



Molemole Local Municipality

1ST DRAFT ANNUAL REPORT 2010/2011

INDEX

NO	DESCRIPTION	PAGE NUMBER(S)
1	COVER PAGE	
2	INDEX	ii
3	ACRONYMS/ABBREVIATIONS	iii - V
4	CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY	1-2
5	CHAPTER 1: EXECUTIVE REVIEW BY THE MUNICIPAL MANAGER	3-4
6	CHAPTER 1: MUNICIPAL OVERVIEW	5-9
7	CHAPTER 2: GOVERNANCE	10-13
8	CHAPTER 3: SERVICE DELIVERY PERFORMANCE REPORTING	14-47
9	CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE	48-52
10	CHAPTER 5: FINANCIAL PERFORMANCE	53-113
11	CHAPTER 6: AUDITOR GENERAL AUDIT FINDING	114-144
12	CONCLUSION	145

ACRONYMS/ABBREVIATIONS

ABET	: Adult Basic Education Training
AP	: Aerial Photograph
BBBEE	: Broad Based Black Economic Empowerment
CAPEX	: Capital Expenditure
CBO	: Community Based Organisation
CBP	: Community Based Planning
CDW	: Community Development Workers
CETA	: Construction Education and Training Authority
CFO	: Chief Financial Officer
CGE	: Commission on Gender Equality
CIDB	: Construction Industry Development Board
CLLR	: Councillor
CPTR	: Current Public Transport Record
CRR	: Capital Replacement Reserve
CSR	: Corporate Social Responsibility
DAC	: District Aids Council
DALA	: Department of Agriculture and Land Administration
DBSA	: Development Bank of Southern Africa
DEAT	: Department of Environmental Affairs and Tourism
DHSD	: Department of Health and Social Development
DPLG	: Department of Provincial and Local Government
DLGH	: Department of Local Government & Housing
DSAC	: Department of Sport, Arts and Culture
DWAF	: Department of Water Affairs and Forestry
ECT	: Electronic Communication Transaction
EEP	: Employment Equity Plan
EPWP	: Expanded Public Works Programme
FBW	: Free Basic Water
GAAP	: Generally Accepted Accounting Practices
GAMAP	: Generally Accepted Municipal Accounting Practices
GDP	: Gross Domestic Product
GDS	: Growth and Development Summit
GGP	: Gross Geographical Product
GIS	: Geographical Information System
GRAP	: Generally Recognised Accounting Practices
HR	: Human Resources
HRD	: Human Resource Development

ICT	: Information and Communications Technology
IDP	: Integrated Development Plan
IDT	: Independent Development Trust
IGR	: Inter-Governmental Relations
IMATU	: Independent Municipal Allied Trade Union
ISDF	: Integrated Spatial Development Framework
ITP	: Integrated Transport Plan
IWMP	: Integrated Waste Management Plan
KPA	: Key Performance Area
KPI	: Key Performance Indicator
LAC	: Molemole Local Municipality Aids Council
LED	: Molemole Local Municipality Economic Development
LGSETA	: Local Government Sector Education Training Authority
LIBSA	: Limpopo Business Support Agency
LLF	: Local Labour Forum
LM	: Local Municipality
MFMA	: Municipal Finance Management Act
MIG	: Municipal Infrastructure Grant
MLM	: Molemole Local Municipality
MM	: Municipal Manager
MOU	: Memorandum of Understanding
MSA	: Municipal Systems Act
MSP	: Master System Plan
NEMA	: National Environmental Management Act
NERSA	: National Electricity Regulator of South Africa
NGO	: Non Governmental Organisation
NMT	: Non Motorised Transport
NPI	: National Productivity Institute
NRA	: National Road Agency
NSDP	: National Spatial Development Perspective
OD	: Organisational Development
OPEX	: Operational Expenditure
PGDS	: Provincial Growth Development Strategy
PMS	: Performance Management Systems
RDP	: Reconstruction & Development Programme
S&LP	: Social and Labour Plans
SALGA	: South African Local Government Association
SAMAG	: South African Men Action Group
SAMWU	: South African Mine Workers Union
SAPS	: South African Police Services
SAYC	: South African Youth Commission
SCM	: Supply Chain Management
SDBIP	: Service Delivery and Budget Implementation Plan

SMME : Small Micro Medium Enterprise
TDM : Transport Demand Management
VIP : Ventilated Improved Pits
WSA : Water Services Authority
WSDP : Water Services Development Plan
WSF : Water Sorting Facility
WSP : Water Services Provider

CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

This being my first term as Mayor of Molemole Local Municipality and the first annual report for the new term of Council, I have to acknowledge and thank my predecessors for steering this ship to where it is. We have recently emerged from a smooth and incident free political transition resulting in changes in faces constituting the Municipal Council; however, the strategic objective and philosophy of Council remain the same mainly to improve the quality of life of our people.

The 2011/2016 term of Council will strive to improve on the achievements of our predecessors and accelerate the provision of the much needed municipal services focusing on the five developmental local government key performance areas: Infrastructure and Service Delivery; Institutional Transformation and Development; Local Economic Development and Planning; Financial Viability, and Good Governance & Public Participation.

We can proudly state that we have taken the necessary steps and stance to fill all critical positions with suitable and competent men and women with a view to injecting the necessary expertise to better the performance our municipality. We have also reconsidered our systems and processes to ensure they efficiently contribute to the reduction and, ultimately, the eradication of our prevalent service backlogs.

We take seriously the values of good governance and believe we are capable of turning the tide on unfavorable audit opinions in pursuit of a clean audit as set by the "Operation Clean Audit of 2014" target. We need to inculcate in all concerned a culture of excellence, care, accountability and good governance. The turning point for a clean administration and, consequently, audit is not entirely lodged solely on the shoulders of administrators but requires of all of us i.e. Council, administration, business and residence to take part and assume our individual and collective responsibility with prestige, impunity and integrity.

Chapter 4 of the Municipal Systems Act, 2000 compels the municipality to create conditions for communities to participate in its affairs. Our municipality, as a client centered organization, values the role of its stakeholders. We have notably benefited from support programmes and initiatives by external stakeholders, Magoshi, religious groups and sector departments.

In view of all the basic service delivery backlogs within our municipality, our municipal officials, together with sector departments, have developed strategies and programmes to address the matter. The current status of basic services backlog shows a decrease in the number of people who do not have access to basic services. With these results to date, it clearly indicates that Molemole Municipality will be one of the municipalities to provide universal access to basic services in 2014. It is, therefore, my pleasure to present to you the following results with regards to basic services:

BASIC SERVICES

Water

Molemole relies entirely on groundwater for its water supply for primary and agricultural use. However, in the year under review we witnessed a significant decline in the number of household without water supply; a total of 11 745 households benefitted from the 2010/11 water supply projects implemented by CDM. According to Statistics South Africa (Non-Financial Census, 2008) it is confirmed that 19 595 households receive free basic water.

Sanitation

The 2007 community survey had shown a steady increase in the proportion of households having access to sanitation. Furthermore in the year under review significant progress was made with regard to reduction of households without sanitation facilities. A rural sanitation project for construction of 1000 VIP toilets was implemented benefitting 1000 households. In addition, Mogwadi waterborne sewerage reticulation was implemented with 1000 households connected to the waterborne sewer network.

Electricity

The municipality holds the electrification license for Mogwadi and Morebeng Town and all villages are serviced by Eskom. According to census 2001, 21590 households had access to electricity and the number increased to 25577 household according to the 2007 community survey. The service backlog stands at 1739 households and 6972 households have access to FBE according to Stats SA. Two projects have been implemented and energized during the 2010/2011 financial year benefitting 644 households.

Roads

Molemole Local Municipality has a road network of 398 km of roads consisting largely of gravel roads. This is one area in which Road Agency Limpopo, Capricorn District Municipality and Molemole Local Municipality must work hard to improve.

Economic Analysis.

The importance of providing support and opportunities to disadvantaged persons cannot be underestimated. It is thus important that we roll out targeted support programmes to provide the necessary skills and knowledge to organized groups and individuals to venture into relief programmes in order to address the poverty endemic amongst the community. This includes the promotion of self-help subsistence and livelihoods methods, facilitation of economic access and participation through cooperatives to improve the quality of life.

Performance Overview.

We have made positive strides in the right direction to ensure that sustainable municipal governance principles support our continuous drive to deliver municipal services which reflect our passion for our community needs, which will always be the catalyst to keep us focused on our mandate to serve with pride.

We acknowledge that:

- Our people need clean & drinkable water
- Our people need decent sanitation facilities
- Our roads need to be put in a condition suitable for promoting economic development
- We must create job opportunities for our people to lift themselves out of poverty.

Going forward, Council and communities must unequivocally strive towards the eradication of key municipal developmental and service delivery challenges. This calls for joint planning that prioritizes core challenges into implementable projects and interventions.

I, therefore, beseech you, my Council, administration and my people to join me on this demanding, challenging, but conquerable journey.

Kopano ke Maatla, Go aga Setšhaba se kaone!

Wa lena

Hon. Mayor Pauline Makgato
Molemole Local Municipality

CHAPTER 1: EXECUTIVE REVIEW BY THE MUNICIPAL MANAGER

The importance and relevance of an annual report in an accountable, participatory and developmental orientated local government as a valuable assessment tool cannot be over-emphasised. The 2010/2011 financial year has come to an end and, as required by section 127 of the Municipal Finance Management Act no 56 of 2003, we must table and adopt an annual report for the eventfull 2010/2011 financial year within the prescribed time frames.

The report is not only a compliance matter but provides a fair presentation of the performance of the municipality for the year under review. Our attitude to the annual report is that all our key stakeholders and partners i.e. Council, traditional & community leaders, administration, communities and business must take a keen interest in tracking and reviewing municipal performance. Thus the annual report provides one such an opportunity. This essential exercise is vital in shaping and influencing our individual and collective plans, processes and services in our future development.

The 2010/2011 Integrated Development Plan set objectives and targets to be realised during the financial year which provides the basis for performance monitoring, measurement and evaluation. The Integrated Development Plan has amongst others set objectives and targets to improve bulk water supply sources, water reticulation, electrification, access roads, financial viability, good governance and public participation.

The ministry and department of Cooperative Governance and Traditional Affairs have during the year under review rolled out the Local Government Turnaround Strategy initiatives in which we also participated.

In assessing our level and standard of performance as a municipality against our entrusted mandate we should do so in full cognisance of our unique context, prevalent environment and conditions, limited resources, global economic factors impacting at the levels of both Council and residents as well as increases in service input costs versus a decreasing revenue basket.

We remain heavily dependent on grant funding. The total realized revenue for 2010/2011 amounts to R 82 939 880.00 in comparison to R 85 437 974.00 for the prior year translating to 3% year on year decrease. The total value of grant funding for the year is R 67 389 013.00 translating to 81% of total revenue whilst own funding totaled R 15 550 867.00 representing 19% of total revenue.

The increase in bad debts is attributable to the general decline in affordability levels, residents' rates boycott, increased unemployment, the poverty & social grant dependency rate and the low revenue base.

The ever increasing bad debts impact on the liquidity standing of the municipality. The low revenue collection rate compromised funding for planned projects and inherently limits the municipality from exploring reprieve mechanisms such as debt write-off.

The decline in revenue and the contrasting general price increases have had a knock-on effect on planned performance. These factors have adversely impacted on the ability to implement fully our committed plans and projects.

Of great significance to note are opportunities created by our supply chain management processes which contributed to the development of the local economy through procurement of services, thereby addressing a whole range of socio-economic challenges including unemployment.

In contrast to prior year experiences where we were confronted with multiple community service protests, for the year under review such occurrences have been halted, validated by general service improvements.

Notwithstanding the above specified factors and many socio-economic setbacks the municipality has recorded major progress in delivering the objectives of the IDP and supplementary policies, plans and strategies. This will be explicitly substantiated in detail in subsequent sections of this report. The capacity and support received through intergovernmental cooperation also enabled us to discharge our constitutional responsibilities with reasonable efficiency.

We are, as part of the overall government and development machinery, not immune to the challenges of unemployment, poverty, basic service backlogs, land shortage, dwindling business and other developmental opportunities at an individual, communal and organisational level. It is therefore imperative that we improve our institutional mechanisms to promote social cohesion and sustainable development for us to be able to discharge our mandate and derive direct monetary benefits.

Going forward , to improve our financial performance we will gain immensely from ratepayers' commitment i.e. business, government and residents' commitment to payment of municipal service accounts, concerted efforts to enforce debt recovery mechanisms and controls that are considerate of our interests and the unique profile of our debtors.

For the financial year under review the municipality has provided access to free basic electricity to 6 972 households while two projects have provided 644 households with new electricity connections in the Eskom Reticulation area and 150 new connections on the Molemole Municipality licensed reticulation grid. We have spent R 838 065.70 in electricity repairs and maintenance works. Our immediate objective for the coming year is to upgrade our electricity infrastructure to minimise power supply interruptions.

We have substantially reduced the water access backlog and to this end we have implemented, in collaboration with our strategic partners, 10 water related projects worth R 26 500 000.00 aimed at providing water access to 13 123 households. We have embarked on water infrastructure maintenance at a total cost of R 1 855 545.22 for the year under review. The provision of uninterrupted water supply remains a challenge as a result of the shortage of underground water, infrastructure theft and equipment breakdown. These are areas we are committed to resolve within our subsequent IDP objectives and priorities.

Access to proper sanitation services bears the largest backlog in comparison to all basic municipal services. During the year under review 1000 households benefited from 1000 pit latrine toilets and we connected 1000 households to the waterborne sewer reticulation system at a cost of R 12 500 000.00. However, more work still needs to be done on this function.

We have a lot of ground to cover in our quest to improve the quality of life of our communities; we invite all partners to play a role in crafting the desired outlook of our communities. Administratively, we need to improve our operating systems, our organizational culture and instill values of a responsive and accountable administrative component.

There is a solid base to propel excellence even further. We are counting on Council to create an environment conducive enough for all parties to efficiently play a meaningful role and we depend on our community to provide the much needed support.

T.D. NKOANA
MUNICIPAL MANAGER

CHAPTER 1: MUNICIPAL OVERVIEW

SOCIO-ECONOMIC ANALYSIS

a) Population size and growth

In 2008, the population size of Molemole was 107 418, with a growth rate of -0.1%. (Global Insight Database, March 2010). According to Table 1 below, the population growth rate has been -1.0 % for the last three years. This negative population growth rate means that the population size has been decreasing over the last 3 years. The reasons for the negative population growth rates could be due to the impact of HIV/AIDS, out-migration to other areas, and a low fertility rate.

Table 1: Population size and growth rate in Molemole

	Years		
	2006	2007	2008
Population size	107,631	107,484	107,418
Population growth rate	-0.10%	-0.10%	-0.10%

Source : Global Insight Database, March 2010

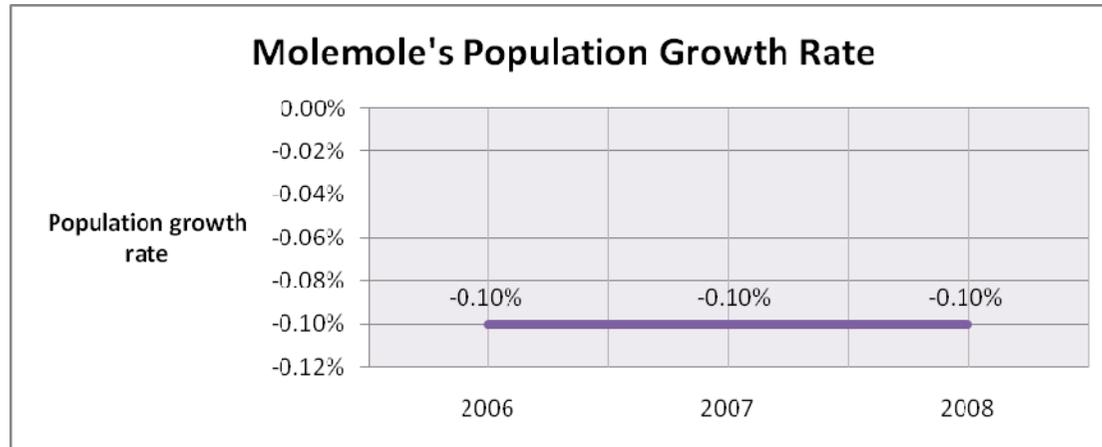


Figure 1: Population Growth Rate; Source : Global Insight Database, March 2010

a) Population Pyramid for Molemole Local Municipality

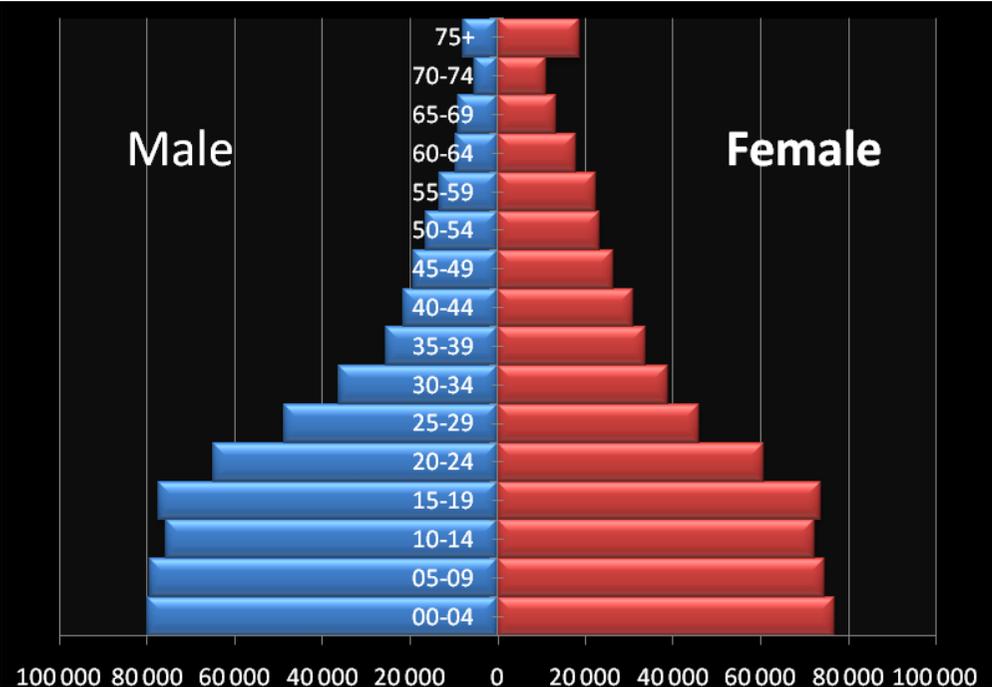


Figure 2 : Molemole Local Municipality Population Pyramid, 2008
Source : Global Insight Database, March 2010

Table 2: Molemole Population, 2008

Age Group	Male	Female
00-04	7,346	6,961
05-09	7,206	6,246
10-14	7,171	6,573
15-19	7,084	7,315
20-24	5,244	4,860
25-29	2,880	3,292
30-34	2,259	3,046
35-39	1,784	2,869
40-44	1,656	2,714
45-49	1,539	2,437
50-54	1,700	2,491
55-59	1,506	1,947
60-64	966	1,895
65-69	904	1,213
70-74	524	1,182
75+	772	1,836
Total	50,541	56,877

According to Global Insight Database, March 2010, Molemole Local Municipality had a higher percentage of females (53%) than males (47%) in 2008.

