



**ANNUAL REPORT FOR
THE PERIOD ENDED 30
JUNE 2012. [DRAFT]**

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CHAPTER 1: INTRODUCTION AND OVERVIEW

1. MAYOR'S FOREWORD



Cllr SD Ntsepe

On behalf of Mantsopa Local Municipality, it is my honor and privilege to present the Annual report for the period ending 30 June 2012. The report will therefore, cover the period 01 July 2011 to 30 June 2012 as required in terms of section 121 of the Local Government: Municipal Finance Management Act no 56 of 2003.

LED and Tourism

Mantsopa Local Municipality has accomplished a significant development with the implementation of street cleaning and greening projects in partnership with the Department of Environmental Affairs and Tourism (Indalo-Yethu). The project has cost about R30 million and employed 283 local residents with majority being unemployed youth for the period of two years.

Basic Services

In terms of meeting the basic needs of our residents, the municipality is working tirelessly towards achieving objectives as set out in the municipality Integrated Development Plan. The following are milestones which the municipality managed to achieve during the financial year under review:

- Implementation of phase three bucket eradication in Tweespruit
- Implementation of phase three bucket eradication in Hobhouse
- Upgrading of Tlali streets in Ladybrand
- Upgrading of Fifth Street in Ladybrand
- Upgrading of streets in Koma Village in Excelsior

Housing and Land

The municipality allocated sites to land restitution beneficiaries and beneficiaries on the waiting list at Platberg. The other achievement was approval of sites in Excelsior, these sites to be allocated to beneficiaries as soon as possible.

218 sites were also approved in Hobhouse and to be allocated to beneficiaries as soon as possible as well.

Funding was also received for provision of services to the above mentioned newly developed sites in Excelsior, Manyatseng and Hobhouse.

Indigent Support

The municipality has embarked on an awareness programme/campaign to encourage communities from poor households to come and register as indigent and during the financial year under review 4300 households received free service from the municipality.

Public participation

In terms of public participation, the creation of appropriate and relevant community participation mechanisms, processes and procedures are vital. This programme aims at ensuring that communities are part of decision making processes with the council. The programme encourages communities to utilise their strengths and move away from the dependency syndrome.

Conclusion

However, education, skills development and training, apprenticeship and certification of artisans remain the largest transformational challenge in a depressed job market, where a large percentage of the workforce is unemployed.

Together with our administration, we should harness the political will and capacity to deal with the issues of discipline in following-through and getting things done to improve the quality of life of our people.

Finally, sincere appreciation goes to my fellow councilors, the Municipal Manager, senior management team, all municipal employees and the public for their commitment and dedication to the Mantsopa Local Municipality.

.....
COUNCILLOR SELLO DENNIES NTSEPE
MAYOR

2. MUNICIPAL MANAGER'S FORWARD



Mr. SM Selepe

It is an honour and privilege to present the Mantsopa Local Municipality's 2011/2012 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 2011/2012 financial year;
- To provide a report on the services delivery and budget implementation plan of the municipality during the 2011/2012 financial year; and
- To promote accountability to the community we serve as the municipality.

During the 2011/2012 financial year the municipality has managed to implement the following capital projects with the intention of improving infrastructure in the municipality and provide access to improved services to all residents of Mantsopa which were part of the Integrated Development Plan developed through rigorous community and stakeholder consultation:

- Bucket eradication in Tweespruit Phase 3
- Bucket eradication in Hobhouse Phase 3
- Upgrading of Tlali Street in Ladybrand
- Upgrading of Fifth Street in Ladybrand
- Upgrading of Oxidation Ponds in Thaba Patchoa
- Upgrading of streets in Koma Village Excelsior

During the financial year under review the municipality continued to implement its debt collection strategy with the objective of maintaining and sustaining a municipality that is financially viable.

As part of our responsibility to maintain good and clean governance the municipality has during the financial year under review appointed three members for the internal audit committee as required in terms of the MFMA and appointed an Internal Auditor for this purpose.

During the financial year under review the performance management system was only applicable to section 56 managers. All section 56 managers of the municipality concluded their performance agreements linked to the organisation service delivery and budget implementation plan as required by applicable legislation (MFMA).

The municipality has a performance management policy in place and performance management framework adopted by council. As part of monitoring and evaluation managers submit monthly and quarterly performance assessments reports to the Municipal Manager to detect early warnings for poor performance. Midyear performance assessment was also conducted for the financial year under review in order to evaluate institutional performance for half yearly.

The IDP and Budget consultation with the community were conducted as per council approved IDP review process plan and budget time table. Let me take this opportunity to thank the community of Mantsopa for taking this process seriously by participating in big numbers to ensure that the process remains community driven. The municipality IDP was rated medium by the Provincial IDP assessment team and major issues raised by the team

was that the IDP was not performance based, sectoral plans not reviewed for some time and the SDF was not reviewed annually as required by the law.

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).

I extend my sincere appreciation to the section 56 managers, senior managers and all council employees for their dedication and contributions for having made the 2011/2012 a year of business unusual.

.....
SM SELEPE
MUNICIPAL MANAGER

3. OVERVIEW OF THE MUNICIPALITY

This annual report was compiled in line with the requirements of the Local Government: Municipal Systems Act no 32 of 2000 Section . The purpose of this report is to provide feedback on:

- Activities of the municipality during the period under review;
- Performance of the municipality during the period under review;
- Promote accountability to the community for the decisions made during the financial year ended 30 June 2012.

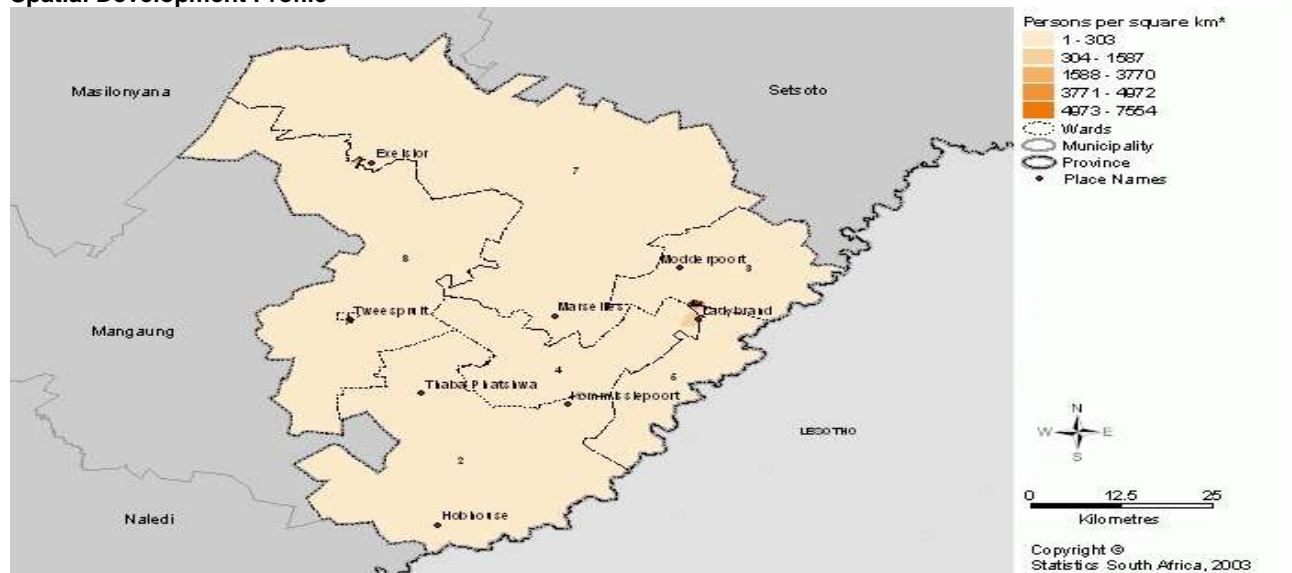
Mantsopa forms part of Eastern Free State. It borders the Kingdom of Lesotho in the east, Mangaung Local Municipality to the west, Naledi Local Municipality to the south, Masilonyana and Setsoto Local Municipalities to the north. It forms part of the Motheo District Municipality area and comprises the 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 9 wards and they are constituted as follows:

Ward Number	Name of Location
Ward 1	Tweespruit, Boroa, Dawiesville, Thaba Patchoa and Rural
Ward 2	Hobhouse, Dipelaneng, and Rural
Ward 3	Manyatseng, Mandela Park, Riverside, Masakeng, Modderpoort and Thusanong
Ward 4	Ladybrand, Mauersnek, Flamingo, and Lechabile Trust
Ward 5	Manyatseng, Flamingo, Los Mycherrie and Riverside
Ward 6	Ward 6 Lusaka, Thabong, Homes 2000 and New Platberg
Ward 7	Excelsior, Koma Village and Rural
Ward 8	Mahlatswetsa and Rural
Ward 9	

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.

Spatial Development Profile



Population Profile

The population size within the entire municipal area is estimated at 74,795 people for 2010, as indicated in table below. The large portion of the population is situated in Ladybrand with Excelsior being the second large concentration of people. The base data for determining the population figures was obtained from Statistic South

Africa Census 2001. The estimated population growth for Mantsopa, based on the overall growth rate of the Free State Province, is 1.7 % according to the Mantsopa SDF (2010/11). An exponential growth rate was determined using the database to determine the population growth for Mantsopa until 2010.

Population Profile 2006 – 2010

Town	2005	2006	2007	2008	2009	2010
Tweespruit	1,553	1,580	1,607	1,635	1,664	1,693
Dawiesville						
Boroa	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	5,924	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 Patchoa	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	73,568	74,795

Source: (Statistic South Africa 2001) & Bopa Lesedi 2006

4. OVERALL TRENDS IN MANTSOPA LOCAL MUNICIPALITY

According to the table below (Mantsopa SDF – 2010/11) the interaction intensity between towns within Mantsopa area is indicated in the table overleaf. The average household size according to Statistics South Africa is estimated at 4.1 persons per household (2001). Table below indicates the distribution of households though out the local municipality.

Table below Household distribution in Mantsopa

Town	Average Growth rate	Households 2006 (Average 4.1)	Population 2006	Households
Tweespruit	1.7%	4.1	1,553	379
Dawiesville	1.7%	4.1		
Boroa	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	5,335	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		0	68,858	16,795

(Statistic South Africa 2001) & Bopa Lesedi 2008)

The current status quo of housing and erven are indicated below. The housing backlog is estimated at 3087 and there is a need for 4500 residential erven to address the backlog and future growth. Table below gives a breakdown of the status quo on housing and residential erven.

Residential Erven

Residential Area	Informal Settlements	Backyard Dwellers	Housing Backlog	Housing Need (Approximately)	Erf & Land Requirements
Ladybrand	991	352	1343	1500	2000
Excelsior	300	140	440	500	700
Tweespruit	482	198	680	700	850
Hobhouse	450	174	624	700	850
Thaba Patchoa	0	0	0	100	100
Total	2223	864	3087	3500	4500

Source: Mantsopa SDF (2006)

From this graph, a hierarchy of towns in the region can now be produced as follows, based on population size:

(Hierarchy of towns by population size (applicable to Mantsopa only))

Hierarchy (population)	Town(s)
30000-15000	Ladybrand
15000-5000	Excelsior
5000-2500	Tweespruit
2500-1250	Hobhouse
< 1250	Thaba Patchoa

Source: Mantsopa SDF (2006)

Regional Interaction

Very simply based on gravity model (employing population size), the following interaction intensity between the towns (expressed as a percentage of the total expected interaction) are produced:

Interaction intensity based on the gravity model.

Town	Ladybrand	Excelsior	Tweespruit	Hobhouse	Thaba Patchoa
Ladybrand	0%	33%	21%	10%	3%
Excelsior		0%	22%	2%	1%
Tweespruit			0%	3%	5%
Hobhouse				0%	1%
Thaba Patchoa					0%

Source: Mantsopa SDF (2006)

This model indicates that Tweespruit offers potential in terms of interaction and therefore focus should be placed on future development in this area.

Demographic Profile

The total population for the Mantsopa area based on the census 2001 data, and is shown on the table below:

This represents only 7% of the total population of Thabo Mofutsanyana District Municipality. The census figures made use of the magisterial district boundaries and the rural areas of the smaller towns (non-urban areas) have been incorporated in the Ladybrand and Excelsior magisterial district areas. It is therefore not possible to show the non-urban population figures for each individual town.

Total estimated population based on 2001 census

Year	Excelsior	Tweespruit	Hobhouse	Ladybrand	Excelsior Non-urban	Ladybrand Non-urban	Total
*1996	5135	4885	2184	16351	7291	12134	47980
Estimated 2001 population (annual growth rate 1,7%)	5570	5383	2406	18018	8034	13371	52782
Estimated 2007 population (annual growth rate 1,7%)	6093	5881	2628	19686	8778	14609	57675

Source: * Census 2001 (Central Statistical Services (CSS), 2001)

Age Profile

According to census 1996, 45.29% of the total population was 19 years and younger. It is estimated that 58.17% of the total population were economic active (between 15 – 65 years). These figures could have changed due to migration and the impact of HIV/AIDS but it still gives a good overview of the age composition of the population.

Table below: Age Profile per geographical area

Age Profile per geographical area							
Age	Excelsior	Tweespruit	Hobhouse	Ladybrand	Excelsior Non-Urban	Ladybrand Non-Urban	Total
0-4	421	484	222	1632	826	1367	4952
5-9	588	572	305	1622	858	1534	5479
10-14	723	558	269	1887	1018	1546	6001
15-19	704	526	237	1795	846	1193	5301
20-24	545	538	193	1470	631	951	4328
25-29	299	375	149	1456	517	841	3637
30-34	312	346	130	1344	407	707	3246
35-55	855	869	366	3381	1234	2260	8965
56-65	284	224	138	825	379	587	2437
65+	329	337	162	827	260	483	2398
Unspecified	75	55	14	112	315	666	1237
Total	5135	4884	2185	16351	7291	12135	47981

Source: CS (2007).

Age profile per ward

Age Breakdown	W1	W2	W3	W4	W5	W6	W7	W8	Mantsopa
0 – 19	44.12%	49.19%	46.43%	42.96%	39.36%	44.07%	47.95%	50.89%	45.96%
20 – 64	48.14%	43.42%	43.39%	50.68%	50.54%	50.87%	43.99%	42.82%	46.35%
Over 65	6.63%	6.51%	4.17%	5.13%	5.73%	4.49%	4.16%	4.95%	5.19%
Age Unknown	1.11%	0.88%	6.00%	1.23%	4.36%	0.57%	3.90%	1.34%	2.50%

Source: CS (2007)

Ethnic profile

It is estimated that 86% of the total population of Mantsopa is African, 9% is White, 4% is Coloured while the rest of the ethnic groups represents 1% of the total population. The following is a breakdown of the ethnic composition per ward:

Ethnic composition per ward (2006)

Ethnic Composition	W1	W2	W3	W4	W5	W6	W7	W8	Mantsopa
African	84.51%	80.10%	93.56%	45.73%	96.37%	98.70%	86.83%	97.70%	86.02%
Coloured	10.91%	13.17%	0.96%	12.10%	0.51%	1.02%	0.50%	0.29%	4.46%
Indian	0.10%	0.00%	0.00%	2.82%	0.00%	0.05%	0.00%	0.04%	0.37%
White	4.32%	6.22%	4.13%	38.36%	2.80%	0.00%	12.52%	1.76%	8.68%
Other	0.16%	0.52%	1.35%	0.98%	0.31%	0.24%	0.15%	0.21%	0.48%

Source: CS, 2007).

Unemployment

The unemployment rate for Mantsopa local municipal area was according to census 2001 only 18 % (economic active people is defined as those between the ages of 15 – 65 years). As indicated in figure 10 overleaf, 10 933 (38%) people was not accounted for in the census which could have an effect on the accuracy of the data. The highest unemployment rate was recorded in the urban areas.

The Demarcation Board (2000) estimated the unemployment rate for Mantsopa at 29% for 2000. This is an increase of 11% over a 4-year period and shows the stagnation experienced in the rural economies in the Free State.

The employment profile of each ward is reflected in the table below:

Employment Profile per Ward (2007)

Employment Profile	W1	W2	W3	W4	W5	W6	W7	W8	Mantsopa
Employed	39%	66%	63%	86%	72%	59%	89%	63%	64%
Unemployed	61%	44%	37%	14%	28%	41%	11%	37%	36%

Source: CS, 2007.

Level of Income

According to Census 2001, 61 % of the total population had no formal income. Although this figure is alarming, it does include people who make a living from informal business activity, children, scholars, disabled people, etc. and are therefore not a true reflection in terms of dependency.

It was estimated that 63 % of people that had no income, stayed in urban areas, which correlates with the higher unemployment rate experienced in the urban areas. It was furthermore estimated that 83 % of the total population earned less than R 1 500 per month.

If one compares these figures with the estimated annual household income per ward, it is alarming to see that 9% of all households in Mantsopa have no income. 66% of all households earned less than R1000 per month, which again proves the high levels of poverty experienced in the municipal area.

Annual Household income per ward (2007)

Annual Household Income	W1	W2	W3	W4	W5	W6	W7	W8	Mantso pa
None	2%	1%	1%	1%	1%	1%	0%	1%	9%
R1 - 2400	1%	2%	1%	1%	1%	1%	2%	4%	14%
R2401 - 6000	3%	4%	3%	2%	4%	2%	5%	6%	29%
R6001 - 12000	1%	2%	2%	1%	2%	1%	2%	3%	14%
R12001 - 18000	1%	1%	1%	1%	2%	1%	0%	1%	7%
R18001 - 30000	1%	1%	1%	1%	2%	1%	1%	1%	6%
R30001 - 42000	0%	0%	0%	1%	1%	0%	0%	0%	3%
R42001 - 54000	0%	0%	0%	1%	0%	0%	0%	0%	2%
R54001 - 72000	0%	0%	0%	1%	0%	0%	0%	0%	2%
R72001 - 96000	0%	0%	0%	1%	0%	0%	0%	0%	2%
R96001 - 132000	0%	0%	0%	1%	0%	0%	0%	0%	2%
R132001 - 192000	0%	0%	0%	1%	0%	0%	0%	0%	1%
R192001 - 360000	0%	0%	0%	0%	0%	0%	0%	0%	1%
Over R360000	0%	0%	0%	0%	0%	0%	0%	0%	0%
Unspecified	0%	1%	1%	2%	1%	1%	0%	1%	8%
N/A	0%	0%	0%	0%	0%	0%	0%	0%	0%
Total	10%	12%	12%	13%	15%	9%	13%	17%	100%

Source: CS, 2007.

5. EXECUTIVE SUMMARY

Municipal Strategy

The following is the Mantsopa Strategy towards the attainment of our developmental objectives:

- To provide sustainable infrastructure and basic services
- To stimulate sustainable economic development and tourism
- To sustain financial management excellence
- To improve human resource management excellence (Institutional transformation)
- To improve good governance through effective leadership

To provide sustainable infrastructure and basic services

Provision of sustainable services to the communities of Mantsopa remains the top priority of the municipality. This is guided by the principle that, the more we continuously provide sustainable and quality services to our clients that is the community of Mantsopa there is huge potential for economic growth, attraction of more investors particularly in the area of Ladybrand due to its proximity to the city of Maseru and of course dealing with poverty in other parts of the municipality.

In order to achieve these objective more resources were once again channeled towards provision of sustainable services with the intention of expanding and improving the current levels of services.

To stimulate sustainable economic development and tourism

Through partnerships with FDC, MTN foundation there is huge possibility to improve the economy of the municipality. This venture will enable the parties to jointly facilitate the implementation of socio-economic development approach, which aims at bringing meaningful, measurable and sustainable change within our municipality.

This will hopefully lay the foundation for disadvantaged and rural communities to become self-reliant, with strong emphasis on capacity building and empowerment. This in our view will fit in well as one of the programmes for **“Operational Hlasela”** as launched by the office of the premier.

Lekhalong la Mantsopa tourism development in partnership with the Department of Economic Affairs and Tourism will also play a major role towards tourism growth within our municipality that will have huge economic spin off for this area.

To sustain financial management excellence

In order to continuously provide sustainable services to our communities there is need to ensure that the municipality remains financially viable. To achieve this objective the municipality has continued with the implementation of its credit control policy.

Mantsopa local municipality has during the 2008/2009 financial year has been awarded an award for constantly remaining financially viable during the Premier excellence award. In order to sustain this efforts has to be put into place ensure continuity.

The municipality has been performing well on financial viability, the outstanding debt as at the financial year end owed to the municipality is R104 million by business, households and both provincial and national department.

The debt collection policy of council has been implemented and currently in the process of developing debt collection strategy to enforce collection of outstanding debts.

During the financial year under review the municipality experienced serious cash flow problems which led to some of the creditors not being paid within 30 days as required in terms of the Local Government: Municipal Finance Management Act no 56 of 2003.

To improve human resource management excellence (Institutional transformation)

In line with our mission and vision objectives one of the critical components towards the achievement of desired objectives is recruitment and appointment of competent personnel to complement this strategic objective.

The organisational structure was reviewed and streamlined towards the implementation of the IDP. The current HR strategy was also reviewed to meet the current challenges of the municipality.

A proper work-study that will provide feedback in terms current staff competences will also be conducted and individual staff be placed according to their levels of competence.

In order to achieve the above an institutional plan will be develop and implemented.

To improve good governance trough effective leadership

There have been noticeable challenges on the side of political leadership in order to achieve the objective of good governance to effective leadership and councilors playing their oversight role. In order to address this

situation training on leadership management will be conducted for councilors so that they can be able to play the oversight role as required by the law.

Municipal Vision and Mission

Municipality Vision

The following chapter describes the future intentions of the Mantsopa Local Municipality for the next three years. The objectives are a response to the identification of priority issues within each Key Performance Area (KPA). A second factor that influenced the formulation of the objectives is the **vision** of Mantsopa Local Municipality, namely:

Mantsopa Local Municipality shall be a leading force to achieve an accessible, integrated, sustainable and equitable social and economic development of her community.

Municipality Mission

To make this vision a reality the Mantsopa Local Municipality has set the following mission statement:

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

Municipality Core Values

The following are the values, which Mantsopa Local Municipality has set for its self in order to achieve her developmental objectives:

**Transparency
Accountability
Responsiveness
Self- Reliance
Partnership**

CHAPTER 2: PERFORMANCE HIGHLIGHTS

1. Introduction

The Local Government: Municipal Systems Act of 2000 (Act no 32) requires that a Municipality must develop and implement a performance management system that is commensurate with its resources. The PMS is a framework that describes and represents how a municipality performance management processes such as planning, monitoring, measurement, review and reporting.

The purpose of the PMS is also to set key performance indicators (KPIs) and targets for measuring the performance of the municipality with regard to the development priorities and objectives as set out in the Integrated Development Plan during a specific financial year and to measure its performance during that year against those KPIs and targets.

The MSA further requires that the municipality must at least once a year measure and review its performance against the KPIs and performance targets and to prepare an annual performance report. These measurements will indicate in what areas it performed satisfactorily and where improvements are required. The annual performance report must reflect at least the following:

- The municipality performance and that of each external service providers that provides municipal service on its behalf during the that financial year;
- A comparison of the performance of one year with the performance of the in the previous year financial year, and
- Measures taken to improve performance

The Local Government: Municipal Finance Management Act of 2003 (Act no 55) requires that the municipality must for each financial year prepare an annual report. The annual performance report must form part of the annual report. The Mayor must table the annual report regarding a specific financial year to council on or before the 31 January each year. The council must deal with the annual report on or before the 31 March each year.

The following are the purposes of the annual report:

- To provide a record of the activities of the municipality during the financial year to which the report relates;
- To provide a report on the municipality's performance against its budget; and
- To promote accountability to the local community for the decision the municipality made throughout the year.

ANNUAL REPORT FOR PERIOD ENDED 30 JUNE 2012

2. PERFORMANCE HIGHLIGHTS

This chapter provides a brief overview of the performance highlights of the municipality:

2010/2011	2011/2012	Measures taken to improve Performance
WATER AND SANITATION		
<ul style="list-style-type: none"> ▪ Provided water to 11 505 household ▪ Communal taps used to provide water to 123 households in Dipelaneng ▪ Completion of Hobhouse water treatment works which led to the following achievements: <ul style="list-style-type: none"> ○ Improved bulk water supply; and ○ Improved water quality. 	<ul style="list-style-type: none"> ▪ Provided water to 11 505 households ▪ The problem of low water pressure to affected areas in Manyatseng, Mahlatswetsa and Mauersnek addressed. ▪ Conducted regional bulk water study with the support of DWA. ▪ Water leakages detected and repaired. ▪ Training provided to Hobhouse Plant Operators as part of the project completion. ▪ Water safety plans for all systems completed. ▪ Continue to provide water to privately owned lands per request. ▪ 2885 households still using buckets. 900 households to be connected during the second quarter of the new financial year i.e. 2012/2013. ▪ In the process of upgrading oxidation ponds in Thaba Patchoa through funding received from the Thabo Mofutsanyana District Municipality. 	<ul style="list-style-type: none"> ▪ Drilling of additional bore holes to augment water supply, ▪ Increase the capacity of Water Purification Plants especially in Tweespruit ▪ Received funding from DWA for the Implementation of Water Conservation and Water Demand Management in all towns of Mantsopa to the value of R950 000. ▪ Submitted a business plan to MIG for funding to eradicate buckets.
ROADS AND STORMWATER		
<ul style="list-style-type: none"> ▪ 500 meters of edges at Voortrekker Street repaired. ▪ Completion of pedestrian/pass way bridge in Tweespruit ▪ Construction of Tlali Street in Manyatseng for 2 km to be completed by 30 June 2011. ▪ Construction of Fifth Street in Ladybrand for 1.8km to be completed by 30 June 2011. ▪ Construction of internal streets in Koma Village at Excelsior for 4.4km to be completed in 30 March 2012. ▪ Received mining permit for management of borrow pit in Ladybrand. 	<p>Completed upgrading of the following access roads through funding received from Mantsopa Local Municipality own funding, MIG and Thabo Mofutsanyana District:</p> <ul style="list-style-type: none"> ▪ Upgrading of streets in Koma Village 4km; ▪ Upgrading of Tlali Street in Manyatseng 4km; ▪ Upgrading of Fifth street in Ladybrand 1.5km ▪ Upgrading of other internal streets in Ladybrand town. 	<p>Signed a service level agreement with government garage to solicit yellow plant equipment.</p>

2010/2011	2011/2012	Measures taken to improve Performance
ELECTRICITY		
<p>New connections:</p> <ul style="list-style-type: none"> Twelve new connections were completed for the entire municipal areas of jurisdiction during the financial year under review including Tweespruit Police Station and Magistrate Office. <p>Electricity Improvements:</p> <ul style="list-style-type: none"> Mini substation at Ladybrand refurbished. Installation 392 meters for high tension cable. Replaced faulty transformation at Cathcart <p>Streetlights:</p> <p>Ten medium high mast light installed in Manyatseng.</p>	<p>New Connections</p> <ul style="list-style-type: none"> 11 505 households provided with electricity supply. Department of Energy allocated funds for electrification of Platberg. Additional business plans submitted to DME for funding for electrification of households in the area of Dipelaneng and Mahlatswetsa. <p>Electrify Improvements:</p> <ul style="list-style-type: none"> Connection to new Mantsopa Local Hospital. Eighth Street Substation upgraded for supply of electricity to the new Mantsopa Local Hospital. <p>Street lights:</p> <ul style="list-style-type: none"> Received funding from Thabo Mofutsanyana District Municipality for installation of 150 solar street lights Received allocation of R8 million from DME for installation of energy saving lights. 	<p>Developed electricity master plan with the assistance of CENTLEC.</p> <p>Requested the office of the Speaker to assist with identification of untraceable beneficiaries allocated ervens in Platberg.</p>
HOUSING AND LAND		
<p>The following townships were established in an attempt to address residential backlogs in Mantsopa:</p> <ul style="list-style-type: none"> Township establishment for 218 sites in Hobhouse Township establishment for 383 sites in Ladybrand Township establishment for 417 sites in Excelsior 447 Township establishment for sites in Ladybrand (Platberg) 	<p>The following amounts were committed by CoGTA for provision of municipal services:</p> <p>Hobhouse: R4 432 400.00</p> <p>Ladybrand: R8 488 046.00</p> <p>Excelsior: R9 241 554.00</p> <p>Ladybrand: Platberg township established and services provided.</p>	<p>Bids invited from prospective service providers as at the financial year end the process of appointing contactors was at an advanced stage.</p> <p>The process of allocating sites to qualifying residents was on going.</p>

2010/2011	2011/2012	Measures taken to improve Performance
REFUSE (WASTE MANAGEMENT)		
<ul style="list-style-type: none"> Refuse has been continuously collected to all 11 505 households of the municipality according to programme. (one per week) Refuse was also collected from business premises according to approved programme as well. (daily) Was successfully achieved in the area of Ladybrand and four additional workers were also appointed by Indalo Yethu per-town. 	<ul style="list-style-type: none"> 11 505 households provided with refuse removal service once per week. Two solid waste disposal sites legally registered i.e. Ladybrand and Excelsior. In partnership with Indalo Yethu have collected all illegal dumps in the area of Ladybrand. 	Extended the Indalo Yethu project to other towns of the municipality.

Source: Technical Directorate (2011/2012)

ANNUAL REPORT FOR PERIOD ENDED 30 JUNE 2012

3. PERFORMANCE OF SERVICES PROVIDERS

The table below summarizes the performances of external services providers as required by section 46 (1) (a) of the Local Government: Municipal Systems Act 32 of 2000.

Name of Service Provider	Name of Project	SLA signed		Project Starting Date	Actual Date	Specs met		Status	Percentage
		Yes	No			Yes	No		
LPZ Computers	Maintenance of Information Communication Technology	Yes		01/11/2011	31/10/2012	Yes		Complete	100%
Socrapoint (Pty) Ltd	Maintenance of Landfill Site Management	Yes		01/07/2011	30/06/2012	Yes		Complete	100%
Mamotse Kitchen	Catering of Staff and Council Events		No	01/04/2012	31/03/2013	Yes		Ongoing	100%
Mukumba Resources and Phenyane J	Upgrading of Streets and Storm water in Manyatseng : Tlali Street	Yes		17/01/2011	16/11/2011	Yes		Complete	100%
Ducharme Consulting	Unbundling of Infrastructure Assets and Compilation of GRAP Fixed Assets Register for Mantsopa Local Municipality	Yes		18/04/2011	31/08/2011	Yes		Complete	100%
OVK	Procurement of various goods	Yes		N/A	N/A	N/A		Complete	100%
Free State Utilities	Procurement of various goods	Yes		N/A	N/A	N/A		Complete	100%
Life Success General Trading	Catering of Staff and Council Events		No	01/04/2012	31/03/2013			No	Ongoing
Hemichron Protection Services	Daily VIP Protection Service (Chief Financial Officer)		No	01/08/2011	31/10/2011			Yes	100%
Green Energy IT	Supply, Delivery and Install Fence Around Municipal Water Reservoir at Mountain in Dipelaneng		No	10/01/2012	24/01/2012	Yes		Complete	100%
High Point Trading	Supply, Delivery and Install Fence around Municipal Oxidation Ponds (Thaba Patchoa		No	10/01/2012	24/01/2012	Yes		Complete	100%
Maroanda Trading	Supply, Delivery and Install Fence Around Municipal Settling Tanks in Dipelaneng (Hobhouse)		No	10/01/2012	24/01/2012	Yes		Complete	100%
Definite Pitch Trading 513 cc	Review of the Spatial Development Framework (SDF) for 2012/2013		No	23/05/2012	22/11/2012	Yes		Not Complete	70%
Friday Management Solutions (Pty) Ltd	Review of the Organogram for 2012/2013 Financial Year		No	23/05/2012	30/06/2012	Yes		Complete	100%
Brilliant Business Affairs	Training of Ward Councillors and Community Development Workers		No	29/09/2011	29/09/2011	Yes		Complete	100%
Prosperity Internet	Design, Layout and Printing 100 Copies of		No	22/09/2011	29/09/2011	Yes		Complete	100%

Name of Service Provider	Name of Project	SLA signed		Project Starting Date	Actual Date	Completion Date		Specs met	Status	Percentage
		Yes	No			Yes	No			
and Printing House	Annual Report 2010/2011 Financial Year									
Scheme Security Services	Protection for Main Building of Mantsopa Local Municipality		No	04/08/2011	31/10/2011	Yes			Complete	100%
Siyamomthanda Security and Projects	Supply, Delivery of 233 Safety Shoes and 217 Gumboots for Mantsopa Local Municipality		No	19/09/2011	30/09/2011	Yes			Complete	100%

Source: Supply Chain division (2011/2012)

4. SERVICE DELIVERY BACKLOG

Number of household with no access to basic level of services:

SERVICES	BACKLOG (HOUSEHOLDS) 2010/2011	BACKLOG (HOUSEHOLDS) 2011/2012	ESTIMATED COST TO ERADICATE
Water	None	Hobhouse: 218 Ladybrand: 383 Excelsior: 417	R10 000 000.00
Sanitation	1353 1283 + 123 (Informal settlement in Hobhouse)	Tweespruit: 1283 (70 commissioned) Hobhouse: 1282 + 123 Informal Settlement	R12 118 141.76 R12 118141.76
Electricity	Households in Tweespruit - 0 Households in Hobhouse - 218 Households in Ladybrand – 383 Households in Platberg – 447 Households in Excelsior – 417 Thaba Patchoa - 0	Electricity will be connected to the following number of sites when they are occupied: Hobhouse: 218 Ladybrand: 383 Excelsior: 417 Platberg: 376 (was 447 but 71 completed with Phase 1)	R1 600 000.00 R2 200 000.00 R3 400 000.00 R800 000.00
Refusal Removal	None	None	R0.00

Source: Mantsopa IDP (2011/2012)

5. USE AND DETAILS OF CONDITIONAL GRANTS

Name of Grant	Opening Balance	Received	Utilised	Closing Balances	Reason for Delay and withholding of funds	Did Municipality comply with the grants conditions as set out in the Division of revenue act	Reasons for non-compliance
Equitable Share	R0.00	59 432 000	59 432 000	R0.00	None	Yes, The equitable share is the non-conditional grant and is utilised to assist the local municipalities to undertake service delivery	None
MSIG	R0.00	790 000	790 000	R0.00	None	Yes, The fund is used to assist the local municipalities to perform the function and stabilise institutional and governance systems as required in terms of the Local Government: Municipal Systems Act of 2000.	None
MIG	R0.00	22 773 000	22 773 000	R0.00	None	Yes, The grant was utilised for the bucket eradication projects in Tweespruit and Hobhouse. No funds were withheld.	None
FMG	R0.00	1 450 000	1 450 000	R0.00	None	Yes, the grant was used to promote and support reforms to financial management practices, including the modernisation of budgeting, financial management, accounting, monitoring systems and implementation of the Local Government: Municipal Finance Management Act of 2003.	None
INEG	R0.00	810 00	810 000	R0.00	None	Yes, the fund was utilised for household's electrification.	None
Dept. Water Affairs	R0.00	845 960	845 960	R0.00	None	Yes, the fund was utilised for water conservation and demand management.	None
OTHER (Thabo Mofutsanyane DM)	R0.00	891 217	891 217	R0.00	None	Yes, The municipality renders Environmental Health Services on behalf of the district council. A service level agreement has not yet been concluded.	None

Source: Mantsopa Annual Financial Statements (2011/2012)

CHAPTER 3: HUMAN RESOURCES AND OTHER ORGANISATIONAL MANAGEMENT

1. POWERS AND FUNCTIONS

Section 156 of the Constitution assigns executive authority to municipalities in respect of, and the right to administer the local government matter listed in Part B of Schedule 4 and Part B of Schedule 5 and any other matter assigned to it by national or provincial government.

