

[2008/2009 ANNUAL REPORT]



VISION

Mantsopa Local Municipality shall be a leading force in achieving, providing, accessible, integrated, sustainable, equitable and socio-economic development of her community.

MISSION

To achieve accessible, integrated, sustainable and equitable social and economic development of the municipality.

VALUES

- ❑ Inclusiveness
- ❑ Value for money
- ❑ Fairness
- ❑ Consultation (information to the rural areas)
- ❑ Courtesy
- ❑ Transparency
- ❑ Accountability
- ❑ Responsiveness
- ❑ Self reliance
- ❑ Partnership



Annual Report of the Mantsopa Local Municipality (FS 173)

1 July 2008 to 30 June 2009

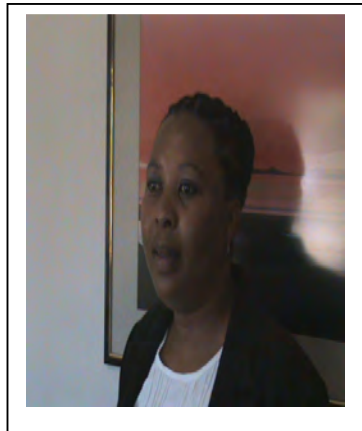
Publisher: Mantsopa Local Municipality
P.O. Box 64
Ladybrand
9754

Prepared by: IDP and OPMS Division



To the Mayor
Mantsopa Local Municipality
Cllr S.D. Ntsepe

It is my pleasure and privileged to present the Annual Report of the Mantsopa Local Municipality for the financial year ended 30 June 2009 in terms of section 121 of the Local Government: Municipal Finance Management Act no 56 of 2003.



Me. CLM Rampai
Municipal Manager – Mantsopa Local Municipality

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CHAPTER 1

FOREWORD BY THE MAYOR



Cllr SD Ntsepe
Mayor

During the 2008/2009 financial year the Mantsopa Local Municipality has set for itself objectives to propel it towards the achievement of improving service delivery to its inhabitants. The municipality has identified infrastructural development, local economic development and tourism, performance management systems, financial viability and human resource development as key performance areas to enable the municipality to achieve its desired objectives.

The municipality is still committed towards the eradication of buckets especially in the towns of Hobhouse and Tweespruit were as a result of water shortage and lack of suitable land and of course inadequate funding we could not eradicate use of buckets. Furthermore the municipality undertook to upgrade the roads in the CBD of Ladybrand as part of our urban renewal strategy and to encourage investor confidence in this area, which is classified as the heart of Mantsopa economy. Funding was sourced from DBSA in order to achieve this mammoth task.

During the financial year under review, we are pleased as Mantsopa Local Municipality to report the following noticeable achievements, which were part of our Integrated Development Plan for the 2008/2009:

- ☐ Successful completion of both Hobhouse and Tweespruit Bucket Eradication Projects.
- ☐ Continued to supply water to all 11 550 households of Mantsopa
- ☐ Continued to collect refuse to 11 550 households of Mantsopa
- ☐ 100% MIG expenditure
- ☐ Completion of Lusaka Reservoir and Pipe Line
- ☐ Completion of Hobhouse Reservoir
- ☐ Completion of the first phase of Hobhouse Water Treatment Works
- ☐ Commencement for the upgrading of Lekhalong La Mantsopa as a Tourist Destination in partnership with the department of environment and tourism.
- ☐ Signing of memorandum of understanding with the City council of Maseru (Lesotho)

During this financial year the former Mayor and seven ANC councillors were recalled and as a result by-elections for three vacant wards in the municipality were held and won by the ANC decisively. The former Speaker of council Cllr M. Majara was reinstated as the Speaker of the municipality. In February 2009 the former Municipal Manager Me. CLM Rampai was also reinstated as the Municipal Manager after the former re-called ANC councillors "Mantsopa 9" unlawfully dismissed her.

Despite the above achievements numerous challenges persist that will be attended to working together with other stakeholders such as provincial department and the district municipality. These challenges are as follows:

- ❑ Completion of Tweespruit and Hobhouse bucket eradication
- ❑ Effective revenue collection for obtaining required resources to improve service delivery
- ❑ Allocating more resources towards local economic development
- ❑ Continue to improve the state of our roads

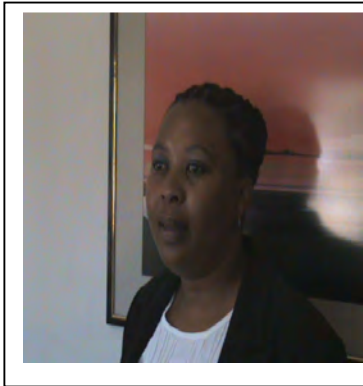
I would like to take this opportunity to thank all those who under the financial year under review continued to make meaningful contribution in ensuring that Mantsopa Local Municipality reclaims its rightful position as an award-winning municipality. My thanks to the members of EXCO, Speaker, Chief Whip, Councillors, and members of the opposition, Municipal Manager and her Senior Management Team and the staff of Mantsopa Local Municipality who without their contribution we could not have managed to produce this report.

Thank you very much.

.....
Cllr SD Ntsepe
Mayor

CHAPTER 2

FOREWORD BY THE MUNICIPAL MANAGER



Me. CLM Rampai
Municipal Manager

The 2008/2009 marks the third year under the current term of local government which comes to an end in 2011, it is therefore imperative to present the Mantsopa Local Municipality's 2008/2009 Annual Report as required in terms of section 121 of the Local Government: Municipal Finance Management Act 56 of 2003 to give account on how the municipality performed in achieving its strategic priorities and project as contained in its Integrated Development Plan.

The purpose of this Annual Report is therefore:

- ☐ To provide record of the activities of the municipality during the 2008/2009 financial year;
- ☐ To provide a report on the services delivery and budget implementation plan of the municipality during the 2008/2009 financial year; and
- ☐ To promote accountability to the community that we as the municipality serves.

During the 2008/2009 financial year the municipality has managed to invest an amount of R18 million towards the development of the people by completing the following projects successfully and does enable the municipality to achieve 100% expenditure of MIG grants allocation to the municipality:

- ☐ Bucket eradication in Tweespruit
- ☐ Bucket eradication in Hobhouse
- ☐ Water Reservoir in Ladybrand
- ☐ Water Reservoir in Hobhouse
- ☐ Water treatment works in Hobhouse
- ☐ Waste water treatment works in Excelsior

During the financial year under review the municipality was awarded the Premier Excellence award under financial viability category.

On the same note it must be reported that in April 2009 the municipality parted ways with its two section 57 managers due to their contract coming to an end. Immediate efforts were made to replace the two managers with other competent managers to replace the two. In June 2009 the new Chief Financial Officer and Manager Corporate Services were recruited and appointed.

During the financial year under review the municipality partnered with the City Council of Maseru with the purpose of sharing good practices between the two municipalities. The municipality continued to strengthen its good relations with Motheo District Municipality with provision of essential services such as Environmental Health, Disaster Management, Local Economic Development and Infrastructure Development.

Lastly, it is worth mentioning that Mantsopa Local Municipality continued to adhere to the principles of good governance, institutional transformation, Economic development, sustainable infrastructure development and sound financial viability for the development of the community we serve as outlined in our IDP (Vision).

CLM Rampai
MUNICIPAL MANAGER

CHAPTER 3

INTRODUCTION AND OVERVIEW OF MANTSOPA LOCAL MUNICIPALITY

1. INTRODUCTION

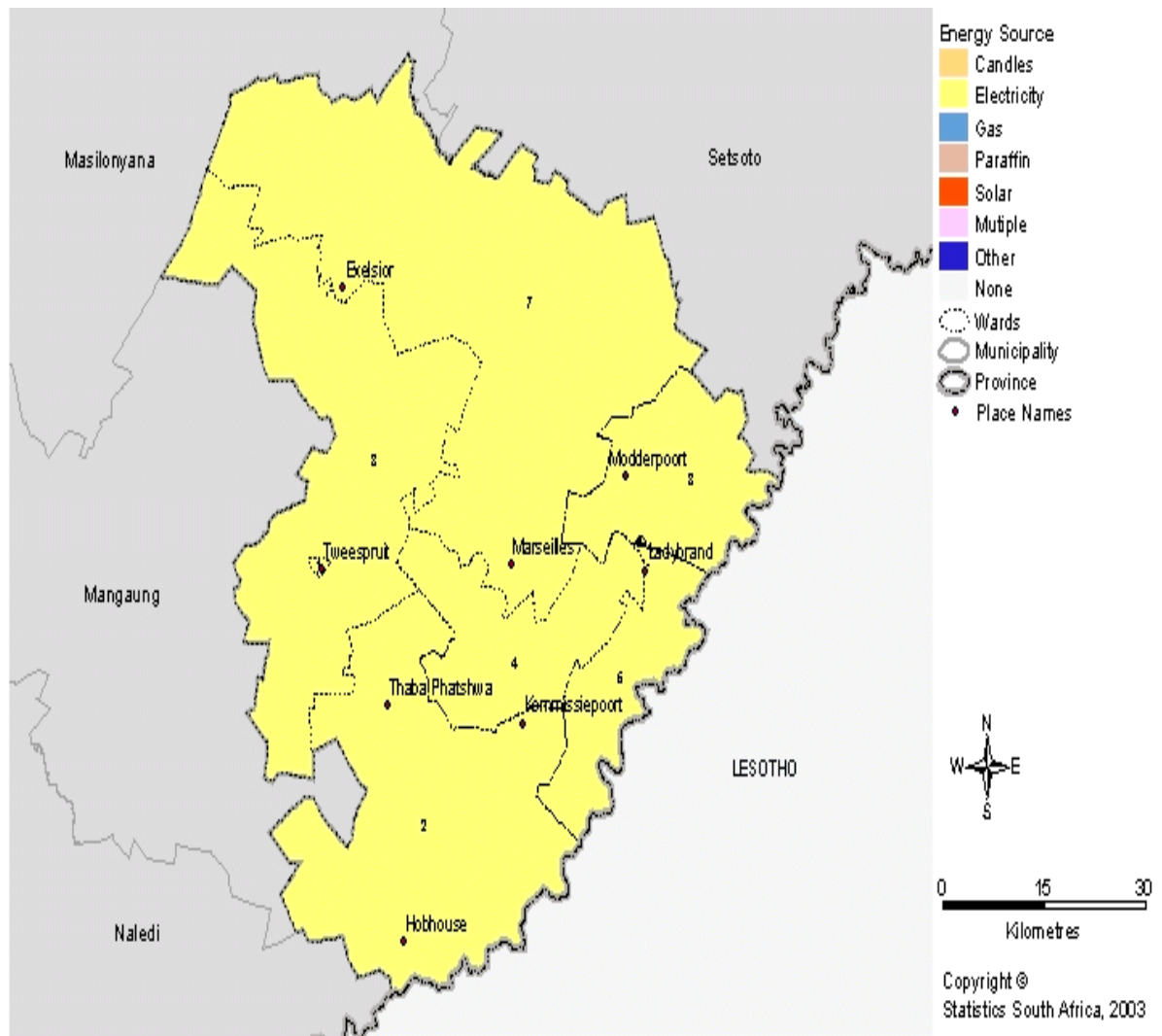
1.1. BACKGROUND

Mantsopa forms part of Eastern Free State. It borders the Kingdom of Lesotho in the east, Mangaung Local Municipality to the west, Naledi Local Municipality to the south, Masilonyana and Setsoto Local Municipalities to the north. It forms part of the Motheo District Municipality area and comprises the previous areas of jurisdiction of Tweespruit Transitional Local Council (TLC), Ladybrand TLC, Hobhouse TLC, Excelsior TLC, Thaba Patchoa TLC and Maluti Rural Council.

The municipal area is divided into 8 wards and they are constituted as follows:

Ward Number	Name of Location
<input type="checkbox"/> Ward 1	Tweespruit, Borwa, Dawiesville, Thaba Patchoa and Rural
<input type="checkbox"/> Ward 2	Hobhouse, Dipelaneng, and Rural
<input type="checkbox"/> Ward 3	Manyatseng, Mandela Park, Riverside, Masakeng, Modderpoort and Thusanong
<input type="checkbox"/> Ward 4	Ladybrand, Mauersnek, Flamingo, and Lechabile Trust
<input type="checkbox"/> Ward 5	Manyatseng, Flamingo, Los Mycherrie and Riverside
<input type="checkbox"/> Ward 6	Ward 6 Lusaka, Thabong, Homes 2000 and New Platberg
<input type="checkbox"/> Ward 7	Excelsior, Koma Village and Rural
<input type="checkbox"/> Ward 8	Mahlatswetsa and Rural

In all these areas Ladybrand is the most densely populated and economically active town. The following map provides a clear reflection on the geographic location of different towns of Mantsopa municipal area.



(Statistic South Africa 2001)

1.2. MANTSOPA MUNICIPAL AREA

1.2.1 Composition, Boundaries and Size

COMPONENT	SIZE (HA)
Ladybrand	4,682
Excelsior	1,298
Tweespruit	1,534
Hobhouse	2,089
Thaba Patchoa	3,864
TOTAL	11 933.24

Source: Mantsopa Municipality, 2006

TABLE 1.2: POPULATION PROFILES 2006-2010

Town	2005	2006	2007	2008	2009	2010
Tweespruit	1,553	1,580	1,607	1,635	1,664	1,693
Dawiesville						
Borwa	4,836	4,918	5,001	5,086	5,172	5,260
Total	6,389	6,498	6,609	6,722	6,836	6,953
Ladybrand	5,435	5,527	5,621	5,716	5,812	5,911
Manyatseng	22,199	22,576	22,959	23,349	23,746	24,149
Mauersnek						
Total	27,634	28,103	28,580	29,065	29,558	30,060
Excelsior	540	549	558	567	577	587
Mahlatswetsa	5,825	6,473	6,025	6,127	6,231	6,337
Total	6,365	6,473	6,583	6,695	6,808	6,924
Hobhouse	615	625	635	645	656	667
Dipelaneng	5,335	5,425	5,517	5,610	5,704	5,800
Total	5,950	6,050	6,152	6,255	6,360	6,467
Thaba Phatchoa	741	753	765	778	790	803
Total Urban	47,079	47,877	48,689	49,514	50,353	51,207
Total Rural	21,782	22,132	22,487	22,848	23,215	23,588
Total	68,861	70,009	71,176	72,362	73,658	74,795

(Statistic South Africa 2001) & Bopa Lesedi 2006

LANGUAGE & POPULATION

			African	Coloured	Indian/Asian	White
FS173: Mantsopa	Male	Afrikaans	158	900	6	1494
		English	74	37	65	378
		IsiNdebele	44	0	0	0
		IsiXhosa	371	0	0	0
		IsiZulu	61	0	0	0
		Sepedi	25	0	0	0
		Sesotho	21804	292	3	10
		Setswana	197	0	0	0
		SiSwati	86	0	0	0
		Tshivenda	0	0	0	0
		Xitsonga	26	3	0	0
		Other	17	0	35	24
	Female	Afrikaans	163	898	0	1479
		English	80	42	71	344
		IsiNdebele	52	0	0	0
		IsiXhosa	357	4	0	0
		IsiZulu	64	0	0	0
		Sepedi	25	0	0	0
		Sesotho	24900	291	0	10
		Setswana	230	3	0	3
		SiSwati	99	0	0	0
		Tshivenda	0	0	0	0
		Xitsonga	25	0	0	3
		Other	19	3	48	16

EMPLOYMENT STATUS

			African	Coloured	Indian/ Asian	White
FS173: Mantsopa	Male	Employed	6 233	279	57	904
		Unemployed	2 671	206	0	55
		Not economically active	5 159	302	18	298
	Female	Employed	4 475	191	38	711
		Unemployed	3 967	159	0	39
		Not economically active	7 703	431	42	533

EMPLOYMENT PROFILE PER WARD

	W1	W2	W3	W4	W5	W6	W7	W8
Employed (2001)	618	1 437	1 698	2 019	1 971	900	2 301	1 947
Employed (1996)	650	1 289	1 634	2 095	1 972	988	2 154	1 818
Unemployed (2001)	882	789	1 203	462	1 503	1 200	381	999
Unemployed (1996)	1 002	456	525	345	779	600	279	1 082

Source: Census, 2001.

DERIVED SOURCES OF WATER

		African	Coloured	Indian or Asian	White
FS173: Mantsopa	Piped water inside dwelling	1 318	290	46	1 004
	Piped water inside yard	7 068	288	10	144
	Piped water on community stand: distance less than 200m from dwelling	1 839	23	3	9
	Piped water on community stand: distance greater than 200m from dwelling	1 135	12	0	25
	Borehole	139	3	0	5
	Spring	14	0	0	0
	Rain-water tank	47	3	0	0
	Dam/pool/stagnant water	92	0	0	0
	River/stream	49	0	0	0
	Water vendor	7	0	0	0
	Other	194	3	0	4

SERVICES PROVIDED BY MANTSOPA LOCAL MUNICIPALITY

Mantsopa Local Municipality provides a range of services to the broader community of Mantsopa municipal area of jurisdiction with focus on its core competency. Other service agencies are therefore responsible for service delivery outside the functionary competency of the local municipality. On services outside its functionary competency, Mantsopa Local Municipality sign a service level agreement with the service provider with a clear conscious that services are provided to its constituent

Town	Service	Supplier
Ladybrand	Water and Storm water	Municipality
	Sanitation	Municipality
	Electricity	Municipality and ESKOM
	Roads	Municipality
	Health care	Provincial Government
	Safety and Security	South African Police Services
	Environmental Conservation	Provincial Government
	Labour issues	Department of Labour
	Housing	Provincial Government
	Agriculture	Provincial Government
	Welfare	Provincial Government
Tweespruit	Water and Storm water	Municipality
	Sanitation	Municipality
	Electricity	Municipality and Eskom
	Roads	Municipality
	Health care	Provincial Government
	Safety and Security	Provincial Government
	Environmental Conservation	Provincial Government
	Agriculture	Provincial Government
	Welfare	Provincial Government
Excelsior	Water and Storm water	Municipality and Bloem Water
	Sanitation	Municipality
	Electricity	Municipality and Eskom
	Roads	Municipality
	Health care	Provincial Government
	Safety and Security	South African Police Services
	Environmental Conservation	Provincial Government
	Agriculture	Provincial Government
	Welfare	Provincial Government
Hobhouse	Water and Storm water	Municipality
	Sanitation	Municipality
	Electricity	Municipality and Eskom
	Roads	Municipality
	Health Care	Provincial Government
	Safety and Security	South African Police Services
	Environmental Conservation	Provincial Government
	Agriculture	Provincial Government
	Welfare	Provincial Government

Thaba Patchoa	Water and Storm water	Municipality
	Electricity	Municipality and Eskom
	Sanitation	Municipality
	Roads	Municipality
	Health Care	Provincial Government
	Safety and Security	South African Police Service
	Environmental Conservation	Provincial Government

OVERALL TRENDS

TABLE1.3: HOUSEHOLD DISTRIBUTION IN MANTSOPA

Town	Average Growth rate	Households Average (4.1)	2006	Population 2006	Households
Tweespruit	1.7%	4.1		1,553	379
Dawiesville					
Borwa	1.7%	4.1		4,836	1,179
Total				6,388	1,558
Ladybrand	1.7%	4.1		5,435	1,326
Manyatseng	1.7%	4.1		22,199	5,414
Mauersnek	1.7%	4.1			
Total				27,635	6,740
Excelsior	1.7%	4.1		540	132
Mahlatswetsa	1.7%	4.1		5,825	1,421
Total				6,364	1,552
Hobhouse	1.7%	4.1		615	150
Dipelaneng	1.7%	4.1		5335	1,301
Total				5,949	1,451
Thaba Patchoa	1.7%	4.1		741	181
Total Urban				47,076	11,482
Total rural	1.7%			21,782	5,313
Total				68,858	16,795

(Statistic South Africa 2001) & Bopa Lesedi2006)

TABLE 1.4: RESIDENTIAL ERVEN

Residential Area	Backyard Dwellers	Housing Backlog	Housing Need (Approximately)	Erf & Land Requirements
Ladybrand	352	1343	1500	2000
Excelsior	140	440	500	700
Tweespruit	198	680	700	850
Hobhouse	174	624	700	850
Thaba Patchoa	0	0	100	100
Total	864	3087	3500	4500

2.1. SPATIAL ANALYSIS

2.1.1. LADYBRAND

The town Ladybrand is located along the R26 between Ficksburg and Hobhouse. The N8 also forms a prominent route through the area to connect Bloemfontein and Maseru (Lesotho).

Ladybrand municipal area measures approximately 4,682 hectares (urban) and comprise Ladybrand, Manyatseng and Mauersnek. Ladybrand is a service centre to the agriculture activities, predominately found in the surrounding rural area and for Lesotho.

It can be seen from the growth experience in recent years that Ladybrand town is one the most progressive of all towns in the Eastern Free State and the largest of the towns in the Mantsopa Local Municipal area. Its locality along the Maluti Tourism Route makes it accessible to tourists along the route and ideal locality for the establishment of tourism related facilities.

2.1.2. EXCELSIORE

The town Excelsior is located along the R703 between Clocolan and Brandfort. The town is also linked Thaba Nchu and Winburg via the R709, it measures approximately 1,298 hectares (urban) and comprise of Excelsior and Mahlatswetsa. The surrounding municipal area is dominated by a large percentage of commercial farmers and other land is used for communal grazing purpose. Its traditional function as a service center for surrounding farmers (related commercial activities) have been replaced in recent years as a haven for farm workers that have been retrenched as a result of declining economy in the area.

More pressure is placed on the municipality and private sector to establish labour intensive work opportunities in the area to address the negative impact of a declining economy in the area

2.1.3. TWEESPRUIT

The town Tweespruit is located along the N8 between Bloemfontein and Ladybrand. A direct linkage between Tweespruit and Excelsior exist (R709)

Tweespruit municipal area measures approximately 1,534 hectares (urban) and comprise of Tweespruit, Borwa and Dawiesville.

The surrounding rural area is the highest sunflower production region in the Free State and response; a large Silo complex has been developed in the town.

The area is predominantly agriculture and the town serves as a centre for surrounding farmers as indicated by its well established land uses, such as the railway station with its capacity for mass transport of agricultural produce, agricultural co-operation, etc

2.1.4. HOBHOUSE

The town Hobhouse is located along the R26 between Wepener and Ladybrand. The town is also accessible from Tweespruit by means of a tarred road R709. Hobhouse municipal area measures approximately 2,089 hectares (urban) and comprise of Hobhouse and Dipelaneng. Hobhouse serves as a service center in support of the predominant agricultural activity in the surrounding area.

2.1.5. THABA PATCHOA

The town Thaba Patchoa is located approximately 18 km from Tweespruit in a southeastern direction. It is accessible from the major access route in the region namely R709.

Thaba Patchoa municipal area measures approximately 3,864 hectares and is located between the Leeu River Dam to the east and the Thaba Patchoa Mountain to the west, giving it a magnificent scenic beauty for potential tourists to enjoy. It is however far removed from the nearest main road, approximately 5km from the R709 to Hobhouse.

