areas which result to the poor economic development in the Bavlsans area			2. Education & training of the improvement of quality of these products	44(a)	RS40 000 DEDEAT	J Zaayman	S Levy Consulting appointed as Service Provider. Project started 1/3/11	Current	Monthly reports to council
		2. Solve problems related to house hold businesses	High	1. Comply with legal requirements - house hold businesses 2. Business skills training for house hold businesses	IDP 15/44f	RD	N Barnard	Meeting with MMV J Doyle/Bennie	Out-standing	Organise meeting with Bennie & Jucky - discuss training programme. 20 February 2012 (meeting)
					44 f	RD	N Barnard	Invite all household businesses to SEDDA training	Nov 11	Await new Sedda schedule with training dates

Focus Area	Objective	Activity	Priority	Target	Project	Budget	Who	Action	Time Frame	Comments	
<b>Area 3</b> <b>Structural problems</b> <b>In focus areas</b> <b>c) Business</b> <b>(continue)</b>		3. To address the "lack of capital" problem.	Medium	To assist SMME and businesses to obtain funds from governmental & other departments	35 b	R0	N Barnard	Improve external support system (ECDC, SEDA) - Organise meeting - Improve service from LED Office to all SMME's	Ongoing	SMME Office of Baviaans officially opened November 2011. LED Official visit Steytlerville on Wednesday's & Baviaanskloof & Rietbos on every second Thursday	
		4. Manage & support Site Fire with their programme on development of 3 x SMME's	High	Provides support to: a) Tailor Made Clothing b) Willowmore Nursery c) Sewerfontein Route	IDP 32a	R120 000 CDM	N Barnard	Constant monitoring progress on this 3 x projects	Ongoing	Project ended in Dec 2011 and was a High success. We continue our support of the 3 SMME's.	
		5. To identify unknown markets	Medium	Investigate products and markets	IDP 35(e)	R0		N Barnard	Investigate for additional markets and products	Done	Results are available. Possible market's were identified. Investigate as future project
		6. Skills development training - Internal - External	High	Training programmes	IDP 16 / 44 f	BM internal training budget		M Lotto	Ongoing training for staff members	11/12	Training done New budget for 12/13
						R150 000		C Maart	Got training programmes from NYDA	12/13	Contract of NYDA must be discussed before signing
			7. Development of marketing & business skills	Medium	Marketing of businesses & products to improve income of businesses	IDP 24 f	R150 000	N Barnard	N Barnard must search for service provider - Marketing Skills training	Ongoing	SEDA provide training courses

Focus Area	Objective	Activity	Priority	Target	Project	Budget	Who	Action	When	Comments
Area 2 Structural problems in focus areas d) Arts & Craft	Create an Arts & Craft sector. Look into the problem areas which result to the poor economic development in the Bavians area	1. Address the absence of markets	High	Search suitable markets	IDP 44(a)	R540 000 DEDEAT	J Zaayman	(i) Service Provider appointed  (ii) Craft Shop (BK)  (iii) Museums	Done	(i) S Levy Consulting appointed as Service Provider. Project started 1/3/11 Reports to council.  (ii) Building completed Oshnac for business  (iii) Requests for funding send to Mr Mlini & The Heritage Board of SA. No reply from them
		2. Lack of skills & training	High	Training programmes	IDP 44 f	R540 000 DEDEAT	J C Maarty J Zaayman	Service Provider appointed	Done	S Levy Consulting appointed as Service Provider. Monthly reports to council. First phase completed  Apply for funds to implement Phase II of training
		3. Quality of products	High	Improve quality of products by organizing specialized training.	IDP 44 f	R540 000 DEDEAT	J Zaayman	Service Provider appointed	Done	S Levy Consulting appointed as Service Provider. Project started 1/3/11  Apply for funds to implement Phase II of training

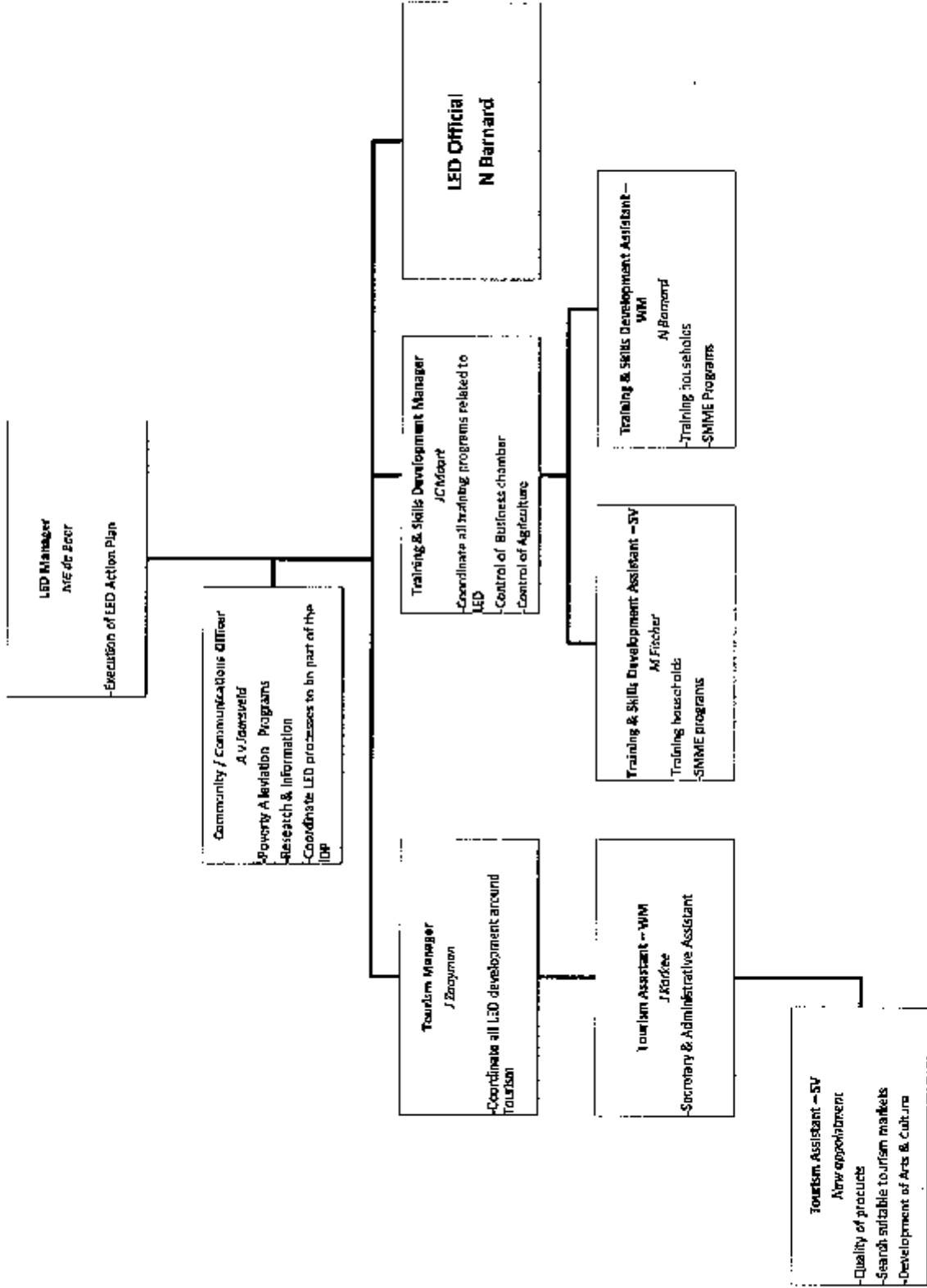


Focus Area	Objective	Activity	Priority	Target	Project	Budget	Who	Action	When	Comments
Area 4 Development of focus areas Tourism	1. Development of tourism sector to improve contribution to local economic development	Develop tourism for efficient local economic development	High	Execution of Tourism Action Plan	IDP 36 Tourism Action Plan	Tourism budget	J Zaayman	Monthly reports to council	Monthly	Monthly reports to council
	2. Development of agricultural sector to improve contribution to local economic development	Develop agriculture for efficient local economic development	High	Promote and develop formal and informal farmers 1. Promote Soil Conservation 2. Management plan for commingages 3. Promotion of mohair 4. Efficient use of land tax 5. Sustainable transformation (Land & Agri Forum)	IDP 45(a) IDP 12 k New IDP 5 IDP 12(c)	RD RD RD RD RD - No funds	Dept: Agric. Agriculture- SV Agriculture WM TSM S A Mohair Association GFO/ Farmers M E de Beer/CDM	Dept Agriculture M Lotter/B Arends I Zaayman J Doyle M E de Beer	Unknown Plan adopted 17/13 New Yearly Quarterly Meetings with CDM	Dept Agric responsible WM busy with advisory with problems on the WM commingage WM commingage. Arrange new meeting C Henderson started with investigation Project implemented Suggestion from Unit to buy more agric property. Funding a problem
Businesses	3. Development of business sector to improve contribution to local economic development	Develop business for efficient local economic development	Medium	1. To establish organized business chamber : WM & SV 2. Support SMME's by local programmes and marketing 3. Programme on "Buy local"	IDP 35 a DP 32a IDP35 (e)	RD RD RD	N Barnard/ M E de Beer N Barnard/ M Fischer J C Maart/M E de Beer	Liaise with business owners SMME's are invited to training and marketing programmes Programme to educate residents to buy from their local suppliers	12/13 Ongoing 12/13	Invite business owners to LED Unit meetings. Organise info event with mayor SEDA visit Bavians to assist SMME's on a monthly basis ongoing training New LED Office to give assistance New venture - Do with assistance of Khanya

Focus Area	Objective	Activity	Priority	Target	Project	Budget	Responsible Person	Action	When	Comments
<b>Area 4</b> <b>Development of focus areas</b> <b>Arts &amp; Crafts</b>	Development of arts & craft sector to improve contribution to local economic development	Develop arts culture for efficient local economic development	High	Support arts & culture: skills, quality of products, and marketing	IDP 44(a)	R540 000 DFDEFAT Own funds – R50 000	J Zaayman	Service Provider appointed	Done	Monthly reports to Council
	Development of construction sector to improve contribution to local economic development	Develop construction for efficient local economic development	High	Support construction sector: skills, quality of products, and marketing	IDP 44(a)	RO	J.C Maart Dept of Works EPWP	Ongoing training	Ongoing	Training done for suppliers on 17/8/2011 in Willowmore. Dept Roads. Suppliers from Rietbron, Steytlerville on Bavianskloof included.
<b>Area 5</b> <b>Poverty alleviation programme</b>	Implement poverty alleviation programmes for contribution to local economic development	To effectively implement programmes	High	To implement programmes such as: <ul style="list-style-type: none"><li>- Sakha Isizwe</li><li>- Opportunities for casual workers</li><li>- EPWP</li></ul>	IDP 20(a)	R922 000 Dept of Works	Dept R & T	M E de Beer / J Zaayman	Aug 2011   12/13	<ul style="list-style-type: none"><li>- Sakha Isizwe programme in place.</li><li>- EPWP started on 8/8/2011 until 30/6/2012.</li></ul> Business plan & project list for 12/13 sent to Department.

Focus Area	Objective	Activity	Priority	Target	Project	Budget	Responsible Person	Action	When	Comments
<b>Area 6</b> <b>Research and information</b>	Gather statistical information for an effective local economic development	Provide as much info as possible to communities	High	1. Collection of stats		55(b)	A Theunissen	Develop a data bank	Ongoing	Keep database updated with new info. Khanya will assist with all info gathered.
				2. Info on funding of projects		RD		Assist with funding is needed	12/13	SEDA visit Bavarians to assist SMME's on a monthly basis.
				3. Research & information on employment opportunities within commuting distance		RD		Research on more local projects to provide more job opportunities	03/11	Research done
				4. Website updated Labour Bureau		RD		Anja / Get Labour Bureau in place.	Ongoing	Keep collecting info. Ongoing process to add trained people to website.
	Gather statistical information to determine the flow in of money in our	Obtain as much info as possible	Low	Money flowing in through : - Tourism - Agriculture - Government Org.		RD	A Theunissen	Get info from all possible sources	Ongoing	New venture

<b>Focus Area</b>	<b>Objective</b>	<b>Activity</b>	<b>Priority</b>	<b>Target</b>	<b>Project</b>	<b>Budget</b>	<b>Responsible Person</b>	<b>Action</b>	<b>When</b>	<b>Comments</b>
<b>Area 7 LED Project in Steytlerville</b>	Develop a sustainable project	Organise meeting on the way forward (Brick making?)	High	Spent allocated money and start project	Proposed Brick making project	RC	CS	Organise meeting	Sept 2011	Get all role-players together on the way forward. Building purchased. Next meeting 17/5/12
	<b>Area 8 LED project in Rietbron</b>	Develop a pellet factory in Rietbron CM	High	CDM still in change of this project	Pellet Factory	R1.4 in CDM	CS Nicky	Keep update's with Duma on progress	CDM	Supported and endorsed by CDM council PSC established on 1/7/11 meeting to sign contract with Admin Mng. Project Manager & mentor.
	Craft Project: Vondelling	Vondelling Optel Craft	High	Dependent on support from BM	Craft	BM - R0	J Zaayman	BM gives support to project	As & When	Independent business
	Craft Project: Rietbron	Rietbron Craft Project	High	Dependent on support from BM	Craft	BM - R0	J Zaayman	BM gives support to project	As & When	Independent business
	Brick making in Rietbron	EPWP Project	High	CDM busy with project. BM to take over	Brick making & Paving	CDM budget	N Barnard	BM to support where necessary	CDM	CDM still part of the project.



## **3.2 PROGRESS TOWARDS ACHIEVING THE LED KEY OBJECTIVES**

### **AGRICULTURE**

Due to the climate conditions the agricultural activities within the Baviaans Municipality are primarily sheep, goat, ostrich and game farming. A study undertaken by the Agricultural Research Council in conjunction with the Cacadu Districts Municipality and others has revealed that the Baviaans Municipality does not have high potential agricultural land. The long distances and gravel road conditions have a negative impact on the viability of this industry. The provision of water is also a threat to this sector.

All information around agri-related programmes is shown in the LED Action Plan.

### **TOURISM**

Agri- and eco-tourism form the primary tourism activities with the municipality.

From a spatial perspective the Baviaanskloof Mega Reserve project has the most potential to generate tourism revenue. The project is however located in the southern portion of the municipality, some distance from the two urban centers and the largest portion of the population. Linkages will need to be created to ensure the benefits of the project are spread throughout the municipality.

All tourism programmes and projects are discussed in the LED Action Plan.

### **SMALL MEDIUM AND MICRO-ENTERPRISE DEVELOPMENT**

Baviaans SMME Incubator (LED Office) provides core support services to SMME development through the first few years of business

- Mentoring and coaching to SMME's
- Office support services
- Linkages to other business support structures
- SMME database and information

### **RURAL DEVELOPMENT**

#### ***Background***

The Path out of Poverty (POP) programme will be implemented in the Rietbron area shortly.

This programme in short is a holistic and integrated (cradle to the grave) development programme which helps farm workers and their families escape from the continuous cycles of poverty which have trapped them for so many generations.

The golden threads of education and health will weave its way through programmes developed.

With the POP programme, focus will be placed on the needs of rural children. This will be achieved by putting interlocking projects in place, which provide opportunities to strengthen young people and help them avoid damaging patterns of behaviour which have been so destructive to their parents and which have kept them in poverty. Rural

children are particularly marginalised. Our programme will provide a safe and constructive space in which children are able to grow strong and achieve their dreams.

Parenting skills training will be available for parents of children and young people who participate in the programme.

The POP programme is developmental and participative in nature and could be replicated in all areas where rural poverty produces children who suffer from FAS, where there are high rates of alcohol and family abuse, malnutrition, lack of stimulation, school dropouts, teenage pregnancy, drug abuse, unemployment, poor health and despair.

#### *Coordinating and implementing the POP programme*

- (a) Day care services for toddlers
- (b) Effective libraries with educational programmes for toddlers, primary school and secondary school learners.
- (c) Avail internet for learners to assist with learning material
- (d) Computer training skills
- (e) Language enrichment: English and Xhosa
- (f) Nutrition programmes at Pop centre
- (g) Create employment opportunities and training through EPWP
  - short term working opportunities
  - identify leaders
  - training of leaders
  - long term working opportunities
- (h) Testing and training to assist in working opportunities
- (i) Courses to adults
  - ABET
  - How to utilise income ("On the Money Training")
- (j) Local Economic Development Projects
  - Crafts - hand skills
  - Pavers
  - Tourism

- Nursery: Poultry; Pigs, etc.
- Pellet Factory

**BIGGER PROJECTS, WHICH CAN LEAD TO INCREASE IN ECONOMIC DEVELOPMENT AND WORK OPPORTUNITIES**

- (a) Upgrading of the road MR 431
- (b) Upgrading of the road TR 411
- (c) POP Centrum in Rietbron
- (d) Further acquisition of land for agricultural purposes. Investigate opportunity of purchasing property currently available. See attached list.

**ENTERPRISE DEVELOPMENT**

Three SMME's were selected to partake in an SMME program by Blue Fire (SMME support program). During the year program they were provided with business coaching, including ten coaching session. Each coaching session was held with the business on site. For all three the coaching has been successful, assisting the businesses and increase their commitment to business principles. All three businesses were operating off very low levels of business awareness and capacity, and a large part of the coaching work focused on creating a foundation upon which the business can grow. All three businesses have potential to succeed. The three SMMEs' who took part in the program are Willowmore Community Nursery project, Sewefontein Youth Tourism and Tailor Made clothing in Steytlerville.



*Willowmore Nursery Project*



*Tailor Made Clothing*



*Sewefontein Youth Tourism*

**3.3 POVERTY ALLEVIATION PROGRAMMES / JOB CREATION**

Objectives, strategies and projects were identified to address this issue. Baviaans Municipality is actively involved in poverty alleviation programs.

**ESTABLISHMENT OF A MUNICIPAL EPWP UNIT**

This unit will consist out of officials dealing with the EPWP within the Municipality:



- **Technical Services Manager**
- **Community Services Manager**
- **Official data capturer appointed by council**
- **Municipal champion for EPWP appointed by council**
- **LED official**
- **IDP / communication official**
- **The mayor political champion of the project**
- **The CFO/ Municipal Manager**

#### JOBS CREATED

The municipality adopted an EPWP policy together with an organogram. Currently 254 Sakha Isizwe and 421 EPWP workers are employed by Baviaans Municipality. Seventeen of the overseers in this program attended a leadership and conflict management course.

#### 3.4 ANNUAL PERFORMANCE AS PER KEY PERFORMANCE INDICATORS IN LED

Indicator name	Target set for the year	Achievement level during the year (absolute figure)	Achievement percentage during the year
1 Percentage of LED Budget spent on LED related activities.	150 000	87 500	74%
2 Number of LED unit meetings	4	4	4
3 Percentage of SMME that have benefited from a SMME special support program	3	3	100%
4 Number of job opportunities created through EPWP	400	421	105%
5 Number of job opportunities created through Sakha Isizwe	250	254	102%

#### 3.5 CHALLENGES REGARDING LED STRATEGY IMPLEMENTATION

The challenge during the 2011/12 financial year is that limited funding from the municipality was available due to cashflow problems. Projects affected were the LED project in Steytlerville and training related to LED.

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## General Information

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### Chapter 4: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT (KPA 4)

#### 4.1 THE FINANCIAL STATEMENTS

<b>Legal form of entity</b>	Local Authority
<b>Mayoral committee</b>	
Executive Mayor	EL Looek
Councillors	D Bezuidenhout H Booysen M Fivaz GA Hobson V Lapperts T Spogter
<b>Grading of local authority</b>	Grade 1
<b>Accounting Officer</b>	JZA Vumazonke
<b>Chief Finance Officer (CFO)</b>	JD Doyle
<b>Registered office</b>	42 Wehmeyer Street Willowmore 6445
<b>Business address</b>	42 Wehmeyer Street Willowmore 6445
<b>Bankers</b>	ABSA Bank Willowmore
<b>Auditors</b>	Auditor-General: Eastern Cape
<b>Attorneys</b>	Steyn and Van der Vyver Willowmore

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Index

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

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### Abbreviations

COD	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
IFRS	International Financial Reporting Standards

## **Baviaans Local Municipality**

Annual Financial Statements for the year ended 30 June 2012

### **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) and the prescripts of the Municipal Finance Management Act.

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.

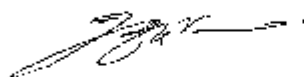
The accounting officer is of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal 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 2013 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.

The accounting officer is primarily responsible for the financial affairs of the municipality.

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 on page 6.

The annual financial statements set out on pages 6 to 61, which have been prepared on the going concern basis, were approved by the accounting officer on 10 October 2012 and were signed on:



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**Municipal Manager**  
**J.Z.A. Yumazonke**

**Willowmore**

**10 October 2012**

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2012.

### 1. Review of activities

#### Legal form of entity

Baviaans Local Municipality is a low capacity municipality and delivers basic services such as water, electricity and refuse removal services to the Willowmore, Steytenville and Rietbron region.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and does not in our opinion require any further comment.

### 2. Going concern

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.

### 3. Subsequent events

During the year the municipality faced significant cash flow constraints, primarily due to the following:

- Additional costs incurred in servicing former DMA (Rietbron, Vondeling & Miller) which was transferred to the Baviaans Municipality after 18 May 2011
- Compliance with GRAP which required appointment of consultants to assist, restructuring which impacted on personnel costs and attending to IT system problems
- Compliance issues in respect of legislation relating to E-Natis infill sites, fire services, sewerage works and motor vehicle testing; as well as additional staff that needed to be appointed in terms of legislative requirements which further impacted on personnel costs
- Unforeseen costs which were not budgeted for, including audit fees which were far in excess of the 1% of turnover budgeted for and
- Legal costs pertaining to the court case where the municipality's rights to water are being contested.

The executives of the municipality together with council have pursued various avenues, including the Qacadu District Municipality, Department of Provincial and Local Government as well as Provincial and National Treasury in seeking a financial solution to the challenges faced by the municipality.

A detailed financial recovery plan has been drafted which is actively being implemented and progress monitored by dedicated Task Team which includes delegates from the Baviaans Municipality, CDM and Provincial Treasury. A realistic three year budget has been adopted for the purposes of achieving financial recovery, while efforts are under way to upgrade the standard of financial administration and systems at the municipality.

Management and council have again committed themselves to achieving a clean audit and compliance with Provincial and National Treasury requirements. To this end, a dedicated resource from National Treasury has been deployed to the municipality to assist with compliance related matters.

### 4. Accounting policies

The annual financial statements prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board as the prescribed framework by National Treasury.

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Accounting Officer's Report

### 5. Non-current assets

Details of major changes in the nature of the non-current assets of the municipality during the year were as follows:

Fixed assets were recognised in accordance with GRAP 17: Property, plant and equipment and the transitional provisions of Directive 4.

The transitional provisions are intended to give relief in situations where entities seek to comply with the measurement provisions of the Standard of GRAP on *Property, plant and equipment* on its initial adoption. The transitional provision allows entities a period of up to three years from the date of initial adoption of the Standard of GRAP on *Property, plant and equipment*, to comply in full with its measurement requirements, per class of assets.

The transitional provisions of Directive 4 expired at 30 June 2011. As a consequence the municipality was required to comply fully with the measurement requirements, per class of assets, as required by GRAP 17. However, due to significant financial constraints during the year, the municipality was not in a position to undertake all activities required to ensure full compliance with the stated requirements of the Standard. Hence, the municipality has continued to recognize fixed assets in accordance with GRAP 17 and the transitional provisions of Directive 4.

### 6. Auditors

Auditor-General: Eastern Cape will continue in office for the next financial period.

### 7. Relevant legislation governing the entity's operations

- 1) Constitution of South Africa 1993
- 2) Municipal Finance Management Act No.56 of 2003
- 3) Property Rates Act No. 6 of 2003
- 4) Division of Revenue Act No. 12 of 2009
- 5) Municipal Fiscal Powers and Functions Act No. 12 of 2007
- 6) Municipal Systems Act No. 32 of 2003
- 7) Municipal Structures Act No. 33 of 2000
- 8) Municipal Demarcation Act No. 27 of 1998
- 9) Value Added Tax Act No. 89 of 1991
- 10) Income Tax Act No.56 of 1962

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Statement of Financial Position

	Note(s)	2012 R	2011 R
<b>Assets</b>			
<b>Non-Current Assets</b>			
Investment property	9	10,155	10,155
Property, plant and equipment	10	55,529,563	37,739,376
Intangible assets	11	466,343	466,343
		<u>56,006,061</u>	<u>38,215,874</u>
<b>Current Assets</b>			
Inventories	3	18,563	19,723
Other financial assets	4	5,810	5,810
Trade and other receivables from exchange transactions	5	604,003	194,673
VAT receivable from non-exchange transactions	6	148,201	2,936,919
Consumer payables from exchange and non-exchange transactions	7		2,970,167
Cash and cash equivalents	8	109,739	-
		<u>886,316</u>	<u>6,127,292</u>
<b>Total Assets</b>		<u>56,892,373</u>	<u>44,343,166</u>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Finance lease obligation	12	766,456	1,162,597
<b>Current Liabilities</b>			
Finance lease obligation	12	457,455	696,106
Trade and other payables from exchange transactions	13	18,079,057	9,848,142
Consumer deposits	14	145,220	137,165
Unspent conditional grants and receipts	15	5,193,643	3,219,697
Provisions	16,17	5,300,817	423,128
Bank overdraft	8	-	289,375
VAT payable from non-exchange transactions	6		
		<u>29,175,991</u>	<u>14,613,613</u>
<b>Total Liabilities</b>		<u>29,942,448</u>	<u>15,776,210</u>
<b>Net Assets</b>		<u>26,949,930</u>	<u>28,566,956</u>
<b>Net Assets</b>			
Accumulated surplus		26,949,930	28,566,956

## Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Statement of Financial Performance

	Note(s)	2012 R	2011 R
<b>Revenue</b>			
Property rates	22	1,917,965	2,955,267
Service charges	22	13 244 212	7,724,389
Rental of facilities and equipment	23	88 211	64,756
Interest earned	24	406 810	675,679
Income from agency services			256,610
Fines		12,970	11,750
Licences and permits		2 722 763	518,028
Government grants & subsidies	25	34 913 631	26,339,953
Adjustment to trade and other payables			4,199,554
Other income	26	3 226 911	2,061,493
<b>Total Revenue</b>		<b>56 531 472</b>	<b>44,807,479</b>
<b>Expenditure</b>			
Employee related costs	28	(22 680 882)	(14,486,046)
Remuneration of councillors	29	(977 759)	(1,042,232)
Finance costs	30	(520,469)	(524,687)
Debt Impairment	31	(3 789 985)	(883,862)
Repairs and maintenance			(2,747,700)
Bulk purchases		(6,658,458)	(5,530,556)
General expenses	32	(21 432 455)	(14,477,814)
<b>Total Expenditure</b>		<b>(56 060 008)</b>	<b>(39,692,897)</b>
<b>Surplus / (deficit) for the year</b>		<b>471 464</b>	<b>5,114,582</b>



## Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
<b>Balance at 01 July 2010</b>	<b>23,452,374</b>	<b>23,452,374</b>
Changes in net assets		
Surplus for the year	5,114,580	5,114,580
Total changes	5,114,580	5,114,580
<b>Balance at 01 July 2011</b>	<b>28 769 640</b>	<b>28,566,954</b>
Changes in net assets	(2 291 174)	
Deficit for the year	471 463	(4,096,825)
Total changes	(1 819 711)	(4,096,825)
<b>Balance at 30 June 2012</b>	<b>26 949 929</b>	<b>24,470,129</b>

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Cash Flow Statement

	Note(s)	2012 R	2011 R
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		60 019 279	30,025,261
Interest income	24	312 161	325,177
Interest received from receivables		94 648	350,502
		<u>50 426 089</u>	<u>39,700,940</u>
<b>Payments</b>			
Suppliers		(30 919 652)	(35,014,496)
Finance costs	28	(520,468)	(218,752)
		<u>(31 440 121)</u>	<u>(35,233,248)</u>
<b>Net cash flows from operating activities</b>	33	<u>18 985 968</u>	<u>4,467,692</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	(17,790,189)	(11,842,665)
Proceeds from sale of financial assets		-	7,288,886
<b>Net cash flows from investing activities</b>		<u>(17,790,189)</u>	<u>(4,553,779)</u>
<b>Cash flows from financing activities</b>			
Repayment of other financial liabilities		-	(6,707)
Finance lease payments		(942,187)	(390,046)
<b>Net cash flows from financing activities</b>		<u>(942,187)</u>	<u>(396,753)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		399 113	(482,840)
Cash and cash equivalents at the beginning of the year		(289,375)	193,465
<b>Cash and cash equivalents at the end of the year</b>	8	<u>109 738</u>	<u>(289,375)</u>

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1. Presentation of annual financial statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

Directive 4 has been consistently applied with prior year even though the transition period has expired on 30 June 2011, due to budget constraints the municipality is still applying Directive 4 and reference is made in the individual section accounting policy detail.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

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

#### Going Concern:

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

#### Comparative information:

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements. When the presentation or classification of items in the annual financial statements are amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

### 1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

#### Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, loans and receivables are calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

#### Fair value estimation

Unquoted financial assets are measured at fair value using valuation techniques. Inherent to these techniques are certain uncertainties like time of cash flows and interest rates used for discounting.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

#### Impairment testing

The recoverable (service) amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair value less cost to sell. These calculations require the use of estimates and assumptions.