In addition, a large percentage of the population (i.e. 52%) falls in the 00-19 Age Category, which implies a high dependency ratio, and a higher demand for services e.g. educational facilities.

Source: Global Insight Database, March 2010

b) Human development index (HDI)

The Human Development Index (HDI) is a composite, relative index that attempts to quantify the extent of human development of a community. It is based on measures of life expectancy, literacy and income. It is thus seen as a measure of people's ability to live a long and healthy life, to communicate, to participate in the life of the community and to have sufficient resources to obtain a decent living.

The HDI is calculated as the average of indices of life expectancy at birth, adult literacy and per capita income. The HDI can assume a maximum level of 1, indicating a high level of human development, and a minimum value of 0.

Table 3: HDI – Molemole Local Municipality & Capricorn District Municipality

	2001	2008
HDI: Capricorn District	0.52	0.50
HDI: Molemole	0.47	0.45

Source : Global Insight database, March 2010

A comparison between the HDI figures for Molemole Local Municipality for 2001 and 2008 indicates that the HDI decreased from 0.47 to 0.45, which implies a slight decrease in human development in terms of life expectancy, literacy and income.

Molemole Local Municipality has a lower HDI of 0.45, when compared to Capricorn District's HDI of 0.50, in 2008. This means that Molemole Local Municipality has a lower level of human development than Capricorn District Municipality.

c) Gini coefficient

The Gini coefficient is a summary statistic of income inequality, which varies from 0 (in the case of perfect equality where all households earn an equal income) to 1 (in the case where one household earns all the income and other households earn nothing). In practice the coefficient is likely to vary from approximately 0,25 to 0,70.

Table 4: Gini Coefficient

	2001	2008
Gini- coefficient	0.63	0.62

Source : Global Insight Database, March 2010

The above table illustrates that Molemole had a relatively high level of income inequality in 2008 (Gini co-efficient of 0.62) When comparing 2001 and 2008, we can see that income equality has improved slightly from 0.63 to 0.62. This implies that the structure of income distribution has improved very slightly since 2001.

c) Poverty Rate

The poverty rate is the percentage of people living in households with an income less than the poverty income. The poverty income is defined as the minimum monthly income needed to sustain a household and varies according to household size; the larger the household the larger the income required to keep its members out of poverty. The monthly poverty incomes used are shown in Table 5 below:

Table 5 : Monthly poverty income by household size (R per month)

Household Size	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
1	443	501	526	586	628	684	753	830	869	892	942	1,024	1,174
2	545	609	634	719	764	842	935	1,020	1,070	1,097	1,160	1,261	1,449
3	726	810	841	948	1,007	1,097	1,218	1,332	1,394	1,428	1,507	1,635	1,870
4	903	1,009	1,050	1,174	1,245	1,348	1,494	1,638	1,709	1,751	1,844	1,998	2,279
5	1,084	1,208	1,258	1,402	1,487	1,609	1,783	1,958	2,039	2,088	2,199	2,380	2,712
6	1,278	1,422	1,480	1,646	1,744	1,882	2,085	2,291	2,388	2,445	2,573	2,786	3,173
7	1,451	1,614	1,680	1,866	1,976	2,124	2,353	2,588	2,702	2,767	2,913	3,157	3,587
8+	1,770	1,967	2,046	2,267	2,400	2,560	2,836	3,123	3,239	3,312	3,476	3,751	4,254

Source : Global Insight Database, March 2010

Poverty rate in Molemole

In 2008, Molemole Local Municipality had a poverty rate of 41.3%, which translates into 44 317 of its people living in poverty. In comparison with Capricorn District which has a poverty rate of 46.3%, Molemole's poverty rate is lower.

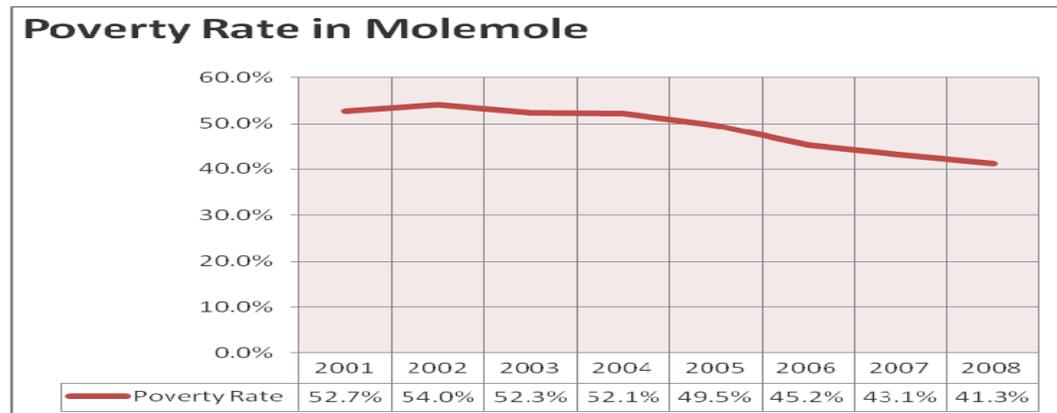


Figure 3 : Poverty Rate Source : Global Insight Database, March 2010

The above graph illustrates that there has been an improvement in the poverty rate in Molemole, which has declined from 52.7% in 2001 to 41.3% in 2008

CHAPTER 2: GOVERNANCE

Component A: Governance Structures.

The municipality has during the year under review established key governance structures to ensure that adequate internal mechanisms are employed to facilitate good governance.

- **Political Governance Structures.**

A Municipal Council comprising of 25 elected public representatives (councillors) in the instance of the 2006/2011 term of Council and 27 elected public representative (councillors) for the 2011/2016 term of Council was in place and established in accordance with the Municipal Structures Act.

Council established and elected councillors to serve on four portfolio committees in accordance with the Municipal Structures Act.

Council established the positions of Mayor, Speaker and Chief Whip as fulltime office bearers; furthermore, Council established an Executive Committee comprising of the Mayor and 4 part-time councillors as chairpersons of the four portfolio committees and senior management.

The following committees of Council were in place:

- (a) Oversight Committee
- (b) Rules Committee
- (c) Ward Committees
- (d) Mayor Magoshi Forum
- (e) Budget & IDP Representative Forum

- **Administrative Governance Structures.**

The municipality established administration in accordance with the provisions of both the Municipal Structures Act and Municipal Systems Act with the Municipal Manager as head of administration and accounting officer.

The following administrative structures were established to bolster good governance:

- (a) Senior Management Committee
- (b) Extended Management Committee
- (c) Local Labour Forum
- (d) Training Committee
- (e) Supply Chain Management Committees
- (f) Budget & IDP Steering Committee
- (g) Performance Audit Committee

Component B: Intergovernmental Relations

The municipality views intergovernmental relations (IGR) in a serious light as enshrined in Section 41 of the Constitution. It is from this perspective that we established an active relationship with other spheres of government. We understand that all government departments or sectors should complement each other instead of competing with one another and thus duplication and wastage of resources are avoided. As a result, the municipality participated in IGR structures including the following: MTAS, Premier IGR & EXCO *Lekgotla*, District IGR and Mayor/Magoshi Forum. IGR forums and committees ensured that sector based projects are not only reflected in the IDP, but are also aligned with the service delivery imperatives of our communities.

Component C: Public Accountability and Participation

Public Meetings

The year under review saw the intensification of outreach campaigns and more use of such platforms like imbizo's and open Council meetings which were critical for the municipal leadership to remain in touch with the people to understand their concerns and more importantly address their needs. We were able to hold 2 mayoral imbizo's where the community raised issues related to service delivery e.g. water shortage and roads. Four Council meetings were also opened to the public so that they were able to familiarize themselves with Council procedures. Five general meetings were held with SANCO in both Mogwadi and Morebeng.

IDP Participation and Alignment

We complied with Section 21 (a) of the Municipal Systems Act 32 of 2000 which requires the municipality to consult with its stakeholders during the reviewing of the IDP and Budget. All the residents and stakeholders within our municipality were encouraged to participate. However, we acknowledge that there is a need for improvement. Such meetings were held in accordance with the IDP process plan until the IDP and Budget were finally adopted by Council at Ramokgopa Stadium on the 28 April 2010.

Component D: Corporate Governance

Risk Management

In the past, the concept of risk management in Molemole did not receive adequate attention. This shortcoming has currently received dedicated attention to limit the impact of risk the municipality is facing. In setting the tone from the top, risk management and control are on the agenda of every manager's daily activities. The municipality also approved a risk management strategy.

After we held our strategic planning session(s), we've also conducted risk assessment to form part of finalising the strategic planning and budget review process. The focus of the risk assessment was to identify the main risks associated with the Molemole Municipality's strategy and operational objectives. The objective of this exercise was to produce the risk register for the Molemole Municipality.

Our risks were categorised as follows: Human Resources, Knowledge and Information management, Litigation, Loss/Theft of Assets, Material Resources, Service Delivery, Information Technology, Third Party Performance, Health & Safety, Disaster Recovery/Business Continuity, Compliance/Regulator, Fraud and Corruption, Financial, Culture, Reputation, Economic Environment, Political Environment, Social Environment, Natural Environment, Technological Environment and Legislative Environment.

Risk measurement criteria

The criteria used in assessing the probability of occurrence and impact for both inherent (before mitigating controls) and residual (after taking mitigating controls into account) risk are described below:

Table 6: Risk measurement Criteria

Likelihood		
Category Definition	Factor	Category
The risk is already occurring, or is likely to occur more than once within the next 12 months	5	Common
The risk could easily occur, and is likely to occur at least once within the next 12 months	4	Likely
There is an above average chance that the risk will occur at least once in the next three years	3	Moderate
The risk occurs infrequently and is unlikely to occur within the next three years	2	Unlikely
The risk is conceivable but is only likely to occur in extreme circumstances	1	Rare

Impact		
Category Definition	Factor	Category
Negative outcomes or missed opportunities that are of critical importance to the achievement of objectives	5	Critical
Negative outcomes or missed opportunities that are likely to have a relatively substantial impact on the ability to meet objectives	4	Major
Negative outcomes or missed opportunities that are likely to have a relatively moderate impact on the ability to meet objectives.	3	Moderate
Negative outcomes or missed opportunities that are likely to have a relatively low impact on the ability to meet objectives	2	Minor
Negative outcomes or missed opportunities that are likely to have a relatively negligible impact on the ability to meet objectives	1	Insignificant

Statement on previous audit opinion

The municipality is still faced with major challenges especially regarding the issues of financial management, reporting and governance. These challenges have been confirmed by the disclaimer audit opinion from the Auditor General in the 2009/2010 financial years. More efforts have since been made and more resources are channeled towards improving our audit opinions and attaining the 2014 clean audit.

Anti-Corruption and Fraud

The Municipality adopted an Anti-Corruption and Fraud Strategy in 2009 and has committed to protecting its funds and other assets. The Municipality will continue not to tolerate corrupt or fraudulent activities whether internal or external to the organisation, and will vigorously pursue and prosecute any parties, by all legal means available, which engage in such practices or attempt to do so.

Performance Management

Performance assessments were conducted on a quarterly basis with each Senior Manager to evaluate service delivery in each department. The annual performance progress report was the culmination of work done for the year and reflected on our overall performance for the year. Quarterly reporting on the Municipal Turnaround Strategy (MTAS) to COGHSTA was done as required.

Supply Chain Management

The municipality complies with Chapter 11 of the MFMA which gives effect to Section 217 of the Constitution of the Republic of South Africa (Act 108 of 1996). The Municipality has policies that guide SCM processes. In the financial year under review, the municipality expended a total of R67,054,644.00 of which R11,368,015.00 was processed through the SCM system. The SCM unit ensures that these transactions are done in accordance with a system that is fair, equitable, transparent, competitive and cost-effective.

By-laws

The municipality has 13 by-laws in place. However, enforcement thereof remains a challenge. There is a need, moreover, to raise public education and awareness to ensure easy compliance and enforcement of approved by-laws. Through by-laws, the municipality must, in future, regulate other critical areas that remain unregulated currently to curb unfavorable practices and to protect the interests of residents, business, environment and the state.

Website

The municipality has a fully operational website which is updated timeously as and when the information becomes available. The important thing about using the website is that we are able to provide up-to-date information about municipal events to all our stakeholders. Our communities are now able to access our policies, upcoming events and, most importantly, information about where to access the various municipal services. We also have a link to encourage residents to quickly register their complaints literally at the click of a mouse. Our officials make sure complaints are checked every day and directed to the relevant departments for resolutions.

We also use our website to advertise vacancies, internships, learnerships and tenders. Our people are now able to download any government-related information, be it nationally or provincially without having to travel long distances to access government information.

We are encouraged by the high number of our people who use the website as their preferred source of municipal information. We shall continue improving the outlook of the website to make it worthwhile for every visit. We would also like to thank Sita (State Information Technology Agency) for their support in ensuring that ours is a website that provides up-to-date information to the communities out there. We know that providing timely information to the local communities is in line with section 21 of the Municipal Systems Act (Act no 32 of 2000).

Public satisfaction on municipal services

Customer care interventions were introduced to enable seamless attendance to community queries and suggestions. Our municipality participated fully in both the Presidential and Premiers' hotlines whereby issues raised by communities e.g. electricity challenges, shortage of water and inadequate road infrastructure were either attended to by our administration or referred to relevant departments. Two staff members were identified to coordinate this function. We also used a suggestion and comments book which is placed at our reception to interact with our communities. Again, we acknowledge that there is still a need for improvement in this area.

CHAPTER 3: SERVICE DELIVERY PERFORMANCE REPORTING

TABLE 7: ANNUAL PERFORMANCE REPORTING FINANCE DEPARTMENT – 2010/2011

INSTITUTIONAL TRANSFORMATION AND GOOD GOVERNANCE									
IDP Objective	Agreed Outcome	Baseline Information	Project / Output	Achievement (based on the indicator)	Targets	Progress (% to Target)	Corrective Action	Revised Target	Budget Expenditure
To achieve a satisfactory collection level for taxes and levies each year	The collection of all taxes and levies from citizens, government and business within the billing year	40%	Percentages of levies collected		60%	32%	Implementation of debt management and credit control policies. Issuing reminders to long outstanding debts	50%	R 0
		0%	Implementation of debt and credit control policy		100%	10%	Implementation started in the 3rd quarter	100%	R 0
		1	Appointment of debt collectors		1	0	Debt collector to be appointed during the 1st quarter	1	R 0

		0	Appointment of debtors clerk		1	0	Advertisement of position temporarily suspended by MM	0	R 0
		0	Training of staff		10	0%	Staff trained during November, service level agreement signed with service provider (Ngubane and co.) for training staff after the audit. I	All finance staff	
Establish functional bid committees	Composition of bid committees in terms of SCM policy and relevant regulations	Bid committee in place and functional	Transparent bid committee system			100%	Accounting officer appointed formal bid committee members, rotation will take place every six month		

Table 8: Financial Viability

FINANCIAL VIABILITY

IDP Objective	Agreed Outcome	Baseline Information	Project / Output	Achievement (based on the indicator)	Targets	Progress (% to Target)	Corrective Action	Revised Target	Budget Expenditure
To compile a GAMAP 17 compliant Asset Register	Audit opinion by auditor-general on the asset register for the financial year	Disclaimer	Improved Audit Outcome	Qualified Audit report	Qualified Audit report	Disclaimer 50%	Implementation of action plan. Auditors to verify the correctness of the journal entries made during Audit to assist opening balance legacy issues in 2010/2011. Water dates and sales issues also cleared and water assets to be transferred to CDM		1000000.00
To compile a Multi-Year Capital and Operating Budget	Submission of budget for 2010/11 - 2012/13 for approval by end May 2010	Old format submitted to Council	Budget submitted to Council by end of May 2011 In new formats		All reports compiled on new budget tables format from July 2011	Future target	Done		R 0
		Old format submitted to Council	Tabling of budget for 2011/12 - 2013/14 by end March 2011				Done		

To prepare GRAP compliant financial statements for each year in compliance with the MFMA and other relevant legislation	A complete set of financial statements for the previous year to be submitted annually to the auditor-general by 31 August	GAMAP/GRAP	Set of financial statements submitted on full GRAP		Fully GRAP	75%	Service provider to be appointed to assist including the training of staff on transactions and awareness of Audit outcomes by July 2011		R 800 000
To settle liabilities timeously	The payment of creditors within specified time frames	Payments made late to creditors	Number of days within which Council creditors are paid	Number of days within which Council creditors are paid	Creditors paid within 30 days of invoice submission	100%			
Establishment of SCM unit	To ensure a well established SCM unit and SCM office	No unit head	Appointment of SCM Manager	1	1	0%	Unit appointed.		R 418,462
		No storeroom in place	Establishment of storeroom	1	1	0%	None		R 50,000

LOCAL ECONOMIC DEVELOPMENT

IDP Objective	Agreed Outcome	Baseline Information	Project / Output	Achievement (based on the indicator)	Targets	Progress (% to Target)	Corrective Action	Revised Target	Budget Expenditure
Ensure that 60 % of budget is spent on local HDSA SMMEs and BEE	Percentage budget utilized	Not clear	The provision to be included as part of the SCM policy	None		75%	The new SCM policy compiled and approved		R 0

GOOD GOVERNANCE AND PUBLIC PARTICIPATION

IDP Objective	Agreed Outcome	Baseline Information	Project / Output	Achievement (based on the indicator)	Targets	Progress (% to Target)	Corrective Action	Revised Target	Budget Expenditure
To allocate resources for free basic services in the budget	Indigent register not updated and maintained annually	Indigent register last updated in 2006/2007	Compilation of new indigent register to provide fair allocation of equitable share		Complete indigent register by Feb 2011	75%	Indigent register compiled and approved		

Financial record keeping	% of financial record available against total financial transaction conducted	80% of records files	Ensuring financial records of the municipality are kept and filed safely		100%	80%	The financial records are properly filed, and anyone requesting documents is made to sign for receiving and returning		
Budget expenditure monitoring	% Operational Budget spent	122%	Ensure that 25% is spent per quarter and in accordance with the budget to avoid unauthorised and fruitless expenditure		The operational expenditure is clearly monitored. Exception reports are being sent to the departmental heads on areas of possible overspending	48% / 50% 96%	Warning reports will continue to be sent to overspending departments, advising them to reduce spending and/or to make virements		

To perform all financial reconciliations	% of financial record reconciled	Reconciliation not done previously	Reconciliation done monthly, suspense accounts are also cleared every month to avoid year-end confusions and frustrations		To be performed monthly	100%	Reconciliation performed monthly on major creditors, debit orders also reconciled through bank reconciliation. Investments register is also reconciled every month		
Resolving audit queries from AG satisfactorily and timeously	% of audit queries resolved within the department within ten days of receipt			Forms to be developed and details to be completed when the customers phone in for enquiries and when they come to the office to make payments to the office		60%	Forms to be developed and details to be completed when the customers phone in for enquiries and when they come to the office to make payments to the office		
BASIC SERVICE DELIVERY									
To allocate resources for free basic services in the budget	Indigent register not updated and maintained annually	Indigent register last updated in 2006/2007	Compilation of new indigent register to provide fair allocation of equitable share		Complete indigent register by Feb 2011	Not assessed	Indigent register developed		