Agricultural activities are the main focus of this community and include livestock and dry land cultivation of crops such as maize, sunflower and lucern. Despite the Beef feedlot project, which has the potential of making the town to be economically sustainable, the town lacks any form of economic infrastructure and social amenities are poorly developed

DEVELOPMENT PRIORITIES

- ☐ Basic Services (Water & Sanitation, Electricity, Roads and Storm water, Housing, Electricity, Clean and Healthy Environment)
- ☐ Local Economic Development
- ☐ HIV/AIDS
- ☐ Sports, Arts and Culture
- ☐ Health and Social Development

CHAPTER 4

GOVERNANCE

COUNCIL



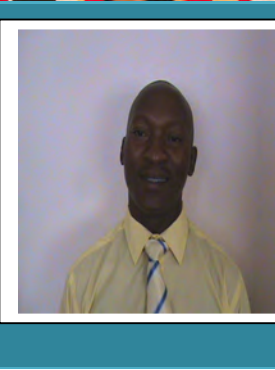
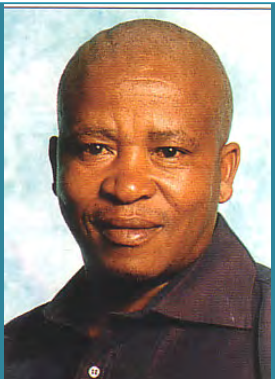
Municipal elections were held in March 2006 to elect councillors for the next five (5) year term of office. Councillors were elected as follows:

WARD COUNCILLORS

FROM 14 MARCH 2006

<input type="checkbox"/> Ward 1 – Tweespruit <input type="checkbox"/> Councillor: Chomane No Borwa Tweespruit 9770	
<input type="checkbox"/> Ward 2 - Hobhouse <input type="checkbox"/> Councillor: K Nakalebe Dipelaneng Hobhouse 9740	

WARD COUNCILLORS CONT'

<p>❑ Ward 3 - Ladybrand</p> <p>❑ Councillor: M A Malakane M 1019 Thusanong Ladybrand 9745</p>			
<p>❑ Ward 4 - Ladybrand</p> <p>❑ Councillor: P van Vollenhoven 21 Jakaranda Street Mauersnek Ladybrand 9745</p>			
<p>❑ Ward 5 - Ladybrand</p> <p>❑ Councilor: P Raboko Manyatseng Ladybrand 9745</p>			
<p>❑ Ward 6 - Ladybrand</p> <p>❑ Councilor: M E Ncwada 3042 Lusaka Ladybrand 9745</p>			

WARD COUNCILLORS CONT'

<ul style="list-style-type: none">□ Ward 7 - Excelsior□ Councilor: L P Moletsane 1174 Mahlatswetsa Excelsior M 9760	
<ul style="list-style-type: none">□ Ward 8 - Excelsior□ Councilor: Modukanele Mahlatswetsa Excelsior 9760	

PR COUNCILLORS

FROM 14 MARCH 2006

□ ANC PR Councilor: SD Ntsepe
Ladybrand
9745



□ ANC PR Councilor: M A Majara
1905 Manyatseng
Ladybrand
9745



□ ANC PR Councilor: K Tsoene
Ladybrand
9745



PR COUNCILLORS CONT'

ANC PR Councillor: S. Tlali
Boroa
Tweespruit



ANC PR Councillor: Motaung
Mahlatswetsa
Excelsior
9760



PR COUNCILLORS CONT'

□ DA PR Councillor: H P Olivier
1A Joubert Street
Ladybrand
9745



ACDP PR Councillor: N Ditabe
448 Freedom St
Mahlatswetsa
Excelsior
9760



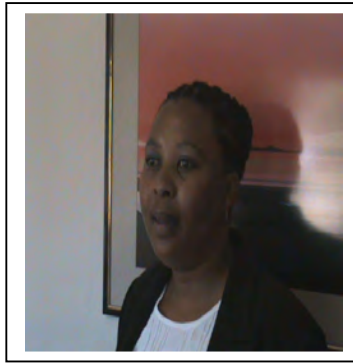
□ ACDP PR Councilor: J E van der
Westhuizen
10 Erasmus Street
Ladybrand
9745



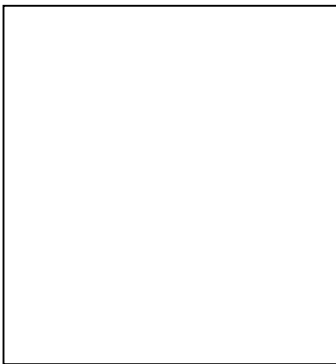
STRUCTURES OF COUNCIL

COMMITTEE	MEMBERS
EXECUTIVE COMMITTEE 1. Executive Services 2. Policy & Strategy	Clr S D Ntsepe (Mayor – Chairperson) Clr K Tsoene Clr H P Olivier (DA)
SOCIAL DEVELOPMENT COMMITTEE 1. Human Settlement (Infrastructure Services, Housing, Sites, Land & Community Services) 2. Planning 3. Rural Development	Clr K Tsoene (Chairperson) Clr M E Ncwada Clr J E van der Westhuizen (ACDP)
GOVERNANCE & ADMINISTRATION COMMITTEE 1. IDP 2. Finance 3. Human Resource	Clr L P Moletsane (Chairperson) Clr P Motaung Cle J E van der Westhuizen (ACDP)
ECONOMIC, EMPLOYMENT & INVESTMENT COMMITTEE 1. Local Economic Development 2. Tourism 3. Agriculture 4. Transport 5. Environment	Clr M E Ncwada (Chairperson) Clr S E Tlali Clr J E van der Westhuizen (ACDP)
JUSTICE, CRIME PREVENTION & SECURITY COMMITTEE 1. Safety & Security incorporating Community Policing Forum, 2. Disaster management and Cross-Border crimes	Clr M A Malakane (Chairperson) Clr B Chomane Cle T Litabe (APC)
WELFARE COMMITTEE 1. Health & Social Services	Clr P van Vollenhoven (Chairperson) Clr P Motaung Clr H P Olivier (DA)
HUMAN DEVELOPMENT COMMITTEE 1. Youth, Gender & Education	Clr P Raboko (Chairperson) Clr S E Tlali Clr T Litabe (APC)
SPORTSCOMMITTEE 1. Sports, Arts & Culture	Clr M P Nakalebe (Chairperson) Clr S Molukanele Clr H P Olivier (DA)
AUDIT COMMITTEE	Mr T L Scholtz (Chairperson) Mr M R Thibinyane Mr M Mphi

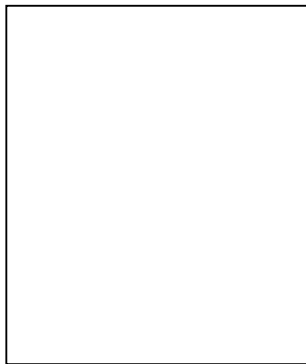
SENIOR MANAGEMENT TEAM



Municipal Manager



JA Greef
Manager: Corporate Services



DJ Spanneberg
Manager: Financial Services



MF Tlali
Manager: Technical Services

SECTION 57 MANAGERS

NAME	POSITION	Signed performance agreements	
		YES within legislative requirement	NOT within legislative requirement
CLM Rampai	Municipal Manager	Yes	
JA Greef	Corporate Services Manager	Yes	
DJ Spanneberg	Chief Financial Officer	Yes	
MF Tlali	Technical Manager	Yes	

Audit Committee and Internal Audit Committee

The audit committee details are in Chapter 8: report of the audit committee.

Internal Audit Checklist	Yes/No	Date
Is an Internal Audit Division in place?	Yes	Has been established long time ago
Has the internal audit function been outsourced?	No	N/A
Has a risk based audit plan for the year been drafted and approved?	No	N/A
Has an internal audit programme been drafted and approved?	Yes	Ongoing project based
Have the following reports been submitted to the audit committee?	Yes	These are supplied quarterly to the audit committee
- Implementation of the audit programme	Yes	
- Matters relating to internal audit	Yes	
- Internal controls	Yes	
- Accounting procedure and practices	Yes	
- Risk and risk management	Yes	
- Performance management	Yes	
- Loss control	Yes	
- Compliance with the MFMA	Yes	
- Compliance with the annual division of revenue act	Yes	

Auditor-General Reports

Auditor General Checklist	Yes/No	Date
Have the financial statements been submitted to the auditor general?	Yes	Consolidated on the 31 August 2009
Has the annual report submitted to the auditor general?	Yes	Draft: 19 November 2009 Final: 07 June 2010
Has the auditor general submitted their report on the findings of the annual report?	Yes	25 February 2010
Indicate the outcome of the auditor general report on the financial statements?	Disclaimer	

By Laws and Policies

Type	Name	Date
By laws	There were no bylaws set in place in 2008/2009	
Policies	Credit control policy	31 March 2009
	Indigent policy	31 March 2009
	Debt collection policy	31 March 2009
	Tariff policy	31 March 2009

Communication

The following are in place	<Yes/No>
Communication division	No
Communication Strategy	No
Communication policy	No
Communication satisfaction surveys	No
Functional complaint management strategy	No

Information Technology and Systems

Indicate whether the following are in place	<Yes/No>	Percentage with administrative staff with access	Percentage of Councillors with access
Municipal Information Masters Systems	Yes	100%	0%
Municipal website functional and updated	No	0%	0%
Access to the internet	Yes	100%	0%
Automated performance managements system	No	0%	0%
Provision of municipal services via electronic communication	No	0%	0%

Websites

Documents published on the municipality's website	<Yes/No>
Annual and adjustment budgets and all budget related documents	No
All budget related policies	No
Annual Report	No
All performance agreements required in terms of section 57 (b) of the municipal systems act	No
All service delivery agreements	No
All long-term borrowings contracts	No
All supply chain management contracts above a prescribed value	No
An information statement containing a list of assets over prescribed value that have been disposed of in terms of section 14(2) or (4) of the MFMA during the previous quarter	No
Contracts to which subsection (1) of the section 33 of MFMA apply, subject to subsection (3) of that section	No
Public private partnership agreements referred to in section 120 of MFMA	No
All quarterly reports tabled in council in terms of section 52 of MFMA	No

CHAPTER 5

DEPARTMENTAL STRATEGIC PERFORMANCE REPORTS

INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION

IDP and PMS

Background

The work relating to IDP and OPMS in terms of the current financial year organisational structure is driven directly from the office of the Municipal Manager. During the financial year under review training on IDP was conducted for ward committee members and CDW's.

Key Strategies

Develop and implement the IDP Review Process Plan for 2010/2011.

Review, implement, Monitor and Evaluate the Performance Management System.

Achievements

During the financial year under review the IDP process plan was developed and submitted to council for approval with clear dates of activities to be performed as part of the review process. Cluster reporting in line with phases of the IDP was used as an yardstick for community participation purposes.

As part of improving the capacity of all stakeholders and other role players training was conducted on all phases of IDP for ward committee members and all councillors in order to improve their participation during the IDP formulation process.

Two stake holder IDP representative forum were held in Ladybrand community hall to provide feedback of ward level community consultation workshop which were held in 2008 to confirm priority projects, strategy and objectives as raised by stakeholders during the ward public participation meetings.

Following the IDP representative meeting of Ladybrand community hall a draft IDP document was tabled before council for provisional approval in March 2009 and the subsequent final approval of the 2008/2009 IDP.

On performance management systems the IDP and OPMS has successfully managed to produce the following as required by appropriate legislation:

- ☐ Four quarterly performance assessment report submitted to council
- ☐ MID year budget and performance assessment report submitted to council
- ☐ Annual Performance report for the 2007/2008 in terms of section 46 of the MSA.

Challenges

The IDP and OPMS division has despite challenges pertaining to lack personnel and adequate financial resources managed to implement the process plan as approved by council. However the following are noticeable challenges the municipality was faced with under this division:

- ☐ Building of internal capacity both political and administrative for implementation of the system. i.e. the IDP process,
- ☐ Deepening of a common ward based wide developmental vision at the local level,
- ☐ Ensuring the alignment of plans at all levels, and
- ☐ Strengthening the role of political leadership.

Measure to Improve Performance

- ❑ Revision of the IDP with particular emphasis on aligning with the District IDP and consolidation of sector plans and specialised programmes.
- ❑ Accelerate the implementation of the IDP through strengthening of monitoring, reporting and evaluation.
- ❑ Improve the implementation of PMS.
- ❑ Developing an institutional plan In order to improve IDP implementation.

Internal Audit

Background

According to the internal audit practice advisors, the CAE should consider providing communication to the audit committee by issuing periodic reports to the audit committee and management summarised the results of audit activities and keep the audit committee informed of emerging trends and successful practices in internal auditing.

The purpose of internal audit is to ascertain whether the systems established provides reasonable assurance that the organisation's objectives and goals will be met efficiently and economically.

Key Strategies

Review of follow-up on auditor general's queries.
Evaluate municipal risk assessment.
Perform ad hoc audits.
Render advice to management
Issue audit queries and reports to management.
Ensure an effective audit committee.

Achievements

- ☐ The office completed all the projects mentioned in the internal audit coverage plan.
- ☐ Appointment of the internal audit intern, it contributed to the growth and enhanced the effectiveness of the effectiveness of the internal audit unit.

Challenges

- ☐ The staff in the internal audit has not undergone formal trainings for the year.
- ☐ The internal audit staff has not gone for training of the computer system (Team Mate) they are using and therefore they cannot use all commands on the system.
- ☐ Shortage of staff where the internal auditor resigned and the audit clerk went on maternity leave.
- ☐ Nevertheless, two audit trainees were appointed in the absence of the two.
- ☐ Management takes too long to respond to internal audit and Auditor Generals queries.

Measure to improve performance

- ☐ The internal audit will be provided for in the municipal skill development programme for formal trainings.
- ☐ Submission to be made to the LGSITA for updating and training on Team Mate software.
- ☐ We are in a progress of appointing the Internal auditor and budget for Chief audit executive post for adequate capacity of division.
- ☐ The two trainees are absorbed into the system of municipality as internal audit intern and Audit clerk.
- ☐ Management became corporative with internal audit and follow up audits are conducted for implementation of audit recommendations.
- ☐ We have an approved risk management policy, strategy, response plan and management charter and currently constructing risk management register.

HUMAN RESOURCE AND ORGANISATIONAL DEVELOPMENT

HUMAN RESOURCE AND ORGANISATIONAL DEVELOPMENT

Committee Services

The department supports the office of the Mayor and Speaker by ensuring that committee's seats accordingly, committee agendas and minutes prepared and distributed on time to enable councillors to prepare properly for committee meetings and to peruse documents thoroughly.

Background

The department supports the office of the Mayor and Speaker by ensuring that committee's seats accordingly, committee agendas and minutes prepared and distributed on time to enable councillors to prepare properly for committee meetings and to peruse documents thoroughly.

Key Strategies

To provide administrative support to committees and contributes to the key performance areas on the following:

- ☐ Democratic Governance
- ☐ Service Delivery
- ☐ Institutional transformation.

The divisional head is monitoring the above.

Achievements

Submission of meeting dates for standing Committees, EXCO, ANC Caucus and Council. All of these meetings were held accordingly as per the schedule during the financial year. It also involved the percentage compliance with statutory requirements.

Challenges

The division faced the following challenges:

- ☐ Postponement of Committee meetings, which resulted in late submission of items and ward minutes to the Committee Clerk due to other commitments by Committee chairpersons.
- ☐ The delivery of Council agenda and manual printing which is costing lot of paper and printing materials.

Auxiliary Services

Background

The divisional role is to provide effective administration and communication to the municipality by ensuring effective record keeping, managing the incoming calls, handling of incoming and outgoing mails, faxes, emails and distribute them to relevant officials. Provide fleet management to the municipality. Maintaining and updating of the municipality website

Key Strategies

Providing auxiliary services to both political and administrative office by ensuring:

- ☐ Improved record keeping and ensure safety thereto.
- ☐ Control and maintenance of municipal vehicles
- ☐ Monthly maintaining and updating of the municipality website
- ☐ Effective communication and handling of queries within the municipality

Achievements

The achievements achieved against the key performance areas were as follows:

- ☐ All incoming mails received were recorded, filed correctly and distributed on time
- ☐ Proper trip authority issued and servicing of vehicles to ensure that they are ready for official usage
- ☐ Pasting and updating of municipal activities in the website
- ☐ Furnish important information to the community through load hauling and respond to queries spontaneously

Challenges

Amongst other things the challenges faced by the division were as follows:

- ☐ Lack of reliable of IT system and application in record keeping and distribution of mails
- ☐ Use of orders for petrol and maintenance of municipal vehicles
- ☐ Use of wireless internet connection which is slow to respond
- ☐ Lack of IT specialist and use of district municipality resources or staff on IT related matters.

Human Resource

Background

During the 2008/2009 financial year the division human resource focused its energy towards the review of the organisational structure, systems and policies in line with the 2008/2009 reviewed IDP. During the financial year under review the division lost the service of Chief Corporate Officer who resigned on the 31 August 2008.

Key Strategies

Provide Human Resources support services to both political and administration.
Monitor and evaluate employee performance appraisal system
Employment equity and skills development plans in place and implemented.
Review of HRM strategy
Provide Human Resource Development

Achievements

HUMAN RESOURCES

For the financial year under review an amount of R42 391 588 was spent on personnel expenditure, which represents 31 % of the total net expenditure of Mantsopa Municipality.

The Council do have a Human Resource policy, which deals with the following criteria:

- ☐ Office security arrangements / responsibilities: closing of workday
- ☐ Renting of council houses / flats / town houses
- ☐ Use of council vehicles
- ☐ Personnel files to be destroyed
- ☐ Housing guarantees
- ☐ Paid work performed outside council's services
- ☐ Labour Relations Act: Code of Good Practice: Handling sexual harassment cases
- ☐ Samwu loans scheme: request for stop order facilities
- ☐ Payment of acting allowance to all employees
- ☐ Study aid grants / replacement thereof with study loans
- ☐ Delegated authority – personnel matters
- ☐ Policy on smoking in the workplace: Tobacco Products Control Act 83 of 1993
- ☐ Leave arrangements
- ☐ Study loans: extension of scope to include cost of informal research
- ☐ Adoption: Health & Safety Policy: Section 8 of Mine Health & Safety Act 29/1966
- ☐ Private cell phones used for official purposes: payment of contract fee
- ☐ Disciplinary action against personnel
- ☐ Agreement on minimum service levels
- ☐ Gratuity fund: employees that never belonged to a pension fund
- ☐ Travel claims: attendance of meetings, occasions and events in other cities and towns
- ☐ Skills Development Plan
- ☐ HIV / AIDS / youth matters / crime prevention campaign: policy
- ☐ Employment Equity Plan
- ☐ Programme for the utilization of curriculum: student and casual workers

- ❑ Code of Good Practice on the Employment of People with Disabilities (employment equity act [55/1998]: notice of changes to gazette no. 23702)
- ❑ Calculation of employee's remuneration in terms of section 35(5) Basic Conditions Of Employment Act (75/1997 gazette no. 24889)
- ❑ Performance Management Systems – resolution 3
- ❑ Medical certificates – the South African Labour guide
- ❑ Integration of the public sector – resolution 2 of the Human Resources Development Conference
- ❑ Integrated capacity building strategy – resolution 1 of the Human Resources Development Conference
- ❑ Local Government remuneration policy – SALGA
- ❑ Health And Safety – resolution 10 of the Human Resources Development Conference
- ❑ Collective Agreement: Disciplinary Code
- ❑ Appointment of personnel

EMPLOYEE PERFORMANCE APPRAISAL SYSTEM

The Employee Performance Appraisal System has been implemented.

EMPLOYMENT EQUITY PLAN

Overall, Mantsopa Municipality complies with employment equity in the workplace. EEA2 and EEA4 reports have been submitted annually on the due dates and Department of Labour has indicated their satisfaction with the reports.

SKILLS DEVELOPMENT PLAN

Mantsopa Municipality has compiled and submitted skills development plans to the LGWSETA. Progress reports on training provided have also been submitted and various claims submitted by the office to the LGWSETA, have been paid and granted. Mantsopa Municipality has appointed a Skills Development Manager and a Skills Development Facilitator.

Total Number of employees by race:

	Africans	Asians	Coloureds	Whites
Female	241	0	21	11
Male	180	0	4	5
Employee with disability	3	0	0	0
Foreign employees	0	0	0	0
Total	424	0	25	16

Staff vacancy ratio

The municipality cannot provide a vacancy ratio at present as it is the process of reviewing its organisational structure which will have the effect of reducing the total number of positions.

Managing the municipal workforce

Injuries

Name of injury	Sick leave taken	No of employees	% of total employees
Required basic medical attention	32	32	0,5%
Temporary total disablement	3	3	0,3%
Permanent disablement	2	2	0,2%
Fatal	0	0	0%
Total	37	37	1%

Sick leave

Salary band	Total days taken	% days with medical certificate	Number of employees using disability leave	% of employees using disability leave	Average days per employee
Post level 1 -3	109		0	0%	18
Post level 4 -6	120		0	0%	20
Post level 6 -9	73		0	0%	
Post level 10 - 14	39		0	0%	24
Post level 14 - 17	918		3	0,3%	24

Performance rewards by race and gender (section 57 only)

Race	Gender	Number of Beneficiaries	Total number of employees in group	% of total within the group	Cost (R'000)
African	Female	0	2	100%	R'000
African	Male	0	2	100%	R'000

Managing the workforce expenditure

Trends on total personnel expenditure over the last five years compare total operating budget

Budget Year	R – Value Personnel Expenditure	R – Value Total Operating Budget (excluding councillor's allowance)	% Personnel Expenditure
2008/2009	38 921 797	99 752 437	39.02
2008/2007	30 818 790	83 773 880	36.79
2007/2006	30 165 312	79 816 074	37.79
2006/2005	24 572 496	63 196 497	38.88
2005/2004	21 597 611	56 497 995	38.23

NEW APPOINTMENTS FOR THE PERIOD 1 JULY 2008 – 30 JUNE 2009

Pers. No.	Surname	Initials	Appointment date
0478	Ncheka	MM	1 April 2009
0481	Matyesini	TJ	1 April 2009
0480	Matjokotja	KF	1 April 2009
0479	Phirime	MI	1 April 2009
0485	Moliko	PD	24 March 2009
0487	Lekota	MD	5 May 2009
0486	Tsiu	MW	6 April 2009

TERMINATION OF SERVICE FOR THE PERIOD 1 JULY 2008 – 30 JUNE 2009

Ill Health Retirement	0
Resignation	5
Dismissal	0
Retirement	6
Deceased	10
Contracts expired	2
Early Retirement	0
Total	23

EMPLOYEES WHO LEFT THE SERVICE OF COUNCIL SINCE 01 JULY 2008 – 30 JUNE 2009

Reason	Date	New Pers no	Surname	Initials
Deceased	3 July 2009		Senakhomo	T.L
Retirement	31 August 2009		Lenka	L.S
Deceased	16 September 2009		Mantse	S.A
Retirement	30 April 2009	0105	Mantse	A
Contract Expired	30 April 2009	0008	Greeff	G.A.
Deceased	15 June 2009	0139	Nkhaboli	F.T
Resigned	31 October 2009		Moeti	MTS
Resigned	19 December 2009		Mokhoane	ML
Deceased	02 September 2009		Moladira	MS
Retirement	7 August 2009		Nthlathane	MA
Deceased	22 February 2009		Mathafeng	MS
Resigned	31 August 2008		Greeff	HJM
Deceased	30 January 2009		Ramorokane	TE
Deceased	29 October 2009		Chaba	TD
Deceased	31 December 2009		Gouws	I
Contract Expired	30 April 2009	0023	Spangenberg	DJ
Retirement	31 May 2009	0069	Mofolo	A
Resignation	31 May 2009	0402	Tshabalala	TA
Retirement	30 March 2009	0100	Thakatha	TB
Resignation	30 March 2009	0403	Coetser	MJ
Deceased	22 February 2009	0063	Mathafeng	MS
Deceased	30 January 2009	0009	Ramorakane	TE

Disclosure Concerning Councillors and Section 57 Managers

Period 1 July 2008 to 30 June 2009

Description	Mayor	Speaker	Councillors
	R'000	R'000	R'000
Annual Remuneration	301 723.48	254 148.17	1 295 426.08
Car allowance	121 420.00	97 136.00	537 282.00
Contribution to UIF, Medical Aid and Pension Funds	62 538.58	42 261.83	316 425.92
Total	485 682.06	393 546.00	2 149 134.00

Description	Municipal Manager R'000	Chief Financial Officer R'000	Manager Corporate Services R'000	Manager Technical Services
Annual Remuneration	356 380.00	217 609.00	209 896.00	316 597.00
Car allowance	120 000.00	185 301.00	108 040.00	244 270.00
Performance Bonus	252 667. 00	135 428.00	165 373.00	94 458.00
Contribution to UIF, Medical Aid and Pension Funds	94 549.00	65 498.00	63 579.00	80 360.00
Total	823 596.00	603 836.00	546 888.00	735 685.00

Challenges

Despite the above achievements, the division recorded the following challenges during the financial year under review:

- ☐ High vacancy rate by various department more especially in the Technical Department;
- ☐ Review of the Human Resource strategy and other relevant policies and development of new by-laws;
- ☐ Employees who take leave before/without prior approval by the relevant Manager;
- ☐ Misuse of over time and
- ☐ High level of resignation particularly at middle management level.