This implies that certain functions have been assigned exclusive to local government. As local government comprises both district and local municipalities, it was necessary to differentiate between the functional competencies of district and local municipalities.

This division of functional competencies between district and local municipalities is governed by the Municipal Structures Act, as amended (1998). However, many district municipalities do not have the administrative capacity to execute their legislative powers and functions and therefore the MEC for Local Government and Housing authorised local municipalities to perform certain of the district municipal functions in terms of section 18 (1) of the Local Government Structures Amendment Act (1998).

Section 229 of the Constitution allows municipalities to impose property rates and service charges.

This obligation requires strict financial management and accountability to the public.

The allocation of certain functional competencies to district municipalities has an impact on the administration of local municipalities. It was therefore necessary to consider the new functional competencies of local government in the design of a new organisational structure illustrated on the previously.

In terms of the Local Government: Municipal Structures Act no 117 of 1998 section 85, the MEC for local government in a province may, subject to the other provisions of this section, adjust the division of functions and powers between a district and a local municipality as set out in section 84 (1) or (2), by allocations, within a prescribed policy framework, any of those functions or powers vested –

- (a) In the local municipality, to the district municipality; or
- (b) In the district municipality (excluding a function or power referred to in section 84 (1) (a), (b), (c), (d), (i), (o) or (p), to the local municipality.

Section 85 (2) of the same act mentioned above further provide that, an MEC may allocate a function or power in terms of sub section (1) only if –

- (a) The municipality in which the function or power is vested lacks the capacity to perform that function or exercise that power; and
- (b) The MEC has consulted the Demarcation Board and considered its assessment of the capacity of the municipality concerned.

2. ALLOCATIONS OF POWERS AND FUNCTIONS

The MEC's authorisation in terms on Provincial Notice No 225 of 27 November 2002 was repealed on 10 April 2002 with the promulgation of Provincial Notice No 53 of 2002. According to the Provincial Notice No 53 of 2002, the following functions and powers have been authorised to Mantsopa Local Municipality:

Powers and Functions Allocated to Mantsopa Local Municipality for 2010/2011 financial year	Powers and Functions allocated to Mantsopa Local Municipality for 2011/2012	Final Assessment on performance of the allocated functions
Section 84(1) (e) Solid Waste Disposal Sites serving the local municipal area	Section 84(1) (e) Solid Waste Disposal Sites serving the local municipal area	The municipality has developed a schedule for management of landfill sites approved by council.
Section 84(1) (f) Municipal roads which forms an integral part of the road transport system of the local municipality	Section 84(1) (f) Municipal roads which forms an integral part of the road transport system of the local municipality	The municipality performed the function by means of upgrading internal streets.
Section 84(1) (j) Firefighting services serving the local municipal area	Section 84(1) (j) Firefighting services serving the local municipal area	The function was also performed.
Section 84(1) (l) the establishment, conduct and control of cemeteries and crematoria serving the local municipal area	Section 84(1) (l) the establishment, conduct and control of cemeteries and crematoria serving the local municipal area	The function was also performed.
Section 84(1) (m) Promotion of local tourism	Section 84(1) (m) Promotion of local tourism	The function was also performed.
Section 84 (1) (n) Municipal public works relating to any of the above functions.	Section 84 (1) (n) Municipal public works relating to any of the above functions.	The function was also performed.

Source: CoGTA

3. ADOPTION OF THE ORGANISATIONAL STRUCTURE ALIGNED TO THE POWERS OF FUNCTION AND THE IDP

The approved organisational structure is reviewed on an ongoing basis to address identified problems area, to align with the strategic objective of council that is the IDP, and to comply with relevant legislations and powers and functions as designated by the MEC responsible for Local Government. Organisational structures are development around the key functions of every directorates and unit, which in turn are linked to the IDP objectives of council.

A human resource development policy was reviewed and was approved by council for implementation during the 2011/2012 financial year. During the financial year under review a total amount of **R100 000** was provided for skills development. A total number of **55** employees received training in terms of the Workplace Skills Plan (WSP). The WSP address short as well as long term capacity needs of the Mantsopa Local Municipality. The work skills plan 2011/2012 and the annual training report were submitted on the 30 June 2012 to LGSETA.

4. FILLING OF SECTION 56 POSTS

The position of the Municipal Manager was filled on the 25 April 2012 during a special council meeting which was held in Manyatseng council chambers after successful interviews were conducted. Mr. Selby Mohalerwa was appointed the Municipal Manager.

During the financial year under review all section 56 managerial positions became vacant as at 30 June 2012. The process of filling all section 56 managerial posts will be conducted as soon as possible. The vacant positions are namely: The Chief Financial Officer, The Director Corporate Services, The Director Technical Services and The Director Community Services. Council during a special council meeting which was held on the 27 June 2012 appointed managers on an acting capacity until the positions has been filled.

5. SUSPENSIONS, DATE OF SUSPENSION, REASON THEREOF AND OUTCOMES

During the 2011/2012 financial year no cases of suspensions were reported:

6. PERFORMANCE AGREEMENTS

Name	Position	Signed performance agreements		
		YES within legislative requirement	Date signed	NOT within legislative requirement
SM Selepe	Municipal Manager	Yes	01 August 2011	-
FA Mhlongo	Corporate Services Manager	Yes	15 July 2011	-
MJ Mazinyo	Chief Financial Officer	Yes	15 July 2011	-
RP Chalale	(Acting) Technical Manager	Yes	15 July 2011	-

Source: PMS (2011/2012)

7. EMPLOYMENT EQUITY TARGETS – EE PLAN ADOPTED BY COUNCIL, TARGETS

Appointments are continuously monitored against the Employment Equity Plan of council. In the 2011/2012 financial year a total of 21 new appointments were made, whereof 98 % were 35 years and younger and 2% were from designated groups.

The annual report on employment equity was submitted to Department of Labour on the 30/09/2011 as required in terms of section 41 of the Employment Equity Act of 1998.

8. REPORT ON THE TOTAL NUMBER OF EMPLOYEES (INCLUDING EMPLOYEES WITH DISABILITIES) OF THE FOLLOWING OCCUPATIONAL LEVELS

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	3	0	0	0	1	0	0	0	0	0	4
Senior management	2	0	0	1	2	0	0	0	0	0	5
Professionally qualified and experienced specialists and mid management	3	0	0	1	2	0	0	0	0	0	6
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	21	1	0	1	14	0	0	1	0	0	38
Semi-skilled and discretionary decision making	47	4	0	0	18	2	0	2	0	0	73
Unskilled and defined decision making	114	12	0	2	33	5	0	0	0	0	166
Total Permanent	219	17	0	5	71	7	0	3	0	0	322
Temporary employees	28	0	0	0	14	0	0	0	0	0	42
Grand Total	247	17	0	5	85	7	0	3	0	0	364

Source: Division Skills Development (2011/2012)

9. REPORT ON THE TOTAL NUMBER OF EMPLOYEES WITH DISABILITIES ONLY IN EACH OF THE FOLLOWING OCCUPATIONAL LEVELS:

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	2	0	0	0	0	0	0	0	0	0	2
Senior management	0	0	0	0	0	0	0	0	0	0	0
Professionally qualified and experienced specialists and mid management	0	0	0	0	0	0	0	0	0	0	0
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	1	0	0	0	0	0	0	0	0	0	1
Semi-skilled and discretionary decision making	0	0	0	0	0	0	0	0	0	0	0
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0	0	0
Total Permanent	3	0	0	0	0	0	0	0	0	0	3
Temporary employees	0	0	0	0	0	0	0	0	0	0	0
Grand Total	3	0	0	0	0	0	0	0	0	0	3

Source: Division Skills Development (2012/2012)

10. MUNICIPAL BUDGET SPENT ON IMPLEMENTATION WORKPLACE SKILLS PLAN AND TRAIN UNDERTAKEN

The municipality has for the financial year under review has budgeted an amount of R895 800.00 and as at 30 June 2012 an amount of R573 690.00 was spends which represent 64.04% expenditure of the total budget on works skills plan.

11. SKILLS LEVELS OF EDUCATION ATTAINED BY STAFF

The following table represents skills levels of education attained by staff during the period under review.

Employment Category	African		Coloured		Indians		Whites		Total		Total
	M	F	M	F	M	F	M	F	M	F	
Legislators	61	44	-	1	-	-	-	1	61	46	107
Directors and Corporate Manager	1	1	-	-	-	-	-	-	1	1	2
Professionals	5	3	-	-	-	-	2	-	7	3	10
Technicians and Trade Workers	-	-	-	-	-	-	-	-	-	-	-
Community and Personal Service Workers	3	2	-	-	-	-	-	-	3	2	5
Clerical and Administrative Workers	1	1	-	1	-	-	-	-	1	2	3
Machine Operators and Drivers	20	-	-	-	-	-	-	-	20	-	20
Labourers	-	-	-	-	-	-	-	-	-	-	-
Apprentices	-	-	-	-	-	-	-	-	-	-	-
Total	91	51	-	2	-	-	2	1	93	54	147

Source: Division Skills Development (2011/2012)

Employment Category	Total
Legislators	107
Directors and Corporate Manager	2
Professionals	10
Technicians and Trade Workers	-
Community and Personal Service Workers	5
Clerical and Administrative Workers	3
Machine Operators and Drivers	20
Labourers	-
Apprentices	-
Total Employees	147

Source: Division Skills Development (2011/2012)

Total number of people with disability only who received training solely for the purpose of achieving the numerical goals, and not the number of training courses attended by individual

Occupational Levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top management	1	-	-	-	-	-	-	-	1
Senior management	1	-	-	-	-	-	-	-	1
Total Permanent	2	-	-	-	-	-	-	-	2
Grand Total	2	-	-	-	-	-	-	-	2

Source: Division Skills Development (2011/2012)

12. PERFORMANCE MANAGEMENT SYSTEM

Definition of Performance Management

Performance Management is defined by Department of Cooperative Governance and Traditional Affairs (CoGTA) as a strategic approach to management, which equips leaders, managers, employees and stakeholders at different levels with a set of tools and techniques to regularly plan, continuously monitor, periodically measure and review performance of the organization in terms of indicators and targets for efficiency, effectiveness and impact. This system will therefore in turn ensure that all the leaders, managers and individuals in the municipality are held accountable for their actions which should bring about improved service delivery and value for money.

Performance management is aimed at ensuring that municipalities monitor their IDP's and continuously improve their operations and in terms of Section 19 of the Local Government Municipal Structures Act (MSA), that they annually review their overall performance in achieving their constitutional objectives.

The Performance Management System must:

Have appropriate performance indicators, including outcomes and impact, with regard to the municipality's development priorities and objectives set out in the IDP and the National KPA's:

- Have measurable targets (quarterly, if possible annually)
- Reflect baseline information
- Comment on how to improve performance
- Monitor performance
- Measure and review performance monthly, quarterly and annually
- Aim to improve performance
- Establish a process of regular reporting
- Provide an early warning system to identify areas of poor performance

Performance management is potentially the area of management that can make a significant contribution to organizational and individual performance. The system must be designed so it improves strategic focus and organizational effectiveness through continually seeking to improve the performance of the municipality as a whole and the individuals in it.

Implementation of Performance Management System

During the financial year under review the performance management system was only applicable to section 56 managers. All section 56 managers of the municipality concluded their performance agreements linked to the organisation service delivery and budget implementation plan as required by applicable legislation (MFMA).

The municipality has a performance management policy in place and performance management framework adopted by council. As part of monitoring and evaluation managers submit monthly and quarterly performance assessments reports to the Municipal Manager and relevant directorate heads to detect early warnings for poor performance.

Midyear performance assessment was also conducted for the financial year under review in order to evaluate institutional performance for half yearly.

The municipality has a dedicated division responsible for Performance Management System established on the 02/01/2009. During the financial year under review the Manager Organisational Performance Management System was reporting directly to the Municipal Manager in line with the reviewed organisational structure.

Challenges and Corrective Measures

Challenges	Corrective Measures
<p>The following are the challenges which the municipality is faced with in relation to effective and efficient implementation of Performance Management Systems:</p> <ul style="list-style-type: none"> Regular performance reviews as in line with the performance regulations Lack of an effective system to detect poor performance Alignment of the IDP with other strategic documents e.g. Budget 	<ul style="list-style-type: none"> Perform quarterly performance audit as required by the MPPR of 2001; Compile section 46 report off the MSA with the following disclosures for the period 2010/2011 as per the Auditor General findings of 2009/2010 financial year: <ul style="list-style-type: none"> Performance reporting for the previous year; Performance of service providers; Misrepresentation of objectives contained in the council approved IDP; Measure to improve performance; and Oversight report by council.

Source: *Division Skills Development (2011/2012)*

13. STRUCTURE AND FUNCTION OF COUNCIL

About the council

The municipality operates within a collective executive system; it has nine wards and eight PR Councillors. The municipality has EXCO which chaired by the Mayor and two additional councillor's. Cllr Sello Dennis Ntsepe is the Mayor, Cllr Sylvia Visagie is the Speaker of council and Cllr M Malakane is the Chief Whip of council.

The council meets in line with the approved schedule of council meetings to consider recommendations from portfolio committee through reports from EXCO.

Council Meetings and Committee Meetings held during the financial year under review

Council Meetings	Date of the meeting	Meetings Scheduled	Date of the meeting	Actual Meetings Held
council	26/07/2011		27/09/2011	council
council	31/01/2012		29/11/2012	council
council	27/03/2012		28/03/2012	council

Source: *Directorate Corporate Services (2011/2012)*

Committee Meetings	Chairpersons	Date of meeting	Meetings Scheduled	Date of meeting	Actual Meetings Held
EXECUTIVE COMMITTEE 1. Executive Services 2. Policy & Strategy	Cllr SD Ntsepe	Never sited	10	Never sited	0
SOCIAL DEVELOPMENT COMMITTEE 1. Human Settlement (Infrastructure Services, Housing, Sites, Land & Community Services) 2. Planning 3. Rural Development	BP Matsunyane	02 March 2012	10	02 August 2011 02 March 2012	2
GOVERNANCE & ADMINISTRATION COMMITTEE 1. IDP 2. Finance 3. Human Resource	K Nakalebe	14 April 2012 12 August 2011 24 August 2011	10	14 April 2012 12 August 2011 24 August 2011	6

Committee Meetings	Chairpersons	Date of meeting	Meetings Scheduled	Date of meeting	Actual Meetings Held
		30 August 2011 17 November 2011 19 September 2011		30 August 2011 17 November 2011 19 September 2011	
ECONOMIC, EMPLOYMENT & INVESTMENT COMMITTEE 1. Local Economic Development 2. Tourism 3. Agriculture 4. Transport 5. Environment	K Tigeli	15 February 2012	10	15 February 2012	1
JUSTICE, CRIME PREVENTION & SECURITY COMMITTEE Safety & Security incorporating Community Policing Forum, Disaster management and Cross-Border crimes	M Sebotsa	Never sited	10	Never sited	0
WELFARE COMMITTEE 1. Health & Social Services	T Molefe	Never sited	10	Never sited	0
HUMAN DEVELOPMENT COMMITTEE 1. Youth, Gender & Education	M Chomane	Never sited	10	Never sited	0
RURAL DEVELOPMENT COMMITTEE 1. Agriculture 2. Skills Development 3. Economic Development 4. Service from other governance service		Never sited	10	Never sited	0
AUDIT COMMITTEE	Scholtz	7 July 2011	4	7 July 2011	1

Source: Directorate Corporate Services (2011/2012)

14. CORPORATE SUPPORT SERVICES

The purpose of the department corporate services is to provide an effective and efficient legal and valuation, administrative support and human resources services to the Mantsopa Local Municipality, to ensure co-ordinate and integrated provision of services to the community.

15. DESCRIPTION OF THE HUMAN RESOURCES FUNCTION

The municipality has a mandate to administer and manage staff recruitments, skills development, employment equity, staff development, occupational health and safety, and labour relations and staff discipline.

In order to enhance the transformation process, the HR division developed and is maintaining specific frameworks, systems, structures and policies. These policies are essential for the smooth running of the municipality and for championing the institutional transformation process by enhancing employment equity and skills development.

A local Labour Forum has been established in terms of the organisational rights agreement. All the stakeholders, i.e. SAMWU, IMATU and the employer are represented in the LLF. The LFF meets regular according to the approved schedule to address issues of mutual interests between the employer and labour.

16. TRENDS OF TOTAL PERSONNEL EXPENDITURE

Mantsopa Local Municipality personnel expenditure trends for the past three years:

Budget Year	R – Value Personnel Expenditure	R – Value Total Operating Budget (excluding councillor's allowance)	% Personnel Expenditure
2011/2012	48 719 193	176 553 492	33.7%
2010/2011	44 159 346	102 013 639	33,6%

Source: Division Budget and Treasury (2011/2012)

17. NUMBER OF STAFF PER FUNCTION PLUS VACANCIES AS AT 30 JUNE 2012

The structure of the municipality was reviewed and approved by council on the 29th April 2011 and the following table is a reflection of number positions as appear on the structure and number of vacancies per directorates:

Department	Function/Section	No. of post as at 01 July 2011		No. of post as at 30 June 2012		Vacancies (Long term plan – not all budgeted to be filled at this stage)
		Post	Employees	Post	Employees	
Municipal Management	Municipal Manager	2	2	2	2	None
	LED	3	3	3	3	None
	Internal Audit	2	2	2	0	Positions filled effectively from the 01 July 2012
	IDP	2	2	2	2	None
	PMS	1	1	1	1	None
Finance	Chief Financial Officer	2	2	2	2	None
	Budget and Treasury	3	2	3	2	One resigned
	SCM	3	3	3	3	None
	Income	11	11	11	10	One cashier vacant in Ladybrand
	Expenditure	5	4	5	5	Personnel clerk post filled.
Corporate Services	Human Resources	3	3	3	3	None
	Committees	1	0	1	0	One post vacant
	Auxiliary	4	4	4	4	One vacant of messenger
	Legal	0	0	0	0	Outsourced
	Administration	1	1	1	1	None
Community Services	Traffic	5	5	5	5	None
	Disaster	7	7	7	7	Volunteers
	Housing	4	4	4	4	None
	Libraries	11	11	11	11	Function handed over to Province
Technical Services	Administration	3	3	3	3	None
	Water	11	11	11	11	None
	Sanitation	33	33	33	45	New posts budgeted for.
	Roads and Storm water	12	12	12	20	New posts budgeted for
	Refuse	30	30	30	33	New posts budgeted for.
	Electricity	9	9	9	9	None
	Parks and Cemeteries	20	20	20	20	None
	Stores	1	1	1	1	None
	Town planning	1	1	1	1	None
	Properties	10	10	10	10	None
	PMU	2	2	2	2	None

Source: Directorate Corporate Services (2011/2012)

18. NUMBER AND NAMES OF PENSION AND MEDICAL FUNDS

PENSION FUNDS	MEDICAL FUND
<ul style="list-style-type: none"> ▪ Municipal Employee Pension Fund ▪ SAMWU Provident Fund ▪ Free state Pension Fund ▪ Free state Provident Fund and SALA 	<ul style="list-style-type: none"> ▪ SAMWUMED ▪ LA HEALTH ▪ KEY HEALTH ▪ BONITAS and HOSMED

Source: Directorate Corporate Services (2011/2012)

19. INFORMATION AND COMMUNICATION TECHNOLOGY SYSTEMS

Situation as at 30 June 2011	Situation as at 30 June 2012	Remedial and Action Taken
<p>Appointment of service provider to attend to the following IT related function:</p> <ul style="list-style-type: none"> ▪ System maintenance ▪ Cable Networking ▪ 3G cards for managers 	<p>Servers Maintenance:</p> <p>The servers' operating systems need to be upgraded</p> <p>Networks:</p> <ul style="list-style-type: none"> ▪ The wireless antennas from head office to technical, stores & to Manyatseng are not working efficiently. <p>The following satellite offices need to be cabled in the next financial year:</p> <ul style="list-style-type: none"> ▪ Tweespruit ▪ Hob House ▪ Excelsior <p>3G Cards for mobile users:</p> <p>The 3G connection was using the carrier's public APN and that lead to:</p> <ul style="list-style-type: none"> ▪ Abuse of the service ▪ Unregulated usage that does not comply with policies ▪ Usage on non-municipal systems 	<p>Servers Maintenance:</p> <p>The new licenses have been procured</p> <p>Networks:</p> <ul style="list-style-type: none"> ▪ A Telkom VPN is being implemented and will start working in 11/2012 ▪ The satellite offices will be cabled before the VPN project comes to an end. ▪ 3G Cards for mobile users ▪ We are in the process of implementing a shared APN which will be fully operational after the implementation of the VPN
<p>All PC's printers and laptop were upgraded to ensure proper and effective operation of IT</p>	<p>Personal Computers (PCs) include Laptops & Desktops:</p> <ul style="list-style-type: none"> ▪ The rentee did not provide any support for their systems ▪ The PCs were of inferior brands that broke from time to time. ▪ The PCs' specifications were inadequate ▪ Printers include both printers, fax machines and multifunction systems: ▪ The rentee did not provide enough support for their systems e.g. ▪ They did not timely respond to callouts ▪ They did not replace the printing consumables on time 	<p>Personal Computers (PCs) include Laptops & Desktops:</p> <ul style="list-style-type: none"> ▪ We have signed a strict SLA with the current service provider that is performance based. ▪ It was stated on the briefing session that no clone PCs or inferior brands will be considered ▪ IT has played a big role in determining the spec <p>Printers include both printers, fax machines and multifunction systems:</p> <ul style="list-style-type: none"> ▪ We have signed a strict SLA with the current service provider that is performance based
<p>The upgraded photocopiers from ITEC to Gestetner which provided a huge photocopier to handle large number of photocopying at a time.</p>	<p>The Rentee supplied an old high volume multifunction printer (MFP). As a result, the MFP gave many problems and was therefore underutilized.</p>	<p>IT has played a big role in determining the spec & the service provider will be monitored throughout.</p>

Source: Directorate Corporate Services (2011/2012)

20. ACHIEVEMENTS, CHALLENGES AND INTERVENTIONS

Achievements	Challenges	Interventions
<ul style="list-style-type: none"> ▪ We have achieved to have more than 90% of most systems up time. ▪ We have never been in any ICT disaster. ▪ We have a full control of the domain “mantsopa.co.za” from Motheo District Municipality. ▪ We have control of the email server. ▪ We have upgraded our server environment from Microsoft Server 2003 to Microsoft Server 2008. ▪ We have implemented the Sebata Financial Management system from Client-Server architecture to the cloud environment. ▪ We have performed network cabling to the following office sites: <ul style="list-style-type: none"> ○ Technical ○ Stores ○ Manyatseng ▪ We have trained two IT interns from the Premier’s office and one is now permanently employed at Setsoto Local Municipality. ▪ We have redesigned the municipal website. ▪ A functional ICT Committee was formed. 	<ul style="list-style-type: none"> ▪ The wireless access points that connect head office to Technical, Stores & Manyatseng are not efficient. ▪ Poor support from both PCs and printers service providers ▪ The dysfunctional ICT committee let to the following: <ul style="list-style-type: none"> ○ We did not have an individual from management to formally report to either to raise our frustrations, plans & achievements. ○ We struggled to get information to keep the website up-to-date. 	<ul style="list-style-type: none"> ▪ The office of the Premier provided us with two interns that we trained and also assisted with the issue of capacity to a certain degree.

Source: Directorate Corporate Services (2011/2012)

21. CHALLENGES, INTERVENTIONS BY NATIONAL AND PROVINCIAL GOVERNMENT, SALGA AND OTHER GOVERNMENT AGENCIES

Challenges	Interventions
Human Resource <ul style="list-style-type: none"> ▪ Non-competitive salary package to attract specialized and retention of skill due to municipal grading. ▪ High turnover problems ▪ Manual filing system than electronic system e.g. filling ▪ Lack of office space ▪ Lack of safety and security in the municipal buildings ▪ Shortage of staff let to looming overtime payouts ▪ Job descriptions not updated by departments when post descriptions changed ▪ No proper placement of employees by departments and notifying Corporate Services to change personnel records accordingly ▪ No proper system to monitor overtime by departments ▪ Not sticking to timelines in filling vacant positions ▪ Lack of support on the implementation of leave on the financial system ▪ Loopholes on disciplinary procedures ▪ No dedicated Labour Relations Officer ▪ Leakage of information due to employees not inherently signing oath of secrecy ▪ Non-implementation of WSP due to attendance of unplanned workshops or training ▪ Non-functional Local Labour Forum 	<ul style="list-style-type: none"> ▪ SALGA HR WORKING GROUP – Monthly sessions to update on human resource matter ▪ The Institute of Municipal Personnel Practitioners of Southern Africa (IMPSA) – Membership of Professional Body to provide support on Human Capital, interpretation of legislation and challenges. ▪ Corporative Governance of Traditional Affairs and SALGA – During employee strike employer association provided support to the municipality to diffuse strike and helped the parties to reach consensus

Source: Directorate Corporate Services (2011/2012)

CHAPTER 4: BASIC SERVICE DELIVERY

1. INTRODUCTION

The municipality provides services in the municipal area that relates only to their competencies. Other services agencies are therefore responsible for services delivery outside the functional competency of the local municipality but within the spirit of cooperative governance and intergovernmental relations act. The following is a list of basic services provided by the municipality in its area of jurisdiction:

- Water
- Electricity
- Sanitation
- Refuse Removal
- Roads

2. ACCESS TO FREE BASIC SERVICES

Water – the municipality is both a water service authority and water services provider. The municipality is providing households with free basic service water (6kl) only to registered indigent households. There are currently no water backlogs regarding provision of water to households in municipal area of jurisdiction except in newly established sites due to be allocated after the process of providing essential services has been concluded. During the financial year under review the municipality experienced problems of water pressure more especially on high lying areas and water quality was a challenge in the area of Ladybrand due to aging filter sands at Genoa Water Purification Plant and high water table in Ladybrand.

Electricity – providing the service to all households in its area of jurisdiction. Currently there are no backlogs relating to electricity supply except in new developments. The frequent power failures remain a challenge due to weak infrastructure particularly in Excelsior.

Sanitation – the municipality provides this service to all households by means of the following methods:
Full waterborne sanitation:

- Conservancy tanks in the areas of Hobhouse, Tweespruit and Excelsior; and
- Buckets in the areas of Tweespruit and Hobhouse.

Refuse removal – this service is currently provided at a high and intermediate level such that in some areas it is collected from households and in other areas from communal points (skips). The latter poses a serious challenge because refuse is in many instances dumped outside the skips. A number of open spaces are used as dumping sites (illegal).

Roads and storm water – due to heavy rainfall and lack of adequate equipment e.g. Trucks, Water Tank etc., the conditions of our roads deteriorated even further. The situation is worse in Manyatseng where there is a serious challenge as a result of the landscape/demographics (mountainous) of the town which is on the flood line. Tweespruit/Boroa the situation was as a result of the current implementation of bucket eradication projects (excavation of trenches for sewer lines) and unavailability of quality gravel.

3. BUCKET ERADICATION

- Construction of Package Plants: Civil work -Tweespruit: 95 % completed, Hobhouse: 80%;
- Electrical and mechanical work to be done after completion; and
- 100%: Level of service to be improved on outstanding 900 households in both Hobhouse and Tweespruit.

4. INDIGENT POLICY IMPLEMENTATION – INDIGENT REGISTER

During the financial year under review 4300 households were registered as indigent in Mantsopa Local Municipal area of jurisdiction. The total number of 4300 is the breakdown of households for all wards of the municipality.

5. MIG ALLOCATIONS AND EXPENDITURE

Registration Number	Project Name	Project Value (R)	MIG Project Value	Status
MIG/FS0294/W/06/08	Hobhouse: Upgrading of Water Treatment Works	R6 496 500.00	R6 496 500.00	Practically Completed
MIG/FS0630/S/07/10	Hobhouse:	R28 497 266.00	R18 589 500.00	Completed: Phase

Registration Number	Project Name	Project Value (R)	MIG Project Value	Status
	Eradication of Buckets of 1 282 sites			1 and Phase 2. Practically Complete: Phase 3
MIG/FS0631/S/07/09	Tweespruit: Eradication of Buckets 1 353 sites	R27 851 132.00	R19 618 000.00	Completed: Phase 1 and Phase 2 Practically Complete: Phase 3
MIG/FS0531/R,ST/10/11	Mantsopa (Koma Village): Upgrading of 4.8 km streets and storm water	R15 600 000.00	R15 600 000.00	Practically Complete
MIG/FS0538/CF/10/12	Manyatseng: Rehabilitation of Itumeleng Community Hall	-	R1 710 000.00	Complete

Source: Division PMU (2011/2012)

The below given table provides more information on the projects that were implemented in 2011/2012 financial year:

Project Name	Preliminary Design	Detailed Design	Tender Period	Construction Date	
				Started	Ended
Hobhouse: Upgrading of Water Treatment Works.	26/08/06	25/11/06	13 /03/08	04/03/08	05/11/10
Hobhouse: Eradication of Buckets of 1 282 sites	18/04/07	25/05/07	02/05/07	01/08/07	09/09/09
			12/08/09	11/11/09	10/11/10
			19/05/10	18/10/10	Construction
			14/05/07	-	-
Tweespruit: Eradication of Buckets of 1 353 sites	01/02/07	15/03/07	10/05/07	18/10/07	30/07/09
			12/08/09	11/11/10	Construction
			19/05/10	29/11/10	Construction
			07/05/12	-	-
Koma Village: Upgrading of Streets and Storm Water	30/06/10	29/10/10	12/11/12	30/01/12	Practical Completion
Manyatseng: Upgrading of Itumeleng Hall	24/06/10	21/01/11	07/03/11	27/01/12	Completed

Source: Division PMU (2011/2012)

* The Bucket Eradication projects had to be implemented in phases as a result of shortage of funds. The phase 1 were implemented in the 2008/09 financial year and the second phase implemented in the 2009/10 etc.

Key Challenges

The following are some of the key challenges that we experienced with respect to the implementation of the programme and/or projects during the 2011/12 municipal financial year:

- Project Communication and Planning
- Bucket Eradication Dipelaneng & Boroa

In relation to challenges alluded to on previous reports, including but not limited to changes of the scope of work for both bucket eradication projects. Late appointments of contractors as well as the contractors' slow pace during the implementation phase were some of the communication and planning challenges experienced.

The details in transition of the scope was entailed in the previous annual reports, the following is only a track record of scope changes:

1. Full Water Borne Sanitation Projects for Boroa and Dipelaneng– 2004/2005
2. VIP Sanitation project for Boroa and Dipelaneng – 2005/2006
3. Full Water Borne Sanitation – 2007/2008
4. Closed circuit System – 2009/2010 (to date)

All of the above constituted different projects and needed to be registered as such. The above named changes were as a result of a combination of factors including but not necessarily limited to the following:

- Rejection of VIP's by the communities
- Shortage of Bulk Water
- Land for treatment works
- Funding

The Upgrading Of Water Treatment Works in Hobhouse

This project was planned to be completed the end of 2008/09 financial year. But due to unforeseen circumstances such as inclement weather and contractors financial problems, the project was then delayed. It is important to note that the great delay was on the identification of a competent mechanical and electrical contractor. The municipality went out on tender three times before the contractor was appointed.