To issue bills to customers in time and to correct addresses	To ensure that bills reach consumers in time	Some of the bills are sent to wrong addresses, thus being returned to the municipality	Development of consumer details update forms			Not assessed	Consumer details update forms, given to the consumer for updating information at the cashiers' offices during payments and/or enquiries. Customers making telephonic enquiries are also requested to provide updates		
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Table 9 : SOCIAL AND COMMUNITY SERVICES ANNUAL PERFORMANCE REPORT 2010/11

IDP OBJECTIVE	AGREED OUTCOME	BASELINE INFORMATION	PROJECT / OUTPUT	ACHIEVEMENT (based on indicator)	TARGETS	PROGRESS (% to target)	CORRECTIVE ACTION	REVISED TARGET	BUDGET EXPENDITURE
Basic Education	Completed pre-school	No pre-school at Makgato	Makgato Pre-School	Consultant appointed	30 th June 2011	20%	Urge contractor to employ more skilled labourers to fast-track project		R199 673.36
Basic Services	Availability of bins	Old and few refuse bins	Refuse Bins	Bins delivered	31 st Dec 2010	100%		30 th March 2011	R345 000.00
Basic Education	Renovated pre-school	Old building	Boulast Pre-School	Completed	31 st Dec 2010	100%	Contractor to buy material to complete the project	30 th September 2011	R97 520.00
Community Facilities	Renovated hall	Old building	Nthabiseng Hall	Completed	31 st Dec 2010	100%	None		R127 850-00
Env.	Trees	No programme	Greening Project	Trees planted at	30 th June	10%	Finalize		None

Management	planted in all wards	on tree planting		two schools	2011		appointment with dept.		
Good Governance	Established forum	Forum not established	Educational Forum	Preparatory stage	30 th March 2011	25%	Speed-up preparation	None	None
Good Governance	Established forum	Scattered forums	Community Safety Forum / CPF	Forum established	30 th Sep 2010	0%	Make forum functional	None	Opex
Good Governance	Functional forum	Forum not fully functional	Transport Forum	Appointed forum	31 st Dec 2010	20%	None	None	Opex
Basic Services	Credible waiting list	No credible list	Housing Waiting List	Registration of beneficiaries	30 th June 2011	10%	Publicize the registration	None	Opex
Good Governance	Established forum	Forum not established	Health Forum	Preparatory stage	30 th March 2011	10%	Speed-up preparation	None	None
Good Governance	No. of meetings held	No roster for meetings	Departmental Meetings	2 nd meeting held on 21/01/11	30 th June 2011	50%	Ensure adherence to roster	None	None
Env. Management	No. of campaigns held	Campaigns not conducted	Environmental Management	1 st campaign held in October at Mogwadi	30 th June 2011	25%	Ensure that campaigns are held	None	Opex
Good Governance	Functional forum	Forum not fully functional	Disaster Management	Forum fully functional	30 th Sep 2011	100%	Ensure adherence to roster	None	Opex
Good Governance	Functional DLTC	DLTC not functional	Mogwadi DLTC	Phase 1 functional	30 th Sep 2011	100%		None	Opex
Good Governance	% increase in road-blocks	Minimal road-blocks	Law Enforcement	Road-blocks are held	30 th June 2011	50%	Fill vacant posts	31 st Dec 2010	Opex
Sports & Recreation	Mayor's tournament & marathon held	Event is held annually	Mayor's tournament & marathon	Mayor's tournament held on 18/12/11	11 th Dec 2010	100%	None	None	Opex

Table 10: CORPORATE SERVICE ANNUAL PERFORMANCE PROGRESS REPORT 2010/11

	IDP Objective	Agreed Outcome	Baseline	Project Output	Achievement (based on Indicator)	Target	Progress To Date (%)	CORRECTIVE ACTION	REVISED TARGET	BUDGET EXPENDITURE
1	To ensure efficient use of municipal fleet	Fleet Maintenance	No maintenance schedule in place. Maintenance done based on manufacturer's guide	Maintenance Schedule	Adherence to maintenance schedule	Adherence and/or saving on maintenance budget provision as well as 100% adherence to fleet maintenance schedule	90%	Development of a comprehensive maintenance schedule by all departments. Reduce no. of trips through use of Information Technology for communication	A 30% reduction in maintenance costs - 2011/2012	R 315,455.24
2		Fleet Disposal	4 sedans and 3 bakkies have passed their usage period	7 vehicles disposed	A list of vehicles to be disposed compiled. Auctioneer busy evaluating identified vehicles	Disposal of 7 obsolete vehicles i.e. 4 sedans & 3 bakkies	75%	Auction to take place in 2011/2012 financial year. The objective to be transferred to Asset Management section for facilitation		
3		Fleet acquisition	2x traffic bakkies, 5x traffic sedans, 2x Quantums, 1 x traffic trailer, 2x messenger services bakkies, 4x messenger service sedans & 1x mayoral vehicle	Bought 3x bakkies, 3x sedans & 1 Kombi	3x bakkies and 1 sedans purchased	Purchase 3 x bakkies 3 x sedans and 1 Kombi	80%		To purchase 1x bakkie, 1x sedan, 1x Mayor's car & 1x Kombi - 2011/2012	R 606,153.53

4		Fleet Control and tracking	Fleet authority in place; no fleet movement tracking device. Delivery schedule in place	Installed tracking device in Council fleet	Logbooks in place. Tracking device (phone-in)	Delivery schedule for municipal parcels and documents; Installation of movement tracking device in all Council fleet	70%	Finalize SLA for tracking device	Add fleet management for live tracking of vehicles - 2011/2012	
5		Fuel Usage	R 1, 512 000.00 allocated during 2009/10 financial year	Adherence to quarterly budget allocation	Overspent on allocated budget	100% compliance with budget provision for fuel	70%	Decentralize budget to each department for ease of monitoring.	2011/2012	R 1,132,000.00
1	To ensure effective administration and facilitate provision of services	Records Management	Filing cabinets, file plan, document register, photo copier, facsimile facilities in place, approved records management policy and private bag mail system	SLA for courier services	Got quotes on rates from Speed Services	Fully functional filing and archiving system. Upgraded registry and archives system to meet the national registry and archives standard. Courier services level agreement with the service provider	20%	Expedite finalization of speed services contract and implement file reference numbers on correspondence	Demarcation of proper registry office in 2011/2012	

2		Customer Relations Management (crm)	Comments & complaints book in place; Online complaints register in place via our website	Weekly reports on complaints handled.	Presidential, Premier hotline, website & suggestion books suggestions and complaints referrals done.	Conduct 1 customer satisfaction survey, Improve complaints response time and weekly referral of complaints/ comments/ suggestions to HODs; Use of online feedback/ complaints system	65%	Designate an official to deal with complaints and suggestions from all sources. Customer service to be a standing item in Manco meetings.	2011/2012	
3		Communication system	The telephone management system (TMS) in place, at Mogwadi and Morebeng offices. Not in place at Traffic and Nedbank offices. Policy in place.	Installed Telephone Management System in all municipal offices	Installed at Mogwadi and Morebeng Offices. Overspend by 3%	100% implementation of the telephone and cellphone policy, reduction of telephone costs by 10%.	75%	Fast track installation at remaining points. Get new service provider for the TMS. Reduce the no. of officials able to make outgoing calls	Installation of one system at Mogwadi main office to control all municipal service points - 2011/2012	R 413,178.15
4		Printing & Stationery	Printing and publications performed	Diaries, calendars, legislative and booklets		Purchase of 100 legislative booklets. Printing of 4 newsletters. Printing of 100 diaries and calendars	30%	Move the vote to MM's office to be expended by Communication Officer	2011/2012	R 167,623.88
5		Accommodation & meals	Expenditure on accommodation and meals within budget at current	Adherence to budget allocation	Spent 96.9% of the budget	100% budget compliance with budget. 10% Rand value budget savings in comparison to previous year actual expenditure.	95%			R 96,859.29

6		Travelling & Subsistence	Expenditure on travel & subsistence within budget at current	Adherence to budget allocation	Spent 96% of the budget. Target achieved	100% budget compliance with budget. 10% Rand value budget savings in comparison to previous year actual expenditure.	100%	Reduce the number of conferences attended. Focus on service delivery imperatives		R 135,588.47
7		Rental Office Machine	Photocopying machines rented	Adherence to budget allocation	Overspent by 9% of the allocated budget	100% budget compliance with budget.	50%	Monitor usage of Council rented copiers to reduce abuse. Encourage use of e-mails for communication		R 491,559.18
8		Rental Office Machine Other	Fax machines on rental agreement	Adherence to budget allocation	Spent 53% of the budget	100% budget compliance with budget.	95%	Encourage use of e-mail for communication		R 42,644.14
9		Rental Building	Two buildings on rental agreements	Adherence to budget allocation	67% of budget allocation spent	100% budget compliance with budget.	100%			R 101,570.92
10		Cellphones	All contract cellphones held under the Employer's liability	Contracts converted to personal liability.	Overspent by 30% of allocation	100% budget compliance with budget. 15% budget savings. 40% conversion from employer liability to personal liability and allowance advancement	0%	Enforcement of approved cellphone policy. Confine allowances to qualifying officials	Jun-12	R 652,321.36

11		Books & Publications	Subscribed with LexisNexis for traffic legislation amendments	Books procured	Purchased legislative books	100% budget compliance with budget. Payment of subscriptions	100%	Consider downloading legislative books and binding them for distribution to officials		R 1,000.00
12		Public Participation	Public participation sessions held			% compliance with budget allocation. 12 public participation sessions held.	50%	Should be moved to responsible department		R 149,105.00
13		Refreshments	Refreshments procured	Refreshments procured	Provided refreshments for departmental meetings	100% budget compliance with budget.	100%			R 3,982.04
14		Advertising Other	Advertising of public notices and tenders	Notices and tenders adverts	Spent 96% of the budget. Target achieved	100% budget compliance with budget.	96%	Consider moving the vote to SCM		R 77,522.36
		Advertising Other	Advertising of public notices and tenders	Notices and tenders adverts	Spent 96% of the budget. Target achieved	100% budget compliance with budget.	96%	Consider moving the vote to SCM		R 77,522.36
15		Cleaning and Maintenance of premises	Cleaning services provided at all municipal premises daily; Draft Cleaning Procedure manual in place	Cleaning Procedure manual. Adherence to cleaning guide	Adherence to cleaning guide. Cleaning roster issued on a weekly basis	Increase the personnel capacity to support the service for the additional municipal service points, High level of cleanliness, Strict adherence to cleaning guidelines	50%	Have storeroom for cleaning materials. Enforcement of compliance to cleaning rooster		R 143,581.46

16		Website	Offsite website maintenance	Monthly payments	Adherence to payment schedule	Payment of maintenance fees. Prompt maintenance and update of website.	100%			R 97,946.14
17		Information Technology Software	IT software currently procured within budget	IT Software	Spent 13.5% of the allocation	Purchase IT Software	50%	Ensure timely renewal of licenses		R 17,300.00
18		Information Technology Hardware	IT Hardware in place	Hardware purchased	96% of budget used	Purchase IT Hardware	95%	Consider subsidy system for Management officials to buy laptops for themselves to save on insurance and negligence. Clarify those qualifying for laptops	2012/2013	R 87,074.27
19		Information Communication and Technology (ICT)	No control measures or policy to regulate the use of ITC infrastructure and software	Draft policies on E-mail, Backup, Password	Draft policies on E-mail, Backup, Password	Development of municipal ICT policy; Approval of ICT policy and 100% implementation of ITC Policy	75%	Expedite approval of policies and implementation	2011/2012	
20		Security Services	Security company appointed to render the services at municipal premises	Performance reports/Security plan	Spent 85% of the allocated budget	Development of Security Management Plan; Monthly payment authorization to service provider; Quarterly production of reports on performance by the security service provider.	90%	Fast track meeting with Service Provider on security plans		R 1,023,339.11

22	Create a conducive environment for Council activities and provides support to committees & challenges of staff to give hands-on support to ward committees	Council Coordination	Secretariat services in place, Council agendas developed and circulated, Council meetings' notices published; challenges with adherence to legislated timelines	functional Council and committees	Compliance with schedule	Council meetings calendar adopted and published, timeous compilation and circulation of Council agendas to members, coordination of Council meetings, venues and issuing of notices of Council meetings in accordance with applicable legislation and adoption of Council support operating manual,	60%	Coordination of Portfolio Committees should be improved		
23		Committees support and Coordination	Adopted committee meetings calendar, publishing of meeting calendar, issue notices and invites for meetings, compile agendas, coordinate venues and logistics for the meetings provide administrative support to committees	functional Council and committees	Compliance to schedule	compile, circulate and issue meeting calendars, notices, agendas and take & keep minutes of all portfolios, Exco, oversight, audit committee, management committee and all workplace committees in accordance with the rules and legislations of the applicable committees	80%	Give more secretariat support by filling vacancies		

24		Ward Committee Capacity Building	Ward committee members trained	Ward committee members trained	Trained all ward committees on public participation, project management, and IDP processes.	Training of 130 ward committee members	0%	WSP should also feature training of ward committees		R 40,633.00
25		Ward Committee Allowances	Sitting allowances paid at R50.00 tariff	Allowance paid	Sitting allowance paid	All sitting allowances claimed paid	100%			
26		Ward Committee Conference	Conference held	Conference	None	Convene 1 Municipal Ward Committee conference	0%	Fast track appointment of Ward Committee Coordinator		R 40,633.00
27		Ward Committee Support and Coordination	Administrative support given to ward committees, challenges in capacity to give hands on support to ward committees	Support to ward committees	Minimal support to ward committees	Functional ward committees, appointment of ward committee coordinator, development of ward plans, integration of ward plans into IDP	10%	Appoint staff in Speaker's office to support ward committees		
28		Resolution Administration	All resolutions scheduled and presented for consideration by management	Implemented resolutions	Resolutions implemented on-going	Develop resolution flyers, refer all resolutions to responsible persons and supply extracts when required. Ensure that the Speaker has all the resolutions	80%			

29		Legal Services	1%	0% litigation against Municipality	1 case pending	0% Litigations against the Municipality	80%			
30		Minute Taking	All Council minutes are taken and kept by Council support, challenges in taking minutes for other Council committees and workplace committees	Records of minutes kept	Minutes taken and kept	All minutes of Council, Council committees and workplace committees taken and kept by Council support and all minutes to be approved accordingly	95%			
31	To ensure effective administration of employee benefits and provisioning	Labour Forecasting	Labour Forecasting Conducted	Reviewed Organisational structure for 2011/2012	Personnel Needs Analysis done	6 labour focused plans developed for 2011/2012 (1 per department)	100%			
32	Filling of vacant posts	Recruitment / filling of vacant posts	The 2010/2011 municipal salary budget provides for 203 funded posts of which 135 are filled and 68 funded posts are vacant	Recruitment of suitable personnel into vacant posts	Advertised for vacant positions	Filling of 55 vacant funded positions and all posts that become vacant thereafter within 4 months of becoming vacant	70%	Use of website in place of national papers for advertising, More advertising in local papers		R 69,667.84

33	Induction of employees on municipal policy and operational requirements	Employee Engagement	Induction sessions conducted for all newly appointed employees; lack of policy guideline on employee induction	Conduct induction sessions and ensure policy understanding	None	All newly appointed employees inducted and engaged onto payroll within 14 days of appointment; Adopted of Induction Policy and Procedure	100%			
34	To ensure effective administration of employee benefits and provisioning	Benefit Administration	Provide employee benefits to all qualifying beneficiaries	All qualifying employees granted applicable benefits	Benefits granted accordingly	100% provision of benefits to all qualifying employees, approval of benefits for employees and provision for employee benefits	100%	Monthly review of benefits	Monthly	
35	Proper management of leave	Leave Management	Leave records recorded and updated on leave records cards. Leave provision developed annually. Leave application forms processed and filled in personnel files. Limitations with leave application process and accuracy of leave credits	Accurate leave data & efficient leave management system	Introduction of electronic leave management	Review the leave management policy and procedure. Upload historic leave records on payroll system. Update leave records on record cards, personnel leave files and electronic leave record system. Develop a master leave roster. Develop leave provision schedule	70%			

36	Ensure work attendance and adherence to working hours by employees	Attendance Management	All departments issued with attendance registers, attendance registers monitored monthly to reconcile attendance with remuneration and absence and late coming reported. Limitations in tracking clock-in times for employees	Maintenance of attendance registers and attendance exception reports	Departmental heads & line managers charged with responsibilities to manage staff attendance	Development and allocation of attendance registers. Monthly reconciliation of work attendance and remuneration. Monthly reporting of absence without leave and late coming. Installation of an electronic clocking system	100%	Improve work attendance monitoring by introducing electronic clocking	Jun-12	
37	Regulation of overtime in accordance with base legislation & agreements	Overtime Management	Overtime paid to qualifying employees. Payment of overtime limited to 40 hours per month. Limitation with high rate of overtime claims	Overtime administered in accordance with applicable legislation	Compliance with overtime policy; collective agreement & BCEA	Cap overtime employees at 40 hours per month. Reduce overtime expenditure by 20% from previous financial year expenditure. Develop overtime management policy. Provide for overtime in salary budget and ensure 100% adherence to allocated budget	100% compliance; overtime paid within legislated limits	Tighten approval procedures and link approval to budget		
38	Facilitate payroll activities	Payroll Referral	HR makes referrals to Payroll. There are challenges regarding information flow and	Efficient payroll administration	Prompt payment and administration of employee related costs	Implementation of all payroll referrals	100% monthly referrals on payroll matters			

			seamless implementation of referred matters							
39	Elimination of workplace equity disparities	Employment Equity Policy	No policy in place	Provide policy framework for the facilitation of Workplace Employment Equity	LLF adopted policy	Adopted Employment Equity Policy	80%	Re-establish LL and finalise consultation on the EE policy	Adoption of the policy by September 2011	
40		Affirmative Action Policy (AA)	No policy in place	Provide policy framework for the facilitation of workplace Affirmative Action	Draft AA Policy developed and submitted for consultation	Adopted Affirmative Action Policy	75%	Re-establish LLF and finalise consultation on the Affirmative Action policy	Adoption of the policy by September 2011	
41		Employment Equity Plan	1 st draft in place	Provide a multiyear Employment Equity Plan	Draft EE Plan developed and submitted for consultation	Adopted Employment Equity Plan	75%	Re-establish LLF and finalise consultation on the Draft Employment Equity Plan	Adoption of the policy by September 2011	
42		Employment Equity Reporting	Annual Employment Equity Report submitted	Annual reporting on Employment Equity in accordance with the Act	Submitted EE report	Submitted Employment Equity Reporting	100%			