Measures to improve performance

- ☐ Ensure that all vacant section 57 managers post are filled on time in the event of any vacancy.
- ☐ Provide necessary training to all ward committees of Mantsopa on their roles and responsibility, IDP and Budgeting and Performance Management Systems.
- ☐ Ensure adherence to code of conduct by all councillors
- ☐ Improve the proper functioning of ward committees and harness the working relations with Community Development Workers.

COMMUNITY SERVICES

Traffic

Background

Key Strategies

- ☐ Law enforcement on road users.
- ☐ Establishment of Transport Forum.
- ☐ Safety Programmes.
- ☐ Maintenance of accident free streets/roads.

Achievements

During the financial year under review the division Traffic registered the following as achievements for the division against summons issued and road users who does not comply with traffic regulations:

- ☐ Road marks – 1054
- ☐ Stop signs – 146
- ☐ Speeding – 154
- ☐ Licences – 1233
- ☐ Defects/other – 540

During the financial year under review two awareness campaigns were conducted during the month of November and December 2008, the main objective of the campaign was to raise awareness to the communities on safety programmes more especially during the festive season.

In order to work towards for a free accident environment in our roads and streets the traffic division ensured that speed traps/spot-checks are conducted on a contours basis, 34 speed traps/spot-checks were done during the financial year under review.

Challenges

The following were challenges that the division traffic were confronted with during the 2008/2009 financial year:

- ☐ Engagement of traffic wardens;
- ☐ Concentration on other forms of offences in town;
- ☐ Failure to establish a transport forum due to unwillingness by the Taxi Associations.

Library

Background

The division serves all towns in Mantsopa, the service is also rendered in rural and former disadvantaged areas as well as the disabled, households and street kids.

Key Strategies

The services are a complete information service, which includes book lending, assistance with research for school and school children, home work supervision, books loans, Internet and a Tape aid services for the blind. Business corners, literacy corners, literacy corners and government information services are also available at some of the libraries.

Achievements

The District Library Services equipped libraries with the following:

Photocopy machines

- ☐ Thaba Patchoa – 1
- ☐ Tweespruit – 1
- ☐ Hobhouse – 1
- ☐ Manyatseng – 1
- ☐ Ladybrand – 1
- ☐ Excelsior – 1
- ☐ Mahlatswetsa – 1

Prolib systems are installed at the libraries where books are issued and returned on the computer system.

Thaba Patchoa Library won a prize in the Brag Book competition that was held during Literacy Day and Mahlatswetsa Library also won a prize in the Art and Craft division.

Challenges

The following are challenges facing the libraries:

- ☐ Members do not return on or before;
- ☐ Members did not return books to the library and problems are experienced with Lesotho residents;
- ☐ Books are damaged by children; and
- ☐ Visitors steal books and damaged library equipment.

Measures to improve Performance

- ☐ Regular visits to rural areas
- ☐ Installation of IT system at libraries
- ☐ Enforcement of penalties on lost books

Housing

Background

Key Strategies

- ☐ Updating and verification of waiting lists – houses.
- ☐ Identification of land
- ☐ Identification of beneficiaries
- ☐ Formalisation of residential land.
- ☐ Allocation of erven
- ☐ Capacity building of officials in the monitoring, evaluation and impact assessment.
- ☐ Consumer education.
- ☐ Increasing the number of housing officials.
- ☐ Provision of good quality housing to beneficiaries.
- ☐ Ensuring land tenure to qualifying beneficiaries

Achievements

The division housing has for the financial year under review managed to achieve the following:

- ☐ Updating and verification of waiting list for housing and ervens in all towns of Mantsopa Local Municipality *viz*: Ladybrand, Excelsior, Tweespruit, Hobhouse and Thaba Patchoa.
- ☐ Land was identified for establishment of new residential areas as follows:
 - o 306 ervens – Manyatseng
 - o 420 ervens – Mahlatswetsa
 - o 218 ervens – Dipelaneng
- ☐ Identification of RDP housing beneficiaries per town:
 - o Manyatseng – 300
 - o Mahlatswetsa – 79
 - o Dipelaneng – 100
 - o Boroa – 100
- ☐ Formalisation of residential sites land for development, 218 ervens were formalised in Hobhouse/Dipelaneng.
- ☐ 68 ervens were allocated in Ladybrand.
- ☐ Consumer education to first time homeowners was conducted.

Challenges

- ☐ Inadequate funding by the provincial department for surveying of ervens.
- ☐ High demand by the community for new sites.
- ☐ High demand for low cost housing (RDP Houses).
- ☐ Low allocation by the provincial department for housing subsidies.

Disaster Management and Fire Fighting

Background

Key Strategies

- ☐ Ensure involvement of stakeholders in risk reduction
- ☐ Assistance at road accident scenes
- ☐ Assistance to disaster-stricken families
- ☐ Capacity building for communities
- ☐ Ensure safe living environment

Achievements

In order to ensure that all stakeholders were involved in risk reduction, four quarterly advisory forum meetings were held during the year under review. Additional to these meetings 10 JOCOC meetings were also held during the financial year.

The division disaster management its key strategic objective is to provide assistance at all road accident scenes. During the 2008/2009 financial year 122 accidents occurred on the provincial road within the Mantsopa area of jurisdiction which all attended to by the personnel from the division disaster management.

During 2008/2009 five training courses were conducted in order to improve the capacity of disaster management personnel, the training needs were identified by the recipient.

One awareness campaign was conducted in the community of Excelsior the primary objective being to promote safe living environment.

The management of the municipality has during the financial year under review managed to review the disaster management plan that is part of the municipality IDP.

Challenges

The following are challenges, which hamper the division from achieving its desired objectives:

- ☐ Shortage of qualified personnel with specialisation on medical rescue and equipment;
- ☐ Lack of sufficient budget to full fill the mandate;
- ☐ Lack of capacity to conduct inspection and flammable depots; and
- ☐ Unavailability of disaster management centre as required by the Disaster Management Act.

Measures to Improve Performance

- ☐ Training of volunteers on advanced fire fighting
- ☐ Conducting pre-emptive fire work
- ☐ Establishment of advisory forum, involvement of communities
- ☐ Regular awareness campaigns to communities

Environmental Health

Background

Key Strategies

- ☐ Awareness campaigns.
- ☐ Ensure clean and safe water supply.
- ☐ Ensure proper sanitation.
- ☐ Ensure food safety.
- ☐ Ensure Vector Control (Extend of curbing Illegal
- ☐ Dumping and filthiness in priority areas)

Achievements

The following activities were successfully implemented buy the Environmental Health Practitioners during the financial year under review:

Food Safety

- ☐ 924 shops with the Mantsopa areas of jurisdiction were visited for food safety inspections.

Awareness Campaigns

- ☐ Two awareness campaigns were conducted during the financial year under review:
 - o Health and Hygiene.
 - o Cleaning and Greening Campaigns.
 - o A total of 15 awareness campaigns were conducted that is three per town multiply by five.

Ensure Vector Control

- ☐ Two workshops on vector control were conducted.

Complains

- ☐ Ten complains were received from the community.

Challenges

The following are challenges which the Environmental Health Division were faced with during the financial year under review:

- ☐ Lack of resources e.g. Vehicles, Office Space, Furniture and Computers.
- ☐ Lack of cooperation by shop owners.
- ☐ Vast area to be covered.

Measures to improve Performance

- ☐ Appointment of Environmental Health Practitioners
- ☐ Regular visit to food handling premises
- ☐ Intensified awareness campaign, communicable diseases

ECONOMIC DEVELOPMENT

Background

Still outstanding

Key Strategies

- ☐ To promote job retention and creation of sustainable jobs
- ☐ Focused investment in the agricultural sector
- ☐ Promote Tourism

Achievements

Excelsior

ENVIRO-THORN CHARCOAL PROJECT

The project has been successful and is still producing charcoal. During winters the projects sells wood to the local community of Mahlatswetsa/Excelsior. Charcoal project has five female beneficiaries and one male beneficiary. The project has managed to employ three young male to assist with daily operations.

LESEDI WOODWORK

In 2008 Motheo District Municipality funded the project and from the time of initial funding to date the project has been progressing well and the project beneficiaries has been able to purchase equipment and material needed for daily operations of the project.

The project has six females and four males as project beneficiaries. The Department of Human Settlement in the Province has visited the project and will help with negotiations with housing contractors to purchase doorframes from Lesedi woodwork project.

LEKHALONG LA MANTSOPA

The LED division submitted applications to develop the café and well at Modderpoort (Lekhalong la Mantsopa). The application for funding was approved and amount of 3million has been allocated to upgrade this important Tourist destination of Mantsopa Local Municipality.

The contractor is already on site and sit meetings are held monthly, the Chief Development Officer on those meetings represents Mantsopa Local Municipality.

SEDA OFFICES

The division has managed to request SEDA to have an office in Ladybrand; the reason being that the division was of the view that having SEDA on board will help the community of Mantsopa especially with business plans development and other relevant skills that are needed in life cycle of the project. The intention was also to bring services closer to the people.

CASUAL WORKERS

The Mantsopa Local Municipality has during the financial year under review contributed to the creation of 163 temporary jobs between the months of March 2009 to May 2009 with the assistance of the Technical Department.

Challenges

The following are challenges that our LED projects are faced with:

- ❑ Lack of marketing strategy to market the product produced by our LED projects;
- ❑ Need for training especially marketing skills and financial management; and
- ❑ Funding by sector department and Motheo District Municipality is one of the critical challenges we are faced with as the LED division.

Measures to improve Performance

- ❑ Finalise the Mantsopa Local Economic Development Strategy and hosting of the Mantsopa LED summit.
- ❑ Build the capacity of SMMEs through partnership and usage of SEDA offices in Ladybrand.
- ❑ Improve the capacity in various LED initiatives through, among other things the continuation of capacity building in Mantsopa Local Municipality.
- ❑ Promote Tourism in Mantsopa Local Municipality with partnership with the District Municipality.

SERVICE DELIVERY

The Department Technical Services

The basic services delivered to the five (5) town areas of the municipality through the department technical services are water, sanitation, roads and storm water and electricity. The department is further entrusted with the responsibilities of municipal properties and community facilities, mechanical workshop, parks and cemeteries, project management and solid waste management.

The department Technical Services had a total of 175 staff members/employees and had to employ additional people on contract basis to help address the service delivery backlogs. The department-conducted-analysis-of-the-staff-establishment indicated acute shortage in respect of capacity on both skills and number of persons appointed.

This shortage was established on the basis of among others the excessive overtimes that had to be worked, person days that had to be and/or would have been lost as a result of absenteeism, ill health & light duty or leave, the number of contract workers that had to be appointed and the respective durations thereof and last but not least the increased number of households and/or population growth and businesses that had to be serviced coupled with the inadequate number of other resources and equipment.

Skills & Competency levels realities/Issues

The department had one (1) potentially competent person at tactical level (viz. post levels 1 and 2) until May 2009 when the post was vacated by the incumbent for greener/better pastures. The post remained vacant until at the end of the financial year under consideration. Other critical posts to the department that were left vacant during the financial year were the superintendent water that was vacated by an incumbent with a diploma in analytical chemistry-a resource for water and waste water quality monitoring, technical officer with high tension electricity competencies and a technical officer with experience in water business in one town area of the municipality last but not least a potential replacement and/or successor in the town planning and development division of a suitably qualified incumbent. The posts of the two other electricians (viz. one Tweespruit & another CTO at Ladybrand) were also vacant for the rest of the year under consideration. The services of heavy equipment operators (viz. grader operators) could also not be addressed.

Notwithstanding human element factors in respect of excessive overtime, leave and absenteeism the department further unearthed the overall challenge regarding parity. This was a situation / scenario where the same post designations are pitched at different salary levels e.g. supervisor at Hobhouse at post level 12 and at Ladybrand at post levels that ranged from 11 to 8, a foreman at Excelsior at post level 8 and at Ladybrand at post level 5. The workload did not seem to be a factor in the determination of the post levels but the number of households and yet the supervisors and foremen at smaller town areas supervised all service delivery related work and at bigger towns (i.e. Ladybrand) only a specific service was supervised.

Skills Development

The department identified skills and persons to be trained in the respective programmes in order to address the gaps identified in areas of plumbing, electricity, water & wastewater quality management/control, roads construction and maintenance as well as project management. The challenge experienced in many instances had been the procurement of the service providers who could provide the service in-house. This was as a result of the trade off between provision of services and the attendance of the training sessions.

Resources & Equipment

The population growth rates in especially areas like Ladybrand coupled with the historical deterioration and degradation of infrastructure and requisite resources further put the department under pressure. The solid waste division was under pressure also from the illegal dumping in particular as well as lack of staff and resources (human and non human e.g. bulldozer) for the management of solid waste disposal sites. The electricity division with only (1) electrician from a total of four (4) that was available in prior years and roads and storm water with a plant comprising 3 graders, one compactor roller, one tractor-pulled- water tanker, no good quality gravel, no excavator and 3 tipper trucks to service the five (5) town areas.

AG Queries

Overtime

The office of the auditor general understandably queried the municipality about the excessive overtime worked. These were predominantly from the department technical services. The overtime was as a result of the factors mentioned above.

Notwithstanding the attempts made to scale the overtime worked down, the service delivery backlogs that accumulated on the basis of the factors mentioned above (i.e. degradation of infrastructure, population growth, shortage of resources & inadequate and ageing equipment) made it impossible for the control measures put in place to curb it.

MIG Expenditure

The audit finding was based on inadequate information that the office of the Auditor General obtained on further engagement therewith. The scope of work was also not clearly understood by the office and was addressed accordingly viz. that the allocation addressed the revised scope of work and the first phase thereof and not the entire objective of eradication of buckets.

Water

Background

Mantsopa Local Municipality is both a Water Services Authority and a Water Services Provider. The latter function is also rendered in part by Bloemwater, which provides about 25% of the portable water to Excelsior.

The municipality's Water Services Development Plan prioritizes capacity development in respect of operations and maintenance, water conservation and demand management, health & hygiene, treatment works operations as well as planning.

All households in the town areas of the municipality (*i.e. estimated at 11550*) have access to portable water on site. This according to the municipality's water services development plan represents a high level of service (*i.e. above basic level*)

Key Strategies

Household water supply

This strategy encompasses all activities, projects and programmes that are geared towards the efficient and effective delivery of portable water and free basic water to communities within the municipality's jurisdiction.

For the year under consideration, performance progress reports in respect of the relevant aspects were provided and the highlights are provided here under the achievements and challenges.

Unaccounted for water

The strategy is informed by the urgent need to conserve and preserve this scarce resource. For the municipality to be able to achieve this, the extent of the need must be determined. It is for this reason that an attempts geared towards water conservation and water demand were prioritized and initiated / piloted.

Achievements

The following key / high level achievements are recorded for the year under review per strategy for each of the above mentioned strategies:

Household water supply:

The 3.5 ML reservoir at Ladybrand was completed. This was phase three (3) of a 3-phased-multi-year project described as Lusaka Reservoir and Pipeline in some of our reports. This phase was completed in April 2009. It must be mentioned that the second phase (2nd) was also completed at the end of July 2007 i.e. the first month of the financial year that is now under consideration.

3.5 ML Reservoir



Access road to the Reservoir



Another project that was also implemented over two financial years was the Hobhouse Water Treatment Works and a 1.5 ML Reservoir. The first part (viz. Civil Works) though not recorded as such was completed in one financial year (viz. 2008/09 – 9/10) – delayed by adverse/inclement weather and the other viz. Mechanical and electrical overlapped into the following year (i.e. 2009/2010).

Hobhouse: Water Treatment Works



Hobhouse: 1.5 ML Reservoir



The pilot project on the water conservation and demand management helped us address challenges we faced in respect of water losses in an area where there was relatively high water demand and usage (viz. wards 3,4,5 & 6). We also managed to develop a consumer charter which was in the process of being subjected to public participation with the 2009/2010 IDP processes.

The support provided by the department Water Affairs also helped us develop a data collection tool for the needs of people staying in the rural / farm areas. It is further worth noting that the municipality also provided water not only to the town areas but also to some of the farms / rural areas e.g. Lechabile Trust, Marseilles, Riverside and Modderpoort & Denbrae.

Challenges

Notwithstanding the above achievements, the municipality experienced the following challenges:

Capacity constraints: inability to recruit and/or retain competent staff as well as shortage of requisite resources (e.g. leaks detection equipment(s) to enhance efficiency and effectiveness of the water conservation and demand management)

Procurement Constraints: The difficulty to obtain / procure services of qualifying service providers (i.r.o Mechanical & Electrical Works) for the Water Treatment Works.

Water Resources Constraints: The municipality has bulk water storage capacity as one of its critical challenges. This is exacerbated by the increased water demand as a result of the sanitation option of full water borne.

Budgetary Constraints: There is an urgent need to sustain the water conservation and demand management unit to ensure the sustenance of provision of water services and cost savings. Equally urgent is the need to obtain sufficient budget for water quality monitoring programmes.

Sanitation

Background

There are still households in the town areas where there are buckets. This below basic level of service sanitation option is in the process of being eradicated. We had a total of 2 635 registered buckets with 1 353 at Boroa and 1 282 at Dipelaneng.

Attempts to have a dry sanitation option on the basis of affordability and sustainability were in vain. The communities in the two areas fiercely rejected the VIP's. This was demonstrated by them emptying the buckets at two of the Councilors' houses. The pictures below elucidate the reality even further.



The already purchased but rejected VIP structures were re-directed to the farms and the preferred full waterborne system was registered notwithstanding the challenges of budgetary constraints, land unavailability for Tweespruit waste water treatment facility/works as well as those relating to affordability and sustainability of the chosen option.

Key Strategies

Provision of sanitation services to households

This targeted provision of basic sanitation services to all households living on formal erven. A number of projects were registered and implemented in line with this strategy over and above the normal operational activities associated with the provision thereof. The projects being mentioned were the bucket eradication projects in the main as well as those related thereto.

Sewerage leaking control mechanisms

In order to enhance efficiencies of the sewer sanitation systems, maintenance teams were worked with the DWAF support pilot project of water conservation and demand management to ensure timely identification and repairs to the system.

We also encouraged members of the communities to report leaks and challenges they experienced through an emergency number. This further enhanced timely reaction to leaks etc.

Achievements

Notwithstanding the challenges experienced in respect of the implementation of bucket eradication projects through the VIP sanitation option at Boroa (Tweespruit) and Dipelaneng (Hobhouse) the phase 1's of the full waterborne projects were completed:

Tweespruit bucket eradication: Phase 1 – Toilet top structures, erf collectors, main sewer lines

Hobhouse bucket eradication: Phase 1 - Toilet top structures, erf collectors, main sewer lines and grey water line



Excelsior bucket eradication: Pump Station



The municipality has distributed 270 VIP toilets to the rural areas



Challenges

The above-mentioned challenges are also applicable to the sanitation division and the following are additional thereto:

Bucket Eradication Projects: Implementation of the bucket eradication projects at Boroa & Dipelaneng.

Sustainability and Affordability constraints: Sustenance of the full waterborne sanitation beyond implementation given the bulk water challenges in some areas

Health and Hygiene: Public participation and community awareness on health and hygiene related matters

Electricity

Background

The municipality signed a service delivery agreement with Centlec to provide electricity to all areas that were provided by the municipality. The other areas continue to be provided by Eskom. The implementation of the service level agreement with Centlec is monitored through monthly performance monitoring meetings. It is envisaged that these strategic working arrangements will enhance effective service delivery to the public especially given the capacity and competencies of these entities in this regard.

Key Strategies

The strategies identified in the Service Delivery and Budget Implementation plan are geared towards provision of free basic electricity in a sustainable manner. The monthly performance reports provide detailed information in respect of the extent of implementation of the maintenance programmes, provision of free basic electricity and number of connections made.

Achievements

Provision of high mast lights at Manyatseng (2), Boroa (1) and Mahlatswetsa (2)

Maintenance of substations by Centlec on behalf of the municipality

Challenges

The need to strengthen the electricity infrastructure continues to be a challenge. This will help address outages experienced on regular basis during winter when the demand for electricity is high.

Demand Side Management need our urgent attention following the challenges in respect of the implementation of related programme and also considering possibilities of experiencing load shedding in the future.

Addressing challenges emanating from the service level agreement with Centlec. The issues referred to include the following: seconded staff, policy misalignments, institutional arrangements (e.g. private contractor vs. service provider) and vending.

Recruitment and retention of competent and skilled personnel

Roads & Stormwater

Background

The municipality identified critical roads and/or streets that must be attended to with the limited funds that would be availed through a loan. This was done in the light of the need for the enhancement of the economic activities and the need to curb rate at which some were deteriorating.

It was further envisioned that a plant would be put up (also from newly procured equipment) and a team would be established and would be trained on roads construction and maintenance with a view to sustain the maintenance of existing roads infrastructure.

Key Strategies

The provision of basic roads infrastructure is geared towards enabling accessibility of socio-economic services and amenities. The maintenance programmes that were implemented through out the year helped address this need within the means available.

Storm water poses a serious challenge to the existing roads infrastructure and as such was given attention as far as it was feasible. This is critical especially considering the rainfall region within which the municipality fall and the topography of most of the areas in Mantsopa.

Achievements

The internal roads and stormwater maintenance programme addressed a number of challenges and thereby helped address issues of accessibility.

Some construction of streets at Boroa and Dipelaneng and stormwater at Manyatseng were also done internally with the limited resources available.