On the first tender the municipality went out on a normal tender procedure and the bids were all non-responsive. It was then decided to invite bids through the municipality's database of mechanical and electrical services providers. However on evaluation of such, they were also non responsive until third time bidding.

Even though the project still has snags, the bulk of the work is completed and the municipality is utilising the plant.

Resources

The PMU capacity has since been addressed by appointing a PMU Manager in 2010 and a technician later that year in which resulted in PMU being fully functional. The only challenge is that the department in which the PMU reports to (Technical Department) has shortage of staff).

Technical

We experienced some delays with regard to the completion of both bucket eradication projects in Dipelaneng and Boroa due to the connection application of electricity that took longer than usual.

PMU Functioning

Since the purpose of establishing the PMU within the municipalities is to capacitate the municipality in effectively managing the project, table below shows the current status of projects engineered, managed and implemented by the PMU in 2011/2012 year:

Project Number	Project Name	Project Value (R)	Financier	Status
MIG/FS0538/CF/10/12	Manyatseng: Rehabilitation of Itumeleng Hall	R 1 710 000.00	MIG and Mantsopa	Completed
TS/04/10/11T	Upgrading Streets and Manyatseng: Tlali Street	R4 464 350.00	Mantsopa	Retention
TS/04/10/11F	Upgrading of streets and Storm water in Ladybrand: Fifth Street	R4 500 000.00	Thabo Mofutsanyana DM	Construction (Through the District Municipality)
TS/01/09/10	Rehabilitation and Upgrading of Roads and Storm Water in Ladybrand	R9 513 622.70	Mantsopa	Completed (Retention)

Source: Division PMU (2011/2012)

Basic Service Delivery

6. Achievements, Challenges and Interventions:

Achievements	Challenges	Interventions
Water and Sanitation		
<ul style="list-style-type: none"> 11 505 Households were provided with basic levels of water in the whole of Mantsopa. Additional 14 Households at Platberg provided with stand pipes. 123 Households at Dipelaneng provided with communal taps. 2885 households still using buckets. 900 households to be connected during the second quarter of the new financial year i.e. 2012/2013. In the process of upgrading oxidation ponds in Thaba Patchoa through funding received from the Thabo Mofutsanyana District Municipality. 	<ul style="list-style-type: none"> Water – shortage of skilled and qualified personnel, undetectable water leakages and those reported at other department and aged and shortage of vehicles and equipment. Sanitation – lack of funding for eradication of buckets at Tweespruit and Hobhouse, shortage of dedicated equipment, unavailability of testing equipment for waste water, shortage of skilled and qualified personnel, over flowing of oxidation ponds in Tweespruit, Hobhouse and Thaba Patchoa. 	<ul style="list-style-type: none"> Drilling of additional bore holes to augment water supply, Increase the capacity of Water Purification Plants especially in Tweespruit Received funding from DWA for the Implementation of Water Conservation and Water Demand Management in all towns of Mantsopa to the value of R950 000. Submitted a business plan to MIG for funding to eradicate buckets.
Electricity		
<ul style="list-style-type: none"> 11 505 households provided with electricity supply. Department of Energy allocated funds for electrification of Platberg. Additional business plans submitted to DME for funding for electrification of households in the area of Dipelaneng and Mahlatswetsa. 	<ul style="list-style-type: none"> Electricity – frequent power failures experienced at Tweespruit and Excelsior, delayed maintenance and/or repairs of streets lights and medium high mast lights and theft of electricity cables at Tweespruit in particular. 	<ul style="list-style-type: none"> Developed electricity master plan with the assistance of CENTLEC. Requested the office of the Speaker to assist with identification of untraceable beneficiaries allocated ervens in Platberg.
Refuse Removal and Solid Waste Management		
<ul style="list-style-type: none"> 11 505 households provided with refuse removal service once per week. Two solid waste disposal sites legally registered i.e. Ladybrand and Excelsior. In partnership with Indalo Yethu have collected all illegal dumps in the area of Ladybrand. 	<ul style="list-style-type: none"> Solid waste management, parks and cemeteries – lack of adequate resources, skilled personnel, refuse collection and solid waste management equipment, illegal dumping in and around land fill sites (no direction for use and unlicensed land fill sites), cemeteries not fenced and extension of Boroa and Mahlatswetsa cemeteries. 	<ul style="list-style-type: none"> Extended the Indalo Yethu project to other towns of the municipality.
Roads and Storm Water		
<ul style="list-style-type: none"> Completed upgrading of the following access roads through funding received from Mantsopa Local Municipality own funding, MIG and Thabo Mofutsanyana District: <ul style="list-style-type: none"> Upgrading of streets in Koma Village 4km; Upgrading of Tlali Street in Manyatseng 4km; Upgrading of Fifth Street in Ladybrand 1.5km Upgrading of other internal streets in Ladybrand town. 	<ul style="list-style-type: none"> Roads and storm water – damage to road infrastructure due to heavy vehicles travelling through our streets and ageing and shortage of equipment. 	<ul style="list-style-type: none"> Signed a service level agreement with government garage to solicit yellow plant equipment. Appointment of skilled personnel. Funding for implementation of projects identified as part of regional bulk water study e.g. Upgrading of Tweespruit WTP including raw pump station and the main line. Additional funding from CoGTA. The Department of Environmental Affairs to extend the duration of the Indalo Yethu project. Funding to upgrade tarred

Achievements	Challenges	Interventions
		roads especially in the urban areas of the municipality to stimulate local economic development (urban renewal).

Source: Technical services 2011/2012)

7. FLEET MANAGEMENT

EXCELSIOR:

Registration Number	Year Model & Description	Division	Remarks (Condition)
DKG 358 FS	2009 GWM Bakkie	Water & Sanitation	Good
DPX 866 FS	2009 GWM Bakkie	Roads, Parks & Cemeteries	Good
DCN 386 FS	1990 Dresser Grader	Roads	Fair
CMR 182 FS	1976 Fiat Agri 100/90	Parks & cemeteries	Fair
CMR 181 FS	1972 Tip Trailer	Refuse	Fair
BPM 749 FS	1981 Ford 6600	Refuse	Fair (Running)
BPM 751 FS	1981 Ford 6600	Roads	Fair (Standing due to Gear box problem)
CMR 183 FS	1981 Tip trailer	Roads	Fair
DVB 053 FS	FAW Honey Sucker Truck	Sanitation	Good

Source: (Fleet Management 2011/2012)

HOBHOUSE:

Registration Number	Year Model & Description	Division	Remarks (Condition)
CDM 397 FS	1995 Honey sucker Trailer	Sanitation	Poor
CDM 401 FS	1996 Fiat Agri 100/90	Roads, Parks	Fair
CLV 225 FS	1995 Night soil Trailer	Sanitation	Poor
CDM 403 FS	1993 Massey Ferguson	Sanitation	Fair
CDM 398 FS	1996 Fiat Agri 100/90	Sanitation	Fair
CLV 249 FS	1977 Fiat Agri 70/50		Uneconomical to repair
CMR 174 FS	1974 Tip Trailer	Refuse	Fair
DPX 868 FS	2009 GWM Bakkie	Water & Sanitation	Good

Source: (Fleet Management 2011/2012)

THABA PATSWA:

Registration Number	Year Model & Description	Division	Remarks (Condition)
DDK 281 FS	1977 Ford 6610	Refuse	Fair
CMR 176 FS	1974 Tip Trailer	Refuse	Poor
CNY 045 FS	2001 Toyota 1800D Bakkie	Water & Sanitation	Fair

Source: (Fleet Management 2011/2012)

TWEESPRUIT:

Registration Number	Year Model & Description	Division	Remarks (condition)
BSZ 117 FS	1999 Fiat Agri 100/90	Parks & Cemeteries	Poor (Breakdown - Rear Diff)
CKR 559 FS	1995 Landini 6860	Roads & Parks	Fair
CDM 395 FS	1995 Honey sucker Trailer	Sanitation	Fair
CMS 039 FS	1989 Landini 6860	Refuse	Fair
CMH 506 FS	1995 Tip Trailer	Refuse	Very Poor
CMF 048 FS	1981 Ford 6600	Sanitation	Fair
CMF 507 FS	1976 Ford 6600		Uneconomical to repair
DKG 356 FS	2009 GWM Bakkie	Water & Sanitation	Good
CFD 706 FS	2001 Toyota 1800 Bakkie	Electricity	Fair

Source: (Fleet Management 2011/2012)

LADYBRAND:

Registration Number	Year Model & Description	Division	Remarks (Condition)
DBP 314 FS	2005 Landini Power farm	Parks & Cemeteries	Good
DBP 315 FS	2005 Landini Power farm	Refuse	Good
CXN 570 FS	2004 Scissor Tip Trailer	Refuse	Good
CLV 238 FS	1991 Fiat Agri	Roads	Fair
CLV 254 FS	1995 Tip trailer	Roads	Fair
CNY 014 FS	1995 Tip Trailer	Roads	Fair
CLH 773 FS	1991 Tip Trailer	Roads	Uneconomical to repair
DBC 844 FS	2005 Nissan Compactor	Refuse	Good
DJX 973 FS	2007 Nissan Compactor	Refuse	Good
CYR 131 FS	2005 Komatsu Grader	Roads	Good
DPH 276 FS	2009 Volvo Grader	Roads	Good
CWS 996 FS	2004 Toyota Dyna	Electricity	Good
DTN 654 FS	2009 GWM Bakkie	Electricity	Good
DVN 985 FS	2009 TATA Truck	Refuse	Good
CATTERPILLAR DOZER	2009 CAT 953D Waste-handler	Refuse	Good

Source: (Fleet Management 2011/2012)

8. ACHIEVEMENTS, CHALLENGES AND RECOMMENDATIONS:

ACHIEVEMENTS	CHALLENGES	RECOMMENDATIONS
<ul style="list-style-type: none"> Major achievements have been reached due to the following contributing factors; Establishment of Fleet management policy and procedures Effective fleet service and maintenance programme; appointment of repair & maintenance service provider and improved response time by the maintenance staff in attending to fleet breakdowns. Introduction of Fleet internal controls to monitor and manage fleet abuse and/or misuse; Trip Authority, Vehicle pre- trip Checklist / inspections, trip logbooks, passenger authority and manager's unplanned spot checks. Introduction of effective fuel and lubricants management programme; fleet fuel cards by ABSA Fleet Management Services. Performance and Evaluation mechanisms; service provider clear and unambiguous service level agreements. Enforcement; proper monitoring and control over day-to-day fleet activities. Fully compliant with Road Traffic Regulations; timeous renewal of driver's licenses, fleet license discs and roadworthy requirements. Citizen Satisfaction due to improved level of service delivery. Establishment of effective and efficient fleet management unit 	<ul style="list-style-type: none"> Nonetheless, there are still some challenges faced by the municipality in effectively and efficiently managing the municipal fleet assets and they are as follows: Free State Government Garage turn- around time in response to municipal fleet requests. Inadequate security facilities at the workshop and store area where the fleet assets are to be based as a centralized point. Deteriorating condition of most fleet assets due to ageing. (old machines and equipment) Dilapidated and bad road conditions where municipal fleet assets are succumbed to travel on daily basis. Driver and operator training. Inability to properly monitor fleet assets in real time. None functioning of speedometers and/ or hour meters on most machines (tractors). 	<ul style="list-style-type: none"> For the municipality to effectively and efficiently manage the fleet assets, the following are of utmost importance; Implementation of Fleet Management Systems (real-time tracking, on board computers) to effectively monitor day-to-day fleet activities as traditional paper based forms and checklists can no longer keep pace with daily fleet issues that arises daily and FMS is web based, therefore empowers fleet management unit to resolve fleet issues in real time and generate accurate fleet's activities reports. Building of perimeter wall around the workshop and store area for safe keeping and proper centralization of municipal fleet assets. Driver and operator training necessary to develop knowledge, improve competence, reduce accidents, incidents and downtime caused by breakdowns. Also improve driving efficiencies which would result in prolonged fleet useful life and increased productivity and/ or better service delivery. Increase of fleet (tractors) to cater for enforceable circumstances whereby one tractor is kept and/ or reserved as standby per town. Installation of speedometers and / or hour meters on all machines and equipment's which currently does not have for proper monitoring and analyses of fuel consumption against kilos travelled. Proper and continuous road maintenance.

Source: (Fleet Management 2011/2012)

CHAPTER 5 MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

1. INTRODUCTION

The year has seen the credit crunch loom large and increasing signs of a faltering economy - factors that will also have had an impact on the municipality's cash flow and collection rates.

Against this backdrop we've performed well. We have sustained a solid cash flow, collection rates are reasonable, 100% of the capital budget was spent at 30 June 2012.

In the current year the annual financial statements were prepared in compliance with the GRAP accounting framework and the municipality complied with provisions of GRAP 17 (Property, Plant and Equipment). The basis of accounting is consistent with prior years with the exception that no exemptions were issued by National Treasury for the current year.

2. FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

	R'000	2011	2012
Debt Coverage			
Total Operating Revenue		163 790 300	178 241 878
Grants and Subsidies		82 209 980	86 992 177
Debt Services payment (i.e. interest + redemption) due within the financial year.			
Outstanding services debtors to revenue			
Total outstanding service debtors		137 707 829.00	165 823 339
Annual revenue actual received for services			
Cost coverage			
All available cash at year end		(2 730 583.00)	(2 810 946)
Investments		496 394	822 694
Monthly fixed operating expenditure			

Source: Directorate Finance

3. FINANCIAL VIABILITY

Debt Coverage

The debt coverage and outstanding service debtors to revenue indicators have remained fairly constant in relation to the prior year's performance.

Outstanding Service Debtors to Revenue as at 30 June 2012 was R165 823 339.

Borrowings

At the financial year end the municipality had the following existing loans:

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 01/07/11	Received during the period	Redeemed written off during the period	Adjustments	Balance at 30/06/12
			R	R	R	R	R
Development Bank of South Africa							
Water	13 776/101	2013	1 016 171	-	(365 571)	-	650 600
Water	LALF15125	2013	13 100	-	(6 084)	-	7 016
Water	LALF15125	2017	244 315	-	(26 452)	-	217 862
Water	1/00216-15241	2012	37 640	-	(37 640)	-	(0)
Electricity	13 776/101	2013	1 216 220	-	(437 539)	-	778 681
Roads	13 776/101	2013	708 762	-	(254 979)	-	453 783
Roads	103384/1	2021	4 789 084	390 916	(371 939)	-	4 808 060
Roads	103384/2	2015	2 419 830	310 170	(418 689)	-	2 311 311
ABSA (Inka, Sanlam)							
Properties	100048/52	2 014	124 728	-	(29 075)	-	95 653
Total long-term loans			10 569 849	701 086	(1 947 969)	-	9 322 966

Pricing of Services

In order to remain financially viable and sustainable, the municipality must generate sufficient resources. As limited scope exists to generate alternative revenue, it is necessary to increase rates and tariffs annually.

The determining of tariffs is the responsibility of Council, as per the provision of the Local Government Municipal Systems Act. Affordability was an important factor when considering the rates and tariff increases. Consideration was also given to the alignment between the resources of the municipality, level of service and customer expectations.

Rates

The levying of rates in terms of the Municipal Property Rates Act has had an impact on the rates individual property owners were charged with effect from 1 July 2008.

Properties were assessed based on the market value (which had substantial gains in value); however, the gains in terms of rates revenue were limited owing to the increase in various rebates to the different classes of ratepayers.

The cent in the rand (randage) was adjusted downward to compensate for the higher values. In addition, the impact on the indigent ratepayers was considered to ensure a limited impact.

Service Charges:

The electricity tariffs increased by 10% which was much higher than that of previous years mainly due to the above average increase by Eskom as approved by the National Electricity Regulator.

These above average increases are expected to continue in the medium term.

The 4.5% increase in water tariffs are as a result of (amongst other factors), bulk purchase tariff increase from Bloem Water, the water loss intervention programme, the increase in maintenance of ageing infrastructure and the roll out of infrastructure to new areas / developments.

Indigents:

Furthermore, the cost of the indigent's package of R22 286 474 in order to provide free services to residents who cannot afford to pay also contributed to the need to increase tariffs.

The cost of the indigents was funded from the equitable share allocated to Council by National Treasury in terms of the Division of Revenue Act.

General:

The following service delivery challenges also influenced the levels of tariffs and service charges for the municipality i.e. the developmental challenge to address the service delivery backlogs in all towns of the municipality.

The declining local economy will be insufficient to absorb the unemployed and this will have a service delivery impact and harm the ability of the municipality to sustain its revenue base to finance extended services.

The other general contributory factors for the increase in levels of rates and service charges were:

- Salary increase of 8.7% with effect from 1 July 2011;
- Provision for the filling of Critical Vacancies;
- Rollout of infrastructure and the provision of basic services; and
- Increased maintenance of network and structures.

4. INTERVENTION MEASURES PLANNED FOR 2011/12 GOVERNMENT DEBT:

Over the years Mantsopa Local Municipality has developed a good relationship with the Provincial and National Government.

There have been notable successes in recovering outstanding debts; however there is still a number of unresolved issues.

One of the most pertinent issues is the debt accumulated over a number of years more especially at all local Police Stations. Discussions will continue to resolve the impasse. By the end of the financial year other long outstanding debts will be resolved e.g. outstanding rates on schools.

5. COUNCIL PROPERTIES:

Council properties are not ratable as per the rates policy, except properties owned by trading services.

6. ARREST A DEBT:

The process of conducting road shows per wards to identify all qualify indigents is being automated so that more customers are targeted. The main intention of the Municipality is to contain debt on customers so that it doesn't become too large to manage.

Secondly, the municipality has engaged in the process of gathering data of all vacant ervens billed per month, investigate ownership and advertised in the provincial gazette to recover the sites for re-allocation.

Thirdly, categorization of debtors per:

- Department:
- Business:
- Households:

Embark on a process of putting maps of wards on the financial system of the municipality to print monthly accounts per ward; the intention is to involve ward councilors in the process of debt coverage by going door to door per ward.

In terms of business we are in the process of sending SMS notification of monthly accounts,

Debtors prior 2006 will qualify for 50% reduction if they settle the whole amounts outstanding on the account,

The last resort will be recommendation to council to write-off the account of all affected households or insolvent business.

7. MAJOR DEBTORS

Customers that fall under this category are those that own more than 10 properties. These customers are able to pay provided they get correct accounts, and their queries are resolved on time. More emphasis will be put in to resolve all outstanding queries so that these accounts are always up to date.

8. DISCONNECTIONS/10 DAY CHECK

There is a focus on ensuring that disconnection of services for non-payment of accounts is done immediately and effectively. There will be an immediate follow up on those customers that have been disconnected and have not made any arrangements to pay debts.

9. RECESSION and NATIONAL CREDIT ACT

The recession had a negative impact on the collection of outstanding debts. Customers could not afford to pay outstanding amounts.

Certain consumers were granted extended terms to pay.

These customers could not raise loans to pay outstanding Municipal accounts because of the National Credit Act. The banks requirements for granting loans became stringent and that had a huge impact in recovering outstanding amounts.

10. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade Receivables from Exchange Transactions					Gross	Provision for	Balance
					balances	bad debts	
As at 30 June 2011							
Service receivables							
Electricity					7 181 495	2 758 306	4 423 189
Water					39 452 660	15 153 184	24 299 475
Sewerage					43 218 290	16 599 508	26 618 783
Refuse					22 117 283	8 494 922	13 622 361
Other Income					12 247 600	4 704 122	7 543 478
Total					124 217 329	47 710 043	76 507 286
Plus credit balances							2 608 345
Total consumer receivables							79 115 631
As at 30 June 2012							
Service receivables							
Electricity					9 253 331	3 465 281	5 788 050
Water					47 889 244	18 393 552	29 495 692
Sewerage					51 460 673	19 765 285	31 695 388
Refuse					26 590 758	10 213 118	16 377 640
Other Income					13 190 820	5 066 399	8 124 421
Total					148 384 825	56 903 635	91 481 191

Source: AFS 2011/2012

11. CAPITAL EXPENDITURE BY THE MUNICIPALITY**GRANTS AND SUBSIDIES**

Revenue from grants and subsidies comprise a number of different types of grants. Grants can be unconditional or conditional. Conditions associated with grants prescribe the specific content and process of spending required by municipalities to access the grant.

Unconditional grants can logically only take the form of cash transfers. Conditional grants can be in the form of cash or in kind, i.e., Goods and services that are supplied to municipalities by the transferring authority.

12. PROPORTION OF GRANTS OVER THE PAST 2 YEARS IN FIGURES

Grant	2010/2011	2011/2012	Grants used for
Equitable Shares	53 916 003	59 432 000	Municipal services
MIG	18 934 000	22 773 000	Capital Projects
MSIG	750 000	790 000	System
FMG	3 000 000	1 450 000	Financial Interns
INEG	-	810 000	Electricity
Dept. Water Affairs	-	845 960	Water
Other Grants	5 609 877	891 217	District Municipality

Source: Directorate Finance

13. EQUITABLE SHARE

The rapid growth in local government's equitable share is largely due to increases in the allocations for indigent households. The growth in equitable shares is intended to assist in meeting the capital and operating costs of providing basic services to poor households.

The main purpose of the equitable share is to provide free basic services to poor households, but it also supports the specific project expenditures of the municipality.

					2 012	2 011
				Notes	R	R
Revenue						
Property rates			16		10 761 843	12 646 505
Services charges			17		66 061 438	56 899 794
Investment Income					940 046	869 315
Interest earned - external investments					106 267	496 853
Interest earned - outstanding debtors					12 662 011	9 458 009
Fines					88 511	164 883
Dividends received					23 918	19 389
Licenses and permits					263	2 216
Government grants and subsidies			18		86 992 177	82 209 980
Other income			37.2		605 405	1 023 356
Total Revenue					178 241 878	163 790 300
EXPENDITURE						
Employee related costs			20		48 719 193	44 159 450
Remuneration of Councillors			21		4 270 292	3 666 655
Bad debts Provision			10		10 694 146	37 326 515
Repairs and maintenance					10 015 027	12 223 692
Finance Costs			22		993 516	817 243
Operating Lease					2 393 184	1 153 997
Bulk purchases					26 226 370	20 523 256
Grants and subsidies paid					22 286 474	15 894 146
General expenses			37.1		26 076 155	23 536 138
Depreciation/Amortisation			7.		24 327 815	23 490 794
Total Expenditure					176 002 172	182 791 886
Gains on sale of property, plant and equipment					-	239 399
SURPLUS/(DEFICIT) FOR THE YEAR					2 239 707	(18 762 187)

Source: AFS 2011/2012

14. EXPENDITURE BY TYPE

EXPENDITURE						
Employee related costs			20	48 719 193	44 159 450	
Remuneration of Councillors			21	4 270 292	3 666 655	
Bad debts Provision			10	10 694 146	37 326 515	
Repairs and maintenance				10 015 027	12 223 692	
Finance Costs			22	993 516	817 243	
Operating Lease				2 393 184	1 153 997	
Bulk purchases				26 226 370	20 523 256	
Grants and subsidies paid				22 286 474	15 894 146	
General expenses			37.1	26 076 155	23 536 138	
Depreciation/Amortisation			7.	24 327 815	23 490 794	
Total Expenditure				176 002 172	182 791 886	

Source: AFS 2011/2012

15. REPAIR AND MAINTENANCE OPERATING EXPENDITURE

Item	2010/2011	2011/2012
Operating expenditure	182 791 886	176 002 172
Repairs and Maintenance	12 223 692	10 015 027

Source: Directorate Finance

16. COMPLIANCE WITH THE MFMA

The municipality complied fully with the implementation of the MFMA by performing the following as required by the law:

2010/2011 Financial Year	2011/2012 Financial Year	Planned Date	Target Date
<ul style="list-style-type: none"> Submission of draft service delivery and budget implementation plan to the Mayor Submission of the draft performance agreements to the Mayor Submission of Annual Financial Statements to the Auditor General for audit Tabling of the annual report and oversight report Submission of budget timelines for the budget preparation process Submission of section 46 report of MSA for audit Submission of monthly reports (section 71) Submission of quarterly supply chain reports to the mayor Tabling of the draft budget 90 days before the beginning of the new financial year 	<ul style="list-style-type: none"> Submission of draft service delivery and budget implementation plan to the Mayor Submission of the draft performance agreements to the Mayor Submission of Annual Financial Statements to the Auditor General for audit Tabling of the annual report and oversight report Submission of budget timelines for the budget preparation process Submission of section 46 report of MSA for audit Submission of monthly reports (section 71) Submission of quarterly supply chain reports to the mayor Tabling of the draft budget 90 days before the beginning of the new financial year 	14 July 2012 14 July 2012 31 August 2012 31 April 2013 31 August 2012 31 August 2012 Monthly Quarterly 30 March 2013	14 July 2012 14 July 2012 31 August 2012 Work in progress 31 August 2012 31 August 2012 Monthly Quarterly Work in progress

Source: Directorate Finance

17. CHALLENGES

- Revenue collection was below 80% from January to April 2011
- Shortage of water meter readers is also a challenge, whereby some households are charged or billed for interim
- Municipal strike by employees.

18. INTERVENTIONS BY NATIONAL AND PROVINCIAL GOVERNMENT, SALGA AND OTHER GOVERNMENT AGENCIES

The municipality received support from Provincial Treasury and National Treasury of MFMA compliance, Financial Management Grant for appointment of interns and training on the GRAP standards.

CHAPTER 6 GOOD GOVERNANCE AND PUBLIC PARTICIPATION

1. WARD COMMITTEES

Mantsopa municipality is made up of nine (9) wards. There are 10 ward committee members in each ward, which means there are ninety (90) ward committee members in total number (around Mantsopa Local municipality).

Ward committee members were elected through ward meetings by the communities. There was a criteria applied to guide the election team to successful elections. One of the most important issues that were emphasized in the criteria was sectoral representation.

This means that ward committee members were elected in a way that will represent various areas of their wards. These areas include farms. It's of utmost importance to realize that farm residents are represented within our ward committees

2. WARD COMMITTEE MEMBERS FROM VARIOUS WARDS

NO.	WARD NO.	NO OF WARD COMMITTEE MEMBERS.
1	WARD 1	TEN (10)
2	WARD 2	TEN (10)
3	WARD 3	TEN (10)
4	WARD 4	TEN (10)
5	WARD 5	TEN (10)
6	WARD 6	TEN (10)
7	WARD 7	TEN (10)
8	WARD 8	TEN (10)
9	WARD 9	TEN (10)

Source: (Speaker's Office 2011/2012)

Status of ward committees

All ward committees still exist from the nine (9) wards in Mantsopa. Ward committees' performance varies from one ward to another. There are various factors contributing that. According to our records one will realize that ward committee meetings are not held continuously. Public consultations are not conducted according to schedule adopted by council. This and other factors are really making a negative impact in one way or another when it comes to the status of the ward committees.

Apparently, office of the Speaker has done much to induct ward committee members. There are trainings to follow in order to ensure that ward committees are well sharpened to perform their duties. The proposed training for ward committees (secretaries) and community based planning will absolutely enhance the work that ward committees are called for.

Functionality of Ward Committees

Let me indicate that all ward committees are functional, except for certain issues that affect their performance in some other ward.

There are factors contributing to the performance of the ward committees on daily basis. These factors include portfolio programme which all members should adhere to according to their various fields. Ward committees meetings that should be held time-to-time to give members enough time and space to plan and give feed-back from their various portfolios. Feedback will definitely help them improve and strategies.

Having bought these factors on board one will realize that according to the records kept; the majority ward committees are currently under performing. This point is strengthened by the fact that number of ward committee meetings dropped seriously between March – August 2012; reports from various wards with regard to portfolios led by ward committee members is not convincing.

Ward Constituency and Ward Meetings

It is generally known that ward councillors as custodians of wards will always be responsible for ward meetings and even ward committee meetings as the chairperson of the committees. The meetings have held according to the schedule given below. The schedule was properly followed until February 2012 when only two wards from March 2012 held their ward meetings until July.

ANNUAL REPORT FOR PERIOD ENDED 30 JUNE 2012

Below is a schedule for ward meetings as adopted by council:

MEETING DATES FOR WC, PUBLIC MEETINGS, STANDING COMMITTEES, EXCO, CAUCAS AND ORDINARY COUNCIL FOR 2011.														
		JUNE	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUNE
			Public & committee Meeting	Public & committee Meeting	Public & committee Meeting	Public & committee Meeting	Public & committee Meeting	ward committees Year-end function	Ward Committee	Public & committee Meeting	ward committee	Public & committee Meeting	Public & committee Meeting	Public & committee Meeting
Ward	Councillor													
1	M C CHOMANE		14	4	6	3	3	10	12	9	8	5	3	7
2	M P NAKALEBE		14	4	6	3	3	10	12	9	8	5	3	7
3	P RABOKO		13	11	13	10	10	10	19	16	15	12	10	14
4	N M NCWADA		14	4	6	3	10	10	12	9	8	5	3	7
5	D T MOLEFE		14	4	6	3	3	10	12	9	8	5	3	7
6	K T TIGELI		12	11	13	10	10	10	19	16	15	12	10	14
7	P B MATSUNYANE		13	10	12	9	9	10	18	15	14	11	9	13
8	M C SEBOTSA		13	11	13	10	10	10	19	16	15	12	10	14
9	G M SEOE		14	4	6	3	3	10	12	9	8	5	3	7

3. COMMUNITY DEVELOPMENT WORKERS (CDW)

There are eight (8) Community Development Workers in Mantsopa Local Municipality. There is one ward (four) which does not have a Community Development worker since the decision made by demarcation board to increase number of wards from eight to nine. However; the position for the ninth CDW was advertised few months ago.

Community development workers and ward committees normally share the same role as link between community and council. They form part of community representatives on daily basis and they both report in the office of the Speaker under the supervision the Public Participation Officer.

4. INTERGOVERNMENTAL RELATIONS

The municipality has during the financial year under review participated in the following IGR structures as part of corporative governance:

- Premier's Coordinating Council (PCF)
- District IGR forum
- District MTAS forum
- SALGA working groups

5. ANTI CORRUPTION

The municipality has in place an approved anti-corruption strategy and part of its obligation is for all Councillors, senior managers and officials to sign declaration of financial interests. In addition all managers signed declaration of secrecy in order to protect the confidential information of the municipality.

The signing of declaration of secrecy shall be cascaded to all employees of the municipality especially those who are working with high level information of the municipality.

Councillors:

Surname and Initials	Gender	Political Affiliation	ID numbers
NTSEPE S D	Male	ANC	490415 5319 089
NAKALEBE M P	Male	ANC	790805 5742 081
MALAKANE M A	Female	ANC	541010 0814 084
VISAGIE S M	Female	ANC	840324 0117 083
CHOMANE C M	Male	ANC	700209 5486 089
NCWADA E M	Male	ANC	660603 5461 084
RABOKO P P	Male	ANC	730805 5742 081
MATSUNYANE P B	Male	ANC	721108 5571 087
SEBOTSA M C	Female	ANC	700605 0273 085
MOLEFE T D	Male	ANC	801217 5563 086
TIGELI K I	Male	ANC	740724 5418 082
DEWEY D	Female	DA	621203 0249 085
MACHAKELA J	Male	DA	7401275265 083
D HOLMES	Male	DA	420425 5007 084
SANI B	Male	COPE	610624 5696 082
JACOBS Y J	Male	ANC	700825 0115 082
SEOE G M	Male	ANC	831220 6224 082

Source: Speaker's Office (2012/2012)

Section 56 Managers

Surname and Initials	Gender	Position	ID numbers
SM Selepe	M	Acting Municipal Manager	670226 3299 086
Mazinyo MJ	F	Manager Financial Services	720430 0542 082
Mhlongo FA	M	Manager Corporate Services	700118 5414 084
Chalale RP	M	Acting Manager Technical Services	650510 5307 088

Source: Directorate Corporate Services (2011/2012)

Senior Managers

Surname and Initials	Gender	Position	ID numbers
Pharoe KD	M	SCM	791130 5753 080
Moeti S	M	Water Services Authority Manager	600805 5642 082
Selepe T	M	PMU Manager	850207 5780 087
Pool P	M	Building Inspector	470618 5014 089
Motshoikha T	M	OPMS Manager	730910 555 9080
Lesoetsa M	F	IDP Manager	800228 034 1080
Le roux	M	Accountant Income	610219 500 8090
Pitso L	F	Accountant Expenditure	790914 042 8082
Likoko M	F	EHP	761228 054 7089
Makateng E	M	CH&PS	580909 589 8085
Matlanyane E	F	EHP	860417 069 1084
MT Motloun	M	Fleet and Asset Manager	700409 601 9083
MD Mokheseng	M	Technician	760213 547 2084
HG Rabasothoane	M	Chief Librarian	730702 535 6082
TJ Matyesini	M	Internal Auditor	850725 596 9087
P Qhautse	F	Accountant Income	841221 061 3088

Source: Directorate Corporate Services (2011/2012)

6. IMBIZOS

During the financial year under review the office of the Mayor engaged in a series of Imbizos with all communities of Mantsopa in relation to the IDP formulation process. The participation of the communities was meaningful and later produced a five year plan that will guide the strategy of the municipality during the period between 2012/2016.

