



KGATELOPELE LOCAL MUNICIPALITY

ANNUAL REPORT

2010/2011

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GENERAL OVERVIEW

DECLARATION BY THE MAYOR

I, Gloria Kgoronyane, the Mayor of Kgatelopele Local Municipality, hereby wish to declare that I have tabled this report of the 2010/2011 financial year, at a Council Meeting of our Municipality, that took place on 31 January 2012, at the Council Chamber, Civic Centre in Kgatelopele, and that this annual report was tabled and discussed in terms of the MFMA, Chapter 12, Section 127 (2).

Signed:

FOREWORD BY THE MAYOR

It is my pleasure to introduce Kgatelopele Local Municipality Council's 2010/2011 Annual Report, which demonstrates our ongoing progress on behalf of the Kgatelopele Community.

Kgatelopele Local Municipality continues to strive to deliver services to its community that is affordable and of a quality

Finally, we wish to extend our sincere gratitude to the residents, and Council offices who diligently work together to ensure that Kgatelopele continues to be "A Well developed town".

MISSION & VISION

OUR ROLE

This annual report details the operations of the Kgatelopele Local Municipality for the period 1 July 2010 to 30 June 2011.

Our role in the community continues and we provide a good policy and legislative foundation at the Municipality to enable us to deliver quality services to the community in sustainable manner.

OUR MISSION

Kgatelopele Local Municipality, as the legitimate representative of the local community, shall strive to promote developmental local government, promote socio-economic development, provide efficient, affordable, sustainable and quality service, combat discrimination based on racism, gender and religion, improve the general conditions of women, the youth, the disable and the elderly, protect and conserve the environmental, achieve all these, through a strong and stable environment and effective administration.

OUR VISSION

The implementation/establishment of a process by the Kgatelopele Municipality to improve the quality of life of all its residents by maximum, utilization of resources and the continues involvement of all community members by enhancing economic, social, health and environmental issues as well as effective services delivery.

ABOUT KGATELOPELE LOCAL MUNICIPALITY

Location and Composition

The Municipal area is situated 160km west of Kimberley. The following towns are in the jurisdiction of the municipality:

Daniëlskuil

Lime Acres

Owendale

- Kgatelopele Municipality's population is approximately 21 498
- The Municipal area is approximately 2478 square kilometers.
- The three mines namely Finsch Mine, PPC Lime and Idwala Lime contribute to the economic welfare of the towns and provide jobs to various people living in the towns.

Kgatelopele Local Municipality is responsible for providing essential services and infrastructure that support an appealing, liveable, town. Our commitment to service excellence means being respectful, responsive, safety conscious and professional. Each day, municipality staff endeavors to provide efficient and effective municipal services within an accountable and sustainable fiscal framework.

Municipal services include:

- General public services: community centers, libraries, parks and business support services.
- Fire protection, environmental protection, emergency preparedness, by law enforcement and building approvals.
- Water sewer and drainage services, waste removal, recycling, road construction and maintenance, economic development, project development and land use.
- Internal services: administration, strategic management, corporate services, human resource, information technology, finance, legal services.

OUR GOALS

The goals we have set out for ourselves at Kgatelopele Local Municipality are:

1. Strengthen local government capacity
2. Forster collaborations
3. Support effective decision making
4. Manage our organization responsibly

OUR VALUES

The values we have determined are:

Collaboration

We will recognize, support and encourage people working together effectively

Leadership

We will lead by example and encourage continuous improvement

Integrity

We will behave in an ethical and professional manner

Fairness and Equity

We will be open honest and respectful to all those we deal with

Communication

We will consult and communicate clearly with each other and our stakeholders.

OUR OPERATING ENVIRONMENT

Kgatelopele Local Municipality we regard us an efficient council for ratepayers and residents. There are currently 8 councilors and 4 wards in the Kgatelopele Municipality. While councils are largely autonomous bodies accountable to the electors, are subject to control in certain areas of the administration. The Council is governed by the Constitution of South Africa, Systems Act, Structures Act, MFMA and a large number of legislations

Attached is a map indicating the various wards of the municipality.