Challenges

There are critical challenges relating to acute shortage of resources e.g. good quality gravel, equipment (e.g. water tank; tipper trucks, compactor, excavator etc.) and skilled work force. No information could be obtained for some of the old equipment. Repairs to these were also very difficult given their age.

Old Gallion Grader



Old Ford TLB 555



1994 Tipper Truck



CASE Front-End-Loader



Damage of road structure by heavy-duty vehicles particularly in Ladybrand CBD as well as the deterioration of roads infrastructure causes damage to under ground infrastructure viz. pipe bursts.



Solid Waste Management

Background

The municipality provides solid waste removal services in all its town areas. A combination of high level (i.e. removals from individual households) and intermediate level (i.e. communal skip) are used to provide this service.

The high rate of solid waste generation experienced during the spring and summer seasons far surpassed the capacity of the solid waste management division with the result that some work had to be sourced. This afforded the municipality to create job opportunities to the poor and unemployed.

Key Strategies

Provision of solid waste management service has been critical to the prevention of emergence of vector and rodents and to the enhancement of environmental health.

Achievements

Solid waste removal services provided during the clean up campaigns during the year stood out amongst the rest during the year.

Significant contribution to the attainment of the first runners up during the cleanest town campaign winning a price of R250 000.00 for the municipality

Increased the number of skips (i.e. communal solid waste removal containers) to enhance provision of the service more efficiently

Challenges

Illegal dumping: solid waste is dumped on open spaces, parks, along the streets and roads and on vacant sites. This created a lot of stress on the limited resources we have.

Solid Waste Disposal Sites: the challenges range from unavailability of land for the establishment of the solid waste disposal sites (e.g. Tweespruit & Hobhouse) and to the registration of existing ones (e.g. Excelsior).

Lack of requisite resources i.e. human and physical resources to manage the sites effectively

Parks & Cemeteries

Background

These units provide community services relating to cleaning of parks and open spaces as well as cemeteries. The services are provided closely with the solid waste management division.

Key Strategies

The clean and healthy state in which our members of the communities live will determine to a significant extent the state of health of the affected community. Keeping communities clean and healthy helped us avoid the emergence of ailments associated with the dirt and filth.

Achievements

The municipality in partnership with different stakeholders has conducted cleaning up campaigns at the critical areas like the Maseru Bridge during the Confederations Cup in partnership with different stakeholders like government departments (e.g. Department of Public Works), District Municipality and Correctional Services.

The positive contribution towards the winning of the first runners up prize from the Provincial competitions on the cleanest town

The division afforded the few unemployed persons an opportunity to earn some income.

Challenges

Inadequate resources

Loitering farm animals (e.g. cattle)

Mechanical Workshop

Background

Mechanical workshop comprises of essentially four staff members viz. mechanic, assistant mechanic, driver and a general worker (handy man). The unit is entrusted to ensure that municipal vehicles, machinery and equipment are in good working conditions.

Key Strategies

Specific municipal vehicles, equipment and machinery were serviced and repaired on regular intervals and also as and when need arose (i.e. repairs). There are those that had to be outsourced and those that were done internally.

The unit also helped identify redundant and obsolete items that needed to be disposed off and replaced

Achievements

The municipality beefed up available roads equipment with one (1) tipper truck, one (1) Grader one (1) TLB and one Grader. The three (3) vans out of the four new ones were allocated to the sewer teams (i.e. two) and the third to public works.

Challenges

Some of the equipments and vehicles in use are relatively very old and took time to repair. To obtain spare parts for such was always time consuming and these delays inevitably translated into service delivery delays

Properties & Town Planning Development

Background

The department identified an awkward institutional arrangement where the units and/or divisions performing closely related functions that must be integrated resorting under different departments. The town planning & development division is not necessarily responsible for spatial development framework & land use management system. The former is under technical services and the latter under the department municipal manager (IDP) and housing on the other hand resorts under corporate services. The need was identified to re-organize the limited resources such that services could be provided in an integrated, effective and efficient manner can be achieved.

Town planning is handled by two employees viz. Building/Health Inspector (Head) and Town Planning Officer (Assistant) whom are responsible for all 5 towns of Mantsopa. This division work plan involves town planning, halls, commonages and building control related matters.

Achievements

Sentle' Development: a residential area of about 211 ha was approved by Council. The development targets about 56 stands of high income earners. It is hoped that it will help broaden the revenue base of the Municipality.

Ntsepe Park Phase II: about 15 ha of developed by Huntrex was finalized with the infrastructure there having been completed. This development also expected to enhance the revenue base of the municipality.

Lease of Farmlands: a considerable number of hectares of farmlands were leased out to deserving emerging farmers where applicable for agricultural activities: ploughing & irrigation an estimated 702 ha grazing 566 ha and tree plantation land 185 ha in areas of Ladybrand, Thaba Patchoa and Tweespruit. This was to enhance livelihoods of people staying on the farms

Challenges

Pleasant view development finalization of the purchase contract was still in process at the time of writing this report.

Fragmented reporting: Other issues of development will be reported under corporate services and these would include matters affecting areas like Platberg, Manyatseng, Dipelaneng, Dawiesville & Mahlatswetsa.

Lease Agreements: the cancellation of the lease agreement & contracts (e.g. the one between South Pole Civil Works and the Municipality as well as the one involving Pleasant View) had potential litigation challenges. This might negative financial implications to council.

None signing of lease agreements and non-compliance with Council resolutions also might have negative implications of Council (e.g. Tokologo Farmers' Association)

Residents who erect houses / buildings without submitting building plans for approval
Security of municipal properties is also a critical challenge that needs urgent attention.

Project Management Unit

Background

The unit comprised of a project management unit manager, technician and a project administrator. The manager resigned from her position with effect from May 2009. The unit performed functions such as the implementation of MIG projects, Comprehensive Infrastructure Plans and supported the implementation of municipal projects

Key Strategies

The division ensured that the implementation of MIG projects was generally successful in terms of quality, time, specifications and/or outputs. The outcomes of the successfully completed projects will be monitored in the following year and those that were in progress in the subsequent years.

Achievements

The following completed projects evince the fact expressed above:

Lusaka reservoir & pipeline phase 3

The project is the last phase of the 3-multi-year-project named Lusaka reservoir and pipeline. It had to be delayed as a result of other priority projects viz. bucket eradication. This phase was completed within the specified parameters of time, quality and outputs

Excelsior bucket eradication–pump station

The project was part of the bigger project of bucket eradication in the area. Notwithstanding the challenges with the previous contractor, the project commenced and ended within financial year under consideration. The monitoring of the other components the project were done during the year under consideration.

Hobhouse water treatment works

Civil works commenced during the year under review and was completed in the following financial year with the monitoring of achievement of outcomes in the subsequent years

Bucket Eradication Projects:

Tweespruit construction of toilet top structures (1279), erf collectors / network (6.8 km) and main line (3.5km) and water connections 2.2 km. Hobhouse scope of work completed included the following: 1212 toilet top structures, 6.4 km erf collectors, 3km network lines, 2.4 km grey water lines and 1 km sewer main lines.

Challenges

Project Scope management

The scopes of work of the Tweespruit & Hobhouse Bucket Eradication projects changed from VIP to full water borne system (conventional) to full water borne closed circuit system during implementation.

Inclement weather and shortage of material

The projects were implemented during a time when there was a boom in construction sector and this had an effect on time (i.e. completion) such that extensions had to be granted. These had some effect on the reservoir project.

Unforeseen sippage

The pump station project at Excelsior is positioned next to the raw water storage dam which during the construction process leaked and the water disturbed the construction work.



Procurement

The services of competent and willing specialist in mechanical and electrical aspects of the projects could not be obtained timely. This had to be re-advertised

Measures to improve Performance

- ❑ Upgrade water reticulation in areas of Hobhouse and Tweespruit
- ❑ Source additional funding to complete bucket eradication project in Tweespruit and Hobhouse
- ❑ Upgrade electricity networks throughout Mantsopa Local Municipality area of jurisdiction among other things improve the capacity of all local transformers and development of Electricity Master Plan.
- ❑ Ensure provision of the RDP standard sanitation systems to communities in the rural areas.
- ❑ Improve and maintain road networks through the development of Public Transport Plan.
- ❑ Ensure regular waste removal through among other things preparation of the municipal Integrated Waste Management Plan.

FINANCIAL VIABILITY

Background

During the financial year under review the municipality continued to implement revenue generation policies in order to improve the collections for the betterment of service delivery.

Key Strategies

One of the main duties of the financial department is to ensure that all monies owed to the municipality are collected. The departmental strategic objective is to ensure correct levying of consumption to consumers on their accounts in an effort to minimise mistakes and building trust between the municipality and the consumers.

Meter reading for water and electricity remains the primary function towards collections of service rendered. Cutting of municipal services to consumers who owe the municipality remains one of the department key strategy towards effective debt collection as contained in the municipality approved debt collection policy.

One of the finance department primary objectives is to ensure that all indigent households with the municipality area of jurisdiction are registered as indigent to ensure that households with limited household income have access to basic service delivery.

Achievements

The finance department has during the financial year under review managed to prepare the budget and submit the final document to council for approval as required in terms of chapter 4 of the Local Government: Municipal Finance Management Act no 56 of 2003.

It is the responsibility of the finance department to ensure that expenditure by departments is within the approved budget and deviations must be reported and that all expenditures are in line with the municipal service delivery and budget implementation plan as required in terms of section 53(c) (ii) of the Municipal Finance Management Act 56 of 2003.

It is further more the responsibility of the finance department to ensure that all expenditures are within the framework as in line with policies of council to avoid fruitless, wasteful and unauthorised expenditure. Payment of creditors is always done within 30 days for compliance with the act.

The finance department has during the financial year under review ensured that all assets belonging to the municipality managed in a proper manner in order to optimise value for money. New assets were marked for identification purposes and put on the asset register of the municipality.

The municipality has during the financial year under review received grants from national treasury and the finance department has always ensured that grants allocated to the municipality are spent within the required timelines as dictated by national treasury.

The annual financial statements for the 2008/2009 were prepared and submitted to the office of the auditor general on the 31 August 2009 as in line with the requirements of the MFMA. A Service provider was appointed to help the municipality with the conversion of the annual financial statement from IMFO to GRAP as required in terms of Treasury Regulations. It must be highlighted that the process of conversion from IMFO to GRAP has been started and the municipality has complied with the entire standard except for GRAP 17, which is Property, Plant and Equipment, and Invest property, which is GRAP 16.

The municipality applied for exemption for GRAP 17 and 16 as per the advice of Provincial Treasury, but after the financial statement have been already submitted on the 31 August 2009 to the auditor general office, a correspondence was received from national treasury stating that no exemptions will be allowed.

The department finance has additional to the above mentioned achieved the following:

- ☐ Debt collection increased from 80% to 85% as against the initial baseline of 79%;
- ☐ Implementation of property rates recorded an achievement of 99.6% against the annual target of 100% due to new buildings not yet evaluated.
- ☐ Tariff increased from the annual target of 8.61% to 11.5% increase as result of provision for bad debt and high increase of electricity tariffs by NERSA.

Challenges

Bank Reconciliation not balancing

- ☐ A difference dating from as far as in 2002 is still outstanding, but show as a reconciled item to the auditors.

Asset Management

- ☐ All assets were marked during the 2008/2009 financial year and the asset register balanced with the general ledger.

Audit Report

- ☐ Queries for the 2007/2008 were given to relevant departmental heads for further attention and correction.
- ☐ Queries relating to finance department were investigated and given necessary attention.
- ☐ Queries for the 2008/2009 were given to all relevant departments and are all receiving necessary attention.

Measures to improve performance

Develop revenue enhancement strategy to ensure minimal reliance on equitable allocations by National Treasury.

Ensure that annual financial statements are compiled in line with GRAP/GAMAP requirements.

Ensure that the 2010/2011 annual budget comply with GAMAP requirements.

Ensure that all National Government Grants are spent on time and in line with grant conditions.

CHAPTER 6

REPORT OF THE AUDITOR GENERAL

REPORT OF THE AUDITOR-GENERAL TO THE FREE STATE LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE MANTSOPA LOCAL MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I was engaged to audit the accompanying financial statements of the Mantsopa Local Municipality which comprise the statement of financial position as at 30 June 2009, 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 notes, as set out on pages xx to xx.

The 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 the basis of accounting determined by the National Treasury, as set out in accounting policy note 1 and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Because of the matters discussed in the Basis for disclaimer of opinion paragraphs, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.
4. Paragraph 11 *et seq.* of the Statement of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the Mantsopa Local Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.

Basis for disclaimer of opinion

Accounting framework for the year ended 30 June 2009

5. The municipality converted to a new accounting framework (from IMFO to GRAP). The necessary conversions as prescribed by the new accounting framework and Directive 4 issued by the Accounting Standards Board during March 2009 were, however, not effected on the municipality's financial records and components in the financial statements.

Comparative balances

6. The municipality did not disclose comparative information in the financial statements as required by Directive 4. The statement in paragraph 1.4 of the *summary of significant accounting policies* to the financial statements was therefore not correctly stated.

Property, plant and equipment (assets)

7. Due to the matters listed below, I was unable to obtain sufficient appropriate audit evidence as to the completeness, existence, valuation, presentation and disclosure of, and the municipality's rights to, property, plant and equipment of R5 262 261, as disclosed in the statement of financial position and the related detailed disclosure in note 10 to the financial statements:
- The statement in paragraph 1.1 of the *summary of significant accounting policies* to the financial statements was not correctly stated. According to a letter received from the National Treasury, the municipality did not receive exemption from complying with GRAP 17 and prescribed compliance with Directive 4.
 - Property, plant and equipment was not correctly accounted for in terms of the IMFO standards. With reference to note 10 to the financial statements, an amount of R262 937 611 for *capital redeemed and other capital receipts* was incorrectly deducted from the total fixed assets.
 - Property, plant and equipment was not accounted for according to the transitional provisions as stated in Directive 4, resulting in property, plant and equipment not being disclosed at a provisional amount.
 - No depreciation or impairment was calculated on property, plant and equipment for the year under review.
 - Contrary to paragraph 2.2 of the accounting policy, no revaluation was carried out on the assets to determine the fair value of the assets that should have been brought into the financial statements at the beginning of the current financial year.
 - Land of R2 600 800 could not be traced to the municipality's asset register.
 - I was unable to verify the existence of items of property, plant and equipment of R27 430 859, as adequate descriptions, serial numbers and locations were not included in the fixed asset register regarding these items.

The municipality's records did not permit the performance of alternative audit procedures and due to the non-compliance with Directive 4, I was unable to perform all the procedures I considered necessary to obtain adequate audit evidence as to the existence, valuation, completeness, presentation and disclosure of, and the municipality's rights to, property, plant and equipment amounting to R5 262 261.

Trade and other receivables (debtors)

8. As a result of the audit matters detailed below, I was unable to obtain sufficient appropriate audit evidence as to the completeness, existence, valuation, presentation and disclosure of, and the municipality's rights to, trade receivables of R47 745 401 and other receivables of R12 614 101, as disclosed in the statement of financial position for the current financial year:
- I could not be supplied with sufficient and appropriate audit evidence that the municipality had assessed the recoverability of its consumer and other debtors in terms of the requirements of the South African Statement of Generally Accepted Accounting Practice, IAS 39 (AC 133) *Financial Instruments: Recognition and Measurement*. However, the municipality made a general provision for bad debts of R33 069 281, as disclosed in note 2 to the financial statements. As the relevant information was not available, I was not able to calculate what the impairment charge against consumer and other debtors and bad debts expense should have been if IAS 39 had been correctly applied.
 - A difference of R114 897 630 was identified between the trade receivable listing (R28 997 059 credit balance) and the gross amount of trade receivables (R85 900 571)

as per note 2 to the financial statements. I could not be provided with sufficient supporting documentation relating to the existence and valuation of this difference. The municipality's financial systems did not permit the performance of alternative audit procedures. Consequently, I could not obtain adequate audit evidence as to the completeness, existence, valuation, presentation and disclosure of, and the municipality's rights to, trade receivables.

- In terms of paragraph 5.2.2 of the accounting policy, the impairment of trade and other receivables is determined by discounting expected future cash flows to their present value. The impairment of R5 085 889 as disclosed in note 2 to the financial statements was based on incorrect trade receivable account balances. No impairment was made on other receivable balances. The impairment was recalculated and reported to the municipality as R3 324 045. Receivables were therefore understated and expenditure was overstated by the difference of R1 761 844.
- Included in other receivables of R12 614 101 as per note 3 to the financial statements were account balances of R1 179 822 that had shown no or little movement since the previous financial year. The existence, rights to the outstanding amounts and the valuation of receivables as disclosed in the financial statements could consequently not be verified.
- Included in trade receivables of R47 745 401 as per note 2 to the financial statements were debtors accounts with credit balances of R125 550 784. I could not be provided with sufficient supporting documentation relating to the existence and valuation of these credit balances.
- A difference of R109 608 263 was identified between the summary of debtors by consumer classification (R23 707 692) and the gross amount of trade receivables (R85 900 571) as per note 2 to the financial statements. The provision for bad debts of R33 069 281 was also not included in the summary. I could not be provided with sufficient supporting documentation relating to the existence and valuation of this difference. The municipality's financial systems did not permit the performance of alternative audit procedures. Consequently, I could not obtain adequate audit evidence as to the completeness, existence, valuation, presentation and disclosure of, and the municipality's rights to, trade receivables.

Consumer deposits

9. Sufficient supporting documents could not be obtained for consumer deposits of R1 037 245 as disclosed in note 13 to the financial statements. Furthermore, consumer deposits amounting to R1 205 608 were written off to the accumulated surplus account without supporting documentation. The municipality's records did not permit the application of alternative audit procedures and I could consequently not obtain adequate audit evidence to confirm the existence and valuation of consumer deposits.

Investment property

10. The municipality did not separately account for investment properties of R1 446 000 as required by GRAP 16 *Investment Property*.

Bank overdraft

11. As a result of the audit matters detailed below, I was unable to obtain sufficient appropriate audit evidence as to the completeness and valuation of the bank overdraft with a carrying value of R5 387 524, as disclosed in the statement of financial position for the current and prior financial years:
 - With reference to paragraph 9 of the previous audit report, an unreconciled difference of R2 122 135 and unallocated deposits amounting to R3 241 298 were reported on

30 June 2008. In the absence of supporting documentation, it could not be determined if these differences had been corrected.

- Sufficient supporting documentation could not be obtained for reconciling items of R7 183 338 that were included in the year-end bank reconciliation. Consequently, I could not obtain adequate audit evidence as to the completeness and valuation of the disclosed cash and cash equivalents balance.
- A difference of R2 205 179 was identified between the cash book balance of the bank reconciliation and the amount disclosed in the financial statements. I could not obtain valid explanations relating to this difference. The municipality's financial systems did not permit the performance of alternative audit procedures. Consequently, I could not confirm the valuation of cash and cash equivalents.
- Included in the bank overdraft of R5 387 524 were uncleared suspense accounts with a net balance of R1 195 524. Due to the lack of adequate accounting records and in the absence of a conclusive reply from the municipality, it could not be determined whether the transactions had been properly accounted for in the general ledger and the financial statements.

Cash and cash equivalents

12. As a result of the audit matters detailed below, I was unable to obtain sufficient appropriate audit evidence as to the completeness and valuation of cash and cash equivalents with a carrying value of R705 848, as disclosed in the statement of financial position for the current and prior financial years:

- An amount of R1 570 599 as disclosed in the financial statements of Centlec was not included in the financial statements of the municipality, resulting in cash and cash equivalents being understated and receivables being overstated by this amount. It was also noted that different accounting standards were used, as the financial statements of the municipality were prepared according to the Standards of Generally Recognised Accounting Practice (GRAP) while the financial statements of Centlec were prepared according to the Code of Accounting Practice (1996) of the Institute of Municipal Finance Officers (IMFO).

Unspent government grants and subsidies

13. A difference of R4 407 978 relating to unspent conditional grants was identified between the amount disclosed of R5 634 219 and the recalculated amount of R10 042 188. Unspent conditional grants were therefore understated by R4 407 978.

Government grants and subsidies

14. Contrary to GAMAP 9 *Revenue*, the municipality accounted for income from government grants and subsidies of R5 142 969 that did not comply with the recognition criteria. Income from government grants and subsidies was therefore overstated by R5 142 969.

Expenditure

15. As a result of the audit matters detailed below, I was unable to obtain sufficient appropriate audit evidence as to the occurrence, classification and accuracy of expenditure of R109 328 504, as disclosed in the statement of financial performance for the current financial year:

- Redemption of external loans was incorrectly included in finance cost in the statement of financial performance, resulting in an overstatement of expenditure and external loans of R789 710.
- Sufficient supporting documentation could not be obtained for expenditure amounting to R7 453 129. Alternative audit procedures could not be performed to obtain adequate

audit evidence as to the classification, accuracy and occurrence of these expenditure transactions.

- The municipality did not account for items of property, plant and equipment of R24 355 985 in terms of GRAP 17 *Property, Plant and Equipment*. These items were expensed through the statement of financial performance, resulting in an overstatement of expenditure and an understatement of property, plant and equipment of R24 355 985.

Revenue

16. As a result of the audit matters detailed below, I was unable to obtain sufficient appropriate audit evidence as to the occurrence, completeness and accuracy of revenue of R127 821 787, as disclosed in the statement of financial performance for the current financial year:

- An amount of R1 906 880 as disclosed in the financial statements of Centlec was not included in the financial statements of the municipality, resulting in revenue and receivables being understated by this amount. It was also noted that different accounting standards were used, as the financial statements of the municipality were prepared according to GRAP while the financial statements of Centlec were prepared according to the Code of Accounting Practice (1996) of IMFO.
- Included in income from prepaid electricity sales of R3 343 224 (Centlec) was an estimated amount of R1 891 484 for which no information regarding the prepaid sales on the Nthlangani system could be submitted for audit purposes, placing a limitation on the scope of my audit. In the absence of these documents, there were no alternative procedures that I could perform to verify the accuracy, classification and occurrence of income from the sale of prepaid electricity.

Accumulated surplus

17. As a result of the audit matters detailed below, I was unable to obtain sufficient appropriate audit evidence as to the completeness, existence, valuation, presentation and disclosure of, and the municipality's rights to, the accumulated surplus with a carrying value of R46 231 025, as disclosed in the statement of financial position for the current financial year:

- As a result of the implementation of the new accounting framework (GRAP), statutory funds amounting to R10 829 621, previously required by IMFO, were not transferred to the accumulated surplus. Furthermore, the funds were incorrectly transferred to the provision for bad debts. No disclosure in this regard was made in the financial statements of the municipality.
- Sufficient supporting documentation relating to journals of R6 862 237 could not be obtained. The municipality's records did not permit the performance of alternative audit procedures. Consequently, the occurrence, accuracy and classification of these journals could not be confirmed.

Trade and other payables (creditors)

18. Sufficient supporting documentation could not be obtained for a suspense account balance amounting to R1 482 297 included in trade and other payables. Alternative audit procedures could not be performed to obtain adequate audit evidence to substantiate this balance. Consequently, I could not verify the existence, the municipality's obligation and the valuation of this suspense account included in trade and other payables.

Value-added tax (VAT)

19. No reconciliation between the VAT control account and the VAT returns at year-end was performed by the municipality, resulting in a difference of R3 807 525 that could not be explained.