Subsequent to the IDP imbizo that later were consultation with all communities of Mantsopa of the draft budget were once again the communities in and around Mantsopa made meaningful submissions to be incorporated in the final budget.

The office of the Mayor is planning to introduce a strategy to involve the communities in the budget formulation further by introducing a new system call tips for the Mayor on matter relating to budget. This will allow the communities to submit in writing to Mayor their proposal for the budget.

7. STANDARD OPERATING PROCEDURE AND DELEGATIONS

The municipality has approved the standards rules and order; such governs the proceedings of council during the council meetings. No delegation has been passed during the financial year under review.

The municipality through standing rules and orders has various ways that guide the Speaker during the council meetings.

Freedom of speech - councilors' freedom of speech during council meeting is protected (**that is**, councilors are allowed to speak freely without any interruptions or insults). This exercised subject to council's rules of order.

☐ **Conduct of councilors** – councilors should conduct themselves in an acceptable manner during council meetings (that is; councilors should not make unwelcome & unacceptable gestures, insults, threats and etc.). The

- ❑ **Disciplinary measures** – councilors must adhere to absolute discipline (these include various practices during council meeting e.g. Dress code, addressing the Speaker, standing while speaking and etc.)
- ❑ **Attendance of councilors** – all councilors must attend meetings of council and sign the attend register, in a case where a councillor for any other reason won't be able to attend council meeting, an application for leave of absence (oral or written) should be lodged with the municipal manager.
- ❑ **Powers and duties of the chair** – conduct the meeting in accordance with the standing rules and orders; may reject any motion, proposal or question which in her opinion may lead to inappropriate circumstance (e.g. discrimination, violence, hostility unnecessary arguments and etc.).

The issue of delegation was a challenge for the current financial year, .however; it has been identified as key issues for the financial year 2012/2013. The matter has been taken into consideration and is to be addressed.

8. CHALLENGES

Amongst the other things; Office of the Speaker is dealing with Public Participation. This is one of the most important issues to consider within every municipality.

The challenges within the office of the Speaker included the following:

- ❑ The mayor challenge was to capacitate (give required skills and knowledge to deal with issues concerning public participation) Speaker's office.
- ❑ The issue of working relation between councillors and community development workers was also a worrying since the previous term (records tell).
- ❑ Understanding of roles amongst the most importance role players for service delivery ; namely: Councillors, community development workers and ward committees
- ❑ Ward committee meeting (regularly), portfolio programme and reporting

9. INTERVENTIONS BY NATIONAL AND PROVINCIAL GOVERNMENT, SALGA AND OTHER GOVERNMENT AGENCIES

There interventions from various structures and organizations to assist about the challenges:

- ❑ SALGA took the initiative to conduct an induction workshop for councillors so as to give the clear picture of what is accepted (their role) of them as councillors.
- ❑ A member from COGTA was invited by the Speaker to give her staff brief induction about their role in the office; this includes their role in public participation.
- ❑ A service provider through the Speaker's office conducted a two- day workshop for Councillors, CDW, together with ward committee in order to try and clarify roles concerning the three people; this was also to build good working relations amongst the three groups.
- ❑ There were three workshop conducted for ward committees by a service provider to give ward committees more knowledge and skills when playing their roles within communities.
- ❑ The Speaker had a meeting with ward committees from all the wards. This was about the portfolio programme, performance of ward committees and reporting strategy. CoGTA sent manuals and stationery so as to help ward committees improve their standard of work (NB: CoGTA did not attend due to unforeseen reasons).
- ❑ Training for ward committees' secretaries and Community Based Planning is to be conducted in few weeks to come. This will be done to capacitate members and help them improve their work.

CHAPTER 7 LOCAL ECONOMIC DEVELOPMENT

1. INTRODUCTION

Local Economic Development (LED) is outcome based on local initiatives and is driven by local stakeholders. It involves identifying and using primary local resources, ideas and skills to stimulate economic growth and development. The aim of LED is to create employment opportunities for local residents, alleviate poverty and redistribute resources and opportunities to the benefit of all local residents.

The amalgamation of local authorities on 05 December 2001 has set a new era for local government. The white paper on local government requires local government to focus on the object of local government set out in section 152 of the constitution. In addition, it requires local government to promote local economic development, tourism, social development and democracy in their area of jurisdiction. They must not only deliver on present demonstration but also must anticipate future demand and find ways to provide services in an efficient and sustainable manner.

Economic development plays a crucial role in creating a prosperous, equitable, stable and democratic society. The overall national vision of economic development is one of decent work and living standard for all in the context of qualitative improved equality in ownership, skills and access to opportunities.

To achieve these municipalities must work to:

- Stimulate local production and commerce, including home industries;
- Ensure intergovernmental linkages to national and provincial programmes and strategies;
- Utilise institutional arrangements that stimulate community initiatives and broaden ownership, through cooperatives;
- Address previous spatial planning that undermines local economic development; and
- Deliver municipal services through collective community initiatives and enterprises.

Mantsopa Local Municipality's approaches to the promotion of local economic development

The following different ways/approaches to the promotion of local economic development are adopted and considered/utilized singly and/or together depending on the nature of the initiative:

Municipal role	Explanation of Mantsopa municipality's role
Co-ordination	In this role, the Mantsopa municipality acts as a coordinator body. An important tool for coordination is the integrated development plan (IDP), which draws together the developmental objectives, priorities, strategies, and programmes of a municipality. The IDP can be used to that LED initiatives are coordinated with other municipal programmes and appropriately linked to national and provincial initiatives.
Facilitator	In this role, Mantsopa municipality will improve the investment environment in the area, e.g. the municipality may improve planning procedures and zoning regulation.
Stimulator	Mantsopa municipality will stimulate business creation or expansion e.g. the municipality may provide premises at low rent to SMME's, or promote a particular tourism theme or activity in a key venue.
Entrepreneur or developer	Mantsopa municipality will take on the full responsibility of operating a business enterprise. The municipality can also enter into a joint venture partnership with the private sector or a NGO.

Source: Division LED and Rural Development (2011/2012)

To guide economic and social development at local level, a policy framework that entails specific thrusts and sets the broad parameters for economic empowerment and transformation to be realized is necessary.

1.1. Local Economic Development Thrusts:

1. Local production for local need
2. A cooperative movement to represent community-based interventions in the local economy
3. A skills development network
4. Develop and sustain urban and commercial agriculture to build food security
5. Promote Waste Recycling and Reusable Energy
6. Build Local Development Capital
7. Ensure Participatory and Integrated Planning
8. Maintain Linkages with the Industrial base
9. Facilitate and Grow SMME's
10. Affirm Local Procurement

Local Economic Development Objectives and Strategies

OBJECTIVE	STRATEGY
Strengthen the LED unit	Employ additional staff
	Build capacity of the unit
Focused investment in the agricultural sector	Focus more attention in agricultural production
Promote Tourism	Develop and implement Tourism Turn Around Strategy
Creation of sustainable job opportunities filled with appropriately skilled workforce	Promote the creation of artefacts
	Develop and implement the Economic Development Strategy
	Establish emerging and small-scale farmers
Increase economic growth to promote job retention.	Better utilisation of existing vacant sites and buildings
	Reduce crime and create a safe and secure environment
	Develop an incentive scheme for new investments and entrants to the economy
	Market area to investors
	Utilise the strategic position of Mantsopa with Lesotho
	Encourage business development towards major routes
	Encourage to buy locally
Create diverse economic opportunities	Explore the possibility of agro-processing and mining (sand stone)
	Expand the market of local products
	Improve and develop a range of tourism products in Mantsopa
Increase the number of SMMEs	Increase access to start-up capital and business financing
Reduce poverty	Increase education and skills levels
	Increase access to basic services
	Increase access to land
	Improve health and wellbeing of farm workers
	Establish poverty alleviation projects
Improve food security of the poor	Initiate projects to ensure food security and self-reliance for the poor

Source: Division LED and Rural Development (2011/2012)

2. LED PROGRAMMES AND PROJECTS THAT WILL CONTRIBUTE TO ECONOMIC GROWTH

GOALS	PROGRAMMES	PROJECTS	TARGET DATE
To improve the living condition of the community by creating an environment where people can create jobs	Identify potentially viable / sustainable LED projects in consultation with relevant role players	Tshepanang Milling(Hobhouse): Additional funding Lesedi Woodwork (Excelsior) Mother's Trust Union: Hydroponics(Ladybrand) Charcoal project(Excelsior) Fresh produce market (Ladybrand) Thusanang welding (Hobhouse) Thaba-Patchoa Beef Feedlot (Thaba-Patchoa) Milk project (Assisi)	All projects to be finalised by 2014 with the assistance from different government departments: The District MIG DBSA ESKOM MTN Foundation FDC
Provision of sufficient bulk water supply	Identification of areas with the shortage of water supply (Clean)	Increase the capacity of reservoirs Engage Bloem water for possible increase of water supply for Tweespruit and Hobhouse Increase the capacity of water purification plants	2012/2014 MIG funding
Eradicate electricity supply backlog	Number of households connected to electricity	Implement free basic electricity policy	2012/2014

GOALS	PROGRAMMES	PROJECTS	TARGET DATE
	network	Installation of solar geysers for all Review the current service level agreement with Eskom	Mantsopa Municipality/Eskom
Improve the standard of roads and storm water drainages in the municipality area	Develop and implement the infrastructure model and investment program	Maintenance of the existing infrastructure done regularly Erection of proper storm water drainages in all areas Installation/erection of paving or tarred in all internal roads and upgrading of external/entrance roads	2012/2015 The District Municipality/Department of Roads, Transport and Police
Coordination of proper housing for the community	Develop/Implement and review the housing sector plan. Manage and monitor the waiting list of applicants	Identify the needy people within the community who needs proper shelters Identify land for housing development Proper management and monitoring of the waiting lists	2012/2014 Mantsopa Municipality/Department of Human Settlement
Improve waste management services in the municipal area	To coordinate the implementation of the environmental health mandate of the district	Develop and implement the integrated environmental management plan Implement the waste management awareness campaigns Review and implement the service level agreement with Thabo Mofutsanyana District Municipality	2012/2015 Mantsopa Municipality/Thabo Mofutsanyana District Municipality

Source: Division LED and Rural Development (2011/2012)

Note be taken that the implementation of some projects identified needs more commitment from the council on matters relating to financial assistance and the support of the projects.

3. LEVEL OF CURRENT ECONOMIC ACTIVITIES-DOMINANT SECTORS AND POTENTIAL SECTORS

HOBHOUSE/DIPELANENG

Hobhouse is a small rural town that is located southwest of Ladybrand and east of the Leeu River along the Lesotho boarder. Hobhouse is the most southern node in the municipal area. It is about 2 089 ha in extent which includes Dipelaneng and municipal commonages. The town accommodates 4.6% total population of Mantsopa Municipality.

Hobhouse/Dipelaneng has two main LED projects that can boost the economy in Hobhouse. Tshepanang Milling is one of the potential agricultural projects in Hobhouse. Tshepanang Milling is aimed at producing flower and white maize. The project has potential to increase employment to the residents of Hobhouse/Dipelaneng but needs funding to start with its operations and to purchase raw material (R100 000-00). Hobhouse/Dipelaneng only relies on agricultural projects and retail.

Thusanang Welding: The project is also based in Hobhouse and is aimed at producing all steelwork material. It produces fencing and buckler proofing material. This project can also increase the level of employment in Hobhouse/Dipelaneng. Presently the project is still not operational due to lack of funding. The Environmental Affairs and Tourism project (Indalo Yethu) is doing the street cleaning and greening in the town and has employed 15 youth including males and females in the project. The project had a two year contract in Mantsopa which expired in April 2012 but people are still working as we are under negotiations with the department to extend the period of the project to December 2012.

EXCELSIOR

Excelsior is located 40km north of Tweespruit along the R709 and forms the northern boundary of Mantsopa Municipality. It is about 1 298 ha in extent of which 243 ha was designed as an urban area, the rest were rented out to commercial farmers while some land was utilised for grazing purposes. It includes Mahlatswetsa and

municipal commonages. Excelsior accommodates 10% of the total population of Mantsopa Municipality. Excelsior is also one of the small towns within Mantsopa, and is regarded as a rural area. There are no economic activities taking place in Excelsior except for retail and agricultural production. Charcoal project is one of the main projects in Excelsior. The project is aimed at producing charcoal but presently the production is at a low level because of the market for the charcoal. Charcoal project could be the best project in Excelsior once the market has been identified. Lesedi Woodwork is one of the projects available in Excelsior but also not doing well because of lack of experience to produce quality wood material from the beneficiaries.

TWEESPRUIT

Tweespruit is the most centrally located node along the N8 route between Bloemfontein and Ladybrand. It is about 1 534 ha in extent and includes Boroa, Dawiesville and municipal commonages. The town accommodates 10.2% of the total population of Mantsopa. Tweespruit has no economic activities taking place except for retail and agriculture.

LADYBRAND

Ladybrand is the most progressive of all towns and is the most eastern node in the municipal area. Ladybrand municipal area includes Manyatseng, Mauersnek and the surrounding municipal commonages that covers an area of 4 682 ha in size. The town accommodates 34% of the total population of Mantsopa Municipality. Most economic activities found in Ladybrand are retail and agriculture, Ladybrand regarded as a town amongst all other towns falling under Mantsopa Municipality does not have manufacturing companies in it most of the people are employed in retail shops and some are doing their own businesses and projects. Because of the people from Lesotho buying in Ladybrand, the town is progressing well and has a potential to grow. Within the town there is a business complex for small businesses and most of economic activities are happening in the center. There are a number of LED projects which also plays a major role in the economic development of the town. Most of the people especially youth (513) are being employed in the Environmental projects that are taking place in Ladybrand and that has reduced the number of unemployment rate in Manyatseng and Mauersnek. The building of a new Hospital has also brought a difference in the unemployment rate of the community. The upgrading of Tlali Street by the municipality also employed youth within Ladybrand and that has brought a big change within the community of Ladybrand.

THAB-PATCHOA

Thaba- Patchoa is located between Tweespruit and Hobhouse and is the smallest agricultural town in Mantsopa Municipality. Thaba- Patchoa is about 3 864 ha in extent and consists of the farms Thaba Patchoa 105, Segogoana's Valley 665 and Sweet Homes 667. The town Thaba- Patchoa has got 1300 families and there are no economic activities taking place in Thaba-Patchoa. There is a business complex built in Thaba-Patchoa but because most of the people in the area are not employed and depends on government grants the complex does not serve the purpose in the area.

4. PROJECTS IDENTIFIED

- ❖ Agri-tourism: Heldemoed (De Bruin)
- ❖ Special Project: PPP in developing Telecommunications Centre (ICASA)
- ❖ (Municipal Interventions) Cheese factory I.R.O condition of selling of property
- ❖ Recycling (solid Waste)
- ❖ Poultry
- ❖ Bright side farm Holiday Resort
- ❖ Upgrade Streets in Ladybrand for Enhancement of Investment Development
- ❖ Truck Stop in Ladybrand
- ❖ Cleaning Campaigns-SMME Program
- ❖ Buy back Constantia farm for cultural development for the community
- ❖ Vegetables production (hydroponics) (Implemented)
- ❖ Production of cooking oil
- ❖ Promotion of Heritage Sites:
 - ❑ -Leqwala
 - ❑ -Ramohomane
 - ❑ -Mensvreetensburg
 - ❑ -Lepaeng
 - ❑ -Modderpoort
- ❖ Mahlatswetsa Bakery
- ❖ Mantsopa Fresh juice Produce

- ❖ Marang-rang fashions cc
- ❖ Manyatseng park development(Under construction)
- ❖ Sunmark
- ❖ Fresh Produce Market (N8 Corridor Development)
- ❖ Tshepanang Milling (to start with operations)
- ❖ Mautse Pop Snacks
- ❖ Tweespruit Woman's Cooperative(Under operation)
- ❖ Mantsopa Birds
- ❖ Beef Feedlot(Operational)
- ❖ Thaba Patchoa Business Centre
- ❖ Charcoal(Operational)
- ❖ Milk project in Westminster(Operational)

Incentives provided by the Municipality

The following are incentives that will be provided to investors within Mantsopa Municipal area.

Purchase price of land

All land that belongs to the municipality will be provided to the investors at no cost.

Development costs with regard to zoning, subdivision and registration will be at the cost of the buyer/applicant.

Property tax will be charged to the buyer/applicant if no developments have been made on the concerned land. Property tax will be charged as if an immovable property of R50 000-00 has been erected.

If no development or erection of property within 24 months from the date of allocation of land, ownership of the concerned land will be referred back to the Council for further consideration.

Rates & Taxes

Property tax will not be based on market related valuation but on municipal valuation.

Water

Water will be charged at cost only for businesses and industries.

Electricity

Electricity will be charged at a cheaper rate of the tariffs that are applicable at the time of application. The onus is on the applicant to determine the tariffs that are applicable at the time of application.

Criteria to qualify for incentives

The following will be a requirement from the buyer/applicant in order to qualify for incentives:

- The applicant/buyer must erect an immovable investment/property of at least R50 000-00
- The applicant/buyer must provide a minimum number of fifteen (15) permanent jobs and must abide by all labour laws and regulations.
- The applicant/buyer must pay living wage applicable in that specific industry.
- The applicant/buyer must erect an immovable property of at least R50 000-00, valuation of the property will be market related.
- For previously disadvantaged, the Chief Development Officer, together with the LED and Rural Development Officer will be available to provide assistance upon request. Each case will be considered on merits.

5. NUMBER OF JOBS CREATED THROUGH INFRASTRUCTURE PROJECTS

Number of Jobs created through Infrastructure Projects	Number of Jobs	Name of Projects	Location
Total	85	Lekgalong La Mantsopa Development	Modderpoort
	288	Street Cleaning and Greening	Manyatseng/Mauersnek
	14	Street Cleaning and Greening	Hobhouse
	15	Street Cleaning and Greening	Tweespruit
	7	Street Cleaning and Greening	Thaba Patchoa
	15	Street Cleaning and Greening	Excelsior
	193	Upgrading of parks (Greening Project)	Manyatseng
	65	Upgrading of Tlali street	Manyatseng
	197	Koma Village: Upgrading of Roads and Storm Water	Excelsior
	19	Upgrading of Itumeleng Hall	Manyatseng
	28	Sewer reticulation and treatment works	Hobhouse
	13	Sewer reticulation and treatment works	Tweespruit
	939		

Source: Division LED and Rural Development (2011/2012)

6. DEVELOPMENT AND IMPLEMENTATION OF LED STRATEGY

The LED Strategy has been developed and is due for LED summit to be discussed with stakeholders and be approved by the council. The projects mentioned in the strategy needs funding and some are LED projects that are under operation but struggling with marketing of their products as the production is too little to can establish a reliable market for our projects.

7. CAPACITY TO IMPLEMENT LED IN THE MUNICIPALITY

In terms of human resource the division lack capacity on administration issues, the division must have a person who is doing administration for both the LED & Tourism as the present officials will be going out to monitor projects and this has shown a lack of attendance to the projects by LED and Tourism Officials.

Financial capacity is one of the critical part in the division. Note must be taken that the LED and Tourism units relies mainly on funding from other institutions and this tempering with the implementation of big sustainable projects within Mantsopa Municipality as funding is not easily accessed from funding institutions.

8. CHALLENGES

As mentioned in 4 above the main challenge is to have our LED projects monitored fully and to access funding to support the present projects and to come up with projects that will bring more impact to our local economy.

9. INTERVENTIONS BY NATIONAL AND PROVINCIAL GOVERNMENT, SALGA AND OTHER GOVERNMENT AGENCIES

Name of Department	Name of project
Department of Environmental Affairs and Tourism	Upgrading of Parks (Greening Project)
Departmental of Social Development	Women's Cooperative
Department of Water Affairs	Working for water (removal of invasive trees)
Departmental of Environmental Affairs and Tourism	Street Cleaning and Greening Project
MTN SA Foundation	Charcoal Project, Milk Project in West minister, Lesedi Woodwork and Mother's Trust Union

Source: Division LED and Rural Development (2011/2012)

CHAPTER 8 CROSS CUTTING INTERVENTIONS

INTEGRATED DEVELOPMENT PLAN

1. INTRODUCTION

An Integrated Development Plan is an inclusive and strategic plan for the development of the Municipality which links, integrates and co-ordinates plans, aligns resources and forms the framework on which annual budgets must be based. The IDP also addresses the National and Provincial Growth and Development Strategies.

An Integrated Development Plan adopted is the principal strategic instrument guiding all planning, management, investment, development and implementation decisions taking into account input from all stakeholders.

The IDP reflects:

- (a) The Municipal Council's vision for the long term development of the Municipality
- (b) An assessment of the existing level of development
- (c) The council's development priorities and objectives
- (d) The council's development strategies
- (e) A spatial development framework
- (f) The council's operational strategies
- (g) Disaster management plans
- (h) A financial plan
- (i) The key performance indicators and performance targets
- (j) Institutional Plan

In terms of Section 34 of the Municipal Systems Act, 2000:

A Municipal council must review its Integrated Development Plan annually in accordance with an assessment of its performance measurement:

- a. To the extent that changing circumstances so demand;
- b. And may amend its IDP in accordance with the prescribed process

2. IDP CAPACITY RANKING OF THE MUNICIPALITY

The process of reviewing the IDP 2011/2012 started with the submission to council on the 31 August 2011 the IDP and Budget process plan as required in terms of applicable legislation.

This process was followed by a series of community consultation on all phases of the IDP, the draft document was submitted to council for approval in March 2012 and the final document was tabled in an ordinary council meeting for approval in June 2012. Subsequently the IDP of the municipality was subject to evaluation by the Provincial Task Team responsible for IDP assessments of all municipalities. Number of issues like the review of all statutory sector plans was raised at the assessment session and eventually the municipality IDP was ranked medium.

3. SPATIAL DEVELOPMENT FRAME WORK (SDF)

The municipality has a Spatial Development Framework that has been reviewed. The document is also aligned to the IDP Document and approved by Council as part of the legal requirement.

Challenges	Intervention's
<p>There are various challenges that impact on the credibility of the IDP which are:</p> <ul style="list-style-type: none"> ▪ Non participation of other stakeholders during the IDP processes. ▪ Lack of understanding of IDP. ▪ Alignment of the IDP and Budget remain a thorny challenge. ▪ Sector plans that still need to be developed and some needs to be reviewed. ▪ Proper implementation of the IDP. ▪ Lack of training in the IDP unit to enhance capacity. 	<p>The following are interventions by different spheres of government:</p> <ul style="list-style-type: none"> ▪ Piloting of the new simplified version of the IDP by National Department. ▪ Introduction of Provincial IDP manager's forum by the Province is way of enhancing hands on support to municipalities.

Source: IDP Office

CHAPTER 9 CROSS CUTTING INTERVENTIONS

DISASTER MANAGEMENT PLAN

1. INTRODUCTION

The Disaster Management Act (Act no 57 of 2002) requires the Local Municipality to develop a Disaster management policy and establish a disaster management center in accordance with National and Provincial Frameworks. The main responsibility for disaster management is assigned to District Municipalities. The purpose of the plan is aimed at:

- Preventing or reducing the risk of disasters;
- Mitigating the severity or consequences of disasters;
- Emergency preparedness;
- A rapid and effective response to disaster, and
- Post-disaster recovery and rehabilitation

2. DEVELOPMENT AND IMPLEMENTATION OF THE DISASTER MANAGEMENT PLAN

- Mantsopa Local Municipality has developed a Disaster Risk Management Plan for 2010/2011 financial year which was reviewed during the financial year under review;
- The plan was reviewed during the IDP process plan as part of the statutory requirements for 2011/2012;
- Risk profile was conducted and hazards prevalent in the Mantsopa area identified;
- Strategies to mitigate hazards identified are also developed.

3. CAPACITY TO IMPLEMENT THE DISASTER MANAGEMENT IN THE MUNICIPALITY

- The need for an allocation by District Municipality to assist local municipalities in dealing with disasters at local level;
- The need for annual review of the plan;
- The inclusion of strategies; programmes and projects in the IDP.

4. CHALLENGES

- Insufficient budgetary provision for capital projects e.g. vehicles, equipment etc.
- No dedicated disaster management focal person (Coordinator)
- No funding to implement strategies for mitigation of identified hazards
- Capacity building for the municipality in dealing with disasters
- Implementation of early warning system

5. INTERVENTIONS BY NATIONAL AND PROVINCIAL GOVERNMENT, SALGA AND OTHER GOVERNMENT AGENCIES

- TMDM plus PDMC in the review of the municipality disaster risk management plan for credibility in terms of the disaster management framework;
- Monthly meetings held by SALGA community and human development working group where issues of common interests are discussed and resolved on;
- SALGA, SARCS and local municipalities to sign MOU's for closer cooperation during disasters and also post disaster recovery and rehabilitation.

CHAPTER 10: AUDITED FINANCIAL STATEMENTS AND RELATED INFORMATION

MANTSOPA LOCAL MUNICIPALITY			
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012			
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MANTSOPA LOCAL MUNICIPALITY**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012****GENERAL INFORMATION**

STREET ADDRESS	:	38 Joubert Sreet LADYBRAND
POSTAL ADDRESS	:	Private Bag X11 LADYBRAND 9745
TELEPHONE NUMBER	:	[051] 9240654
FAX NUMBER	:	[051] 9240020
E-MAIL	:	selby@mantsopa.co.za
WEBSITE	:	www.mantsopa.co.za
GRADING	:	3
DISTRICT MUNICIPALITY	:	Motheo District Municipality
MEMBERS OF COUNCIL -		Clr S D Ntsepe (Mayor) Clr S M Visagie (Speaker) Clr J Machakela (Exco Member) Clr M A Malakane (Exco Member) Clr M C Chomane Clr D Dewey Clr D Holmes Clr Y J Jacobs Clr P B Matsunyane Clr D T Molefe Clr M P Nakalebe Clr M E Ncwada Clr P P Raboko Clr M B Sani Clr G M Seoe Clr M C Sebotsa Clr K I Tigeli
MUNICIPAL MANAGER	:	M S Selepe
ACTING CHIEF FINANCIAL OFFICER	:	B J P le Roux
AUDITORS	:	The Auditor-General
BANKERS	:	Current Accounts:
		ABSA - 2020000050
		FNB - 62054009751

MANTSOPA LOCAL MUNICIPALITY**APPROVAL OF ANNUAL FINANCIAL STATEMENTS ENDED 30 JUNE 2012**

A draft set of annual financial statements set out on pages 3 to 42 were approved by the Municipal Manager in terms of Section 126(1) of the Municipal Finance Management Act 2003 and were presented to Council for approval on 23 August 2012.

I certify that the salaries, allowances and benefits of Councillors as disclosed in notes 20 and 21 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

31/08/2012
DATE

.....
~~ACTING~~ CHIEF FINANCIAL OFFICER

31/08/2012
DATE

MANTSOPA LOCAL MUNICIPALITY STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012						
					2 012	2 011
				Note	R	R
Assets						
Current assets					111 651 517	89 569 528
Inventory				9	846 801	954 921
Trade Receivables from Exchange Transactions				10.1	93 433 513	79 115 631
Trade Receivables from Non - Exchange Transactions				10.2	10 740 638	8 308 998
Other receivables				11	6 542 810	1 083 012
Current portion of longterm receivables				12	5 838	5 774
Investments				8	33 786	20 829
Bank and cash				13,14	48 130	80 363
Non-current assets					736 257 005	738 460 529
Property, plant and equipment				7.1	707 975 496	710 456 734
Intangible assets				7.2	7 169	36 960
Investment Property				7.3	27 271 000	27 271 000
Investments				8	788 908	475 565
Long term receivables				12	214 432	220 270
Total assets					847 908 522	828 030 058
Liabilities						
Current liabilities					53 529 280	36 865 473
Consumer deposits				3	1 092 493	1 062 312
Payables				4	24 358 331	22 279 452
VAT Payable				19	10 791 067	8 151 331
Unspent conditional grants and subsidies				5	-	-
Current portion of long-term liabilities				2	2 297 509	2 005 665
Operating lease Liability					650 418	555 766
Bank overdraft				14	14 339 462	2 810 946
Non-current liabilities					32 544 969	31 858 123
Long - term liabilities				2	7 025 458	8 564 185
Provision for rehabilitation of landfill sites				15	25 519 511	23 293 938
Total liabilities					86 074 248	68 723 595
Nett Assets					761 834 274	759 306 462
Accumulated Surplus/(Deficit)				6	761 834 274	759 306 462

MANTSOPA LOCAL MUNICIPALITY STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012						
				Notes	2 012 R	2 011 R
Revenue						
Property rates			16		10 761 843	12 646 505
Services charges			17		66 061 438	56 899 794
Investment Income					940 046	869 315
Interest earned - external investments					106 267	496 853
Interest earned - outstanding debtors					12 662 011	9 458 009
Fines					88 511	164 883
Dividends received					23 918	19 389
Licenses and permits					263	2 216
Government grants and subsidies			18		86 992 177	82 209 980
Other income			37.2		605 405	1 023 356
Total Revenue					178 241 878	163 790 300
EXPENDITURE						
Employee related costs			20		48 719 193	44 159 450
Remuneration of Councillors			21		4 270 292	3 666 655
Bad debts Provision			10		10 694 146	37 326 515
Repairs and maintenance					10 015 027	12 223 692
Finance Costs			22		993 516	817 243
Operating Lease					2 393 184	1 153 997
Bulk purchases					26 226 370	20 523 256
Grants and subsidies paid					22 286 474	15 894 146
General expenses			37.1		26 076 155	23 536 138
Depreciation/Amortisation			7.		24 327 815	23 490 794
Total Expenditure					176 002 172	182 791 886
Gains on sale of property, plant and equipment					-	239 399
SURPLUS/(DEFICIT) FOR THE YEAR					2 239 707	(18 762 187)

ANNUAL REPORT FOR PERIOD ENDED 30 JUNE 2012

MANTSOPA LOCAL MUNICIPALITY STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012								
		Revaluation reserve	Capital Replacement Reserves		Total reserves		Accumulated surplus	Total net assets
Balance at 01 July 2010			237 458 385		237 458 385		37 821 221	275 279 606
Transfer			-237 458 385		-237 458 385		237 458 385	0
Correction prior year period			0		0		-6 846 716	-6 846 716
Change in policy			0		0		139 080 316	139 080 316
Surplus for the year			0		0		-18 762 187	-18 762 187
Balance at 01 July 2011		0	0		0		388 751 019	388 751 019
Correction prior year period	38.1	0	0		0		293 438 753	293 438 753
Correction prior year period	38.2	0	0		0		83 640 711	83 640 711
Correction prior year period	38.4	0	0		0		(5 944 908)	(5 944 908)
Correction prior year period	38.6	0	0		0		(23 347)	(23 347)
Correction prior year period	38.7	0	0		0		(555 766)	(555 766)
Restated Balance July 2011		0	0		0		759 306 462	759 306 462
Correction prior year period	38				0		288 106	288 106
Transfer			0		0		0	0
Change in policy	23						0	0
Surplus for the year			0		0		2 239 707	2 239 707
Balance at 30 June 2012		0	0		0		761 834 274	761 834 274

MANTSOPA LOCAL MUNICIPALITY CASHFLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012			
	Notes	2 012 R	2 011 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and government	33	145 526 513	208 089 797
Cash paid to suppliers and employees	34	(135 065 308)	(191 256 861)
Cash generated from / (required by) operating activities	35	10 461 205	16 832 859
Interest received		106 267	496 853
Interest paid		1 232 057	(817 243)
Dividends received		23 918	19 389
NET CASH FROM OPERATING ACTIVITIES		11 823 447	16 531 859
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(21 816 786)	(23 686 136)
Proceeds or loss with sale of assets		-	239 399
NET CASH FROM INVESTING ACTIVITIES		(21 816 786)	(23 446 737)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Increase) /Decrease in Investments		(326 300)	1 513 388
Increase / (Decrease) in Loans external		(1 246 883)	6 198 417
(Increase) / Decrease in Loans to longterm debtors		5 773	16 969
NET CASH FROM FINANCING ACTIVITIES		(1 567 409)	7 728 774
NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS		(11 560 748)	813 896
Cash and cash equivalents at the beginning of the year		(2 730 583)	(3 544 479)
Cash and cash equivalents at the end of the year	36	(14 291 332)	(2 730 583)
NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS		(11 560 749)	813 896

MANTSOPA LOCAL MUNICIPALITY

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**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

1. BASIS OF PRESENTATION

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

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

1. 1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2011 and 30 June 2012 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the following instances:

- (a) is required by a Standard of GRAP; or
- (b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1. 2. 1 Revenue Recognition

Accounting Policy 10.2 on *Revenue from Exchange Transactions* and Accounting Policy 10.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GAMAP 9: Revenue, as far as Revenue from Non-Exchange Transactions is concerned (see Basis of Preparation above). In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

B

1. BASIS OF PRESENTATION (continued)

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS (continued)

1. 2. 2 *Financial Assets and Liabilities*

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 6.1 on *Financial Assets Classification* and Accounting Policy 6.2 on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in IAS 32: *Financial Instruments - Presentation* and IAS 39: *Financial Instruments - Recognition and Measurement*.