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

### Useful lives

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment. This estimate is based on the pattern in which an asset's future economic benefits or potential are expected to be consumed by the municipality. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

### Rounding

Amounts in the financial statements have been rounded off to the nearest Rand.

### Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

The municipality uses an appropriate interest rate, taking into account guidance provided in the standards, and applying professional judgement to the specific circumstances, to discount future cash flows.

### Allowance for doubtful debts

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables's carrying amount and the present value of the estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

## 1.2 Investment property

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

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

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

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

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

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

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

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### Fair value

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

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

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

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

### Transitional provision

The municipality changed its accounting policy for investment property in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 and GRAP 16 - Investment Property as issued by the Accounting Standards Board.

According to the transitional provision, the municipality is not required to measure investment property for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Investment property. Investment property has accordingly been recognised at provisional amounts, as disclosed in note 9.

Directive 4 has been consistently applied with prior year even though the transition period has expired on 30 June 2011, due to budget constraints the municipality is still applying Directive 4.

In accordance with the transitional provision as per Directive 4 as issued by the Accounting Standards Board, where investment property was acquired through a transfer of functions, the municipality is not required to measure that investment property for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2011 and investment property has accordingly been recognised at provisional amounts, as disclosed in note 9.

Until such time as the measurement period expires and investment property is recognised and measured in accordance with the requirements of the Standard of GRAP on Investment property, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

### 1.3 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

## **Baviaans Local Municipality**

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### **Accounting Policies**

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

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

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

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

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

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

Subsequent to initial recognition property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

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

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

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

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

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

A previously recognised impairment loss is reversed when there is an indication that it may no longer exist or may have decreased, however not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment been recognised in prior years.

#### **Transitional provision**

The municipality changed its accounting policy for property, plant and equipment in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 and GRAP 17 - Property, plant and equipment as issued by the Accounting Standard Board.

## Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Accounting Policies

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According to the transitional provision, the municipality is 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. Property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in note 10. The municipality recognised property, plant and equipment acquired before 01 July 2008 at a zero value. Subsequently no depreciation was recognised for these assets. These assets will be measured in accordance with GRAP 17 - Property, plant and equipment by the end of the expiry date of the transitional provisions of Directive 4. The municipality recognised property, plant and equipment acquired after 01 July 2008 at its cost price. These items will be measured in accordance with GRAP 17 - Property, plant and equipment by the end of the expiry date of the transitional provisions of Directive 4.

Directive 4 has been consistently applied with prior year even though the transition period has expired on 30 June 2011, due to budget constraints the municipality is still applying Directive 4.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework as issued by the Accounting Standards Board, where property, plant and equipment was acquired through a transfer of functions, the municipality is not required to measure that property, plant and equipment for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2011 and property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in note 10.

Until such time as the measurement period expires and property, plant and equipment is recognised and measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Property, plant and equipment implies that any associated presentation and disclosure requirements need not be complied with for property, plant and equipment not measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment.

#### 1.4 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses and development costs.

An asset is identified as an Intangible asset when it:

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

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

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

## Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Accounting Policies

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

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

Subsequent to initial recognition intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

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

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

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

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

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

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

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

A previously recognised impairment loss is reversed when there is an indication that it may no longer exist or may have decreased, however not to an amount higher than the carrying amount that would have been determined (net of amortisation) had no impairment been recognised in prior years.

An intangible asset is derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is included in surplus or deficit when the item is derecognised.

#### Transitional provision

The municipality changed its accounting policy for intangible assets in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework as issued by the Accounting Standards Board.

According to the transitional provision, the municipality is not required to measure intangible assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on intangible assets. Intangible assets has accordingly been recognised at provisional amounts, as disclosed in note 11.

Directive 4 has been consistently applied with prior year even though the transition period has expired on 30 June 2011, due to budget constraints the municipality is still applying Directive 4.



# **Baviaans Local Municipality**

Annual Financial Statements for the year ended 30 June 2012

## **Accounting Policies**

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Annual Financial Statements for the year ended 30 June 2012

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In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework as issued by the Accounting Standard Board, where intangible assets were acquired through a transfer of functions, the municipality is not required to measure that intangible assets for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2011 and intangible assets has accordingly been recognised at provisional amounts, as disclosed in note 11.

Until such time as the measurement period expires and intangible assets are recognised and measured in accordance with the requirements of the Standard of GRAP on Intangible assets, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Intangible assets implies that any associated presentation and disclosure requirements need not be complied with for intangible assets not measured in accordance with the requirements of the Standard of GRAP on Intangible assets.

### 1.5 Financial Instruments

#### Classification

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

- Financial assets at fair value through surplus or deficit - held for trading
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities at fair value through surplus or deficit - held for trading
- Financial liabilities measured at amortised cost

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

#### Initial recognition and measurement

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

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

Financial assets and financial liabilities are recognised on the municipality's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which is measured at cost and is classified as available-for-sale financial assets.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

#### Subsequent measurement

Financial instruments at fair value through surplus or deficit is subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Gains and losses arising from changes in fair value is recognised in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in surplus or deficit as part of other income. Dividends received on available-for-sale equity instruments are recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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Financial liabilities at amortised cost is subsequently measured at amortised cost, Using the effective interest method.

### Fair value determination

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

### Impairment of financial assets

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

The credit quality of a financial asset or group of financial assets that is neither past due nor impaired is assessed / monitored by reference to historical information about counterparty default rates. The following are the criteria and indicators that are applied to assess whether or not the financial asset or group of financial assets may be impaired:

- counterparty has evidenced a trend of defaults that indicates that the recoverability of the outstanding balance of the financial asset or group of financial assets is doubtful; and
- financial difficulties identified from an analysis of the counterparty's financial position that would indicate that the recoverability of the outstanding balance of financial asset or group of financial assets is doubtful.

Impairment losses are recognised in surplus or deficit.

### Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance. The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

### Trade and other receivables

Trade and other receivables are classified as loans and receivables and are measured at initial recognition at fair value plus direct transaction costs, and are subsequently measured at amortised cost using the effective interest rate method, less any impairment loss to reflect irrecoverable amounts. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments.

Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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

### Trade and other payables

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

# **Baviaans Local Municipality**

Annual Financial Statements for the year ended 30 June 2012

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# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### Cash and cash equivalents

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

### 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 are recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

### Derecognition

#### Financial assets

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

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

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

#### Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts are recognised in surplus or deficit.

### 1.6 Leases

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

#### Finance leases - lessor

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

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

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### Finance leases - lessee

The following situations would normally individually or in combination lead to a lease being classified as a finance lease and have been considered by the entity:

- \* lease transfers ownership of the asset to the lessee by the end of the lease term;
- \* the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
- \* the lease term is for the major part of the economic life of the asset even if title is not transferred;
- \* at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the asset;
- \* the leased asset is of such a specialised nature that only the lessee can use them without major modifications;
- \* if the lessee can cancel the lease, the lessor's deficits associated with the cancellation are born by the lessee;
- \* gains or deficits from the fluctuation in the fair value of the residual accrue to the lessee; and the
- \* lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

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.

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

Contingent rentals are recognised as expenses in the period in which they are incurred and are not included in the straightline lease expense.

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. The classification of the lease is determined using GRAP 13 Leases

### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the amounts recognised as revenue and the contractual receipts are recognised as an operating lease or liability.

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

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

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

Any contingent rent is recognised separately as revenue when received or receivable and are not straight-lined over the lease term.

Income for leases are disclosed under revenue in the Statement of Financial Performance.

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### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. This asset / liability is not discounted.

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

Contingent rentals are recognised as expenses in the period in which they are incurred and are not included in the straightline lease expense.

### 1.7 Inventories

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

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

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

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

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

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

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

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

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement costs and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### Transitional provision

The municipality changed its accounting policy for inventories in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework as issued by the Accounting Standards Board.

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 note 3.

Directive 4 has been consistently applied with prior year even though the transition period has expired on 30 June 2011, due to budget constraints the municipality is still applying Directive 4.



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Until such time as the measurement period expires and inventories are recognised and measured in accordance with the requirements of the Standard of GRAP on Intangible assets, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Inventories implies that any associated presentation and disclosure requirements need not be complied with for inventories not measured in accordance with the requirements of the Standard of GRAP on Inventories.

### 1.8 Impairment of cash-generating assets

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

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.

#### Identification

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

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

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

#### Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

#### Recognition and measurement (Individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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#### Recognition and measurement (cash-generating units)

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 municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

#### Reversal of impairment loss

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

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. 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 (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash generating asset contributing service potential to a cash-generating unit.

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In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- Its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

#### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

#### 1.9 Impairment of non-cash-generating assets

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

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

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

GRAP 21.14 states:

"In some cases it may not be clear whether the primary objective of holding an asset is to generate a commercial return (i.e. not clear if the asset meets the definition of a cash-generating asset). In such cases it is necessary to evaluate the significance of the cash flows. It may be difficult to determine whether the extent to which the asset generates cash inflows is so significant that this Standard (GRAP 21) is applicable rather than the Standard of GRAP on Impairment of Cash-generating Assets (GRAP 26). Judgement is needed to determine which Standard to apply [consequently an entity needs to distinguish between non-cash-generating and cash-generating assets]. An entity develops criteria so that it can exercise that judgement consistently in accordance with the definition of cash-generating assets and non-cash-generating assets with the related guidance in paragraphs .10 to .13. Paragraph .72 requires an entity to disclose the criteria used in making this judgement. However, given the overall objectives of most entities, the presumption is that assets are non-cash-generating and, therefore, this Standard will apply [therefore implying that most entities will only have non-cash-generating assets, therefore no judgement will be required to determine which standard will be applicable – also refer to GRAP 26.15 which is a further testament of this]."

Note that GRAP 26 paragraph 15 is in principle exactly the same as above, therefore it was not included.

From above the following is apparent:

- The judgement that the standard refers to, is in a case where the entity is uncertain whether the asset is used for commercial purposes or not and then the standard requires an entity to evaluate the significance of cash flows generated by the asset, and it is at this point where it may be difficult to determine whether GRAP 21 or GRAP 26 is applicable. (If the asset generated insignificant cash flows from other assets, it will be accounted for under GRAP 21 and not GRAP 26)
- As a result of such judgement to be made by management to determine which standard to use, the criteria used in making the judgement needs to be disclosed in the entity's accounting policy (as required by par. 72 of GRAP 21 and 115 of GRAP 26).
- Therefore if an entity only has non-cash-generating assets and consequently only applies GRAP 21, there is no need to disclose any criteria as there is no uncertainty as to whether the asset is a non-cash-generating asset or a cash-generating asset.
- The same applies if the entity do have a cash-generating asset (the asset does not operate and generate cash flows independently from other assets nor does it form part of a group of assets that generates cash flows independently from other assets, otherwise the asset would have automatically be accounted for under GRAP 26 already). And there was no difficulty in evaluating the significance of cash flows generated by the asset, therefore there is no uncertainty as to whether the asset is a non-cash-generating asset or a cash-generating asset.

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If the entity has assets for which it is not clear whether the primary objective of the assets is to generate a commercial return and/or it is difficult to evaluate the significance of cash flows generated by the assets, the following can be used. This can aid management in developing the specific criteria to be used in exercising its judgement (the definition of cash-generating assets and non-cash-generating assets and the related guidance in paragraphs .10 to .13):

- definition of a cash-generating asset and a non-cash-generating asset (therefore identifying the primary objective for which the asset is held)
  - if the primary objective is to generate a commercial return, it is usually a cash-generating asset
  - if the primary objective is to provide service delivery, it is usually a non-cash-generating asset
- where it is established that the asset is held primarily to generate a commercial return, does the asset operate independently from other assets, if so:
  - does the asset generate cash flows independently from other assets, if the answer is yes for both, it is usually a cash-generating asset
- where it is established that the asset is held primarily to generate a commercial return, but the asset does not operate independently from other assets and/or generate cash flows independently from other assets, if so:
  - does the asset form part of a group of assets and the group generates cash flows independently from other assets, if yes, it is usually a cash-generating asset, if not:
  - evaluate the significance of cash flows generated by the asset in a group of assets, if significant, it is treated as a cash-generating asset (under GRAP 26), if insignificant, it is treated a non-cash-generating asset (under GRAP 21).

In conclusion:

The entity need not disclose criteria it used in distinguishing cash-generating assets from non-cash-generating assets, unless it is not clear whether the primary objective of the assets is to generate a commercial return and/or it is difficult to evaluate the significance of cash flows generated by the assets.

### Identification

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

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

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

### Value in use

Value in use of a non-cash-generating asset is the present value of the non-cash-generating asset's remaining service potential.

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

#### Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

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The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

### Restoration cost approach

Restoration cost is the cost of restoring the service potential of a cash-generating asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### Reversal of an impairment loss

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

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. 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 (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### 1.10 Employee benefits

#### Short-term employee benefits

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

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

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

### Defined contribution plans

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

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

### Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

### 1.11 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

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A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are recognised as per notes .

### 1.12 Revenue from exchange transactions

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

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

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

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### 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 purchaser 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; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.



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### 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.

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.

### Interest

Interest is recognised on a time-apportioned basis, in surplus or deficit.

### 1.13 Revenue from non-exchange transactions

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

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

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

### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

### Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

### Fines

Revenue from the issuing of fines is recognised when:

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

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The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the Public Prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses are recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

### Licenses and permits

Licenses and permits are recognised as revenue when:

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

### Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow of economic benefits or service potential. Revenue is then only recognised once evidence of the probability of the flow of economic benefits or service potential becomes available.

When government remit grants on a re-imbursment basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

### 1.14 Borrowing costs

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

### 1.15 Comparative figures

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

### 1.16 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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

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

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### 1.17 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.18 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure incurred in contravention of or that is not in accordance with:

- (a) a requirement of the MFMA (Act No. 56 of 2003), and which has not been condoned in terms of section 170; or
- (b) a requirement of the Municipal System Act (Act No. 32 of 2000), and which has not been condoned in terms of this Act; or
- (c) a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- (d) a requirement of the supply chain management policy of the municipality or any of the municipality's by-law giving effect to such policy, and which has been condoned in terms of such policy or by-law.

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

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

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

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

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

### 1.19 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

### 1.20 Presentation of currency

These annual financial statements are presented in South African Rand.

### 1.21 Offsetting

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

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### 1.22 Related Parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned or controlled by the South African Government, as a consequence of the constitutional independence of the three spheres of government in South Africa.

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the entity. We regard all individuals from the level of Executive Mayor, Municipal Manager and Council Members as key management per the definition of the financial reporting standard.

Close family members of key management personnel are considered to be those family members who may be expected to influence, or to be influenced by key management individuals, in their dealings with the entity.

Related party disclosures for transactions between government entities that took place on terms and conditions that are considered 'at arms-length' and 'in the ordinary course of business' are not disclosed in accordance with IPSAS 20 'Related Party Disclosures'.

### 1.23 Budget information

Comparison of budget and actual amounts are presented in a separate additional annexure: Statement of Comparison of Budget and Actual Amounts.

The entity only presents the final budget amounts. Differences (variances) between the actual amounts and budget amounts are presented.

The financial statements and budget are not presented on the same basis as the financial statements are prepared on accrual basis and the budget on cash basis of accounting. A comparison of budget and actual amounts is presented in the statement of comparison of budget and actual amounts. A reconciliation between the surplus/(deficit) for the period as per Statement of Financial Performance and budgeted surplus/(deficit) is included in the Statement of Comparison of Budget and Actual Amounts.

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and standards that have been issued but are not yet effective but that are relevant to its operations:

##### **GRAP 23: Revenue from Non-exchange Transactions**

This Standard has been approved by the Board but its effective date has been determined by the Minister of Finance. The effective date is for the 30 June 2012.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

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

##### **GRAP 24: Presentation of Budget Information in the Financial Statements**

This Standard has been approved by the Board but its effective date has been determined by the Minister of Finance. The effective date is for the 30 June 2013 year end.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

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

##### **GRAP 103: Heritage Assets**

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

The effective date is for the 30 June 2013 year end.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

##### **GRAP 21: Impairment of non-cash-generating assets**

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

This Standard has been approved by the Board but its effective date has been determined by the Minister of Finance. The effective date is the 30 June 2013 year end.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

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

##### **GRAP 26: Impairment of cash-generating assets**

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

This Standard has been approved by the Board but its effective date has been determined by the Minister of Finance. The effective date is the 30 June 2013 year end.

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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The effective date of the standard is for years beginning on or after 01 April 2012. The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

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

### GRAP 25: Employee benefits

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires a municipality to recognize:

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

This Standard has been approved by the Board but its effective date has been determined by the Minister of Finance. The effective date is the 30 June 2014 year end.

The effective date of the standard is for years beginning on or after 01 April 2013. The municipality expects to adopt the standard for the first time in the 2014 annual financial statements.

### GRAP 104: Financial Instruments

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

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

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

This Standard has been approved by the Board but its effective date has been determined by the Minister of Finance. The effective date is the 30 June 2013 year end.

The effective date of the standard is for years beginning on or after 01 April 2012. The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

### GRAP 20: Related Party Disclosures

New standard of GRAP: To ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

This standard has been approved by the Council but its effective date has not yet been determined by the Minister of Finance.

The entity expects to adopt the standard for the first time once it becomes effective. It is unlikely that the standard will have a material impact on the entity's annual financial statements.

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### **GRAP 105: Transfer of Functions between Entities Under Common Control**

The new standard of GRAP: Establishes accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.

This standard has been approved by the Council but its effective date has not yet been determined by the Minister of Finance.

The entity expects to adopt the standard for the first time once it becomes effective. It is unlikely that the standard will have a material impact on the entity's annual financial statements.

### **GRAP 106: Transfer of Functions between Entities Not Under Common Control**

The new standard of GRAP: Establishes accounting principles for the acquirer in a transfer of functions between entities not under common control.

This standard has been approved by the Council but its effective date has not yet been determined by the Minister of Finance.

The entity expects to adopt the standard for the first time once it becomes effective. It is unlikely that the standard will have a material impact on the entity's annual financial statements.

### **GRAP 107: Mergers**

The new standard of GRAP: Establishes accounting principles for the combined entity and combining entities in a merger. The standard will be applied to a transaction or event where no acquirer can be identified.

This standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.

The entity expects to adopt the standard for the first time once it becomes effective. It is unlikely that the standard will have a material impact on the entity's annual financial statements.

### **GRAP 18: Segment Reporting**

This Standard has been approved by the Board but its effective date has been delayed by the Minister of Finance as entities are not yet ready to comply with segment reporting. Entities are not required to comply with GRAP 18, nor are they allowed to early adopt the standard.

The entity expects to adopt the standard for the first time once it becomes effective.

### **Improvements to the Standards of GRAP**

Improvements are proposed to the following standards of GRAP: GRAP 21, 23-24, 26, and 103-104 as part of the ASB's improvement project.

The effective date for the standard is for the years beginning on or after 01 April 2012. The entity expects to adopt the standard for the first time in the 2013 annual financial statements.

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

### **GRAP Standards Issued But Not Yet Effective**

- GRAP 21 Impairment of non-cash-generating assets
- GRAP 23 Revenue from non-exchange transactions (Taxes and Transfers)
- GRAP 24 Presentation of budget information in financial statements
- GRAP 26 Impairment of cash-generating assets
- GRAP 103 Heritage assets
- GRAP 104 Financial instruments
- GRAP 25 Employee Benefits



## **Baviaans Local Municipality**

Annual Financial Statements for the year ended 30 June 2012

The effective date for the standard is for the financial year ended 30 June 2013.

### **Accounting Policies**

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## Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Financial Statements

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	2012	2011
	R	R
<b>3. Inventories</b>		
Water	18,563	19,723
	<hr/>	<hr/>
<b>4. Other financial assets</b>		
<b>Held to maturity</b>		
Short term fixed deposits	5,810	5,810
	<hr/>	<hr/>
This represents monies invested with Standard Bank which mature at various future dates and returns.		

#### Fair value information

Financial assets at fair value through surplus or deficit are recognised at fair value, which is therefore equal to their carrying amounts.

#### Renegotiated terms

None of the financial assets that are fully performing have been renegotiated in the last year.

#### Short term deposits

The investment is a 32 day fixed deposits, held at Standard Bank (Acc. 288875729) and bears interest at an average rate of 10.5% per annum. No other financial asset has been pledged as security for financing facilities of the municipality.

The maximum exposure to credit risk at the reporting date is the fair value of the financial asset mentioned above.

#### Credit quality of other financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates.

## Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Financial Statements

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

	2012	2011
	R	R
Trade debtors	3 779 500	147,788
Sundry debtors	351 923	50,808
Cacadu claims	153 829	(13,323)
Prepaid expenses	9,400	9,400
Minus Provisions	3 690 648	
	<b>604 003</b>	<b>194,673</b>

#### Trade and other receivables pledged as security

No trade and other receivables were pledged as security for overdraft facilities.

#### Credit quality of trade and other receivables

All of the municipality's trade and other receivables have been reviewed for indicators of impairment. The municipality's management considers that all of the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality. The municipality continuously monitors consumers, identified group, based on average past payment history and incorporates this information into its credit risk control. No external credit rating is performed. The municipality's policy is to deal only with creditworthy consumers.

#### Trade and other receivables past due but not impaired

There were no trade and other receivables past due but not impaired

The maximum exposure to credit risk at the reporting date is the fair value of each class of trade receivables mentioned above. The municipality does not hold any collateral as security.

#### 6. VAT (payable) / receivable from non-exchange transactions

	2012	2011
	R	R
VAT	148 201	2,936,919

VAT is payable on the receipt basis and is paid over to SARS only once payment is received from debtors.

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Financial Statements

### 7. Consumer payables

<b>Gross balances</b>	<b>2012</b>	<b>2011</b>
	<b>R</b>	<b>R</b>
Rates	1 149 121	935,746
Electricity	234 713	650,596
Water	1 443 648	1,033,793
Sewerage	578 749	475,337
Refuse	678 036	634,176
Other (rental of venues etc.)	(304 768)	141,930
	<u>3 779 500</u>	<u>3,871,578</u>
<b>Less: Provision for debt impairment</b>		
Provision for impairment of assets	(3,690,647)	(901,411)
<b>Net balances</b>		
Rates	27 015	935,746
Electricity	5 518	650,596
Water	33 939	1,033,793
Sewerage	13 606	475,337
Refuse	15 940	634,176
Other (including provision for doubtful debts)	(7 165)	(759,481)
	<u>88 852</u>	<u>2,970,167</u>
<b>Rates</b>		
Current (0 -30 days)	87 425	30,848
31 - 60 days	21,276	27,503
61 - 90 days	25,494	30,382
91 - 120 days	19,748	21,899
121 - 365 days	995,514	816,114
Impairment	-	-
	<u>1 149 456</u>	<u>935,746</u>
<b>Electricity</b>		
Current (0 -30 days)	96 628	149,686
31 - 60 days	6,050	72,997
61 - 90 days	6,883	67,719
91 - 120 days	2,976	32,309
121 - 365 days	122,439	327,685
Impairment	-	-
	<u>234 975</u>	<u>650,596</u>
<b>Water</b>		
Current (0 -30 days)	128 960	77,855
31 - 60 days	72,150	66,613
61 - 90 days	112,920	64,185
91 - 120 days	76,179	37,304
121 - 365 days	1,053,143	787,746
Impairment	-	-
	<u>1 443 651</u>	<u>1,033,793</u>
<b>Sewerage</b>		
Current (0 -30 days)	39 717	35,353
31 - 60 days	19 682	21,956
61 - 90 days	25 792	18,512
91 - 120 days	19 185	12,233
121 - 365 days	474 422	387,281
Impairment	-	-

**Baviaans Local Municipality**

Annual Financial Statements for the year ended 30 June 2012

**Notes to the Financial Statements**

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578 777

475,337

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Financial Statements

### 7. Consumer payables (continued)

	2012	2011
	R	R
<b>Refuse</b>		
Current (0 -30 days)	40 434	37,924
31 - 60 days	21,914	23,572
61 - 90 days	20,854	19,379
91 - 120 days	19,991	17,430
121 - 365 days	574,708	535,871
Impairment		-
	<u>677 906</u>	<u>634,176</u>
<b>Other (specify)</b>		
Current (0 -30 days)	4 901	(31,143)
31 - 60 days	187	1,641
61 - 90 days	188	8,650
91 - 120 days	190	601
121 - 365 days	(42 058)	162,181
Impairment		(901,411)
	<u>(36 592)</u>	<u>(759,481)</u>
<b>Summary of debtors by customer classification</b>		
<b>Domestic</b>		
Current (0 -30 days)	155 698	231,372
31 - 60 days	125 170	123,110
61 - 90 days	189 981	98,712
91 - 120 days	138 086	79,773
121 - 365 days	3 319 749	2,674,495
	<u>3 928 684</u>	<u>3,207,462</u>
Less: Provision for debt impairment		(684,205)
	<u>3 928 684</u>	<u>2,313,257</u>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	57 557	54,339
31 - 60 days	1,801	11,337
61 - 90 days	679	1,290
91 - 120 days	331	919
121 - 365 days	12,548	76,695
	<u>72 916</u>	<u>141,580</u>
Less: Provision for debt impairment		(1,422)
	<u>72 916</u>	<u>143,158</u>
<b>National and provincial government</b>		
Current (0 -30 days)	3 013	111,298
31 - 60 days	14 115	82,720
61 - 90 days	1 472	40,513
91 - 120 days	135	41,958
121 - 365 days	27 840	242,991
	<u>46 574</u>	<u>519,480</u>
Less: Provision for debt impairment		(5,784)
	<u>46 574</u>	<u>513,696</u>

## Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Financial Statements

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#### 7. Consumer payables (continued)

##### Total

Current (0 - 30 days)	216 268	357,162
31 - 60 days	141 086	189,864
61 - 90 days	192 131	110,133
91 - 120 days	138 553	100,751
121 - 365 days	3 360 137	2,178,067
	<u>4 048 074</u>	<u>2,935,777</u>
Less: Provision for debt impairment		(901,411)
	<u>4 048 174</u>	<u>2,034,366</u>

##### Total consumer debtors past due but not impaired

Current (0 - 30 days)	429,757	336,496
31 - 60 days	143,260	159,891
61 - 90 days	-	80,001
91 - 120 days	-	68,085
121 - 365 days	-	322,618
	<u>583,018</u>	<u>966,891</u>

##### Reconciliation of debt impairment provision

Balance at beginning of the year	(901,411)	(2,852,897)
Utilisation of provision	1,003,749	1,751,486
	99,338	(901,411)
Additional provision raised	(3,783,985)	-
	<u>(3,690,647)</u>	<u>(901,411)</u>

No consumer debtors were pledged as security for the liabilities of the municipality.