DECLARATION BY THE ACCOUNTING OFFICER

I N.V Mlambo Izquierdo Rodriguez, the Municipal Manager of Kgatelopele Local Municipality, as the Accounting Officer, hereby wish to declare that:

1. The Mayor submitted the 2010/2011 annual report of the municipality, in terms of MFMA, Chapter 12, Section 127(2), at a council meeting held on 31 January 2012.
2. The said council meeting in (paragraph 1) above, was open to the public, in terms of MFMA Chapter 12, Section 130(1).
3. Members of the public were invited to attend.
4. The Department of Local Government & Housing and Provincial Treasury were invited in terms of MFMA, Chapter 12, Section 130(b).
5. The Office of the Auditor General was invited in terms of MFMA, Chapter 12, Section 130 (b) (2).
6. I will make public the annual report, in terms of MFMA, Chapter 12, Section 127 (5) (a) (i)
7. I have invited the local community to submit representations in connection with the annual report in terms of MFMA Chapter 12, Section 127 (5) (a) (ii).
8. I will submit the annual report to:
 - The Audit General
 - The department of Co-operative Governance Human Settlement and Traditional Affairs, in terms of MFMA Chapter 12, Section 127 (5) (b)
9. I will also submit the annual report to:
 - Premier's Office
 - SALGA Northern Cape
 - Provincial Treasury, Department of Local Government and Housing and other provincial department
 - Governments parastatals
 - District Municipality
 - Chairperson of Ward Committees
 - Chairperson of Community Based Structures
 - National Treasury
 - DPLG
 - President's office

N.V Mlambo Izquierdo Rodriguez: Municipal Manager

MEMBERS OF THE PLENARY COUNCIL

1. Kgoronyane KG - Mayor (ward 4)
2. Mgcera P - Councillor (PR)
3. McCarthy G - Councillor (ward 3)
4. Joseph C - Councillor (ward 2)
5. Sehularo OH - Councillor (ward 1)
6. Adams A - Councillor (PR)
7. Cornelissen W - Councillor (PR)
8. Visser A - Councillor (PR)

REVIEW OF THE YEAR

2010/2011

PERFORMANCE

WHAT WE DID TO ENSURE KPA'S ARE MET

Our aim is to build the capacity of Kgatelopele Local Municipality to facilitate good governance and sustainability so that Council is able to meet community needs.

WHAT THE MUNICIPALITY DID TO ACCOMPLISH THEIR PERFORMANCE OBJECTIVES:

- Developed policies to support a strong framework
- Worked with council to monitor. Review and continuously improve
- Ensure that controls are implemented
- Investing in staff members
- Attached the Municipal Performance Report for 2010/11 financial year

[..\ANNEXURE A.doc](#)

Mid-year Budget and Performance report



KGATELOPELE MUNICIPALITY

Period ending 31 December 2011

***In compliance with section 54 and 72 of the Local
Government Municipal Finance Management Act No.56
of 2003***

**Mid-year Budget and Performance report for the period ending
31 December 2011**

To: The mayor and members of the Council

In accordance with section 72 of the Local Government: Municipal Finance Management Act 2003 (the "MFMA)", I submit the required report assessing the performance of Kgatelopele Municipality during the first half of the 2010/2011 financial year.

Section 54 of the MFMA requires that the Mayor takes certain actions on receipt of this report to ensure that the approved budget is implemented in accordance with the projections contained in the Service Delivery and Budget Implementation Plan (the "SDBIP").

The information contained in this report has been reviewed and it is evident that adjustments to the capital and operating budget will be necessary. When an adjustment budget is adopted, the SDBIP will need to be reviewed and adjusted.

.....
N.V MLAMBO IZQUIERDO RODRIGUEZ
MUNICIPAL MANAGER

28 January 2012

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RECOMMENDATIONS

It is recommended:

- a) That the Municipal Manager be requested to prepare and submit an adjustment budget in compliance with requirements of section 28 of the MFMA.
- b) That the Municipal Manager be requested to revise the SDBIP to reflect the adjustments to the annual budget.
- c) That the proposed revisions to the SDBIP be submitted as soon as the Council has adopted the adjustment budget.

1. Introduction

In terms of section 72(1), (2) and (3) of the MFMA, the mid-year budget and performance assessment report for the period ended 31 December 2011 is submitted for your consideration.

In terms of the section 54(1), (2) and (3) of the MFMA the following applies: -

1) "On receipt of a statement or report submitted by the accounting officer of the Municipality in terms of section 71 or 72, the Mayor must -

a) consider the statement or report;

b) check whether the municipality's approved budget is implemented in accordance with the service delivery and budget implementation plan;

c) consider and, if necessary, make any revisions to the service delivery and budget implementation plan, provided that revision to the service delivery targets and performance indicators in the plan may only be made with the approval of the council following approval of an adjustment budget;

d) issue any appropriate instructions to the accounting offices to ensure-

i) that the budget is implemented in accordance with the service delivery and budget implementation plan; and

ii) that the spending of funds and revenue collection proceed in accordance with the budget;

e) identify any financial problems facing the municipality, including any emerging or impending financial problems; and

f) in the case of a section 72 report, submit the report to the council by 31 January 2011 of each year.