1. 2. 3 *Impairment of Financial Assets*

Accounting Policy 6.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in IAS 39: *Financial Instruments - Recognition and Measurement*, and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due (If longer than 60 days from billing date the full amount is impaired) and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

1. 2. 4 *Useful lives of Property, Plant and Equipment, Intangible Assets and Investment Property*

As described in Accounting Policies 3.3, 4 and 5 the municipality depreciates / amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1. 2. 5 *Impairment: Write down of Property, Plant and Equipment and Inventories*

Accounting Policy 3.9 on *PPE - Impairment of Assets* and Accounting Policy 4.2 on *Intangible Assets - Subsequent Measurement, Amortisation and Impairment* and Accounting Policy 8.2 on *Inventory - Subsequent measurement* describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing and write down of inventories to the lowest of Cost and Net Realisable Values (NRV).

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

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1. BASIS OF PRESENTATION (continued)

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS (continued)

1. 2. 5 Impairment: Write down of Property, Plant and Equipment and Inventories (continued)

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of Cash generating Assets and GRAP 26: Impairment of non-Cash generating Assets. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involves significant judgment by management.

1. 2. 6 Water inventory

The estimation of the water stock in the reservoirs is based on the measurement of water via dip stick measurements, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir. Refer to Note 10 of the accounting policy notes to the Annual Financial Statements.

1. 2. 7 Defined Benefit Plan Liabilities

As described in Accounting Policy 13, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19. No Liabilities existed at year end.

1. 2. 8 Provisions and Contingent Liabilities

Provision for Rehabilitation of Refuse Landfill Sites

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost. The cost factors as determined have been applied and projected at an inflation rate of 6% (2011: 6%) and discounted to the present value:

a) For landfill sites with a remaining operating life of less than 5 years, at the average short term borrowing cost of 12% (2011: 12%).

1. 2. 9 Budget information

Deviations between budget and actual amounts are regarded as material differences when a 5% deviation exists. All material differences are explained in the notes to the annual financial statements.

1. 3 PRESENTATION CURRENCY

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

1. 4 GOING CONCERN ASSUMPTION

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

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

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1. BASIS OF PRESENTATION (continued)**1. 5 OFFSETTING**

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

1. 6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

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

GRAP 21 Impairment of Non-cash-generating Assets - issued March 2009

The Minister of Finance announced that the application of GRAP 21, GRAP 23, GRAP 24, GRAP 26, GRAP 103 and GRAP 104 will be effective for period starting after 1 April 2012. All other standards as listed above will only be effective when a date is announced by the Minister of Finance.

The ASB Directive 5 paragraph 29 sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

The Municipality applied the principles established in the following Standards of GRAP that have been issued, but is not yet in effect, in developing an appropriate accounting policies dealing with the following transactions, but have not early adopted these Standards:

Impairment of Non-cash-generating Assets (GRAP 21 - issued March 2009)
Impairment of Cash-generating Assets (GRAP 26 - issued March 2009)
Revenue from Non-Exchange Transactions (GRAP 23 - issued February 2008)
Financial Instruments (GRAP 104 Financial Instruments - October 2009)

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

2. ACCUMULATED SURPLUS

Included in the accumulated surplus of the municipality, are the following reserves that are maintained in terms of specific requirements:

2. 1 Other Reserves

The Entity creates and maintains reserves in terms of specific requirements.

3. PROPERTY, PLANT AND EQUIPMENT**3. 1 Initial Recognition**

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

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

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

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

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

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

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

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

3. 2 Subsequent Measurement

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

Subsequently all property plant and equipment, land and building and including for Infrastructure Assets, are measured at cost, less accumulated depreciation and accumulated impairment losses.

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

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3. 3 Depreciation

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

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

	Years		Years
Infrastructure		Buildings	20 - 30
Roads and Paving	0 - 50		
Electricity	15 - 50	Other	
Water	10 - 50	Specialist Vehicles	10
Sewerage	20 - 50	Other Vehicles	7
Landfill Sites	23 - 25	Office Equipment	4 - 7
		Furniture and Fittings	4 - 7
Community		Bins and Containers	4
Recreational Facilities	0 - 25	Specialised Plant and Equipment	10
Security	5		

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

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

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3. 4 Incomplete Construction Work

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

3. 5 Finance Leases

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

3. 6 Land

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

3. 7 Infrastructure Assets

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

3. PROPERTY, PLANT AND EQUIPMENT (continued)**3. 9 Derecognition of property, plant and equipment**

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

Transitional provisions

The estimated useful lives and depreciation methods have been reviewed for the year ended 30 June 2012 (and applied retrospectively where practicable), and any changes therein have been implemented in accordance with the requirements of GRAP 17, GRAP 3 and ASB Directive 4.

4. INTANGIBLE ASSETS**4. 1 Initial Recognition**

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

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Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

4. INTANGIBLE ASSETS (continued)

4. 2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset are carried at its cost less any accumulated amortisation and any accumulated impairment losses.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

In terms of GRAP 102, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives (when the intangible asset is available for use), which are estimated to be between 3 to 5 years, the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, however such intangible assets are subject to an annual impairment test. The useful lives per category of intangible assets are detailed below:

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets 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 except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

4. 3 Derecognition

Intangible assets 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 intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

5. INVESTMENT PROPERTY

5. 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.

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

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

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

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

5. INVESTMENT PROPERTY (Continued)

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

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

5. 2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined by external valuers at the date of the last general valuation (1 July 2009). Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises.

5. 3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

6. IMPAIRMENT OF ASSETS

The entity classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

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6. 1 Impairment of Cash generating assets

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

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

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arms length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset"

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

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

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

6. 2 Impairment of Non-Cash generating assets

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

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

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

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

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

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

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

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

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

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

7. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual agreement. The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

Initial recognition

Fair value methods and assumptions

The effective interest rate method

Amortised cost

7. FINANCIAL INSTRUMENTS (continued)

7. 1 Financial Assets - Classification

A financial asset is any asset that is a cash or contractual right to receive cash.

In accordance with IAS 39.09 the Financial Assets of the municipality are classified as follows into the four categories allowed by this standard:

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

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

Financial assets at fair value through profit or loss are financial assets that meet either of the following conditions:

- they are classified as held for trading; or
- upon initial recognition they are designated as at fair value through the Statement of Financial Performance.

Available for sale investments are financial assets that are designated as available for sale or are not classified as:

- Loans and Receivables;
- Held-to-Maturity Investments; or
- Financial assets at fair value through profit and loss

7. 1 Financial Assets - Classification

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

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

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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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 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.

7. FINANCIAL INSTRUMENTS (continued)

7. 2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

7. 2 Financial Liabilities - Classification (continued)

• Long-term Liabilities	Other financial liabilities (Financial liabilities measured at amortised cost)
• Certain Other Creditors	Other financial liabilities (Financial liabilities measured at amortised cost)
• Bank Overdraft	Other financial liabilities (Financial liabilities measured at amortised cost)
• Consumer Deposits	Financial liabilities at fair value through profit and loss

There are three main categories of *Financial Liabilities*, the classification determining how they are measured. Financial liabilities may be measured at:

- (i) Fair value through profit or loss; or
- (ii) Other financial liabilities (Financial liabilities measured at amortised cost)
- (iii) Financial guarantee contract

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

Any other financial liabilities are classified as "Other financial liabilities" in accordance with IAS 39.09

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

7. 3 Initial and Subsequent Measurement

7. 3. 1 Financial Assets:

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

Financial assets at fair value through profit or loss are initially and subsequently recognised at fair value and changes in fair value recognised directly through profit or loss.

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7. FINANCIAL INSTRUMENTS (continued)

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7. 3. 1 Financial Assets:

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

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to Municipality entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as loans and receivables.

Available-for-Sale Financial Assets are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the statement of financial performance.

Financial liabilities

Financial liabilities that are measured at fair value through profit or loss are measured at fair value through profit or loss and are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities held at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

Financial guarantee contract

Financial guarantee contracts represent contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when they are contractually due.

Financial guarantee contract liabilities are initially measured at fair value. The subsequent measurement of financial guarantee contracts is the higher of the amount determined in accordance with the policy on provisions as set out below, or the amount initially recognised less when appropriate cumulative amortisation.

7. 4 Impairment of Financial Assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39.

Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in net assets and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in net assets shall be removed and recognised in the Statement of Financial Performance even though the financial asset has not been derecognised.

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7. FINANCIAL INSTRUMENTS (continued)**Financial assets carried at amortised cost**

Accounts receivables encompass long term debtors, consumer debtors and other debtors.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with IAS 39.64 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

With the exception of Available-for-Sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

7. 5 Derecognition of Financial Assets

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

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

7. 6 Derecognition of Financial Liabilities

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

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

8. INVENTORIES**8. 1 Initial Recognition**

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

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8. INVENTORIES (Continued)**8. 1 Initial Recognition**

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

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

8. 2 Subsequent Measurement**Consumable stores, raw materials, work-in-progress and finished goods**

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that an entity expects to realise from the sale on inventory in the ordinary course of business). In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Water inventory

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but can not be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the **(weighted average)** method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

9. NON-CURRENT ASSETS HELD-FOR-SALE**9. 1 Initial Recognition**

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

9. 2 Subsequent Measurement

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

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

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

The gain or loss on the eventual sale of non-current assets held for sale is included in the Statement of Financial Performance as gain or loss on sale of assets. The gain or loss on the eventual sale of non-current assets held for sale, is calculated on the difference between the net disposal proceeds and the carrying amount of the individual asset or the disposal group.

10. REVENUE RECOGNITION

10.1 General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise.

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

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

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

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

10.2 Revenue from Exchange Transactions

10.2.1 Service Charges

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs.

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

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

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

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In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

10.2.2 Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. An adjustment for an unutilised portion is made at year-end based on the average consumption history.

10. REVENUE RECOGNITION (continued)

10.2.3 Finance Income

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

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor; unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

10.2.4 Tariff Charges

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

10.2.5 Income from Agency Services

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

10.2.6 Rentals

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

10.2.7 Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

10.3 Revenue from Non-exchange Transactions

An inflow of resources from a non-exchange transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

10.3.1 Rates and Taxes

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

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10.3.2 Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with management's best estimate of the probable inflows from the amounts not yet collected.

10. REVENUE RECOGNITION (continued)**10.3 Revenue from Non-exchange Transactions (continued)****10.3.3 Public contributions**

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

10.3.4 Government Grants and receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional Grants and receipts

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

10.3.5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

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

11. PROVISIONS

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

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

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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. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

11. PROVISIONS (Continued)

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

Provision for Restructuring cost

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken;
 - when the plan will be implemented; and,
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Environmental rehabilitation provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Entity's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

12. EMPLOYEE BENEFITS

12.1 Short-term Employee Benefits

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

The municipality treats its provision for leave pay as an accrual.

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

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12.2 Post employment benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post employment plans.

12.2.1 Defined Contribution Plans

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

12. EMPLOYEE BENEFITS (Continued)**12.2.1 Defined Contribution Plans**

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

12.3 Defined Benefit Plans

A **defined benefit plan** is a post-employment benefit plan other than a defined contribution plan.

12.3.1 Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are accounted for using the "corridor method". Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

12.3.2 Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 5, 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

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12.3.3 Provincially-administered Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 47 of the Annual Financial Statements for details). The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

12.3.4 Defined benefit pension plans

The municipality has an obligation to provide Post-retirement pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The Entity contributes monthly to the funds.

12. EMPLOYEE BENEFITS (Continued)

12.3.1 Defined benefit pension plans

A liability will be recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. No such liability existed at 30 June 2012. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are accounted for using the "corridor method". Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

13. LEASES

Lease Classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

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13.1 The Municipality as Lessee**Finance leases**

Where the Municipality enters into a finance lease, Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

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

Operating leases

The municipality recognises operating lease rentals as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

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

13. LEASES (continued)

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

13.2 Determining whether an arrangement contains a lease

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

14. VALUE ADDED TAX

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Sec15(2)(a) of the Value-Added Tax Act No 89 of 1991.

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15. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

16. IRREGULAR EXPENDITURE

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

17. 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. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

18. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 35 for details of changes in accounting policies.

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

18. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 36 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

19. RELATED PARTIES

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

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

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20. EVENTS AFTER THE REPORTING DATE

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

21. COMPARATIVE INFORMATION**21.1 Current year comparatives:**

Budgeted amounts have, in accordance with GRAP 1, been provided to these financial statements and forms part of the Annual Financial Statements.

21.2 Prior year comparatives

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

21.3 Budget information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or underspending on line items. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan.

22. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

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

23. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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24. CAPITAL COMMITMENTS

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

MANTSO PA LOCAL MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012					
				2 012	2 011
				R	R
1 RESERVES					
Capital Replacement Reserve				-	237 458 388
Transfer to accumulated surplus				-	(237 458 388)
Total Reserves				-	-
2 LONG TERM LIABILITIES					
External loans				9 322 967	10 569 850
Less: Current portion transferred to current liabilities				(2 297 509)	(2 005 665)
Total External Loans				7 025 458	8 564 185
Refer to Appendix F for more detail on long-term liabilities.					
3 CONSUMER DEPOSITS					
Consumer accounts				1 092 493	1 062 312
				1 092 493	1 062 312
No guarantees are kept in lieu of electricity deposits.					
4 PAYABLES					
Trade Payables				2 718 403	247 340
Sundry Payables				88 606	256 812
Hall Deposits				2 000	5 506
Payments received in advance				1 952 324	2 608 345
Accruals for creditors				10 973 143	13 951 733
Provision 13th cheque				1 146 892	932 142
Interest accrual				56 937	85 157
Salary controls				2 187 677	-
PAYE Payble				731 724	-
Centlec				-	-
Leave Accrual				4 500 624	4 192 417
Total Creditors				24 358 331	22 279 452
5 UNSPENT CONDITIONAL GRANTS AND SUBSIDIES				-	-
Total Conditional Grants and Receipts				-	-
All the conditional grants, were fully spent at the end of the financial year. See note 18.2.					
6 Accumulated surplus / (deficit)					
Opening balance				759 306 462	37 821 221
Prior year corrections				288 106	502 789 043
Transfer from Capital Replacement reserve					237 458 385
Prior year corrections (Note 38)				--	-
Current year surplus/(loss)				2 239 707	(18 762 187)
Total accumulated surplus/(loss)				761 834 274	759 306 462

MANTSOPA LOCAL MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012					
7.1 PROPERTY, PLANT AND EQUIPMENT					
Reconciliation of Carrying Value					
30 June 2011					
Description	Land and Buidlings	Infrastructure	Community	Other	Total
	R	R	R	R	R
Carrying values at 01 July 2010	99 511 370	594 031 943	6 930 203	17 155 260	717 628 776
Cost	106 254 100	758 675 388	8 480 200	19 959 258	893 368 946
- Completed Assets	106 254 100	753 215 443	8 480 200	19 959 258	887 909 001
- Under Construction	-	5 459 945	-	-	5 459 945
Accumulated Depreciation:	(6 742 730)	(164 643 445)	(1 549 997)	(2 803 998)	(175 740 170)
- Cost	(6 742 730)	(164 643 445)	(1 549 997)	(2 803 998)	(175 740 170)
Acquisitions	428 653	8 882 706	1 133 542	1 166 523	11 611 424
Capital under Construction Additions	-	4 686 937	-	-	4 686 937
Depreciation	(942 083)	(19 548 560)	(185 585)	(2 794 174)	(23 470 402)
- Based on Cost	(942 083)	(19 548 560)	(185 585)	(2 794 174)	(23 470 402)
Carrying values at 01 July 2011	98 997 940	588 053 025	7 878 160	15 527 609	710 456 734
Cost	106 682 753	772 245 031	9 613 742	21 125 781	909 667 307
- Completed Assets	106 682 753	762 098 149	9 613 742	21 125 781	899 520 425
- Under Construction	-	10 146 882	-	-	10 146 882
Accumulated Depreciation:	(7 684 813)	(184 192 006)	(1 735 582)	(5 598 172)	(199 210 573)
- Cost	(7 684 813)	(184 192 006)	(1 735 582)	(5 598 172)	(199 210 573)
30 June 2012					
Description	Land and Buidlings	Infrastructure	Community	Other	Total
	R	R	R	R	R
Carrying values at 01 July 2011	98 997 940	588 053 025	7 878 160	15 471 031	710 456 734
Cost	106 682 753	772 245 031	9 613 742	21 069 203	909 667 307
- Completed Assets	106 682 753	762 098 149	9 613 742	21 125 781	899 520 425
- Under Construction	-	10 146 882	-	-	10 146 882
Accumulated Depreciation:	(7 684 813)	(184 192 006)	(1 735 582)	(5 598 172)	(199 210 573)
- Cost	(7 684 813)	(184 192 006)	(1 735 582)	(5 598 172)	(199 210 573)
Acquisitions	-	8 831 444	627 602	2 304	9 461 350
Capital under Construction Additions	-	12 355 436	-	-	12 355 436
Depreciation	(944 508)	(20 299 056)	(210 689)	(2 843 771)	(24 298 024)
- Based on Cost	(944 508)	(20 299 056)	(210 689)	(2 843 771)	(24 298 024)
Carrying values at 01 July 2012	98 053 432	588 940 849	8 295 073	12 686 142	707 975 496
Cost	106 682 753	793 431 911	10 241 344	21 128 085	931 484 093
- Completed Assets	106 682 753	770 929 593	10 241 344	21 128 085	921 337 210
- Under Construction	-	22 502 318	-	-	22 502 318
Accumulated Depreciation:	(8 629 321)	(204 491 062)	(1 946 271)	(8 441 943)	(223 508 597)
- Cost	(8 629 321)	(204 491 062)	(1 946 271)	(8 441 943)	(223 508 597)
7.2 Intangible assets					
Opening balance 01 July 2011				36 960	-
Correction of asset register according to GRAP				-	57 352
Decprciation				(29 791)	(20 392)
Carrying amount				7 169	36 960
Intangible assets relate to the Windows server installed on the Municipality's system.					

MANTSOPA LOCAL MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012								
7.3 Investment Property								
The movement in Investment Property is reconciled as follows:								
							2012	2011
Carrying values at 1 July							27 271 000	27 271 000
Fair Value							27 271 000	27 271 000
Net Gains / (Losses) from Fair Value Adjustments							-	-
Carrying values at 30 June							27 271 000	27 271 000
Fair Value							27 271 000	27 271 000
Estimated Fair Value of Investment Property at 30 June							27 271 000	27 271 000
The municipality has identified and measured all Investment Property in terms of GRAP 16 for the financial year ended 30 June 2012. The balances of the Investment Property have been accordingly restated retrospectively. In 2010/11 the following classes of assets were not recognised/measured in accordance with GRAP 16:								
- Land								
<i>Investment Property</i> has been restated to correctly disclose the properties held as Investment Property in terms of GRAP 16. Refer to Note 38.1 on "Correction of Error" for details of the restatement.								
All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.								
There are no contractual obligations on Investment Property.								
8 INVESTMENTS								
Listed								
Old Mutual Shares							59 606	50 625
Total Listed							59 606	50 625
Unlisted								
OVK LOAN B							134 438	134 438
OVK LOAN D							137 396	137 396
OVK Preference shares							1 067	1 067
OVK Ordinary shares							372 137	67 775
Total Unlisted							645 038	340 677
Financial Instruments								
Collateral investment FNB							84 263	84 263
Standard Bank							104	-
ABSA Surplus money							7 976	-
Absa Mig Funds							3 897	-
Short-term Investments ABSA Advantage							21 808	20 829
Total Cash Investments							118 049	105 093
Total Investments							822 694	496 394
Current assets							33 786	20 829
Non current Assets							788 908	475 565
							822 694	496 394
Fixed deposits are for periods which are less than 12 months but greater than three months.								
Management's Valuation of Unlisted Investments								
Cost							645 038	340 677
9 INVENTORY								
Consumable stores – at cost							697 064	805 184
Water							149 737	149 737
Total Inventory							846 801	954 921

10.1 Trade Receivables from Exchange Transactions								
						Gross balances	Provision for bad debts	Balance
As at 30 June 2011								
Service receivables								
Electricity						7 181 495	2 758 306	4 423 189
Water						39 452 660	15 153 184	24 299 475
Sewerage						43 218 290	16 599 508	26 618 783
Refuse						22 117 283	8 494 922	13 622 361
Other Income						12 247 600	4 704 122	7 543 478
Total						124 217 329	47 710 043	76 507 286
Plus credit balances								2 608 345
Total consumer receivables								79 115 631
As at 30 June 2012								
Service receivables								
Electricity						9 253 331	3 465 281	5 788 050
Water						47 889 244	18 393 552	29 495 692
Sewerage						51 460 673	19 765 285	31 695 388
Refuse						26 590 758	10 213 118	16 377 640
Other Income						13 190 820	5 066 399	8 124 421
Total						148 384 825	56 903 635	91 481 191
Plus: accounts with credit balances								1 952 324
Total consumer receivables								93 433 513
Provisions for bad debts								10 694 146
Debtors Age Analysis							2 012	2 011
Electricity								
Current (0 – 30 days)							360 009	363 462
31 - 60 Days							474 905	252 596
61 - 90 Days							355 902	223 229
91 - 120 Days							277 273	206 367
121 - 365 Days							2 158 592	1 385 091
+ 365 Days							4 837 741	4 750 750
Total							9 253 331	7 181 495
Water								
Current (0 – 30 days)							1 889 668	1 996 737
31 - 60 Days							1 707 771	1 387 674
61 - 90 Days							1 564 749	1 226 344
91 - 120 Days							1 515 951	1 133 708
121 - 365 Days							9 067 015	7 609 214
+ 365 Days							32 144 089	26 098 983
Total							47 889 244	39 452 660

MANTSOPA LOCAL MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012									
								2 012	2 011
								R	R
	Debtors Age Analysis	continued							
	Sewerage								
	Current (0 – 30 days)							1 379 208	2 187 318
	31 - 60 Days							1 292 322	1 520 123
	61 - 90 Days							1 247 128	1 343 395
	91 - 120 Days							1 243 834	1 241 917
	121 - 365 Days							8 588 720	8 335 489
	+ 365 Days							37 709 460	28 590 048
	Total							51 460 673	43 218 290
	Refuse								
	Current (0 – 30 days)							733 442	119 376
	31 - 60 Days							698 656	777 934
	61 - 90 Days							663 834	687 492
	91 - 120 Days							662 976	635 560
	121 - 365 Days							4 594 773	4 265 749
	+ 365 Days							19 237 077	15 631 171
	Total							26 590 758	22 117 282
	Other								
	Current (0 – 30 days)							109 035	619 863
	31 - 60 Days							124 762	430 787
	61 - 90 Days							159 187	380 704
	91 - 120 Days							102 478	351 946
	121 - 365 Days							865 002	2 362 188
	+ 365 Days							11 830 356	8 102 113
	Total							13 190 820	12 247 601
	Debtors outstanding per category								
	Government								
	Current (0 – 30 days)							438 217	248 618
	31 - 60 Days							(14 250)	178 326
	61 - 90 Days							389 531	96 029
	91 - 120 Days							369 077	78 976
	120 +							5 204 117	567 101
	Total							6 386 693	1 169 050
	Business								
	Current (0 – 30 days)							962 904	194 369
	31 - 60 Days							96 052	169 705
	61 - 90 Days							93 576	141 371
	91 - 120 Days							31 906	106 377
	120 +							3 668 733	717 725
	Total							4 853 172	1 329 547
	Residential								
	Current (0 – 30 days)							6 649 283	4 489 616
	31 - 60 Days							4 296 858	4 076 057
	61 - 90 Days							4 401 071	3 730 121
	91 - 120 Days							3 489 667	7 011 632
	120 +							135 722 823	21 258 364
	Total							154 559 701	40 565 790
	Other								
	Current (0 – 30 days)							2 746	3 645
	31 - 60 Days							3 247	3 632
	61 - 90 Days							2 131	2 683
	91 - 120 Days							903	2 468
	120 +							14 748	17 357
	Total							23 776	29 785

MANTSOPA LOCAL MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012							
						2012 R	2011 R
10.2 Trade Receivables from Nonv- Exchange Transactions							
			Gross	Provision for	Balance		
			balances	bad debts			
As at 30 June 2011							
Rates			13 490 501	5 181 502	8 308 998		
Total			13 490 501	5 181 502	8 308 998		
As at 30 June 2012							
Rates			17 438 514	6 697 876	10 740 638		
Total			17 438 514	6 697 876	10 740 638		
Debtors Age Analysis				2 012	2 011		
Property Rates							
Current (0 – 30 days)				432 812	682 767		
31 - 60 Days				407 462	474 503		
61 - 90 Days				829 326	419 338		
91 - 120 Days				356 459	387 662		
121 - 365 Days				2 558 082	2 601 905		
+ 365 Days				12 854 371	8 924 326		
Total				17 438 514	13 490 501		
11 OTHER RECEIVABLES				2012	2011		
Sundry debtors				1 163 389	1 083 012		
Payments made in advance				561 203	-		
Hall deposits				18 017	-		
Centlec				2 355 891	-		
VAT Receivable				2 444 311	-		
Total Other Debtors				6 542 810	1 083 012		
12 LONG TERM RECEIVABLES							
Long Term Receivables				220 270	226 043		
Less: Short term portion of long term receivables				5 838	5 774		
Total Long Term Receivables				214 432	220 270		
13 BANK & CASH							
Pettycash				1 500	1 500		
Cash floats for cashiers				1 255	1 255		
				2 755	2 755		
14 BANK & CASH							
<u>Current Account (Primary Bank Account)</u>							
<u>ABSA Bank - Ladybrand branch</u>							
<u>Account number 2020000050</u>							
Cash book balance at beginning of year - (overdrawn)				(2 810 946)	(3 789 340)		
Cash book balance at end of year - (overdrawn)				(14 339 462)	(2 810 946)		
Bank statement balance at beginning of year - (overdrawn)				2 538 529	862 572		
Bank statement balance at end of year - (overdrawn)				(24 074)	2 538 529		
<u>FNB Bank Day cash - Ladybrand branch</u>							
<u>Account number 62054009751</u>							
Cash book balance at beginning of year				77 608	242 606		
Cash book balance at end of year				45 375	77 608		
Bank statement balance at beginning of year - (overdrawn)				77 608	195 126		
Bank statement balance at end of year - (overdrawn)				45 375	77 608		
Total Bank				(14 294 087)	(2 733 338)		
15 PROVISION FOR REHABILITATION OF LANDFILL SITES							
In terms of the licencing of the landfill refuse site, the municipality will incur rehabilitation costs of R25 million to restore the sites at Excelsior (R7.7 mil), Hobhouse (R4.0 mil), Ladybrand (R8.9 mil) and Tweespruit (R4.0 mil) at the end of its useful life, estimated to be in 2030. Provision has been made for the net present value of this cost, using the the average cost of borrowing interest rate.							
				2012	2011		
				R	R		
Provision landfill site				23 293 938	23 293 938		
Increase due to discounting				2 225 573	-		
Total Provision Landfill Site				25 519 511	23 293 938		
16 PROPERTY RATES							
Actual							
Levies				10 761 843	12 646 505		
Total Assessment Rates				10 761 843	12 646 505		
Property Valuations							
Total Property Valuations				2769 795 256	2769 795 256		
Total Property Valuations				2769 795 256	2769 795 256		

MANTSOPA LOCAL MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012							
						2 012	2011
						R	R
17 SERVICE CHARGES							
Sale of electricity						24 599 753	19 908 092
Sale of water						19 614 327	18 007 335
Other charges						21 847 358	18 984 367
Total Service Charges						66 061 438	56 899 794
18 GOVERNMENT GRANTS AND SUBSIDIES							
Equitable share						59 432 000	53 916 103
Central government grants						26 668 960	22 684 000
District Municipality						891 217	5 609 877
Total Government Grant and Subsidies						86 992 177	82 209 980
18.1 Equitable Share							
Balance unspent at beginning of year						-	-
Current year receipts						59 432 000	53 916 103
Conditions met - transferred to revenue						(59 432 000)	(53 916 103)
						-	-
The Equitable Share is an unconditional grant and is utilised to assist the local municipalities undertake service delivery							
18.2 MIG							
Balance unspent at beginning of year						-	-
Correction prior year						-	-
Current year receipts						22 773 000	18 934 000
Conditions met - transferred to revenue						(22 773 000)	(18 942 655)
Financed by own income						-	8 655
Conditions still to be met - transferred to current liabilities						-	-
This grant was used for Bucket Eradication. No funds have been withheld.							
18.3 FMG							
Balance unspent at beginning of year						-	-
Current year receipts						1 450 000	3 000 000
Conditions met - transferred to revenue						(1 450 000)	(3 000 000)
Conditions still to be met - transferred to liabilities						-	-
The grant was used to promote and support reforms to financial management practices, including the modernisation of budgeting, financial management, accounting, monitoring systems and implementation of the Municipal Finance Management Act. Interns were also paid with this fund.							

MANTSOPA LOCAL MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012								
							2012	2011
							R	R
18.4 MSIG								
Balance unspent at beginning of year							-	-
Current year receipts							790 000	750 000
Conditions met - transferred to revenue							(790 000)	(750 000)
Conditions still to be met - transferred to liabilities							-	-
The fund is used to assist the local municipalitys to perform the function and stabilise institutional and governance systems as required by the Municipal Systems Act of 2000.								
18.5 INEG								
Balance unspent at beginning of year							-	-
Current year receipts							810 000	-
Conditions met - transferred to revenue							(810 000)	-
Conditions still to be met - transferred to liabilities							-	-
This funds were used for electrification in Platberg as well as High mast light connections.								
18.6 Department of Water Affairs								
Balance unspent at beginning of year							-	-
Current year receipts							845 960	-
Conditions met - transferred to revenue							(845 960)	-
Conditions still to be met - transferred to liabilities							-	-
This funds were used for water conservation and demand.								
18.7 District municipality								
Balance unspent at beginning of year							-	-
Current year receipts							891 217	5 609 877
Conditions met - transferred to revenue							(891 217)	(5 609 877)
Conditions still to be met - transferred to liabilities							-	-
The Municipality renders Enviromental Health services on behalf of Thabo Mofutsanyane District Council.								
18.8 Changes in levels of government grants								
Based on the allocations set out in the Division of Revenue Act, (Act No 6 of 2011), no significant changes in the level of government grant funding are expected over the forthcoming two financial years.								
UNSPENT CONDITIONAL GRANTS AND SUBSIDIES							-	-
Total Conditional Grants and Receipts unspent							-	-
19 VAT								
VAT Output debtors							(11 783 520)	(10 041 875)
VAT Input Creditors							992 452	1 692 262
Output VAT paid							-	(480 468)
Input Vat Paid							-	246 523
Receivable from SARS							2 444 311	432 225
							(8 346 757)	(8 151 332)

MANTSOPA LOCAL MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012							
						2 012	2 011
						R	R
20 EMPLOYEE RELATED COSTS							
Salaries						26 786 967	24 182 141
Contributions - UIF, Pension and Medical Aid Fund,						8 682 178	7 130 804
Housing Subsidies						140 057	139 230
Industrial Council Levies						15 683	13 769
Other Allowances						840 745	1 205 707
Overtime						4 850 090	3 734 817
Travel, Subsistence and Car Allowances						1 750 467	597 415
Leave accrual						773 035	771 993
Leave paid during 2010/11						-	185 125
Long Service / Bonus awards						2 276 901	3 259 698
Total Employee Related Costs						46 116 123	41 220 699
Remuneration of the Municipal Manager							
Annual Remuneration						587 976	456 704
Performance and other Bonuses						-	42 240
Car Allowance						25 626	110 000
Contributions to UIF, Medical and Provident Funds						14 692	218 635
Total						628 295	827 579
Remuneration of the Manager Technical services							
Annual Remuneration						381 897	357 243
Performance and other Bonuses						-	-
Car Allowance						-	-
Contributions to UIF, Medical and Provident Funds						-	-
Total						381 897	357 243
Remuneration of the Chief Financial Officer							
Annual Remuneration						497 006	450 321
Performance and other Bonuses						42 739	71 812
Car Allowance						159 326	155 041
Contributions to UIF, Medical and Provident Funds						117 748	210 377
Total						816 818	887 552
Remuneration of the Head: Corporate Services							
Annual Remuneration						456 343	430 073
Performance and other Bonuses						38 659	32 931
Car Allowance						164 349	155 040
Contributions to UIF, Medical and Provident Funds						116 710	248 333
Total						776 061	866 377

MANTSOPA LOCAL MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012					
				2 012	2 011
				R	R
21 REMUNERATION OF COUNCILLORS					
Mayor					
Salaries				397 025	256 317
Contributions - UIF, Pension and Medical Aid Fund,				74 049	71 539
Cellphone allowance				18 326	22 880
Travel, Subsistence and Car Allowances				148 725	152 944
				638 126	503 680
In kind benefits					
The Mayor and the Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.					
The Mayor has the use of a Council owned vehicle for official duties. The Mayor has one (1) full-time bodygaurd, and one (1) driver.					
Speaker					
Salaries				316 224	304 659
Contributions - UIF, Pension and Medical Aid Fund,				61 435	49 375
Cellphone allowance				18 322	13 038
Travel, Subsistence and Car Allowances				118 979	117 909
				514 960	484 981
Exco members					
Salaries				334 203	350 384
Contributions - UIF, Pension and Medical Aid Fund,				60 498	94 730
Cellphone allowance				22 859	28 463
Travel, Subsistence and Car Allowances				122 698	135 934
				540 258	609 511
Ordinary council members					
Salaries				1 586 872	1 204 214
Contributions - UIF, Pension and Medical Aid Fund,				261 469	249 158
Cellphone allowance				148 580	114 487
Travel, Subsistence and Car Allowances				580 028	500 624
				2 576 949	2 068 483
22 FINANCE COSTS					
Interest Long term liabilities				993 516	817 243
Total Interest and Redemption on External Borrowings				993 516	817 243
23 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:					
NONE		Corrections		2 012	Restated 2012

MANTSOPA LOCAL MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012									
--									
27 RETIREMENT BENEFIT INFORMATION									
Employees of council belongs to different pension fund schemes. They are the Freestate Pension									
Fund, Freestate Providend Fund, Samwu Provident Fund, Councillors Pension Fund, Municipal									
employee's Pension Fund, Old Mutual Pension Fund, Sanlam group scheme, Orion and Federal Life.									
Payments made in terms of define contribution plans.									
							4 238 127		4 238 127
28 CONTINGENT LIABILITY									
COURT CASES (EMPLOYEE CLAIMS)									
0081-CONTRACT EXPIRED(09 DECEMBER 2009)									
DATE LODGED (09 SEPTEMBER 2009)									
HIGH COURT RULING AGAINST THE EMPLOYEE									
In terms of the definition, Possible obligation arise from past event (contract expired) and the existence of									
the obligation will only be confirmed at the occurrence of uncertain future events (judgment against or									
in favour of Mantsopa Municipality.									
Disclose in the notes of financial statements									
0415- SUSPENSION (26 APRIL 2010)									
DATE LODGED (26 APRIL 2010)									
CASE AT CCMA									
In terms of the definition, Possible obligation arise from past event (Suspension) and the existence of the									
obligation will only be confirmed at the occurrence of uncertain future events (judgment against or in favour									
of Mantsopa Municipality.									
VM/M068/mf Dipelaneng Traditional Committee									
VM/M063/mf J van As									
VM/M069/mf HJR Wiese									
VM/M051/mf KPJ Chomane									
VM/M071/mf Contract: Ladybrand water Treatment works									
VM/M072/mf SLA with LPZ Computers									
VM/M074/mf LA & SA Letaba									
Operating disposal site without permit that could cause a fine of R10 000 000									
Total amount R11 253 118									
Landfill sites.									
Currently the disposal site at Hobhouse, Excelsior and Tweespruit is operated without the necessary permits, which may									
lead to penalties. It is not possible to determine the amount of possible penalties at this stage. Provision for rehabilitation									
costs is made.									