##### Credit quality of consumer debtors

All of the municipality's consumer debtors have been reviewed for indicators of impairment. The municipality's management considers that all of the above consumer debtors that are not impaired for each of the reporting dates under review are of good credit quality. The municipality continuously monitors consumers, based on average past payment history and incorporates this information into its credit risk control. No external credit rating is performed.

None of the financial assets that are fully performing have been renegotiated in the last year.

The maximum exposure to credit risk at the reporting date is the fair value of each class of trade receivables mentioned above. The municipality does not hold any collateral as security.

## Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Financial Statements

8. Cash and cash equivalents	2012 R	2011 R
Cash and cash equivalents consist of:		
Bank balances	109 739	-
Bank overdraft	-	(289,375)
	<u>109 739</u>	<u>(289,375)</u>
Current assets	109 739	-
Current liabilities	-	(289,375)
	<u>109 739</u>	<u>(289,375)</u>

#### Credit quality of cash at bank

The credit quality of cash at bank excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates.

The municipality did not default on any of its payments due to ABSA or Standard Bank.

The municipality does not have a overdraft facility at either ABSA or Standard Bank. The bank overdraft as shown in annual financial statements is due to reconciling items on the bank reconciliation.

#### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2012	30 June 2011	30 June 2010	30 June 2012	30 June 2011	30 June 2010
ABSA BANK - Cheque (4053623514)	86,582	161,830	432,047	109 739	(379,495)	107,494
STANDARD BANK - Cheque - (280252013)	51,139	90,120	86,971		90,120	05,871
<b>Total</b>	<b>140,721</b>	<b>251,450</b>	<b>518,018</b>	<b>109 739</b>	<b>(289,375)</b>	<b>193,465</b>

#### 9. Investment property

	2012			2011		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Investment property	10,155	-	10,155	10,155	-	10,155

	Opening balance	Closing balance
<b>Reconciliation of investment property - 2012</b>		
Investment property	10,155	10,155

	Opening balance	Closing balance
<b>Reconciliation of investment property - 2011</b>		
Investment property	10,155	10,155

There were no additions to or disposals of investment property during the year.



# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Financial Statements

### 9. Investment property (continued)

#### Pledged as security

No investment property was pledged as security for the liabilities of the municipality.

No independent valuer was utilized in determining the value of the investment property. 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. There are no contractual obligations to purchase, construct or develop investment property.

### 10. Property, plant and equipment

	2012			2011		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Community	6,166,492	-	6,166,492	5,767,241	-	5,767,241
Infrastructure	45,300,189	-	45,300,189	28,153,350	-	28,153,350
Other equipment	4,062,884	-	4,062,884	3,818,786	-	3,818,786
<b>Total</b>	<b>55,529,070</b>	<b>-</b>	<b>55,529,565</b>	<b>37,739,376</b>	<b>-</b>	<b>37,739,376</b>

#### Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Total
Community assets	5,767,241	389,251	6,166,492
Infrastructure	28,153,350	17,146,389	45,299,379
Other equipment	3,818,786	244,089	4,062,884
	<b>37,739,376</b>	<b>17,790,199</b>	<b>55,529,565</b>

#### Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Total
Community assets	5,619,037	148,204	5,767,241
Infrastructure	17,168,854	10,984,496	28,153,350
Other equipment	3,108,820	709,966	3,818,786
	<b>25,896,711</b>	<b>11,842,666</b>	<b>37,739,376</b>

#### Pledged as security

Carrying value of assets pledged as security:

Other equipment	1,682,831	1,682,831
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Financed leased assets are pledged as security for finance leased liabilities as per note 13.

# Bavlaans Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Financial Statements

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

#### Contractual commitments for the acquisition of property, plant and equipment

Infrastructure	21,991,083	20,522,165
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#### Details of heritage assets and servitudes

The municipality owns the following heritage assets:

The Heroes of Steyterville monument, situated in Steyterville, in honour of persons that died during the apartheid's struggle. The Great War Memorial monument, situated in Steyterville, in honour of service men killed during the First World War.

The municipality owns registered servitudes.

#### Transitional provisions

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

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework as issued by the Accounting Standards Board, as disclosed in note 1.3, certain property, plant and equipment with a carrying value of R 55,598,519 (2011: R 37,739,376) were recognised at provisional amounts. Property plant and equipment purchased before 01 July 2008 was recognised at Rnil value.

Directive 4 has been consistently applied with prior year even though the transition period has expired on 30 June 2011, due to budget constraints the municipality is still applying Directive 4 and reference made in the individual sector's accounting policy detail.

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.

### 11. Intangible assets

	2012			2011		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Operating software	466,343	-	466,343	466,343	-	466,343

#### Reconciliation of intangible assets - 2012

Operating software	Opening balance 466,343	Total 466,343
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There were no additions to or disposals of intangible assets during the year.

#### Reconciliation of intangible assets - 2011

Operating software	Opening balance 436,008	Additions 30,335	Total 466,343
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#### Pledged as security

No intangible assets were pledged as security for long term liabilities.

## **Baviaans Local Municipality**

Annual Financial Statements for the year ended 30 June 2012

There are no contractual obligations to purchase, construct or develop intangible assets.

### **Notes to the Financial Statements**

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# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Financial Statements

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### 11. Intangible assets (continued)

#### Transitional provisions

#### Intangible assets recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework as issued by the Accounting Standards Board, as disclosed in note 1.4, certain intangible assets with a carrying value of R 466,343 (2011: R 466,343) were recognised at provisional amounts.

Directive 4 has been consistently applied with prior year even though the transition period has expired on 30 June 2011, due to budget constraints the municipality is still applying Directive 4 and reference made in the individual section accounting policy detail.

### 12. Finance lease obligation

<b>Minimum lease payments due</b>		
- within one year	587 186	927,969
- in second to fifth year inclusive	1 962 202	1,432,248
	<hr/>	<hr/>
	2 549 468	2,360,215
less: future finance charges	1 325 557	(501,512)
	<hr/>	<hr/>
<b>Present value of minimum lease payments</b>	<b>1,223,911</b>	<b>1,858,703</b>
<b>Present value of minimum lease payments due</b>		
- within one year	457,455	696,106
- in second to fifth year inclusive	766,456	1,162,597
	<hr/>	<hr/>
	1,223,911	1,858,703
Non-current liabilities	457,455	1,162,597
Current liabilities	766,456	696,106
	<hr/>	<hr/>
	1,223,911	1,858,703

The average lease term was 5 years and the average effective borrowing rate was 17% (2011: 17%).

Interest rates are fixed at the contract date. Some leases escalate at between 10% and 25% per annum. Some vehicles have contingent rent payable based on kilometres travelled above an agreed limit. For other leases no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer to note 10.

#### Defaults, breaches and renegotiated terms

There were no reported defaults during the reporting dates under review. There were no changes to the terms and conditions of finance lease obligations. Purchase options exist over certain of the motor vehicles disclosed as other assets in note 10.

## Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Financial Statements

13. Trade and other payables from exchange transactions	2012 R	2011 R
Trade payables	16 256 111	8,676,022
Accrued leave pay	1,311,421	1,098,190
Other payables	324 612	71,930
Service charges received in advance	187 013	-
	<b>16 079 057</b>	<b>9,848,142</b>

The fair value of trade and other payables approximates their carrying value. There were no defaults recorded during the year and no changes to credit terms and conditions.

The calculation of the accrued leave pay for 30 June 2012 has been calculated by using the cost to company as at the end of the financial year, divided by two hundred and fifty (250) days, multiplied by the accrued annual leave as at 30 June 2012 (to a maximum of forty eight (48) days).

#### 14. Consumer deposits

Electricity	145,220	137,165
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#### 15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Cacadu – IDP Grant	201,026	189,582
Cacadu – LED Grant	185,715	219,346
Cacadu Provincial – LED Projects Grant	440,000	700,000
Cacadu Wireless Backbone Grant	36 842	36,842
Municipal Infrastructure Grant	3,338,171	1,050,614
Municipal Systems Improvement Grant	127,182	153,590
Tourism Hospitality Training Grant	110,884	15,030
Valuation of Property Grant		337,274
Vehicle capital funding		-
Waste Water Treatment Grant	(436,627)	-
Water Conservation and Demand	311,083	107,944
Water Conservation – DWAF	338,386	338,386
Water Services Assets	(122,810)	55,390
Water Supply Investigation	15,577	15,577
Water losses	640,182	-
	<b>5 193 643</b>	<b>3,408,451</b>

#### Movement during the year

Balance at the beginning of the year	3,219,697	6,632,164
Additions during the year	20 080 631	10,833,565
Income recognition during the year	(18 106 685)	(14,248,032)
	<b>5 193 643</b>	<b>3,219,697</b>

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 25 for reconciliation of grants from National / Provincial Government.

## **Baviaans Local Municipality**

Annual Financial Statements for the year ended 30 June 2012

### **Notes to the Financial Statements**

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## Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Financial Statements

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#### 16. Provisions

##### Reconciliation of provisions - 2012

	Opening balance	Additions / (Utilisation)	Total
Bonus provision	57,359	1,092,420	1,149,779
Long service awards	365,769	159,769	525,538
Post-employment medical benefits	-	3,301,000	3,301,000
	<b>423,128</b>	<b>4,553,189</b>	<b>4,976,317</b>

##### Reconciliation of provisions - 2011

	Opening balance	Additions / (Utilisation)	Total
Bonus provision	57,359	1,092,420	1,149,779
Long service awards	365,769	(159,769)	206,000
	<b>423,128</b>	<b>932,651</b>	<b>1,355,779</b>

#### Bonuses

Bonuses are paid out to all employees (except for senior management) during November each year and are based on a 13th month basic salary.

Uncertainty exists regarding the amount of the bonus provision as employee bonuses may vary due to unexpected increases and wage demands.

#### Long service awards

Uncertainty exists regarding the amount of the long service provision as there are no certainty regarding the number of employees that will qualify for this award.

Long service awards to eligible employees are paid for services rendered by employees of 5 years and longer in five year intervals. The service awards are paid as per the collective agreement of 21 February 2011, signed by the Bargaining Council. The basis on which this was calculated is as follows:

- After 5 Continuous Years of Service - 2% of Basic Annual Salary
- After 10 Continuous Years of Service - 3% of Basic Annual Salary
- After 15 Continuous Years of Service - 4% of Basic Annual Salary
- After 20 Continuous Years of Service - 5% of Basic Annual Salary
- After 25 Continuous Years of Service - 6% of Basic Annual Salary
- After 30 Continuous Years of Service - 6% of Basic Annual Salary
- After 35 Continuous Years of Service - 6% of Basic Annual Salary
- After 40 Continuous Years of Service - 6% of Basic Annual Salary
- After 45 Continuous Years of Service - 6% of Basic Annual Salary

#### Post-employment medical benefits

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Financial Statements

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This provision has been valued by an independent valuator as at 30 June 2012. It is the first year that the municipality has commissioned this type of valuation. The valuation of this liability considers all employees, retired employees and their dependants who participate in the medical aid arrangements and are entitled to a post-employment medical aid subsidy. The Projected Unit Credit funding method has been used to determine the post-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

### 17. Provision for rehabilitation of landfill site

Per Section 20 of the Environment Conservation Act, 1989,

"No person shall establish, provide or operate any disposal site without a permit issued by the Minister of Water Affairs and the Minister may

- a) issue a permit subject to such conditions as he may deem fit;
- b) alter or cancel any permit or condition in a permit;
- c) refuse to issue a permit"

In light of this the municipality has a current obligation as a result of past events to obtain such a permit and to rehabilitate the current waste disposal sites in Willowmore, Steytleville and Rietbron. The municipality has appointed the Aurecon Group to do an environmental impact assessment on the current waste disposal sites and to determine the estimated rehabilitation costs and time needed to perform the rehabilitation process. As at the date of these financial statements Aurecon have completed this process and an estimate of above mentioned costs and time lines have been submitted.

### Reconciliation of provisions - 2012

	Opening balance	Additions / (Utilisation)	Total
Rehabilitation of landfill site	-	324,500	324,500

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In the 2011 financial year, no provision was raised due to material uncertainty regarding the amount and timing of the future liability to be incurred by the municipality. The municipality therefore disclosed the item as a contingent liability (refer note 21).

### 18. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:  
No gains or losses were recognised on held to maturity financial assets.

2012	Loans and receivables	Held to maturity investments	Total
Other financial assets	-	5,810	5,810



## Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Financial Statements

Consumer receivables from exchange transactions	567,464	-	567,464
Trade and other receivables from exchange transactions	1,217,869	-	1,217,869
	<b>1,785,333</b>	<b>5,810</b>	<b>1,791,143</b>

2011	Loans and receivables	Held to maturity Investments	Total
Other financial assets	-	5,810	5,810
Consumer receivables from exchange and non-exchange transactions	2,970,167	-	2,970,167
Trade and other receivables from exchange transactions	194,673	-	194,673
VAT receivables	2,936,919	-	2,936,919
	<b>6,101,759</b>	<b>5,810</b>	<b>6,107,569</b>

## Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Financial Statements

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#### 19. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2012

	Financial liabilities at amortised cost	Total
Finance lease obligations	1,223,911	1,223,911
Unspent conditional grants and receipts	5 193 643	5,878,051
Trade and other payables from exchange transactions	18 079 057	17,965,420
Provisions	5 300 817	4,961,279
Consumer Deposits	145,220	145,220
VAT payables		3,461,586
	<b>29 942 648</b>	<b>33,655,467</b>

2011

	Financial liabilities at amortised cost	Total
Finance lease obligations	1,858,703	1,858,703
Unspent conditional grants	3,219,697	3,219,697
Bank Overdraft	289,375	289,375
Provisions	423,128	423,128
Trade and other payables	9,848,142	9,848,142
Consumer deposits	137,165	137,165
	<b>15,776,210</b>	<b>15,776,210</b>

#### 20. Retirement benefits

##### Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees through contributions to a nominated contribution plan. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act 24 of 1957 as amended by the Pension Funds Amendment Act 11 of 2007, exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

The total contributions to such schemes	1,708,323	970,021
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#### 21. Contingent liability

The municipality has recently received a claim from the South African Receiver of Revenue Services indicating an outstanding amount of R400 000. Management is of the opinion that the previous outstanding debts have been repaid in full and is currently investigating the matter. There exists uncertainty regarding the timing and amount of this claim and it has thus been classified as a contingent liability.

The municipality is still involved in a court case regarding a dispute by the owner of a farm in respect of the municipality's rights to water which is sourced from the farm. As at year end the case was still ongoing in the Supreme Court and uncertainty remains regarding the outcome of the proceedings.

A further case of theft which occurred two years ago is still being investigated and uncertainty remains regarding the outcome of the investigation.

## Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Financial Statements

<b>22. Revenue</b>	<b>2012</b>	<b>2011</b>
	<b>R</b>	<b>R</b>
Property rates	1,917,965	2,955,267
Service charges	13 244 212	7,724,389
Rental of facilities & equipment		64,756
Income from agency services		256,610
Fines	12,970	11,750
Licences and permits	2 722 763	518,028
Government grants & subsidies	34 913 631	26,339,953
Miscellaneous other revenue		4,199,554
	<b>52 811 540</b>	<b>42,070,307</b>
<b>The amounts included in revenue arising from exchanges of goods or services are as follows:</b>		
Service charges	13 244 212	7,724,389
Rental of facilities & equipment		64,756
Income from agency services		256,610
Licences and permits	2 722 763	518,028
Miscellaneous other revenue		4,199,554
	<b>15 966 975</b>	<b>12,763,337</b>
<b>The amounts included in revenue arising from non-exchange transactions is as follows:</b>		
Property rates	1,917,965	2,955,267
Fines	12,790	11,750
Government grants & subsidies	34 913 631	26,339,953
	<b>36 844 386</b>	<b>29,306,970</b>
<b>23. Rental of facilities and equipment</b>		
Venue hire	17,995	21,213
Commonage		1,694
Rental of facilities and equipment	68 216	41,849
	<b>86 211</b>	<b>64,756</b>
<b>24. Interest earned</b>		
Interest on cash balances		325,177
Interest charged on trade and other receivables	312 161	-
Interest on investments	94,782	350,502
	<b>406 943</b>	<b>675,679</b>
<b>25. Government grants and subsidies</b>		
Cacadu - IDP grant		27,757
Cacadu - Fire Services	250 000	
Cacadu - LED grant		156,140
Cacadu - Provincial LED projects grant	260,000	-
Cacadu - Wireless backbone grant	-	263,158
Equitable share	14,833,003	12,093,919
Finance management grant	1 522 086	1,250,000
MIG grant	9 717 224	10,905,307
MSIG grant	790 000	598,410
Tourism hospitality training grant	139 251	330,635
Valuation of property grant	570,447	141,060
Waste Water Treatment	6 821 623	-
Water conservation and demand grant	-	392,056
Water losses - DWAF	-	-

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Financial Statements

Water services asset grant		183,509
	<u>34 913 631</u>	<u>25,339,951</u>

### Equitable Share

In terms of the Division of Revenue Act this unconditional grant, derived from the Provincial Sphere's share of revenue raised nationally, is intended to assist the funding of unforeseeable and unavoidable expenditure due to significant and unforeseeable economic and financial events.

CDM - IDP grant	2012 R	2011 R
Unspent balance at beginning of year	189,502	60,250
Current year receipts	50,000	157,000
Conditions met - transferred to revenue	<u>(38,476)</u>	<u>(27,757)</u>
Unspent balance at end of year	<u>201,026</u>	<u>189,502</u>

This grant was received from Cacadu District Municipality for the funding of the Integrated Development Plan.

### CDM - LED grant

Unspent balance at beginning of year	219,348	375,488
Current year receipts	-	-
Conditions met - transferred to revenue	<u>(33,833)</u>	<u>(156,140)</u>
Unspent balance at end of year	<u>185,745</u>	<u>219,348</u>

This grant was received from Cacadu District Municipality for the funding of the Local Economic Development programme in Willowmore.

### CDM - Provincial LED Projects Grant

Unspent balance at beginning of year	700,000	700,000
Current year receipts	-	-
Conditions met - transferred to revenue	<u>(260,000)</u>	<u>-</u>
Unspent balance at end of year	<u>440,000</u>	<u>700,000</u>

This grant was received from Cacadu District Municipality for the funding of the Local Economic Development programme in Steytlerville.

### CDM - Wireless Backbone grant

Unspent balance at beginning of year	36,842	-
Current year receipts	587,590	300,000

## Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Financial Statements

Conditions met - transferred to revenue	597 590	(263,158)
Unspent balance at end of year	36 842	36,842

This grant was received from Cacadu District Municipality for the funding of a project that will connect the local libraries with the main library in Port Elizabeth.

Local Government Finance Management Grant (FMG)	2012 R	2011 R
Unspent balance at beginning of year	-	-
Current year receipts	1, 532,096	1,250, 000
Conditions met - transferred to revenue	(1,563,958)	(1,250,000)
Unspent balance at end of year	(51,772)	-

This grant is intended to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Manager Act (MFMA).

#### MIG

Unspent balance at beginning of year	1 319 108	4,664,121
Current year receipts	9 656 356	7,292,000
Conditions met - transferred to revenue	(7,638,441)	(13,905,307)
Unspent balance at end of year	3,337,073	1,050,814

The grant is intended to provide capital finance for basic municipal infrastructure for poor households, micro enterprises and social institutions, to provide for new, rehabilitation and upgrading of municipal infrastructure and to eradicate the bucket sanitation system mainly in urban townships.

The Municipal Infrastructure Grant (MIG) programme is aimed at providing all South Africans with at least a basic level of service by the year 2013 through the provision of grant finance aimed at covering the capital cost of basic infrastructure for the poor. The MIG programme is a key part of government's overall drive to alleviate poverty in the country and, therefore, infrastructure is to be provided in such a way that employment is maximised and opportunities are created for enterprises to flourish.

#### MSIG

Unspent balance at beginning of year	153,590	750,000
Current year receipts	-	-
Conditions met - transferred to revenue	(26,408)	(596,410)
Unspent balance at end of year	127,182	153,590

The Municipal Systems Improvement Grant (MSIG) is a grant directed to municipalities with a purpose to support them in implementing new systems so that they can carry mandated functions effectively. These new systems include integrated development planning, performance management, financial management, community participation, effective administration and efficient service delivery mechanisms as well as Powers and Functions.

## Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Financial Statements

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#### Tourism hospitality training grant

Unspent balance at beginning of year	255 430	188,754
Current year receipts	18 354	345,885
Conditions met - transferred to revenue	(162,900)	(330,635)
Unspent balance at end of year	<u>110,884</u>	<u>203,784</u>

This grant was received from Cacadu District Municipality for the funding of a Tourism Hospitality Training Programme for the employees in the hospitality sector.

Valuation of property grant	2012 R	2011 R
Unspent balance at beginning of year	337,274	-
Current year receipts	-	476,334
Conditions met - transferred to revenue	<u>(337 274)</u>	<u>(14, 060)</u>
Unspent balance at end of year		<u>337,274</u>

In terms of the Municipal Property Rates Act, this grant was received to regulate the power of a municipality to impose rates on property; to exclude certain properties from rating in the national interest; to make provision for the municipality to implement a transparent and fair system of exemptions, reductions and rebates through their rating policies and to make provision for fair and equitable valuation methods of properties.

#### Waste Water Treatment grant

Unspent balance at beginning of year		-
Current year receipts	5 789 350	-
Conditions met - transferred to revenue	<u>(6 225 977)</u>	<u>-</u>
Unspent balance at end of year	<u>(436 627)</u>	<u>-</u>

This grant was received from the Department of Water Affairs and Forestry for upgrading of the municipality's waste water treatment plant.

#### Water conservation and demand grant

Unspent balance at beginning of year	107,944	-
Current year receipts	203,139	500,000
Conditions met - transferred to revenue	<u>-</u>	<u>(392,056)</u>
Unspent balance at end of year	<u>311,083</u>	<u>107,944</u>

This grant was received from the Department of Water Affairs and Forestry to allow the Municipality to undertake a water conservation project, with specific attention to the quality of plumbing used in state subsidized housing projects and to replace old water meters.

## Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Financial Statements

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#### Water conservation – DWAF

Unspent balance at beginning of year	338,386	338,386
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Unspent balance at end of year	<u>338,386</u>	<u>338,386</u>

This grant was received from the Department of Water Affairs and Forestry to allow the Municipality to undertake a water conservation project, with specific attention to the quality of plumbing used in state subsidized housing projects and to replace old water meters.

#### Water losses – DWAF

	2012 R	2011 R
Unspent balance at beginning of year	-	-
Current year receipts	2,054,503	-
Conditions met - transferred to revenue	<u>(1,406,321)</u>	-
Unspent balance at end of year	<u>648,182</u>	-

This grant was received from the Department of Water Affairs for the replacement of water meters to assist in countering water losses within the municipality.

#### Water services asset grant

Unspent balance at beginning of year	55,390	(1)
Current year receipts	-	238,900
Conditions met - transferred to revenue	<u>(178,200)</u>	<u>(183,509)</u>
Unspent balance at end of year	<u>(122,810)</u>	<u>55,390</u>

This grant was received from the Department of Water Affairs for the calculation of the water services assets of the Municipality and its replacement value.

#### Water supply investigation

Unspent balance at beginning of year	15,577	-
Current year receipts	-	15,577
Conditions met - transferred to revenue	<u>-</u>	<u>-</u>
Unspent balance at end of year	<u>15,577</u>	<u>15,577</u>

## **Baviaans Local Municipality**

Annual Financial Statements for the year ended 30 June 2012

### **Notes to the Financial Statements**

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This grant was received from the Department of Water Affairs and Forestry to allow the Municipality to initiate a programme to develop the required Water Services Authority capacity, which included a Water Supply Investigation.



# Bavlaans Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Financial Statements

<b>26. Other Income</b>	<b>2012</b>	<b>2011</b>
	<b>R</b>	<b>R</b>
Building fees	12 370	7,198
Cemetery fees	6 312	5,631
Commission received	13 652	12,589
Connection fees	12 248	19,271
Membership fees	153 573	64,399
Other revenue	-	2,295
EPWP allocation	2 221 000	906,000
Arts and crafts allocation	-	540,000
Photocopies	426	200
Re zoning fees	8,088	7,076
Seta claims refunded / (paid)	-	12,465
Sundry income	773 205	464,495
Tourism stingby maps/brochures	-	-
Transaction fees	-	2,114
Valuation fees	26,036	17,710
	<b>3 226 911</b>	<b>2,061,493</b>
<b>26. Employee related costs</b>		
Basic	14 132 403	11,382,716
Long-service awards	159,769	45,857
Contributions to UIF, SDL and medical aid	795 073	768,080
Leave pay provision charge	284,310	171,270
Post-employment benefits - Pension - Defined contribution plan	1,078,323	970,021
Travel, motor car, accommodation, subsistence and other allowances	598 582	182,649
Overtime payments	479,843	334,052
Bonus	1 828 911	605,445
Housing benefits and allowances	22,663	25,956
Post-employment medical benefits	3,301,000	-
	<b>22 680 882</b>	<b>14,486,046</b>
<b>Municipal Manager: JZA Vumazonke</b>		
Annual Remuneration	478,335	453,678
Car Allowance	60,000	60,000
Other	14,400	14,400
	<b>552,735</b>	<b>528,078</b>
<b>Chief Financial Officer: JH Doyle</b>		
Annual Remuneration	317,811	297,111
Car Allowance	134,136	134,136
Other	19,839	10,800
	<b>471,786</b>	<b>442,047</b>

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Financial Statements

28. Employee related costs (continued)	2012	2011
	R	R
<b>Corporate Services Manager: M Lotter</b>		
Annual Remuneration	376,949	366,249
Car Allowance	75,000	75,000
Other	10,800	10,800
	<u>462,749</u>	<u>442,049</u>
<b>Technical Services Manager: B Arends</b>		
Annual Remuneration	416,949	396,249
Car Allowance	35,000	35,000
Other	10,800	10,800
	<u>462,749</u>	<u>442,049</u>
<b>Community Services Manger: L de Beer</b>		
Annual Remuneration	391,949	371,249
Car Allowance	72,500	60,000
Other	10,800	10,800
	<u>475,249</u>	<u>442,049</u>
<b>29. Remuneration of councillors</b>		
Councillors		731,055
Bezuidenhout DJ	177,741	
Spogter TR	177,741	
Lapperts VB	177,741	
Hobson GA	177,741	
Fivaz ME	177,741	
Booyesen H	177,741	
Executive mayor: Louck E	338,660	311,177
	<u>1,405,115</u>	<u>1,042,232</u>
<b>30. Finance costs</b>		
Finance leases	306,952	305,935
Current borrowings	-	1,742
Other interest paid	213,516	217,010
	<u>520,468</u>	<u>524,687</u>
<b>31. Debt impairment</b>		
Contributions to debt impairment provision	3,789,985	-
Debt Impaired	(1,000,749)	883,862
Provision utilised	901,411	-
	<u>3,690,647</u>	<u>883,862</u>

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Financial Statements

<b>32. General expenses</b>	<b>2012</b>	<b>2011</b>
	<b>R</b>	<b>R</b>
Advertising	38 599	76,094
Animal Protection		-
Auditors remuneration		2,465,195
Bank charges	143 448	124,182
Capital expenditure		54,706
Chemicals	102 267	113,312
Commission paid	2 138 074	110,108
Consulting and professional fees		449,068
Consumables	16 184	29,848
EFWP wages	2 290 511	2,754,901
Electrical Services water	1 063 533	
Free basic services	3 571 902	-
Fuel and oil	833 902	674,135
General expenses transferred from grants		3,243,058
IT expenses		4,700
Insurance	246 688	193,642
LED SMME/arts and crafts expenditure	80 405	466,630
Legal Fees	226 509	
Licences	31 578	23,193
Membership fees	87 719	
Movement in water inventory	1 160	(6,452)
Municipal Services	626 385	
Other expenses including administration fees		37,732
Pest control		828
Postage and courier	177 857	130,230
Printing and stationery	142 159	188,005
Refuse	81 866	56,325
Rehabilitation of landfill site		-
Rental of equipment	399 493	-
Repair and Maintenance	848 662	
Research and development costs		23,299
Special projects	867 512	1,036,057
Subscriptions and membership fees		70,000
Telephone and fax	497 398	427,010
Title deed search fees		20,792
Tourism development	127 347	473,034
Town planning	54 115	30,000
Training	49 393	36,167
Transfer fees	19 831	
Travel - local	94 411	89,779
Utilities - Other	2 216 381	1,079,296
	<b>17 075 289</b>	<b>14,477,814</b>
<b>33. Auditors' remuneration</b>		
Auditors' remuneration	<b>4,357,165</b>	<b>2,465,195</b>

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Financial Statements

34. Cash generated from operations	2012 R	2011 R
Surplus	(4,096,825)	5 114 580
<b>Adjustments for:</b>		
Finance costs - Finance leases	306 952	305 935
Debt impairment	3 690,647	883 862
Movements in provisions	4,558,151	160 334
<b>Changes in working capital</b>		
Inventories	1 160	(6 452)
Trade and other receivables from exchange transactions	(1,023,196)	268 808
Consumer debtors	(1,287,944)	(1 307 687)
Trade and other payables from exchange transactions	8 117,278	4 053 834
VAT	6,398,505	(1 697 525)
Unspent conditional grants	2 658,354	(3 412 467)
Consumer deposits	8 055	4 620
	<u>19,331,138</u>	<u>4 467 890</u>
<b>35. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Tenders	<u>21,991,083</u>	<u>20,522,166</u>

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses and government grants.