43		Stakeholder Engagement	No Employment Equity Forum	Consultation conducted with the Forum on EE matters	LLF used as a consultative structure for employment equity	Established EE Forum and at least 4 EE Forum meetings held	50%	Make use of LLF as an EE forum		
44		Workplace Employment Equity Education	Number of EE workshops held	Conduct EE training workshops	No workshop conducted	2 EE Education workshops held	0%			
45	To create an effective and efficient organisational structure aligned to the IDP objective	Human Resources Development Strategy	No HRD Strategy in place	Develop a comprehensive HRD strategy	Development of strategy requires external capacity and no funding allocated for HRD Strategy	Human Resources Development Strategy Adopted	0% Requires funding; not budgeted for during 2010/2011	HRD strategy funded for implementation during 2011/2012		
46		Personnel Development & succession planning	Develop Personal Development Plans (PDP) for the identified pool	Have succession plans in place	All employees have job descriptions and submission of skills audits that should serve as a base for succession planning	Develop PDP's and Succession Plans for all Senior Management, Middle Management and officer level positions. Develop succession plans	30%	Develop draft plans for Senior; Middle & supervisory levels	Have plans approved by December 2011	
47		Organisational Structure Re engineering	Organisational structure reviewed	Alignment of organisational structure to IDP priorities; operational requirements and powers & functions of local government.	Departmental human capital needs analysis conducted	Reviewed organisational structure	100%			

48		Organisational Structure Review	Adopted organisational structure	Implementation of approved organisational structure	Advertised 29 of the vacant posts	100% Implementation of the approved and budgeted organisational structure	70%	14 vacant funded positions prioritised for filling filled during 2010/2011. 15 additional posts advertised for filling during August 2011	Dec-11	
49	To enhance performance and create institutional capacity to analyse organisational performance	Performance Management System	Development stage of Performance Management system	Approved & implemented Performance Management Framework	Performance contracts signed; personnel plans aligned to SDBIP & Budget.	Functional PMS	100%			
50		Performance Framework	Draft in place	Approved Performance Management Framework	Approved Performance Management Framework	Council approved Performance Management Framework and 100% compliance with the framework	100%			
51		Performance Agreement	Applicable but not compliant with regulations	Signed compliant performance contracts	6 performance contracts signed	6 performance contracts developed and signed	100%			
52		Service Delivery Budget Implementation Plans	6 Service Delivery Budget Implementation Plans developed and approved	Approved SDBIP	6 SDBIP's developed & approved in accordance with legislation	6 Service Delivery Budget Implementation Plans developed and approved	100%			

53		Performance Tracking and Reporting	Inconsistent performance reporting	Submission of performance reports	1 quarter performance report submitted. Annual performance report for 2009/2010 conducted. Draft annual report for 2009/2010 developed & submitted for audit	Submitted: 12 Monthly Performance Agreement reports; 12 monthly SDBIP reports; 4 quarterly Performance Agreement reports; 4 SDBIP progress reports; 4 Section 72 reports; 1 midyear Section 72 performance report; 1 Annual performance report	100%			
54		Departmental Performance Reviews	Not conducted previously	Quarterly, midyear & annual performance reviews conducted	1st quarter review conducted & 2009/2010 annual performance review conducted	4 x quarterly performance reviews, 1 x midyear performance review and 1 x Annual Performance review conducted for each of the 6 department.	75%			
55		Performance Management Institutional Arrangements	Performance Panel established	Functional Performance Panel	Panel in place	1 Performance audit / assessment panel established. 1 x Midyear performance review for 2010/2011 and 1 x Annual Performance review conducted for 2009/2010 financial year	100%			

56	To maintain sound employee relations; create policy framework and establish internal capacity to administer discipline	Stakeholder Engagement	Functional Local Labour Forum and its sub-committees as guided by section 12.4 of Organisational Rights Agreement	Functional LLF	2 LLF meetings held in the 1st quarter	Established Local Labour forum with established sub-committees Min. of 4 LLF meetings and 6 meetings per established sub-committee per annum	80%	Re-establish LLF and improve on the scheduling, attendance of the LLF and functionality of LLF sub-committees		
57		Policy Development	14 policies in place	Development & consultation on labour related policies	3 draft policies developed and submitted for consultation	12 new labour related policies	100%			
58		Case Management		Administer disputes; grievances and disciplinary cases	2 labour related matters raised	All internal cases to be finalised within 90 days; all Bargaining Council/CCMA and court cases to be finalised within prescribed timeframe	100%			
59		Policy Education	General understanding of policies by all personnel	Understanding of policies	Policies published on the website and distributed for reading	4 workshops held and 100 persons trained	50%			
60		Workplace Discipline	Functional disciplinary tribunal and departmental disciplinary hearings.	Establish internal capacity to handle disciplinary processes	2 officials trained on disciplinary procedures	0% misconduct	80%			

61	To create adequate human capital capacity to support the delivery of the IDP objectives	2011/2012 Workplace Skills Development Plan	Submitted Workplace Skills Plan and annual Training Report to LGSETA by 30 th June 2010	Submit 2011/2012 WSP within the provided deadline	Skills audit methodology for 2011/2012 is being developed	All employees and councillors to take part in the skills audit	100%			
62		Implement 2010/2011 Workplace Skills Plan	Submitted all required reports	Adherence to planned training	Training aligned to WSP and 3 monthly training reports for each of the months in the 1st quarter submitted to LGSETA	100% compliance with the WSP and submission of 12 monthly reports, 4 quarterly reports and 1 annual report for 2010/2011	80%	Training interventions curtailed for implementation during 2010/2011 have been planned and prioritised in the 2011/2012 budget		
63		Recover Skills Levies	Improve on the recovery rate of skills levies	Recover levies paid for Skills Development	Skills levy contribution made and submitted monthly. Submitted training expenditure reports to facilitate payments to LGSETA.	Recover at least 60% of the skills levy contributed to LGSETA	60%	The remainder is to be implemented through learnerships during 2012		
64		Mayoral Bursaries	4 students receiving bursaries	Allocate study bursaries to learners	2 students supported through the study bursary	Allocate Mayoral bursaries to at least 6 learners	100%			
65		Employee Bursaries	No bursary allocated to employees	Allocate study bursaries to employees	No allocation made on budget for employee bursaries	Allocate at least 10 study bursaries to employees	0%	Funding secured in the 2011/2012 budget for employee bursaries	Jun-12	

66		Operate Learnerships	No learnership registered and operated	Register & operate learners	Application for learnership for 2010/2011 not approved by LGSETA due to discrepancies in skills levy contributions	3 Learnerships registered and operated.	100%			
67		Operate Internships	2 Interns appointed	Functional internship programme	Interns provided with a programme and given training	4 Interns appointed	100%	Appointed	Aug-11	
68		Provide opportunities for training and experiential learning	No policy on experiential training and voluntary work	Provide opportunity for experiential learning	4 students allocated experiential learning / training opportunity	Fully operational policy	100%			
69	To promote wellness amongst employees and ensure focused workforce	HIV / AIDS Campaigns	No campaign conducted	Create workplace HIV/AIDS awareness	No workplace campaign conducted	4 campaigns	20%	Conduct HIV/AIDS workplace workshop	Dec-11	
70		Finance Management Campaigns	No campaign conducted	Provide employees with personal finance management skills	No workplace campaign conducted	2 campaigns	20%			
71		HIV / AIDS Care & Support	No campaign conducted	Create a workplace support programme for affected employees	No workplace campaign conducted	2 campaigns	0%	Enlisted as part of the service to be provided by the appointed provider	Sep-11	

72		Policy Management	No Employee Wellness policy induction. Occupational Health & Safety Policy in place	Create awareness of the Employee Wellness Policy & Occupational Health & Safety Policy	No induction conducted on Employee wellness & Occupational Health & Safety policies	50 employees orientated on Employee Wellness policy and 1 policy review	90%	Appointed a provider to implement		
73		Good Health & Hygiene Awareness Campaigns	No campaign conducted	Promote general hygiene	No workplace campaign conducted	3 campaigns	40%	Service arrangement entered into with Botlokwa Hospital & PHC Clinic		
74		Counselling programmes	No referrals	Create a resource for counselling services	No counselling services required or provided	Refer all cases that arise	No counselling required. Not scored	Promote the availability of the service and establish internal capacity by training lay counsellors		
75	To create a conducive and safe working environment that enhances productivity and facilitates service delivery	Safety Audit	Not conducted previously	Conduct a safety audit	Audit planned for April 2011	100 % compliance on safety	40%			
76		Safety Education	0%. Incident rate	Maintain a safe working environment	No occupational injury incident reported or occurred	0% injury rate	100%			
77		Administration of Occupational Injury and Diseases cases	No occupational injury and diseases claim lodged for the financial year	Efficient administration of Occupational Injuries & Diseases applications	No application lodged or reported	Finalisation of occupational injury claims within 6 months of being reported	100%			
78		Stakeholder Engagement	No safety committee	Establish a safety committee	None	Established and functional safety committee and minimum of 4 safety meeting	0%	Reestablish LLF and their safety sub-committee		

79	Policy Management	No occupational Health & Safety Policy induction. Occupational Health & Safety Policy in place	Create awareness of the Occupational Health & Safety Policy	No induction conducted on Occupational Health & Safety Policies	60 employees orientated on Occupational Health & Safety Policy and 1 policy review	0%	Policy adopted by Council		
80	Medical Surveillance	Not conducted previously	Conduct a medical surveillance report	Procurement of a provider for the service in process.	All qualifying employees to undergo medical surveillance	0%	Adequate budget made available in the 2011/2012 financial year to deal with funding shortfall experienced during 2010/2011		

Table 11: LED & PLANNING DEPARTMENT

LOCAL ECONOMIC DEVELOPMENT AND PLANNING (LEDP) ANNUAL PERFORMANCE REPORT 2010/11									
IDP OBJECTIVE	AGREED OUTCOME	BASELINE INFORMATION	PROJECT / OUTPUT	ACHIEVEMENT (based on indicator)	TARGETS	PROGRESS (% to target)	CORRECTIVE ACTION	REVISED TARGET	BUDGET EXPENDITURE
Letswatshemong Poultry	Upgrading of building, drilling of water borehole & supply of chicken food	Poultry house dilapidated and no water reticulation	Complete project	Tender advertised, service provider appointed, service completely delivered	31 December. 2010	100%	NONE		R98 200.00
Mohodi Arts & Culture	Completed building with equipments	Tribal Authority has given beneficiaries a site	Appoint service provider to erect fence	Erection of fence completed	31 December 2010	10%	Procure contractor to erect building & supply equipment	30 September 2011	R21 800.00
Mogwadi Garage	Fully functional garage facilities	Private investor has been secured	Construction stage	EIA approved; Application submitted to SANRAL for access	31 December 2010	50%	Follow - up with DME & SANRAL	30 September 2011	Opex
Shopping Complex	Fully functional shopping complex	Tender was advertised	Appointment of developer	Tender advertised without consultation with RLCC as required by Restitution Act	30 June 2011	30%	Engage all participating stakeholders for collective action, then re-advertise the tender	30 September 2011	Opex

IDP OBJECTIVE	AGREED OUTCOME	BASELINE INFORMATION	PROJECT / OUTPUT	ACHIEVEMENT (based on indicator)	TARGETS	PROGRESS (% to target)	CORRECTIVE ACTION	REVISED TARGET	BUDGET EXPENDITURE
Establishment of Molemole Agri- forum	Functional Agri- forum	Non-existence of the forum	Functional Agri- forum	Forum operational	30 July 2010	100%	None		Opex
Facilitate access to funding for SMME's	Sustainable businesses	Most enterprises are unsustainable because of lack of funding	Two(2) sustainable businesses	Two(2) business plans developed	31 December 2010	100%	Assist more SMME's in business plan development		Opex
EPWP	Create job opportunities	Three(3) capital projects completed	10 labour intensive jobs to be created	50 people employed	31 December 2010	100%	Create more EPWP job opportunities		Opex
IDP OBJECTIVE	AGREED OUTCOME	BASELINE INFORMATION	PROJECT / OUTPUT	ACHIEVEMENT (based on indicator)	TARGETS	PROGRESS (% to target)	CORRECTIVE ACTION	REVISED TARGET	BUDGET EXPENDITURE
Assist projects beneficiaries to register their projects as per co-operative Act no. 14 of 2005	Register projects as co-operatives Act no. 14 of 2005	53 co-operatives registered	Registered 5 projects	5 registered projects as co-operatives	31 December 2010	100%	Assist more projects to register as co-operatives		Opex
Training of SMME's	Competent beneficiaries	200 have already been trained	50 SMME's to be trained	50 have been trained	31 December 2010	100%	Collaborate with sector departments		Opex
Approval of building plans	To ensure that all buildings constructed as per NHBRC	10	10 building plans to be approved	8 building plans approved	31 December 2010	80%			Opex
R188	Timeous issuing	150	100 applications to	119 applications	31 December	100%	Collaborate with		

applications	of PTO's		be approved	approved	2010		DLG&H for speedy approval		Opex
Departmental Meeting	Effective Planning & Communication	6	3	3	31 December 2010	100%	Ensured that officials attend meeting Timeously		Opex
Meeting with Stakeholders (Magoshi)	Well co-ordinated land-use	Traditional leaders demarcated sites without proper planning	Effective land-use	2 meetings	31 December 2010	100 %	Understanding planning processes		Opex
Portfolio meetings	Effective service delivery	One monthly meeting	3	3	31 December 2010	100%	The Chief Whip to ensure that all councillors attend portfolio meeting regularly		Opex
Attraction of investors	Job creation and economic growth	High level of unemployment	Recruitment of one investor per quarter	2 investors recruited	31 December 2010	100%	Fast track partnership agreement by Council		Opex

BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT: TECHNICAL UNIT: MOLEMOLÉ LOCAL MUNICIPALITY: ANNUAL 2010-11 FY

IDP OBJECTIVE	AGREED OUTCOME	BASELINE INFORMATION	PROJECT/ OUTPUT	ACHIEVEMENT (based on the indicator)	TARGETS	PROGRESS (%to target)	CORRECTIVE ACTION	REVISED TARGET	BUDGET EXPENDITURE
BASIC SERVICES									
ROADS INFRASTRUCTURE									
Ramokgopa to Eisleben	Upgrade from gravel to tarred surface	Un-tarred district gravel roads	Complete project and start with the maintenance period	Completed 4,4km road now in use	August 2010	80% 100%	To start with the second phase; Second phase on tender stage.	Nil	R 19 024 125.87
Madikana to Matipane	Upgrade from gravel to tarred	Un-tarred district gravel roads.	Complete road	4km tarred road now complete; only finish outstanding	Completed 4km of road	80%	Done	31/01/2011	R 16 038 086.77
Mogwadi Traffic Station Road	Upgrade from gravel to tarred	Un-tarred district gravel roads.	Complete road with pedestrian pavement	Complete. 1.8 km road completed and pedestrian	800m of pavement. Maintain 1.8km	100%	Outstanding payment to be done	Nil	R9 153 876.96

				pavement now in use	of road until 08/2011				
Re-gravelling of internal street	Upgrading of gravel roads	Gravel roads	Road maintenance	1km road re-gravelling	2km by June 2011	0%	Grading programme. Grading programme in place awaiting implementation.	Nil	O&M
Grading of internal and main streets and gravel yard	Grading of road	Gravel roads	Road maintenance	14 km have been graded	22 km by June 2011	60%	Grading programme; Implementation of grading program.	Nil	O&M
Introduction of grading programme	Grading of road	Gravel roads	Road maintenance	14 km have been graded	22 km by June 2011	60%	Grading programme; Implementation of grading program.	Nil	O&M
BASIC SERVICES PUBLIC FACILITIES									
Mogwadi New Municipal Offices	Complete stalled building process	Building up to roof level; roof to be redone	Completed and ready to use building	Completed roof structure, electrical wiring 90% complete	30 October 2010	50%	To do cession payment to the sub-contractor, till we complete	Complete by 31/02/2011	R5 189 184.44
BASIC SERVICES ELECTRICITY									
Morebeng, Ramokgopa, N1 & Capricorn Park	Improve nighttime security with high-mast lighting	No high-masts	5 No. high-masts	To be re-advertised for the second time.	Complete by 30/05/2011	5%	To consult with the consultant to go out on tender again.	N/A	R 400,000.00

Mogwadi & Mohodi Highmast	Improve nighttime security with highmast lighting	No highmasts	8 No. highmasts	Tender closed on 15 December 2010, to appoint contractor by end January.	Complete by 30/05/2011	15%		N/A	R 400,000.00
Operation and maintenance of electricity	To improve access to electricity	Household reticulation	Operation and maintenance, connection	Operation and maintenance	Operation and maintenance	0%	Operation and maintenance; Implementation of operation and maintenance plan.	Operation and maintenance	Operation and Maintenance
BASIC SERVICES WATER									
2000L Jojo Tanks	Improve water supply in villages	Shortage of water	Reduce time of interrupted supply	Finalizing the specification on Jojo tanks	To supply 13 Wards by 30/03/2011	0%	To be advertised as soon as possible. Never commissioned. Referred back due to budget constraints.	30/03/2011	R 500 000.00
Bouwlust Borehole Development	Improved water supply	Insufficient water supply	Increase source output	New borehole and piping in place. Commissioned	100% supply	80% 100%	Awaiting Eskom energizing; Completed energizing.	28/02/2011	R 800,000.00
Mogwadi Borehole Development	Improved water supply	Insufficient water supply	Increase source output	New borehole in place. Commissioned	Complete borehole; Planning stage.	75% 0%	Pumping main to Mogwadi; To be implemented in the current financial year 11/12	31/03/2011	R1,500,000.00
Brussels, Westphalia, Bouwlust	Improved water supply	Insufficient water supply	New borehole, water mains, repair tanks	Appointed consultant to do design of necessary works	Complete by 30 June 2011; Planning stage.	0%	Speed up designs; To be implemented in the current financial year 11/12	2011/06/30	R2,500,000.00
Eisleben (Ga-Joel)	Improved water supply	Insufficient water supply	New borehole, water mains	Planning and design are at 55%. Contractor	Complete by 2011-06-30; Never	0%	Improve planning process		R3,000,000.00 Budgeted

				not yet appointed.	commissioned				
Mogwadi RWS	Improved water supply (quantity and quality)	Unreliable water supply	Pumping water mains	Under construction, To be implemented in the current financial year 11/12	2011-06-30	99%	Nil	Nil	R2,500,000.00
Botlokwa	Improved water supply	Insufficient water	Borehole, water mains and storage	Planning 100%, under construction	2011-06-30	99% 100%	Awaiting Eskom's energizing. Push Eskom; Energizing.	Nil	R1,700,000.00
Molemole West GWS	Improved water supply	Poor water supply	Borehole and mains	Planning 100%, under construction	2011-06-30	99% 100%	Awaiting Eskom's energizing. Push Eskom; Energizing.	Nil	R2,200,000.00
Nthabiseng (Capricorn) WS	Improved water supply	Poor water supply	Borehole, mains	Commissioned	2011-06-30	95% 100%	Nil	Nil	R1,900,000.00
Makgalong A and B GWS, Triest and Lissa	Improved water supply	Poor water supply	Borehole, mains	Completed	2011-06-3-	100%	Waiting for Eskom connection; Energizing.	Nil	R4,000,000.00
Botlokwa WS (Matseke, Maphosa, Polata)	Improved water supply	Insufficient water supply	Borehole, mains	Completed	2011-06-30	100%	Waiting for Eskom connection; Energized	Nil	R3,500,000.00
Nthabiseng G/Water Improvement	Improved water supply	Insufficient water supply	Borehole, mains	Still under construction	2011-06-30	70% 100%	Nil	Nil	R2,200,000.00
Ramokgopa RWS (Masedi, Dikgomong, Madiehe)	Improved water supply	Poor water supply	Borehole, mains	Completed, commissioned	2011-06-30	95% 100%	Nil	Nil	R4,000,000.00
Ramokgopa RWS (Ga Joel, Ramoroko)	Improved water supply	Poor water supply	Borehole, mains	Completed	2011-06-30	85% 100%	Waiting for Eskom connection; Energized.	Nil	R1,700,000.00

CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE

The Organisational Development Performance chapter mainly entails the broad human resources management function relating to personnel planning, service delivery support and linkage, skills development, job evaluation, remuneration, promotions, service terminations, performance management, personnel expenditure, employment equity / affirmative action, recruitment, promotions, injury on duty, labour relations, leave management, medical incapacity, benefits and conditions of service administration.