MANTSOPA LOCAL MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012											
										2 012	2 011
29	CONTINGENT ASSET										
	No contingent assets are expected.									-	-
30	IN - KIND DONATION AND ASSISTANCE										
	The following donations was received by Mantsopa Local Municipality during the year under review.										
	Macufe tickets							24 000		9 800	
	Soccer tickets							1 000		-	
	Drinks for Gala dinner Civil Engineering							-	5 000		
	Drinks for Municipal Farewell Seqhobong JV							-	5 000		
	Drinks for Municipal Farewell Engineering Solutions							-	2 000		
	Drinks for youth event							5 000	-		
	Farewell of Section 56 managers							3 500	-		
								33 500		21 800	
31	COMPARISON WITH THE BUDGET										
	Department		Income Budget	Actual Income	Exp Budget	Actual Exp	Variance	%	Comments		
	Property rates		10 795 321	10 761 843	- -		-				
	Performance department		434 684	434 684	434 684	601 489	(166 805)		Under budgeting		
	Cemeteries		35 700	33 363	- -	-	-				
	Development		1 527 658	1 288 140	1 527 658	1 369 055	158 603				
	Libraries		1 616 126	1 588 136	1 616 126	1 606 752	9 374				
	Fire		1 358 532	1 193 506	1 358 532	1 295 069	63 463				
	Properties		1 600 458	1 572 574	2 719 561	3 460 931	(741 370)		Repairs on Council properties		
	Roads and streets		11 967 718	12 024 960	11 234 691	13 342 716	(2 108 025)		Repairs on portholes		
	Parks and recreation		- -	- -	4 184 768	4 189 528	(4 760)				
	Sanitation network		24 323 482	22 279 084	17 884 429	22 486 138	(4 601 709)		Repairs on networks		
	Refuse		8 824 000	8 035 370	11 065 231	7 321 725	3 743 506		Refuse work was conducted by Indalo Yethu		
	PMU		1 227 413	1 176 024	1 227 413	1 219 343	8 070				
	Municipal manager		1 548 484	1 494 949	1 548 484	2 575 707	(1 027 223)		Under budgeting		
	Council		1 023 000	167 052	2 561 325	3 071 000	(509 675)		Under budgeting		
	Speaker		390 000	1 154 622	5 303 009	5 424 883	(121 874)				
	IDP		1 551 543	978 514	1 551 543	994 279	557 264		Over budgeting		
	Internal audit		486 488	432 028	486 488	427 207	59 281		Vacant post		
	Environmental health		1 160 606	891 217	1 160 606	947 607	212 999		Over budgeting		
	Corporate services		10 919 580	8 253 328	9 755 333	8 827 666	927 667				
	Financial services		45 472 644	50 012 157	34 186 369	43 358 355	(9 171 986)		Software maintenance		
	Traffic		1 153 687	1 129 197	1 138 737	1 282 849	(144 112)		Overtimes		
	Housing		1 223 645	1 241 255	1 223 645	1 238 102	(14 457)				
	Electricity		35 579 015	29 387 673	35 566 153	30 787 415	4 778 738				
	Water		15 014 230	21 082 972	20 261 681	20 150 218	111 463				
Note: Reasons for the variance is only provided if it is more or less than 10%											

MANTSOPA LOCAL MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012									
32 EVENTS AFTER BALANCE SHEET DATE									
NONE									
33 CASH RECEIVED FROM CUSTOMERS AND GOVERNMENT									
Total revenue								178 241 878	164 029 699
Adjusted for items presented separately:									
Interest received on investments								(106 267)	(496 853)
Dividends received								(23 918)	(19 389)
Proceeds on selling of assets								-	(239 399)
Previous year adjustments								288 106	3 222 052
(Increase)/decrease in Sundry Debtors								(5 459 798)	3 165 320
Increase/(Decrease) in Consumer deposits								30 180	(76 002)
(Increase)/decrease in consumer debtors								(27 443 668)	38 504 368
								145 526 513	208 089 796
Sundry debtors and deposit changes included in Increase of other debtors for 2012									

MANTSOPA LOCAL MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012							
--						2 012	2 011
						R	R
34 CASH PAID TO SUPPLIERS AND EMPLOYEES							
Total expenditure						(176 002 172)	(182 791 886)
Adjustment for Non cash items							
Operating lease straight lining of expenses						94 652	
Depreciation						24 327 815	23 490 794
Bad Debts						10 694 146	37 326 515
Indigent support						-	-
Leave Accrual						308 207	771 993
Interest provision rehabilitation of landfill sites						2 225 573	214 338
Financing activities							
Interest paid						(1 232 057)	817 243
Previous year adjustments						-	(75 854 383)
Increase/(decrease) in creditors						4 410 408	11 140 494
Increase/(decrease) in unspent conditional grants						-	(5 796 969)
Increase / (Decrease) in Inventory						108 120	(575 000)
						(135 065 308)	(191 256 861)
35 CASH GENERATED / (REQUIRED) BY OPERATIONS							
Reconciliation of net operating profit to cash generated in operations							
Net operating profit/(loss)						2 239 707	(18 762 187)
Adjusted for:							
Operating lease straight lining						94 652	
Depreciation						24 327 815	23 490 794
Interest income						(106 267)	(496 853)
Dividends received						(23 918)	(19 389)
Bad Debts						10 694 146	37 326 515
Interest provision rehabilitation of landfill sites						2 225 573	214 338
Leave Accrual						308 207	771 993
Interest paid						(1 232 057)	817 243
Gain on the disposal of assets						-	(239 399)
Indigent support						-	-
Previous year corrections						288 106	(72 632 331)
Changes in working capital:							
(Increase)/ Decrease in Inventory						108 120	(575 075)
(Increase)/decrease in consumer debtors						(27 443 668)	38 504 368
(Decrease)/Increase in conditional grants						-	(5 796 969)
Increase/(decrease) in creditors						4 410 408	11 140 494
(Increase)/decrease in Sundry Debtors						(5 459 798)	3 165 320
Increase/(Decrease) in Consumer deposits						30 180	(76 002)
						10 461 205	16 832 859
Deposit changes included in Increase of other debtors for 2011							
36 CASH AND CASH EQUIVALENTS							
Bank and cash						(14 291 332)	(2 730 583)
Investments						33 786	20 829
						(14 257 546)	(2 709 754)

MANTSOPA LOCAL MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012							
37.1 GENERAL EXPENSES							
General expenses include the following significant figures:							
Advertising					170 666		233 390
Audit costs External					2 949 595		3 121 145
Audit costs Internal					76 162		62 379
Annual Report					280 000		162 600
Awareness Campaigns					-		13 158
Bad Debts					61 486		216 929
Bank charges					262 506		226 152
Bank and Creditors Interest					440 117		30 987
Books and Reference books					6 025		12 555
Centlec Expenses					505 398		2 170 342
Civil Protection					-		950
Cleaning Materials					63 576		10 985
Chemicals, Chloorgas					1 515 853		1 635 085
Communication Strategy					-		185 500
Connections					263 864		414 882
Donations					2 945		2 211
Entertainment					247 366		348 845
Employee Wellness					46 503		4 039
Grap & Other Financial costs					332 153		513 594
Finance management Grant					1 070 075		623 753
Filing System					-		98 246
Fuel					2 528 581		2 150 448
Inventory shortage					- -		126 736
IDP & Budget Conference and document printing					202 990		201 057
Interest rehabilitation for landfill sites					2 225 573		214 338
LED Strategy					- -		133 106
Insurance					826 115		743 987
Lisences					237 047		338 967
Legal expenses					1 017 449		956 254
Machinery Installments					30 000		-
Medical assistance					3 947		34 766
Plants and Trees					11 956		2 676
Postage					157 879		286 118
Printing & Stationery					470 550		273 821
Policy revival					149 900		48 100
Promulgation of By-Laws					64 282		-
Programs					298 404		329 674
Protective clothing					414 724		126 998
Public consultation					346 274		589 788
Rental equipment					391 237		158 804
Training					833 663		737 956
Travelling and Subsistence					2 243 055		1 193 822
Town Planning					103 877		24 000
Sanitation, water and electricity					1 461 667		880 986
Surveys					2 590		10 000
Strategic planning					82 787		453 852
Spatial Development					-		180 000
Special Days					276 945		749 550
Skills development					430 684		347 434
Security Services					364 284		2 800
Subscriptions					449 874		23 957
Sympathy					2 124		1 288
Auction Costs					-		-
Telephone					1 666 479		1 412 955
Tourism / Year end					-		169 369
Valuation and other costs					28 248		39 600
Youth Commission					272 600		29 435
Ward Plan review					95 000		80 162
Water Samples and Research					90 650		389 102
Weed control					431		6 500
Previous year expences corrected					-		-
Other					-		-
					26 076 155		23 536 138

MANTSOPA LOCAL MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012									
37.2	OTHER INCOME								
	Donation year end function						- -		4 386
	Gain and fair value						58 745	- -	
	Dog tax						600		2 750
	Grave sales						32 924		54 782
	Environmental health						-	-	
	Proceeds on sale of assets						-	-	
	Training Cost recover						41 465	- -	
	Administration fees						71 976		145 303
	Commission Received						12 679		36 306
	Discount Received						8		1 098
	Insurance recover						- -		13 168
	Private Telephone recovery						9 000		103 707
	Legal Costs						-	-	
	Sundry						- -		1 950
	Suplus Cash						13		159
	Tender Doc						38 250		15 088
	Valuation Lists						150		120
	Valuation Roll						35 764		22 556
	Bad debts recover						- -		23
	Business Lisence						-	-	
	Subdivisioning						- -		5 000
	Mantsopa Monitoring						-	-	
	Rental Equipment						4 042		12 345
	Advertisements						320		618
	Building Plans						51 707		89 462
	Lost Books						- -		4
	Photo Copies						2 665		9 698
	Subscriptions						930		300
	Housing subsidies						- -		150 000
	Housing Transports						- -		984
	Connections						226 584		329 250
	Testmeters						320		600
	Private Work						533		333
	Cleaning of Erven						-	-	
	Income corrections previous year						-	-	
	Garden Refuse						16 729		23 366
	Total						605 405		1 023 356

MANTSOPA LOCAL MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012						
38	Correction of previous year errors				2 011	2 011
38.1	Property, Plant & Equipment					
	During the previous financial year, the infrastructure relating to Tweespruit was not included in the Financial Statements. Investment property has also been reclassified to be included in Property, Plant and Equipment. Below shows the corrections made to include the Infrastructure amounts:					
	As per 2011 Financial statements	2011 audited AFS	Corrections	2011 adjusted figures		
	Note 7.1					
	Property Plant and Equipment	428 735 029	281 721 705	710 456 734		
	Investment property reclassified to Property, Plant & Equipment		1 446 000			
	Property Plant and Equipment reclassified to Investment Property		(27 271 000)			
	Work in progress included under Property, Plant & Equipment (Infrastructure)		18 371 221			
	Reclassification of Inventory (Major Spare Parts) to PPE		56 578			
	Additions corrected through Trade Payables		5 038 718			
	Vacant land included in PPE correction (Accumulated Surplus)		27 271 000			
	Depreciation charge adjusted in Statement of financial performance		(9 358 564)			
	Property plant & equipment not included in prior period & Deemed cost changes		266 167 753			
	Note 7.1 & 7.3	1 446 000	25 825 000	27 271 000		
	Investment Property (Property Reclassified to PPE)	1 446 000	(1 446 000)	-		
	Investment Property (Land Reclassified to Investment Property)	- -	27 271 000	27 271 000		
	Note 7.1					
	Work in Progress	18 371 221	(18 371 221)	-		
	Correction	448 552 250	261 904 484	710 456 734		
38.2	Debtors - Provision for bad debt					
	During the current financial year a new provision for bad debt approach was adopted. The recalculation for the bad debt was done retrospectively.					
		2011 audited AFS	Corrections	2011 adjusted figure		
	Provision for bad debt (Liability)	(136 532 256)	83 640 711	(52 891 545)		
	Correction to Accumulated Surplus		(83 640 711)			
	Balance		- -			
38.3	Accumulated Surplus					
		2011 audited AFS	Corrections	2011 adjusted figure		
	The following prior period corrections affected the Accumulated surplus					
	Balancing figure	(398 109 583)	(361 196 879)	(759 306 462)		
	Property plant & equipment not included in prior period & Deemed cost changes		(293 438 753)			
	Depreciation Charge through Net/Surplus for the year		9 358 564			
	Provision for bad debts recalculated		(83 640 711)			
	Expense in current year relating to prior year		23 347			
	Operating lease liability		555 766			
	Landfill site provision recalculation		5 944 908			
38.4	Landfill site provision					
	During the current financial year a recalculation of the provision for the Landfill site rehabilitation was done. The recalculation also affected the opening balance as follow:					
		2011 audited AFS	Corrections to Accumulated Surplus	2011 adjusted figure		
	Rehabilitation of Landfill site provision	(17 349 030)	(5 944 908)	(23 293 938)		
38.5	Additions corrected through Payables and VAT input account					
		2011 audited AFS	Corrections	2011 adjusted figure		
	Additions to Infrastructure assets	- -	5 038 718	5 038 718		
	Trade Payables	(11 591 331)	(5 744 140)	(17 335 471)		
	VAT	(2 986 775)	705 422	(2 281 353)		
		(14 578 106)	- -	(14 578 106)		

MANTSOPA LOCAL MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012						
38.6 Payables understated in prior period						
				2011 audited AFS	Corrections	2011 adjusted figure (note 4)
				16 511 966	5 767 487	22 279 452
			Expenses recognised in current period relating to prior period (Acc. Surplus)		23 347	
			Additions to assets corrected through Payables		5 744 140	
38.7 Operating lease straight lining						
				2011 audited AFS	Corrections to Accumulated Surplus	2011 adjusted amount
			Fintech lease liability	--	377 649	377 649.06
			Copperleaf lease liability	--	178 117	178 117.01
				--	555 766	555 766
38.8 Major Spare Parts Reclassified to Property Plant & Equipment						
			The following adjustment was made to reclassify Major spare parts to Property Plant & Equipment	2011 audited AFS	Moved to PPE	2011 adjusted figure (note 4)
			Consumables	861 762	(56 578)	805 184

MANTSOPA LOCAL MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012						36
39 OPERATING LEASES						
At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:			2 012		2 011	
Operating leases - lessee						
Within one year			993 247		1 793 430	
In the second to fifth year inclusive			1 110 289		1 734 741	
After five years			-		-	
Total			2 103 536		3 528 171	
Total future minimum sublease payment expected to be received under non cancellable sublease			2 012		2 011	
Liability opening balance			555 766		398 844	
Movement through lease expenses			94 652		156 922	
Liability at year end			650 418		555 766	
Operating Leases consist of the following:						
Operating lease payments represent rentals payable by the municipality for certain of its office properties.						
Leases are negotiated for an average term of seven years and rentals are fixed for three years. No contingent rent is payable based on a % of the municipality's sales.						
40 WASTEFULL EXPENDITURE			2 012		2 011	
Opening Balance 01 July 2011			117 754		29 986	
Interest on creditors			245 767		25 898	
Interest to SARS			1 890		1 799	
Penalty SARS			44 603		60 071	
Closing Balance 30 June 2012			410 014		117 754	
41 IRREGULAR						
Opening Balance			6 275 403		2 618 868	
Irregular expenditure current year - Non compliance to SCM policy			6 852 841		3 656 535	
Irregular expenditure current year - Deviation from Procurement			2 801 311		1 262 570	
Condoned or written off by Council			-		(1 262 570)	
Allowances were awarded to the employees not indicated in the appointment letter			89 382		-	
Employees were paid for the overtime executed on Weekends and/or Public Holidays			109 751		-	
Transfer to receivables for recovery - not condoned			-		-	
Irregular expenditure awaiting condonement			16 128 687		6 275 403	
Further instances of this type of irregular expenditure is under investigation.						
42 UNAUTHORISED EXPENDITURE						
Opening balance			(45 094 398)		(3 302 696)	
Unauthorised expenditure - current year			(18 611 996)		(41 791 702)	
Approval by Council or Condoned			-		-	
Transfer to receivables for recovery			-		-	
Unauthorised expenditure awaiting authorisation			-		-	
			(63 706 394)		(45 094 398)	
Note: The municipality has added the opening balance of R -3 302 696 for the 2009/10 financial year which increases the opening balance for the current year to R 45 094 398 from what was initially disclosed as R 41 791 702						
Total spending more than budget						
Performance department			(106 805)			
Environmental Health					(527 674)	
Electricity					-	
Sanitation			(4 601 709)		(12 123 176)	
Housing			(14 457)		-	
Refuse					(9 394 847)	
Water					(18 657 982)	
Fire brigade					(91 229)	
Performance					-	
Properties			(741 370)		(193 015)	
Roads & Streets			(2 108 025)		-	
PMU					-	
Council			(509 675)		-	
Speaker			(121 874)		-	
Parks			(4 760)		(627 950)	
Municipal Manager			(1 027 223)		(175 829)	
IDP					-	
Financial services			(9 171 986)			
Traffic			(144 112)			
Total			(18 611 996)		(41 791 702)	

MANTSOPA LOCAL MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012						
43	ELECTRICITY LOSSES					
	Electricity losses for the year under review is not yet determined.					
	Water losses cant be determined, as no bulk meters exist from waterworks and bore holes to the towns.					
						2 012
						2 011
44	CONSULTANT FEES					
	Ducharme Consultants	Asset Register			811 000	416 755
	Makomota	Financial statements review			-	90 838
	Gobodo	Debt impairment			216 631	-
45	RELATED PARTIES					
	The following organisations is seen as related parties to Mantsopa Local Municipality, as they are in a position. to influence transactions or other decisions					
	Related parties transactions: Received / (paid)					
	Centlec Bloemfontein				3 349 011	3 103 227
	Provincial Treasury				-	-
	National Treasury				86 786 727	76 600 103
	Thabo Mofutsanyane District Municipality				685 767	5 609 877
	COGTA				-	-
	Department of Water affairs				845 960	-
	Key personal and Councillors salaries	20 & 21			(5 739 028)	(5 739 028)
46	IFRS 7					
	RISK MANAGEMENT					
	Maximum credit risk exposure					
	Credit risk consist mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter party.					
	Financial assets exposed to credit risk at year end were as follow:					
	First National Bank current account				45 375	77 608
	Absa Bank current account				-	-
	Absa Money Market				21 808	20 829
	FNB colateral				84 263	84 263
	Old Mutual shares				59 606	50 625
	Standard Bank				104	- -
	OVK				645 038	340 677
	ABSA Investment				7 976	- -
	ABSA Investment				3 897	- -
	Trade and other receivables (including long term receivables)				100 196 594	5 092 973
					101 064 663	5 666 975
	These balances represent the maximum exposure to credit risk.					

MANTSOPA LOCAL MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012						
Liquidity risk						
The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.						
Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.						
The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.						
				Within one year	Later than one year and not later than two years	Later than two years and not later than five years
2013						Later than five years
Gross finance lease obligations				2 103 536	-	-
Borrowings				2 297 509	-	8 564 391
Trade and other payables				35 149 398	-	-
					Later than two years and not later than five years	Later than five years
2014						
Gross finance lease obligations					3 838 277	-
Borrowings					10 569 850	-
Trade and other payables					30 430 783	-
Interest rate risk						
The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.						
At year end, financial instruments exposed to interest rate risk were as follows:						
- ABSA Bank: Current Account						(24 074)
- ABSA Bank: Money Market Account						33 682
DBSA Loans						10 445 122
ABSA Loan						124 728
Other price risk						
The municipality's price risk arises from the shares held at OVK. The municipality holds a specific number of shares, of which their value depend on the share price at year end. These shares are not listed on any stock exchange.						
Management's valuation of unlisted investments						373 204
Dividends received OVK						18 299
Average gross rate of return on investments						5 %

ANNUAL REPORT FOR PERIOD ENDED 30 JUNE 2012

APPENDIX A MANTSOPA LOCAL MUNICIPALITY ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012												
Description	Cost / Revaluation					Accumulated Depreciation / Impairment					Carrying	
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Value
	R	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings												
Land	83 319 600	-	-	-	-	83 319 600	-	-	-	-	-	83 319 600
Buildings	23 363 153	-	-	-	-	23 363 153	7 684 813	944 508	-	-	8 629 321	14 733 832
	106 682 753	-	-	-	-	106 682 753	7 684 813	944 508	-	-	8 629 321	98 053 432
Infrastructure												
Electricity:												
Electricity network	80 548 744	-	82 719	-	-	80 548 744	15 339 715	1 813 535	-	-	17 153 250	63 478 211
Sanitation												
Solid waste	17 715 549	-	-	-	-	17 715 549	2 202 738	734 246	-	-	2 936 984	14 778 566
Sewerage:												
Sewer network	115 997 077	7 147 102	-	-	-	123 144 179	10 474 511	3 255 522	-	-	13 730 033	109 414 146
Roads												
Roads network	354 860 074	-	8 699 333	-	-	363 559 407	129 172 847	6 910 424	-	-	136 083 271	227 476 136
Water:												
Water network	204 200 471	1 684 342	805 856	-	-	206 690 669	27 002 184	7 585 329	-	-	34 587 523	172 103 146
	773 321 915	8 831 444	9 587 908	-	-	791 658 548	184 192 005	20 299 056	-	-	204 491 061	587 250 205
Community Assets												
Land	4 974 120	-	-	-	-	4 974 120	-	-	-	-	-	4 974 120
Buildings	4 639 622	627 602	-	-	-	5 267 224	1 735 582	210 689	-	-	1 946 271	3 320 953
	9 613 742	627 602	-	-	-	10 241 344	1 735 582	210 689	-	-	1 946 271	8 295 073
Other Assets												
FURNITURE AND OFFICE EQUIPMENT												
OFFICE FURNITURE	4 350 126	-	-	-	-	4 350 126	1 378 791	784 454	-	-	2 163 245	2 186 881
OFFICE EQUIPMENT INCLUDING FAX MACHINES	463 783	-	-	-	-	463 783	170 335	77 385	-	-	247 720	216 063
AIR CONDITIONERS INDIVIDUAL FIXED AND MOVABLE	172 581	-	-	-	-	172 581	50 698	49 973	-	-	100 671	71 910
TRANSPORT ASSETS												
TRUCKS	5 855 842	-	-	-	-	5 855 842	1 108 602	577 963	-	-	1 686 565	4 169 277
BANKSIES	2 005 068	-	-	-	-	2 005 068	433 933	183 766	-	-	617 699	1 387 369
TRAILERS AND ACCESSORIES	1 624 079	-	-	-	-	1 624 079	289 543	148 690	-	-	438 233	1 185 846
BICYCLES	5 920	-	-	-	-	5 920	1 208	710	-	-	1 918	4 002
MOTOR VEHICLES	1 374 498	-	-	-	-	1 374 498	196 645	164 940	-	-	361 585	1 012 913
COMPUTER EQUIPMENT												
COMPUTER HARDWARE INCLUDING OPERATING SYSTEMS	242 590	1 365	-	-	-	243 955	106 542	60 571	-	-	167 113	76 842
COMPUTER NETWORKS	546 131	-	-	-	-	546 131	106 529	113 162	-	-	219 691	326 440
MACHINERY AND EQUIPMENT												
KITCHEN APPLIANCES	120 021	939	-	-	-	120 960	45 708	21 256	-	-	66 964	53 996
DOMESTIC EQUIPMENT (NON KITCHEN APPLIANCES)	41 756	-	-	-	-	41 756	17 764	10 458	-	-	28 222	13 534
MUSIC INSTRUMENTS	179 040	-	-	-	-	179 040	78 554	16 114	-	-	94 668	84 372
MEDICAL AND ALLIED EQUIPMENT	2 844	-	-	-	-	2 844	971	512	-	-	1 463	1 361
AUDIOVISUAL EQUIPMENT	183 012	-	-	-	-	183 012	39 224	39 358	-	-	78 582	104 430
WORKSHOP EQUIPMENT AND LOOSE TOOLS MOVABLE	633 470	-	-	-	-	633 470	251 294	155 182	-	-	406 476	226 994
ELECTRIC WIRE AND POWER DISTRIBUTION EQUIPMENT (COMPRESSORS / GENERATORS)	148 618	-	-	-	-	148 618	67 682	25 543	-	-	93 225	55 393
TRACTORS	1 048 173	-	-	-	-	1 048 173	555 193	169 429	-	-	724 622	323 551
FIRE FIGHTING EQUIPMENT	311 349	-	-	-	-	311 349	98 245	88 685	-	-	187 130	124 219
ROAD CONSTRUCTION AND MAINTENANCE EQUIPMENT	1 816 880	-	-	-	-	1 816 880	600 711	155 419	-	-	756 130	1 060 750
	21 125 781	2 304	-	-	-	21 128 085	5 598 172	2 843 770	-	-	8 441 942	12 686 143
Total	910 744 191	9 461 350	9 587 908	-	-	929 710 730	199 210 572	24 298 023	-	-	223 508 595	706 284 853
MANTSOPA LOCAL MUNICIPALITY ANALYSIS OF INTANGIBLES REGISTER AS AT 30 JUNE 2012												
Description	Cost / Revaluation					Accumulated Depreciation / Impairment					Carrying	
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Value
	R	R	R	R	R	R	R	R	R	R	R	R
Intangible Assets												
Computer Software	57 352	-	-	-	-	57 352	20 392	29 791	-	-	50 183	7 169
	57 352	-	-	-	-	57 352	20 392	29 791	-	-	50 183	7 169
Total Fixed Asset Register	910 801 543	9 461 350	9 587 908	-	-	929 768 082	199 230 964	24 327 814	-	-	223 558 778	706 292 022

APPENDIX B												
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 June 2012												
Description	Cost / Revaluation						Accumulated Depreciation / Impairment					
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Carrying Value
	R	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	782 085	-	-	-	-	782 085	151 500	151 581	-	-	303 081	479 004
Finance and Administration	3 663 383	2 304	-	-	-	3 665 687	1 075 218	682 276	-	-	1 757 494	1 908 193
Planning and Development	265 535	-	-	-	-	265 535	94 181	46 997	-	-	141 178	124 357
Technical	380 000	-	-	-	-	380 000	-	-	-	-	-	380 000
Community and Social Services	197 450	-	-	-	-	197 450	65 470	32 372	-	-	97 842	99 608
Housing	75 861 739	-	-	-	-	75 861 739	4 863 886	679 009	-	-	5 542 895	70 318 844
Public Safety	1 148 032	-	-	-	-	1 148 032	382 979	120 078	-	-	503 057	644 975
Sport and Recreation	10 172 496	-	-	-	-	10 172 496	2 251 011	1 130 096	-	-	3 381 107	6 791 389
Environmental Health	105 054	-	-	-	-	105 054	37 838	23 954	-	-	61 792	43 262
Waste Management	134 004 548	7 147 102	-	-	-	141 151 650	12 755 768	4 042 036	-	-	16 797 804	124 353 846
Roads and Transport	356 881 614	-	8 699 333	-	-	365 580 947	129 771 717	7 102 858	-	-	136 874 575	228 706 372
Water	206 533 203	1 684 342	805 856	-	-	209 023 401	27 718 896	7 855 907	-	-	35 574 803	173 448 598
Electricity	80 771 100	-	82 719	-	-	80 853 819	15 394 361	1 848 940	-	-	17 243 301	63 610 518
Properties	39 977 953	627 602	-	-	-	40 605 555	4 647 748	581 919	-	-	5 229 667	35 375 888
Total	910 744 192	9 461 350	9 587 908	-	-	929 793 450	199 210 573	24 298 023	-	-	223 508 596	706 284 854

MANTSOPA LOCAL MUNICIPALITY APPENDIX C SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012						
2011	2011	2011		2012	2012	2012
Actual	Actual	Surplus/		Actual	Actual	Surplus/
Income	Expenditure	(Deficit)		Income	Expenditure	(Deficit)
R	R	R		R	R	R
8 254 049	12 175 084	(3 921 035)	Executive and Council	4 661 849	12 253 465	(7 591 617)
59 725 774	42 128 786	17 596 988	Finance and Admin	58 265 485	49 286 837	8 978 649
1 577 343	2 694 133	(1 116 790)	Planning and Development	2 464 164	2 588 398	(124 234)
2 902 749	5 084 729	(2 181 980)	Community and Social Services	13 896 759	5 008 527	8 888 232
150 984	1 138 300	(987 316)	Housing	1 241 255	1 238 103	3 152
1 713 580	2 215 163	(501 583)	Public Safety	2 322 703	2 577 918	(255 215)
-	3 667 504	(3 667 504)	Sport and Recreation	-	4 189 528	(4 189 528)
1 682 562	1 759 682	(77 120)	Environmental Protection	891 217	947 607	(56 390)
44 781 717	36 123 691	8 658 026	Waste Management	30 314 455	19 113 345	11 201 110
5 000 000	7 847 012	(2 847 012)	Road Transport	12 024 960	13 342 187	(1 317 227)
20 215 473	28 093 998	(7 878 525)	Electricity	29 387 673	32 471 400	(3 083 727)
18 025 468	32 632 008	(14 606 540)	Water	21 082 973	20 151 350	931 623
			Other			
164 029 700	175 560 090	(11 530 391)	Sub-total	176 553 492	163 168 664	13 384 828

MANTSOPA LOCAL MUNICIPALITY APPENDIX D(2) ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2012						
DEPARTMENT	2011/12 Actual	2011/12 Under Construction	2011/12 Total Additions	2011/12 Budget	2011/12 Variance Amount	2011/12 Variance %
Executive & Council	-	-	-	-	-	0.00%
Finance & Admin	2 304	-	2 304	2 500	(196)	-7.84%
Planning & Development	-	-	-	-	-	0.00%
Health	-	-	-	-	-	0.00%
Property	627 602	-	627 602	1 376 458	(748 856)	-54.40%
Community & Social Services	-	-	-	-	-	0.00%
Housing	-	-	-	-	-	0.00%
Public Safety	-	-	-	-	-	0.00%
Sport & Recreation	-	-	-	300 000	(300 000)	-100.00%
Environmental Protection	-	-	-	-	-	0.00%
Waste Water Management	7 498 883	-	7 498 883	9 282 982	(1 784 099)	-19.22%
Road Transport	-	14 808 690	14 808 690	15 877 778	(1 069 088)	-6.73%
Water	1 684 342	484 459	2 168 801	2 440 000	(271 199)	-11.11%
Electricity	-	-	-	810 000	(810 000)	-100.00%
TOTAL	9 813 131	15 293 149	25 106 280	30 089 718	(4 983 438)	-16.56%

ANNUAL REPORT FOR PERIOD ENDED 30 JUNE 2012

LOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, ACT 56 OF 2003 FOR THE YEAR ENDED 30 JUNE 2012

Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / withheld				Reasons for delay / withholding of funds	Compliance with conditions (Y/N)	Reasons for non-compliance
September	December	March	June	September	December	March	June	September	December	March	June			
24 714 000	14 042 000	20 676 000	-	10 301 738	27 879 308	10 983 717	10 267 237	-	-	-	-	N/A	Y	-
1 450 000	-	-	-	1 017 355	223 578	130 017	79 050	-	-	-	-	N/A	Y	-
790 000	-	-	-	352 136	397 864	-	40 000	-	-	-	-	N/A	Y	-
15 248 000	2 922 000	4 603 000	-	12 817 192	6 791 647	1 632 014	1 532 150	-	-	-	-	N/A	Y	-
810 000	-	-	-	-	-	810 000	-	-	-	-	-	-	-	-
152 753	144 234	-	548 973	152 753	144 234	548 973	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

MANTSOPA LOCAL MUNICIPALITY APPENDIX F SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDED 30 JUNE 2012							
EXTERNAL LOANS	Loan Number	Redeemable	Balance at 01/07/11	Received during the period	Redeemed written off during the period	Adjustments	Balance at 30/06/12
			R	R	R	R	R
Development Bank of South Africa							
Water	13 776/101	2013	1 016 171	-	(365 571)	-	650 600
Water	LALF15125	2013	13 100	-	(6 084)	-	7 016
Water	LALF15125	2017	244 315	-	(26 452)	-	217 862
Water	1/00216-15241	2012	37 640	-	(37 640)	-	(0)
Electricity	13 776/101	2013	1 216 220	-	(437 539)	-	778 681
Roads	13 776/101	2013	708 762	-	(254 979)	-	453 783
Roads	103384/1	2021	4 789 084	390 916	(371 939)	-	4 808 060
Roads	103384/2	2015	2 419 830	310 170	(418 689)	-	2 311 311
ABSA (Inka, Sanlam)							
Properties	100048/52	2 014	124 728	-	(29 075)	-	95 653
Total long-term loans			10 569 849	701 086	(1 947 969)	-	9 322 966

CHAPTER 11: AUDITOR GENERAL'S REPORT

REPORT OF THE AUDITOR-GENERAL TO THE FREE STATE PROVINCIAL LEGISLATURE AND THE COUNCIL ON FINANCIAL STATEMENTS OF THE MANTSOPA LOCAL MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I was engaged to audit the financial statements of the Mantsopa Local Municipality set out on pages 65 to 123, which comprise the statement of financial position as at 30 June 2012, and the statements of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standard of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and Division of Revenue Act of South Africa, 2011 (Act No. 6 of 2011) (DoRA) and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

Bank and cash equivalents and bank overdraft

4. I was unable to obtain sufficient appropriate audit evidence for bank and cash equivalents and bank overdraft disclosed as R48 130 and R14 339 462, respectively, in the statement of financial position. I was unable to confirm these amounts disclosed by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to these amounts disclosed for bank and cash equivalents and bank overdraft.