### 36. Related parties

Relationships	Role
EL Looek	Mayor
Cllr D Bezuidenhout	Councillor
Cllr H Booysen	Councillor
Cllr M Fivaz	Councillor
Cllr GA Hobson	Councillor
Cllr V Lapperts	Councillor
Cllr T Spogler	Councillor
JM Vumazonke	Municipal Manager
JH Coyle	Chief Financial Officer
B Arends	Technical Services Manager
L de Bee	Community Services Manager
MA Lotter	Corporate Services Manager

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Financial Statements

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Eskom

Related government entity

Cacacu District Municipality

District Municipality which Baviaans Municipality forms part of

### Related party balances

#### Councillors rates and taxes in arrears

□ Bezuldenhout

-

964

There were no outstanding rates and taxes owed by Councillors at year end.

#### Related party transactions

No transactions were entered into with related parties during the year.

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

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### 37. Risk management

#### Financial risk management

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

#### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

#### Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. During 2012 and 2011, the municipality's borrowings at variable rate were denominated in the Rand.

The municipality analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the municipality calculates the impact on surplus and deficit of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

#### Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to five years
Trade and other receivables – normal credit terms	9%	1,217,869	-
Consumer receivables – normal credit terms	9%	567,464	-
Trade and other payables – normal credit terms	9%	(17,965,420)	-
VAT payable	-%	(3,461,586)	-

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments, trade debtors and held-to-maturity financial assets. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

The municipality establishes an allowance for impairment that represents its estimate of incurred credit losses in trade and other receivables. The municipality's consumers were reviewed for indication of impairment and certain receivables were found to be impaired and an allowance for credit loss was provided for - Refer note 7 for the reconciliation thereof.

## Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

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#### 38. Risk management (continued)

Financial assets exposed to credit risk at reporting date were as follows:

<u>Financial instrument</u>	2012 R	2011 R
Cash and cash equivalents	109 739	(289,375)
Short term deposits	5,810	5,810
Trade and other receivables from non-exchange transactions	1,217,869	194,673
Consumer receivables received from exchange transactions	567,464	2,790,187

The municipality does not hold any collateral as security, but however has preferential rights on collecting arrear consumer accounts when consumers' properties are placed under sale of execution.

#### 39. Going concern

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.

#### 40. Events after the reporting date

The executives of the municipality together with council have pursued various avenues, including the Cacadu District Municipality, Department of Provincial and Local Government as well as Provincial and National Treasury in seeking a financial solution to the challenges faced by the municipality.

A detailed financial recovery plan has been drafted which is actively being implemented and progress monitored by dedicated Task Team which includes delegates from the Baviaans Municipality, CDM and Provincial Treasury. A realistic three year budget has been adopted for the purposes of achieving financial recovery, while efforts are under way to upgrade the standard of financial administration and systems at the municipality.

Management and council have again committed themselves to achieving a clean audit and compliance with Provincial and National Treasury requirements. To this end, a dedicated resource from National Treasury has been deployed to the municipality to assist with compliance related matters.

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>41.Unauthorised expenditure</b>		
Agency commission	18 299	33 311
Agency fees licensing	2 009 775	-
Audit costs	2 957 166	1 791 826
Bank charges	3 488	-
Bonus provision	1 092 420	-
Capital interest	189 038	-
Contribution bad debts	1 789 985	-
Contribution leave fund	284 310	-
Councillor allowances	26 272	-
Electricity (Eskom)	60 733	234 602
Epwp	165 511	-
Epwp wages	250	-
Finance charges-finance lease	161 430	-
Finance Management Grant expenditure	83 858	-
Fuel and oil	-	73 572
Industrial levy	4 975	-
Inventory at year end	1 160	-
Legal fees	26 509	-
Other allowances	64 585	-
Overtime	203 997	-
Postage	32 857	-
Provision for landfill site	25 630	-
Radio licences	241	-
Salaries	462 995	902 032
Services electricity	28 533	-
Services water	227	-
Small farmers (agriculture)	1 630	-
Special projects	117 509	-
Telephone	47 398	-
Transport forum	8 820	-
Unemployment fund	15 430	-
Vehicle maintenance	14 603	7 539
Website	500	-
Woman/Disabled/Old age	12 785	-
	<b>9,912,915</b>	<b>3,042,882</b>

Unauthorized expenditure is due to a vote that was overspent during the current financial year. The nature of unauthorized expenditure is as follows:

- Additional costs incurred in servicing former DMA (Rietbron, Vondeling & Miller) which was transferred to the Baviaans Municipality after 18 May 2011
- Compliance with GRAP which required appointment of consultants to assist, restructuring which impacted on personnel costs and attending to IT system problems
- Compliance issues in respect of legislation relating to E-Nat's infill sites, fire services, sewerage works and motor vehicle testing; as well as additional staff that needed to be appointed in terms of legislative requirements which further impacted on personnel costs
- Unforeseen costs which were not budgeted for, including audit fees which were far in excess of the 1% of turnover budgeted for and
- Legal costs pertaining to the court case where the municipality's rights to water are being contested



## Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

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#### 42. Fruitless and wasteful expenditure

Penalties and interest	359 039	-
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Of the total of R359 039 (2011: nil) penalties and interest of R 351 279 (2011: nil) were incurred primarily due to the cash flow problems experienced during the year, which resulted in late submissions of PAYE, UIF and SDL returns to The South African Revenue Service, and late payments to other third parties. A total of R 7 760 (2011: nil) was incurred as result of invoices being received late from departments or suppliers and traffic fines. These are currently being investigated with the intention of recovering the amounts paid. This classifies as wasteful expenditure as the municipality had made these expenditure in vain as proper controls and planning could have limited the cash flow constraints, which in turn could have avoided these expenses.

#### 43. Irregular expenditure

Irregular expenditure - current year	694,529	3,066,125
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Paragraph 12(1)(d)(i) of Government gazette No. 27638 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

There were deviations from supply chain policies amounting to R 694,529 during the year which have been recorded in the deviations register.

The most significant deviation was the re-appointment of service providers to complete subsequent phases of major infrastructure projects, without re-tendering for such subsequent phases. This was done to speed up service delivery to the community.

#### 44. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix C for the comparison of actual operating expenditure versus budgeted expenditure.

#### 45. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix D for the comparison of actual capital expenditure versus budgeted expenditure.

## **Baviaans Local Municipality**

Annual Financial Statements for the year ended 30 June 2012

### **Notes to the Annual Financial Statements**

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**Baviaans Local Municipality**  
Annual Financial Statements for the year ended 30 June 2012

**Supplementary Schedules**

**BAVIAANS LOCAL MUNICIPALITY**

**APPENDIX A - JUNE 12**

Details	Loan Number	Balance at 30 June 2011	Received during the period	Redeemed written off during the period	Balance at 30 June 2012
		R	R	R	R
Xerox Workstat on 7332	Fintech	23,992.20		11,996.10	11,996.10
Xerox Workstat on 128	Fintech	23,040.38		11,520.19	11,520.19
Xerox Workstat on 118	Fintech	17,066.30		8,543.15	8,543.15
Xerox Workstat on 5525	Fintech	41,408.42		20,704.21	20,704.21
Xerox Workstation 7110	Fintech	51,012.32		9,728.60	41,283.72
Xerox Workstation 252	Fintech	302,282.33		72,914.56	229,367.77
Xerox Workstation 7328	Fintech	44,872.38		18,271.09	26,601.29
Xerox Workstation 4418	Fintech	7,973.44		3,193.69	4,779.75
Xerox Workstation 7428	Fintech	80,775.46		19,201.76	61,573.70
Xerox Workstation 4118	Fintech	6,196.22		3,098.11	3,098.11
Digma Copier	Rastus	56,567.68		35,433.80	21,133.88
Toyota Yaris 1.3 DWV 760 EC	ABSA	46,591.65		37,273.41	9,318.24
Isuzu KB200 DWV 391 EC	ABSA	43,284.90		34,628.01	8,656.89
Isuzu KB200 DWV 456 FC	ABSA	43,284.90		34,628.01	8,656.89
ISUZU KB200 DWV 463 EC	ABSA	43,284.90		34,628.01	8,656.89
Toyota Dyna D2G 002 EC	ABSA	131,063.74		92,516.97	38,546.77
Toyota Dyna D2G 557 EC	ABSA	71,834.24		53,875.77	17,958.47
Toyota Dyna FUS 378 EC	ABSA	71,834.24		53,875.77	17,958.47
Toyota Dyna FCM 397 EC	ABSA	71,064.15		56,851.41	14,212.74
Toyota Corolla 1.4 FCS 512 EC	ABSA	97,498.35		43,332.69	54,165.66
Cycle Corsa PAF 080 EC	ABSA	97,905.55		30,124.77	67,780.78
Ford Bantam FKJ 266 EC	ABSA	338,106.72		36,057.84	302,048.88
Hiro 300 FLZ 565 EC	ABSA	308,186.65		78,666.04	229,520.61
Ford Bantam FNR 960 EC	ABSA	138,622.05		30,246.21	108,375.84
Ford Bantam FNR 962 EC	ABSA	138,622.05		30,246.21	108,375.84
<b>TOTAL EXTERNAL LOANS</b>		<b>2,085,406.30</b>		<b>861,495.77</b>	<b>1,223,910.53</b>

**Baviaans Local Municipality**  
Annual Financial Statements for the year ended 30 June 2012  
**Supplementary Schedules**

**BAVIAANS LOCAL MUNICIPALITY**  
**APPENDIX B: Jun-12**

Details	COST										Accumulated depreciation					Closing balance 30 June 2012	Carrying value
	Opening balance 30 June 2011	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing balance 30 June 2012	Opening balance 30 June 2011	Additions	Disposals	Transfers	Depreciation	Impairment, loss				
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R		
Infrastructure assets	28,153,350	17,146,389					45,299,739									45,299,739	
Community assets	5,767,241	399,251					6,166,492									6,166,492	
Other assets	3,818,785	244,099					4,062,884									4,062,884	
<b>TOTAL</b>	<b>37,739,376</b>	<b>17,789,739</b>					<b>55,529,115</b>									<b>55,529,115</b>	

**BAVIANNIS MUNICIPALITY**

**APPENDIX C**

**June-12**

Details	Additions		Original Budget	Revised Budget		Variance		Explanation of significant variances from budget
	R	R		R	R	R	%	
<b>Infrastructure Assets</b>								
Roads, Pavements & Bridges	6,187,570		8,429,434	2,241,764	26.59	Due to Cash Flow problems		
Buildings	31,045		(31,045)		(100.00)	Not budgeted for		
Water purification	1,285,105		1,954,000	668,895	51.27	Due to Cash Flow problems		
Sewerage purification	8,593,815		8,990,566	396,751	4.61			
Electricity	445,312		(445,312)		(100.00)	Not budgeted for		
Valuation Roll	570,447		(570,447)		(100.00)	Not budgeted for		
Equipment	33,445		(33,445)		(100.00)	Not budgeted for		
<b>Sub Total</b>	<b>17,146,839</b>		<b>19,374,000</b>	<b>2,227,161</b>	<b>11.50</b>			
<b>Community Assets</b>								
Library	100,339			(100,339)	(100.00)	Not Budgeted for		
Tourism	7,000			(7,000)	(100.00)	Not Budgeted for		
Youth Development	31,912			(31,912)	(100.00)	Not Budgeted for		
Buildings	260,000			(260,000)	(100.00)	Not Budgeted for		
<b>Sub Total</b>	<b>399,251</b>			<b>(399,251)</b>	<b>(100.00)</b>			
<b>Other Assets</b>								
Finance	32,086			(32,086)	(100.00)	Not Budgeted for		
Traffic	20,967			(20,967)	(100.00)	Not Budgeted for		
<b>Sub Total</b>	<b>53,054</b>			<b>(53,054)</b>	<b>(100.00)</b>			
<b>TOTAL</b>	<b>17,599,143</b>		<b>19,374,000</b>	<b>1,774,857</b>	<b>9.16</b>			

**BAYIANS MUNICIPALITY**

**APPENDIX E**

Jun-12

Details	Current year 2012 actual	Current year 2012 budget	Variance	Variance	Explanation of significant variances greater than 10% versus budget
	R	R	R	%	
<b>Revenue</b>					
Property Rates	1,917,965	3,010,763	1,092,798	36.30	
Service Charges	13,244,212	13,936,545	692,333	4.97	
Rental of Facilities and Equipment	86,211	86,000	(211)	(0.25)	
Interest received Outstanding debtors	406,810	315,000	(91,810)	(22.15)	
Interest received Investments	94,782	150,000	55,218	36.81	
Income from agency services					
Fines	12,970	20,000	7,030	35.15	
Licences and permits	2,722,763	1,020,000	(1,702,763)	(166.94)	
Government grants and subsidies	34,913,691	26,279,495	(8,634,196)	(32.86)	
Other income	3,132,128	3,652,119	519,991	14.21	
<b>Total</b>	<b>56,531,472</b>	<b>48,469,922</b>	<b>(8,061,550)</b>	<b>(16.63)</b>	
<b>Expenditure</b>					
Employee related cost	22,680,882	18,629,746	(4,051,136)	(21.75)	
Remuneration of councilors	977,759	951,487	(26,272)	(2.76)	
Finance charges	520,469	790,000	269,531	34.12	
Debt impairment	3,789,985	2,000,000	(1,789,985)	(89.50)	
Bulk purchases	6,658,456	7,100,000	441,542	6.22	
General expenditure	2,432,455	18,998,688	(2,433,767)	(12.91)	
<b>Total</b>	<b>56,060,008</b>	<b>48,469,921</b>	<b>(7,590,087)</b>	<b>(15.66)</b>	
Surplus/(deficit) for the year	471,464	1	(471,463)		

**APPENDIX F: GRANTS AND SUBSIDIES RECEIVED - 2011/12**

Num ber	Vote number	Name of Grants	Name of officials or multilateral entity	Unspent portion 2010/2011 AFS	Adjustment and Transfer \$	Quarterly Receipts			Total Receipts	Quarterly Expenditure				Total Expenditure	Unspent portion 2011/2012 AFS	
						July to Sept 1 to 3	Oct to Dec 2 to 4	Jan to Mar 3 to 4		July to Sept 1 to 3	Oct to Dec 2 to 4	Jan to Mar 3 to 4	April to June 4 to 6			
1	10008594	Sala Grant	Sala													
2	10008567 1000878300 331020	Equilib's State Finance Management Grant	Naijama Treasury Dept of Loc. Gov & Trad Aff			532 086			532 086					532 086	( 51 772)	
3		MSIG Implementation Prop Rates Ad. Dev. Planning Capacity Building Dev. Info Systems Grant	Dept of Loc. Gov & Trad Aff Dept of Loc. Gov & Trad Aff Dept of Loc. Gov & Trad Aff Dept of Loc. Gov & Trad Aff	153 590										28 408	127 183	
4	30030210	Valuation Roll Grant Man. Ass. Programmic Transfer / Buyback Centre	Dept of Loc. Gov & Trad Aff Dept of Loc. Gov & Trad Aff Dept Environmental Affairs	337 274										349 947	233 173	337 274
5	10000361	LED Strategy	Dept of Economic Development	701 030										280 000	440 030	
6	550740052	MIG Funding	Dept of Loc. Gov & Trad Aff	313 108		428 000			450 350					914 470	638 447	337 023
7		EPWP	Dept of Public works Development Bank of SA													
8	300331620	DBSA Grant Integrated Dev. Plan - Cape Town	CACADU	183 502										4 800	5 874	201 026
9	300332040	LED Funds - Gacadu Tourism Hospitality Training	CACADU	219 340										10 440	12 000	185 744
10	800330300		CACADU	255 430					18 354					94 530	20 400	116 884





## **4.2 AUDIT COMMITTEE FUNCTIONALITY**

Baviaans Municipality has an audit committee with the following functions:

Internal financial controls and internal audits

Risk Management

Accounting policies

The adequacy, reliability, and accuracy of internal reporting and information

Performance management

Effective governance

Compliance with the MFMA and DORA and any other applicable legislation

Performance evaluation

Review of Annual Financial Statements

Respond to council on any issues raised by the Auditor-General

Carry out investigation as the council requests

## **4.3 BUDGET TO ACTUAL COMPARISON**

Included in AFS as above

## **4.4 GRANTS AND TRANSFER SPENDING**

Included in AFS as above

## **4.5 MEETINGS OF DONORS' REQUIREMENTS IN RESPECT OF CONDITIONAL GRANTS**

All conditions were met.

#### 4.6 LONG TERM CONTRACTS ENTERED INTO BY THE MUNICIPALITY

Long-term contracts are those contracts that extend over a period of more than 12 months. Baylans Municipality entered into the following long-term contracts during the year under review:

Municipality:		BAYLANS MUNICIPALITY										
Date:		2011/08/10										
Year end:		30/06/2011										
Purpose:		List all operating and finance leases with their fair values										
Prepared by:		Wind Rossouw										
Reference:		List of leases										
Unique Contract Number	Lessor (Supplier from which asset is leased)	Item leased	Commencement/contract inception date	Month started (month of escalation)	Period of lease	Escalation %	Amount per month (excl vat, or total amount if not registered for VAT)	Operating / finance lease (as determined in worksheet 2.1)	Fair Value (excl vat)	Cost per AFS		
1 - 781560	Technologies Acceptances	Xerox Workcentre 7828	2008/12/5	2008/12/01	60	0%	1,750.00	FL	120,000.00	74,221.49		
2 - 653148	Technologies Acceptances	Xerox Workcentre 7232	2008/01/24	2008/02/01	60	0%	1,574.56	FL	80,000.00	67,730.72		
3 - 657754	Technologies Acceptances	Xerox Workcentre 4118	2008/05/14	2008/06/01	60	0%	293.66	FL	15,000.00	12,506.67		
4 - 476483	Technologies Acceptances	Xerox Workcentre 128	2005/1/09	2005/12/01	60	0%	1,399.12	FL	100,000.00	65,663.52		
5	Nashua Finance	Digital Copier (AE151EMFP)	2008/10/01	12	60	15%	492.00	FL	17,650.00	17,650.00		
6 - 380917	ABSA Bank	Toyota Yaris 1.3 TS (DNY780EC)	2007/10/26	2007/10/26	60	0%	2,888.17	FL	120,377.23	120,377.23		
7 - 381213	ABSA Bank	Isuzu KB2001 Fleetside (DNY891EC)	2007/10/25	2007/10/25	60	0%	2,430.73	FL	106,376.00	106,376.00		
8 - 381214	ABSA Bank	Isuzu KB2001 Fleetside (DNY456EC)	2007/10/25	2007/10/25	60	0%	2,930.73	FL	106,376.00	106,376.00		
9 - 381215	ABSA Bank	Isuzu KB2001 Fleetside (DNY463FC)	2007/10/25	2007/10/25	60	0%	2,930.73	FL	106,376.00	106,376.00		
10 - 384519	ABSA Bank	Toyota Dyna 7.05 Freighter (DZG102EC)	2007/12/20	2007/12/20	60	0%	7,839.69	FL	350,686.00	358,686.00		
11 - 383043	ABSA Bank	Toyota Dyna 6.104 Freighter	2007/11/27	2007/11/27	60	0%	4,576.33	FL	193,420.00	193,420.00		



#### 4.7 ANNUAL PERFORMANCE AS PER KEY PERFORMANCE INDICATORS IN FINANCIAL VIABILITY

	Indicator name	Target set for the year R(000)	Achievement level during the year R(000)	Achievement percentage during the year
1	Percentage of expenditure on capital budget	10 477	9 867	94.17%
2	Salary budget as a percentage of the total operational budget	19 581	22 681	46.79%
3	Total actual trade creditors as a percentage of total actual revenue	6000	16 256	28.75%
4	Total municipal own revenue as a percentage of the total actual budget	24 672	21 618	44.50%
5	Rate of municipal consumer debt reduction	3 871	3 779	(2.43%)
6	Percentage of MIG budget appropriately spent	10 477	9 867	94.17%
7	Percentage of MSIG budget appropriately spent	750	750	100.00%
8	Percentage of expenditure on ACIP	6692189	5356633	80%

#### 4.8 ARREARS IN PROPERTY RATES AND SERVICES

##### Rates: Ageing

0 – 90 days	134 195
+90 days	<u>1 152 262</u>
	<b>1 149 457</b>

##### Services: Ageing

0 – 90 days	591 984
+90 days	<u>2 343 326</u>
	<b>2 935 310</b>

#### 4.9 ANTI CORRUPTION STRATEGY

Council approved the Anti Corruption Strategy and Fraud Prevention Plan on 31 May 2007.

The members of the Anti-Fraud and Corruption Committee are:

**Chairperson of the Audit Committee or any other member of the Audit Committee should the chairperson not be available; Internal Auditor; Municipal Manager; and Departmental Heads**

The Council approved the Whistle Blowing Policy and guideline for Fraud and Corruption investigation.

## Chapter 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION- (KPA 5)

### 5.1 OVERVIEW OF THE EXECUTIVE AND COUNCIL FUNCTIONS AND ACHIEVEMENTS

The Office of the Mayor oversees the Administration via various plans and reporting mechanisms. The IDP, as main planning tool for directing all activities of the municipality towards meeting community needs and yardsticks for measuring performance will be utilised to analyse actual performance of all functional areas.

In addition, the Office ensures valuable contact between the community, other Institutions or Organisations and the Municipality

This year 4 Ordinary and 13 Special Meetings of Council were held and attended by Councillors. Council has during the year under review approved numerous policies affecting the community. It has also continued the oversight role as required by legislation.

NAME	CAPACITY	POLITICAL PARTY	GENDER
E Loock	Mayor / Speaker	DA	Male
D Bezuidenhout	PR Councillor	DA	Male
H Booysen	Ward Councillor	DA	Male
V Lapperts	Ward Councillor	DA	Male
T Spogter	Ward Councillor	ANC	Male
G Hobson	PR Councillor	ANC	Female
M Fivaz	PR Councillor	ANC	Female



*Council & Management: Bawlaans Municipality: Back from left to right: Cnl Bezuidenhout, Ms de Beer (Mng Community Services); Mr Arends (Mng Technical Services); Cnl Lapperts; Cnl Spogter; Cnl Booysen. Front, from left to right: Cnl Fivaz; Mr Vumazonke (Municipal Manager); Mayor, E Loock; Cnl Hobson*

## **5.2 PUBLIC PARTICIPATION AND CONSULTATION**

Mayoral Imbizos and implementation of issues rose

The mayor makes use of the following platforms for communication:

- Council meetings
- Workshops
- IDP Steering Committee meetings
- IDP Rep Forum meetings
- Community Based Planning meetings
- Baviaans Newsletter – distributed quarterly
- Help Desks
- Baviaans Municipal Website
- Baviaans Municipal Facebook
- Availability of council agendas at libraries
- Community surveys
- Public notices & notice boards

Consultations with the public took place according to the IDP/Budget/SDF Review Process Plan that was adopted by Council on 28 July 2011.

**23 February 2011 – IDP Rep Forum, Baviaanskloof**

**24 February 2011 – IDP Rep Forum, Willowmore**

**24 February 2011 – IDP Rep Forum, Steytleville**

**12 May 2011 – Council meeting to approve final IDP 2011/12**

**05 October 2011 – IDP Rep Forum meeting, Willowmore**

**08 – 29 November 2011 – Community Based Planning, all wards**

**27 Feb – 08 March 2012 – Community Based Planning, all wards**

**04 March 2012 – IDP Steering Committee meeting**

**27 March 2012 – IDP Rep Forum meeting, Willowmore**

**29 March 2012 – Council meeting to approve amended project register and draft IDP 2012/13**

**16 – 20 April 2012 – IDP Assessment**

**24 April 2012 – IDP / Budget Feedback session, Willowmore Library**

**25 April 2012 – IDP / Budget Feedback session, Willowmore Golf club**

**26 April 2012 – IDP / Budget Feedback session, Steytleville Town Hall**

**02 May 2012 – IDP / Budget Feedback session, Vuyolwethu, Steytleville**

**08 May 2012 – IDP / Budget Feedback session, Baviaanskloof**

**09 May 2012 – IDP / Budget Feedback session, Willowmore Town Hall**

**10 May 2012 – IDP / Budget Feedback session, Rietbron**

**12 May 2012 – Adoption, Final IDP**

### **5.3 WARD COMMITTEES: ESTABLISHMENT AND FUNCTIONALITY**

Prior to the elections of 18 May 2011 Baviaans was too small to be divided into wards. After the said elections, part of the former DMA areas was incorporated into Baviaans Municipality and four wards were established. Baviaans Municipality is in the process of establishing ward committees. A ward committee policy was adopted by council.

### **5.4 COMMUNITY DEVELOPMENT WORKERS PERFORMANCE MONITORING**

CDW's are operating in Baviaans Municipality. They are reporting to Provincial government and not to the municipality, thus the municipality cannot account and take responsibility for their activities. CDWs can better be utilised and be of assistance to the municipality if they were part of the structure of the municipality.

Baviaans Municipality invites CDWs to IDP Rep Forums, Community Based planning meetings and all other participatory activities.

### **5.5 COMMUNICATION STRATEGY**

A communication strategy and action plan was adopted by council on 26 January 2012.

### **5.6 INTERGOVERNMENTAL RELATIONS**

At this stage, Council does not have an Intergovernmental Relations Framework, but Baviaans Municipality participates in the following consultative forums:

- Mayoral Forums
- Municipal Manager's Forums
- Technical MUNIMEC
- MUNIMEC
- Chief Financial Officer's Forum
- Cacadu IDP Forums

## **5.7 LEGAL MATTERS**

Baviaans Municipality does not have a legal unit because of its size, the municipal manager is dealing with all legal matters and making use of legal service providers where and when there is a need to do so.

Legal activity includes the following:

Drafting of contracts

Legal advice on all legislation

Drafting of by-laws

Ensuring compliance with legislation

Liaising with attorney regarding litigation

Facilitation disciplinary action against employees

Verifying claims against the Municipality

## **5.8 PRIMARY HEALTH CARE**

To ensure the delivery of coordinated and comprehensive primary health care service that prioritizes management for tuberculosis and HIV and AIDS through active community partnership and to improve the quality of life of all individuals and communities.

In our area, there are three clinics and one provincially aided hospital.



## **PART 3- FUNCTIONAL AREAS REPORTING AND ANNEXURES**

## **1. FUNCTION: SERVICE DELIVERY REPORTING**

### **SUB-FUNCTION: POPULATION STATISTICS**

#### **GENERAL INFORMATION**

The Bavians Municipality covers an area of 7727.01 square kilometres with two urban nodes namely Willowmore and Steytlerville. Willowmore serves as the administrative hub of the area where the local officers, the District officers of National Government Departments and Provincial Government Departments are situated. The area is scarcely populated: 0 – 100 people per square kilometre. The population in 2011/12 was 15 686 with an indigent population of 2 675. An indigent household is defined as a household with a combined income of less than R 2280 per month.