The Human Resources function is tasked with facilitating human resources planning, provisioning, utilisation, development, relations, discipline and payroll referrals. For the financial year under review we report on organisational achievements and challenges in relation to the identified areas.

Human Resource Planning:

During the year under review we have approved and implemented an organisational structure that supports the effective and economic delivery of planned services in terms of the long term organisational strategic plan. A link between the approved Integrated Development Plan and staff provisioning was realised following an organisational structure review process which took into account role alignment, personnel occupancy / utilisation rate assessment, individual post evaluation, cost benefit analysis and service impact ratio.

The reviewed structure has provided a basis for filling of funded positions. Table 12, below, reflects a summary of filled, vacant and unfunded positions.

Table: 12: Head Count: Post Establishment Per Department

POST ESTABLISHMENT 2010 - 2011 FINANCIAL YEAR					
DEPARTMENT	FILLED POSITIONS	FUNDED VACANT POSITIONS	TOTAL FUNDED POSITIONS	UNFUNDED POSTS	TOTAL POSITIONS
Municipal Manager	7	5	12	2	14
Budget & Treasury	19	8	27	0	27
Corporate Services	25	12	37	3	39
Local Economic Development & Planning	6	2	8	1	9
Community Services	31	15	46	2	48
Technical Services	55	10	65	0	65
TOTAL	143	52	195	8	202

Human Resources Provisioning.

The approved budget for 2010/2011 has allocated R 48 963, 963.00 to cover employee related costs of which R 34 677,075.62 has been expended by the end of the financial year. We have administered various employee benefits in accordance with applicable legislative prescripts. Part of the highlights for the year was the phasing in of the salary notch structure for lower level employees thus ensuring continued service recognition and a measure to ensure market competitiveness.

The approved organisational structure for 2010/2011 provided for 195 funded posts of which 143 were filled by the end of the financial year.

Table: 13: Labour Turn Over

Appointments	Resignations	Deaths	Normal Retirement	Ill Health Retirement	Dismissals
16	6	2	1	0	0

The municipality has facilitated membership, contributions and claims for pension and provident fund and medical aid benefits in line with applicable SALGBC collective agreements. Below is a summary of membership per fund and scheme:

Table: 14: Medical Aid Scheme Membership	
Scheme Name	Total Members
Bonitas	33
Hosmed	10
Key-Health	12
LA Health	11
Samwumed	24
Total	90

Table: 15: Pension / Provident Fund Membership	
Fund Name	Total Members
MCPF	27
MEPF	45
MGF	62
NFMW	8
SALA	2
SNPF	21
Total	165

The municipality, has in addition, administered direct fixed conditional benefits to various employees during the financial year as summarised below:

Table: 16: Municipal Benefits

Benefit Type	Vehicle Allowance	Danger Allowance	Home Owners Allowance	Long Service Bonus
Total Employees in Receipt of the Benefit	25	7	12	0

Human Resources Utilisation.

Each employee / position on the approved organisational structure has a job description and is assigned to a department with clear reporting lines. Employee work attendance registers are kept and monitored at all workplaces and monthly variance reports are generated for payroll reconciliation. Qualifying employees received their long service recognition award benefit in terms of the South African Local Government Bargaining Council Limpopo Divisional Agreement on Conditions of Service.

Human Resources Development.

The municipality has developed, submitted and implemented its Workplace Skills Plan (WSP) which was designed to address skills gaps required to realise the approved Integrated Development Plan objectives for the year under review.

Our capacity development initiatives targeted municipal officials, councillors, public representative structures and learners. Two inaugural mayoral bursary beneficiaries completed their respective qualifications during the year under review and have been placed on a training programme.

We awarded two academically and financially deserving student beneficiaries with mayoral study bursaries for the 2011 academic year enrolment and beyond. Our capacity development initiatives are coordinated through a training committee which was established, trained and charged with the responsibility to consult, facilitate and review training plans. Below is a summary of our training beneficiaries:

Table: 17 Training Beneficiaries

Category	Number of Beneficiaries	Number of Interventions
Officials	45	15
Councillors	20	4
Ward Committees	130	1
Bursaries	2	2
Totals	207	22

Employment Equity.

We have complied with employment equity reporting requirements as set by the Department of Labour. Our current employment equity profile depicts a fairly representative workforce with a few areas on which we still need to focus to ensure equitable workplace representation as the national and provincial targets. To attain workplace equity we need to improve our representativity across occupational categories - in particular African female and people with disabilities representation - particularly in the middle and senior management category. Our employment equity figures have generally regressed in comparison to a similar period during the prior year.

The demographic workforce profile reflects that males constitute 61% of the total workforce whilst females account for 39% of the total workforce. Employees with disabilities represent 2% of the total workforce. Gender and race representation reflects that African males constitute 61%, African female 38%, white male 1.3% and white female 1.3%.

Table: 18: Equity Representation As Per Employment Category

CATEGORY	MALE	FEMALE	TOTAL
Executive Management	1	0	1
Senior Management	4	1	5
Middle Management	12	4	16
Skilled technical; academically qualified workers; junior management; supervisors; foremen and superintendents	9	10	19
Skilled Field & Clerical Workers	36	25	61
Unskilled / Elementary Workers	25	16	41
Total	87	56	143

Table: 19: Occupational Levels per Race & Gender

Occupational Levels	Males				Female				Total
	A	C	I	W	A	C	I	W	
Top Management	1	0	0	0	0	0	0	0	1
Senior Management	4	0	0	0	1	0	0	0	5
Professionally qualified; experienced specialist & mid-management	11	0	0	1	4	0	0	0	16
Skilled technical; academically qualified workers; junior management; supervisors; foremen and superintendents	9	0	0	0	8	0	0	2	19

Semi-skilled & discretionary decision making	35	0	0	1	25	0	0	0	61
Unskilled & defined decision making	25	0	0	0	16	0	0	0	41
Total	85	0	0	2	54	0	0	2	143

Employee Relations & Discipline

The objective was to enhance productivity and capacity of human resources to facilitate service delivery. The core deliverables relate to the maintenance of labour harmony, the development, and enforcement, of legislation, policies and facilitation of stakeholder engagement.

The function ensures amongst others that compliance with key legislation, policy, practices and standards is attained and that, where applicable, corrective actions are enforced.

Functionality of Local Labour Forum

Two Local Labour Forum meetings and three management labour consultative meetings were held during the period under review to consider issues of mutual concern to management and labour. The Local Labour Forum became dysfunctional mid- year due to member unavailability.

Policy Development & Management

All human resources management policies due for review have been reviewed and adopted by Council. In addition, new policies have been introduced to enhance governance and to ensure compliance and alignment with legislation, regulations and agreements. To establish understanding and compliance, policies have been workshopped with affected persons.

Discipline.

The level of discipline has improved dramatically in comparison to the prior years. It has only been necessary to commence with disciplinary actions on 2 new matters and the remainder of the matters have been carried over from prior years.

Table 20:

Formal Disciplinary Cases	Cases at Bargaining Council and Other External Labour Dispute Structures	Warning	Suspensions	Demotions	Dismissals	Settlements	Reinstatements	Total Disciplinary Incidences
3	0	2	2	0	0	2	2	7

Payroll Administration.

The main objective was to ensure cost- effective and efficient payroll management. The municipality continues with the running of the payroll for all councillors, administrative officials and temporary employees. Furthermore, statutory deductions from the afore-mentioned are made to ensure compliance.

Table: 21. Salaries & Allowances

Classification	Workforce	Electronic Transfers	Manual Transfers	System Used
Officials	143	143	0	Payday
Councillors	27	27	0	Payday
Temporary Workers	7	0	7 (Cheque Payments)	Venus
Total Payroll	177	177	177	Payday
Total Electronic Transfers	170	170	170	Payday

Employee Costs Related Disclosure.

Total remuneration packages of managers and allowances of councillors for the period ending 30 June 2011 are disclosed in Table 22 below.

Table 22: Remunerations of Council, Top & Senior Management

Designation	Total Actual Annual Remuneration Paid	Bonus Paid
Mayor	R 576 118	R 0.00
Speaker	R 441 152	R 0.00
Chief Whip	R 442 640	R 0.00
Exco	R 1 050 883	R 0.00
Part Time Councillors	R 3 194 508	R 0.00
Accounting Officer	R 438 928	R 0.00
Chief Financial Officer	R 780 710	R 0.00
Senior Manager Local Economic Development & planning	R 645 193	R 0.00
Senior Manager Community Services	R 645 193	R 0.00
Senior Manager Corporate Services	R 646 526	R 0.00
Senior Manager Technical Services	R 504 760	R 0.00

Annual Financial Statements

for

Molemole Municipality

for the year ended 30
June:

2011

Province:

Limpopo

AFS rounding:

R (i.e. only cents)

Contact Information:

Contact Information:	
Name of Municipal Manager:	NKOANA T.D
Name of Chief Financial Officer:	MATLALA N.G
Contact telephone number:	015 501 0243
Contact e-mail address:	matlala@molemole.gov.za
Name of contact at provincial treasury:	NGOEPE N.A
Contact telephone number:	015 291 8562
Contact e-mail address:	ngoepena@limtreasury.gov.za
Name of relevant Auditor:	MOHAMMED FAHIM AZIZ OMAR

Contact telephone number:	015 283 9306	
Contact e-mail address:	mazizormar@agsa.co.za	
Name of contact at National Treasury:	LINDA KRUGER	
Contact telephone number:	012 315 5689/5171	
Contact e-mail address:	linda.kruger@treasury.gov.za	

Molemole Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2011

General information

Members of the Council

MAKGATO M.P	Mayor
MOABELO M.L	Speaker
RAKUBU P	Chiefwhip
PAYA M.P	Member of the Executive Committee
PAKGADI D	Member of the Executive Committee
PHIHLELA A	Member of the Executive Committee
MOSEAMO R	Member of the Executive Committee
LEHONG D	Member
SENOAMADI S	Member
MAILA M	Member
MALATJI C	Member
MOYO T	Member
MALEBATSA B	Member
RAHLANA	Member
MPHELO E	Member
SEAKAMELA W	Member
MALEMA M	Member
TAWANA M	Member
MATJEE C	Member
RAMALEPE E	Member
MAKGALO G	Member
MEHALA P	Member
HLAPA J	Member
MAKGOKA A	Member
NKOANA M	Member

MAPARA M
MAHLOPHE A

Member
Member

Council was inaugurated in June 2011

Municipal Manager

NKOANA T.D

Chief Financial Officer

MATLALA N.G

Grading of Local Authority

2

Auditors

Auditor-General

Bankers

NEDBANK

Molemole Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2011

General information (continued)

Registered Office:

Physical address:

303 CHURCH STREET
MOGWADI
0715

Postal address:

PRIVATE BAG X 44
MOGWADI
0715

Telephone number:

015 501 0243/4

Fax number:

015 501 0419

E-mail address:

molemole.gov.za

Molemole Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2011

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 35, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 20 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager:

22-Sep-11

Molemole Municipality
STATEMENT OF FINANCIAL POSITION
as at 30 June 2011

	Note	2011 R	2010 R
ASSETS			
Current assets			
Cash and cash equivalents	1	12,283,343	7,006,632
Trade and other receivables from exchange transactions	2	2,626,650	790,779
Other receivables from non-exchange transactions	3	2,183,412	1,869,741
Inventories	4	540,272	451,748
Investments	5	311	311
VAT receivable	9	1,712,799	1,782,102
Non-current assets			
Property, plant and equipment	6	76,176,687	61,618,700
Total assets		95,523,475	73,520,011
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	7	14,145,938	9,292,539
Consumer deposits	8	444,867	431,040
Current portion of unspent conditional grants and receipts	10	2,198,407	2,511,339
Current portion of finance lease liability	11	93,408	92,524
Non-current liabilities			
Non-current finance lease liability	11	507,691	601,099
Total liabilities		17,390,311	12,928,541
Net assets		78,133,164	60,591,470
NET ASSETS			
Accumulated surplus		73,064,355	55,522,661
Revaluation reserves		5,068,809	5,068,809
Total net assets			

78,133,164

60,591,470

Molemole Municipality
STATEMENT OF FINANCIAL PERFORMANCE

for the year ending 30 June 2011

	Note	2011 R	2010 R
Revenue			
Property rates	12	3,810,519	3,503,020
Service charges	13	5,349,783	4,447,983
Rental of facilities and equipment	14	199,869	247,105
Interest earned - external investments	15	587,539	134,608
Interest earned - outstanding receivables	16	1,206,716	89,563
Fines		516,045	-
Licences and permits		2,676,088	3,043,406
Government grants and subsidies	17	67,389,013	68,804,084
Other income	18	2,169,854	773,139
Total revenue		83,905,425	81,042,906
Expenses			
Employee related costs	19	29,285,812	27,063,779
Remuneration of councillors	20	5,391,264	5,354,556
Bad debts		3,907,662	2,536,634
Depreciation and amortisation expense	21	4,282,926	3,281,053
Impairment loss		124,772	
Repairs and maintenance		3,524,859	2,881,316
Finance costs	22	316,474	406,882
Bulk purchases	23	3,959,130	3,030,332
General expenses	24	16,261,745	17,218,526
Total expenses		67,054,644	61,773,077
Surplus for the period		16,850,781	19,269,829

Molemole Municipality
STATEMENT OF CHANGES IN NET ASSETS
as at 30 June 2011

		Revaluation Reserves	Accumulated Surplus/(Deficit)	Total: Net Assets
		R		R
		Note		
Balance at 30 June	2009		17,327,222	17,327,222
Correction of prior period error		27	17,831,213	17,831,213
Restated balance			35,158,435	35,158,435
Surplus on revaluation of property of property, plant and equipment			5,068,809	5,068,809
Fair value adjustment on unbundled assets			1,094,396	1,094,396
Surplus for the period			19,269,829	19,269,829
Balance at 30 June	2010		55,522,661	60,591,470
Fair value adjustment on unbundled assets			690,914.18	690,914
Surplus for the period			16,850,781	16,850,781
Balance at 30 June	2011		5,068,809	78,133,165

Molemole Municipality
CASH FLOW STATEMENT
as at 30 June 2011

	Note	2011 R	2010 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		77,604,592	85,078,587
Taxation			
Sales of goods and services		9,160,302	7,951,003
Grants		67,389,013	68,804,084
Interest received		1,794,254	224,170
Other receipts		5,561,856	4,063,650
Working capital changes		(6,300,833)	4,035,680
Payments		53,960,583	57,369,890
Employee costs		34,677,076	32,418,335
Suppliers		23,745,734	23,130,173
Interest paid		316,474	406,882
Working capital changes		(4,778,701)	1,414,499
Net cash flows from operating activities	25	23,644,008	27,708,697
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets (PPE)		(18,274,773)	(16,691,975)
Proceeds from sale of fixed assets			
Proceeds from sale of investments			14,678
Purchase of intangibles			
Decrease/(Increase) in Loans and receivables			24,262

Net cash flows from investing activities	(18,274,773)	(16,653,035)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings		
Repayment of borrowings	-	(112,000)
Proceeds from finance lease liability		693,623
Repayment of finance lease liability	(92,524)	
Net cash flows from financing activities	(92,524)	581,623
Net increase / (decrease) in net cash and cash equivalents	5,276,711	11,637,285
Net cash and cash equivalents at beginning of period	7,006,632	(4,630,653)
Net cash and cash equivalents at end of period	26 12,283,343	7,006,632

Molemole Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2011

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

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

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

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

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

1.2 PRESENTATION CURRENTY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

GOING CONCERN

1.3 ASSUMPTION

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.

1.4 COMPARATIVE INFORMATION

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

STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT

1.5 NOT YET EFFECTIVE

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

GRAP 18 Segment Reporting - issued February 2011

GRAP 20 Related disclosure - issued June 2011

GRAP 21 Impairment of non-cash generating assets - issued March 2009

GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008

GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007

GRAP 25 Employee benefits - issued November 2009

GRAP 26 Impairment of cash-generating assets - issued March 2009
GRAP 103 Heritage Assets - issued July 2008
GRAP 104 Financial instrument - issued October 2009
GRAP 105 Transfer of functions between entities under common control - issued November 2010
GRAP 106 Transfer of functions between entities not under common control - issued November 2010
GRAP 107 Mergers - issued November 2010

Standards issued and not effective but available for accounting policy formulation

GRAP 21 Impairment of non-cash generating assets - issued March 2009
GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
GRAP 25 Employee benefits - issued November 2009
GRAP 26 Impairment of cash-generating assets - issued March 2009
GRAP 103 Heritage Assets - issued July 2008
GRAP 104 Financial instrument - issued October 2009
GRAP 105 Transfer of functions between entities under common control - issued November 2010
GRAP 107 Mergers - issued November 2010

1.6 BUDGET INFORMATION

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

2 PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

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

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

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

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

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

2.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

2.3 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and 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.

2.4 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure		Other	
Roads and Paving	36 years	Buildings	30 years
Electricity	45 years	Other vehicles	5 years
Water	20 years	Office equipment	5 years
Sewerage	20 years	Furniture and fittings	7 years
		Other items of plant and equipment	10 years
		Computer equipment	3 years
Community			
Buildings	30 years		
Recreational Facilities	20 years		
Security	20 years		
Halls	30 years		
Libraries	30 years		
Parks and gardens	30 years		

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

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

2.5 DERECOGNITION

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 on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

3 INVENTORIES

7.1 INITIAL RECOGNITION

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

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

SUBSEQUENT

7.2 MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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

4 FINANCIAL INSTRUMENTS

4.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

SUBSEQUENT

4.2 MEASUREMENT

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

4.2.1

INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On 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.

4.2.2

TRADE AND OTHER RECEIVABLES

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

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

4.2.3

TRADE PAYABLES AND BORROWINGS

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

4.2.4

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 cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

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

5 UNAUTHORISED EXPENDITURE

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

6 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

7 FRUITLESS AND WASTEFUL EXPENDITURE

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

8 PROVISIONS

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

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

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

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met: (a) The municipality has a detailed formal plan for the restructuring identifying at least: - the business or part of a business concerned; - the principal locations affected; - the location, function, and approximate number of employees who will be compensated for terminating their services; - the expenditures that will be undertaken; and - when the plan will be implemented; and

(b) The municipality 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.

9 LEASES

9.1 MUNICIPALITY AS LESSEE

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

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

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

10 REVENUE

10.1 REVENUE FROM EXCHANGE TRANSACTIONS

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

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

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

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

Interest revenue is recognised on a time proportion basis.