This report is structured in the following order:

- Overview of Financial Performance; and
- Service Delivery Performance

2. Overview of Financial Performance

The bank balance according to the bank statement reflects the actual bank balance of the Municipality at a specific date, where-as the cash book balance is the difference between the total accumulated cash receipts (income) up to a given date and the total accumulated cash payments (expenses) up to the same date. The cash book balance is, therefore, the true reflection of what the bank balance should be had all transactions been processed by the Municipality's bank.

It is therefore of the utmost importance that bank reconciliations should be prepared on a monthly basis or even a shorter time period. Failure to reconcile may lead to misleading financial reporting which can result into inappropriate Council decisions.

The Municipality's bank account was R142.33 on 1 July 2011 and closed with a positive balance of R 3 610 386.20 on 31 December 2011.

TABLE 1: BANK AND CASH BOOK BALANCES

DATE	BANK	CASH BOOK	DIFFERENCE
01/07/2011	142.33		
31/12/2011	3 610 386.20		
Improvement	3 610 243.87		

The following table summarizes the overall position on the capital and operating budgets in relation to the Municipality's SDBIP. The SDBIP is a detailed plan approved by the Executive Mayoral Committee in terms of section 53(1) (c) (ii) of the MFMA for implementing the Municipality's delivery of municipal services and its annual budget, and which must indicate-

- a) Projections for each month of-
 - i) Revenue to be collected, by source; and
 - ii) Operational and capital expenditure, by vote;
- b) Service delivery targets and performance indicators for each quarter; and
- c) Any other matters that may be prescribed, and includes any revisions of such plan by the mayor in terms of section 54(1)(c);

TABLE 2: OVERALL POSITION CAPITAL AND OPERATING BUDGETS

Kgatelopele Municipality	Original Budget	Actual YTD	%
Capital Expenditure	15 157 000.00	263 399.60	3,99%
Operating Expenditure	50 152 214.00	2 193 741.41	110,02%

Operating Revenue and Expenditure

Kgatelopele Municipality	Original Budget	Actuals YTD	%
Operating Revenue	Original Budget	Actuals YTD	%
Electricity	10 371.00	7 102 782.09	73,66%
Property rates	6897.00	3 341 459.78	24,06%
Water	3735.00	2 146 628.69	8,01%
Sanitation	3145.00	1 475 121.48	4,63%
Refuse removal	1987.00	1 850 289.22	3,67
OPERATING REVENUE AND EXPENDITURE			
GRANTS AND SUBSIDIES			
Equitable share	12 918 000.00		
FMG Grants	1 500 000.00	691 785.29	1,03%
MSiG Grants	790 000.00	152 766.80	12,06%
Library	630 000.00		
MIG	7 727 000.00	320 263.00	2,47%
INEG			

2.1 Capital Expenditure

The actual capital expenditure is R15 157 000.00 for 2010/2011 financial year. The Heads of Departments and more specifically the Head: Technical Services will, in cooperation with the Chief Financial Officer, have to identify and implement remedial steps on how to ensure that the Municipality will achieve the expenditure indicated in the budget. The expenditure in the last six months of the financial year will place a heavy burden on all the financial processes and the capacity of the Municipality to spend this amount of money effectively and efficiently.

- Having to rush to spend the capital budget invariably results in some projects being completed at low standard;
- If all of the capital budget is not spend, it may affect future allocations to the Municipality and/ or the Municipality may forfeit unspent funds to the National Treasury; and
- If all of the capital budget is not spend and it is rolled-over to the next financial year, the amount of money that needs to be spent in future years simply increases and may eventually far exceed the Municipality's capacity for effective and efficient spending.

PROJECTS

- Houses build 99
- Electrification – Sites Kuilsville and Tihakatlou
- Paving of Roads EPWP
- Paving of Roads MIG
- Paving of Roads Idwala and PPC Lime
- Refurbishment of water reticulation phase 1 complete January 2012.