5, 93% of residents earn R 0 – R 800 per month, 18, 18% earn between R 801 and R 3 200 per month and 2, 15% earn more than R 3 201 per month.

## **2. FUNCTION: FINANCE AND ADMINISTRATION**

### **SUB-FUNCTION: BUDGET AND TREASURY OFFICE**

#### **OVERVIEW**

This includes all activities relating to the finance function of the municipality, including revenue collection.

#### **DESCRIPTION OF ACTIVITY**

The function of finance within the municipality is administered as follows and includes:

- Provision of relevant, accurate and reliable financial information to all users including councillors, managers and stakeholders to facilitate informed decision-making.
- Provision, maintenance and implementation of sound financial policy, controls and systems.
- Ongoing introduction of budgetary and accounting reforms.
- Production of annual budget and annual financial statements
- Internal audit and risk management
- The maintenance of an effective system of expenditure control, including procedures for the approval, authorization, withdrawal and payment of funds.
- All monies owed to the suppliers and service providers are paid within 30 days of receiving the relevant invoice or statement unless there are special arrangements.
- Provision of financial advice to the Council and Departments
- Administration of the investments and insurance portfolios of the municipality
- Management of Conditional grants

- Asset and liability management
- Revenue collection and cash flow management
- Capacity building by way of training officials.

#### **STRATEGIC OBJECTIVES**

- Ensure long-term financial sustainability.
- Ensure full compliance with all accounting statutory and legal requirements including implementation of the MFMA.
- Billing of services, electricity, water, refuse, sanitation and property rates to the community in the whole of the Baviaans area.
- Recover all money billed to the community, farms and government departments.

#### **KEY ISSUES FOR 2011/12**

- Produce Operating and Capital Budget in the prescribed format and within the specific guidelines.
- Produce GAMAP/GRAP and other relevant accounting standards compliant Financial Statements.
- Compliance with Supply Chain Management regulations, policy and systems.
- Improvement of the financial system with regards to
  - New budget formats
  - Billing of Property Rates
  - Reconciling of VAT accounts
  - Supply Chain Management
  - Asset Management
- Reporting to National Treasury and Provincial Treasury and compliance with the MFMA reporting requirements

#### **ANALYSIS OF FUNCTION**

An analysis of this function is contained in the Annual Financial Statements, which appear on pages 61 – 141

### **3. FUNCTION: PLANNING AND DEVELOPMENT**

#### **SUB-FUNCTION: ECONOMIC DEVELOPMENT**

##### **OVERVIEW**

This includes activities related to LED, Agriculture and Tourism:

- SMMEs are provided with mandated municipal support that facilitates their growth and success
- Local Economic Development
- A pleasurable tourist experience
- Promote agriculture

## DESCRIPTION OF ACTIVITY

- Empowerment of SMME's: Baviaans SMME Incubator (LED Office) provides core support services to SMME development through the first few years of business through mentoring and coaching to SMME's; office support services; linkages to other business support structures; SMME database and Information.
- Legalise/legitimise Spaza shops: Create a data base of all Spaza shops and assist with registration of their businesses
- Formalize local hawkers to promote organised business activities. Enforce applicable by- laws. Ensure designated hawking areas
- Promote opportunity for local job creation by assisting with registration of local contractors as accredited service providers; job creation and arts & craft development
- Promote LED: Formulation and execution of a LED plan

## TOURISM

- Promote local Tourism through formulation of an integrated tourism development plan and execution of the plan in order to attract tourism to the area by continuous marketing of the area and development of new products.
- PDI involvement in product ownership of tourism products e.g. Hospitality training and developmental projects by facilitating training of tour guides and guesthouse personnel and joint ventures with PDI's in tourism opportunities
- Promote local tourist products, services available and access to website by placing photos of tourist products and or services on website and providing training on "how to access and utilise website for marketing". Create a municipal data base of tourism operators in Baviaans and investigate standards of existing tourism facilities

## AGRICULTURE

- Minimize stock losses through the execution of bylaws and controlling of dogs through an Animal Protection Program
- Assist beneficiaries of agricultural projects: Ensuring small farmers have access to commonages and pay for their animals grazing on the commonage and training in agricultural related issues.
- Buy breeding stock within available budget – participate in yearly Agricultural show
- Avail land for emerging farmers: Investigate need for land
- Implementation of Area Based Plan & LAA – CDM / BM
- Organised training for farm workers

## STRATEGIC OBJECTIVES

- To provide SMMEs with mandated municipal support that facilitates their growth and success.
- Ensure a pleasurable tourist experience
- Promote agriculture as an external income.
- Investigate the financial viability and sustainability of all resources and facilities of already extended agricultural projects & their contribution to LED.

## KEY ISSUES FOR 2011/12

Execution of LED Action Plan

### **4. FUNCTION: COMMUNITY AND SOCIAL SERVICES**

#### **SUB-FUNCTION: ALL INCLUSIVE**

##### **OVERVIEW**

- Proud citizens that contribute to the development of their town/s.
- The youth of Baviaans are actively integrated into and contribute to community development
- Improve opportunities for development of people
- Control and improvement of animal health
- Improve community access to a comprehensive health care service
- Enhance community participation

##### **DESCRIPTION OF ACTIVITY**

###### **GENERAL**

- Promote education, through not only schools, but also libraries by upgrading of books and buildings. Established fully fledged libraries – connect with Cacadu implemented and library for the blind in Willowmore
- Instil a sense of pride and ownership / utilize skill in community to assist in projects by renovation of community halls and/ or improvement of municipal buildings. Paving of sidewalks and streets and upgrading of sport grounds
- Build community spirit by purchasing and installing of Christmas Lights. Have annual Christmas functions in all areas. Distribute Baviaans Newsletters to all residents and implementing empowerment projects
- Promote after-school education and provide training through Baviaans Youth Advisory Centre

###### **DEVELOPMENT OF YOUTH**

- Provision of creational services: Availability of halls, upgrading of sport grounds and sport facilities for Baviaans
- Promote self-development: Training courses; centre for youth development; SMME Unit
- Instil a sense of community pride and dignity. Identify joint youth/community upliftment projects. Implementation of Gr R at all primary schools. Upgrading of streets and sidewalks. Tree planting projects and beautifying of towns
- Promote education by upgrading of Libraries- connect with Cacadu (internet in libraries), computer training classes and library for the blind in Willowmore

###### **DEVELOPMENT OF PEOPLE**

- Life skills programs and Business skills programs are offered through our Baviaans Youth Centre & LED unit
- Arts & Culture Development & promotion craft groups

## HEALTH

- Regular meetings with Department of Health to address problems raised by communities

## ANIMAL HEALTH

- Effective programmes for the health of animals in Baviaans (dogs, cats & donkeys). Implement programme to take care of animal health (Karoo Animal Protection Services [KAPS]).

## SAFETY & SECURITY

- Build healthy relationships with SAPS. SAPS to ensure that their staff in Baviaans LM can speak the language of the customer – monthly meetings with SAPS
- Active CP Forums in all areas

## BETTER COMMUNICATION TO COMMUNITY

- Community participation structures to help identify community needs through Community Based Planning meetings lead by Ward councillors
- Public Participation Plan and Communication Action Plan
- Busy with establishment of Ward Committees
- Communication strategy to community Baviaans Municipal Newsletter
- IDP Newsletter
- IDP Feedback sessions.
- Website
- Notice board
- Loud hailing
- Help Desks
- Baviaans Municipal Website
- Baviaans Municipal Facebook
- Council agendas at libraries
- Public notices & notice boards
- Community Surveys

## 5. FUNCTION: HOUSING

### SUB-FUNCTION: N/A

#### OVERVIEW

Supply sustainable basic infrastructure to all inhabitants in Baviaans: Housing

#### DESCRIPTION OF ACTIVITY

- Eradicate all squatters and informal settlements in Baviaans. Investigate and determine the housing need in the entire Baviaans Municipal area with special focus on “Down” and Steytlerville squatters. Renovate old stone houses.

- Provide housing for needy people in Baviaanskloof and Fullarton. Investigate feasibility of housing projects in Fullarton and Baviaanskloof. Apply for housing projects from province.
- Provision of housing for middle and high-income earners. Town Planning for housing projects for higher income earners. Survey and peg new erven for future expansion of towns especially in Steytlerville and private sector housing development for Steytlerville and Willowmore
- Enhance quality and standards of RDP housing. Encourage local contractors to register with CIDB. Monitor all projects for compliance with National & Provincial standards. Ensure that legal/rightful owners are allocated houses in RDP housing projects.

## **STRATEGIC OBJECTIVES**

To supply sustainable housing to all inhabitants of Baviaans.

### **KEY ISSUES FOR 2011/12**

- Submit applications for Down and the stone houses in Steytlerville to the Dept of Housing
- Working towards completion of the remained of the 503 houses.
- 125 private erven were developed for high-income earners.
- Lady appointed to assist with registration of local contractors with CIDB.
- Work towards registration of rightful owners that are allocated RDP houses.

## **ANALYSIS OF FUNCTION**

Number and cost of all personnel associated with the housing function:

	<b>Total cost (R)</b>
	<b>496 963</b>
Office (Clerical / Administration) x 1	182 187
Building inspector x 1	315 776

## **6. FUNCTION: WASTE MANAGEMENT**

### **SUB-FUNCTION: SOLID WASTE**

#### **OVERVIEW**

Includes refuse removal, solid waste disposal and landfill and street cleaning

#### **DESCRIPTION OF ACTIVITY**

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

- Legalise dumping site in Steytlerville or look for alternative site.
- Investigate dumping in Fullarton & Baviaanskloof.
- Better management of dumping sites in Willowmore & Steytlerville.
- Controls over sites

- **Appoint a person to supervise dumping sites**
- **Make municipal vehicle available for hiring to remove garden/building or other waste that is not normally carried in black bags.**
- **Enforce by laws and educate community on implications of dumping randomly.**
- **Adopt a comprehensive plan for refuse removal through community participation.**
- **Purchase vehicles for refuse removal in both Willowmore & Steytlerville.**
- **Fill all vacancies existing in refuse removal and explore the idea of increasing personnel**

#### **STRATEGIC OBJECTIVES**

Supply sustainable Refuse Removal & Management of Dumping Sites to all inhabitants of the Baviaans

#### **KEY OBJECTIVES 2011/12**

Legal compliance of all dumping sites and improved refuse removal plans

#### **ANALYSIS OF FUNCTION**

	<b>Total cost [R]</b>
	<b>1 314 186</b>
Office (Clerical / Administration) x 1	159 553
Field x 2	334 861
Non-professional x 8	650 806

### **7. FUNCTION: WASTE WATER MANAGEMENT**

#### **SUB-FUNCTION: SEWERAGE, ETC:**

#### **OVERVIEW**

Provide sanitation on an acceptable standard to all communities

#### **DESCRIPTION OF ACTIVITY**

- Investigate the demand for sanitation in the municipal area.
- Plan & implement sanitation projects according to the demand analysis

#### **STRATEGIC OBJECTIVES**

To supply basic sanitation services to all inhabitants of the Baviaans.



## KEY ISSUES FOR 2011/12

- Extension of sewerage ponds in Steytlerville
- Investigate VIP toilet system for Fullarton and Saaimanshoek
- Investigate new drain pipe line as well as sewerage

## ANALYSIS OF FUNCTION

	Total cost (R)
	<b>1 508 352</b>
Office (Clerical / Administration) x 1	38 321
Non-professional x 13	1 131 233

## B. FUNCTION: ROAD MAINTENANCE

### SUB-FUNCTION: ROADS

#### OVERVIEW

Construction and maintenance of roads within the municipality's jurisdiction

#### DESCRIPTION OF ACTIVITY

- Establish a well presented body to meet regularly with the Dept of Roads & Transport: Nominated relevant roll players
- Transport Forums

#### STRATEGIC OBJECTIVES

To supply sustainable basic infrastructure to all inhabitants of Bavlaans: Rural Roads.

## KEY ISSUES FOR 2011/12

- Quarterly Transport Forums
- Investigate upgrading of Victoria Street, Steytlerville

## ANALYSIS OF FUNCTION

	Total cost (R)
	<b>1 218 056</b>
Professional (0)	
Field (Supervisors / Foremen) x 2	195 676
Non-professional x 13	721 580
Contract x 1	300 800

## 9. FUNCTION: WATER

### SUB-FUNCTION: WATER DISTRIBUTION

#### OVERVIEW

Includes the bulk purchase and distribution of water

#### DESCRIPTION OF ACTIVITY

##### SUSTAINABLE WATER SUPPLY

- Investigate new source for Steytleville (Erasmuskloof) feasibility and assessment.
- Bore another borehole in Saaimanshoek.
- Investigate an alternative to water purchasing in Fullarton and Steytleville.
- Supply water despite Eskom failures.

##### EFFICIENT ACCOUNTING SYSTEM FOR WATER USAGE

- Monthly statistics of consumption for monitoring
- Faulty meter replacement
- The installation of water meters in Baviaanskloof & Fullarton

##### BUDGET FOR OPERATION AND MAINTENANCE OF WATER RETICULATION NETWORK

- Finalise Water Services Development Plan
- Allocate funding from own revenue for operation and maintenance costs
- Conclude legal contracts with users tapping on the municipal lines

#### STRATEGIC OBJECTIVES

To supply sustainable basic infrastructure to all inhabitants of Baviaans: Water.

## KEY ISSUES FOR 2011/12

- ROD for surface water from Erasmuskloof
- Investigation of upgrading of internal water reticulation of Steytlerville
- Drill 3 x 300m deep boreholes at Wanhoop
- Investigate provision of permanent water supply to Hillview Sports field

## ANALYSIS OF FUNCTION

	Total cost (R)
	<b>1 357 576</b>
Field (Supervisors / Foremen) x 3	738 204
Non-professional x 7	619 372

## 10. FUNCTION: ELECTRICITY

### SUB-FUNCTION: ELECTRICITY DISTRIBUTION

#### OVERVIEW

Includes the bulk purchase and distribution of electricity

#### DESCRIPTION OF ACTIVITY

- Avoid power failure from the municipality supply network: Upgrade old network infrastructure in Steytlerville & Willowmore; Refurbish where needed; Operation and Maintenance plan to be crafted and implemented with budgetary provisions. Upgrade old power station Willowmore.
- Eradicate or minimize electricity loss that is not accounted for: Apply the credit control and by law's provisions for people stealing electricity. Educate people around the efficient usage of electricity.
- Ensure street lighting in all areas and townships. Apply for electrification of Fullarton houses and school. Ensure that all housing projects are electrified. Provision of enough prepaid vending machines.

## KEY OBJECTIVES FOR 2011/12

Electricity supply to all inhabitants of Bavians by 2012

## ANALYSIS OF FUNCTION

	Total cost (R)
	<b>780 530</b>
Field (Supervisors / Foremen) x 2	405 468
Non-professional x 4	375 062

## **11. FUNCTION: OTHER**

### **SUB-FUNCTION: PERFORMANCE MANAGEMENT**

#### **OVERVIEW**

Includes all activities related to monitoring the organisational and individual performance of Baviaans Local Municipality and its officials.

#### **DESCRIPTION OF ACTIVITY**

The function of Performance Management within the municipality is performed by the manager, Community Services and includes monitoring the implementation of the Integrated Development Plan (IDP) through the (Service Delivery and Budget Implementation Plan) SDBIP and the performance of all employees within Baviaans Municipality.

Legislation states that key performance indicators and targets must be implemented to enable continual monitoring of the municipality and its administration. These indicators pinpoint areas of focus for each financial year as developed through the process of public participation, and listed in the IDP. Once approved, the IDP is married with the budget in a document called the SDBIP, which provides a workable management tool from which to operate under and monitor progress. The SDBIP is then used to develop a personalised performance plan system for each official, through the delegation of activities included in the SDBIP, and agreed upon individual performance plans. The SDBIP and performance plans of the Municipal Manager and other managers are published on the municipal website.

Through quarterly monitoring, performance of each individual is tracked to ensure that progress remains in line with what was originally planned. The result is included per functional area in the annual report.

#### **STRATEGIC OBJECTIVES**

To ensure implementation of the municipality's Integrated Development Plan and continued improvement in the standard of performance of Baviaans Local Municipality through:

- Increased certainty of job roles, accountability and transparency of both officials and the institution
- Increased communication across the institution
- Provision of a platform for learning and development
- Facilitation of decision making through the clarification of goals and priorities
- Provision of early warning signals highlighting underperformance so that timely interventions can steer performance back on track
- Continual assessment of the performance of the municipality so as to address areas requiring improvement
- Investigation and assessment of outcome indicators to guide strategic direction
- Creation of a culture of performance at Baviaans Municipality among all officials including recognising excellent performance and curtailing and correcting poor performance

#### **KEY ISSUE FOR 2011/12**

- Entrenchment of Baviaans' performance management system to all employees to ensure continual monitoring of performance through quarterly reviews
- Automated system will be implemented in 2012/13 with CDM's assistance

- Regular quarterly performance reporting to Council on individual performance through reviews per department and institutional performance through the SDBIP

#### **ANALYSIS OF FUNCTION**

No Performance Management System Officer is employed in Baviaans Municipality. The function to ensure the achievement of the above objectives is fulfilled by the manager of Community Services.

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#### **ANNEXURES**

1. Performance Report 2011/12 (SDBIP)
2. Auditor General's report on Annual Financial Statements and Performance
3. Action Plan to address Auditor General's report
4. Audit Committee report
5. Approved Municipal Structure

**ANNEXURE 1 – PERFORMANCE REPORT 2011/12 (SDBIP)**

**Provision of Basic Infrastructure**

**Objective 4.7: Supply Sustainable Basic Infrastructure to all Inhabitants of Bawitjans: Streets and Storm water**

Strategy	Performance Measure (Indicator)	Target for 11/12	Budget 11/12	Baseline	1st Quarter			2nd Quarter			4th Quarter			Evidence	Responsible persons		
					Target	Actual	Variance	Target	Actual	Variance	Target	Actual	Variance				
	Completion of Phase III - Upgrade of streets & storm water project by 30 June 2012. Willowmore & Steyterville	To appoint a service provider by 30 July 2011 to execute project according to appointment letter	R8,428m (Capital Budget)	Advertise tender & start SCM processes	Service provider appointed 10 October 2010	Service provider appointed	N/A	To take minutes of monthly meetings to council for review 15 April 2012	Done	N/A	Done	N/A	Completion of project	Not done	N/A	Appointment letter, Minutes of Site Council - completion report	B Atoms

Objective 4.A: Supply sustainable basic infrastructure to all inhabitants of Bavarians: Sanitation

Strategy	Performance Measure (Indicator)	Target for 11/12	Budget 11/12	Baseline	1st Quarter			2nd Quarter			4th Quarter			Evidence	Responsible persons	
					Target	Actual	Variance	Target	Actual	Variance	Target	Actual	Variance			
Provide sanitation of an acceptable standard to all communities	Completion of Waste Water Treatment Works project by 30 June 2012. Willpower	To appoint a service provider by 15th June 2011 to execute project according to appointment letter	R7 450rr	Advertise tender & start SCM processes	Service provider appointed by 27 June 2011	Service provider appointed by April 2011	N/A	To take minutes of monthly Site Meetings to council for review - 05 April 2012	Done	Done	N/A	Completion of project	Not done	N/A	Appointment letter, Minutes of Site meetings to Council - completion report	B Arends
					Service provider appointed by June 2011	Service provider appointed by 08 April 2011	N/A	To take minutes of monthly Site Meetings to council for review	Done	Done	N/A	To take minutes of monthly Site Meetings to council for review	Done	Done	R4 495 000	Minutes of monthly site meetings
	b) Down Housing Sanverage	To appoint a service provider by 15th June 2011 to execute project according to appointment letter	R1 525 585 (Capital Budget)	Advertise tender & start SCM processes	Service provider appointed by June 2011	Service provider appointed by 08 April 2011	N/A	To take minutes of monthly Site Meetings to council for review	Done	Done	N/A	Completion of project	Not done	N/A	Appointment letter, Minutes of Site meetings to Council - completion report	B Arends
					Service provider appointed by June 2011	Service provider appointed by 08 April 2011	N/A	To take minutes of monthly Site Meetings to council for review	Done	Done	N/A	To take minutes of monthly Site Meetings to council for review	Done	Done	R4 495 000	Minutes of monthly site meetings

(Capital budget)

Objective 4.1: Supply sustainable basic infrastructure to all inhabitants of Barotses; water

Strategy	Performance Measure (Indicator)	Target for 11/12	Budget 11/12	Baseline	11/12/12			2nd Quarter			4th Quarter			Evidence	Responsible persons	
					Target	Actual	Variance	Target	Actual	Variance	Target	Actual	Variance			
Well-planned development documents for areas in the municipality; water	a) Develop & approval of Water Safety Plan by 30 June 2012	An approved Water Safety Plan	R100 000 (Capital budget)	No water safety plan currently exist	Advertise for Service Provider by 30 June 2011	Request for formal quotation closed 1 July 18 March 2012 at 12:00	Qualifiers requested & matches after due date	Appoint Service Provider	Service provider not appointed due to cash flow	100%	No Draft	Draft Water Safety Plan	100%	Plan approved by council	Funds were received from LWA, but was utilised for other purposes	B Aranda
	b) Develop & approval of a Storm water waste: plan by 30 June 2012	Plan adopted by Council	R200 000 (Capital budget)	No storm water waste: plan currently exist	Advertise for Provider by 30 June 2011	Request for formal quotation closed 1 July 09 March 2012 at 12:00	Qualifiers requested & matches after due date	Appoint Service Provider	Service provider not appointed due to cash flow	100%	No Draft	Draft Storm Water Master Plan	100%	Plan approved by council	Funds were received from Caledon District Municipality, but was utilised for other purposes	B Aranda
	c) Develop & approve a Policy framework for water & sanitation to farm workers	Policy adopted by Council	R50 000 (Capital budget)	No framework for water & sanitation for farm workers currently exist	Physical survey of existing water and sanitation services on rural farms	Physical survey of existing water and sanitation services on rural farms	Physical survey completed 05 August 2011	Physical survey of existing water and sanitation services on rural farms	Physical survey completed 05 August 2011	None	None	Draft Policy framework for water & sanitation to farm workers	None	Policy approved by Council on 31 October 2011 Council resolution nr: 73.7	Policy approved by Council on 31 October 2011 Council resolution nr: 73.7	B Aranda



Efficient accounting system for water usage	Project to reduce water losses by implementation of ACEET (Acceleration of Infrastructure Projects) business plan	To appoint a service provider by 30 July 2011 for execution project according to appointment letter	RT 50M	ACIP: WCDM Plan allocated in FY 2011/2012 financial year	Appointment of Service Provider	Service provider appointed by April 2011	Done	Name	Project to be completed	Done	100%	Appointme:?? letter & completion report	B-Arands				
Comply with legal requirements: Licences and permits	Obtain 22 x permits / licences for townships: Willowmore & Saldanha	To appoint a service provider by 30 July 2011 for execution project according to appointment letter	R100 000 (Capital budget)	No base line available	Advertiser for Service Provider by 30 June 2011	Request for formal written quotation close Friday 16 March 2012 at 12h00	Quotations requested 2 weeks after due date	Appoint Service Provider	Proof of applications submitted	100% cost	100%	Licences received	no licences	Project to be completed	Done	Appointme:?? letter; applications; Licences	B-Arands

Objective 4.10: Repair and maintenance of all infrastructure in Bovenans

Strategy	Performance Measure (Indicator)	Target for 11/12	Budget 11/12	Baseline	1st Quarter			2nd Quarter			3rd Quarter			Responsible persons	
					Target	Actual	Variance	Target	Actual	Variance	Target	Actual	Variance		
Maintain and repair all assets in Bovenans	a) Electricity	Spend allocated electricity maintenance budget	R300 000 - Vote No 10074006	Household spander 10111 nr 80418101 R 212 807,55	R 75 000	6003,61	R 74 006	R 75 000	38247,99	R -55 732	R 75 000	38236,06	R -71 704	Refer to Samras System	B Alenck
					R 87 500		R 87 500	R 87 500	18482,71	R -69 507	R 87 500	16124,86	R -72 375	Refer to Samras System	B Alenck
					R 12 500	0	R 12 500	R 12 500	2533,57	R -9 506	R 12 500	96,06	R -12 403	Refer to Samras System	B Alenck
	b) Water	Spend allocated water maintenance budget	350 000 Vote Nr 10078306	R 142 429,54	R 12 500	11851,95	R -15 508	R 12 500	80182,47	R -7 309	R 12 500	1500	R -5 426	Refer to Samras System	B Alenck
					R 12 500	0	R 12 500	R 12 500	7626,56	R 5 427	R 12 500	7364,30	R -5 426	Refer to Samras System	B Alenck
					R 12 500	656	R 12 500	R 12 500	0	R -12 500	R 12 500	9775,82	R -40 223	Refer to Samras System	B Alenck
	c) Sanitation	Spend allocated sanitation maintenance budget	R50 000 Vote Nr 10096306	R 142 429,54	R 25 000	3226,46	R -46 774	R 25 000	29199,08	R -20 001	R 25 000	90710,89	R 40 771	Refer to Samras System	B Alenck
					R 25 000	1588,16	R -27 002	R 25 000	1436,48	R 25 564	R 25 000	113,85	R -24 882	Refer to Samras System	B Alenck
					R 25 000	0	R 25 000	R 25 000	0	R -5 305	R 25 000	1205	R -3 796	Refer to Samras System	B Alenck
	d) Land / fences	Spend allocated Building maintenance budget	R200 000	R 142 429,54	R 25 000	1588,16	R -27 002	R 25 000	1436,48	R 25 564	R 25 000	113,85	R -24 882	Refer to Samras System	B Alenck
					R 25 000	0	R 25 000	R 25 000	0	R -5 305	R 25 000	1205	R -3 796	Refer to Samras System	B Alenck
					R 25 000	0	R 25 000	R 25 000	0	R -5 305	R 25 000	1205	R -3 796	Refer to Samras System	B Alenck
e) Building	Spend allocated equipment maintenance budget	R100 000	R 142 429,54	R 25 000	1588,16	R -27 002	R 25 000	1436,48	R 25 564	R 25 000	113,85	R -24 882	Refer to Samras System	B Alenck	
				R 25 000	0	R 25 000	R 25 000	0	R -5 305	R 25 000	1205	R -3 796	Refer to Samras System	B Alenck	
				R 25 000	0	R 25 000	R 25 000	0	R -5 305	R 25 000	1205	R -3 796	Refer to Samras System	B Alenck	
f) equipment/ tools	Spend allocated TV maintenance budget	R 20 000	R 142 429,54	R 7 500	0	R -5 000	R 7 500	12763,63	R 5 264	R 7 500	103982,1	R 99 782	Refer to Samras System	B Alenck	
				R 7 500	0	R 7 500	R 7 500	0	R -5 305	R 7 500	1205	R -3 796	Refer to Samras System	B Alenck	
				R 7 500	0	R 7 500	R 7 500	0	R -5 305	R 7 500	1205	R -3 796	Refer to Samras System	B Alenck	
g) TV	Spend allocated Parks maintenance budget	R30 000	R 142 429,54	R 7 500	0	R -5 000	R 7 500	12763,63	R 5 264	R 7 500	103982,1	R 99 782	Refer to Samras System	B Alenck	
				R 7 500	0	R 7 500	R 7 500	0	R -5 305	R 7 500	1205	R -3 796	Refer to Samras System	B Alenck	
				R 7 500	0	R 7 500	R 7 500	0	R -5 305	R 7 500	1205	R -3 796	Refer to Samras System	B Alenck	

i) Streets	Spend allocated Streets maintenance budget	R 400 000	R 824 620,81	R 100 000	77580,82	R 22 410 000	25100,29	R 74 636 000	R 100 000 000	26740,38	R 10 200	R 100 000	2008,31	R 97 292	Refer to Sannas System	B Amounts
j) Sport grounds	Spend allocated sports ground maintenance budget	R 50 000	R 44 804,81	R 12 500	1056	R 17 446 000	0	R 12 500	R 12 500	2421,81	R 12 500	R 12 500	1608,92	R 10 506	Refer to Sannas System	B Amounts
k) Furniture and office equipment	Spend allocated office equipment budget	R 30 000	R 3 242,61	R 7 500	1950	R 7 500	14103,95	R 6 604	R 7 500	2761,26	R 7 500	R 7 500	8082,6	R 2 163	Refer to Sannas System	R Amounts