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

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

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

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

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

10.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

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

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

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

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

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

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

10.3 GRANTS, TRANSFERS AND DONATIONS

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

11 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

12 EMPLOYEE BENEFITS

Short-term employee benefits

When an employee has rendered service to an entity during a reporting period, the entity shall recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

(a) as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, an entity shall recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

(b) as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset (see, for example, the Standard of GRAP on Inventories, the Standard of GRAP on Property, Plant and Equipment, the Standard of GRAP on Intangible Assets and the Standard of GRAP on Heritage Assets).

Post employment benefits

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable.

13 IMPAIRMENT OF ASSETS

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

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

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

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

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

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

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

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

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

Molemole Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	Note	2011 R	2010 R
1 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents consist of the following:			
Cash on hand			
Cash at bank		12,167,935	6,953,219
Call deposits		115,407	53,412
		12,283,343	7,006,632
The Municipality has the following bank accounts: -			
<u>Current Account (Primary Bank Account)</u>			
- Nedbank Bank Limited - Polokwane Branch			
Cash book balance at beginning of year		3,382,219	
Cash book balance at end of year		10,936,244	3,382,219
Bank statement balance at beginning of year		7,754,918	
Bank statement balance at end of year		14,773,696	7,754,918
<u>Current Account (Other Account)</u>			
- Nedbank Bank Limited - Polokwane Branch			

Cash book balance at beginning of year	3,571,000	
Cash book balance at end of year	6,219	3,571,000
Bank statement balance at beginning of year	-	
Bank statement balance at end of year		
Total cash and cash equivalents	12,283,343	7,006,632

2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

**Trade receivables
as at 30 June 2011**

Service debtors

Electricity

3,516,871 2,837,755 679,116

Rates

7,134,433 6,446,926 687,507

Refuse

2,190,828 1,736,587 454,241

Other

2,824,414 2,018,628 805,786

Total

15,666,546 13,039,896 2,626,650

as at 30 June 2010

Service debtors

Electricity

2,229,862 1,922,216 307,646

Rates

4,451,149 4,309,762 141,386

Refuse

2,039,258 1,732,002 307,255

Other

	1,202,744	1,168,253	34,491
Total	9,923,013	9,132,234	790,779

Rates: Ageing

Current (0 – 30 days)		614,744	383,537
31 - 60 Days		231,678	144,543
61 - 90 Days		228,523	142,575
91 - 120 Days		210,793	131,513
121 - 150 Days		211,494	131,950
151 - 180 Days		188,139	117,379
181 - 210 Days		206,792	129,017
211 - 240 Days		200,251	124,936
241 - 270 Days		5,042,018	3,145,698
Total		7,134,433	4,451,149

Electricity

Current (0 – 30 days)		307,567	195,012
31 - 60 Days		115,912	73,494
61 - 90 Days		114,334	72,493
91 - 120 Days		105,463	66,869
121 - 150 Days		105,814	67,091
151 - 180 Days		94,129	59,682
181 - 210 Days		103,461	65,599
211 - 240 Days		100,189	63,525

241 - 270 Days	2,470,001	1,566,097
Total	3,516,871	2,229,862

Refuse: Ageing

Current (0 – 30 days)	188,775	175,714
31 - 60 Days	71,143	66,221
61 - 90 Days	70,175	65,320
91 - 120 Days	64,730	60,252
121 - 150 Days	64,945	60,452
151 - 180 Days	57,773	53,776
181 - 210 Days	63,501	59,108
211 - 240 Days	61,493	57,238
241 - 270 Days	1,548,293	1,441,176
Total	2,190,828	2,039,258

Other: Ageing

Current (0 – 30 days)	448,412	190,951
31 - 60 Days	168,683	71,832
61 - 90 Days	166,336	70,832
91 - 120 Days	153,489	65,361
121 - 150 Days	153,917	65,544
151 - 180 Days	137,055	58,363
181 - 210 Days	150,549	64,110

211 - 240 Days	160,289	68,257
241 - 270 Days	1,285,684	547,494
Total	2,824,414	1,202,745

2 Reconciliation of the doubtful debt provision

Balance at beginning of the year	9,132,234	6,595,600
Contributions to provision	3,907,662	2,536,634
Doubtful debts written off against provision	-	-
Reversal of provision	-	-
Balance at end of year	13,039,896	9,132,234

3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Other debtors	2,183,412	1,869,741
Total Other Debtors	2,183,412	1,869,741

4 INVENTORIES

Closing balance of inventories:	540,272	451,748
Consumable stores - at cost	540,272	21,748
Stands held for sale	-	430,000

5 INVESTMENTS

Deposits	311	311
	311	311

Molemole Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

6 PROPERTY, PLANT AND EQUIPMENT

6.1 Reconciliation of Carrying Value	Land	Buildings	Infrastructure	Community	Other Assets	Finance lease assets	Total
		R	R	R	R	R	R
as at 1 July 2010	1,513,500	3,742,915	37,523,350	10,219,315	8,073,904	545,717	61,618,700
Cost/Revaluation	1,513,500	4,367,675	38,213,907	11,513,704	16,948,553	694,367	73,251,706
Accumulated depreciation and impairment losses		(624,760)	(690,557)	(1,294,389)	(8,874,650)	(148,650)	(11,633,006)
Acquisitions		297,193	7,963,416	7,393,724	2,620,439	-	18,274,773
Capital under Construction		-			-	-	-
Depreciation		(149,194)	(1,082,663)	(341,711)	(2,578,126)	(131,258)	(4,282,953)
Impairment loss				(100,295)	(24,477)		(124,772)
Fair value adjustments		-	690,913	-	-	-	690,913
Transfers		-	-	-	-	-	-
Other movements		-	-	-	-	-	-
as at 30 June 2011	1,513,500	3,890,914	45,095,016	17,171,033	8,091,740	414,459	76,176,68

Cost/Revaluation	1,513,500	4,664,868	46,868,236	18,907,428	19,568,992	694,367	92,217,392
Accumulated depreciation and impairment losses	-	(773,955)	(1,773,220)	(1,736,395)	(11,477,252)	(279,908)	(16,040,704)

Molemole Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

6.1 Reconciliation of Carrying Value	Land	Buildings	Infrastructure	Community	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R
as at 1 July 2009	1,643,923	3,614,185	19,324,630	7,537,730	9,830,637	66,900	42,018,005
Cost/Revaluation	1,643,923	4,091,640	19,962,415	8,535,507	16,509,293	124,191	50,866,969
Accumulated depreciation and impairment losses		(477,456)	(637,786)	(997,776)	(6,678,655)	(57,292)	(8,848,964)
Acquisitions	-	-	13,471,511	1,887,254	763,034	570,175	16,691,975
Capital under Construction	-	-	-	-	-	-	-
Depreciation		(147,305)	(325,714)	(296,613)	(2,420,062)	(91,359)	(3,281,053)
Carrying value of disposals	-	-	-	-	(99,705)	-	(99,705)
Cost/Revaluation	-	-	-	-	(323,774)	-	(323,774)
Accumulated depreciation and impairment losses	-	-	-	-	224,069	-	224,069

Revaluation

		291,035		1,092,189			
Fair value adjustments	-		4,779,980		-	4,779,980	
Transfers	(130,423)	(15,000)	-	(1,246)	-	(146,669)	
*Other movements			(272,943)		-	(272,943)	

as at 30 June 2010 **1,513,500** **3,742,915** **37,523,350** **10,219,315** **8,073,904** **545,717** **61,618,700**

Cost/Revaluation	1,513,500	4,367,675	38,213,907	11,513,704	16,948,553	694,367	73,251,706
Accumulated depreciation and impairment losses	-	(624,760)	(690,557)	(1,294,389)	(8,874,650)	(148,650)	(11,633,006)

6.2 Reconciliation of other assets

	Computer Equipment	Furniture and Fittings	Machinery	Motor Vehicle	Office Equipment	Plant and Machinery	Other	Total
	R	R	R	R	R	R	R	R
as at 30 June 2010	404,704	601,822	347,874	6,275,276	298,127	129,959	16,143	8,073,905
Cost/Revaluation	1,373,386	1,296,572	1,301,025	11,892,488	926,916	139,079	19,088	16,948,553
Accumulated depreciation and impairment losses	(968,682)	(694,750)	(953,151)	(5,617,212)	(628,789)	(9,120)	(2,945)	(8,874,649)
Acquisitions	121,832	124,846		2,300,172	73,589			2,620,439
Capital under Construction								0
Depreciation	(288,542)	(169,488)	(192,420)	(1,767,271)	(138,894)	(18,784)	(2,727)	(2,578,126)
Impairment	(856)	(1,447)	(19,598)		(2,576)			(24,477)
								-
as at 30 June 2011	237,137	555,732	135,857	6,808,176	230,248	129,959	16,143	8,113,252
Cost/Revaluation	1,495,217	1,421,418	1,301,025	14,192,660	1,000,505	139,079	19,088	19,568,992
Accumulated depreciation and impairment losses	(1,258,080)	(865,685)	(1,165,168)	(7,384,484)	(770,258)	(9,120)	(2,945)	(11,455,740)

Reconciliation of other assets	Computer Equipment	Furniture and Fittings	Machinery	Motor Vehicle	Office Equipment	Plant and Machinery	Other	Total
	R	R	R	R	R	R	R	R
as at 1 July 2009	700,915	721,259	578,137	7,431,709	379,747	-	18,870	9,830,637
Cost/Revaluation	1,325,880	1,247,313	1,301,025	11,737,912	878,074	-	19,088	16,509,293
Accumulated depreciation and impairment losses	(624,965)	(526,054)	(722,888)	(4,306,204)	(498,327)	-	(218)	(6,678,655)
Acquisitions	47,506	49,258	0	478,350	48,842	139,079	-	763,034
Depreciation	(343,717)	(168,696)	(230,263)	(1,535,078)	(130,462)	(9,120)	(2,727)	(2,420,062)
Carrying value of disposals	-	-	-	(99,705)	-	-	-	(99,705)
Cost/Revaluation	-	-	-	(323,774)	-	-	-	(323,774)
Accumulated depreciation and impairment losses	-	-	-	224,069	-	-	-	224,069
as at 30 June 2010	404,704	601,822	347,874	6,275,276	298,127	129,959	16,143	8,073,905
Cost/Revaluation	1,373,386	1,296,572	1,301,025	11,892,488	926,916	139,079	19,088	16,948,553
Accumulated depreciation and impairment losses	(968,682)	(694,750)	(953,151)	(5,617,212)	(628,789)	(9,120)	(2,945)	(8,874,649)

6.3 Work in progress

Carrying value of work in progress included in property, plant and equipment

	2011 R	2010 R
Buildings	199,673	0
Infrastructure	7,282,957	5,013,476

Community assets

9,404,529	3,638,013
16,887,160	8,651,489

Molemole Municipality
NOTES TO THE FINANANCIAL STATEMENTS
for the year ended 30 June 2011

	2011 R	2010 R
7 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade creditors	2,981,629	1,397,767
Payments received in advance	-	-
Retentions	3,172,710	2,037,401
Staff leave accrual	3,743,507	3,250,636
Bonus	928,929	922,411
Other creditors	3,319,162	1,684,323
Total creditors	14,145,938	9,292,539
The fair value of trade and other payables approximates their carrying amounts.		
8 CONSUMER DEPOSITS		
Consumer deposits	444,867	431,040
Total consumer deposits	444,867	431,040

9 VAT RECEIVABLE

VAT receivable	1,712,799	1,782,102
	<u>1,712,799</u>	<u>1,782,102</u>

VAT is payable on the invoice basis.

10 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

10.1 Unspent Conditional Grants from other spheres of Government

Municipal Infrastructure Grants	-	655,650
Financial Management Grant	278,520	95,139
Municipal Support Improvement Grant	698,047	389,550
Capricorn District Municipality Grant	500,000	
Integrated National Electrification Programme Grant	721,841	1,371,000
Total Unspent Conditional Grants and Receipts	<u>2,198,407</u>	<u>2,511,339</u>

See Note 17 for reconciliation of grants and receipts. - -

11 FINANCE LEASE LIABILITY

2011	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
Amounts payable under finance leases			
Within one year	369,143	(275,734)	93,408

Within two to five years	868,753	(361,062)	507,691
	<u>1,237,895</u>	<u>(636,796)</u>	<u>601,099</u>
Less: Amount due for settlement within 12 months (current portion)			<u>93,408</u>
			<u>507,691</u>

The average lease term is 3.5 years and the average effective borrowing rate is 4.2% per month. Lease payments are payable monthly in arrears and escalate 10% per annum. No arrangements have been entered into for contingent rent.

2010	Minimum lease payment R	Future finance charges R	of minimum lease payments R
Amounts payable under finance leases			
Within one year	432,179	(325,844)	106,336
Within two to five years	<u>1,237,895</u>	<u>(650,608)</u>	<u>587,287</u>
	<u>1,670,075</u>	<u>(976,452)</u>	<u>693,623</u>
Less: Amount due for settlement within 12 months (current portion)			<u>(92,524)</u>
			<u>601,099</u>

The average lease term is 4.5 years and the average effective borrowing rate is 4.2%. Lease payments are payable monthly in arrears and escalate 10% per annum. No arrangements have been entered into for contingent rent.

12 PROPERTY RATES

Actual

Property rates	3,810,519	3,503,020
Total	<u>3,810,519</u>	<u>3,503,020</u>

Valuations

Residential	237,112,956	
Commercial	56,299,512	
State	22,194,819	
Municipal	21,264,720	
Farms	1,329,569,800	
Church	11,165,100	
Total Property Valuations	1,677,606,907	-

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations.

Property rates are set according to consumer categories. Residential consumers are given an exemption of R35 000 on property value and a further 10% rebate. A 20% rebate is granted to state property owners. Rates are levied on an monthly basis on property owners.

Interest at 15% per annum is levied on outstanding rates.

13 SERVICE CHARGES

Sale of electricity	4,119,168	3,417,798
Service levies	411,826	197,900
Refuse removal	818,790	832,285
Total Service Charges	5,349,783	4,447,983

14 RENTAL OF FACILITIES AND EQUIPMENT

Rental of facilities	171,909	247,105
Rental of equipment	27,961	-
Other rentals	-	-
Total rentals	199,869	247,105

15 INTEREST EARNED - EXTERNAL INVESTMENTS

Bank	587,539	134,608
Total interest	587,539	134,608

16 INTEREST EARNED - OUTSTANDING RECEIVABLES

Consumer debtors	1,206,716	89,563
Total interest	1,206,716	89,563

17 GOVERNMENT GRANTS AND SUBSIDIES

Equitable share	57,082,624	46,994,737
MIG Grant	7,047,650	17,828,480
Other Government Grants and Subsidies	3,258,739	3,980,867
Total Government Grant and Subsidies	67,389,013	68,804,084

17.1 Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy of R85, which is funded from the grant.

17.2 MIG Grant

Balance unspent at beginning of year		655,650	(5,186,870)
Current year receipts		6,392,000	23,671,000
Conditions met - transferred to revenue		(7,047,650)	(17,828,480)
Conditions still to be met - remain liabilities (see note 10)	-	-	- 655,650

17.3 FMG Grant

Balance unspent at beginning of year		95,138	139,130
Current year receipts		1,000,000	750,000
Conditions met - transferred to revenue		(816,619)	(793,991)
Conditions still to be met - remain liabilities (see note 10)	-	-	278,519 95,138

This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003. Other than the unspent amount, the conditions of the grant were met and no funds have been withheld.

17.4 MSIG Grant

Balance unspent at beginning of year		389,550	504,076
Current year receipts		750,000	735,000
Conditions met - transferred to revenue		(441,504)	(849,527)

Conditions still to be met - remain liabilities (see note 10)698,046 389,550

This grant was used to build in-house capacity to perform their functions and stabilize institutional and governance systems. Other than the unspent amount, the conditions of the grant were met and no funds have been withheld.

17.5 Capricorn District Municipality Grant**Balance unspent at beginning of year**

- -

Current year receipts

1,851,457 2,337,350

Conditions met - transferred to revenue

(1,351,457) (2,337,350)**Conditions still to be met - remain liabilities (see note 10)**500,000 -**17.6 Integrated National Electrification Grant****Balance unspent at beginning of year**

1,371,000 -

Current year receipts

(649,159) 1,371,000

Conditions met - transferred to revenue

- -**Conditions still to be met - remain liabilities (see note 10)**721,841 1,371,000**17.5 Changes in levels of government grants**

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

18 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS**18.1 Other income**

Other income

2,169,854 773,139

Recovery of unauthorised, irregular, fruitless and wasteful expenditure

- -

Total Other Income	2,169,854	773,139
19 EMPLOYEE RELATED COSTS	32,301,734	30,652,563
Employee related costs - Salaries and Wages	19,205,174	16,729,223
Employee related costs - Contributions for UIF, pensions and medical aids	4,586,529	3,782,268
Travel, motor car, accommodation, subsistence and other allowances	2,147,812	2,045,664
Housing benefits and allowances	240,745	157,692
Overtime payments	630,401	1,134,478
Performance and other bonuses	1,166,538	1,090,854
Long-service awards	40,226	7,258
Other employee related costs	1,268,388	2,116,343
Employee Related Costs	29,285,812	27,063,779
<i>Remuneration of section 57 managers included in employee related costs</i>		
Remuneration of the Municipal Manager		
Annual Remuneration	372,923	455,201
Travel, motor car, accommodation, subsistence and other allowances	66,000	298,423
Total	438,923	753,624
Remuneration of the Chief Finance Officer		
Annual Remuneration	564,710	462,400
Travel, motor car, accommodation, subsistence and other allowances	216,000	216,000
Total	780,710	678,400

Remuneration of Individual Executive Directors	Technical Services R	LED and Planning Services	Corporate Services R	Community Services R
2011				
Annual Remuneration	333,570	554,443	517,169	546,193
Travel, motor car, accommodation, subsistence and other allowances	72,000	99,000	60,000	99,000
Housing	99,000		69,357	
Total	504,570	653,443	646,526	645,193

	Technical Services R	Corporate Services R	Community Services R
2010			
Annual Remuneration		590,087	531,236
Travel, motor car, accommodation, subsistence and other allowances		99,000	129,357
Total		689,087	660,593

20 REMUNERATION OF COUNCILLORS

Mayor		576,118	582,972
Chief Whip		442,640	378,228
Speaker		441,152	390,132
Executive Committee Members		1,030,883	808,716
Councillors		2,900,471	3,194,508
Total Councillors' Remuneration		5,391,264	5,354,556

In-kind Benefits

The Mayor, Speaker and Chief Whip are full-time. Each is provided with an office and secretarial support at the cost of the Council.