Property, plant and equipment

5. The municipality did not apply the deemed cost method correctly and did not review or determine the residual value for property as required by the SA Standards of GRAP, GRAP 17, *Property, plant and equipment*. I have not determined the correct net carrying amount of property plant and equipment or the accuracy of depreciation as it was impracticable to do so. Consequently, I was unable to determine whether any further adjustments were necessary to the amount disclosed for property, plant and equipment. In addition, I was unable to obtain sufficient appropriate audit evidence for property, plant and equipment amounting to R707 975 496 (2011: R710 456 734), as disclosed in the statement of financial position and note 7.1 to the financial statements. I was unable to confirm these amounts disclosed by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to these amounts disclosed for property, plant and equipment.

Payables

6. I was unable to obtain sufficient appropriate audit evidence for payables disclosed as R24 358 331 (2011: R22 279 452) in note 4 to the financial statements due to an inadequate system of internal control to account for payables and suspense accounts not cleared at year-end. Furthermore I could not confirm the completeness and accuracy of the related expenditure as invoices received before year-end had not been provided for as payables. I was unable to confirm the amount disclosed by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the amount disclosed for payables, expenditure and employee cost.

Trade receivables

7. I was unable to obtain sufficient appropriate audit evidence to determine the existence and valuation of accounts receivable disclosed as R104 174 151 (2011: R87 424 629) in note 10 to the financial statements as the existence of debtor's could not be verified. I was unable to confirm the existence of these debtors by alternative means. The municipality made a provision of R63 601 512 (2011: R52 891 545) as disclosed in

note 10 to the financial statement for the impairment of trade receivables, however, I was unable to obtain sufficient appropriate audit evidence to determine the accuracy of the impairment. I was unable to calculate what the impairment charge against consumer debtors and the impairment losses expense should have been. Consequently, I was unable to determine whether any adjustment relating to trade receivables in the financial statements was necessary.

8. The municipality did not make all the disclosures as required by the International financial reporting standard, IFRS 7, *Financial instruments disclosure*, which states that a municipality shall disclose by class of financial instrument information about the credit quality of financial assets that are neither past due nor impaired. I have not determined the correct disclosures of these receivables as it was impracticable to do so.

Provisions

9. SA Standards of GRAP, GRAP 19, *Provisions, contingent liabilities and contingent assets*, requires that a provision should be made for the municipality's present obligation incurred as a consequence of its past use of landfill sites. I was unable to obtain sufficient appropriate audit evidence for the valuation of the rehabilitation provision amounting to R25 519 511 (2011: R23 293 938) as disclosed in note 15 to the financial statements. I was unable to confirm the valuation by alternative means. Consequently, I was not able to determine the effect on the other account balances and classes of transactions contained in the financial statements.

Accumulated surplus

10. I was unable to obtain sufficient appropriate audit evidence as to the completeness, valuation and allocation of the accumulated surplus amounting to R761 834 274 (2011:R759 306 462) as disclosed in the statement of financial position and in the statement of changes in net assets due to supporting documentation that could not be obtained for the movement in the balance of the prior year corrections and opening balance. The municipality's records and information available did not permit the application of alternative procedures. Consequently, I was unable to determine whether any adjustment relating to accumulated surplus in the financial statements was necessary.

Employee-related cost

11. I was unable to obtain sufficient appropriate audit evidence as to the occurrence, accuracy and classification of the employee-related cost disclosed as R48 719 193 in the statement of financial performance and note 20 to the financial statements due to supporting documentation that could not be obtained for payments made amounting to R2 476 889 with regards to car allowances and subsidies. The municipality's records and information available did not permit the application of alternative procedures. I was unable to confirm the amount disclosed by alternative means. Consequently, I was unable to determine whether any adjustment relating to employee-related costs in the financial statements was necessary.

Employee benefits

12. International Accounting Standard, IAS 19, *Employee benefits*, outlines the recognition and requirements pertaining to employee benefits. Contrary to these requirements, the municipality did not disclose post-retirement benefits and long service awards for the current and prior years. In the absence of appropriate records and information, I was unable to confirm the valuation and allocation and completeness of employee benefits for the current and prior years. Consequently, I was unable to determine the effect on the other account balances and classes of transactions contained in the financial statements.

Value-added tax (VAT) payable

13. I was unable to obtain sufficient appropriate audit evidence pertaining to VAT payable amounting to R2 191 853 as disclosed in note 19 to the financial statements due to the fact that journals processed were not supported by appropriate evidence and journals processed were not duly authorised before they were processed. I was unable to confirm the amount disclosed by alternative means. Consequently, I was unable to determine whether any adjustment relating to VAT payable in the financial statements was necessary.

Capital commitments

14. I was unable to obtain sufficient appropriate audit evidence pertaining to capital commitments disclosed as R3 964 344 in note 26 to the financial statements due to the lack of a proper contract management system for the identification and recognition of contracts. I was unable to confirm the amount disclosed by alternative means. Consequently, I was unable to determine whether any adjustment relating to capital commitments in the financial statements was necessary.

Consumer deposits

15. I was unable to confirm that management has properly charged and accounted for all consumer deposits for the current and prior years. Consequently, I was unable to obtain sufficient appropriate audit evidence as to

the completeness and valuation of consumer deposits of R1 092 493 (2011: R1 062 312), as disclosed in the statement of financial position, and the related disclosure in note 3 to the financial statements. The municipality's records and information available did not permit the application of alternative audit procedures regarding consumer deposits. Consequently, I was unable to determine whether any adjustment relating to consumer deposits in the financial statements was necessary.

Irregular expenditure

16. I was unable to obtain sufficient appropriate audit evidence for irregular expenditure disclosed as R9 853 284 in note 41 to the financial statements due to the register for irregular expenditure not agreeing with the financial statements and the lack of a proper system to account for and identify irregular expenditure. I was unable to confirm the occurrence, accuracy and completeness of irregular expenditure by alternative means. Consequently, I was unable to determine whether any adjustment relating to irregular expenditure in the financial statements was necessary.

Distribution losses and free services

17. Section 125(2) (d)(i) of the MFMA requires that the financial statements of a municipality must disclose particulars of any material losses. I was unable to confirm the completeness and accuracy of distribution losses or free services provided disclosed as R0 (2011: R10 314 184) in note 43 to the financial statements due to the municipality not implementing adequate control measures to reliably calculate these losses. In the absence of sufficient appropriate documents. Consequently, I was unable to determine the total extent of the misstatement in distribution losses.

Cash flow statement

18. I was unable to obtain sufficient appropriate audit evidence to determine whether the cash flow statement and the related notes were fairly stated for the current and prior year. Taking into account the misstatements and scope limitations identified in the financial statements, as set out in this report, I was unable to practically quantify the misstatements in the cash flow statement and notes thereto. Consequently, I was unable to determine the accuracy, completeness and correct disclosure of the cash flow statement and related notes.

Disclaimer of opinion

19. Because of the significance of the matters described in the Basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

Emphasis of matters

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

Restatement of corresponding figures

21. As disclosed in note 38 to the financial statements, the corresponding figures for 30 June 2011 have been restated as a result of errors discovered during the year ended 30 June 2012 in the financial statements of the municipality at, and for the year ended, 30 June 2011.

Unauthorised expenditure

22. As disclosed in note 42 to the financial statements, the municipality incurred expenditure in excess of the limits of the amounts provided for in the votes in the approved budget of R18 611 996 (R45 094 398), in contravention of section 15 of the MFMA.

Fruitless and wasteful expenditure

23. As disclosed in note 40 to the financial statements, fruitless and wasteful expenditure of R410 014 was incurred due to creditors not being paid within 30 days and VAT 201 forms being submitted after the closing date.

Additional matters

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

Unaudited supplementary schedules

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

Material inconsistencies in other information included in the annual report

26. I have not obtained the other information included in the annual report and have not been able to identify any material inconsistencies with the annual financial statements.

Financial sustainability

27. As a result of the matters described in the basis for disclaimer of opinion paragraphs, the municipality may be in a worse financial position than the position reflected in these financial statements. The difficulties being experienced by the municipality in recovering its consumer debtors, the potential negative effect of this tendency on the cash flows of the municipality and the inability to settle accounts payable within an acceptable period indicate that there is a risk that the municipality may be exposed to serious financial difficulties in terms of section 138 of the MFMA. The financial statements did not disclose any details of the uncertainty as per note 1.4 to the financial statements and have been prepared on a going concern basis.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

PAA REQUIREMENTS

28. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

29. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages 132 to 147 of the annual report.
30. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury annual reporting principles and whether the reported performance is consistent with the planned development objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury *Framework for managing programme performance information* (FMPPI).

The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

31. The material findings are as follows:

Usefulness of information

Presentation

32. Improvement measures in the annual performance report for a total of 54% of the planned targets not achieved were not disclosed as required by section 46 of the Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA). This was due to inadequate internal policies and procedures over the processes pertaining to the reporting of performance information.

Consistency

33. The MSA, section 41(c) requires that the actual achievements against all planned indicators and targets must be reported annually. The annual performance report submitted for audit purposes did not include the actual performance of 24% of all planned indicators specified in the integrated development plan (IDP) for the year under review. This was due to lack of or limited review and monitoring of the completeness of reporting documents by management.

Additional matter

34. I draw attention to the following matter. This matter does not have an impact on the predetermined objectives audit findings reported above.

Achievement of planned targets

35. Of the total number of 173 targets planned for the year, 87 targets were not reached during the year under review. This represents 50% of total planned targets that were not reached during the year under review. This was as a result of the institution not considering relevant systems and evidential requirements during the annual strategic planning process.

Compliance with laws and regulations

36. I performed procedures to obtain evidence that the municipality had complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA are as follows:

Strategic planning and performance management

37. The municipality did not afford the local community at least 21 days to comment on the final draft of its integrated development plan (IDP) before the plan was submitted to the council for adoption, as required by regulation 15(3) of the Municipal planning and performance management (MPPM) regulations.
38. The municipality did not:
- set appropriate key performance indicators as a yardstick for measuring performance, including outcomes and impact, with regard to the municipality's development priorities and objectives set out in its IDP,
 - take steps to improve performance with regard to those development priorities and objectives where performance targets are not met as required by section 41 of the Municipal Systems Act (MSA).

Budgets

39. Expenditure was incurred that was not budgeted for or in excess of the limits of the amounts provided for in the votes of the approved budget, in contravention of section 15 of the MFMA.
40. Revisions to the service delivery and budget implementation plan were not approved by the council after the approval of the adjustments budget, as required by section 54(1)(c) of the MFMA.

Annual financial statements, performance report and annual report

41. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements identified by the auditors were subsequently corrected, but the uncorrected material misstatements resulted in the financial statements receiving a disclaimer audit opinion.
42. The accounting officer did not make public the council's oversight report on the 2010/11 annual report within seven days of its adoption, as required by section 129(3) of the MFMA.
43. The annual report for the year under review does not include the accounting officer's assessment of the municipality's performance against measurable performance objectives for revenue collection from each revenue source and for each budget vote and the report of the audit committee, as required by section 121(3)(f) and (j) of the MFMA.

Audit committees

44. The audit committee did not advise the council, accounting officer and the management staff on matters relating to internal financial control and internal audits, accounting policies, effective governance, performance management and performance evaluation as required by section 166(2)(a) of the MFMA.
45. The audit committee did not advise the council, accounting officer and the management staff on matters relating to the adequacy, reliability and accuracy of financial reporting and information, as required by section 166(2)(a)(iv) of the MFMA.
46. The audit committee did not respond to the council on the issues raised in the audit reports of the Auditor-General, as required by section 166(2)(c) of the MFMA.
47. The audit committee did not review the municipality's performance management system and make recommendations to the council, as required by MPPM Regulation 14(4)(a)(ii).
48. The audit committee did not submit at least twice during the financial year, an audit report on the review of the performance management system to the council, as required by MPPM Regulation 14(4)(a)(iii).

Internal audit Unit

49. The internal audit unit did not function as required by section 165(2) of the MFMA, in that:
- it did not prepare a risk-based audit plan and an internal audit programme for the financial year under review

- it did not report to the audit committee on the implementation of the internal audit plan
 - it did not advise the accounting officer and the audit committee on matters relating to internal audit, internal controls, accounting procedures and practices, risk and risk management and loss control.
50. The internal audit unit did not report to the audit committee on matters relating to compliance with the MFMA, DoRA and other applicable legislation, as required by section 165(2)(b) of the MFMA.
51. The internal audit unit did not audit the results of performance measurements, as required by section 45(1)(a) of the MSA and MPPM Regulation 14(1)(a).
52. The internal audit unit did not assess the functionality of the performance management system, whether the performance management system complied with the requirements of the MSA and the extent to which the performance measurements were reliable in measuring the performance of the municipality on key and general performance indicators, as required by MPPM Regulation 14(1)(b) (i) / (ii) / (iii).
53. The internal audit unit did not audit the performance measurements on a continuous basis or submit quarterly reports on their audits to the municipal manager and the audit committee, as required by MPPM Regulation 14(1)(c).

Procurement and contract management

54. Goods and services with a transaction value below R200 000 were procured without obtaining the required price quotations as required by Supply Chain Management (SCM) Regulation 17(a) and (c).
55. Goods and services of a transaction value above R200 000 were procured without inviting competitive bids as required by SCM Regulations 19(a) and 36(1).
56. Contracts and quotations were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM Regulation 13(c).

Expenditure management

57. Money owing by the municipality was not always paid within 30 days of receiving an invoice or statement, as required by section 65(2)(e) of the MFMA.
58. An adequate management, accounting and information system was not in place which recognised expenditure when it was incurred, accounted for creditors and accounted for payments made, as required by section 65(2)(b) of the MFMA.
59. The accounting officer did not take effective steps to prevent unauthorised expenditure, irregular expenditure as well as fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.
60. Unauthorised, irregular as well as fruitless and wasteful expenditure was not investigated and as a result it was not recovered from the liable person, as required by section 32(2) of the MFMA.

Financial misconduct

61. Investigations were not instituted into all allegations of financial misconduct against officials of the municipality, as required by section 171(4)(a) of the MFMA due to the fact that unauthorised, irregular as well as fruitless and wasteful expenditure was incurred but was not investigated.

Revenue management

62. A credit control and debt collection policy was not implemented, as required by section 96(b) of the MSA and section 62(1)(f)(iii) of the MFMA.
63. An adequate management, accounting and information system was not in place which recognised revenue when it was earned, accounted for debtors and accounted for receipts of revenue, as required by section 64(2)(e) of the MFMA.
64. Revenue received was not always reconciled on a weekly basis, as required by section 64(2)(h) of the MFMA.

Asset management

- 65. An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.
- 66. An effective system of internal control for assets was not in place, as required by section 63(2)(c) of the MFMA.

Liability management

- 67. A management, accounting and information system which adequately accounts for liabilities was not in place, as required by section 63(2)(a) of the MFMA.
- 68. An effective system of internal control for liabilities was not in place, as required by section 63(2)(c) of the MFMA.

Human resource management

- 69. The competencies of the chief financial officer and SCM officials were not assessed promptly in order to identify and address gaps in competency levels, as required by the Municipal Regulations on Minimum Competency Levels, regulation 13.
- 70. The municipality did not submit a report on compliance with prescribed competency levels to the National Treasury and the relevant provincial treasury, as required by the Municipal Regulations on Minimum Competency Levels, regulation 14(2)(a).
- 71. The annual report of the municipality did not reflect information on compliance with prescribed minimum competencies, as required by the Municipal Regulations on Minimum Competency Levels, regulation 14(2)(b).
- 72. The performance agreements of the chief financial officer, senior managers and head of SCM, who did not have the minimum competencies, did not include the attainment of minimum competencies as a performance target, as required by the Municipal Regulations on Minimum Competency Levels, regulation 16(2).
- 73. The performance agreements of the financial officials and SCM officials who did not have the minimum competencies, did not include the attainment of minimum competencies as a performance target, as required by the Municipal Regulations on Minimum Competency Levels, regulation 16(1).
- 74. An acting senior manager was appointed for a period of 40 months, in contravention of section 54A(2A)(a) of the MSA.

Environmental

- 59. The municipality operated its waste disposal site(s) without a waste management licence or permit, in contravention of section 20(b) of the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008) and section 20(1) of the Environmental Conservation Act, 1989 (Act No. 73 of 1989).

Internal control

- 75. I considered internal control relevant to our audit of the financial statements, and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for disclaimer of opinion. The findings on the annual performance report and the findings on compliance with laws and regulations are included in this report.

Leadership

- 76. The leadership of the Mantsopa Local Municipality neglected to evaluate whether management had implemented effective internal controls by gaining an understanding of how senior management members had met their responsibilities in terms of preparing bank reconciliations, ensuring proper records management, maintaining an asset register and preparing the annual financial statements.
- 77. The leadership did not take appropriate action to address the lack of discipline in the finance and SCM directorates. This resulted in non-compliance with procurement legislation, which in turn gave rise to the high level of unauthorised and irregular expenditure incurred in the financial statements.
- 78. The leadership of the municipality did not ensure that internal control procedures were developed, implemented and monitored to ensure that daily disciplines were performed and reviewed.

79. The lack of decisive action to mitigate emerging risks, implement timely corrective measures and address non-performance was evidenced by the failure of management to adequately address the external audit findings in a timely manner. The municipality failed to properly analyse the control weaknesses and implement appropriate follow-up actions that adequately addressed the root cause. This resulted in prior year audit findings recurring in the current year.
80. The leadership failed to implement adequate controls to ensure compliance with laws, regulations and internally designed policies and procedures. As a result, significant non-compliance issues were noted.

Financial and performance management

81. Due to oversight on the part of the senior management group of the municipality the regular review and monitoring of compliance with laws and regulation were not sufficiently prioritised. As a result, material non-compliance issues were noted that could have been prevented
82. Due to time pressure brought about by the fact that the process of preparing the financial statements was only started late in the financial year, sufficient time was not available for the chief financial officer to properly review such statements for completeness and accuracy prior to submission thereof for auditing. This resulted in many findings relating to incorrect disclosure which were subsequently corrected.
83. The municipality did not have the capacity to address backlog issues and financial system problems, resulting in the need to appoint consultants. Consultants assisted with the preparation of an asset register and financial statements.
84. Staff within the finance directorate of the district municipality had an insufficient understanding of the accounting framework. This contributed towards the errors that were subsequently corrected in the financial statements of the municipality.

Governance

85. The financial statements contained numerous inaccuracies, which are attributable to weaknesses in the design and implementation of internal control in respect of financial management and financial reporting, and weaknesses in the information systems.
86. Although the municipality had an internal audit unit, it was not adequately resourced and functioning to identify internal control deficiencies and provide recommendations. The implementation of external audit recommendations was not monitored. This resulted in the prior year audit findings not being substantially addressed.
87. An audit committee did not evaluate and monitor responses to risks and provide oversight over the effectiveness of the internal control environment including financial and performance reporting and compliance with laws and regulations.

Bloemfontein

30 November 2012



A U D I T O R - G E N E R A L
S O U T H A F R I C A

Auditing to build public confidence

CHAPTER 12: FUNCTIONAL AREA SERVICE DELIVERY REPORTING

MUNICIPAL MANAGER

Planned Performance 2011/2012

Key Performance Area (KPA)	IDP strategic objective	Key Performance Indicator (KPI)	Performance Measure	Target Date	Actual performance from 01 April 2012 to 30 June 2012	Comments/Corrective measures to be or implemented to correct performance
Good Governance IDP	Ensure the developments of a credible Integrated Development Plan in terms of the MSA.	Approval of an MSA compliant IDP by council in June 2012.	Number MSA compliant IDP approved.	1	Achieved: The IDP was approved during a Special Council meeting which was held on the 13 June 2012 in Hobhouse.	None
			Number of Identified IDP projects completed to business plan.	Planned	Achieved: All the projects that were identified were successfully completed into business plans for funding by MIG.	PMU to seek for alternative funding models to finance IDP related projects.
			Number of identified sector plans reviewed.	6	Achieved: all identified sector plans were reviewed and a service provider was appointed to review the SDF.	None
PMS	To ensure that the municipality is performance driven through effective and efficient implementation of the municipality performance management system.	Streamlined and reviewed service delivery and budget implementation plan (SDBIP) including performance measures.	Number of service delivery and budget implementation plan (SDBIP) reviewed.	1	Achieved: The SDBIP was compiled within fourteen after the approval of the IDP and Budget.	To advertise the SDBIP within ten days after approval.
		Performance management based on SDBIP (Municipal score card).	Number of municipal score card developed.	1	Achieved: The PMS framework was reviewed and approved with the IDP.	None
		Number of performance agreements aligned to the SDBIP.		4	Achieved: Performance agreements aligned to SDBIP were developed and signed with relevant section 56 managers.	None
		Establishment of electronic performance management system.	Number of electronic performance management developed.	1	Not achieved:	The electronic PMS system was not budgeted adequately. The municipality is in consultation with SEBATA with a view of using their software for implementation of electronic PMS system.
	To ensure constant reporting as required in terms of the MSAM and MFMA.	PMS Reporting	Number of monthly performance and budget assessment reports submitted to the accounting officer	12	Partially Achieved: Some of the department did not submit their monthly reports.	The Municipal Manager has issued a warning to all departments that are failing to report.
			Number of quarterly performance and budget assessment reports submitted to council	4	Achieved: All departments submitted their second quarter performance report.	None
			Number of mid-year performance and budget assessment submitted to council and relevant stakeholders	1	Achieved: the mid-year budget and performance assessment report was table to council on the 30 January 2012 for approval.	None
			Number of annual performance reports submitted to council and relevant stakeholders	1	Achieved: Annual performance report was tabled in council for approval on 31 August 2011.	None
			Number of annual reports submitted to council and relevant stakeholders	1	Achieved: Annual report was submitted to council for approval on the 30 January 2012.	None

Planned Performance 2011/2012						
Key Performance Area (KPA)	IDP strategic objective	Key Performance Indicator (KPI)	Performance Measure	Target Date	Actual performance from 01 April 2012 to 30 June 2012	Comments/Corrective measures to be or implemented to correct performance
Internal Audit and Risk Management	Provide quality and professional internal audit service to Mantsopa Local Municipality.	Conduct audit evaluations according to IIA standards, evaluate systems of internal control, report to management and the Audit Committee about the adequacy, efficiency, and effectiveness of such controls and make recommendations for improvement on internal controls.	Number of audit evaluations conducted according to IAA.	4	Achieved: Fourth quarter report was tabled to the audit committee and management on the 19th of August 2011. The 1st quarter report to be tabled on the 4th of November 2011.	None
		Conduct audits on performance information according to Municipal Systems Act.	Number on performance information conducted.	4	Achieved: The performance management audit to be tabled to the audit committee and management on the 4th of November 2011.	None
		Provide administrative support to the Audit Committee to ensure that it is functional and perform according to MFMA and MSA	Number of internal audit committee meetings held.	4	Achieved: Administrative support regularly provided.	None
	Advise the Accounting Officer (The Municipal Manager) on matters related to risk management and fraud prevention.	Review of risk management policy	Number of risk management policies reviewed.	1	Not Achieved: To be reviewed in the last quarter of the financial year.	None
		Facilitation of risk management process that will result into the development of an effective and functional risk management strategy	Number of risk management strategy developed.	1	Achieved: The strategy was approved for 2011/12 and will be reviewed before the end of the financial year.	None
		Coordinate the risk management and report to the Audit Committee and the Accounting Officer.	Number of risk management report submitted to the internal audit committee.	4	The report has being prepared, to be tabled to the audit committee on 4th of November 2011.	None
Spatial Planning	To manage the spatial land use planning in an effective and efficient manner.	Identify strategic portions of land for development of sustainable human settlement.	Number of strategic locations identified for development of sustainable settlement.	4	Achieved: The SDF was reviewed as part of the IDP and approved in June 2011.	None
		Follow up with province regarding the land use management system of the municipality.	Number of LUMS developed.	1	Not achieved: LUMS was developed and still awaiting province to approve it.	Consult province to fastrack the process of approving LUMS.
Building Control	To ensure effective and efficient management of building plans and construction.	Number of building plans approved per month.		16	Partially achieved: The plans which were submitted were approved.	To encourage communities in the townships to submit building plans before building houses.
		Number of the municipality building conforming to required standard.		59	Achieved all building conform to required standard.	None

LED AND TOURISIM OFFICE

Planned Performance 2011/2012

Key Performance Area (KPA)	IDP strategic objective	Key Performance Indicator (KPI)	Performance Measure	Target Date	Actual performance from 01 April 2012 to 30 June 2012	Comments/Corrective measures to be or implemented to correct performance
LED Agriculture	To promote job retention and creation of sustainable jobs focused investment in the agricultural sector and promote tourism.	Compile draft agriculture strategy	Number of draft agriculture strategy compiled.	1	Started with commonage plan that will advise the agriculture strategy	The draft commonage plan has been submitted with the third quarter report
		Ha of commonage land identified for agricultural production.	Number of ha identified for agricultural production.	Identified Ha	Municipality availed land of 4ha to Mother's trust Union. 4ha made available for food gardening	Land being used for agriculture production. The project is doing well only facing challenges on marketing their products Fencing completed and Indalo Yethu is in the process of constructing a borehole but awaiting the feasibility study to be done by UOFS
		Compile draft tourism turn-around strategy.	Number of draft tourism turn-around strategy compiled.	1	Tourism Officer busy with the draft tourism strategy	The draft tourism strategy has been submitted with the third quarter report but still needs more information
LED	To strengthen the capacity of the LED unit with the intention of moving away from being programme co-ordinators to implementers.	LED Division	Number of positions restructured.	2	Positions to be implemented for the financial year 2012/2013.	Budget availability
			Number of additional positions filled.	1	None yet	2012/2013 budget allocation
			Amount allocated to LED initiatives in rands.	R0. 00	No budget allocation for the division	No Budget
	Creation of sustainable job opportunities filled with appropriately skilled staff/workforce.	SMME support	Number of co-operatives established.	5	Milk Project in Marseilles, Mother's trust union, Tshepanang Milling, Thusanang Welding and Lesedi Woodwork	Projects have started with the operations except Tshepanang Milling and Thusanang Welding: No funding was received for Thusanang Welding. We are still having meetings with COGTA to finalise the assistance they can provide to the Tshepanang Milling.
			Number of jobs created. (Temporary)	588	288 Indalo Yethu, 225 Hentique (upgrading of parks) and 75 Upgrading of Lekhalong la Mantsopa	Projects still continue and Indalo Yethu contract to expire by April 2012: Phase one of Lekhalong la Mantsopa project to be completed by March. Phase of Lekhalong la Mantsopa completed and waiting funding to start with phase 2. Indalo Yethu contract extend to September 2012
			Number of SMME's supported.	17	Charcoal Project Lesedi Woodwork Women's Cooperative Tshepanang Milling Thusanang Welding Milk Project Mother's Trust Union Molemo Bidding Alida's Kitchen Kgatelopele bricks Ipopeng sewing Bataung Upholstery Ikaheng Social	Tshepanang Milling still straggling to receive funding for maize (Engaged COGTA to assist) Thusanang Welding has not started with operations due to lack of funding for the payment of electricity (Engaging with Eskom for possible decrease of account as the project has never used electricity

ANNUAL REPORT FOR PERIOD ENDED 30 JUNE 2012

Planned Performance 2011/2012						
Key Performance Area (KPA)	IDP strategic objective	Key Performance Indicator (KPI)	Performance Measure	Target Date	Actual performance from 01 April 2012 to 30 June 2012	Comments/Corrective measures to be or implemented to correct performance
			Number of LED initiatives co-funded.	3	Tshepanang Milling Charcoal Project Lesedi Woodwork	Tshepanang needs extra funding to purchase maize and the other two projects are still operating well
			Number of Local Economic Development Establishment.	1	MTN Foundation	To start with the establishment of LED forums in each town but waiting for the District to confirm the dates with COGTA to assist.
	To create an enabling environment for local SMME's and co-operative to access the market.	Number of external stakeholders participating in the Local Economic Development Forum.		10	COGTA Agriculture DBSA MTN Foundation Social Development Thabo Mofutsanyana District Municipality Ladybrand Chamber of Commerce Dept. of Environmental Affairs Dept. of Land Affairs MIG	All the sectors are assisting to seek funding for LED projects and the MIG is funding infrastructure projects of which also forms part of the LED. Still to establish the LED forums in all towns of Mantsopa
		Compile the reviewed LED strategy that includes the marketing plan.	Number of reviewed LED strategy which includes marketing plan compiled.	1	Busy with the review of the strategy	Strategy completed and will be presented for the LED summit in October 2012
Rural Dev.	To promote rural development.	Compile draft integrated rural development strategy.	Number of draft integrated rural development strategy compiled.	1	Busy with Mantsopa commonage plan that will inform the rural development strategy	To be completed by March 2012 as we have to seek assistance from the department of Agriculture and benchmark with other municipalities. Draft Commonage plan completed to presented to farmers for their inputs

FINANCE DEPARTMENT

Planned Performance 2011/2012

Key Performance Area (KPA)	IDP strategic objective	Key Performance Indicator (KPI)	Performance Measure	Target Date	Actual performance from 01 April 2012 to 30 June 2012	Comments/Corrective measures to be or implemented to correct performance
Financial Viability and Management	To ensure effective and efficient management of the directorate financial services.	Number of finance directorate management meetings held according to schedule.	Number of management meetings held.	12	Achieved: Three directorate management meetings were held during the second quarter of the financial year.	None
		Signed performance contracts.	Number of performance contracts signed.	4	Not achieved:	No performance agreements were entered into with managers in the directorate. The matter has been deferred to the next financial year.
		Concluded performance assessment meetings.	Number of performance assessment meeting held.	4	Not achieved:	No performance agreements were entered into with managers in the directorate. The matter has been deferred to the next financial year.
	To ensure compilation of the annual financial statements in line with generally recognised accounting principle (GRAP) and compilation of GRAP compliant asset register to improve audit outcomes.	Annual financial statements signed the accounting officer on the specified date.	Number of annual financial statements signed off by the accounting officer.	1	Achieved: The annual financial statements were compiled and tabled before the internal audit committee for review and council for approval on the 31 August 2011.	None
		Directorates receiving accurate trail balance on due dates.	Number of directorates receiving accurate trail balance.	4	Achieved: All directorates received accurate trial balance for the fourth quarter.	None.
		% of queries attended to satisfactorily by directorates	% queries attended to by directorates.	>80	Achieved: The finance directorate attended to all queries satisfactorily.	None.
		Appoint service provider to perform the unbundling of all municipal assets.	Number of service providers appointed to unbundle municipal assets.	1	Achieved: Durtchame was appointed to perform the unbundling of municipal asset. A new asset register was compiled.	None
		Asset physically identified and reconciled on an asset register.	Number of asset physically identified.	All	Achieved: During the unbundling of asset process all asset of the municipality physically identified and reconciled on the new asset register.	None
		Budget process approved by council.	Number of budget process approved by council.	1	Achieved: The budget process plan was compiled and tabled in council for approval on the 31 August 2011.	None
		2012/2013 budget approved by council.	Number of 2012/2013 budget approved by council.	1	Achieved: the final budget for the 2012/2013 financial year was approved by council on the 13 June 2012 during a special council meeting which was held in Hobhouse.	None
		Submission of needs analysis to budget and treasury office.	Number of department submitted needs analysis to budget and treasury office.	4	Achieved: All departments submitted their needs analysis to the budget and treasury office.	None
		Adjustment budget approved by council.	Number of adjustment budget approved by council.	1	Achieved: The adjustment budget was tabled for approval by council on the 30 January 2012.	None