TABLE 3: CAPITAL EXPENDITURE AND SOURCE OF FINANCE

Kgatelopele Municipality	Original Budget 2011	Actuals YTD 2011	%
Community and Social Service	630 000.00		
Housing	6 800 000.00	16 891.20	11,48%
Waste Management	7 727 000.00	46 508.40	35,93%
Total Capital Expenditure	15 157 000.00		

A fundamental part of this review should be the assessment of the performance of major capital projects. At the end of November 2011 the major capital projects should have been reappraised by the Municipal Manager and his management team. The capital project reappraisal must as a minimum include:

- Assessing progress against plans
- Providing a revised cash flow for each project; and
- Providing corrective measures to ensure that the allocated budget per department or functional area will be spent.

This assessment will indicate whether is necessary to adjust the capital budget or not.

2.2 Operating Income

The following table shows the actual operating income for each Department against that planned in the SDBIP for the first six months of 2010/2011. It should be noted that the figures relate to billed income (i.e. income accrued) and not actual debt collected. Total income on the financial year and R17 323 394.34 was realized through levies.

TABLE 4: REVENUE BY SOURCE

Kgatelopele Municipality	Original Budget 2011	Actuals YTD 2011	%
Operating Revenue			
Property rates	6 897.00	3 341 459.78	24,06%
Water	3 735.00	2 146 628.69	8,01%
Sanitation	3 145.00	1 475 121.48	4,63%
Refuse removal	1 987.00	1 850 289.22	3,67%
Electricity	10 371.00	7 102 782.09	73,66%
Total Operating Revenue Generated	26 135.00	15 916 281.26	

2.3 Operating Expenditure

The following table shows the actual operating expenditure for each Department against that planned in the SDBIP for the first six months of 2010/11 financial year.

TABLE 5: OPERATING EXPENDITURE BY SOURCE

Kgatelopele Municipality	Original Budget 2011	Actuals YTD 2011	%
Operating Expenditure			
Employee Related Costs	15 857 000.00	4 639 153.00	73,56%
Bulk Purchase	7 294 000.00	6 943 363.00	50,64%
Bad and doubtful debt	2 344 000.00		0%
Transfers and Subsidies	1 200 000.00		0%
Other Expenses	23 457 000.00		
Total Direct Operating Expenditure	50 152 000.00		

The above table shows the operating expenditure.

2.4 Personnel Expenses

In terms of Section 66 of the MFMA, all expenditure that the Municipality incurred on staff salaries, wages, allowances and benefits must be reported to the Council.

2.5 Debtors age analysis

The debtors outstanding on 1 July 2011 were R18 611 910.00. The amount outstanding increased by R 7 472 720.00 during the first half of the current financial year.

The following table shows the detailed Debtors Age Analysis at the reporting period on 31 December 2011.

TABLE 6: DEBTORS AGE ANALYSIS BY DAYS

Kgatelopele Municipality	0-30 Days		31-60 Days		Over 90 Days		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
Debtors by Income source								
Water	680 945.00	45,17%	276 464.00	26,11%	191 571.00	1,10 %	9 009 426.00	206,73%
Electricity	704 097.00	46,71%	259 826.00	1,10%	127 741.00	1,06 %	716 071.00	16,43%
Property Rates	499 263.00	33,12%	211 700.00	1,13%	194 765.00	1,11 %	5 797 784.00	133,03%
Sanitation	239 176.00	15,87%	88 200.00	1,02%	82 041.00	1,03 %	2 580 761.00	59,21%
Refuse Removal	415 907.00	27,60%	95 882.00	1,03%	89 185.00	1,03	1 078 855.00	24,75%

						%		
Other	-1 036 684.00	68,77%	11 962.00	1,13%				
Housing	4 800.00	0,32%	600.00	1,0%	600.00	1,01 %	16 389.00	1,37%
Total	1 507 504.00		944 674.00		685 903.00		22 946 549.00	
Debtors by Custom er Group	48 027.00	3,18%	147 742.00	1,09	111 427.00	1,05 %	9 326 342.00	214,00%
Govern ment Busines s	292 674.00	44,12%	152 012.00	1,09%	73 596.00	1,02 %	392 584.00	9,00%
Househ olds Other	1 166 283.00	1,75%	644 651.00	1,56%	500 631.00	1,32 %	13 224 894.00	303,46%
	520.00	0,39%	269.00	0,25%	249.00	0,17 %	2 729.00	1,05%
Total	1 507 504.00		944 674.00		685 903.00		22 946 549.00	

2.6 Conditional Grants and Subsidies

The actual conditional grants received amount to 57%. Of the budgeted conditional grants equitable share a represented 70% of the total grant allocation. Equitable share are normal paid during August, November and March however only 42% were received during the first six months.