21 DEPRECIATION AND AMORTISATION EXPENSE

Property, plant and equipment	4,282,926	3,281,053
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Total Depreciation and Amortisation

4,282,926	3,281,053
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22 FINANCE COSTS

Interest on late settlement	-	198,724
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Lease liability	316,474	208,158
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Total Finance Costs

316,474	406,882
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23 BULK PURCHASES

Electricity	3,959,130	3,030,332
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Water	-	-
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Total Bulk Purchases

3,959,130	3,030,332
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24 GENERAL EXPENSES

Included in general expenses are the following:-

Advertising	157,190	264,207
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Audit fees	1,774,740	1,788,642
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Bank charges	265,290	163,955
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Bursaries		-	214,231
Cleaning	146,554		169,662
Consulting fees	789,460		1,522,971
Departmental consumption	385,780		324,185
Financial management grant	259,471		614,921
Fuel and oil	1,156,760		1,190,093
Insurance	566,699		501,336
Legal expenses	424,539		624,222
Licence fees - vehicles	50,161		42,068
Membership fees	110,890		352,146
Postage and telephone	413,178		382,503
Printing and publication	200,804		587,431
Rental of buildings	108,590		101,896
Rental of office equipment	201,102		92,615
Security costs	1,023,339		1,117,749
Skills development levies		-	235,739
Subscription & publication	81,763		103,908
Telephone cost - cellular	666,486		663,517
Training	230,254		134,384
Travel and subsistence	820,598		649,851
Uniforms & overalls	140,806		123,362
Other	6,287,292		5,252,932

	<u>16,261,745</u>	<u>17,218,526</u>
25 CASH GENERATED BY OPERATIONS		
Surplus/(deficit) for the year	16,850,781	19,269,829
Adjustment for:-		
Depreciation and amortisation	4,282,926	3,281,053
Impairment loss	124,772	-
Bad debts	3,907,662	2,536,634
Prior year adjustments		(11,899,032)
Other non-cash item		
Operating surplus before working capital changes:	25,166,141	13,188,484
(Increase)/decrease in inventories	(88,524)	(422,500)
(Increase)/decrease in trade receivables	(5,743,533)	7,388,147
(Increase)/decrease in other receivables	(313,671)	(1,438,733)
(Increase)/decrease in VAT receivable	69,302	3,868,025
Increase/(decrease) in conditional grants and receipts	(312,932)	6,117,273
Increase/(decrease) in trade payables	4,853,398	(1,004,457)
Increase/(decrease) in consumer deposits	13,827	12,457
Increase/(decrease) in VAT payable		
Other asset		
Other liability		
Cash generated by/(utilised in) operations	23,644,008	27,708,697

26 CASH AND CASH EQUIVALENTS

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

Bank balances and cash	12,283,343	7,006,632
Bank overdrafts		-
		-
Net cash and cash equivalents (net of bank overdrafts)	12,283,343	7,006,632

27 CORRECTION OF ERROR

During the year, errors relating to previous years' audited financial statements were discovered. The impact of the errors is as follows:

27.1 Service charges

Previously reported		6,158,662
Reclassification revenue to other income		105,997
Reversal of water related revenue billed on behalf of CDM		(1,816,677)
Restated total		4,447,982

27.2 Rental of facilities

Previously reported		195,029
Straight lining of operating lease		1,943
Rental (squatters) revenue vote omitted on the audited AFS		50,133
Restated total		247,105

27.3 Fines

Previously reported		2,725,466
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Reclassified to license and permits	(2,725,466)
Restated total	-
27.4 License and permits	
Previously reported	-
Revenue reclassified from fines	2,725,466
Recognition of traffic revenue -	317,940
Restated total	3,043,406
27.5 Interest earned - external investments	
Previously reported	53,412
Interest revenue vote omitted on the audited AFS	81,195
Restated total	134,607
27.6 Government grant revenue	
Previously reported	79,682,822
Reversal of incorrect journals - recognition of revenue	(9,516,125)
Recognition of revenue from grants	637,386
Reversal of CDM advance previously recorded as revenue	(2,000,000)
Restated total	68,804,083
27.7 Other Income	

Previously reported	623,529
Recognition of commission revenue from CDM Service Level Agreement	384,277
Reversal of free basic water diesel reimbursement from CDM incorrectly recognised as revenue	(136,170)
Recognition of insurance claims receipt	7,500
Reclassification from service charges	(105,997)
Restated total	<u>773,139</u>

27.8 Public contributions and donations

Previously reported	732,684
Reversal of donation wrongly recorded	(732,684)
Restated total	<u>-</u>

27.9 Employee costs

Previously reported	28,732,701
Correction of leave provision	89,998
Clearing of salary suspense account and other adjustments	(1,758,921)
Restated total	<u>27,063,778</u>

27.10 Bad debt

Previously reported	-
Bad debt adjustment at year-end	2,536,634
Restated total	<u>2,536,634</u>

27.11 Depreciation and amortisation expenses

Previously reported	4,453,482
Correction of depreciation	(1,172,402)
Restated total	<u>3,281,080</u>

27.12 Repairs and maintenance

Previously reported	5,211,487
Correction of input VAT incorrectly recorded	(309,041)
Reversal of water repairs and manitenance incurred on behalf of CDM	(2,021,131)
Restated total	<u>2,881,315</u>

27.13 Finance costs

Previously reported	198,724
Recognition of finance costs on leased assets	208,158
Restated total	<u>406,882</u>

27.14 Bulk purchases

Previously reported	5,934,225
Reclassification of expenses duplicated in general expenses	(2,352,225)
Reversal of free basic water diesel expenses incurred on behalf of CDM	(529,682)
Correction of input VAT incorrectly recorded	(21,986)

	Restated total	<u>3,030,331</u>
27.15	General expenses	
	Previously reported	24,302,307
	Reclassification of prepaid expenses	(25,237)
	Correction of input VAT incorrectly recorded	(1,161,051)
	Depreciation duplicated	(4,453,482)
	Other corrections	(1,444,010)
	Restated total	<u>17,218,526</u>
27.16	Trade and other receivables	
	Previously reported	10,151,264
	Reversal of water debtors incorrectly recognised as municipal revenue - as at 30 June 2009	(4,816,612)
	Reversal of water revenue incorrectly recognised as municipal revenue - 2010	(2,071,012)
	Reversal of water receipts from water debtors	438,076
	Reversal of interest charged on water debtors	(826,497)
	Provision for bad debt adjustment	(2,536,634)
	Recognition of debtors	27,180
	Consumer debtors vote omitted on the audited AFS	425,014
	Restated balance	<u>790,779</u>
27.17	Other receivables from non-exchange transactions	

	Previously reported	-
	Other debtors votes omitted on the audited AFS	2,443,190
	Free basic electricity expenses incorrectly recognised as other debtors	(594,580)
	CDM receivable: repairs and maintenance	21,131
	Restated balance	1,869,741
27.18	Cash and cash equivalents	
	Previously reported	7,184,570
	Reversal of deposits wrongly recognised	(177,939)
	Restated balance	7,006,631
27.19	Inventory	
	Previously reported	21,748
	Land held for sale not recognised	430,000
	Restated balance	451,748
27.20	Investments	
	Previously reported	-
	Investment vote omitted on the audited AFS	311
	Restated balance	311
27.21	VAT receivable	
	Previously reported	(171,433)

Correction of VAT iro water related transactions	792,483
Correction of Input VAT on expenses	1,161,051

Restated balance	1,782,102
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27.22 Trade and other payables

Previously reported	4,463,064
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Reclassification of receipts and payments iro expenses incurred on behalf of CDM	-
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Reclassification of provision for leave	3,250,636
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Recognition of provision for bonus previously not recognised	922,411
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Adjustment to retention	(36,706)
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Free basic desiel expenses and revenue on behalf of CDM previously expensed	(392,753)
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Other adjustments	1,085,888
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Restated balance	9,292,540
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27.23 Unspent conditional grants

Previously reported	3,279,414
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Correction of opening balance - 2010	(9,646,814)
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Reversal of wrong journals prepared to recognise transfer to revenue	9,516,125
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Transfer to revenue - conditions met	(637,386)
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Restated balance	2,511,339
-------------------------	------------------

27.24 Finance lease liability

Previously reported

Recognition of finance leases - current portion	92,524
Recognition of finance leases - non-current portion	601,099

Restated balance

693,623

27.25 Property, plant and equipment**Previously reported**

Reversal of CDM asset wrongly capitalised	(732,684)
Corrections to accumulated depreciation	(211,374)
Reversal of water assets	(19,271,267)
Assets previously not recognised	12,161,593

61,618,699

27.26 Accumulated surplus

Assets previously not recognised	39,703,492
Accumulated depreciation	1,360,783
Corrections relating to treatment of water transactions arising from CDM contract	(4,224,665)
Derecognition of water assets	(19,271,267)
Property held for sale not recognised	430,000
Property, plant and equipment not recognised	1,527,800
Deposits wrongly recognised	(177,939)
Provision for bonus previously not recognised	(922,411)

Eskom expenses incorrectly capitalised		(594,580)
--	--	-----------

Net effect on accumulated surplus

17,831,213

28 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

28.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure

Opening balance	4,882,500	8,130,505
Correction of error - reversal of depreciation (non-cash item) incorrectly included in unauthorised expenditure		(1,570,126)
Unauthorised expenditure current year	906,784	
Approved by Council or condoned		(1,677,879)
Transfer to receivables for recovery		
Unauthorised expenditure awaiting authorisation	<u>5,789,284</u>	<u>4,882,500</u>

28.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance -	1,639,001	51,774
Fruitless and wasteful expenditure current year	45,226	1,587,227
Condoned or written off by Council		
To be recovered	-	-
Fruitless and wasteful expenditure awaiting condonement	<u>1,684,227</u>	<u>1,639,001</u>

28.3 Irregular expenditure

Reconciliation of irregular expenditure

Opening balance	617,450	2,392,660
Irregular expenditure current year Condoned or written off by Council	3,350,569	
Transfer to receivables for recovery – not condoned		(1,775,210)
Irregular expenditure awaiting condonement	3,968,019	617,450

**29 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE
MANAGEMENT ACT**

29.1 Audit fees

Opening balance	27,956	184,177
Current year audit fee	1,746,784	1,788,642
Amount paid - current year Amount paid - previous years	(1,774,740)	(1,944,863)
Balance unpaid (included in payables)		(0) 27,956

29.2 VAT

VAT input receivables and VAT output payables are shown in note 9. All VAT returns have been submitted by the due date throughout the year.

29.3 PAYE and UIF

Opening balance		
Current year payroll deductions	3,819,736	2,835,094
Amount paid - current year Amount paid - previous years	(3,819,736)	(2,835,094)
Balance unpaid (included in payables)		- -

29.4 Pension and Medical Aid Deductions

Opening balance

Current year payroll deductions and Council Contributions

4,186,215

Amount paid - current year

(4,186,215)

Amount paid - previous years

Balance unpaid (included in payables)

- -

30 CAPITAL COMMITMENTS

30.1 Commitments in respect of capital expenditure

- Approved and contracted for

3,571,495 11,072,400

Infrastructure

11,072,400

Community

3,571,495

Heritage

Other

- Approved but not yet contracted for

- 6,163,137

Infrastructure

400,000

Community

3,250,000

Heritage

2,513,137

Other

Total

3,571,495 17,235,537

This expenditure will be financed from:

- Government Grants

3,571,495

11,072,400

- Own resources

6,163,137

3,571,495

17,235,537

31 RETIREMENT BENEFIT INFORMATION

31.1 Defined contribution plan

Contributions to defined contribution plan have been expensed and are included in employee related costs for the year.

32 CONTINGENT LIABILITY

32.1 Disputes between Molemole Municipality and its managers

The Municipality is currently involved in labour disputes with some of its managers. Misconduct charges were levelled against senior managers. The other dispute relate to the eviction of former manager from council owned property. At at 30 June 2011, the cases were not yet finalised and expected costs could not be reliably estimated.

33 RELATED PARTIES

The following aptries are classified as related to the municipality:

Members of key management

Close family member of key management

Other related party relationships

Compensation to councillors and other key management (refer to note 19 & 20)

Related party transactions

No related party transaction took place other than compensation paid to councillors and key management.

34 EVENTS AFTER THE REPORTING DATE

The Accounting Officer is not aware of any significant material matter or circumstance that occurrence after year-end that warrant adjustment of or disclosure in the financial statements.

35 RISK MANAGEMENT

35.1 Maximum credit risk exposure

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

Financial assets exposed to credit risk at year end were as follows:

Bank - Nedbank	12,283,343	7,006,632
Trade and other receivables	2,626,650	790,779
	14,909,993	7,797,411

These balances represent the maximum exposure to credit risk.

35.2 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 budget.

2011

	Not later than one year	Later than one year
Gross finance lease obligations	369,143	868,753
Trade and other payables	14,145,938	-
Consumer deposits	444,867	-
	14,959,947	868,753

2010

	Not later than one year	Later than one year
Gross finance lease obligations	432,179	1,237,895
Trade and other payables	9,292,539	
Consumer deposits	444,867	

Other

10,169,586

1,237,895

35.3 Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

36 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures E.

37 Operating lease commitments

Municipality rents office equipments and buildings from third parties. Contracts are on a month to month basis

Molemole Municipality

APPENDIX A

STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION

as at 30 June 2011

Description	Original Budget	Budget Adjustments (i.t.o. s28 & s31 Of The MFMA)	Virement (i.t.o. Council Approved By-law)	Final Budget	Actual Income	Unauthorised Expenditure	Variance	Actual Income As % Of Final Budget	Actual Outcome As % Of Original Budget
	1	2	3	4	5	6	7	8	9
	R	R	R	R	R	R	R	R	R
Financial Performance									
Property Rates	4,120,000	-	-	4,120,000	3,810,519		309,481	92	92
Service Charges	5,415,947			5,415,947	5,349,783		66,164	99	99

Investment Revenue	-	492,000		492,000	1,794,254		(1,302,254)	365	-
Transfers Recognise-Operational	62,833,000			62,833,000	57,082,624		5,750,376	91	91
Other Own Revenue	4,442,090			4,442,090	5,561,856		(1,119,766)	125	125
Total Revenue (Excluding Capital Transfers & Contributions)	76,811,037	492,000	-	77,303,037	73,599,037	0	3,704,000	95	96
Employee Costs Remuneration Of Councillors	43,488,610			43,488,610	29,285,812		14,202,798	67	67
	5,475,353			5,475,353	5,391,264		84,089	98	98
Debt Impairment	3,500,000			3,500,000	3,907,662		(407,662)	112	112
Depreciation & Asset Impairment	2,483,356			2,483,356	4,282,926		(1,799,570)	172	172
Finance Charges	240,000	300,000		300,000	316,474		(16,474)	105	132
Materials & Bulk Purchases	3,730,959			3,730,959	3,959,130		(228,171)	106	106
Transfers & Grants	-						0	0	0
Other Expenditures	27,595,940			27,595,940	19,911,375		7,684,565	72	72
Total Expenditure	86,514,218	300,000	-	86,574,218	67,054,644	0	19,519,574	77	78
Surplus/(Deficit)	(9,703,181)	192,000	-	(9,271,181)	6,544,392	0	(15,815,573)	-71	-67
Transfers Recognised - Capital Contributions	16,392,000	20,814,457		20,814,457	10,306,389		10,508,068	50	63
Recognised - Capital & Contributed Assets									
Surplus/(Deficit) After Capital Transfers & Contributions	6,688,819	21,006,457	-	11,543,276	16,850,781	0	(5,307,505)	81	252
Share Of Surplus/(Deficit) Of Associate									
Surplus/(Deficit) For The Year	6,688,819	21,006,457	-	11,543,276	16,850,781	0	(5,307,505)	81	252

Capital Expenditure & Funds Sources								
Capital Expenditure								
Transfers								
Recognised - Capital								
Public Contributions								
& Donations								
Borrowing								
Internally Generated								
Funds								
Total Sources Of Capital Funds	-	-	-	-	0	0	0	0
Cash flows								
Net Cash From								
(Used) Operating								
Net Cash From								
(Used) Investing								
Net Cash From								
(Used) Financing								
Cash/Cash Equivalents At The Year End	-	-	-	-	0	0	0	0

Molemole Municipality
APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2011

2010	2010	2010		2011	2011	2011
Actual Income	Actual Expenditure	Surplus / (Deficit)		Actual Income	Actual Expenditure	Surplus / (Deficit)
R	R	R		R	R	R
(46,994,737)	12,070,543	(34,924,194)	Executive & Council	-	14,804,656	14,804,656
(7,715,744)	31,714,869	23,999,125	Finance & Admin	(6,948,868)	27,242,235	20,293,366
(350)	1,911,045	1,910,695	Planning & Development	-	2,204,201	2,204,201
		-	Health			-
(3,344,249)	8,131,611	4,787,362	Community & Social Services	(4,734,293)	7,319,900	2,585,606
		-	Public Safety			-
		-	Sport & Recreation			-
		-	Environmental Protection			-
(21,159,438)	9,453,902	(11,705,536)	Road Transport	(8,525,702)	4,848,881	(3,676,821)
(3,825,367)	6,819,513	2,994,146	Electricity	(4,818,938)	7,654,036	2,835,098
(2,398,088)	4,570,398		Water	(734,727)	4,079,172	3,344,446
			Other			-
(85,437,974)	74,671,882	(12,938,402)		(25,762,528)	68,153,080	42,390,552
			Less: Inter-Department Charges			
(85,437,974)	74,671,882	(12,938,402)	Total	(25,762,528)	68,153,080	42,390,552

**REPORT OF THE AUDITOR-GENERAL TO THE LIMPOPO PROVINCIAL LEGISLATURE
AND THE COUNCIL ON MOLEMOLE LOCAL MUNICIPALITY
REPORT ON THE FINANCIAL STATEMENTS**

Introduction

1. I was engaged to audit the accompanying financial statements of the Molemole Local Municipality, which comprise the statement of financial position as at 30 June 2011, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages xx to xx.

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 for such internal control as management determines 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. As required by section 188 of the Constitution of South Africa, section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) and section 126(3) of the MFMA, my responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with the International Standards on Auditing and *General notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*. Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

Financial statement corresponding figures

4. Significant unexplained differences were noted between the amounts disclosed in note 27 to the financial statements, prior period errors, and the amounts disclosed on the statements of financial position and financial performance . The differences are shown as below:

Note Number	Class of transaction / Account balance	Amount per the notes to the financial statements (R)	Amount per statements of financial performance / position (R)	Difference (R)
27.9	Employee cost	28 732 701	27 063 779	1 668 922
27.15	General expenses	17 549 553	17 218 526	331 027
27.17	Other receivables from non-exchange transaction	1 848 610	1 869 741	(21 131)
27.21	VAT receivables	1 451 075	1 782 102	(331 027)
27.22	Trade and other payables	9 685 293	9 292 539	392 754

5. The municipality could not provide sufficient and appropriate supporting documentation or explanations to the following adjustments made to the prior year figures;

AFS Component	Amount (R)
Trade and other receivables from exchange transactions	425 014
Other receivables from non-exchange transactions	2 443 190
Property, Plant and Equipment	10 633 794
Trade and other payables from exchange transactions	(3 460 857)
Other Income	136 170
Rental of facilities and equipment	(50 133)
Interest earned-external investments	(81 196)
Employee related costs	(970 779)
Bulk purchases	(808 371)
General expenses	(8 411 567)
Accumulated Surplus	(144 721)

The municipality's records did not allow the application of alternative audit procedures regarding the verification of the corresponding figures. Consequently I was unable to obtain appropriate evidence to satisfy myself as to the correctness of the above corresponding figures.