No. 58 of 1962), a difference of R34 120 was identified where the tax liability as per the IRP5s was more than the recalculated tax liability of employees.

Internal control deficiencies

28. Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the deficiencies in the system of internal control, which led to the disclaimer of opinion. The root causes are categorised according to the five components of an effective system of internal control. In some instances deficiencies exist in more than one internal control component.

Par. no.	Basis for disclaimer of opinion	CE	RA	CA	IC	M
5	Accounting framework for the year ended 30 June 2009	1,5,7	2	4,5,6		1,2,3
6	Comparative balances	1,5,7	2	4,5,6	1	1,2,3
7	Property, plant and equipment	5,7	2	4,6	1	1
8	Trade and other receivables	5,7	2	4	1	1
9	Consumer deposits	5,7	2	3	1	1
10	Investment property	5,7	2	4		
11	Bank overdraft	5,7	2	4	1	1
12	Cash and cash equivalents	5,7	2	4	1	1
13	Unspent government grants and subsidies	5,7	2	4	1	
14	Government grants and subsidies	5,7	2	4	1	
15	Expenditure	5,7	2	4		1
16	Revenue	5,7	2	4	1	
17	Accumulated surplus	5,7	2	4,6		
18	Trade and other payables	5,7	2	4	1	1
19	Value-added tax	5,7	2	5	1	
20	Cash flow statement	5,7	2	4		
21	Commitments	5,7	2	4	1	

Overall reflections on the governance framework based on internal control deficiencies

29. Staff members in the finance unit and consultants that were engaged to compile the financial statements did not adhere to and apply the financial reporting framework and the municipality did not have adequate individuals competent in financial reporting and related matters.

30. The financial statements were not adequately reviewed by the audit committee and the chief financial officer before being submitted to the Auditor-General.

31. The work performed by consultants was not adequately monitored and supervised.

Legend	
CE = Control environment	
The organisational structure does not address areas of responsibility and lines of reporting to support effective control over financial reporting.	1
Management and staff are not assigned appropriate levels of authority and responsibility to facilitate control over financial reporting.	2
Human resource policies do not facilitate effective recruitment and training, disciplining and supervision of personnel.	3
Integrity and ethical values have not been developed and are not understood to set the standard for financial reporting.	4
The accounting officer/accounting authority does not exercise oversight responsibility over financial reporting and internal control.	5
Management's philosophy and operating style do not promote effective control over financial reporting.	6
The entity does not have individuals competent in financial reporting and related matters.	7
RA = Risk assessment	
Management has not specified financial reporting objectives to enable the identification of risks to reliable financial reporting.	1
The entity does not identify risks to the achievement of financial reporting objectives.	2
The entity does not analyse the likelihood and impact of the risks identified.	3

The entity does not determine a risk strategy/action plan to manage identified risks.	4
The potential for material misstatement due to fraud is not considered.	5
CA – Control activities	
There is inadequate segregation of duties to prevent fraudulent data and asset misappropriation.	1
General information technology controls have not been designed to maintain the integrity of the information system and the security of the data.	2
Manual or automated controls are not designed to ensure that the transactions have occurred, are authorised, and are completely and accurately processed.	3
Actions are not taken to address risks to the achievement of financial reporting objectives.	4
Control activities are not selected and developed to mitigate risks over financial reporting.	5
Policies and procedures related to financial reporting are not established and communicated.	6
Realistic targets are not set for financial performance measures, which are in turn not linked to an effective reward system.	7
IC – Information and communication	
Pertinent information is not identified and captured in a form and time frame to support financial reporting.	1
Information required to implement internal control is not available to personnel to enable internal control responsibilities.	2
Communications do not enable and support the understanding and execution of internal control processes and responsibilities by personnel.	3
M – Monitoring	
Ongoing monitoring and supervision are not undertaken to enable an assessment of the effectiveness of internal control over financial reporting.	1
Neither reviews by internal audit or the audit committee nor self-assessments are evident.	2
Internal control deficiencies are not identified and communicated in a timely manner to allow for corrective action to be taken.	3

Key governance responsibilities

32. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
Clear trail of supporting documentation that is easily available and provided in a timely manner			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.		X
Quality of financial statements and related management information			
2.	The financial statements were not subject to any material amendments resulting from the audit.	X	
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.	X	
Timeliness of financial statements and management information			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines (section 126 of the MFMA).	X	
Availability of key officials during audit			
5.	Key officials were available throughout the audit process.	X	
Development and compliance with risk management, effective internal control and governance practices			
6.	Audit committee		
	• The municipality had an audit committee in operation throughout the financial year.	X	
	• The audit committee operates in accordance with approved, written terms of reference.	X	
	• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.		X
7.	Internal audit		
	• The municipality had an internal audit function in operation throughout the financial year.	X	

No.	Matter	Y	N
	<ul style="list-style-type: none"> The internal audit function operates in terms of an approved internal audit plan. The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA. 	X	
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.	X	
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.	X	
10.	The information systems were appropriate to facilitate the preparation of the financial statements.		X
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section 62(c)(i) of the MFMA (not approved by the council at the time of the audit).		X
12.	Powers and duties have been assigned, as set out in section 79 of the MFMA.	X	
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.	X	
14.	Oversight resolutions have been substantially implemented.		X
Issues relating to the reporting of performance information			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		X
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		X
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the municipality against its mandate, predetermined objectives, outputs, indicators and targets as per section 68 of the MFMA.		X
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.		X

Overall reflections on the governance framework based on other key governance requirements

33. Significant difficulties were experienced due to the unavailability of requested supporting documentation and the unavailability of consultants during the audit.
34. Inadequate monitoring of the consultants during the financial system conversion process resulted in the financial systems and underlying financial data not being appropriate for the preparation of the financial statements in terms of the new reporting framework, i.e. GRAP.
35. Although a formal risk assessment had been done by consultants during the current and prior financial years, it was not approved by the council.
36. Not all the PROPAC resolutions adopted in the Free State Legislature had been implemented by the municipality during the financial year under review.
37. The internal controls regarding performance management were not effective, efficient and transparent to ensure that strategic objectives and targets were aligned to the priorities and that actual performance was accurately measured and reported on. Policies and procedures with regard to reporting performance against predetermined objectives had also not been established.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on performance information

38. I was engaged to review the performance information as set out on pages xx to xx.

Responsibility of the accounting officer for the performance information

39. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality, prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

Responsibility of the Auditor-General

40. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.
41. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate audit evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
42. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the findings reported below.

Findings on performance information

Non-compliance with regulatory requirements

Inconsistently reported performance information

43. Contrary to section 26(c) of the MSA, the municipality did not report consistently on the key performance areas between the integrated development plan and the annual performance report.

Content of integrated development plan

44. The integrated development plan of the municipality did not include the key performance indicators and performance targets determined in terms of its performance management system, as required by sections 26(i) and 41(1)(b) of the MSA and regulation 12 of the Municipal Planning and Performance Management Regulations, 2001.

No financial plan included in integrated development plan

45. Contrary to section 26(h) of the MSA, the municipality did not include budget projections of at least the next three years in the integrated development plan.

Internal auditing of performance measurements

46. The internal auditors of the municipality did not audit the performance measurements on a continuous basis and did not submit quarterly reports on their audits to the municipal manager and the audit committee.

Objectives/indicators/targets reported in annual report, but not predetermined as per strategic/corporate/annual performance/integrated development plan and/or budget

47. Development objectives and priorities were reported in the annual performance report of the municipality, although they were not included as predetermined objectives and priorities in the annual budget of the municipality.

Usefulness and reliability of reported performance information

48. The following criteria were used to assess the usefulness and reliability of the information on the municipality's performance with respect to the objectives in its integrated development plan:

- Consistency: Has the municipality reported on its performance with regard to its objectives, indicators and targets in its approved integrated development plan?
- Relevance: Is the performance information as reflected in the indicators and targets clearly linked to the predetermined objectives and mandate. Is this specific and measurable, and is the time period or deadline for delivery specified?
- Reliability: Can the reported performance information be traced back to the source data or documentation and is the reported performance information accurate and complete in relation to the source data or documentation?

The following audit findings relate to the above criteria:

Incomplete reporting on performance information

49. The actual achievements with regard to the performance indicators and targets reported in the annual performance report of the municipality were only based on actual achievements of one quarter and not on the accumulated achievements for the year.

50. The municipality did not report on comparative results between the prior year and the current year in terms of section 46(1)(a) of the MSA.

51. Contrary to section 46(1)(c) of the MSA, the municipality did not prepare an annual performance report that reflected measures taken to improve performance.

APPRECIATION

52. The assistance rendered by the staff of the Mantsopa Local Municipality during the audit is sincerely appreciated.

Auditor-General

Bloemfontein

26 February 2010



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

CHAPTER 7

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June: **2009**

Province:

Free State

AFS rounding:

R (i.e. only cents)

Contact Information:	
Name of Municipal Manager:	CM Rampai
Name of Chief Financial Officer:	J Mazinyo
Contact telephone number:	(051) 924 0654
Contact e-mail address:	mazinyo@mantsopa.co.za

Name of contact at provincial treasury:	Molefi Parkies	
Contact telephone number:	(051) 405 5634	
Contact e-mail address:	mparkies@treasury.fs.gov.za	
Name of relevant Auditor:	The Auditor-General (Meikie Klooper)	
Contact telephone number:	(051) 400 7600	
Contact e-mail address:	meikie.klooper@agsa.co.za	
Name of contact at National Treasury:	Lizette Labuschagne	
Contact telephone number:	lizette.labuschagne@treasury.gov.za	
Contact e-mail address:	012 315 5781	
MANTSOPA LOCAL MUNICIPALITY		
ANNUAL FINANCIAL STATEMENTS		
for the year ended 30 June 2009		

General information

Members of the Council

Clr SD Ntsepe	Appointed 5 February 2009	Mayor
Clr MA Majara	Appointed 03 March 2001	Speaker
Clr MC Chomane	Appointed 26 March 2009	Member of the Executive Committee
Clr PN Nakalebe	Appointed 10 September 2008	Member of the Executive Committee
Clr KJ Tsoene	Appointed 4 December 2008	Member of the Executive Committee
Clr HP Olivier	Appointed 03 March 2006	Member of the Executive Committee
Clr Malakane	Appointed 03 March 2006	Member
Clr P Van Vollenhoven	Appointed 03 March 2006	Member
Clr PP Raboko	Appointed 26 March 2009	Member
Clr ME Ncwada	Appointed 03 March 2006	Member
Clr LP Moletsane	Appointed 03 March 2006	Member
Clr TW Litabe	Appointed 5 March 2009	Member
Clr TH Molukanele	Appointed 26 March 2009	Member
Clr SE Tlali	Appointed 21 January 2009	Member
Clr MP Motaung	Appointed 21 January 2009	Member
Clr JE van der Westhuizen	Appointed 03 March 2006	Member

Municipal Manager

CLM Rampai Appointed 01 November 2006

Chief Financial Officer

J Mazinyo Appointed 01 July 2009

Grading of Local Authority

Two (2)

Auditors

The Auditor-General

Bankers

First National Bank- 6205400975
ABSA -2020000050

MANTSOPA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2009

General information (continued)

Registered Office:

38 Joubert Street LADYBRAND 9745

Physical address:

Civic Centre
Joubert Street
LADYBRAND

Postal address:

P O Box 64
LADYBRAND
9745

Telephone number:

(051) 924 0654

Fax number:

(051) 924 0020

E-mail address:

Mantsopamun@xsinet.co.za

MANTSOPA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2009

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 44, 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 25 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:

31 August 2009

#REF!
ANNUAL FINANCIAL STATEMENTS
 #REF!

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MANTSOPA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION

as at 30 June 2009

	Note	2009 R
ASSETS		
Current assets		
Cash and cash equivalents	1	705,848
Trade and other receivables from exchange transactions	2	47,745,401
Other receivables from non-exchange transactions	3	12,614,101
Other current financial assets	4	-
Inventories	5	332,228
Prepayments	6	-
Investments	7	5,042,353
Current portion of receivables	8	-
VAT receivable	15	-
Non-current assets held for sale	11	-
Non-current assets		
Non-current receivables	8	243,012
Investments	9	544,424
Other non-current financial assets	4	-
Property, plant and equipment	10	5,262,262
Defined benefit plan asset	52	-
Total assets		72,489,629

LIABILITIES**Current liabilities**

Trade and other payables from exchange transactions	12	(5,953,969)
Consumer deposits	13	(1,037,245)
VAT payable	14	-
Taxes and transfers payable (non-exchange)	15	-
Current provisions	16	(2,542,833)
Current portion of unspent conditional grants and receipts	17	(5,634,219)
Current portion of borrowings	18	(701,104)
Bank overdraft	20	(5,387,524)

Non-current liabilities

Non-current unspent conditional grants and receipts	17	-
Non-current borrowings	18	(4,561,159)
Other non-current financial liabilities	20	-
Non-current provisions	21	-
Defined benefit plan obligations	38	-

Total liabilities

(25,818,053)

Net assets

46,671,576

NET ASSETS	
Housing Developing Fund	(440,551)
Accumulated surplus / (deficit)	(46,231,025)
Total net assets	(46,671,576)

MANTSOPA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
for the year ending 30 June 2009

	Note	2009 R
Revenue		
Property rates	19	(8,900,767)
Property rates - penalties imposed and collection charges	19	-
Service charges	20	(43,326,405)
Rental of facilities and equipment	21	(936,064)
Interest earned - external investments	22	(1,854,344)
Interest earned - outstanding receivables	23	(7,694,025)
Fines		(135,058)
Dividend Received		(14,625)
Licences and permits		(1,736)
Government grants and subsidies	22	(62,699,361)
Other income	23	(2,259,403)
Total revenue		(127,821,787)
Expenses		
Employee related costs	24	32,720,130
Remuneration of councillors	25	3,401,902
Bad debts		10,146,541
Repairs and maintenance		5,630,467
Finance costs	26	1,640,447
Bulk purchases	27	12,231,069
Grants and subsidies paid	28	2,588,755

General expenses	29	40,869,159
Leave Provision		100,034
Total expenses		109,328,504
(Profit) / loss on fair value adjustment	30	5,085,889
Inventories: Write-down of obsolete/damaged inventory	5	3,526
(Surplus) / deficit for the period		(13,403,868)

MANTSOPA LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
as at 30 June 2009

		Accumulated Surplus/(Deficit)	Total: Net Assets
	Note	R	R
Balance at 30 June 2008		(28,270,218)	(28,270,218)
Surplus / (deficit) on revaluation of property of property, plant and equipment			-
<i>Prior period adjustments</i>		(4,556,992)	(4,556,992)
Net gains and losses not recognised in the statement of financial performance			-
Transfers to / from accumulated surplus/(deficit)			-
Surplus / (deficit) for the period		(13,403,868)	(13,403,868)
Balance at 30 June 2009		(46,231,078)	(46,231,078)

MANTSOPA LOCAL MUNICIPALITY		
CASH FLOW STATEMENT		
for the year ending 30 June 2009		
	Note	2009
		R
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts		(127,821,788)
	Sales of goods and services	(53,300,030)
	Grants	(62,699,361)
	Interest received	(1,854,344)
	Interest earned outstanding	(7,694,025)
	Dividends received	(14,625)
	Other income	(2,259,403)
Payments		99,081,929
	Employee costs	36,122,032
	Suppliers	58,730,695
	Interest Paid	1,640,447
	Indigent grant payments	2,588,755
Net cash flows from operations	44	(12,272,966)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets		24,572,830
Proceeds from sale of fixed assets		(847,187)
Contribution exp income		(3,804,347)
Net cash flows from investing activities		19,921,296

CASH FLOWS FROM FINANCING ACTIVITIES

Decrease in investments	(6,683,869)
Other movements	50,457
Repayment of finance lease liability	
Net cash flows from financing activities	<u>(6,633,412)</u>
Net (increase) / decrease in net cash and cash equivalents	1,014,918
Net cash and cash equivalents at beginning of period	<u>3,666,758</u>
Net cash and cash equivalents at end of period	<u>45 4,681,676</u>

INFORMATION PURPOSES ONLY - DO NOT PRINT

Examples of operating activities

- a) cash receipts from taxes, levies and fines;
- (b) cash receipts from charges for goods and services provided by the entity;
- (c) cash receipts from grants or transfers and other appropriations or other budget authority made by national government or other entities;
- (d) cash receipts from royalties, fees, commissions and other revenue;
- (e) cash payments to other entities to finance their operations (not including loans);
- (f) cash payments to suppliers for goods and services;
- (g) cash payments to and on behalf of employees;
- (h) cash receipts and cash payments of an insurance entity for premiums and claims, annuities and other policy benefits;
- (i) cash payments of local property taxes or income taxes (where appropriate) in relation to operating activities;
- (j) cash receipts and payments from contracts held for dealing or trading purposes;
- (k) cash receipts or payments from discontinuing operations; and
- (l) cash receipts or payments in relation to litigation settlements.

Examples of Investing Activities

- (a) cash payments to acquire property, plant and equipment, intangibles and other long-term assets. These payments include those relating to capitalised development costs and self-constructed property, plant and equipment;
- (b) cash receipts from sales of property, plant and equipment, intangibles and other long-term assets;
- (c) cash payments to acquire equity or debt instruments of other entities and interests in joint ventures (other than payments for those instruments considered to be cash equivalents or those held for dealing or trading purposes);
- (d) cash receipts from sales of equity or debt instruments of other entities and interests in joint ventures (other than receipts for those instruments considered to be cash equivalents and those held for dealing or trading purposes);
- (e) cash advances and loans made to other parties (other than advances and loans made by a public financial institution);
- (f) cash receipts from the repayment of advances and loans made to other parties (other than advances and loans of a public financial institution);
- (g) cash payments for futures contracts, forward contracts, option contracts and swap contracts, except when the contracts are held for dealing or trading purposes, or the payments are classified as financing activities; and
- (h) cash receipts from futures contracts, forward contracts, option contracts and swap contracts, except when the contracts are held for dealing

Examples of Financing Activities

- a) cash proceeds from issuing debentures, loans, notes, bonds, mortgages and other short or long-term borrowings;
- (b) cash repayments of amounts borrowed; and
- (c) cash payments by a lessee for the reduction of the outstanding liability relating to a finance lease.

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.

In accordance with section 122(3) of the Municipal Finance Management Act (Act No. 56 of 2003), the Municipality has adopted Standards of Generally Recognised Accounting Practice (GRAP) during the year, GRAP standards are fundamentally different to the fund accounting policies adopted in previous financial years. Exemptions from complying with: GRAP 17 Property, Plant and equipment, GRAP 17 Investment Property, and GRAP 3 Accounting policies, changes in accounting estimates and errors was obtained from the Minister of Finance until the following financial period.

The Municipality may have transactions, events or balances that are outside the ambit of GRAP but which are included in Standards of International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants - Public Sector Committee, International Accounting Standards (IAS) issued by the International Accounting Standards Board or Generally Accepted Accounting Practice issued by the South African Accounting Practices Board and the South African Institute of Chartered Accountants. The Municipality has not complied with the measurement, recognition and disclosure requirements of those accounting standards.

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.

1.2 PRESENTATION CURRENCY

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

1.3 GOING CONCERN 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

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements. Comparative amounts have been excluded per GRAP [1.142] as this is a first adoption of an accrual accounting basis.

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, its 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

Roads and Paving

10-30 years

Pedestrian Malls

20 years

Electricity

10-30 years

Water

15-20 years

Sewerage

15-20 years

Community

Buildings

30 years

Recreational Facilities

20 years

Security

3-5 years

Heritage assets

Buildings

30 years

Paintings and artifacts

Other

Buildings

30 years

Specialist vehicles

10 years

Other vehicles

5 years

Office equipment

3-7 years

Furniture and fittings

15 years

Watercraft

15 years

Bins and containers

5 years

Specialised plant and equipment

10-15 years

Other items of plant and equipment

2-5 years

Landfill sites

15 years

The residual value, the useful life of an asset and the depreciation method is 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 INVESTMENT PROPERTY

4.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

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

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

4.2 SUBSEQUENT MEASUREMENT - COST MODEL

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

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:

Investment property

30 years

4.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

3 NON-CURRENT ASSETS HELD FOR SALE

6.1 INITIAL RECOGNITION

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

6.2 SUBSEQUENT MEASUREMENT

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

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

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

4 INVENTORIES

4.1 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.

4.2 SUBSEQUENT 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.

In general, the basis of allocating cost to inventory items is the weighted average method.

5 FINANCIAL INSTRUMENTS

5.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

5.2 SUBSEQUENT 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.

5.2.1 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.

5.2.2 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.

5.2.3 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.

5.2.4 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.

6 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.

7 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.

8 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.

9 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.

10 REVENUE

10 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 and water are based on consumption. Meters are read on a quarterly 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. These adjustments are recognised as revenue in the invoicing period. The estimates of consumption between meter readings are based on a standard price set by the municipality.

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.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

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 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.

15 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 RETIREMENT 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. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. Specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration of these funds. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

Mantsopa Local Municipality and its employees contribute to:

Free State Municipal Pension Fund: Valuation done 30 June 2008

Free State Municipal Provident Fund: Valuation done 30 June 2008

SAMWU National Provident Fund

Sanlam Group Scheme: Valuation done 30 June 2008

Notes 1-10

**MANTSOPA LOCAL MUNICIPALITY
NOTES TO THE FINANANCIAL STATEMENTS
for the year ended 30 June 2009**

	Note	2009 R
1 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of the following:		
Cash on hand		2,255
Cash at bank		703,593
		705,848
 The Municipality has the following bank accounts: -		
<u>Current Account (Primary Bank Account)</u>		
Absa Bank Limited - Ladybrand Branch: Account Number 2020000050		
First National Bank Limited - Ladybrand Branch: Account Number 62054009751		
 Cash book balance at beginning of year		(27,361)
Cash book balance at end of year		703,593
 Bank statement balance at beginning of year		7,481,572

Bank statement balance at end of year

5,196,517

Cash book balance at beginning of year

-

Cash book balance at end of year

520,239

Bank statement balance at beginning of year

209,244

Bank statement balance at end of year

520,239

Cash on hand

2,255

Total cash and cash equivalents

705,848

Total bank overdraft

-

2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade receivables

as at 30 June 2009

Service debtors

Rates

Electricity

Gross Balances	Provision for Doubtful Debts	Net Balance
R	R	R
9,834,166	(5,727,771)	4,106,395
5,671,288	(5,225,635)	445,653

Water	26,217,826	(7,704,006)	18,513,820
Sewerage	29,469,680	(8,096,252)	21,373,428
Refuse	14,707,611	(6,315,617)	8,391,994
Fair Value adjustment	-	-	(5,085,889)
Total	85,900,571	(33,069,281)	47,745,401

Summary of Debtors by Customer Classification

	Consumers	Industrial / Commercial	National and Provincial Government
	R	R	R
as at 30 June 2009			
Current (0 – 30 days)	4,698,417	519,394	13,549
31 - 60 Days	5,454,863	578,606	12,354
61 - 90 Days	5,169,638	217,371	15,227
91 - 120 Days	(43,296,542)	2,871,209	38,222
121 - 365 Days			
+ 365 Days			
Sub-total	(27,973,624)	4,186,580	79,352
Less: Provision for doubtful debts	-	-	-
Total debtors by customer classification	(27,973,624)	4,186,580	79,352

2 Reconciliation of the doubtful debt provision

Balance at beginning of the year	22,707,755
Contributions to provision- current year	10,361,526
Balance at end of year	33,069,281

Trade and other receivables impaired

As of 30 June 2009, trade and other receivables of R 105 667 225 were impaired and provided for.