Financial Viability and Management

Objective 1.1: A well established municipality with sufficient resources and institutional capacity to deliver an excellent municipal service

Strategy	Performance Measure (Indicator)	Target for 11/12	Budget 11/12	Baseline	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter			Evidence	Responsible
					Target	Actual	Variance	Target	Actual	Variance	Target	Actual	Variance	Target	Actual	Variance		
Increase collection of revenue	a) Implementation of incentive policy (free basic services) and administrative process	2470 x of all households must be registered as indigent	N/A	2249	2470 x registered indigents	R 2 183	68.79%	2170 x registered indigents	2449	90.14%	2470 x registered indigents	101.34	2676	108.20	2470 x registered indigents	Updated indigent register	J Doyle	
					1 363	519	161	627	144 033	95.06	R 1 230 017	R 660 055	52.27	Monthly financial management report	J Doyle			
					445	357	829	521	867 212	73.2	R 497 480	R 1 200 430	241.9	Monthly financial management report	J Doyle			
c) Collection of service accounts	i) Effective resolution of reduction of property rates	amount received / amount billed collected	R2,964m - Vote No 10000560	2 170 746	2 064	907	66.56%	1 600 843	188 898	103.60%	1 822	144 033	R 1 230 017	R 660 055	52.27	Monthly financial management report	J Doyle	
					791	563	72.70%	720 832	427 832	59.87%	829	867 212	73.2	Monthly financial management report	J Doyle			
					2 064	2 117	102.55%	1 566 193	738 832	111.80%	1 822	1 806 169	311.3	Monthly financial management report	J Doyle			
	ii) Refuse removal	amount received / amount billed collected	R2774574	7 143 108	413 593	315	77.25%	448 234	283 833	79.25%	408	347 641	R 232 226	R 657 708	196	Monthly financial management report	J Doyle	
					413 593	526	77.25%	448 234	283 833	79.25%	408	347 641	196	Monthly financial management report	J Doyle			
					413 593	526	77.25%	448 234	283 833	79.25%	408	347 641	196	Monthly financial management report	J Doyle			

		amount received / amount billed collected	Sanitation: R1481165	1 118 378	215 423	200 215	96.67%	231 580	204 482	105.55%	562	ZAU	240 867	100.01	R152 206	R587 405	74	Monthly financial management report	J Doyle
TOTAL					4 887 627	3 937 601	85.6426%	3 125 790	932 794	83.3254%	624	3 233	3 149 971	97.369%	5 282 730	5 689 346	97		J Doyle
Reduce unnecessary expenditure	Quersight on all expenditure & findings made by AG	Monthly Expenditure Control Meetings & Monthly Top Management Meetings	N/A		3 meetings per quarter	None	0.00%	3 meetings per quarter	None	0.00%	3 meetings per quarter	3 meetings per quarter	3	100%	3 meetings per quarter	1	83	Monthly minutes of both meetings to council	J Doyle
Improve internal control in finance	Effective collection of VAT	Submit VAT returns by 25th of every second month	N/A		2x VAT return (May & June)	2	100.00%	1 x VAT return	1	100.00%	2x VAT return	2	2	100%	1 + Vat return	1	100	Effective price cuts	J Doyle

**Municipal Institutional Development and Transformation**

**Objective 1.2: Working towards the creation of a stable capacitated personnel corps geared to increase service delivery and good performance in service delivery**

Strategy	Performance Measure (Indicator)	Target for 11/12	Budget 11/12	Baseline	1st Quarter			2nd Quarter			4th Quarter			Evidence	Responsible
					Target	Actual	Variance	Target	Actual	Variance	Target	Actual	Variance		
Improve customer care: Control complaints processes	Establish effective help desks	Coordination and execution of complaints for indigent repairs: Job cards per month relate to repairs on indigent houses	R 50 000 (Free Basic Services Repairs - Item 222 on operating budget)	No baseline for previous year	313 x jobs	313 x jobs	Nil	313 x jobs	313 x jobs	Nil	313 x jobs	313 x jobs	Nil	Job cards per month - Proof available on request.	M. Lötter
An effective, customised organisational structure with trained & skilled personnel	Number of personnel benefiting from WSP	Train at least 30 personnel members for 11/12. Benefit from WSP	R70000 - (training - Item No 50 on operating budget)	41 x personnel members trained previous year	Done	Train 10 x people	Nil	Train 30 x people	32 x people trained	Nil	Train 30 x people	32 x people trained	Nil	Attendance registers of training done attached. - Annexure F	M. Lötter
Performance evaluations	To complete a customer care survey by an independent party to evaluate the institution	Customer Care Survey	R75 000 (Customer Care - Item No 23 on operating budget)	1 x survey per year	Nil	Nil	Nil	Start with SCM process	Not done	Nil	Start with SCM process	No funding	Project not completed	Only budgeted for in adjustment - No funding in 3rd & 4th quarter due to cash flow problems	M. de Beer

**Good Governance & Public Participation**

**2.2 Enhance Community Participation**

Strategy	Performance Measure (Indicator)	Target for 11/12	Budget 11/12	Baseline	1st Quarter			2nd Quarter			4th Quarter			Responsible
					Target	Actual	Variance	Target	Actual	Variance	Target	Actual	Variance	
Effective external and internal communication	To communicate important municipal information to public by publishing and distributing a Biyavans Municipal News Letter 4 x per year	a) Develop 4 x editions & distribute 4800 newsletters end of every quarter	R220 000 communication budget for newsletters (Item No. 28 on operating budget)	Previous year 4000 distributed	4500 x newsletters letters printed & distributed	None	4500 x newsletters letters printed & distributed	4500 x newsletters letters printed & distributed	None	4500 x newsletters letters printed & distributed	None	4800 newsletters letters printed & distributed	None	ME de Beer

**LOCAL ECONOMIC DEVELOPMENT**

**Objective 2.2** The youth of Baribans are actively integrated and contribute to community development

Strategy	Performance Measure (Indicator)	Target for 1 <sup>st</sup> /12	Budget 1 <sup>st</sup> /12	Baseline	1 <sup>st</sup> Quarter			2 <sup>nd</sup> Quarter			4 <sup>th</sup> Quarter			Responsible
					Target	Actual	Variance	Target	Actual	Variance	Target	Actual	Variance	
Promote self development	a) Provide access to computers in Steylenville	a) (i) Replace 10 x old outdated computers in Steylenville by 31 December 2011	R150 000 - Human Development Grant on operating budget	Ten computers	Start with SCM process	Done	Done	N/A	Done	Done	N/A	Done	N/A	ME de Beer
	b) Provide access to computers in Rietsig	(ii) Provide Rietsig computer centre with 10 computers	Lobby for funds - R60000 - dependent on funding from DPLGTA for incorporated areas (DMA area - Establishment Fund)	No baseline	No target	Not done	100%	Not done	Not done	100%	100%	Not done	100%	ME de Beer
Promote self development	Number of individuals benefiting from computer training	Train at least 50 x students to benefit from basic computer training	R150 000 - Human Development Grant on operating budget	75 x students trained	Training from previous year to be completed	Busy with training	100%	Not done	49 x trained	49 x trained	0%	49 x trained	0%	ME de Beer
		Train at least 50 x students to benefit from basic computer training												



**LOCAL ECONOMIC DEVELOPMENT (continued)**

**4.1** Proud citizens that contribute to the development of their towns.

Strategy	Performance Measure (Indicator)	Target for 11/12	Budget 11/12	Baseline	1st Quarter			2nd Quarter			4th Quarter			Evidence	Responsible
					Target	Actual	Variance	Target	Actual	Variance	Target	Actual	Variance		
Better educated communities	(1) Equip libraries with books	Buy books to the value of R50 000 for the 4 x libraries	At least R60 000 (CDM & BM operating budget - item 56)	R50 000 books bought in previous year	Do needs analysis in libraries	Develop a list of books needed	None	Follow SCM processes	Quotes obtained	None	Buy books	Books purchased	None	Invoices - Annexure C	ME ds Barr
		Appoint one EPWP Provider (Eastern Working Programme) candidate in each of the 4 x libraries with a contract up to 30 June 2012. Target date 31/07/12.	R2 000 000 - (part of EPWP operating budget)	No lease fee	Advertise 4 x positions	Advertise 4 x positions	None	Appoint candidates	Candidates appointed	None	None	None	None	Plan submitted	Agreements available - Annexure C

**LOCAL ECONOMIC DEVELOPMENT (continued)**

Objective 2.A.1 pleasure tourist experience

Strategy	Performance Measure (Indicator)	Target for 11/12	Budget 11/12	Baseline	1st Quarter			2nd Quarter			4th Quarter			Evidence	Responsible
					Target	Actual	Variance	Target	Actual	Variance	Target	Actual	Variance		
Promote local tourism	Execution of tourism action plan	Quarterly monitoring by council on the implementation of the tourism action plan. Council to identify lagging projects and to verify supporting incentives for each project.	R520,000 tourism - item 38-44 re-opening budget;	Tourism Action Plan	Quarterly reports to council	Reports to council on: 31/1/11	None	Quarterly reports to council	Reports to council on: 15/1/11	None	Quarterly reports to council	Reports to council on: 30/12	None	Tourism Plan reports with evidence & minutes of council resolution Annexure A & C	ME de Beer
Promote local tourism	(1) On a yearly basis appoint one EPWP each tourist office to improve service delivery to community	Appoint one EPWP (Eastern Province Working Programme) candidate in each of the 2 x tourist offices with a contract up to 30 June 2012. Target date 31/12/11	R2,000,000 (part of EPWP budget - operating budget)	No previous EPWP	Quarterly reports to council	Reports to council on: 31/1/11	None	Advertise 2 x positions	Appoint candidates	None	Appointees appointed	None	None	Appointees letters available - Annexure J	ME de Beer

**LOCAL ECONOMIC DEVELOPMENT (continued)**

Objective 3.1 SMME's are provided with mandated municipal support that facilitates their growth and success

Strategy	Performance Measure (indicator)	Target for 2011/2012	Budget 2011/2012	1st Quarter				2nd Quarter				4th Quarter			Evidence	Responsible person
				Target	Actual	Variance	Target	Actual	Variance	Target	Actual	Variance				
Promote local economic development	* Execution of LED Action Plan	Quarterly monitoring by council on the implementation of the tourism action plan. Council to identify leading projects and to verify supporting documents for each project.	R150 000	Quarterly reports to council on 31/12/12	Reports to council on 31/12/12	None	Quarterly reports to council	Reports to council on 30/12/12	None	Quarterly reports to council	Reports to council on 28/12/12	None	Quarterly reports to council	Reports to council on 28/12/12	None	M E de Beer
Promote local economic development	(1) On a yearly basis appoint one EPWP candidate for LED Office to improve service delivery	Appoint one EPWP (Eastern Province Working Programme) candidate in each of the LED Offices with a contract up to 30 June 2012. Target date 31/08/11	Item B2 on operating budget	Advertis position	Advertisement	None	Appoint candidate	Candidate appointed	None	None	None	None	Completed	Appointments available - Anoxana J	None	M E de Beer

## **ANNEXURE 2 - AUDITOR GENERAL'S REPORT ON ANNUAL FINANCIAL STATEMENTS AND PERFORMANCE**

### **REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE BAVIAANS LOCAL MUNICIPALITY REPORT ON THE FINANCIAL STATEMENTS**

#### **Introduction**

1. I have audited the financial statements of the Baviaans Local Municipality set out on pages ... to ... , which comprise the statement of financial position as at 30 June 2012, the separate statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

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

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2010 (Act No. 1 of 2010 as amended) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor-General's responsibility**

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the General Notice issued in terms thereof and International Standards on Auditing. 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.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my disclaimer of opinion.

## **Basis for disclaimer of opinion**

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

6. The municipality has not applied the recognition and measurement that is required by the Standard of Generally Recognised Accounting Practice (GRAP) 17: *Property, Plant and Equipment* to its assets for the year ended 30 June 2012. It did also not maintain an adequate system of internal control or fixed asset register and sufficient audit evidence was not available to support assets amounting to R55,5 million (2011: R37,7 million). The municipality did furthermore not provide sufficient appropriate audit evidence to confirm existence of certain items of property, plant and equipment to the value of R 22 million. The municipality's accounting records did not permit the application of alternative audit procedures. Consequently, it was not possible to determine whether any adjustments to these amounts were necessary.

### **Value-added tax**

7. The net value-added tax VAT receivable of R4,3 million, according to the general ledger, did not agree with the returns and refunds received from the South African Revenue Services (SARS) of R3,2 million, resulting in a difference of R1,1 million. Sufficient appropriate audit evidence was not available to explain this difference. Consequently, it was not possible to determine whether any adjustments to these amounts were necessary.
8. Section 7 of the Value-Added Tax Act, 1991 (Act No. 89 of 1991) prescribes that a vendor is liable for VAT for the supply of goods or services calculated at a rate of 14% on the value of the supply. Output VAT of R1,1 million, rather than R2 million should have been declared on VAT returns of the municipality.
9. Prior year adjustments to VAT were recorded and disclosed in the current year without restatement of the prior year. As a result of this the opening balances of VAT overstated by R3,2 million.

### **Trade and other payables**

10. The trade payables of R13,1 million, in the sub-ledger did not reconcile to trade payables of R16,2 million disclosed in note 13 to the financial statements by R3,1 million. The municipality could not provide adequate supporting documentation or explanation for the difference of R3,1. In addition, the municipality did not provide sufficient appropriate audit evidence to support payments of R1,5 million made to suppliers after year-end. The municipality's accounting records did not permit the application of alternative audit procedures. Consequently, I was unable to determine whether any further adjustment to trade and other payables were necessary.

### **Trade and other receivables**

11. Included in the trade receivables from exchange transactions of R3,7 million that disclosed in note 5 to the financial statements are amounts totalling R4,1 million for which adequate supporting documentation could not be provided. Consumer debtors' of R4 million in sub-ledger did also not reconcile to consumer debtors of R3,8 million that is disclosed in note 5 to the financial statements. The municipality could not provide adequate supporting documentation or explanations for the difference of R273 264. The municipality's accounting records did not permit the application of alternative audit procedures. Consequently, I was unable to determine whether any further adjustment to trade and other receivables is necessary.

### **Accumulated surplus**

12. The municipality did not restate the opening balance on accumulated surplus for misstatements identified in the prior year financial year. The opening balance is overstated by R3,7 million.

### **Provisions**

13. The post-employment medical benefit provision of R3,3 million, long service award provision of R525 538 and landfill rehabilitation provision of R324 500 as disclosed in notes 16 and 17 to the financial statements have been calculated by external parties. I was not able to obtain supporting documentation to confirm the accuracy of underlying data used in the calculations. Consequently, I was unable to determine whether any adjustments to provisions were necessary.
14. The municipality did not maintain adequate leave records which resulted it not being possible to provide support documentation for the leave pay provision of R1,3 million (2011: R1,1 million) that are disclosed in note 13 to the financial statements. The municipality's accounting records did not permit the application of alternative audit procedures. Consequently, I was unable to determine whether any adjustment to provisions were necessary.
15. The provision for legal fees of R300 000, that is disclosed in note 13 to the financial statements, was raised during the 2010-11 financial year but was not utilised during the 2011-12 financial year and should therefore have been reversed. This provision is thus overstated by R300 000.
16. The valuation of the bonus provision of R1,1 million that is disclosed in note 16 to the financial statements by R611 850 as it was not based on accurate underlying data.

### **Personnel expenditure**

17. Included in employee costs that are disclosed in note 28 to the financial statements are overtime expense and adjustments of R479 843 and R616 846, respectively, for which adequate supporting documentation could not be provided. The municipality's accounting records did not permit the application of alternative audit procedures. Consequently, I was unable to determine whether any further adjustments to personnel expenditure were necessary.

### **Conditional grants spending**

18. Disclosed in the statement of financial position and note 15 to the financial statements are unspent conditional grants of R5,2 million (2011: R3,2 million). The disclosures relating to the individual grants did not agree with the underlying accounting records. Furthermore, adequate supporting documentation and explanations could not be provided by the municipality to support this unspent balance. Conditional grant funding also was utilised for operational expenditure. The municipality's accounting records did not permit the application of alternative audit procedures.

### **Unauthorised, irregular and fruitless and wasteful expenditure**

19. The municipality did not have adequate systems in place to identify and disclose all irregular expenditure incurred during the year as required by section 112(1) of the MFMA. During the audit process the irregular expenditure of R694 529 (2011: R3,1 million) was detected. Due to the lack of systems it was impracticable to determine the full extent of the understatement of irregular expenditure that was not detected or

disclosed by the municipality. Consequently, I was unable to determine whether any further adjustments were necessary to the irregular expenditure disclosure note.

#### **Cash flow statement**

20. Presentation of a cash flow statement summarising the entity's operating, investing and financing activities, is required by GRAP 2: *Cash flow statements*. The cash flow statement contains a number of material inconsistencies within the financial statements. In addition, the cash flow statement presented does not cast and differs to the cash and cash equivalents note 8 to the financial statements by R200 451.

#### **Contingencies and commitments**

21. According to note 35 to the financial statements commitments amount to R22 million (2011: R20,5 million). According to records and supporting documentation the municipality has capital commitments of R9,9 million. Consequently, capital commitments as disclosed in note 35 are overstated by R12,1 million.
22. Restrictions on title to property, plant and equipment pledged as securities for liabilities should be disclosed in the financial statements for each class of property, plant and equipment recognised in the financial statements. The municipality assets pledged as security amount to R1,7 million. No assets pledged as security are disclosed in note 35.

#### **Corresponding figures**

23. During the 2011 financial year audit, I was unable to obtain sufficient appropriate audit evidence concerning:

- Employee related costs – R2,7 million
- General expenses – R10,3 million
- Special project expenditure – R1 million
- Revenue – R4 million
- Grant revenue – R2,2 million
- VAT receivable – R1,3 million
- Trade and other payables – R6,9 million
- Cash and cash equivalents – R0,5 million
- Provision for bad debts – R0,8 million
- Trade and other receivables – R1,7 million
- Unspent conditional grants – R2,2 million

24. I was unable to obtain sufficient appropriate audit evidence for the above by alternative means. Consequently I was unable to determine whether any adjustments to these amounts and the accumulated surplus were necessary. My audit opinion on the financial statements for the period ended 30 June 2011 was modified accordingly. My opinion on the current period's financial statements is also modified because of the possible effect of these matters on the comparability of the current period's figures.

#### **Aggregation/accumulation of immaterial uncorrected misstatements**

25. The financial statements as a whole are materially misstated due to the cumulative effect of numerous individually immaterial uncorrected misstatements in the following elements making up the statement of financial position, statement of financial performance and the notes to the financial statements:

- Employee related costs are understated by R500 000

- Unspent conditional grants are overstated by R700 000

26. As a result, I was unable to determine whether any further adjustments to these elements were necessary.

#### **Disclaimer of opinion**

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

#### **Emphasis of matters**

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

#### **Impairments**

29. As disclosed in note 5 to the financial statements, Impairments to the amount of R3.7 million were incurred as a result of a write-off of irrecoverable trade debtors.

#### **Financial sustainability**

30. While the municipality has prepared financial statements on a going concern basis, there are a number of indicators that its financial sustainability is under threat which has been disclosed in the accounting officers' report in the financial statements. This material uncertainty may cast significant doubt over the municipality's ability to continue as a going concern.

#### **Conditional grant not spent in accordance with the purposes for which it was intended**

31. The allocations for the Financial Management Grant, Municipal Systems Improvement Grant, Wireless Backbone Grant and the Valuation Grant were utilised in some instances for purposes other than those stipulated in their respective schedules or gazetted DoRA framework. This is a contravention of the requirements of section 15(1) of the DoRA.

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

32. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion

#### **Predetermined objectives**

33. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages ... to ... of the annual report.

34. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned development priorities. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable,



specific, measurable and time bound) and relevant as required by the National Treasury's *Framework for managing programme performance information (FMPPPI)*.

36. The reliability of the information in respect of the selected development priorities or objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

The material findings are as follows:

30. The municipal manager did not submit a copy of the IDP to the MEC for Local Government within 10 days after the adoption of the IDP by the municipal council as required by section 32 of the Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA).
37. The key performance indicators on the IDP do not include the following general key performance indicators as required per section 43 regulation 10 of the MSA:
- The percentage of households with access to basic level of water, sanitation, electricity and solid waste removal.
  - The percentage of households earning less than R1 100 per month with access to free basic services.
  - The percentage of a municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the IDP.
  - The number of jobs created through the municipality's local economic development initiatives including capital projects.
  - The number of people from employment equity target groups employed in the three highest levels of management in compliance with an approved employment equity plan.
  - The percentage of a municipality's budget actually spent on implementing its workplace skills plan.
  - Financial viability expressed by ratios.
38. The municipality did not prepare or submit a mid-year budget and performance assessment to the National Treasury and provincial treasury by 25 January 2012 as required by section 35 of the Municipal Budget and Reporting Regulation (GN 393 of 2009) (MBRR)
39. The internal auditors did not continuously assess and audit the performance measurement of the municipality and submit quarterly reports to the municipal manager as required section 14(1)(c) of the Municipal Planning and Performance Management Regulation (GNR 796 of 2011) (MPPMR).
40. The municipality did not indicate the measures taken to improve performance in their performance report as required by section 46(1) of the MFMA.

#### **Conclusions**

41. Based on my work described in this report, nothing has come to my attention that causes me to believe that the Baviaans Municipality's Annual Performance Report is not useful, in all material respects, in accordance with the predetermined criteria.
42. Based on my work described in this report, nothing has come to my attention that causes me to believe that the selected objectives set out in the Baviaans Municipality's Annual Performance Report is not fairly stated in all material respects, in accordance with the predetermined criteria.

### **Compliance with laws and regulations**

43. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the general notice issued in terms of the PAA are as follows:

### **Strategic planning and performance management**

44. The accounting officer of the municipality did not submit the results of the assessment on the performance of the municipality during the first half of the financial year to the mayor of the municipality, the National Treasury and the provincial treasury as required by section 72(1) (b) of the MFMA.

### **Budgets**

45. Expenditure was incurred that was not budgeted for, in contravention of section 15 of the MFMA.
46. Quarterly reports were not submitted to the council on the implementation of the budget and the financial state of affairs of the municipality within 30 days after the end of each quarter, as required by section 52(d) of the MFMA.
47. Unforeseeable and/or unavoidable expenditure not provided for in the annual budget was incurred without being appropriated in an adjustment budget, in contravention of section 29(2)(d) of the MFMA.
48. The total unforeseen and unavoidable expenditure incurred exceeded 5% of own revenue, in contravention of section 72 of the MBRR.
49. Sufficient appropriate audit evidence could not be obtained that monthly budget statements were submitted to the mayor and the relevant provincial treasury, as required by section 71(1) of the MFMA.

### **Financial statements, performance report and annual report**

50. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements identified by the auditors were not adequately corrected, which resulted in the financial statements receiving a disclaimed audit opinion.
51. The municipality did not submit its financial statements within two months of the financial year-end to my office as is required by section 126(1)(a) of the MFMA. The municipal council was also not informed of this late submission of the annual financial statements as is required by section 133(1) of the MFMA.

### **Audit committee**

52. The audit committee did not:
- advise the council, accounting officer and management staff on matters relating to internal financial control, accounting policies and performance evaluation as required by section 136(2)(a) of the MFMA
  - review the annual financial statements to provide the council with an authoritative and credible view of the financial position of the entity, its efficiency and effectiveness

and its overall level of compliance with the MFMA, DoRA and other applicable legislation, as required by section 106(2)(b) of the MFMA

- meet at least four times a year, as required by section 106(4)(b) of the MFMA.

53. A performance committee was not in place and the audit committee established in terms of section 106 of the MFMA was not use for this function, as required by section 14 of the MPPMR.

#### **Internal audit**

54. The internal audit unit did not audit the performance measurements on a continuous basis and submit quarterly reports on their audits to the municipal manager and the performance audit committee, as required by section 14(1)(c) of the MPPMR.

#### **Expenditure**

55. The accounting officer did not take reasonable steps to prevent unauthorised expenditure, irregular expenditure and or fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.

56. A total of R3,8 million of irregular expenditure was incurred in the current financial year as a result of the contravention of the SCM legislation. The root cause of the lack of effective prevention and detection is due to the bid evaluation committee not fully assessing the possibility of potentially prohibited transactions prior to considering the preferred candidates for the respective tenders.

57. An effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds, was not in place as required by section 65(2)(a) of the MFMA.

58. Money owing by the municipality was not always paid within 30 days of receiving an invoice or statement, as required by section 65(2)(e) of the MFMA.

59. An adequate management, accounting and information system was not in place which recognised expenditure when it was incurred and accounted for as required by section 65(2)(c) of the MFMA.

60. The municipality did not recover unauthorised, irregular or fruitless and wasteful expenditure from the liable person, as required by section 32(2) of the MFMA.

#### **Revenue management**

61. The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained a management, accounting and information system which recognised revenue when it is earned, accounted for debtors and receipts of revenue, as required by section 64(2)(e) of the MFMA.

62. Revenue received by the municipality was not always reconciled at least on a weekly basis, as required by section 64(2)(h) of the MFMA.

63. The valuation roll of the municipality was not regularly updated for changes to particulars in accordance with section 79 of the Municipal Property Rates, 2004 (Act No.6 of 2004).

### **Asset management**

64. Adequate mechanisms, to ensure that internal controls and the accounting and information systems relating to asset management were insufficient in terms of section 63(2)(a) of the MFMA.
65. The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained an effective system of internal control for assets (including an asset register) as required by section 63(2)(c) of the MFMA.

### **Conditional grants**

66. The allocations for financial management grant, municipal systems improvement grant, wireless backbone grant and valuation grant were utilised in some instances for purposes other than those stipulated in their respective schedules or Gazetted DoRA framework in contravention of the requirements of section 15(1) of the DoRA.
67. Unspent conditional grant funds not committed to identifiable projects and not approved by the National Treasury for retention, were not surrendered to the National Revenue Fund, as required by section 20(1) of the DoRA.
68. The municipality did not disclose in its financial statements the purpose and amount of grants received from public entities, as required by section 31 of the DoRA.

### **Human resource management**

69. The competencies of financial and SCM officials were not assessed promptly in order to identify an address gaps in competency levels, as required by section 13 of the Municipal Regulation on Minimum Competency Levels (MRMCL).
70. The municipality did not submit a report on compliance with prescribed competency levels to the National Treasury and the relevant provincial treasury, as required by section 14(2)(a) of the MRMCL.
71. The annual report of the municipality did not reflect information on compliance with prescribed minimum competencies, as required by section 14(2)(b) of the MRMCL.

### **Procurement and contract management**

72. Goods and services of a transaction value above R200 000 were not procured by means of inviting competitive bids. The value of these tenders awarded has been included in part A of section 3.
73. A contract was not awarded to a bidder that scored the highest points in the evaluation process, as required by of section 2(1)(f) of the Preferential Procurement Policy Framework, 2000 (Act No. 5 of 2000), but was incorrectly awarded to the bidder with the lowest price.
74. Awards were made to suppliers who did not submit a declaration of interest indicating if they are employed by the state or connected to any person employed by the state in accordance with section 13(c) of the SCM regulations.
75. Sufficient evidence could not be obtained to confirm that the prospective providers list for procuring goods and services through quotations was updated at least quarterly to include new suppliers that qualify for listing and prospective providers were not invited to apply for such listing at least once a year as per the requirements of sections 14(1)(a)(ii) and 14(2) of the SCM regulations.