The under expenditure on conditional grants or the lack of reporting there-on resulted in the offset unspent money against the equitable share allocation of 30 November 2011.

2.7 Borrowings

Detailed information could not be supplied due to the fact that the information is only updated at the end of a financial year for the financial statements.

2.8 Conclusion

As indicated throughout this section on financial performance the actual performance could not be measured against monthly projections which were supposed to be part of the SDBIP. Even though the actual financial performance measured against estimates based on the first 6 months actual figures show no real concerns excepts for those mentioned in this report it will however be advisable to adopt a revised budget that will address the concerns raised in this report.

3. Service Delivery Performance

The Municipality did not measure the performance of the SDBIP against the key performance indicators and targets set in the SDBIP (See Section 72(1)(iii) of the MFMA). The Municipality also did not measure the municipality's performance against the local or the national key performance indicators (see Local Government: Municipal Planning and Performance Management Regulations 2001).

3.1 Technical Services

3.2 Department Corporate Services

3.3 Human Resource Management

Employment Equity

The Municipality employs 71 employees in a permanent capacity. The composition of the workforce reported to the Department of Labour on 1 October 2011 as required by the Employment Equity Act, No 55 of 1998 is summarized below

3.2.2 Environmental Health Services

Kgatelopele Municipality struggle with a lot of environmental health issues such as:

- Sewage in specially conservancy is still been removed by sewage trucks.
- Stray animals in the towns are also a problem

These problems were periodically brought under the attention of the Kgatelopele Municipality, but in order to manage a successful

environmental health system unfortunately requires a certain amount of funds. Financial constraints make this very difficult.

3.2.3 Disaster Management

It needs to be mentioned that “disaster management” is a district municipality function by virtue of Chapter 5 of the Disaster Management Act 2002 (Act No 57 of 2002).

Fire fighting services are regulated by two national statutes, namely the Fire Brigade Services Act, 1987 (Act No 99 of 1987) and the National Veld and Forest Fire Act 1998 (Act No 101 of 1998) Municipal fire fighting services are defined in the Fire Brigade Service Act as –

- a) preventing the outbreak or spread of a fire;
- b) fighting or extinguishing a fire;
- c) protecting life or property against a fire or threatening danger;
- d) rescuing life or property from a fire or other danger; and
- e) performing any other function connected with any of the matters referred to in paragraph (a) to (d).

It also needs to be mentioned that specialized fire fighting services, such as mountain, veld and chemical fire services are district municipality functions and not local municipality functions in terms of section 84(1)(j) of the Local Government: Municipal Structures Act 1998 (Act No 117 of 1998)

3.3 Office of Municipal Manager

Internal Audit

The purpose of this report is to report on the progress made within the Internal Audit Function of Kgatelopele Municipality.

Progress within the Internal Audit division-

- The internal audit function has been established in Kgatelopele Local municipality, in the 2010/2011 financial year.
- The Internal Audit Charter has been approved by Council on 27 May 2011 and in the process of being revised. The aspects outline in the AG’s report pertaining to qualifications and consultancy has been clearly stipulated.
- The reporting of the internal audit function is in line with the legislative prescriptive.

- The audit committee has been established and is functional.
- The audit committee is currently not active due to the resignation of a member.
- The various reviews of reports such as the annual financial statement, and reporting to council were reviewed but on a tight schedule that does not allow always sufficient time for recommendation before tabling.
- The internal audit function has played a major role in facilitating the implementation of a rectification plan to address the exceptions mentioned within the external audit report.
- Assistance regarding the audit function to Kgatelopele Municipality is done by the Siyanda District Municipality.
- The annual audit plan has been approved by the audit committee.

We once more hope that the proposed organogram would address the desire need of the Internal Audit Function to become a fully fledged unit with sufficient staffing.

5. Conclusion

Service delivery information is not readily available in the format necessary to report on the implementation of the SDBIP. Key performance indicators and targets have not been set for each vote in the budget and no measurements were available those key performance indicators. Care must be taken to prevent that the SDBIP only becomes a tool for a Legislative compliance exercise. If the SDBIP is used properly it will alert management and councillors timeously to any financial and performance problems that may arise during a financial year.

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
2010/2011**