The amount of the provision was R 33 069 281 - as of 30 June 2009.

The ageing of these receivables is as follows:

3 to 6 months	105,667,225
Over 6 months	-

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

3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Elecdop water Mark	106,487
Exc Housing Prov RDP	733,159
Clinic	318,448
MEV Van Wyk Councillor	32,388
Mvula Trust	239,051

Other Debtors	11,184,568
Total Other Debtors	12,614,101

5 INVENTORIES

Opening balance of inventories:	275,642
Consumable stores - at cost	275,694
Cattle	-

Additions:

Water	56,586
-------	--------

Issued (expensed):	-
---------------------------	---

Consumable stores	-
-------------------	---

5 Write-down / (reversal of write-down) to Net Replacement Value (NRV) or Net Replacement Cost (NRC):

Consumable stores	3,526
-------------------	-------

Closing balance of inventories:

Consumable stores	275,533
Cattle	3,687
Water	56,586

Circumstances or events that led to the reversal of a write-down of Inventories:

Obsolete/damaged goods	
Consumable stores and stock count that raised an Inventory write down	3,526

7 INVESTMENTS

Deposits	50,666
----------	--------

Call investments

4,991,686

5,042,353

Fixed deposits amounting to R 11 820 575 have been ring-fenced for the purposes of repaying long-term liabilities as sent out in Note 36.

8 NON-CURRENT RECEIVABLES

Sport Club Loan

243,012

Total

243,012

OTHER LONG TERM LOANS

The loan bears interest of 1%, with repayments of R 667.82 monthly payments over 60 months and was issued in 1994.

9 INVESTMENTS

Long term investments

Fixed Deposits

373,799

Listed Investments

170,625

Other Investments

-

544,424

Pledged Investments

A fixed deposit amounting to R 373 799 has been invested with Nedcor Bank Bank R73 392 and OVK Operations Ltd R 300 406.

10 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at beginning of the year	244,474,229.00
Add: Additions during the year	24,572,830.00
Less: Disposals during the year	<u>-847,187.00</u>
Total Fixed Assets	268,199,872.00
Capital redeemed and other capital receipts	<u>262,937,611.00</u>
Net Fixed Assets	<u>5,262,261.00</u>
Refer Appendix C	

Note 11

MANTSOPA LOCAL MUNICIPALITY
NOTES TO THE FINANANCIAL STATEMENTS
for the year ended 30 June 2009

MANTSOPA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	Note	2009 R
11 NON-CURRENT ASSETS HELD FOR SALE		
Property, plant and equipment		-
Investment property		-
Other assets		-
		<u>-</u>
<p><i>The Municipality has identified certain items of property plant and equipment that will be sold at an auction. At the date of reporting no actual values of the items had been received.</i></p>		
12 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade creditors		(5,953,351)
Medical Aid Continuos Members		<u>(618)</u>
Total creditors		<u>(5,953,969)</u>
<p>The fair value of trade and other payables approximates their carrying amounts.</p>		

13 CONSUMER DEPOSITS

Electricity and Water

(1,037,245)

Total consumer deposits

(1,037,245)

14 VAT PAYABLE

VAT payable

-

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

15 VAT RECEIVABLE

VAT receivable

-

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

16 PROVISIONS

Provision for leave

(2,542,833)

Total Provisions

(2,542,833)

The movement in current provisions are reconciled as follows: -

Provision for leave**as at 1 July 2008**

(3,012,406)

Contributions to provision

569,607

Expenditure incurred

(100,034)

as at 30 June 2009

(2,542,833)

17 UNSPENT CONDITIONAL GRANTS AND RECEIPTS**17.1 Unspent Conditional Grants from other spheres of Government**

MIG Grants

(5,634,219)

Total Unspent Conditional Grants and Receipts

(5,634,219)

Non-current unspent conditional grants and receipts

-

Current portion of unspent conditional grants and receipts

-

See Note 31 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised.

18 BORROWINGS

Local Registered Stock Loans	(4,051,909)
Annuity Loans	(149,655)
Government Loans : Other	(359,594)
	(4,561,159)

Less : Current portion transferred to current liabilities	701,104
Local Registered Stock Loans	623,311
Annuity Loans	21,371
Government Loans : Other	56,423
Other borrowings	-

Total borrowings	<u><u>(3,860,054)</u></u>
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Refer to Appendix A for more detail on borrowings.

20 OTHER FINANCIAL LIABILITIES

24.1 OTHER NON-CURRENT FINANCIAL LIABILITIES

Other non-current financial liabilities	<u>-</u>
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24.2 OTHER CURRENT FINANCIAL LIABILITIES

Other current financial liabilities	<u><u>(5,387,524)</u></u>
-------------------------------------	---------------------------

19 PROPERTY RATES

Actual

Residential	(6,759,080)
Commercial	(3,705,523)
Residential rates rebates	1,563,836
Total property rates	(8,900,767)
Property rates - penalties imposed and collection charges	-
Total	(8,900,767)

Valuations

Residential	
Commercial	
State	
Municipal	
Total Property Valuations	-

Valuations on land and buildings are performed every four years. The last valuation came into effect on April 2008.

A general rate of Rx (20X0) is applied to property valuations to determine assessment rates. Rebates of x% are granted to residential and state property owners. Rates are levied on an annual basis on property owners.

Rates are levied on an annual basis with the final date of payment being 30 November 20X1 (20X0: 30 November). Interest at x% per annum (20X0:x%) is levied on outstanding rates as well as x% (20X0: x%) collection charge two months after final date of pay

20 SERVICE CHARGES

Levies Household	(32,906,009)
Levies Business	(3,131,326)
Levies Manyatseng	(6,774,062)
Levies Mauernek and Street Light	(515,008)
Total Service Charges	(43,326,405)

21 RENTAL OF FACILITIES AND EQUIPMENT

Rental of facilities	(71,084)
Rental of equipment	(40,776)
Other rentals	(824,204)
Total rentals	(936,064)

22 GOVERNMENT GRANTS AND SUBSIDIES

Equitable share	(32,944,712)
MIG Grant	(25,911,451)
Other Government Grants and Subsidies	(3,843,198)
Total Government Grant and Subsidies	(62,699,361)

22.1 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 R 279.30 which is funded from the grant.

22.2 MIG Grant

Balance unspent at beginning of year	(13,226,670)
Current year receipts	(25,911,451)
Conditions met - transferred to revenue	8,327,457
Conditions still to be met - remain liabilities (see note 21)	(30,810,664)

Provide explanations of conditions still to be met and other relevant information

Provide explanations of conditions still to be met and other relevant information

22.3 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.

23 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS

23.1 Other income	(2,223,354)
Bad Debt Recovery	(36,049)
Total Other Income	(2,259,403)
23.2 Public contributions and donations	(2,223,354)
Public contributions - Conditional	-
Public contributions - Unconditional	
Donations	
Total public contributions and donations	(2,223,354)
Conditions still to be met - remain liabilities (see note 21)	-

Provide explanations of conditions still to be met and other relevant information

24 EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	22,388,945
Travel, motor car, accommodation, subsistence and other allowances	4,836,637
Housing benefits and allowances	130,758
Overtime payments	3,492,739
Long-service bonus awards	1,871,051
Total Employee Related Costs	32,720,130

There were no advances to employees / Loans to employees are set out in note 3.

Remuneration of the Municipal Manager

Annual Remuneration	356,380
Performance- and other bonuses	252,667
Travel, motor car, accommodation, subsistence and other allowances	120,000
Contributions to UIF, Medical and Pension Funds	94,549
Total	823,596

Remuneration of the Chief Finance Officer

Annual Remuneration	217,609
Performance- and other bonuses	135,428
Travel, motor car, accommodation, subsistence and other allowances	185,301
Contributions to UIF, Medical and Pension Funds	65,498
Total	603,836

Remuneration of Individual Executive Directors

2009

Annual Remuneration
 Performance- and other bonuses
 Travel, motor car, accommodation, subsistence and other allowances
 Contributions to UIF, Medical and Pension Funds

Total

Technical Services	Corporate Services
R	R
316,597	209,896
94,458	165,373
244,270	108,040
80,360	63,579
735,685	546,888

2008

Annual Remuneration
 Performance- and other bonuses
 Travel, motor car, accommodation, subsistence and other allowances
 Contributions to UIF, Medical and Pension Funds

Total

Technical Services	Corporate Services
R	R
247,699	367,443
19,171	20,403
131,415	121,611
72,296	63,221
470,581	572,678

25 REMUNERATION OF COUNCILLORS

Mayor	533,140
Executive Committee Members	781,857
Councillors	735,031
Councillors' pension and medical aid contributions	247,176
Councillors' allowances	663,437
Total Councillors' Remuneration	3,401,902

In-kind Benefits

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

The Mayor has use of the Council owned vehicle for official duties. The Mayor has one (1) full-time bodyguards, and one (1) driver.

26 FINANCE COSTS

Redemption - External	789,710
Interest - External	850,737
Total Finance Costs	1,640,447

27 BULK PURCHASES

Eskom Purchases	11,460,728
Water Purchases	770,341
Total Bulk Purchases	12,231,069

28 GRANTS AND SUBSIDIES PAID

Grant/subsidy to Indigent users - Free Basic Electricity	2,588,755
	2,588,755

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 R 1300 which is funded from this grant.

29 GENERAL EXPENSES

Included in general expenses are the following:-

Advertising	182,772
Admin fees	7,751,514
Audit fees	2,075,453
Bank charges	194,151

Books & reference	-
Cleaning	45,600
Chemicals	1,142,588
Connection charges	64,081
Chloorgas and chlorine	115,688
Consumables and other	51,127
Cost of goods sold	-
Coupon purchase electricity	-
Entertainment	363,865
Fmg expenditure	660,776
Fuel and oil	2,162,204
Insurance	846,803
Legal expenses	715,729
Interest creditors	19,338
Licence fees	65,543
Pauper burials, plants and other	3,316
Medical assistance	4,684
Promalgation	-
Postage	262,356
Printing and stationery	509,693
Programs	970,910
Public consultation	393,044
Refreshment	599
Refuse bag	4,152
Sympathy	10,921
Sanitation, water & electricity	1,215,429
Statutory con & strategic planning	386,002

Skills development levy	287,149
Special day event and managers	116,935
Subscription & publication	9,683
Telephone costs	1,056,622
Training	540,972
Transport & tourism	244,106
Travel and subsistence	108,459
Travelling, managers, councilors & sub	783,001
Valuation cost	53,042
Other	17,450,852

40,869,159

30 PROFIT / (LOSS) ON FAIR VALUE ADJUSTMENT

Other financial assets- Fair value adjustment of debtors	5,085,889
Total Profit / (Loss) on Fair Value Adjustment	5,085,889

31 CASH GENERATED BY OPERATIONS

Surplus/(deficit) for the year	(13,403,868)
Adjustment for:-	
Depreciation and amortisation	-
(Gain) / loss on sale of assets	-
Contribution to provisions - leave	

Contribution to provisions - current	(100,034)
Finance costs	(1,640,447)
Fair value adjustments	(5,085,889)
Interest earned	9,562,994
Bad debts	(10,146,541)
Other non-cash item-allocation else where	(7,751,514)
Operating surplus before working capital changes:	(28,565,299)
 (Increase)/decrease in inventories	 (133,490)
(Increase)/decrease in trade receivables	(2,002,435)
Increase/(decrease) in conditional ungrants and receipts	7,592,451
Increase/(decrease) in trade payables	9,848,480
Increase/(decrease) in consumer deposits	1,161,887
Increase/(decrease) in VAT payable	
Cash generated by/(utilised in) operations	16,466,893

32 CASH AND CASH EQUIVALENTS

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

Bank balances and cash	705,848
Bank overdrafts	-
Net cash and cash equivalents (net of bank overdrafts)	705,848

33 CHANGE IN ACCOUNTING POLICY

The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the implementation of new accounting policies and changes to existing policies:

33.1 Statutory Funds

Balance previously reported: -

Capital Development Fund

(12,979,686)

Erven Fund

(665,081)

Total

(13,644,767)

Implementation of GRAP

Transferred to Provision for bad debts

13,644,767

33.2 Provisions and Reserves

Balance previously reported

Provision for bad debts

(22,707,753)

Staff Bursary Reserve

Total

(22,707,753)

Implementation of GRAP

Transferred to Bad debts

(10,146,541)

Transferred to provision for bad debts

5,554,637

33.3	Inventory	
	Balance previously reported	
	Implementation of GRAP	465,770
	Transferred to Accumulated Surplus/(Deficit) (see 47.7 below)	(190,216)
	Write down of obsolete inventory	(3,545)
	Total	272,009
33.4	Non-current provisions	
	Balance previously reported -	
	Implementation of GRAP	
	Transferred to Accumulated Surplus/(Deficit) (see 47.7 below)	
	Long-service	
	Total	-
33.5	Accumulated Surplus/(Deficit)	
	Implementation of GRAP	
	Adjustments to inventory (see 47.3 above)	(193,761)
	Excessive provisions and reserves no longer permitted (see 47.2 above)	5,554,637
	Transferred from statutory funds (see 47.1 above)	13,644,767
	Total	19,005,643

34 CORRECTION OF PREVIOUS YEARS ERROR

During the year ended 30 June 2009, -

The comparative amount has been restated as follows:

Corrections of prior year adjustments: Appropriation Income	4,863,053
Appropriation Expenditure	(306,061)
Net effect on surplus/(deficit) for the year	<u>4,556,992</u>

35 Irregular expenditure

Reconciliation of irregular expenditure

Opening balance

Fruitless and wasteful expenditure current year

Condoned or written off by Council

Transfer to receivables for recovery – not condoned

Irregular expenditure awaiting condonement

19,338

19,338

Incident	Disciplinary steps/criminal proceedings
----------	---

<i>Interest on overdue accounts payables</i>	
--	--

36 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

36.1 Contributions to organised local government

Opening balance	
Council subscriptions-current year	169,717
Amount paid - current	146,603
Amount paid - previous years	310,195
Balance unpaid (included in payables)	626,515

36.2 Audit fees

Opening balance	-
Current year audit fee	2,075,453
Amount paid - current year	(2,075,453)
Amount paid - previous years	-
Balance unpaid (included in payables)	-

36.3 Councillor's arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at: -

as at 30 June 2009

	Total	Outstanding less than 90 days
	R	R
Councillor SJ Nakalebe	17,670	17,670
Councillor V Raboko	19,315	19,315
Councillor MA Majara	1,701	1,701
Councillor KJ Tsoene	2,028	2,028
Total Councillor Arrear Consumer Accounts	40,714	40,714

37 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

The Municipality has developed and adopted a supply chain management policy dated 30 November 2005.

38 RETIREMENT BENEFIT INFORMATION

38.1 Defined contribution plan

The following are defined contribution plans: These contributions have been expensed.

38.2 Defined benefit plan

The following are defined benefit plans. These are not treated as defined benefit plans as defined by IAS19, but are accounted for as defined contribution plans. This is in line with the exemption in IAS 19 par. 30 which states that where information required for proper defined benefit plan accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans. The municipality has been unsuccessful in obtaining the necessary information to support proper defined benefit plan accounting due to restrictions imposed by the multi-employer plan. It is therefore deemed impracticable to obtain this information at a suitable level of detail.

Certain employees of the municipality belong to the XXX Fund, a multi-employer plan / state plan. The most recent actuarial valuation was done on 30 June 2008. These valuations indicate that the plan is in a sound financial position. The estimated liabilities of the fund are Rx million which are adequately funded by assets of Rx million.

An amount of R 2 673 309 was contributed by Council in respect of Councillors and employees retirement funding. These contributions have been expensed and are included in employee related costs for the year.

39 IN-KIND DONATIONS AND ASSISTANCE

The Municipality received the following in-kind donations and assistance

Description

E.g. Development of Integrated Development Plan by donor agency

40 RELATED PARTIES

Close family member of key management

Wife of Councillor
KJ Tsoene

Related party balances

Amounts included in Trade receivable (Trade payable) regarding related parties

Nil

Related party transactions

Purchases from Counsellor KJ Tsoene's wife's company

126,999

41 EVENTS AFTER THE REPORTING DATE

The Municipality has applied and been granted the privilege of an upgrade from Grade 2 to a Grade 3 category.

42 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

The following areas involve a significant degree of estimation uncertainty:

Fair value of debtors

Provision for doubtful debts

The following areas involved judgments, apart from those involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Impairment of assets

Provisions

Other

43 RISK MANAGEMENT

43.1 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.

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

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

Old Mutual
Bank B
Interest rate swaps
Financial guarantees

Trade and other receivables

These balances represent the maximum exposure to credit risk.

The municipality is exposed to a number of guarantees for the overdraft facilities of Group companies and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to note {N#} for additional details.

60.3 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.

At year end, financial instruments exposed to interest rate risk were as follows:

- Call deposits
- Notice deposits
- Long term annuity
- Development Bank of South Africa loan
- ABSA overdraft

45 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures E(1) and E(2)

MANTSOPA LOCAL MUNICIPALITY
APPENDIX A
SCHEDULE OF EXTERNAL LOANS
as at 30 June 2009

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 30 June 2008	Received during the period	Redeemed / written off during the period	Balance at 30 June 2009	Carrying Value of Property, Plant & Equipment	Other Costs in accordance with MFMA
			R	R	R	R	R	R
LONG-TERM LOANS								
Development Bank of SA								
Stock Loan @ 14%	56	2,013	713,473	95,122		618,351		
Stock Loan @ 14%	56	2,013	426,186	56,820		369,366		
Stock Loan @ 14%	56	2,013	468,739	62,493		406,246		
Stock Loan @ 14%	56	2,016	192,324	25,641		166,683		
Stock Loan @ 14%	29	2,016	673,660	89,814		583,847		
Stock Loan @ 14%	29	2,016	287,381	38,314		249,067		
Stock Loan @ 14%	29	2,017	392,223	52,292		339,931		
Stock Loan @ 14%	52	2,016	75,708	10,094		65,615		
Stock Loan @ 14%	52	2,016	4,736	631		4,105		
Stock Loan @ 14%	52	2,016	11,604	1,547		10,057		
Stock Loan @ 14%	52	2,013	150,877	20,115		130,762		
Stock Loan @ 14%	52	2,013	256,943	34,256		222,687		
Stock Loan @ 14%	52	2,013	870,280	116,028		754,252		
Stock Loan @ 14%	52	2,013	870,280	116,028		754,252		
Total long-term loans			5,394,415	719,195	-	4,675,220		

ANNUITY LOAN SANLAM/ABSA/INKA @ 16% SANLAM/ABSA/INKA @ 16%	13	2,014	159,651	15,449	-	144,202
	13	2,014	29,697	2,873	-	26,824
			189,348	18,322	-	171,026
GOVERNMENT LOANS LOCAL GOVERNMENT LOANS DBSA						
Other @ 14.69%	56	2,013	26,957	3,982	-	22,975
Other @ 16.32%	56	2,017	303,091	16,611	-	286,480
Other @ 14.10%	13	2,010	18,497	8,619	-	9,877
Other @ 17.18%	56	2,010	119,665	22,981	-	96,684
Total Government Loans			468,210	52,193	-	416,017
TOTAL EXTERNAL LOANS			6,051,973	789,711		5,262,262

Appendix B

SCHEDULE OF EXTERNAL LOANS as at 30 June

Expenditure 2008	Budget 2009	Balance at June 2008	Expenditure during year	Redeemed Transferred or written off	Balance at 30 June 2009
60062668	32,454,380.00	171,273,307.00	16,822,797.00	847,187.00	#####
1505376	9,211,500.00	30,817,997.00	3,424,829.00	-57,335.00	34,300,160.00
0	-	721,374.00	-	-	721,374.00
0	-	34,797.00	-	-	34,797.00
805233	7,900,000.00	22,664,702.00	3,051,025.00	-	25,715,727.00
340325	-	786,864.00	-	-43,961.00	830,825.00
0	15,000.00				
216460	310,000.00	1,146,572.00			1,148,572.00
0	112,500.00	3,679,772.00			3,679,772.00
26996	50,000.00	28,996.00	42,105.00		69,101.00
20836	724,000.00	1,428,120.00	331,698.00		1,759,818.00
95526	100,000.00	328,799.00		-13,374.00	342,173.00
226310	210,000.00	26,070,316.00	-	904,522.00	25,165,794.00
0	-	47,618.00	-	-	47,618.00
0	-	152,814.00	-	-	152,814.00
0	-	859,061.00	-	-	859,061.00

95260	-	1,685,471.00		-	1,685,471.00
131050	210,000.00	23,324,352.00		904,522.00	22,420,830.00
0	-	-	-	-	-
58330982	23,032,880.00	114,384,994.00	13,397,968.00	-	#####
0	2,200,000.00	2,644,446.00	174,737.00	-	2,819,183.00
618923	-	5,912,781.00		-	5,912,781.00
57712059	20,832,880.00	105,827,767.00	13,223,323.00		11,905,099.00
40000	15,000.00	4,682,815.00		-	4,682,815.00
4011289	6,170,120.00	68,518,107.00	7,750,033.00	-	76,268,143.00
213126	260,000.00	12,673,265.00		-	12,673,265.00
3798163	5,910,120.00	55,844,842.00	7,750,033.00	-	63,594,878.00
64113957	38,639,500.00	244,474,229.00	24,572,830.00	847,187.00	#####
		238,422,256.00	25,362,541.00	-847,187.00	#####
		8,308,214.00	789,711.00		9,097,925.00
		41,071,272.00	3,804,347.00	847,187.00	45,722,806.00
		720,467.00			720,467.00
		147,040.00			147,040.00
		2,269,064.00			2,269,064.00
		160,675,333.00	20,768,483.00		#####
		452,677.00			452,677.00
		24,778,189.00			24,778,189.00
		6,051,973.00	-789,711.00	1,694,374.00	5,262,264.00

**FINANCIAL
STATEMENT
FOR THE
YEAR ENDED
30 JUNE 2009**

**ANALYSIS OF OPERATING INCOME AND EXPENDITURE
FOR THE YEAR ENDED 30 JUNE 2009**

APPENDIX C

ACTUAL 2008		ACTUAL 2009	BUDGET 2009
INCOME			
27,721,437	GRANTS AND SUBSIDIES	62,558,361	28,397,210
27,282,039	Governmental grants	62,074,111	27,282,000
439,398	District Municipality	300,000	727,210
0	Provincial subsidies	184,250	388,000
61,582,159	OPERATING INCOME	65,263,426	57,905,927
11,881,506	Assessment rates	8,900,767	8,332,242
13,226,428	Sale of electricity	14,765,365	14,522,577
8,524,459	Sale of water	14,933,797	13,852,615
27,949,766	Other service charges	26,663,497	21,198,493
89,303,596		127,821,787	86,303,137