### **Internal control**

76. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for the qualified opinion, the findings on the annual performance report and the findings on compliance with laws and regulations.

### **Leadership**

80. The leadership's direction and control over its resources to ensure that the reporting on financial matters, and compliance is carried out in a meticulous and efficient manner were insufficient. This deficiency impacted on the quality of reporting and led to information being provided that did not always have a high degree of credibility.
81. There was an over-reliance on consultants for the preparation of the financial statements of the municipality. The consultants together with the internal audit function, rather than leadership, took ownership of the process of preparing and reviewing financial statements. This inadequate involvement of leadership in the review processes resulted in amounts being included in financial statements that did not agree to underlying records or for which no supporting documentation could be provided.

### **Financial and performance management**

82. The municipality did not introduce appropriate mechanisms, processes, procedures, systems or internal controls to ensure that transactions are correctly recorded, classified, reconciled, reported on in accordance with accounting framework (GRAP) with which the entity must comply or that they are in all respects accurate and complete.
83. Amounts that are reflected in financial statements and the annual performance report are not always fully supported by complete, relevant and inaccurate information. Record management is also not such that information is easily retrievable and available for audit purposes. This unsatisfactory financial management is further compounded by a general lack of review and monitoring that takes place.
84. The overriding root cause of the inability of the municipality to accurately record and provide support for financial transactions is that officials are not in all respects fulfilling their assigned duties and functions with the required diligence and enthusiasm.

### **Governance**

77. The audit committee continues to play a limited role in governance matters. The audit committee issues the reports of internal audit to the council without making a direct contribution by informing the council or the oversight committee of its concerns and recommendation in terms of legislated mandate.

The audit committee does not promote accountability through evaluating and monitoring responses to risks and providing oversight over the effectiveness of the internal control environment including financial and performance reporting and compliance with laws and regulations.

East London

21 December 2012



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

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Auditor-General

East London

14 December 2012



AUDITOR-GENERAL  
SOUTH AFRICA

Auditing to build public confidence





REASON FOR DISCLAIMER	ACTION	RESPONSIBLE	DATE
VAT & SARS	<ol style="list-style-type: none"> <li>1) Conclusion of outstanding VAT claims</li> <li>2) In time submission of claims</li> <li>3) Training to relevant personnel</li> <li>4) Control Master file on SAMRAS</li> <li>5) SARS: SAMRAS to do cleansing of SARS – system outdated</li> </ol>	<ol style="list-style-type: none"> <li>1) MM / CFO / SAMRAS</li> <li>2) MM/GPO</li> <li>3) MM /CFO</li> <li>4) Manager: IT</li> <li>5) MIMCFO</li> </ol>	<p>January 2013 Before 10<sup>th</sup> of each month 31/01/2013 31/01/2013 February 2013</p>
Personnel	<ol style="list-style-type: none"> <li>1) Sharpening of discipline.</li> <li>2) Sec 57 managers comply with legislation MFMA Sec 78 (1&amp;2)</li> <li>3) Appointment of person to manage Action plan to address AG Report</li> <li>4) Appointment of person to monitor SAMRAS daily</li> <li>5) Restructure Finance Dept to comply with MFMA</li> <li>6) Investigate the proper functioning of the HR department to address audit problems related to HR.</li> <li>7) Execute Internal Communication plan</li> </ol>	<ol style="list-style-type: none"> <li>1) MM/ Corporate Services</li> <li>2) MM</li> <li>3) MM</li> <li>4) MM</li> <li>5) MM</li> <li>6) MM/Corp Serv</li> <li>7) All managers</li> </ol>	<p>Ongoing Ongoing January 2013 January 2013 January 2013 February 2013 Ongoing</p>
Unbundling of assets and correctness of asset register	<ol style="list-style-type: none"> <li>1) Develop business plan to apply for funding</li> <li>2) Update of Asset Register</li> <li>3) Rectify asset register</li> </ol>	<ol style="list-style-type: none"> <li>1) MM</li> <li>2) CFO</li> <li>3) CFO / SAMRAS</li> </ol>	<p>1) Nov 2012 2) Ongoing 3) Ongoing</p>
Wrongful spending of Grant Money	Monthly report to council on spending of Grant Money (NIG and other funds). Separate bank account for grant funding	TSM CFO/MM	Monthly reports
Performance Management	Ensure that BM is compliant with act	MM/All managers/CS	January 2013

Reason for Disclaimer	Action	Responsible	Date
<p>1) Risks for 12/13</p> <p>a) Incorporation of DMA areas into Bavarians</p> <p>b) Cash flow problems 12/13</p> <p>c) Unbundling of assets</p> <p>d) General Valuation 2012/13</p> <p>e) Capacity of personnel and senior staff</p> <p>f) Dependency on OCA</p> <p>g) Audit readiness  (i) Bank reconciliations  (ii) BM's compliance on financial statements</p>	<p>a) Management of DMA at risk</p> <p>b) Monthly  i. Cash flow report  ii. Information to MEC  iii. Effective adjustment budget</p> <p>c) Apply for funds/Business plan</p> <p>d) Apply for funds/business plan</p> <p>e) Investigate capacity of sen or personnel</p> <p>f) Look into BM's dependency on OCA and their effectiveness</p> <p>g) (i) Daily / monthly recons  (ii) Appoint consultants</p>	<p>All managers</p> <p>CFO/MM  Mayor/MM  GFO</p> <p>MM</p> <p>MM / CSM</p> <p>MM/All managers</p> <p>MM</p> <p>MM/CFO</p>	<p>January 2013</p> <p>Monthly  January 2013  January 2013</p> <p>December 2012</p> <p>February 2013</p> <p>February 2013</p> <p>February 2013</p> <p>February 2013</p>

Problem	Action	Responsible	Date
Lack of Controls	<p>Check:</p> <ul style="list-style-type: none"> <li>• Weekly work done – accountants</li> <li>• Checklist to compile monthly accounts</li> <li>• Evaluation of Expenditure and supply chain control forms</li> <li>• Control of monthly VAT claims</li> <li>• Control of list of reports to Department &amp; National Treasury</li> <li>• Checklist on Annual Report</li> <li>• Monthly Financial report to Mayor</li> <li>• Correctness of Bank tecon</li> <li>• Leave: <ul style="list-style-type: none"> <li>– Checklist on all personnel files</li> <li>– Leave update</li> </ul> </li> <li>• Control of journals done {supporting documents}</li> </ul>	<p>MM</p> <p>MM/CFO</p> <p>CFO</p> <p>CFO</p> <p>CFO/MM</p> <p>CFO</p> <p>CFO</p> <p>CFO</p> <p>CFO</p> <p>CSM</p> <p>CFO</p>	<p>Weekly</p> <p>Monthly</p> <p>Monthly</p> <p>Bi- Monthly</p> <p>Monthly/quarterly</p> <p>Monthly</p> <p>Before 10<sup>th</sup> of each month</p> <p>Daily/Monthly</p> <p>Monthly</p> <p>Monthly</p>

## **ANNEXURE 4 – AUDIT COMMITTEE REPORT**

### **REPORT OF THE AUDIT COMMITTEE TO THE BAVIAANS MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2012**

#### **THE COMMITTEE TO REPORT AS FOLLOW:**

##### Members:

Ms R Shaw, Mr AJ Saayman and Prof R Snelgar served as members of the committee.

Meetings were also attended by councillor D Bezuidenhout, municipal manager and other council officials, as well as representatives from the office of the Auditors-General and Internal audit.

##### Meetings:

Meetings were held on 11 May 2012 (and on 6 July 2012, postponed from June 2012).

##### Meeting procedure and Administration:

The committee expressed its grave concern regarding the affairs of the municipality and the ability of the committee, to, under these circumstances oversee and advise on financial control matters.

One meeting during the financial year is not acceptable and meaningful and effective input could not be made. Members are of the opinion that unless there are drastic improvements in scheduling regular meetings as well as the administration of these meetings, the committee will not be able to fulfil its obligations as set out in the MFMA.

The following matters were again brought to the attention of management:

- : Staff appear to be incompetent and ill-disciplined and duties performed appear to be sub-standard
- : Certain reports and information tabled, are inferior and reliance cannot be placed on correctness of information.
- : Recommendations are not implemented.
- : Reports and schedules requested are not received, or received late.
- : There has been some progress regarding the Performance Management system, but there are still problems, which have been identified and not dealt with. The following points are relevant:
  - A workshop has yet to be held on the writing of KPI's as well as the implementation of a PMS computerised system to be requested from Cacadu. The workshop has been on hold for a number of years now, but no progress seems to have been made in terms of actually finalising a date for this to take place;
  - A PM Forum has been formed and regular meetings are to be held in order to discuss PM issues. A report was requested on 11 May 2012 outlining the details of this forum and outcomes of the first meeting, plus an identification of items requiring attention in the PM system, but this is yet to be received;

- **A request was made to include the PMS as a regular agenda item with the performance review status for each relevant department, plus an action sheet.**

From the perspective of the Audit Committee, it appears that there are still important issues relating to the PMS, which are not being addressed, and not enough attention is being given to this important matter. Despite the AC input at each meeting, more focus will have to be placed on improving the current system and personnel training.

#### Annual financial statements:

Two members of the audit committee attended a meeting in Willowmore on 29 August 2012 to approve the annual financial statements. The statements presented at the meeting were incomplete and contained obvious incorrect information.

The committee made certain suggestions to council for the possible correction of the statements, requesting the urgent assistance by the internal auditors in an endeavour to correct matters.

The financial statements were finalised with the assistance of internal audit after various e-mail communications to enable the committee to review the statements.

Although the method employed was not ideal, the committee feels that a more acceptable set of financial statements were presented to the auditor-general, albeit that the deadline of 31 August 2012 was not met.

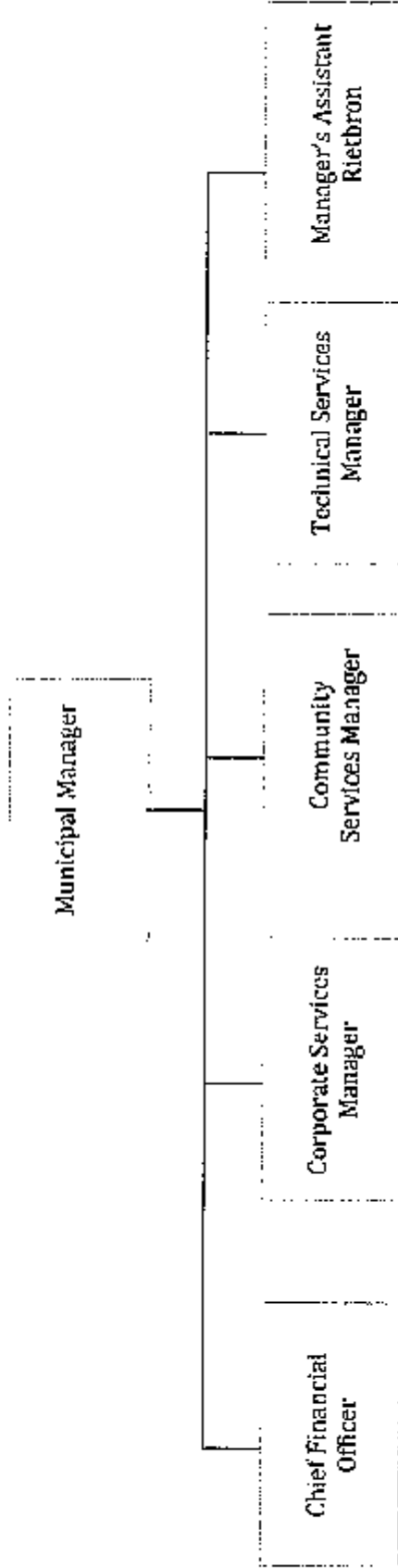
#### Conclusion:

There are indications that since the urgent appeal by the committee at the meeting held on 24 May 2012, the requirements and requests from the audit committee is taken cognisance of. Due to the challenges in preparing the annual financial statements the efforts of staff during recent months were concentrated on this matter.

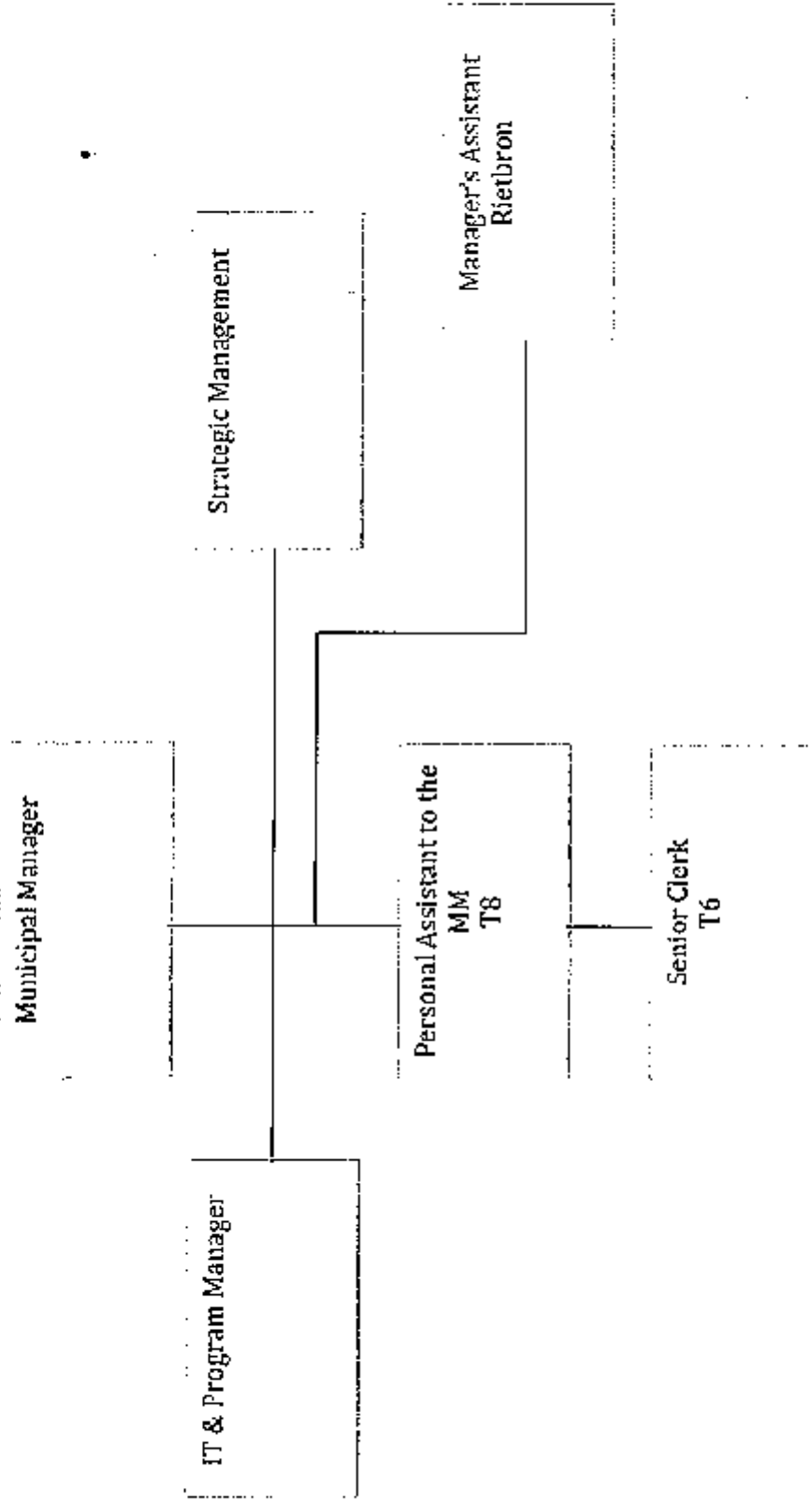
Unless the audit committee can meet regularly and receive correct information as well as reports requested, and unless recommendations are implemented, it will not be able to fulfil its obligations.