6. The municipality corrected corresponding figures for the water transactions that were incorrectly accounted for in the 2010 financial year. The interest earned on outstanding receivables was reduced by R826 497. However, this amount is the cumulative interest charged on long outstanding water debtors up to 30 June 2010. A portion of this amount which relates to the 2009 financial year and prior should have been adjusted against accumulated surplus. Consequently, interest income for the 2010 financial year has been understated. The municipality's records did not permit the application of alternative audit procedures regarding the amount misstated. Consequently, I was unable to obtain appropriate evidence to satisfy myself as to the completeness and accuracy of the interest from outstanding receivables of R89 563 as stated in note 16 to the financial statements.

7. The municipality did not prepare the cash flow statement in terms of the Standards of Generally Recognised Accounting Practice, GRAP 2, *Cashflow Statements*. The amount of additions to fixed assets shown as “cash flow from investing activities” at 30 June 2010 of R25 213 959 did not agree to the actual additions disclosed per note 6 to the financial statements, R16 691 975, and as a result, the net cash flow from investing activities was understatement by an amount of R8 521 984. The cash flow from financing activities for the year ended 30 June 2010 did not take into account the movement on finance leases, between the 2009 and 2010 financial years, of R693 623, as per note 11 to the financial statements, and as a result cash flow from financing activities was understated by R693 623.

Revenue

8. The municipality has incorrectly recognised output VAT on prepaid electricity as revenue. There was no system of control over VAT on which I could rely for the purpose of my audit, and there were no satisfactory audit procedures that I could perform to obtain reasonable assurance that output VAT and revenues is correctly recorded. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the accuracy of the prepaid electricity revenue included in sale of electricity of R4 119 168 (2010: R3 417 798) as per note 13 to the financial statements.

9. There was no system of control over revenue received from the agency services performed on behalf of the Department of Roads and Transport, and licenses and permits on which I could rely for the purpose of my audit. There were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance that all revenue received from agency services and licenses and permits were properly recorded. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the occurrence, completeness, cut-off and classification of agency services income, and the licences and permits revenue of R2 676 088 (2010: R3 043 406). I could also not determine whether the payables due to the Department of Roads and Transport included in other payables of R3 319 162 (2010: R1 684 323) was properly valued.
10. The municipality did not account for the revenue from traffic fines in accordance with GRAP 9, which states that fines should be measured at the best estimate of the inflow of resources to the entity. The municipality has recognised revenues from traffic fines on a receipt basis and not on accrual basis as required by GRAP 9. There was no system of control over traffic fines revenue on which I could rely for the purpose of my audit, and there were no satisfactory audit procedures that I could perform to obtain reasonable assurance that all traffic fine revenue was properly recorded. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the completeness and occurrence of traffic fine revenue of R516 045.

11. Included in electricity revenues of R4 119 168 (2010: R3 417 798) as stated in note 13 to the financial statements, is an amount of R100 225 pertaining to revenues from new connections and reconnections for which there were no supporting documentation. There were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance that all revenue from new connections and reconnections of electricity were properly recorded. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the occurrence, accuracy, cut-off and classification of revenue amounting to R100 225.

Trade and other receivables

12. The municipality could not provide sufficient appropriate audit evidence regarding the existence and recoverability of other receivables from non-exchange transactions as disclosed in note 3 to the financial statements, R2 183 412 (2010: R1 869 741). Included in this receivables balance, are long outstanding loan receivables amounting to R950 706, unknown receivables of R578 694 and the remainder of the receivables amounting to R654 012. There were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance that all receivables from non-exchange transactions were properly recorded. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the existence and valuation of receivables from non-exchange transactions amounting to R2 183 412.
13. Included in receivables from exchange transactions of R2 626 650 (2010: R790 779) as stated in note 2 to the financial statements, are credit balances amounting to R262 496 which could not be verified. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the existence and valuation of receivables from exchange transactions amounting to R2 626 650 and trade and other payables from exchange transactions amounting to R3 3319 162 (2010:R1 684 323).

14. Included in other payables from exchange transactions balance of R3 319 162 (2010: R1 684 323) as stated in note 7 to the financial statements, are unallocated deposits amounting to R1 928 676 which were not allocated to respective debtors accounts. There were no satisfactory alternative audit procedures that I could perform to determine the amounts to be allocated to accounts receivable. Consequently, I could not obtain sufficient appropriate audit evidence to satisfy myself as to the existence and valuation of receivables from exchange transactions amounting to R2 626 650 and trade and other payables from exchange transactions amounting to R3 3319 162.
15. The municipality has charged interest on overdue debtors without considering the effect of unallocated receipts resulting in interest income and receivables from exchange transactions being overstated. There were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance that interest has been correctly recorded. Consequently, I could not obtain sufficient appropriate audit evidence to satisfy myself as to the existence of receivables from exchange transactions of R2 626 650 and the occurrence and accuracy of interest on outstanding receivables of R1 206 716 (2010: R89 563).

Provision for doubtful debts

16. An allowance for doubtful debts of R3 907 662 (2010: R2 536 634) has been provided as disclosed in note 2 to the financial statements. Contrary to the requirements of South African Statements of Generally Accepted Accounting Practice, IAS 39 *Financial Instruments: Recognition and measurement*, this amount is based on a general provision rather than specific accounts in relation to their characteristics and payment record. The entity's records did not permit the application of alternative audit procedures regarding existence, completeness, valuation and allocation of the allowance for doubtful debts. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the existence, completeness, valuation and allocation of the allowance for doubtful debts.

Property, plant and equipment

17. The municipality could not provide supporting documentation for additions to tangible capital assets amounting to R4 718 935. There were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance that all asset additions were properly recorded. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the valuation of additions to property, plant and equipment stated at R18 724 773 (2010: R16 691 975) in note 6 to the financial statements.
18. The municipality could not provide a reconciliation of the capital work in progress of R16 887 160 (2010: R 8 651 489), as disclosed in note 6.3 to the financial statements. There were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance that additions from capital under construction are correctly recorded. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the completeness and valuation of assets under construction and completed projects capitalised during the current year.
19. I was unable to verify the existence of movable and immovable assets amounting to R2 310 694 as disclosed in note 6 to the financial statements. The municipality's records did not permit the application of alternative audit procedures regarding the existence of these assets. Consequently, I was unable to obtain appropriate audit evidence to satisfy myself as to the existence of property, plant and equipment of R76 176 687 (2010: R61 618 700).

20. The municipality incorrectly expensed items which meet the definition of an asset as prescribed by Standard of Generally Recognised Accounting Practice, GRAP 17, *Property, plant and equipment* to repairs and maintenance to an amount of R110 050. The municipality's records did not allow the application of alternative audit procedures regarding the completeness and classification of assets. Consequently I was unable to obtain appropriate evidence to satisfy myself as to the completeness and classification of property, plant and equipment of R76 176 687 (2010: R61 618 700) and the occurrence and classification of the repairs and maintenance of R 3 524 859 (2010: R2 881 316) per the statement of financial performance.
21. The following material unexplained differences were identified between the property, plant and equipment recorded in the general ledger and financial statements

Vote number	Description	Final Amounts per the General Ledger (R)	Amounts per financial statements (R)	Difference (R)
	<i>Cost of assets</i>			
9100/04/4/0 1/9001	Balance at the beginning of the year	63 172 036	73 251 706	-10 079 670
9100/04/4/0 1/9002	Additions	29 045 355	18 274 773	10 770 582
	<i>Accumulated Depreciation</i>	16 040 705		
9100/04/4/0 2/0002	Additions	(26 287 261)	-	(26 287 261)
9100/04/4/0 2/0005	Transfers out	10 246 556	-	10 246 556

	Accumulated depreciation	-	(16 040 704)	16 040 704
	Fair value adjustments			
	Fair value adjustments	-	690 913	-690 913
	Net book values	76 176 687	76 176 687	-

Consequently, I was unable to determine the valuation of assets of R76 176 687 (2010: R61 618 700) as disclosed in note 6 to the financial statements.

Employee costs

22. South African Statements of Generally Accepted Accounting Practice, IAS 19, *Employee Benefits*, paragraph 128(a) requires the measurement of 'Other long term employee benefits' using the projected credit unit method. This method spreads the benefits earned over the vesting period. The municipality's employees get additional 10, 20 and 30 leave days for every 10, 15 and each of 5 years after 15 years of service respectively. Based on recent occurrences, the municipality has paid employees a cash equivalent instead of awarding leave days. The municipality did not appoint an expert to determine the liability as at 30 June 2011 for employees in between the vesting periods. The records of the municipality did not allow the application of alternative audit procedures regarding the valuation of the liability. Consequently I was unable to obtain appropriate evidence to satisfy myself as to the valuation of the long service awards.

23. South African Statements of Generally Accepted Accounting Practice, IAS 19, *Employee Benefits*, requires all short term employee benefits to be recognised as a liability and as an expense in the financial statements. The municipality did not maintain accurate leave records during the year, resulting in the misstatement of the leave accrual at year end. Consequently, I was unable to obtain appropriate evidence to satisfy myself as to the occurrence and accuracy of the leave expense and the valuation of the leave accrual of R3 743 507 (2010: R3 250 636) included in trade and other payables from exchange transactions as disclosed in note 7 to the financial statements.
24. As disclosed in note 7 to the financial statements, the corresponding figure for bonus has been restated by R922 411 as a correction of the prior year misstatement. No supporting documentation was made available to substantiate the restatement. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the existence, completeness, valuation and allocation of obligations pertaining to the bonus accrual for the corresponding figure of R922 411.
25. The municipality did not account for the post employment medical benefit liability in terms of South African Statements of Generally Accepted Accounting Practice IAS 19, *Employee benefits*, by obtaining an actuarial valuation. The liability and the corresponding employee cost are therefore understated. The records of the municipality did not allow the application of alternative audit procedures regarding the valuation of the post employment medical benefit liability. Consequently, I was unable to obtain appropriate evidence to satisfy myself as to the valuation of the medical benefit liability.

Expenditure

26. The municipality could not provide supporting documentation for general expenses amounting to R568 177, included in R16 261 745 (2010: R17 218 526) per note 24 to the financial statements. There were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance that all expenses were properly recorded. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the occurrence, accuracy, cut-off and classification of general expenditure of R16 261 745 (2010: R17 218 526).
27. The municipality could not provide sufficient appropriate audit evidence to support journal entries amounting to R2 259 543 recorded as general expenses. There were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance that general expenses were properly recorded. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the occurrence, accuracy, cut-off and classification of general expenses of R 16 261 745 (R17 218 526).
28. The municipality incorrectly classified certain repairs and maintenance expenses to general expenses amounting to R 220 333. There were no satisfactory alternative audit procedures I could perform to determine the amounts misclassified. Consequently, I was unable to obtain appropriate evidence to satisfy myself as to the classification of the repairs and maintenance of R 3 524 859 and general expenses of R16 261 745 (2010:R17 218 526).

29. The municipality could not provide supporting documentation for transactions recorded as repairs and maintenance. There were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance that all repairs and maintenance were properly recorded. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the occurrence and accuracy of the repairs and maintenance of R3 524 859 (2010: R2 881 316) as per the statement of financial performance.

Payables

30. The municipality could not provide supporting documentation for payables balances as disclosed in note 7 to the financial statements. There were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance that all payables were properly recorded. Consequently, I could not obtain sufficient appropriate audit evidence to satisfy myself as to the existence and valuation of other creditors of R 3 319 162 (2010:R1 684 323) included in trade and other payables from exchange transactions.

31. The municipality could not provide supporting documentation for subsequent payments amounting to R1 493 766. There were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance that all payables were properly recorded. Consequently, I could not obtain sufficient appropriate audit evidence to satisfy myself as to the completeness and cut-off expenses, and completeness of payables as per note 7 to the financial statements, R2 981 629 (2010: R1 397 767).

32. The municipality could not provide supporting documentation for the opening balance of retention payables amounting to R2 037 401 included in note 7 to the financial statements. There were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance that all retention payables were properly recorded. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the existence and valuation of retention payables of R2 037 401.
33. The municipality could not provide contracts relating to projects that were in progress during the year. There were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance that retentions were in accordance with the contracts. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the completeness of retention payables of R3 172 710 (2010: R2 037 401) as disclosed in note 7 to the financial statements.
34. The municipality could not provide sufficient appropriate audit evidence to verify the amount of repairs and maintenance on water infrastructure incurred by the municipality on behalf of district municipality. There were no satisfactory alternative audit procedures I could perform regarding to determine the amounts misclassified. Consequently I was unable to obtain appropriate evidence to satisfy myself as to the valuation of the advance payable to the municipality from district municipality included in other creditors of R3 319 162 (2010: R1 684 323) as stated in note 7 to the financial statements.

Provisions

35. A provision has not been made for the environmental rehabilitation costs of restoring the municipality's landfill sites. A provision should be made for the municipality's present obligation incurred as a consequence of its past use of the landfill sites in accordance with the Standard of Generally Recognised Accounting Practice, GRAP 19, *Provisions, contingent liabilities and contingent assets*. Consequently, the provisions in the financial statements are understated.

Commitments

36. No contract management system was in place for the identification and recognition of contracts and there were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance that all commitments were properly recorded. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the completeness of commitments of R3 571 495 (2010: R17 235 537), as stated in note 30 to the financial statements.
37. The commitments as disclosed in note 30 to the financial statements, R3 571 495 (2010: R17 235 537) was overstated by an amount of R217 391. The municipality included the actual expenditure paid as commitments, and as a result overstated the commitments as at 30 June 2011.

Irregular expenditure

38. The municipality did not disclose irregular expenditure amounting to R21 708 853 in the financial statements as required in terms of section 125(d) of the MFMA. The municipality did not have systems in place for the identification and recognition of irregular expenditure and there were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance that all irregular expenditure was properly recorded. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the completeness of irregular expenditure of R3 350 569 as disclosed in note 28.3 to the financial statements.

Value added tax (VAT)

39. The municipality did not claim VAT input on all qualifying expenditure in terms of Value Added Tax Act (Act no. 89 of 1991). The municipality's records did not permit the application of alternative audit procedures regarding the amount of VAT receivable. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the completeness and valuation of VAT Receivable of R1 712 799 (2010: R1 782 102), as disclosed in note 9 to the financial statements.
40. In terms of VAT Act 89 of 1991, the municipality should not claim input VAT on purchases made from non-registered vendors and on disallowed capital expenditure as evidenced by transactions amounting to R24 866 and R21 374 respectively, which resulted in the overstatement of input VAT. There were no proper systems and controls in place that could enable me to determine valuation of value added tax receivables of R1 712 799 (2010: R1 782 102) as stated in note 9 to the financial statements.
41. An unexplained difference of R1 271 387 was noted between the VAT receivable per the financial statements and VAT statements received from South African Revenue Services. There were no satisfactory alternative procedures that I could perform to obtain reasonable assurance that value added tax was correctly accounted for. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the existence and valuation of the VAT receivable balance of R1 712 799 (2010: R1 782 102).

Emphasis of matter

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

Restatement of corresponding figures

43. As disclosed in note 27 to the financial statements, the corresponding figures for the year ended 30 June 2010 have been restated as a result of errors discovered during the 2011 financial year in the financial statements of the municipality at, and for the year ended 30 June 2010.

Unauthorised expenditure

44. As disclosed in note 28.3 to the financial statements unauthorised expenditure amounting to R906 784 were incurred as a result of the overspending of expenditure votes.

Material under spending of the conditional grant

45. As disclosed in note 10 to the financial statements, the municipality has materially under spent all of its conditional grants received to the amount of R2 198 407.

Additional matters

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

Unaudited supplementary schedules

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

47. In accordance with the PAA and in terms of *General notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I include below my findings on the annual performance report as set out on pages X to X and material non-compliance with laws and regulations applicable to the municipality.

Predetermined objectives

Usefulness of information

48. The reported performance information was deficient in respect of the following criteria:

- **Measurability:** Planned and reported targets are not specific and time bound.
- **Consistency:** The reported objectives, indicators and targets are not consistent with the approved integrated development plan.

49. The following audit findings relate to the above criteria:

- For the selected Technical Services programmes, twenty one percent (21%) of the planned and reported targets were not specific in clearly identifying the nature and the required level of performance as required by the national treasury guideline.
- For the selected Technical and Community Services programmes, fifty three percent (53%) of the planned and reported targets were not time-bound in specifying the time period or deadline for delivery.
- Reported performance against predetermined objectives is not consistent with the approved integrated development plan.

Reliability of information

50. The reported performance information was deficient in respect of the following criteria:
- **Validity:** The reported performance did not occur and does not pertain to the entity.
 - **Accuracy:** Amounts, numbers, and other data relating to reported actual performance have not been recorded and reported appropriately
 - **Completeness:** All actual results and events that should have been recorded have not been included in the reported performance information.
51. The following audit findings relate to the above criteria:
- For the Technical Services programme, 80% of the reported indicators were not Accurate based on the source documentation provided for inspection.

Compliance with laws and regulations

Annual financial statements

52. 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 subsequently corrected, but the uncorrected material misstatements resulted in the financial statements receiving a disclaimer audit opinion.
53. The accounting officer did not submit the annual financial statements of the municipality for auditing, within two months after the end of the financial year as required by section 126(1)(a) of the MFMA.

Audit committee

54. No audit committee was in place as required by section 166(1) of the MFMA.

Internal audit

55. The municipality did not have an internal audit unit in place as required by section 165(1) of the MFMA.

Procurement and contract management

56. Goods and services of a transaction value above R200 000 were procured without inviting competitive bids as per the requirements of SCM regulation 19(a) and 36(1). The preference point system was not applied in some instances of procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act and SCM regulation 28(1)(a).
57. Contracts were extended or modified to the extent that competitive bidding processes were being circumvented contrary to the requirement of a fair supply chain management system in sec 112 of the MFMA.

Expenditure management

58. The accounting officer did not take reasonable steps to prevent irregular and unauthorised expenditure as required by section 62(1)(d) of the MFMA.
59. The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained a management, accounting and information system which accounted for creditors of the municipality, as required by section 65(2)(b) of the MFMA.
60. 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.

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 accounted for 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.

Asset management

63. 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 reconciliation with general ledger, as required by section 63(2)(c) of the MFMA.
64. The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained a management, accounting and information system which accounts for the assets of the municipality as required by section 63(2)(a) of the MFMA.

Budgets

65. The municipality incurred expenditure in excess of the limits of the amounts provided for in the votes in the approved budget, in contravention of section 15 of the MFMA.

INTERNAL CONTROL

66. In accordance with the PAA and in terms of General notice *1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the basis for disclaimer of opinion, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report. .

Leadership

- The accounting officer and management did not, in some instances, exercise oversight responsibility over performance reporting and the enforcement of Supply Chain Management regulations.
- The accounting officer did not establish an IT governance framework that supports and enables the business, delivers value and improves performance.
- Management did not implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored.

Financial and performance reporting

- The accounting officer did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

- The accounting officer did not implement adequate controls over daily and monthly processing and reconciling of transactions.
- The accounting officer did not prepare regular, accurate and complete financial reports that are supported and evidenced by reliable information.
- Management did not design and implement formal controls over IT systems to ensure the reliability of the systems and the availability, accuracy and protection of information.

Governance

- There was no appropriate risk management activities to ensure that regular risk assessments, including consideration of IT risks and fraud prevention are conducted and that a risk strategy to address the risks is adequately monitored.
- The municipality operated without an internal audit unit for the whole financial year under review
- The municipality operated without an audit committee during the year under review.

Auditor General

13 January 2011

Polokwane



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

CONCLUSION