	EXPENDITURE		
30,426,360	Salaries, wages and allowances	36,198,299	30,818,790
35,668,599	General expenses	53,794,650	43,648,485
7,734,591	Purchase of electricity	11,460,728	8,540,000
578,278	Purchase of water	583,812	600,000
6,016,603	Indigents subsidised ex Equitable Share	2,588,755	10,862,359
21,339,127	Other general expenses	39,161,354	23,646,126
3,626,540	Repairs and maintenance	5,863,176	5,706,700
2,804,432	Capital charges	1,640,447	3,011,973
1,805,064	Contributions to fixed assets	24,572,830	2,529,000
6,735,007	Contributions to provisions	100,034	8,025,358
81,066,002	Gross expenditure	122,169,436	93,740,306
7,438,724	Less :Amounts charged out	7,751,514	7,438,723
73,627,278	Net expenditure	114,417,922	86,301,583
15,676,318	Net(Deficit)/Surplus	13,403,865	1,554

MANTSOPA MUNICIPALITY
FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

APPENDIX D

2008 Actual Income R	2008 Actual Expenditure R	2008 Surplus (Deficit) R		2009 Actual Income R	2009 Actual Expenditure R	2009 Surplus/ (Deficit) R	2009 Budget Surplus/ (Deficit) R
65,360,104	48,523,365	16,836,739	RATES AND GENERAL				
			SERVICES	89,392,912	78,916,077	10,476,835	# (2,650,648)
43,955,176	27,631,277	16,323,899	Communtiy services	50,836,735	44,665,974	6,170,761	# 653,633
11,881,506	0	11,881,506	Assessment rates	8,900,767	0	8,900,767	8,332,242
973,064	695,060	278,004	Environmental Health Project Management Unit	1,625,448	800,461	824,986	0
0	516,713	(516,713)		436,742	950,979	(514,237)	0
0	1,025,383	(1,025,383)	Development	1,565,851	1,448,280	117,571	(461,360)
3,968,526	4,892,522	(923,996)	Roads & streets	7,537,138	8,621,740	(1,084,603)	(2,107,601)
3,138,583	6,106,520	(2,967,937)	Town clerk & council	5,404,931	8,092,249	(2,687,318)	(1,044,471)
235,909	3,635,522	(3,399,613)	Town Secretariat Internal Audit	492,736	3,516,007	(3,023,271)	(3,782,263)

0	397,211	(397,211)		440,273	351,419	88,854	(444,111)
287,395	644,127	(356,732)	IDP	787,395	1,157,275	(369,880)	(621,784)
23,337,873	8,869,578	14,468,295	Town Treasurer	23,510,695	19,041,082	4,469,613	1,561,687
132,320	848,641	(716,321)	Traffic services	134,761	686,482	(551,721)	(778,706)
1,439,288	4,629,358	(3,190,070)	Subsidised services	3,620,476	5,615,631	(1,995,155)	# (4,212,619)
81,793	2,327	79,466	Cemetery	84,068	6,245	77,822	3,676
412,832	919,019	(506,187)	Fire protection	1,295,710	1,069,128	226,582	(619,248)
77,602	1,127,402	(1,049,800)	Library	1,304,635	1,247,337	57,297	(1,238,609)
0	1,209,262	(1,209,262)	Parks & recreation	0	2,014,669	(2,014,669)	(1,594,645)
867,061	1,371,348	(504,287)	Properties	936,064	1,278,251	(342,187)	(763,793)
19,965,640	16,262,730	3,702,910	Economic service	34,935,701	28,634,473	6,301,229	# 908,338
6,521,885	6,059,978	461,907	Refuse removal	6,311,586	6,055,589	255,997	45,498
13,281,559	9,805,565	3,475,994	Sewerage	28,624,115	22,505,006	6,119,109	862,840
162,196	397,187	(234,991)	Farming	-	73,878	(73,878)	0
227,368	699,647	(472,279)	HOUSING SERVICE	450	586,693	(586,243)	(497,443)
23,716,124	24,404,266	(688,142)	TRADING SERVICE	38,428,425	34,915,152	3,513,273	# 3,149,645
			Electricity				

13,396,470	11,287,166	2,109,304		14,881,532	16,062,193	(1,180,660)	2,260,480
10,319,654	13,117,100	(2,797,446)	Water	23,546,893	18,852,959	4,693,933	889,165
89,303,596	73,627,278	15,676,318	TOTAL	127,821,787	114,417,922	13,403,865	1,554
		(16,802,806)	Appropriation for the year (Refer Note 18)			4,556,992	
		(1,126,488)	Net surplus/(deficit) for year			17,960,857	
		29,396,705	Accumulated surplus/(deficit) beginning of the year			28,270,217	
		28,270,217	Accumulated surplus/(deficit) at end of the year			46,231,074	

MANTSOPA MUNICIPALITY**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

OTHER DETAIL INFORMATION NEEDED I.T.O. MFMA Sec 125(1)

APPENDIX H

	BUDGETED 2009	ACTUAL 2009
TAXES		
SITE and PAYE		2,952,851
VAT		73,239
LEVIES		
Skills Development Levy		286,198
Compensation Commissioner		312,679
SALGA		190,000
SALGBC		24,792
UIF		490,664
DUTIES		
SAMRO		3,906

PENSION FUND CONTRIBUTIONS

Freestate Municipal Providend Fund	318,937
Freestate Municipal Pension Fund	527,339
SALA Pension Fund	776,686
SALA/Municipal Councillors P Fund	468,464
SAMWU National Providend Fund	2,204,845
Local Government Pension Fund	316,320
SANLAM Retirement Fund	90,000
SANLAM Group Scheme	869,450
Old Mutual Employees Benefits(Orion)	91,139
Investec Employee Benefits	11,824

5,675,004**MEDICAL AID CONTRIBUTIONS**

Key Health /Munimed	1,037,894
LA Health	24,150
Bonitas	1,976,538
Hosmed	108,219
SAMWUMED	1,007,833

4,154,634

MANTSOPA MUNICIPALITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

STATISTICAL INFORMATION

APPENDIX F

GENERAL STATISTICS				2007/2008	2008/2009
Population				56930	56930
Valuation of property taxable Date of valuation from July 2008 till June 2008	Properties			531861871	149207361
	Improvements			499738185	0
Valuation of property non-taxable Date of valuation from July 2008 till June 2008	Properties			542323	130883650
	Improvements			3939300	0
Valuation of residential property	Properties			304088330	74670680
	Improvements			344606150	0
Valuation of commercial property	Properties			5994802	39557460
	Improvements			68615994	0

Number of residential properties			9326	9326
Number of commercial properties			434	434
Number of farms			1240	1856
Assessment rates : Cent in the rand				
Residential	Properties		0.0145	0.0050
	Improvements		0.0145	0.0000
Commercial	Properties		0.0270	0.0100
	Improvements		0.0270	
Industrial	Properties		0.0195	0.0100
	Improvements		0.0195	0.0000
Agricultural	Properties		0.0040	0.0009
	Improvements		0.0040	0.0000
Discount allowed				
Number of employees			264	274

STATISTICAL INFORMATION *(Continue)*

ELECTRICITY	2008	2009
Number of users	2165	2165
Units bought	38289181	42887200
Units sold	27905876	27042793
Units lost in distribution	10383305	15844407
Units lost percentage of units bought	27.12	36.94
Cost per unit bought	0.20	0.27
Randvalue loss in distribution	2097475	4234094
Cost per unit sold	0.40	0.59
Income per unit sold	0.48	0.61

WATER				2008	2009
Number of users				11854	11854
Units bought				N/A	N/A
Units sold				2841486	56315618
Units lost in distribution				N/A	N/A
Units lost percentage of units bought				N/A	N/A
Cost per unit sold				4.62	3.34
Income per unit sold				3.63	4.00

CHAPTER 8

REPORT OF THE AUDIT COMMITTEE

Audit Committee

Municipal Manager

INTERNAL AUDIT REPORT FOR THE 2008/2009 FINANCIAL YEAR

We have pleasure in submitting our Internal Audit Report for the abovementioned period.

The attached report records the result of our internal audit findings and recommends possible ways in which the controls could be improved to overcome the identified weaknesses.

We would like to express our appreciation to the various staff members of the Department who have assisted us in carrying out our work.

We would be pleased to provide you with further assistance and request that you do not hesitate to contact us with any queries you may have.

Yours faithfully

ME. Motshabi

INTRODUCTION

According to the internal audit practice advisories, the CAE should consider providing communications to the audit committee by issuing periodic reports to the audit committee and management summarizing the results of audit activities and keep the audit committee informed of emerging trends and successful practices in internal auditing.

The purpose of Internal Audit is to ascertain whether the system established provides reasonable assurance that the organization's objectives and goals will be met efficiently and economically.

DEVELOPMENT OF THE AUDIT STAFF

The municipality has absorbed two internal audit trainees, one as the audit clerk; KF Motjakotja and the other as an internal audit intern; TJ Matyesini. The audit clerk has so far received sufficient in-house training on her duties and the intern still has to undergo more training on the review of the audited work and management of the audit unit, however he has been exposed to the management level activities.

ACHIEVEMENTS

- ☐ The office completed all the projects mentioned in the internal audit coverage plan.
- ☐ Appointment of the internal audit intern, it contributed to the growth and enhanced the effectiveness of the effectiveness of the internal audit unit.

CHALLENGES

- ☐ The staff in the internal audit has not undergone formal trainings for the year.
- ☐ The internal audit staff has not gone for training of the computer system (Team Mate) they are using and therefore they cannot use all commands on the system.
- ☐ Shortage of staff where the internal auditor resigned and the audit clerk went on maternity leave. Nevertheless, two audit trainees were appointed in the absence of the two.
- ☐ Management takes too long to respond to internal audit and Auditor Generals queries.

SCOPE OF WORK

Our work covered the following areas:

DATES	AUDITABLE ACTIVITY	STATUS
11-15 August 2008	Follow up audit	Completed
18-29 August 2008	Performance audit	Completed
1-12 September 2008	IT Audit	Completed
15-30 September 2008	Traffic Management	Completed
1-17 October 2008	Face Value	Completed
20-7 November 2008	Fixed assets	Completed
10-28 November 2008	Follow-up	Completed
12-30 January 2009	Logistics and disposals	Completed.
2-20 February 2009	Telephones and Cell phones	Completed.
23-13 March 2009	Leaves	Completed.
1-17 April 2009	Demand and acquisition	Completed
20-8 May 2009	Tariffs	Completed
11-29 May 2009	Purification plants	Completed
1-19 May 2009	Performance Audit	Completed

SOURCES OF INFORMATION

Discussions were held with relevant staff members for information and we also reviewed the Departmental policies and source documentation.

FRAUD AND INTERNAL CONTROL

Internal audit work is planned with a reasonable expectation of detecting significant control weaknesses in the specific areas reviewed. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected. Accordingly, our reviews and investigations as internal auditors should not be relied upon solely to disclose fraud, defalcation or other irregularities that may exist.

REPORT CLASSIFICATION

In order to assist management to allocate resources to address the weaknesses and improve control, we have assigned subjective ratings to each of our recommendations. The categories and key to these ratings are as follows:

CATEGORY

Impact: The possible effect of the weakness in management strategy on the organization.

Likelihood: The probability of a risk occurring without any controls.

RATING

H: High – Will have a significant long term effect on the Department

M: Medium – Can be managed with additional input and resources

L: Low – Only likely to happen once every two years or more

SUMMARY OF SIGNIFICANT FINDINGS

Our findings as set out below in summary have been set out in detail in Section B for your review.

1ST AND 2ND QUARTER

NO.	Risks and findings identified during the audit	Risk rating	Detailed findings references
1.	Enabling environment for corruption	High	Ex.1
2.	The use of suppliers who are not registered and who do not qualify.	High	Ex.2
3.	Favouritism during selection of suppliers.	High	Ex.3
4.	Unable to charge services accordingly	Medium	Ex.4
5.	Unable to meet anticipated revenue	High	Ex.4
6.	Loss of income	Medium	Ex.5
7.	Unbudgeted increase on provision for bad debts	High	Ex.5
8.	Theft of assets at purification plants	High	Ex.6
9.	Employees working at the purification plants could be easily injured	Medium	Ex.6
10.	The municipality will not provide good quality of water	High	Ex.7+8
11.	Employees will be affected by various diseases	Medium	Ex.9
12.	Difficulty in measuring and assessing implementation of service delivery	High	Ex.10
13.	The employees will not be properly informed about their daily duties & functions	Medium	Ex.11
14.	Creation of negative image for the municipality.	High	Ex.12
15.	Information provided in the reports may no longer be relevant to the readers.	Medium	Ex.12
16.	Fraud could occur based on the nature of the process	High	Ex.13

17.	Underperformance cannot be detected	Medium	Ex.14
18.	Process of consolidation and submission of reports could be delayed	Low	Ex.15
19.	Unable to implement corrective measures in time	High	Ex.15
20.	The employees may not perform their duties as expected	Medium	Ex.16
21.	Unable to identify where the performance of the employee is lacking	Medium	Ex.16

3RD QUARTER

NO	Risks and findings identified during the audit	Impact	Likelihood	Detailed findings references
1.	The municipality will pay a lot of money for leave days due when the employee resigns.	Major	likely	Ex.1
2.	Unbudgeted payments to employees can result to wasteful expenditure.	Major	Likely	Ex.1
3.	There may not be proper relieve arrangements, therefore having a negative impact on service delivery.	Major	Unlikely	Ex.2
4.	The municipal employee may get injured while on unapproved leave and claim that he/she was on duty.	Major	Unlikely	Ex.2
5.	Creation of unethical culture within the municipality.	Moderate	Moderate	Ex.2
6.	The employees will sign the register for the days absent and claim to be paid a full salary.	Major	Unlikely	Ex.3
7.	Misuse of the system	Major	Likely	Ex.4
8.	Backlogs on service delivery due to employees who are always on leave.	Catastrophic	Unlikely	Ex.4
9.	Employment of more casuals to relieve people on leave and this will cause irregular expenditure and deficit on the budget.	Major	Moderate	Ex.4
10.	Creation of an enabling environment for employees to take leave as they please and report to their supervisors about their whereabouts	Moderate	Likely	Ex.4
11.	Creation of bad credit record to the suppliers, which will make the suppliers, deny us to make purchases on credit.	Major	Likely	Ex.5
12.	The municipality will stay with a huge number of obsolete assets therefore impacting on the fair presentation of financial statements.	Major	Likely	Ex.6
13.	Unethical culture amongst the employees as they will be used to processing transactions without required documents.	Major	Unlikely	Ex.7
14.	Uneconomical acquisition of goods and services.	Moderate	Unlikely	Ex.7
15.	Unauthorised purchases of cell phones	Moderate	Unlikely	Ex.7
16.	Discrepancies may go undetected.	Major	Likely	Ex.8
17.	Create impression to other employees that they should assume property of the municipality to be theirs.	Moderate	Likely	Ex.8
18.	Municipality will pay additional subscription for new employees.	Moderate	Likely	Ex.8
19.	Employees may buy cell phones for their personal use	Minor	Unlikely	Ex.8
20.	Creation of fictitious employees	Moderate	Unlikely	Ex.8
21.	Fruitless and wasteful expenditure.	Major	Likely	Ex.9
22.	An employee may be issued with more than one cell phone.	Moderate	Unlikely	Ex.10
23.	The custodian of cell phones may steal them without anyone detecting.	Minor	Unlikely	Ex.10
24.	The municipality may be paying more than the amount agreed upon in the original contract.	Moderate	Unlikely	Ex.11

4TH QUARTER

N0	Risks and findings identified during the audit	Impact	Likelihood	Detailed findings references
1.	The municipality will pay a lot of money for leave days due when the employee resigns.	Major	likely	Ex.1
2.	Unbudgeted payments to employees can result to wasteful expenditure.	Major	Likely	Ex.1
3.	There may not be proper relieve arrangements, therefore having a negative impact on service delivery.	Major	Unlikely	Ex.2
4.	The municipal employee may get injured while on unapproved leave and claim that he/she was on duty.	Major	Unlikely	Ex.2
5.	Creation of unethical culture within the municipality.	Moderate	Moderate	Ex.2
6.	The employees will sign the register for the days absent and claim to be paid a full salary.	Major	Unlikely	Ex.3
7.	Misuse of the system	Major	Likely	Ex.4
8.	Backlogs on service delivery due to employees who are always on leave.	Catastrophic	Unlikely	Ex.4
9.	Employment of more casuals to relieve people on leave and this will cause irregular expenditure and deficit on the budget.	Major	Moderate	Ex.4
10.	Creation of an enabling environment for employees to take leave as they please and report to their supervisors about their whereabouts	Moderate	Likely	Ex.4
11.	Creation of bad credit record to the suppliers, which will make the suppliers, denies us to make purchases on credit.	Major	Likely	Ex.5
12.	The municipality will stay with a huge number of obsolete assets therefore impacting on the fair presentation of financial statements.	Major	Likely	Ex.6
13.	Unethical culture amongst the employees as they will be used to processing transactions without required documents.	Major	Unlikely	Ex.7
14.	Uneconomical acquisition of goods and services.	Moderate	Unlikely	Ex.7
15.	Unauthorised purchases of cell phones	Moderate	Unlikely	Ex.7
16.	Discrepancies may go undetected.	Major	Likely	Ex.8
17.	Create impression to other employees that they should assume property of the municipality to be theirs.	Moderate	Likely	Ex.8
18.	Municipality will pay additional subscription for new employees.	Moderate	Likely	Ex.8
19.	Employees may buy cell phones for their personal use	Minor	Unlikely	Ex.8
20.	Creation of fictitious employees	Moderate	Unlikely	Ex.8
21.	Fruitless and wasteful expenditure.	Major	Likely	Ex.9
22.	An employee may be issued with more than one cell phone.	Moderate	Unlikely	Ex.10
23.	The custodian of cell phones may steal them without anyone detecting.	Minor	Unlikely	Ex.10
24.	The municipality may be paying more than the amount agreed upon in the original contract.	Moderate	Unlikely	Ex.11

OTHER ISSUES

The management of risk is the process by which the Accounting Officer, Chief Financial Officer and the other senior management of a Municipality will pro-actively, purposefully and regularly, but at least annually, identify and define current as well as emerging business, financial and operational risks and identify appropriate, business and cost effective methods of managing these risks within the Municipality, as well as the risk to the stakeholders. The risk assessment was not reviewed for the financial year of 2008/2009 and this should be attended as a crucial matter to avoid queries from the Auditor General and also ensure that the risks are managed effectively to prevent them from materializing. By reviewing the risk assessment annually, it will assist the internal audit to effectively evaluate and contribute to the improvement of risk management.

The other matter of concern to the internal audit unit is the development of internal control and procedural manual. In the previous reports, the internal audit has emphasised the need to develop the manual. Our view is that with the current trend of resignations and so many vacant posts, the municipality require a strong and effective system of internal controls if they are to operate safely, soundly and efficiently. The manual will assist the person that has never performed the procedure, the person that is currently performing the procedure, the immediate supervisor of the person performing the procedure, as well as all other levels of management. It should also assist councillors to understand how certain procedures are performed.

The Chief Audit Executive has not yet been appointed due to budgetary constraints; management that new posts will be catered for in the adjustment budget therefore resolved it.

MANAGEMENT RESPONSE

Informal audit queries were issued to management to provide their responses. The internal audit unit received no response. Therefore management was again requested to respond on the queries before the final report can be submitted to the Audit Committee.

CONCLUSION

1ST AND 2ND QUARTER

Demand and acquisitions

Management is not aware of minor transactions that are processed without their approval, one can conclude that the environment can be enabling to theft. This also means that the municipality's internal controls are not adequate enough to prevent or detect fraudulent activities from occurring. The MFMA section 32(2), clearly states that the municipality must recover unauthorized, irregular or fruitless and wasteful expenditure, from the person liable for that expenditure. The municipality must develop and implement adequate and effective internal controls.

Tariffs

During the audit, a sample of stands were selected from Mauersnek, the internal audit intern together with the data capturer visited those households to verify that there are services at those stands. It was discovered at certain stands there are no meters but the stands have access to water, and some stands do not appear in the meter books. The meter readers should have detected the matter whilst reading meters and reported them to their superiors. The meters should be installed at those stands and meter books be updated accordingly.

Purification plants

It was discovered during the audit that there is one person per shift working at the purification plants, employees do not have protective clothing and training on health and safety and that the broken machinery is not replaced. It is hereby recommended that, management revisit the plants assess the situation. At least two workers must work at Genoa plant at night due to the fact that people crossing the border illegally, and the unsafe of the place can rob them. Employees working at purification plants must be sent for health and safety training.

PMS

The management do not submit reports timely therefore making it difficult for the PMS office to consolidate and report timely to the Municipal Manager and council. Due to the late submission, the PMS office is unable to verify the results of performance in order for the internal audit office to also perform the quarterly audits as stipulated in the systems Act.

2ND QUARTER

Logistics and disposals

Based on the work performed and observations, the controls around the activity are not sound to prevent and detect the occurrence of risks. This can be supported by the recent activities in the division where the division was experiencing difficulties with the system, late payment of creditors and shortage of staff. It is recommended that the manager develop procedural manual and correct intervention strategies so that in the case where a staff member is absent, someone else can take over.

Telephones and cell phones

The controls are not adequate due to the fact that the custodian of the cell phones is also the one who initiates the purchasing of the phones and is also responsible for the updating of the register, meaning that there is no segregation of duties. It was also established that the purchasing of the cell phones is done telephonically without following the supply chain policy and chapter 11 of the MFMA. The current cell phone policy must be reviewed for adequacy and effectiveness.

Leaves

The controls are adequate but ineffective, due to the fact that the department does not have strategic officials to see to the implementation of the correct intervention strategies. The other contributing factor to the weakness of controls could be the non-review of the human resource strategy. The fact that the positions are long overdue may have implications on service delivery and day-to-day operations of the municipality and people at junior levels are not able to implement policies and procedures effectively without supervision and are also not able to identify and report loopholes within the system. Therefore we recommend that the positions of Manager Corporate services and Chief Corporate Officer be filled as soon as possible.

4TH QUARTER

Logistics and disposals

Based on the work performed and observations, the controls around the activity are not sound to prevent and detect the occurrence of risks. This can be supported by the recent activities in the division where the division was experiencing difficulties with the system, late payment of creditors and shortage of staff. It is recommended that the manager develop procedural manual and correct intervention strategies so that in the case where a staff member is absent, someone else can take over.

Telephones and cell phones

The controls are not adequate due to the fact that the custodian of the cell phones is also the one who initiates the purchasing of the phones and is also responsible for the updating of the register, meaning that there is no segregation of duties. It was also established that the purchasing of the cell phones is done telephonically without following the supply chain policy and chapter 11 of the MFMA. The current cell phone policy must be reviewed for adequacy and effectiveness.

Leaves

The controls are adequate but ineffective, due to the fact that the department does not have strategic officials to see to the implementation of the correct intervention strategies. The other contributing factor to the weakness of controls could be the non-review of the human resource strategy. The fact that the positions are long overdue may have implications on service delivery and day-to-day operations of the municipality and people at junior levels are not able to implement policies and procedures effectively without supervision and are also not able to identify and report loopholes within the system. Therefore we recommend that the positions of Manager Corporate services and Chief Corporate Officer be filled as soon as possible.

CHAPTER 10

CORRECTIVE ACTIONS TO BE TAKEN OR TO BE TAKEN

1. Objective

The main objective of this action plan is to outline the information that will be required for the preparation of the Annual Financial Statements of MANTSOPA. The plan furthermore seeks to detail how the Annual Financial Statements will be prepared and the challenges that were experienced during the preparation of Interim Financial Statements.