**ANNEXURE 5 – MANAGEMENT STRUCTURE**

**Management Structure**

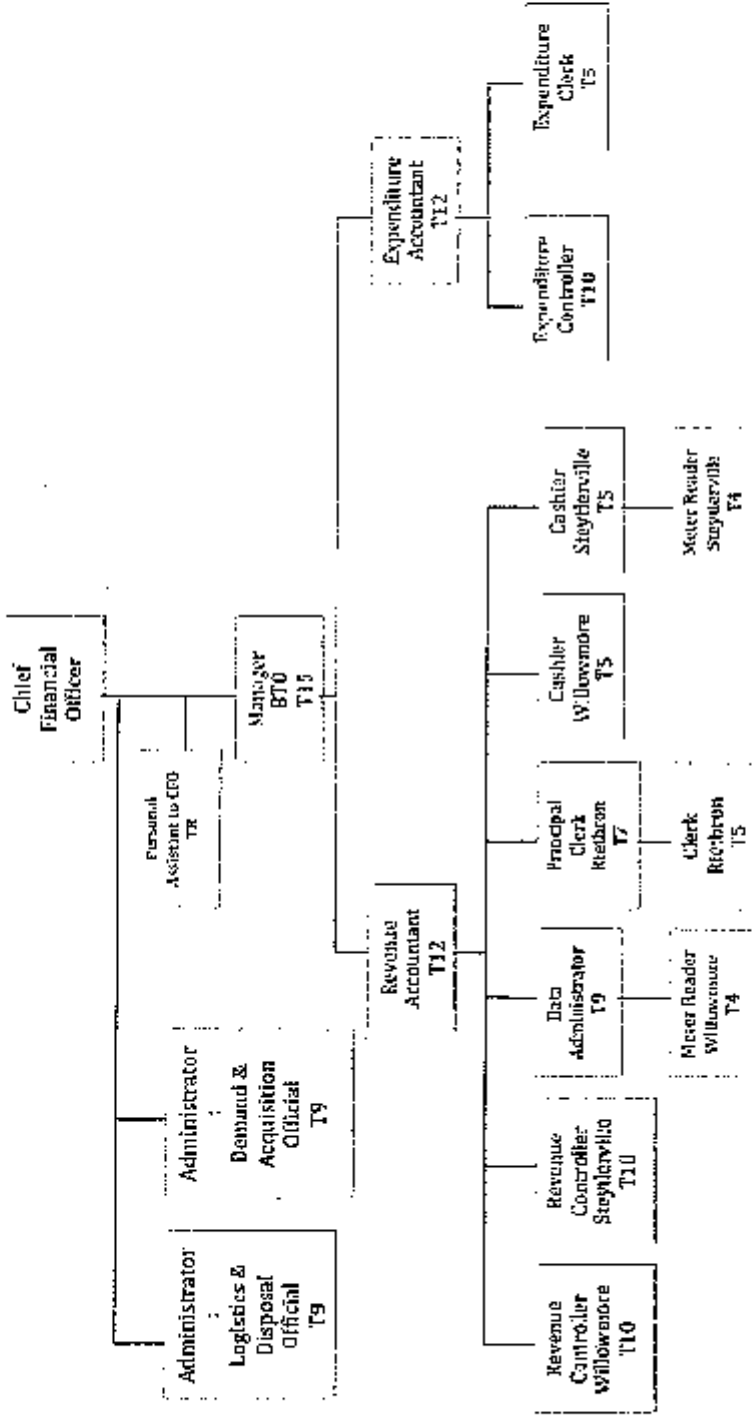


**Office of the Municipal Manager**



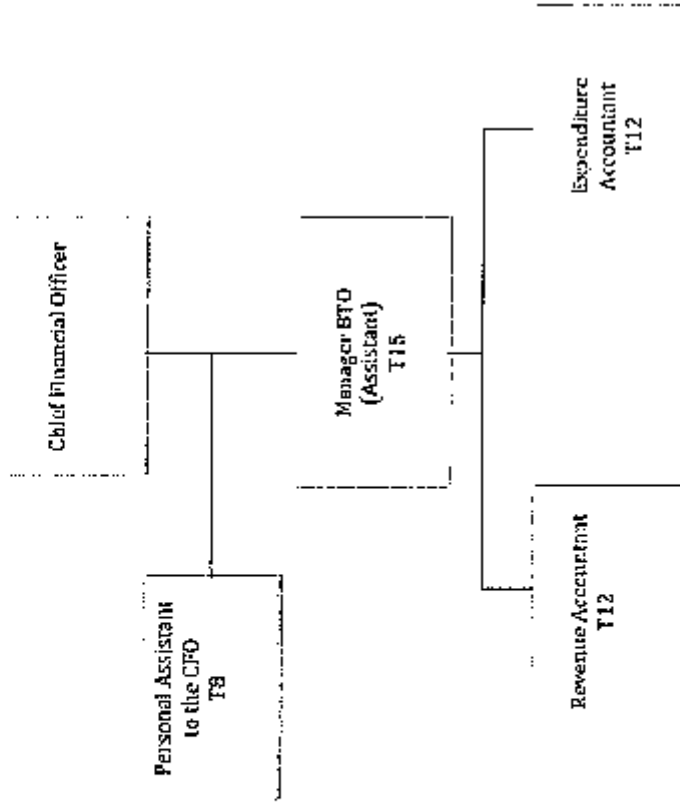


Budget and Treasury Office



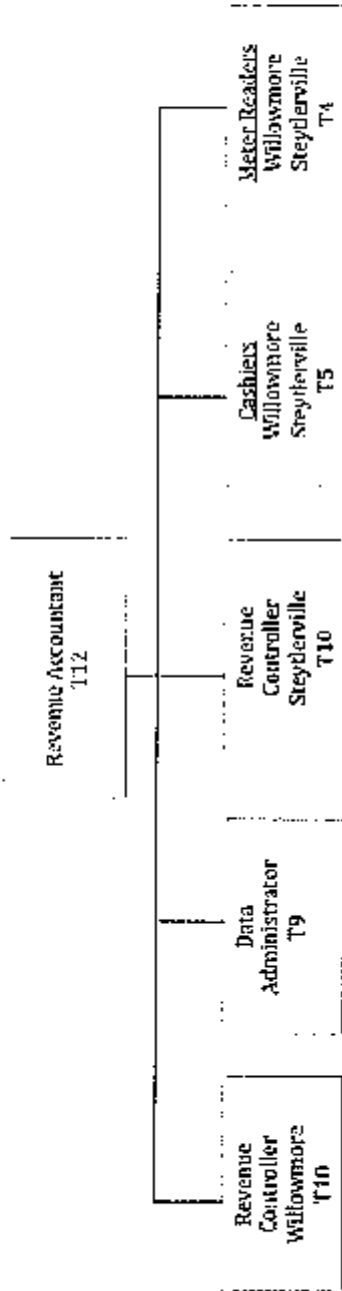
**Budget and Treasury Office**

**Admin Unit**



**Budget and Treasury Office**

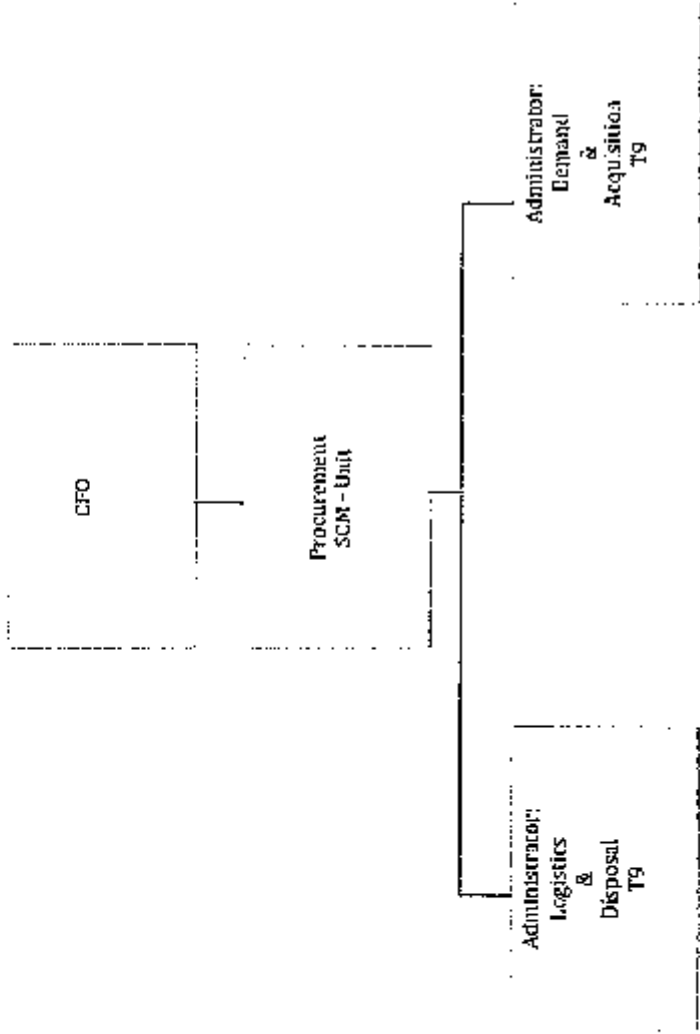
**Revenue**



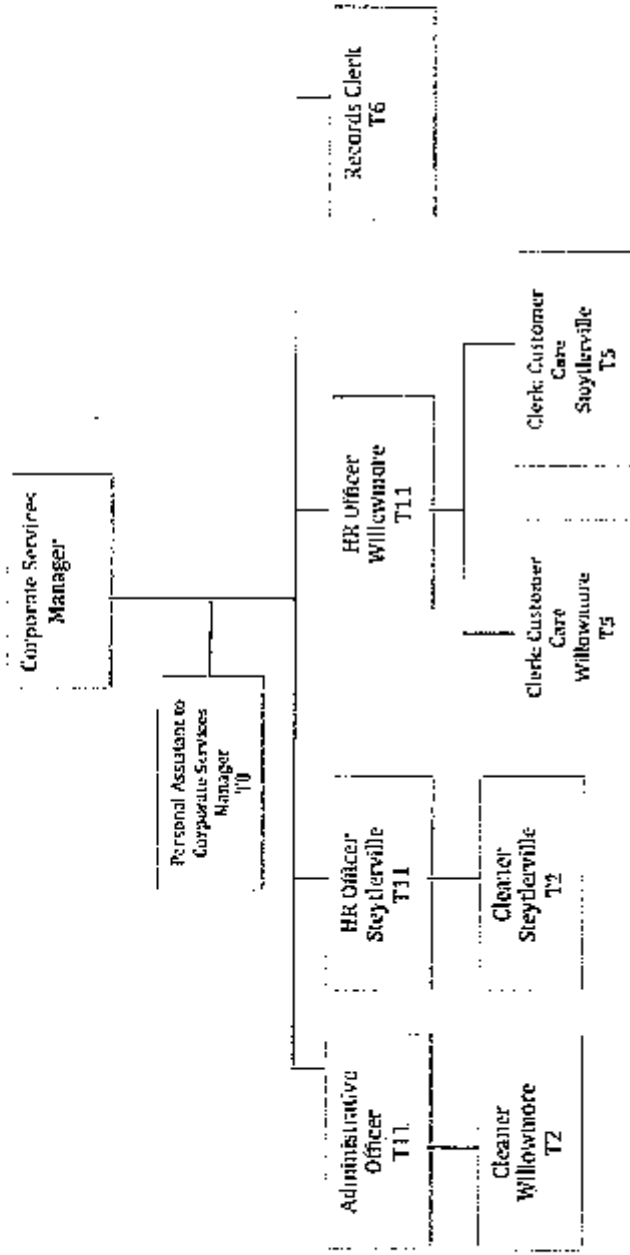
**Budget and Treasury Office**

**Expenditure**

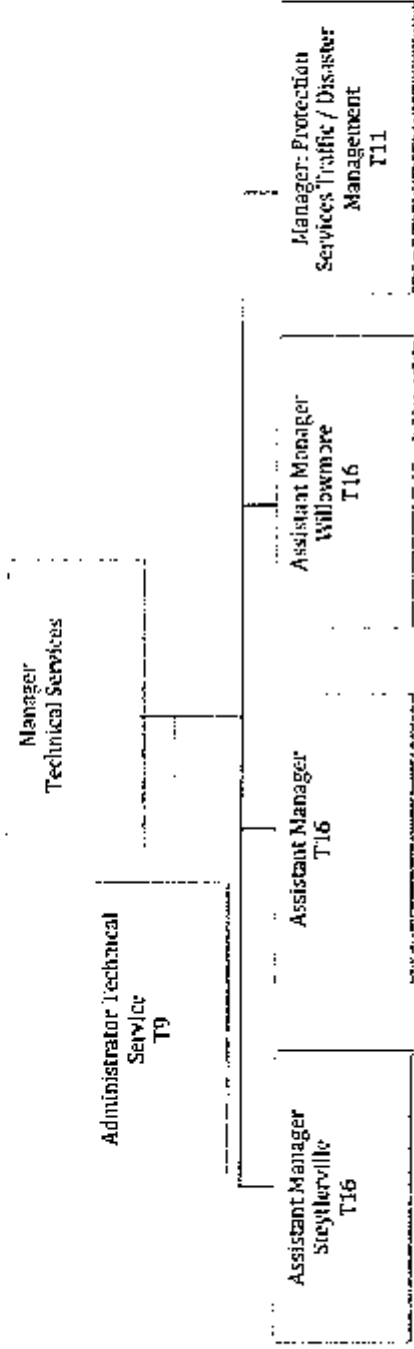




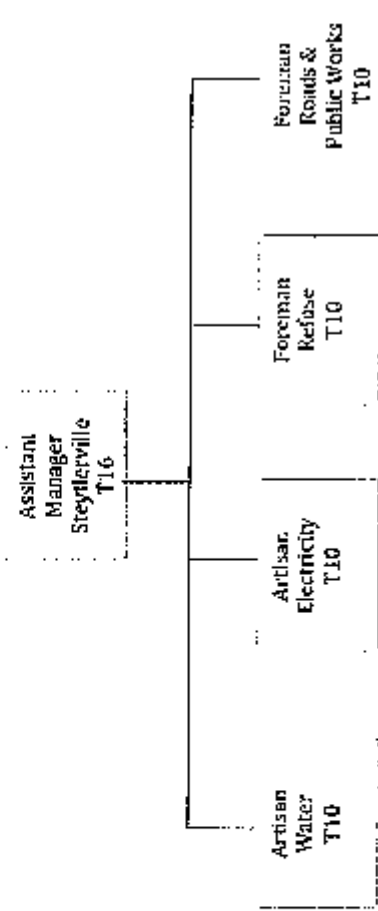
Corporate Services



**Technical Services Department**

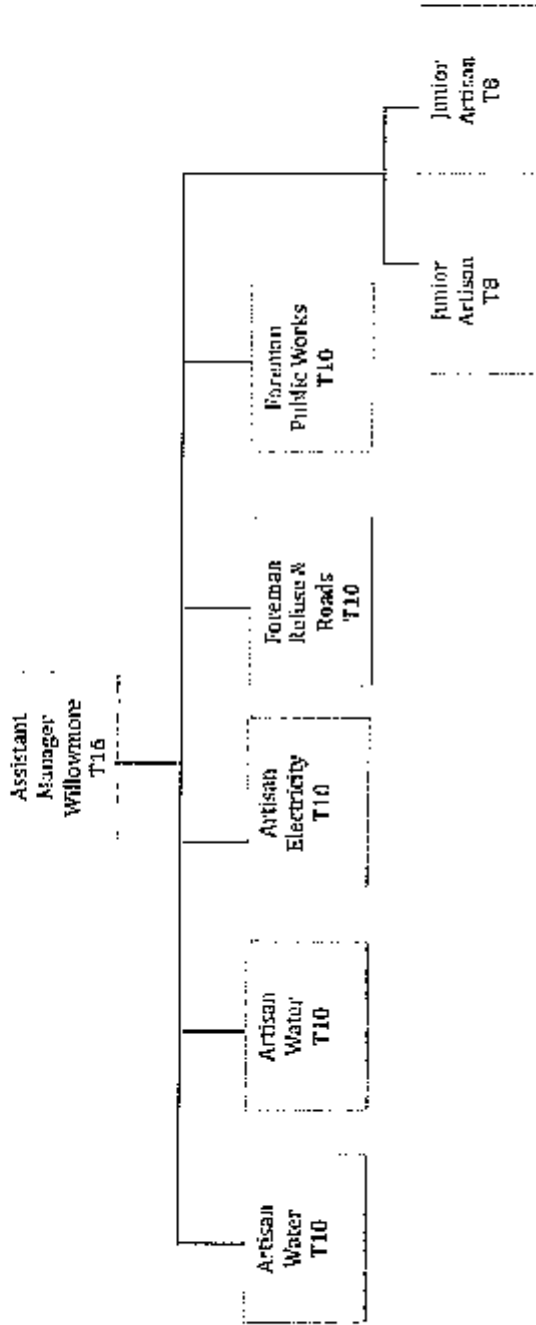


**Technical Services**

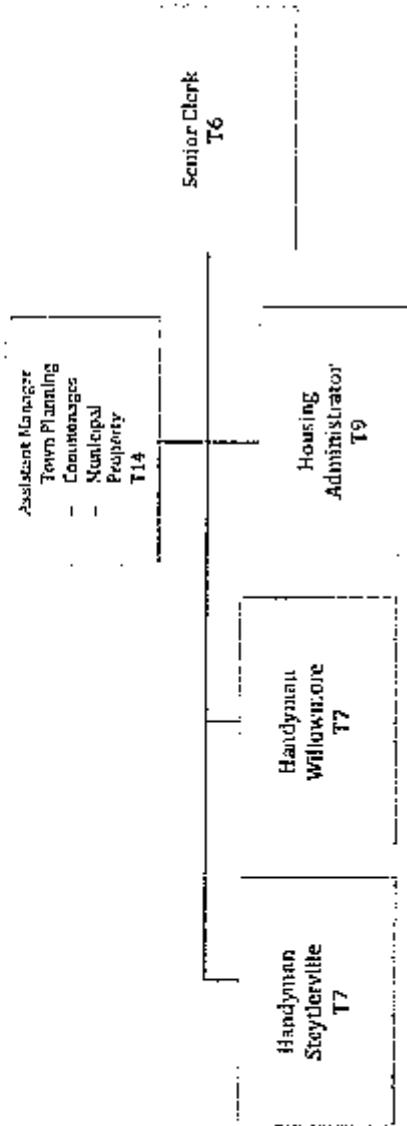




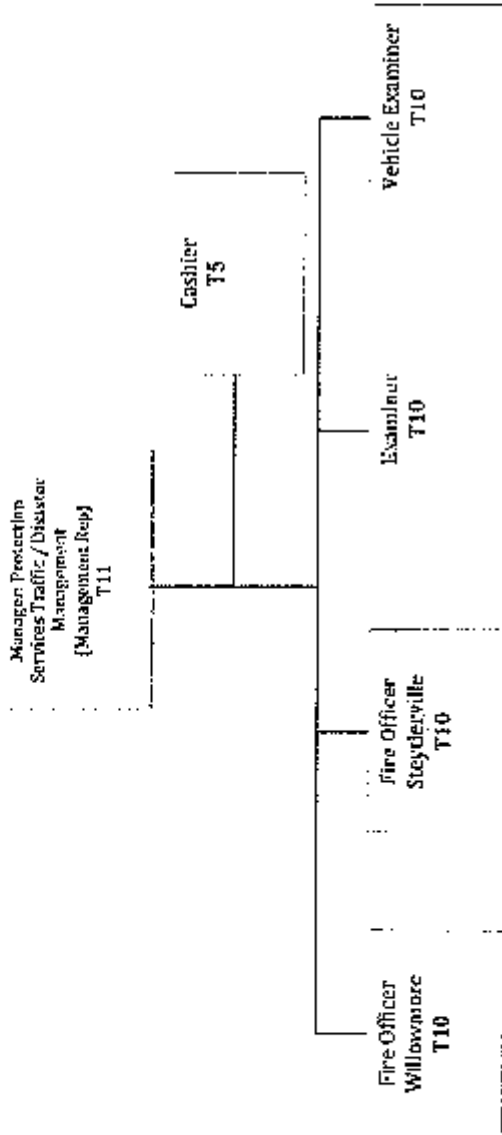
**Technical Services**



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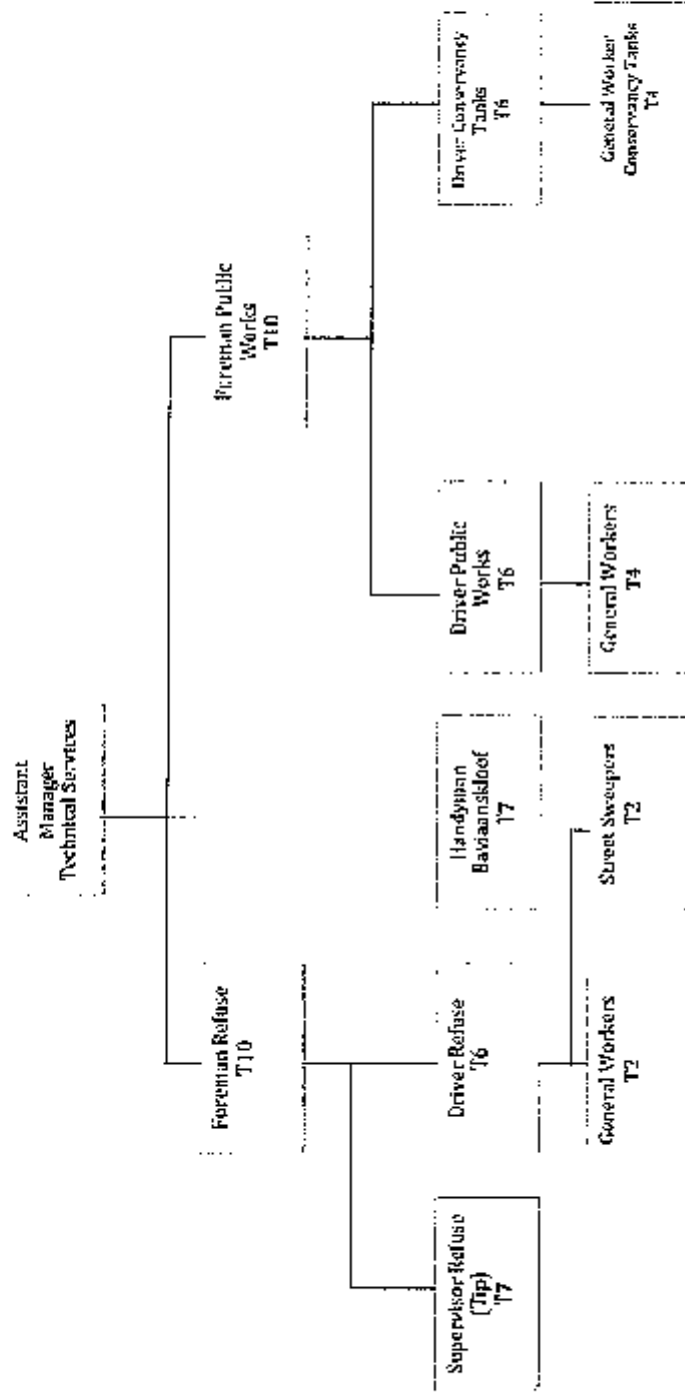


**Technical Services**



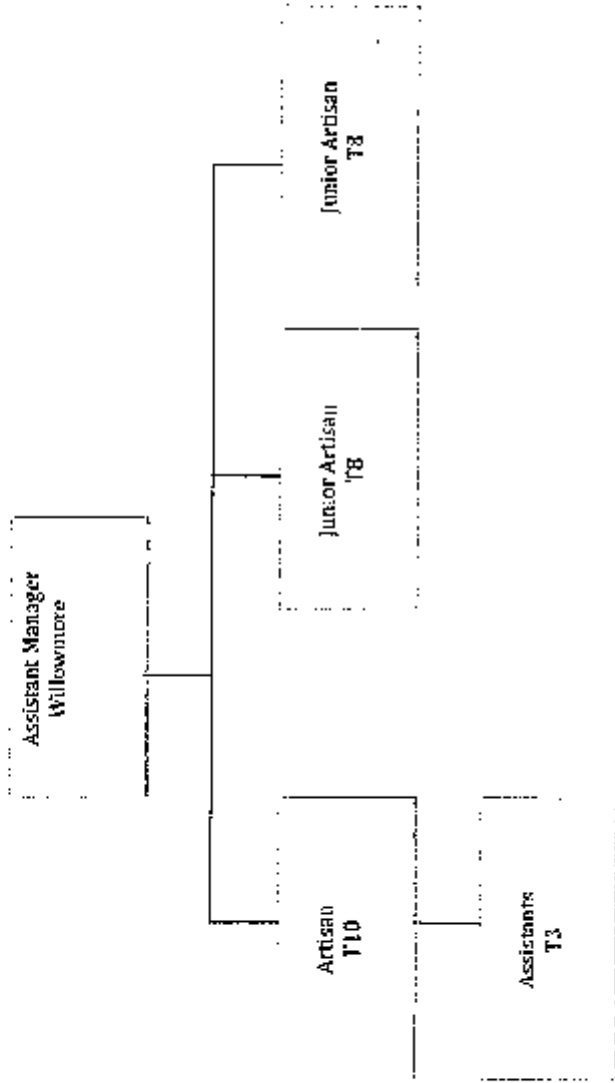
Technical Services

Willowmore Admin Unit



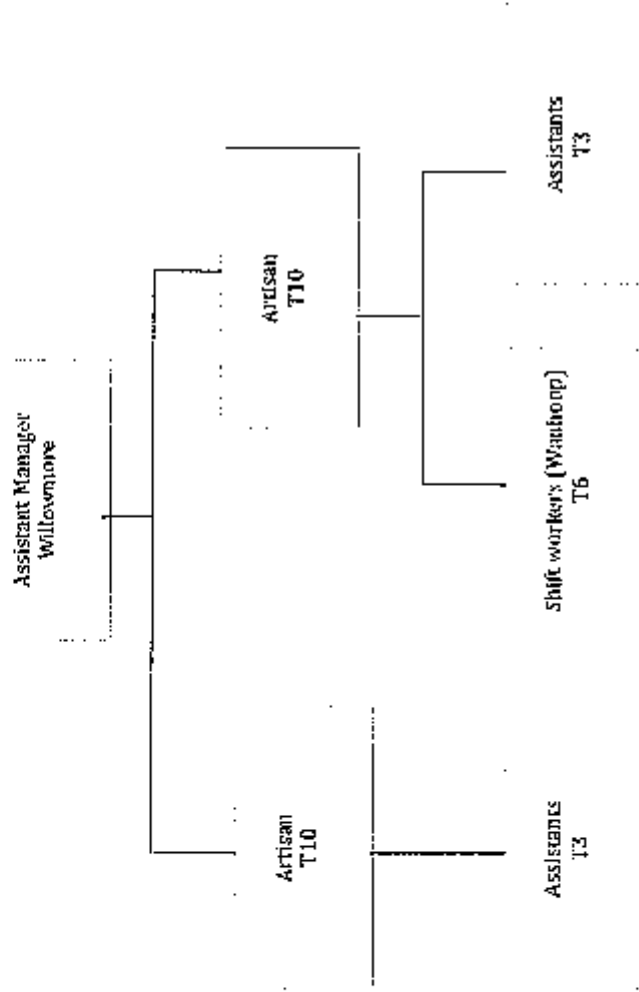
**Technical Services**

**Willowmore Electricity Unit**



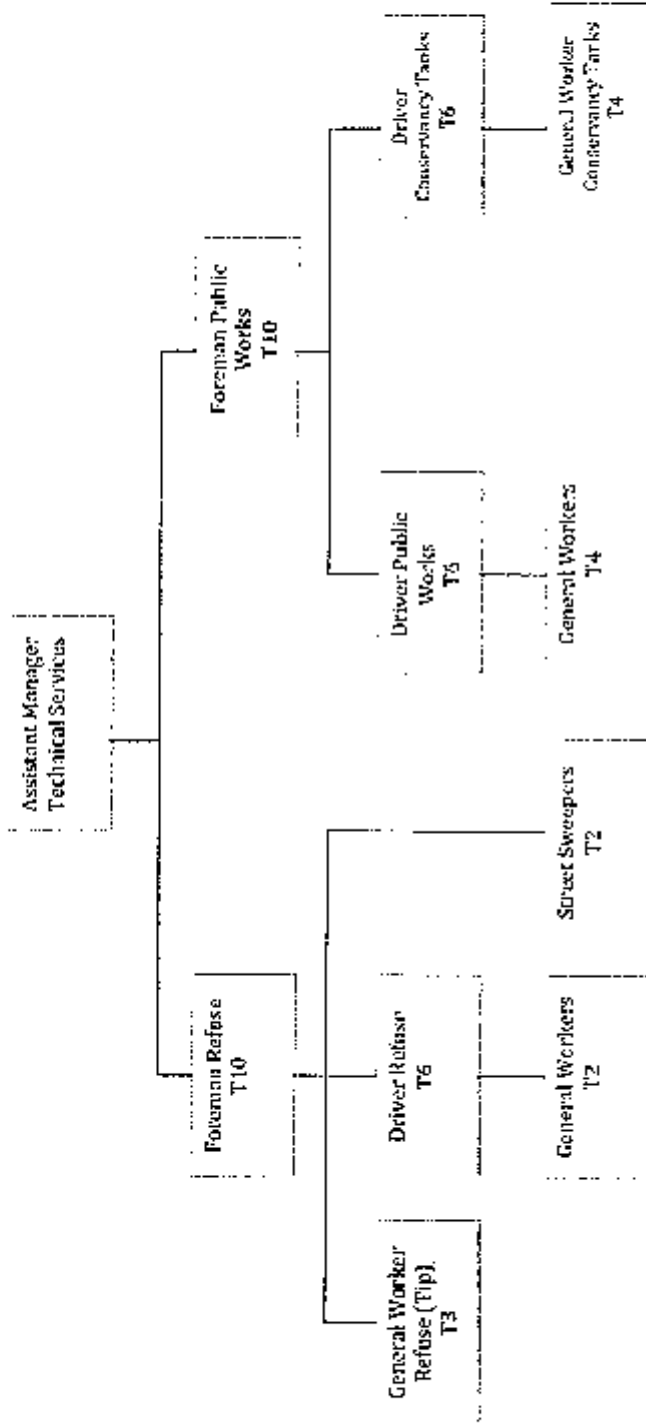
**Technical Services**

**Willowmore Water Unit**

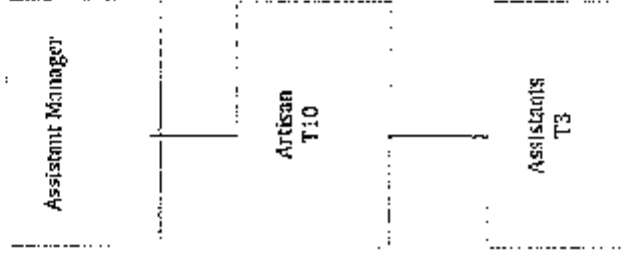


Technical Services

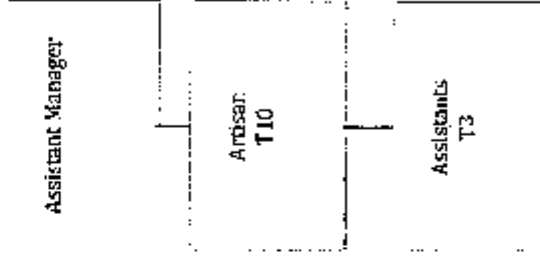
Steytlerville - Admin Unit



**Technical Services**  
**Steyderville Electricity**

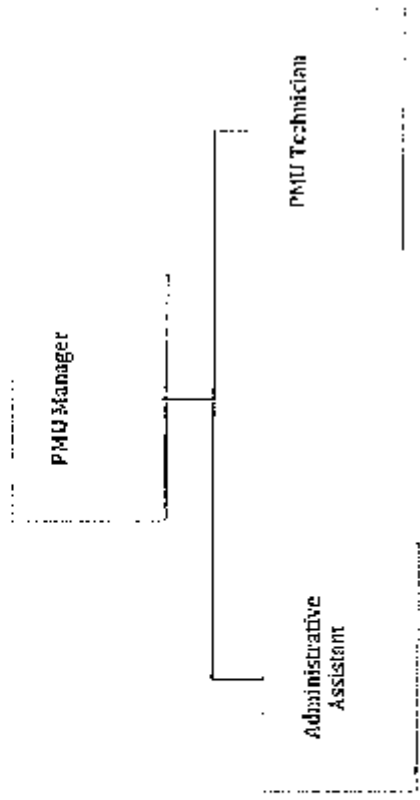


**Technical Services**  
**Steyderville Water**

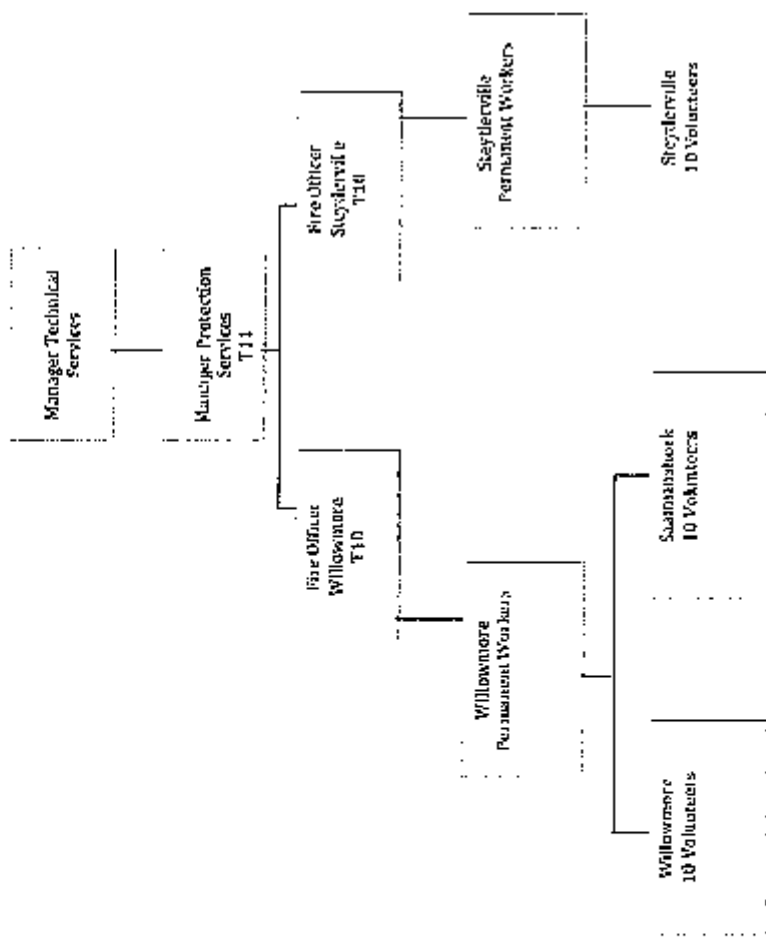




**Technical Services**  
**Project Management Unit**

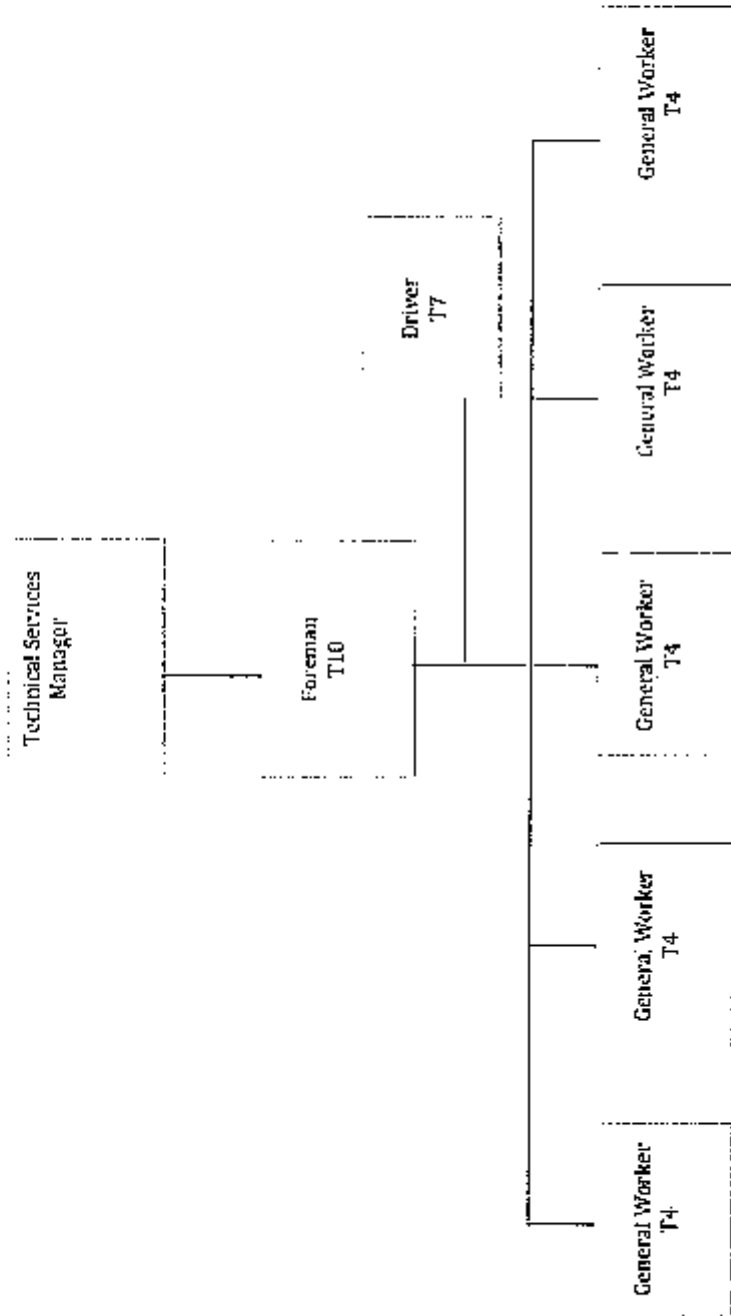


# Disaster and Fire Services

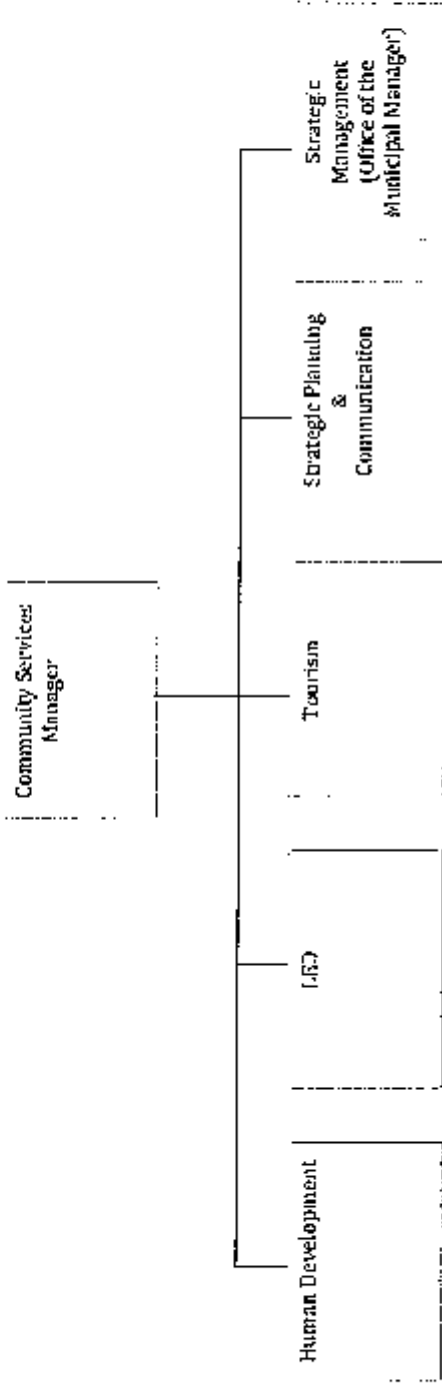


**Technical Services**

**Rietbron**



**Community Services**





**LED Unit**