The Financial Accounting Directorate believes that implementation of this action plan will eliminate majority of the challenges experienced during the preparation of 2008/9 financial Statements and put the Entity on a right cause to submit GRAP compliant 2009/10 financial statements to Auditor General and consequently provide sufficient time to compile the National Treasury template within the stipulated time frames in the MFMA

2. Background

The General Ledger for the month of June 2010 will close on 9 July 2010; the financial information from SEBATA should be available two weeks after General Ledger closing date on 30 June 2010, for purposes of preparing the Annual Financial Statements of MANTSOPA.

It is imperative for MANTSOPA to comply with the due dates indicated in section 126(1)a of the MFMA, as there will be no exception to the requirement to submit the AFS to the Auditor General and the National Treasury.

MANTSOPA developed an action plan on the management reports issued at the end of the audit. This action plan focuses on the information that the MANTSOPA should prepare and or have available in order to ensure that the matters identified by the AG regarding the preparation of the AFS are addressed. This will also assist in streamlining the AFS preparation process, ensure that the AFS preparation team spends more time preparing and reviewing the AFS than on matters that should be resolved before hand.

The AFS preparation team that the Annual Financial Statements will be prepared by following the following broad steps:

- Review of the audit report issued by the AG for last financial year.
- Review of the management letters issued by the AG for 2008/9
- Formulation of the Annual Financial Statements plan;
- Communication with Council regarding the expected deliverables from Annual Financial Statements.
- Communication of the expectation as per the plan with all section 57 managers and accounting officer to ensure that the information needed can be provided on time in the required format.

- Closure of the financial information system (sebata) on 30 June 2010
- Review of the Annual Financial Statements with management;

- Submission of the Annual Financial Statements to the AG for audit / review;
- Review of feedback received from the AG;
- Close out report on the Annual Financial Statements that includes:
 - Analysis of the results of the Annual Financial Statements;
 - Report on the major problem areas identified; and
 - Recommendations on how these problem areas can be addressed.

3. Annexure – Detailed Action Plan on Annual Financial Statements

#	Action(s)/Submissions	Responsible Official	Due date	Classification in the Financial Statements	concerns from the AG in 2008/2009 Audit Report
PROPERTY, PLANT AND EQUIPMENT					
1	Complete, updated and accurate assets register for the purposes of compiling the AFS.	Mantsopa project team	30June2010	Statement of Financial Position: Property, Plant and Equipment	Statements not complied with Grap 17
2	Update general ledger with details of prior year infrastructure assets and moveable assets adjustments to align the trial balance with the AFS for 2009/2010.	K Pharoe/ P Le Roux	30June2010	Statement of Financial Position: Property, Plant and Equipment	
3	Reconcile the balance on trial balance to the asset registers.	P Le Roux	9July2010	Statement of Financial Position: Property, Plant and Equipment	
5	Technical provide infrastructure asset register with a list of completed projects for the period to include as transfers in/acquisitions in PPE.	T Selepe	30June2010	Statement of Financial Position: Property, plant and equipment	
6	Movement schedule for rebuilds capitalised, indication opening balance, additions, transfers from WIP and depreciation. (2008/09 and 2009/10)			Statement of Financial Position: Property, plant and equipment	
7	An updated assets register reflecting <ul style="list-style-type: none"> ▪ revalued amount; and ▪ Other intangible assets 	S nkongoane	9 July2010	Statement of Financial Position: Property, Plant and Equipment	

#	Action(s)/Submissions	Responsible Official	Due date	Classification in the Financial Statements	concerns from the AG in 2008/2009 Audit Report
LEASED ASSETS AND LEASE LIABILITIES					
8	<p>Leased assets register that has the following:</p> <ul style="list-style-type: none"> Finance lease obligation information, interest and capital amounts; and Update of the payments made on Finance/operating leases to the long and short term lease liabilities. 	S Rasekete/k pharoe	30May2010	Statement of Financial Position: Property, Plant and Equipment	
9	<p>Movement schedule for long-term lease obligation reflecting:</p> <ul style="list-style-type: none"> Opening balance Additions Repayments Interest capitalised Transfers to short-term lease obligation <p>Comparative information required</p>	Mantsopa project team	30June2010	Statement of Financial Position: Finance leases liabilities	
10	<p>Movement schedule for short-term lease obligation reflecting:</p> <ul style="list-style-type: none"> Opening balance Repayments Transfers from long-term lease obligation <p>Comparative information required</p>	Mantsopa project team	30June2010	Statement of Financial Position: Finance lease liabilities	
11	Separate the present value of minimum lease payment into current borrowings and non -current borrowings.	J Mazinyo/ P le Roux	30June2010	Statement of Financial Position: Finance lease liabilities	

#	Action(s)/Submissions	Responsible Official	Due date	Classification in the Financial Statements	concerns from the AG in 2008/2009 Audit Report
12	Future minimum lease payment under finance lease which includes <ul style="list-style-type: none"> < 1 year >1 year < 5 years 	Mantsopa project team	30june2010	Statement of Financial Position: Finance lease liabilities	
13	Review leases to determine <ul style="list-style-type: none"> Validity; New finance leases; and Straight lining of operating leases. 	Mantsopa project team	30 June2010	Statement of comprehensive income: Operating leases	
14	Lease terms and the effective interest rates and the options available to the lease at the end of the lease term.	Mantsopa team	30June2010	Statement of Financial Position: Finance lease liabilities	
15	Review the repairs and maintenance general ledger accounts to determine whether items of a capital nature are not incorrectly included	M Matsunyane	monthly	Statement of Financial Position: Property, plant and equipment Statement of comprehensive Income: Repairs and Maintenance expenditure (Operating expenditure)	
REVENUE AND RECEIVABLES					
16	Review the unidentified deposits/cash suspense accounts to determine that all receipts for asset disposals are not incorrectly included.	P Le roux		Statement of comprehensive income: Revenue	
17	Revenue Interest income Trade receivables	P Le Roux		Statement of comprehensive income: Revenue	

#	Action(s)/Submissions	Responsible Official	Due date	Classification in the Financial Statements	concerns from the AG in 2008/2009 Audit Report
	Provision for doubtful debts (Trade Receivables)			Statement of Financial Position: Trade receivables	
18	Clear unallocated deposits suspense account	M Tsaoane		Statement of comprehensive	
19	Discount trade receivables and provide supporting documentation for the auditors.	P Le Roux	30June2010	Statement of Financial Position: Trade Receivables	
20	Update the provision for doubtful debts and provide <ul style="list-style-type: none"> the methodology utilised for disclosure in the AFS. The amount for specific and collective assessment. 	J Mazinyo	30June 2010	Statement of Financial Position: Trade Receivables	
21	Movement schedule for the provision for doubtful debts reflecting: <ul style="list-style-type: none"> Debtors written-off Increase/decrease in provision for the year 	P Le Roux	30June2010	Statement of Financial Position: Trade Receivables	
INVENTORY					
22	Process inventory count differences	S Nkongoane	15july2010	Statement of Financial Position: Inventory	
23	Physical inventory count	S Nkongoane/R Mokatsanyane	30June2010	Statement of Financial Position: Inventory	
24	Check that the average price method is consistently applied when goods are used	K Pharoe	30June2010	Statement of Financial Position: Inventory	
25	Review inventory listing for PPE items			Statement of Financial Position: Inventory	
26	Reconciliation between the stock sheet and Material Management report.	Mantsopa project team	30June2010	Statement of Financial Position: Inventory	

#	Action(s)/Submissions	Responsible Official	Due date	Classification in the Financial Statements	concerns from the AG in 2008/2009 Audit Report
27	Ensure government grants received are allocated appropriately and all grants received are accounted for.	J Mazinyo	30june2010	Statement of comprehensive income: Government Grant (revenue)	
28	Avoid late payments and interest payable which results in fruitless and wasteful expenditure.	L pitso	ongoing	Statement of comprehensive income: Operating expenditure	
29	<ul style="list-style-type: none"> Movement schedule reflecting <ul style="list-style-type: none"> Grants received; Grants released to income statement; and The projects that have been completed (funded by grants) for which depreciation should commence and charged against the revaluation reserve. 	J Mazinyo	30june 2010	Statement of financial position: Differed Income	
SUSPENSE ACCOUNTS					
30	Clear the. (Suspense Accounts)	P Le roux	monthly	Financial statements	
	Disclosure note for Capital Commitments			Disclosure notes	
STAFF COST					
31	Obtain list of guarantees provided to third parties for employees and other debtors	M phirime/L pitso	30June2010	Statement of financial position: Commitments	
32	Clear all monthly differences between payroll, ensure the monthly reconciliations are available to the auditors.	L Pitso	Monthly	Statement of comprehensive income: Employee cost expenditure	
33	Analytical review to determine whether overtime is more than 30% of the basic salary	L pitso	monthly	Statement of comprehensive income: Employee cost expenditure	
34	Payroll reports for	L pitso	30June2010	Statement of	

#	Action(s)/Submissions	Responsible Official	Due date	Classification in the Financial Statements	concerns from the AG in 2008/2009 Audit Report
	<ul style="list-style-type: none"> Performance bonus Leave provision 			comprehensive income: Employee cost expenditure	
35	payroll reports for package for all key management (section57and councilors to be disclosed in the AFS	L Pitso	30June 2010	Statement of comprehensive income: Employee cost expenditure	
36	Determine whether any of the staff debtors are impaired. Compute the provision for doubtful debt and provide <ul style="list-style-type: none"> The methodology utilised for disclosure in the AFS. The amount for specific and collective assessment. 	P Le Roux	30june2010	Statement of comprehensive income: Employee cost expenditure	
CONTINGENT LIABILITIES					
37	List of contingent liabilities for the MANTSOPA, amount claimed, current status of the claim and the likelihood of the plaintiff succeeding.	P Le Roux	30 June2010	Disclosure notes to the Financial Statements	
GENERAL					
38	Submission of final trial balance, AFS, adjusting journals and supporting documentation to auditors.	Auditor general support/JMazinyo	15July2010	Financial statements	

CHAPTER 11

SUMMARY OF CHALLENGES AND PLANS AHEAD

1. INSTITUTIONAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

Challenges

The IDP and OPMS division has despite challenges pertaining to lack personnel and adequate financial resources managed to implement the process plan as approved by council. However the following are noticeable challenges the municipality was faced with under this division:

- ☐ Building of internal capacity both political and administrative for implementation of the system. i.e. the IDP process,
- ☐ Deepening of a common ward based wide developmental vision at the local level,
- ☐ Ensuring the alignment of plans at all levels, and
- ☐ Strengthening the role of political leadership.

Measure to Improve Performance

- ☐ Revision of the IDP with particular emphasis on aligning with the District IDP and consolidation of sector plans and specialised programmes.
- ☐ Accelerate the implementation of the IDP through strengthening of monitoring, reporting and evaluation.
- ☐ Improve the implementation of PMS.
- ☐ Developing an institutional plan in order to improve IDP implementation.

Challenges

Despite the above achievements, the division recorded the following challenges during the financial year under review:

- ☐ High vacancy rate by various department more especially in the Technical Department;
- ☐ Review of the Human Resource strategy and other relevant policies and development of new by-laws;
- ☐ Employees who take leave before/without prior approval by the relevant Manager;
- ☐ Misuse of over time and
- ☐ High level of resignation particularly at middle management level.

Measures to improve performance

- ☐ Ensure that all vacant section 57 managers post are filled on time in the event of any vacancy.
- ☐ Provide necessary training to all ward committees of Mantsopa on their roles and responsibility, IDP and Budgeting and Performance Management Systems.
- ☐ Ensure adherence to code of conduct by all councillors
- ☐ Improve the proper functioning of ward committees and harness the working relations with Community Development Workers.

2. LOCAL ECONOMIC DEVELOPMENT

- ❑ Finalise the Mantsopa Local Economic Development Strategy and hosting of the Mantsopa LED summit.
- ❑ Build the capacity of SMMEs through partnership and usage of SEDA offices in Ladybrand.
- ❑ Improve the capacity in various LED initiatives through, among other things the continuation of capacity building in Mantsopa Local Municipality.
- ❑ Promote Tourism in Mantsopa Local Municipality with partnership with the District Municipality.

3. BASIC SERVICE DELIVERY

3.1. Water

Notwithstanding the above achievements, the municipality experienced the following challenges:

Capacity constraints: inability to recruit and/or retain competent staff as well as shortage of requisite resources (e.g. leaks detection equipment(s) to enhance efficiency and effectiveness of the water conservation and demand management)

Procurement Constraints: The difficulty to obtain / procure services of qualifying service providers (i.r.o Mechanical & Electrical Works) for the Water Treatment Works.

Water Resources Constraints: The municipality has bulk water storage capacity as one of its critical challenges. This is exacerbated by the increased water demand as a result of the sanitation option of full water borne.

Budgetary Constraints: There is an urgent need to sustain the water conservation and demand management unit to ensure the sustenance of provision of water services and cost savings. Equally urgent is the need to obtain sufficient budget for water quality monitoring programmes.

3.2. Sanitation

The above-mentioned challenges are also applicable to the sanitation division and the following are additional thereto:

Bucket Eradication Projects: Implementation of the bucket eradication projects at Boroa & Dipelaneng.

Sustainability and Affordability constraints: Sustenance of the full waterborne sanitation beyond implementation given the bulk water challenges in some areas

Health and Hygiene: Public participation and community awareness on health and hygiene related matters

3.3. Electricity

The need to strengthen the electricity infrastructure continues to be a challenge. This will help address outages experienced on regular basis during winter when the demand for electricity is high.

Demand Side Management need our urgent attention following the challenges in respect of the implementation of related programme and also considering possibilities of experiencing load shedding in the future.

Addressing challenges emanating from the service level agreement with Centlec. The issues referred to include the following: seconded staff, policy misalignments, institutional arrangements (e.g. private contractor vs. service provider) and vending.

Recruitment and retention of competent and skilled personnel

3.4. Roads and Stormwater

There are critical challenges relating to acute shortage of resources e.g. good quality gravel, equipment (e.g. water tank; tipper trucks, compactor, excavator etc.) and skilled work force. No information could be obtained for some of the old equipment. Repairs to these were also very difficult given their age.

Damage of road structure by heavy-duty vehicles particularly in Ladybrand CBD as well as the deterioration of roads infrastructure causes damage to under ground infrastructure viz. pipe bursts.

3.5. Solid Waste Management

Illegal dumping: solid waste is dumped on open spaces, parks, along the streets and roads and on vacant sites.

This created a lot of stress on the limited resources we have

Solid Waste Disposal Sites: the challenges range from unavailability of land for the establishment of the solid waste disposal sites (e.g. Tweespruit & Hobhouse) and to the registration of existing ones (e.g. Excelsior)

Lack of requisite resources i.e. human and physical resources to manage the sites effectively

3.6. Parks and Cemeteries

Inadequate resources

Loitering farm animals (e.g. cattle)

3.7. Mechanical Workshop

Some of the equipments and vehicles in use are relatively very old and took time to repair. To obtain spare parts for such was always time consuming and these delays inevitably translated into service delivery delays

3.8. Properties and Town Planning

Pleasant view development finalization of the purchase contract was still in process at the time of writing this report.

Fragmented reporting: Other issues of development will be reported under corporate services and these would include matters affecting areas like Platberg, Manyatseng, Dipelaneng, Dawiesville & Mahlatswetsa.

Lease Agreements: the cancellation of the lease agreement & contracts (e.g. the one between South Pole Civil Works and the Municipality as well as the one involving Pleasant View) had potential litigation challenges. This might negative financial implications to council.

None signing of lease agreements and non-compliance with Council resolutions also might have negative implications of Council (e.g. Tokologo Farmers' Association)

Residents who erect houses / buildings without submitting building plans for approval

Security of municipal properties is also a critical challenge that needs urgent attention.

3.9. PMU

Project Scope management

The scopes of work of the Tweespruit & Hobhouse Bucket Eradication projects changed from VIP to full water borne system (conventional) to full water borne closed circuit system during implementation.

Inclement weather and shortage of material

The projects were implemented during a time when there was a boom in construction sector and this had an effect on time (i.e. completion) such that extensions had to be granted. These had some effect on the reservoir project.

Unforeseen sippage

The pump station project at Excelsior is positioned next to the raw water storage dam which during the construction process leaked and the water disturbed the construction work.

Procurement

The services of competent and willing specialist in mechanical and electrical aspects of the projects could not be obtained timely. This had to be re-advertised

Measures to improve Performance

- ☐ Upgrade water reticulation in areas of Hobhouse and Tweespruit
- ☐ Source additional funding to complete bucket eradication project in Tweespruit and Hobhouse
- ☐ Upgrade electricity networks throughout Mantsopa Local Municipality area of jurisdiction among other things improve the capacity of all local transformers and development of Electricity Master Plan.
- ☐ Ensure provision of the RDP standard sanitation systems to communities in the rural areas.
- ☐ Improve and maintain road networks through the development of Public Transport Plan.
- ☐ Ensure regular waste removal through among other things preparation of the municipal Integrated Waste Management Plan.

4. GOOD GOVERNANCE AND ORGANISATIONAL DEVELOPMENT

Challenges

The division faced the following challenges:

- ☐ Postponement of Committee meetings, which resulted in late submission of items and ward minutes to the Committee Clerk due to other commitments by Committee chairpersons.
- ☐ The delivery of Council agenda and manual printing which is costing lot of paper and printing materials.

5. FINANCIAL VIABILITY AND MANAGEMENT

Challenges

Bank Reconciliation not balancing

- ☐ A difference dating from as far as in 2002 is still outstanding, but show as a reconciled item to the auditors.

Asset Management

- ☐ All assets were marked during the 2008/2009 financial year and the asset register balanced with the general ledger.

Audit Report

- ☐ Queries for the 2007/2008 were given to relevant departmental heads for further attention and correction.
- ☐ Queries relating to finance department were investigated and given necessary attention.
- ☐ Queries for the 2008/2009 were given to all relevant departments and are all receiving necessary attention.

Measures to improve performance

Develop revenue enhancement strategy to ensure minimal reliance on equitable allocations by National Treasury.

Ensure that annual financial statements are compiled in line with GRAP/GAMAP requirements.

Ensure that the 2010/2011 annual budget comply with GAMAP requirements.

Ensure that all National Government Grants are spent on time and in line with grant conditions

CHAPTER 12

APPENDICES

ASGISA - Accelerated and Shared Growth Initiative for South Africa
ATR - Annual Training Report
BEE - Black Economic Empowerment
CCMA - Council for Conciliation, Mediation and Arbitration
CIP - Comprehensive Infrastructure Plan
CRMA - Centre for Municipal Research and Advice
DBSA - Development Bank of Southern Africa
DEAT - Department of Environmental Affairs and Tourism
LG&H - Department of Local Government and Housing
DCGTA - Department: Cooperative Governance and Traditional Affairs
DM - District Municipality
DMA - Disaster Management Act
DME - Department of Minerals and Energy
DPLG - Department of Provincial and Local Government
DPSA - Department of Public Services and Administration
DPW - Department of Public Works
DORA - Division of Revenue Act
DWAf - Department of Water Affairs and Forestry
EDI - Electricity Distribution Industry
EDIR - Electricity Distribution Industry Restructuring
EE - Economic Empowerment
EMLDP - Executive Municipal Leadership Development Programme
EMT - Executive Management Team
EPWP - Expanded Public Works Programme
ESETA - Electricity Sector Education and Training Authority
Eskom - Electricity Supply Commission
ETU - Education and Training Unit
EXCO - Executive Committee
FFC - Financial and Fiscal Commission
GAAP - Generally Accepted Accounting Practice
GAMAP - Generally Accepted Municipal Accounting Practice
GDS - Growth and Development Summit
GRAP - Generally Recognised Accounting Practice
GWME - Government Wide Monitoring and Evaluation
HDIs - Historically Disadvantaged Individuals
HIL - Higher Institute of Learning
ICT - Information and Communication Technologies
IDP - Integrated Development Planning
IMFO - Institute of Municipal Finance Officers
IGR - Intergovernmental Relations
INCA - Infrastructure Finance Corporation Limited
IWRM - Integrated Water Resources Management

JE - Job Evaluation
 JIPSA - Joint Initiative on Priority Skills Acquisition
 KPA - Key Performance Area
 KPI - Key Performance Indicator
 LED - Local Economic Development
 LGES - Local Government Equitable Share
 LGSETA - Local Government Sector Education and Training Authority
 LODLOG - Local Democracy and Local Government (Training Programme)
 LR - Labour Relations
 MPRA - Municipal Property Rates Act
 MDGs - Millennium Development Goals
 METF - Medium-Term Expenditure Framework
 MFMA - Municipal Finance Management Act
 MIIF - Municipal Infrastructure Investment Framework
 MIG - Municipal Infrastructure Grant
 MoU - Memorandum of Understanding
 NA - National Assembly
 NCOP - National Council of Provinces
 NDOT - National Department of Transport
 NEPAD - New Partnership for Africa's Development
 NGOs - Non-Governmental Organisations
 NMA - National Members Assembly
 NQFL - National Qualifications Framework Level
 NSDP - National Spatial Development Perspective
 OCEO - Office of The Chief Executive Officer
 OHASA - Occupational Health and Safety Act
 OLG - Organised Local Government
 PAFTECH - Provincial Advisory Forum for Municipal Managers
 PALAMA - Public Administration Leadership and Management Academy
 PCF - Provincial Consultative Forum
 PGDS - Provincial Growth and Development Strategy
 PMS - Performance Management System
 POE - Portfolio of Evidence
 PSP - Professional Service Provider
 Reds - Regional Electricity Distributors
 RDP - Reconstruction and Development Programme
 RTLRS - Regional Transitional Labour Relations Structures
 SALGBC - South African Local Government Bargaining Council
 SAMWU - South African Municipal Workers Union
 SCM - Supply Chain Management
 SDBIP - Service Delivery Budget Implementation Plan
 SLA - Service Level Agreement
 WC - Water Conservation
 WDM - Water Demand Management
 WSA - Water Service Authority
 WSP - Workplace Skills Plan
 5YLGSA - Five-Year Local Government Strategic Agenda

CHAPTER 13

OVERSIGHT REPORT

- 1) **Title:** Oversight Report
 Year: 2008/2009

2) (i) **Summary of comments and conclusions on the Annual Report**

The annual report was tabled in the municipal council vide item 1766/30/06/2010 in a meeting held on 30 June 2010 that was open to the public as stipulated in Section 130 of the Municipal Finance Management Act. (Act 56 of 2003)

The oversight report was tabled in a meeting held on 31 August 2010.

A notice was published i.t.o. Section 21A of the Municipal Systems Act (Act 32 of 2000) to make the annual report public and whereby the local community was invited to submit representations in connection with the annual report. No representations were received.

(ii) **The following comments and conclusions are recorded:**

(1) Summary of reservations

No reservations.

(2) Summary of components to be revised

No components to be revised.

(3) Summary of reasons for rejection of report

Report not rejected.

(4) Components

All components were tabled.

3) **Resolution**

- (a) That, having fully considered the annual report (2008/2009) of the municipality, and having noted that no representations were received, the oversight report (2008/2009) be adopted.
- (b) That the annual report (2008/2009) as tabled vide item 1766/30/06/2010 be approved as tabled without any reservations.