ANNUAL REPORT FOR PERIOD ENDED 30 JUNE 2012

Planned Performance 2011/2012						
Key Performance Area (KPA)	IDP strategic objective	Key Performance Indicator (KPI)	Performance Measure	Target Date	Actual performance from 01 April 2012 to 30 June 2012	Comments/Corrective measures to be or implemented to correct performance
	To ensure effective and efficient management of council supply chain management process.	Annual policy amendments proposals.	Number of SCM policy reviewed annually.	1	Achieved: The reviewed supply chain management policy was approved by council on the 13 June 2012 during a special council meeting which was held in Hobhouse as part of the budget related policies.	None
	To ensure effective and efficient management of the municipality financial system.	Operate for the duration of the year without interruptions in service.	Number of reports received from IT technician.	4	Achieved: The IT technician continues to provide reports on all IT related information.	None
		Formal disaster recovery plan.	Number of disaster recovery plan developed.	1	Achieved: The IT related disaster recovery plan was developed.	None
	To ensure effective and efficient management of consumer accounts.	Consumer accounts posted by the end month billed.	Number of accounts posted.	12 927	Achieved: 15 000 accounts are posted to relevant account holders per month before due date.	None
		Monitor number of deviations.	Number of deviations monitored.	Per case	Achieved: Any deviations are strictly monitored by the Accountant Expenditure.	None
		% of customers satisfied with quality and performance of counter service.	% of customers satisfied at counter service.	>95%	Achieved: All complains received from customers are attended to.	None
		Fully compliant indigent register developed and implemented.	Number of indigent register developed.	1	Achieved: The indigent register was developed and is being updated on a continuous basis.	None
		Money banked daily and cashiers balance at end of day.	Money banked daily.	Daily	Achieved: The money at Ladybrand office is banked daily the only challenge is at other towns of the municipality.	The municipality is in the process of entering into a service level agreement with a service provider to assist with collection of money from other towns.
		Meters read on a monthly basis.	Number of meters read monthly.	12 927	Achieved: All meter are read monthly.	None
	To ensure effective, accurate and timeously reporting as required in terms of relevant legislation.	Number of reports submitted.	Number of reports submitted.	12	Achieved: All section 71 reports for the fourth quarter were prepared and submitted to Provincial Treasury.	None
		Appoint stores clerk.	Number of stores clerk appointed.	1	Achieved: The stores clerk was appointed.	None
		% of the general ledger accounting system maintained.	% general ledger accounting system maintained.	100%	Achieved: The general Ledger account was 100% maintained.	None
		Review and implement applicable expenditure policies.	Number of applicable expenditure policies reviewed and implemented.	1	Not achieved: The expenditure related policies were approved with budget in on the 13 June 2012 during a special council meeting which was held in Hobhouse.	None
		% of asset and risk management system implemented as required by the MFMA.	% of asset and risk management systems implemented.	100%	Achieved: The risk management register is evaluated and updated quarterly.	None
		IT policy submitted council.	Number of IT policy submitted to council.	1	Not achieved: The IT policy to be approved in June 2012.	None

CORPORATE SERVICES DEPARTMENT

Planned Performance 2011/2012

Key Performance Area (KPA)	IDP strategic objective	Key Performance Indicator (KPI)	Performance Measure	Target Date	Actual performance from 01 April 2012 to 30 June 2012	Comments/Corrective measures to be or implemented to correct performance
Institutional Transformation and Organisational Development.	To ensure effective and efficient management of the directorate corporate services.	Number of corporate services directorate management meetings held according to schedule.	Number of management meetings held.	12	Achieved: Three directorate management meetings were held during the first quarter of the financial year.	None
		Signed performance contracts.	Number of performance contracts signed.	3	Not achieved:	No performance agreements were entered into with managers in the directorate. The matter has been deferred to the next financial year.
		Concluded performance assessment meetings.	Number of performance assessment meeting held.	4	Not achieved:	No performance agreements were entered into with managers in the directorate. The matter has been deferred to the next financial year.
	To effectively and efficiently manage the corporate administrative support through auxiliary service.	Completed audit of records management systems and practices within the Mantsopa Local Municipality.	Number of records management systems audited.	1	Not achieved:	None
		Number of call, faxes and e-mail received per day recorded.	Number of call, faxes and e-mail received per day recorded.	Daily	Achieved: all call, faxes and e-mails were recorded.	There is a need to improve the capturing of mails by developing register.
		Number of incoming and outgoing mail recorded.	Number of incoming and outgoing mail recorded.	Daily	Achieved: all incoming mails and outgoing mails are recorded.	There is a need to improve the capturing of mails by developing register.
		Maintenance of cellular phone record system.	Number of cell phone record system maintained.	Monthly	Not achieved	The cellular phones are managed by the SCM of the municipality.
		Submission of 100% of telephone accounts to the directorate before the 15 th of every month.	% of telephone accounts submitted to directorate before 15 th every month.	Monthly	Achieved: all telephone accounts are received monthly and submitted to finance for payment.	Introduce a system to deduct from all employees of the municipality unofficial calls.
	To ensure effective and efficient human resource development.	Conduct an annual skills audit.	Number of annual skills audit conducted.	1	Achieved: the annual skills audit was conducted.	None
		Compiling a work skills plan by July annually.	Number of annual work skill plan conducted.	1	Achieved: the annual work skills plan was developed and approved by the LLF and submitted to LGSETA.	None
		Compiling an annual implementation report by January annually.	Number of annual implementation report compiled.	1	Not achieved: work in progress	The annual implementation report to be submitted during the third quarter of the financial year.
		Development and adoption of the skill development strategy by skills development committee.	Number of skills development strategy adopted by skills development committee.	1	Not achieved:	A service provider to be sourced to develop the strategy.
		Provide accredited training course in line with skills needs identified within WSP.	Number of accredited training course in line with skills needs.	1	Achieved: all trainings to be undertaken will only be conducted by LGSETA accredited service providers.	None
		Provide Learnership approved	Number of Learnership approved	5	Achieved: the Learnership for block	Additional funding to implement more

Planned Performance 2011/2012						
Key Performance Area (KPA)	IDP strategic objective	Key Performance Indicator (KPI)	Performance Measure	Target Date	Actual performance from 01 April 2012 to 30 June 2012	Comments/Corrective measures to be or implemented to correct performance
		by the LGSETA.	by LGSETA implemented		paving and IT was implemented.	Learnership.
		Co-ordinate training interventions by external training providers.	Number of co-ordinated interventions.	6	Achieved: All identified training programmes are conducted by competent external service providers.	None
		Presenting induction programmes to newly appointed employees of the municipality.	Number of induction programmes conducted to newly appointed employees.	Per appointments.	Achieved: Induction of new staff was conducted	None
		Administration of employee and learner data base.	Number employee and learner data base administered.	1	Not achieved	The data base to be developed.
	To ensure that the municipality's organogram is reviewed and address the implementation of the IDP and fill all identified vacant posts.	Increase the number of people from designated groups appointed.	% of people appointed from designated groups.	2%	Not achieved	None
		Conducting employment equity awareness programmes.	Number of employment equity awareness programmes conducted.	12	Not achieved	None
		Compiling and distributing vacancy adverts every month.	Number vacancy adverts distributed.	12	Achieved: all vacancies are advertised depending on the need and availability of vacant posts.	None
		Completing the sorting and categorisation of application document within 10 working days after the closing of the advertisements.	Number of days taken to sort and categorise application document.	10 days	Achieved	None
		Completing the selection and appointment of the advertised pots within one month after closing of the advertisement.	Number of days taken to select and appoint on advertised posts.	1 month	Achieved	None
		Processing of all relevant employment documentation.	Number of days taken to process relevant employment documentation.	1 month	Achieved	None
		Issuing of all appointments, promotion and transfer letters within one week of approval thereof.	Number of appointments, promotions and transfer letters issued within one week.	1 week	Achieved	None
		Capturing all appointments, promotions, transfer and terminations of service data on staff establishment.	Number of appointments, promotions, transfer and termination captured on the staff establishment.	1 week	Achieved	None
	To ensure the effective and efficient administration of employees.	Quarterly reports submitted on employee's absenteeism.	Number of quarterly reports submitted on employee absenteeism.	4	Not achieved: no reports were submitted.	Train staff in the personnel division to be able to submit reports.
		100% capturing of approved leave of all employees within one week of receipt of leave applications.	% of approved leave applications approved within one week.	<90%	Achieved: All approved leave is captured on the system	Leave to be capture on the SEBATA Financial Management System.
		Submit employee pension and provident claims to the administrators of the funds	Number of pension and provident claims submitted to administrators of the fund.	Four weeks.	Achieved	None

ANNUAL REPORT FOR PERIOD ENDED 30 JUNE 2012

Planned Performance 2011/2012						
Key Performance Area (KPA)	IDP strategic objective	Key Performance Indicator (KPI)	Performance Measure	Target Date	Actual performance from 01 April 2012 to 30 June 2012	Comments/Corrective measures to be or implemented to correct performance
		within four weeks after notification by employee or relatives.				
		Addressing the backlog on closing the files of employees who terminated services by June annually.	Number of employee files who terminated services closed.	June annually.	Achieved	None
	To ensure improved and better managed labour relations with all unions of the employees.	Reducing the number of procedural dispute at the CCMA and SALGBC.	Number of procedural disputes resolved at the CCMA and SALGBC.	<10 cases	Achieved	Training of HR staff of disciplinary cases.
		Conducting one meeting per month of LLF.	Number of LLF meetings conducted.	12	Not achieved only one meeting was held during the quarter.	Adherence to the approved schedule.
	To ensure effective and efficient employees wellness in accordance with the occupational health and safety act.	Develop and implement employee wellness policy	Number of employee wellness policy developed and implemented.	1	Not achieved	The draft policy to be submitted to the relevant section 79 committee for consideration and inputting.
		Planning and co-ordinating four wellness events per annum.	Number of wellness events conducted.	4	Not achieved	Budget for the awareness campaigns
		Develop and implement four proactive programmes per annum.	Number of proactive programmes conducted.	4	Not achieve	Budget for wellness office
		Conduct one HIV/AIDS road shows and presentation per quarter.	Number of HIV/AIDS road shows conducted.	4	Not achieved	Budget for wellness office
		Distribute HIV/AIDS related material to all municipal offices.	Number of HIV/AIDS related material distributed.	4	Achieved	None
	To ensure effective and efficient management of individual performance management.	Concluded performance contracts with level 1 and 3 managers.	Number of performance agreements concluded with level 1 and 3 managers.	19	Not achieved conclusion of performance agreements for managers at level 1 and three has been postponed to the next financial year 2012/2013.	None
		Policy document signed with LLF.	Number of policy document signed with LLF.	1	Achieved	None
		Approval of the individual performance management policy by council.	Number of individual performance management policy approved by council.	1	Not achieved	Develop draft policy for approval by council.
		Reporting	Number of monthly progress reports submitted on implementation of the individual performance management system.	12	Not achieved	None
	To ensure establishment and management of a stable IT environment for the municipality.	Municipal website	Number of items captured on the website per month.	6	Achieved all matters of compliance we captured on the municipal website	More still to be done
		Continuous maintenance of the network.	Number of maintenance conducted on the network.	On-going.	Achieved	None
		Monitor the implementation of the IT policy.	Number of progress report submitted.	4	Not achieved	None

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Planned Performance 2011/2012						
Key Performance Area (KPA)	IDP strategic objective	Key Performance Indicator (KPI)	Performance Measure	Target Date	Actual performance from 01 April 2012 to 30 June 2012	Comments/Corrective measures to be or implemented to correct performance
	To ensure the effective and efficient management of the legal service of the municipality.	By-laws revised or new sets drafted to the impact on sustainable development of the municipality.	Number of by-laws drafted.	6	Not achieved	Approve the set of bylaws developed by CoGTA.
		Civil and criminal claims cases attended to and ensuring the proper protection of the municipality interest.	Number of civil and criminal cases attended to.	<6	Achieved	None

COMMUNITY SERVICES DEPARTMENT

Planned Performance 2011/2012

Key Performance Area (KPA)	IDP strategic objective	Key Performance Indicator (KPI)	Performance Measure	Target Date	Actual performance from 01 April 2012 to 30 June 2012	Comments/Corrective measures to be or implemented to correct performance
Community Services	To act proactively and ensure that land is available for development requirement and the management thereof in accordance with approved SDF.	Land	Number of Ha identified at Tweespruit.	2ha	A piece of land next Unicom Primary School has been identified for human settlement in Tweespruit. A business plan has submitted to CoGTA requesting funding for purchasing of land.	CoGTA to fast track the approval of the business plan.
			Number of Ha identified at Ladybrand.	4ha	Land has been identified at Mauershoek for development of 562 sites.	Awaiting approval
			Number of ervens planned: Tweespruit Ladybrand	380 800	383 Manyatseng 417 Mahlatswetsa 200 Dipelaneng 306 Manyatseng	None
			Number of cemeteries planned.	2	1 Mahlatswetsa	None
	To ensure safe environment and effective response to unforeseen events.	Traffic	Number of traffic fines issued.	120	Licencing 70 Speed 63 Stop signs 19 Road marks 45 Other 93	None
			Number of spot checks conducted.	24	22 spot check conducted	None
			Number of transport forum established.	1	Not achieved	Reluctance by taxi organisations.
			Number of streets done in all towns.	30	28 streets were painted in line with NRTA	None
	To ensure safe living environment.	Disaster Management	Number of ha of fire breaks conducted.	8ha	3 ha	Lack of adequate equipment and personnel
			Number of campaigns held.	4	None	None
			Number of families relocated.	25	None	None
			Number of inspections conducted.	32	All business premises in Tweespruit and Hobhouse were inspected.	None
	To ensure safe, secure trading environment.	Environmental Health.	Number of disaster plan reviewed.	1	None	To be reviewed during the third quarter of the financial year.
			Number of samples taken per month.	12	3 monthly samples were taken during the quarter	None
			% that complies with standards determined by foodstuffs, cosmetics and disinfectants act no 54 of 1972.	100%	80 per cent of samples taken complied	None
			No of samples taken per month.	12	3 monthly samples were taken during the quarter	None
	To plan ahead and ensure quick response to disaster.	Environmental Health.	% complying with SABS standards.	100%	80 per cent of samples taken complied	None

ANNUAL REPORT FOR PERIOD ENDED 30 JUNE 2012

Planned Performance 2011/2012						
Key Performance Area (KPA)	IDP strategic objective	Key Performance Indicator (KPI)	Performance Measure	Target Date	Actual performance from 01 April 2012 to 30 June 2012	Comments/Corrective measures to be or implemented to correct performance
			% of complains received and attended to within 24 hours.	100%	65% of the complains received were attended	Lack of adequate staff.
			% of total number of high risk premises monitored.	100%	80% of high risk premises were monitored.	None
			% of noise related nuisance abated within the given time limit.	100%	None	Lack of noise monitoring equipment
			% of applicable businesses in the municipality that have valid trading license.	100%	80% of business have valid trading licences	None
			Total number of schools reached with relevant education.	12	None	Lack of adequate staff
			Total number of the municipality employees reached.	278	None	Lack of adequate staff
			Total number of farms reached.	30	None	Lack of adequate staff
			% of the municipality workplaces that comply with occupational health standards.	100%	80% of the municipality workplace comply with OHS	None
			% of burials performed within one week of request received.	100%	100% all burial request were approved on time pending availability of relevant documentation.	None
			Time taken to respond to request.	48%	All requested received have been attended to.	None

TECHNICAL SERVICES DEPARTMENT**Planned Performance 2011/2012**

Key Performance Area (KPA)	IDP strategic objective	Key Performance Indicator (KPI)	Performance Measure	Target Date	Actual performance from 01 April 2012 to 30 June 2012	Comments/Corrective measures to be or implemented to correct performance
Basic Service Delivery. Water	To ensure effective and efficient management of the directorate technical services.	Number of Technical directorate management meetings held according to schedule	Number of management meetings held.	12	Achieved: Three directorate management meetings were held during the second quarter of the financial year.	None
		Signed performance contracts	Number of performance contracts signed.	3	Not achieved:	No performance agreements were entered into with managers in the directorate. The matter has been deferred to the next financial year.
		Concluded performance assessment meetings	Number of performance assessment meeting held.	4	Not achieved:	No performance agreements were entered into with managers in the directorate. The matter has been deferred to the next financial year.
	To ensure that, by 2014 all households on formal ervens have access to clean water connections.	Number of reservoirs upgraded to increase its capacity.	Number of upgraded reservoirs.	1	Not achieved: During second quarter of the financial year no reservoirs were upgraded to increase the capacity.	Provide for adequate budgeting to increase the capacity of identified reservoirs in the IDP.
		Number of Water Treat Plant Upgraded.	Number of upgraded Treatment Plants.	1	On retention- contractor yet to attend to challenges that include training for operators (Done as part of orientation)	Snag list for minor repairs submitted to the contractor
		Number of bore holes commissioned.	Number of boreholes commissioned.	6	Partially achieved: 4 Boreholes in Ladybrand tested- yield (capacity) positive results, save one (mechanical, electrical and civil work) outstanding	Equip the drilled bore and connect them to existing water network to increase bulk water supply.
		Number of households of formalised ervens with access to basic water supply.	Number of households supplied with water.	11 927	Done continuously Three Stand (community) water taps used to provide 123 households with water at Dipelaneng) Water tanks used (as temporary measures) to provide water to high lying areas at the portion of Platberg and privately owned lands as per schedule. Manyatseng, Mahlatswetsa and Mauersnek problem of low water pressure addressed the case with Platberg Four boreholes to be connected to Lusaka reservoirs	*The families will be resettled at the newly established 218 sites to be serviced with water and other basic services Water network at affected areas to be upgraded as is the situation at Mauersnek Focus was directed at leaks detection and immediately repaired Water Conservation and water Demand management be priorities and recommendations from the study by service provider be implemented Tender closed, fast track adjudication process
	To ensure that all households earning less than R1 800 per month receive free basic water and sanitation services.	Number of households earning less than R1 800 per month receiving free basic water and sanitation services	Number of indigent households provided with free water.	5000	Done continuously	N/A

ANNUAL REPORT FOR PERIOD ENDED 30 JUNE 2012

Planned Performance 2011/2012						
Key Performance Area (KPA)	IDP strategic objective	Key Performance Indicator (KPI)	Performance Measure	Target Date	Actual performance from 01 April 2012 to 30 June 2012	Comments/Corrective measures to be or implemented to correct performance
Sanitation	To eradicate sewer backlogs in the municipality with the purpose of eradicating the remaining buckets toilets.	Number of households of formalised ervens with access to basic sanitation supply.	Number of households with access to sanitation.	900	100%: Level of service to be improved on outstanding 900 households 123 households in Dipelaneng provided with buckets <u>Challenges:</u> -Buckets removal backlogs at Tweespruit and Hobhouse due to suction wagons breakdowns: -Vandalized Trash-pump due to attempted theft at Hobhouse Workshop -Sewerage spillage from 76 households in Boroa -Overflowing oxidation ponds, Thaba Patchoa in particular	Completed. The challenge is the change in scope due to financial constraints thus household connection was temporarily sacrificed. The families will be resettled at 218 sites to be serviced with water and other basic services Replacement of suction wagons Excelsior Honey sucker assists at Tweespruit and Hobhouse until commissioning of Package Plants Budget for security to strategic municipal properties. WSAM and PMUM to engage with Engineers. Contractor appointed by TMDM for "upgrading".
		Develop and Implement the bucket eradication programme	Number of programmes developed.	900	Not achieved: The programme for bucket eradication not yet in place.	To be developed in the third quarter of the financial year.
		Draft bucket eradication strategy developed and implemented	Number of bucket eradication strategy developed.	1	Not achieved: The bucket eradication not yet in place.	Appoint a service provider to develop the bucket eradication strategy.
Electricity	To eradicate the electricity backlogs in the municipality.	Number of formalised ervens with access to basic electricity service.	Number of households with access to electricity.	11 927	100% Achieved	Done save defaulters or those tempered with.
	To ensure that all households earning less than R1 800 per month receive free basic electricity services.	Number of households earning less than R1 800 per month receiving free basic electricity services.	Number of indigent households provided with free electricity.	5000	Done continuously Eskom and Municipality's data confirmed	Approved list of indigents is used as the only formal document
	To provide the reliable, and sufficient electricity supply.	Reviewed SDA document with both CENTLEC and ESKOM.	Number of SDA reviewed.	2	Planned meeting (06 April 2011) cancelled following the request by Eskom. Date not yet finalized	Awaiting confirmation by Eskom
		Number of transformers upgraded for improved electricity supply.	Number of transformers upgraded.	4	Achieved: 3 at Cathcart dam replaced, WWTW in Ladybrand repaired and Princess street replaced. Vandalism and stealing of transformer oil and cables.	Appointment of security personnel to safe guards the transformers against vandalism.
	To ensure provision of sufficient area lighting to the community of Mantsopa.	Number of streets lights and high mast lights repaired	Number of streets lights and high masts lights repaired.	17	- Done and approved Additional information (10 medium Mast-lights installed at Manyatseng)	Improve security at Municipal Properties – physical patrol where it is practically possible.

ANNUAL REPORT FOR PERIOD ENDED 30 JUNE 2012

Planned Performance 2011/2012						
Key Performance Area (KPA)	IDP strategic objective	Key Performance Indicator (KPI)	Performance Measure	Target Date	Actual performance from 01April 2012 to 30 June 2012	Comments/Corrective measures to be or implemented to correct performance
					Replaced faulty transformer at Cathcart Installation of 392m H/T cable between Thaba mini- substation & central sub-station Challenges: Theft of transformer oil and cables	
		Number of streets lights and high mast installed.	Number of streets lights and high mast lights installed.	20	Achieved: 10 Medium mast lights installed in 2010/2011 not yet operational.	CENTLEC approached for assistance and weekly program reviewed.
Roads and Storm water	To improve the standard of roads and storm water drainages in the municipality.	Roads and Storm Water	Kilometres of streets paved	4km	0.5 km Completed with support from TMDM	On practical completion
			Tlali and Fifth Street		Completed	On retention
			Kilometres of storm water channels upgraded.	4km	Done as part of Koma Village roads project -	800m
	To maintain the existing roads infrastructure.		Kilometres of tarred roads maintained.	3km	Not achieved: Delayed delivery of tar.	Compacted gravel used for frequent perching of potholes Service provider identified for supply of quality material.
			Kilometres of gravel roads maintained.	6km	Not achieved. Shortage of equipment and gravel at Tweespruit	Temporary license acquired for mining of gravel at Ladybrand quarry. Renting of equipment (agreement signed with F.S. Provincial Government garage), mining and transporting gravel from Hobhouse to Tweespruit – engage DoE for temporary permit.
Cemeteries	Communities in Mantsopa have access to properly managed cemeteries with enough capacity to cater for the next 20 years.	Cemeteries	Number of cemeteries with sufficient burial space to cater for the next 20 years.	7	3 Cemeteries are not functional. Boroa cemetery is full and as a result encroaches into FS: DoE 's land	Formalization of extension to Boroa Cemetery or closure
			Number of cemeteries properly managed.	11	4 Cemeteries are no longer functional	None
			Number of cemeteries well maintained.	11	7	4 cemeteries no longer functional
Properties	To ensure that all properties of council such as municipal offices, flats and stores are properly maintained.	Properties	Number of municipal offices maintained.	10	None	None
			Number of community halls maintained.	13	Complete	None
			Number of municipal flats maintained.	47	Upgrading needed for 2 Houses at Genoa and Tweespruit flats Pressure reservoir at Excelsior town cleaned 4 Settling tanks at Tweespruit Water Purification Plant cleaned and leakage attended. 4 Completed as part of Hobhouse treatment works	Renovation of the building at Tweespruit 'Art Gallery' to permanently accommodate EMS and other Government Departments for their routine visits to the community.

Planned Performance 2011/2012						
Key Performance Area (KPA)	IDP strategic objective	Key Performance Indicator (KPI)	Performance Measure	Target Date	Actual performance from 01 April 2012 to 30 June 2012	Comments/Corrective measures to be or implemented to correct performance
			Number of municipal stores maintained.	6	Portion of Manyatseng Stores upgraded to office space for Department of Social Development: F.S.	Additional funding to upgrade other stores.
Solid Waste Management	Ensure refuse removal services to all households and business.	Solid Waste Management	Number of households in formal ervens that have access to a weekly door-to-door refuse collection.	12 927	>100%	Shortage of Staff dedicated for refuse collection in other 4 towns Frequent breakdown of vehicles
			Number of appropriate container for refuse storage.	5	24	>100% of delivery and removal due to shortage of vehicles dedicated for the service
			Number of illegal dumps eradicated.	39	4	*Investigate the possibility of funding the project in the next Financial year (2012/2013) Increase equipment or outsource removal of garden and illegal dumping sites
	Educate public on health and hygiene issues that relates to waste management.		Number of people that are trained in relation to waste management issues.	2	0	Waste Management Officer(s) yet to be appointed/seconded in compliance with the National Environmental Management Act (NEMA)
	To manage municipal waste disposal sites.	Planted vegetation.	Number of vegetation's eradicated.	1	Not achieved	None
		Training of peace officers.	Number of peace officers trained.	1	In progress Study conducted and service provider appointed by DEAT – Feasibility study/Progress report available	Process is prioritized for funding in 2012/2013 Financial year
					Monitoring of service provider appointed by MDM need to be strengthened	Review appointment of Service Provider
		Access controlled landfill sites.	Number of landfill sites with access controlled.	4		
		Weighbridges that are fully operational at Ladybrand land fill site.	Number of weighbridges operational at Ladybrand fill site.	1	1	Need to be renovated
Parks, Recreation and Community Facility	To ensure that all parks, recreational and community facilities of council such as community halls, sports grounds and parks are properly maintained.	Parks and Recreation	Number of municipal sports grounds maintained.	4	Manyatseng and Tweespruit facilities are managed by the Sports Council and Club respectively	CHPS and Office of the Mayor (YDO) should initiate review of Agreements
			Number of community halls maintained.	13	4 Community Halls have been rented out to CBO's	Maintained according to Agreements entered into by the Municipality and specific CBO's – review Agreements to avoid non-compliance as is was the case with Tweespruit Sports Centre
			Number of municipal parks maintained.		3	Hobhouse Caravan and Giel De Wet Parks' management should be reviewed 3 Parks in Manyatseng are being upgraded and 1 new Park being developed.

CHAPTER 13: ACTION PLAN AUDITOR GENERAL REPORT

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 2010/11 financial Statements and put the Entity on a right cause to submit GRAP compliant 2011/12 financial statements to Auditor General and consequently provide sufficient time to compile the National Treasury template within the stipulated time frames in the MFMA.

Background

The General Ledger for the month of June 2012 will close on 10 July 2012; the financial information from SEBATA should be available two weeks after General Ledger closing date on 30 June 2012, 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 2010/11
- 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 56 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 9 July 2012
- 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

a. Annexure – Detailed Action Plan on Annual Financial Statements focusing on qualification matters and matter of emphases

#	Action(s)/Submissions	Responsible Official/progress to date	Due date	Classification in the Financial Statements	concerns from the AG in 2010/2011 Audit Report
Bank and cash equivalents and bank over draft					
1.	Obtain appropriate evidence for bank and cash equivalents and bank overdraft disclosed as R48 130 and R14 339 462 respectively.	CFO	30 March 2013	Statement of Financial Position	Proper record keeping is not all instances implemented in a timely manner, ensure completeness, and accuracy.
Property, Plant and Equipment					
2.	Apply deemed cost method correctly and review or determine the residual value of property as required by the SA Standard of GRAP, GRAP 17 Property Plant and Equipment.	CFO	30 March 2013	Statement of Financial Position: Property, Plant and Equipment	Proper record keeping is not all instances implemented in a timely manner, ensure completeness, and accuracy
3.	Update the asset register to be able to determine the correct net carrying amount of property plant and equipment or the accuracy of depreciation.	CFO	30 April 2013	Statement of Financial Position: Property, Plant and Equipment	
4.	Obtain audit appropriate audit evidence for property, plant and equipment amounting to R709 975 496.	CFO	30 May 2013	Statement of Financial Position: Property, Plant and Equipment	
Payables					
5.	Obtain appropriate audit evidence for payables disclosed as R24 358 331	CFO	30 April 2013	Statement of Financial performance	Inadequate system of internal control to account for payables and suspense accounts not cleared at year-end.
6.	Obtain evidence related to invoices received before year-end had not been provided for as payables.	CFO	30 April 2013		
Trade receivables					
7.	Obtain sufficient audit evidence to determine the existence and valuation of accounts receivable disclosed as R104 174 151.	CFO	30 April 2013	Statement of comprehensive income: Revenue	Proper record keeping in timely manner not implemented I all instances to ensure complete, relevant and accurate information is accessible and available to support financial and performance reporting
8.	Obtain audit evidence for provision of R63 601 512 to determine the accuracy of the impairment.			Disclosure notes to the Financial Statements	
Provisions					
9.	Obtain appropriate audit evidence for the valuation of the rehabilitation provision amounting to R25 519 51.	CFO	30 April 2013	SA Standard of GRAP, GRAP 19, provision, contingent liabilities and contingent assets.	Proper record keeping in timely manner not implemented I all instances to ensure complete, relevant and accurate information is accessible and available to support financial and performance reporting.

#	Action(s)/Submissions	Responsible Official/progress to date	Due date	Classification in the Financial Statements	concerns from the AG in 2010/2011 Audit Report
Accumulated Surplus					
10.	Obtain audit evidence as to the completeness, valuation and allocation of the of the accumulated surplus amounting to R761 834 274	CFO	30 May 2013	Statement of Financial position.	Proper record keeping in timely manner not implemented I all instances to ensure complete, relevant and accurate information is accessible and available to support financial and performance reporting.
Employee Related Cost					
11.	Obtain sufficient audit evidence as to the occurrence, accuracy and classification of the employee-related cost disclosed as R48 719 193.	Director Corporate Services	30 April 2013	Statement of Financial Performance	Proper record keeping in timely manner not implemented I all instances to ensure complete, relevant and accurate information is accessible and available to support financial and performance reporting.
Employee Benefits					
12.	Disclose post-retirement benefits and long service awards for the current and prior years.	Director Corporate Services	30 April 2013	Accounting Standards, IAS 19, Employee benefits	Proper record keeping is not all instances implemented in a timely manner, ensure completeness, and accuracy.
Value-added Tax (VAT) payable					
13.	Obtain audit evidence pertaining to VAT payable amounting to R2 191 853 due to the fact that journals processed were not duly authorised before they were processed.	CFO	30 March 2013	Disclosure notes to the Financial Statements	Proper record keeping is not all instances implemented in a timely manner, ensure completeness, and accuracy.
Capital Commitments					
14.	Obtain audit evidence pertaining to capital commitments disclosed as R3 964 344 due to lack of a proper contract management system for the identification and recognition of contracts.	CFO	30 April 2013	Disclosure notes to the Financial Statements	Proper record keeping is not all instances implemented in a timely manner, ensure completeness, and accuracy
Consumer Deposits					
15.	Investigate whether management has properly charged and accounted for all consumer deposits for the current and prior years.	CFO	30 April 2013	Disclosure notes to the Financial Statements	Proper record keeping is not all instances implemented in a timely manner, ensure completeness, and accuracy
16.	Obtain evidence as to the completeness and valuation of consumer deposits of R1 092 493.	CFO	30 April 2013	Disclosure notes to the Financial Statements	Proper record keeping is not all instances implemented in a timely manner, ensure completeness, and accuracy.
Irregular Expenditure					
17.	Obtain audit evidence for irregular expenditure disclosed as R9 853 284 due to the register for irregular expenditure not agreeing with the AFS.	CFO	30 April 2013	Disclosure notes to the Financial Statements	Lack of proper systems to account for and identify irregular expenditure.
Distribution losses and free services					
18.	Investigate and confirm the completeness and accuracy of distribution losses or free basic services provided disclosed as R0.	Director Technical Services	30 May 2013	Disclosure notes to the Financial Statements	Lack of adequate internal control measures to reliably calculate these losses.

#	Action(s)/Submissions	Responsible Official/progress to date	Due date	Classification in the Financial Statements	concerns from the AG in 2010/2011 Audit Report
Cash Flow Statement					
20.	Obtain audit evidence to determine whether the cash flow statement and related notes were fairly stated for the current and prior year.	CFO	30 May 2013	Disclosure of cash flow statement and related notes.	Scope limitation identified in the AFS.
Report of other legal and regulatory requirements: Predetermined objectives					
21.	Improvement measures in the Annual Performance Report for a total of 54% of the planned targets not achieved were not disclosed as required by section 46 of the MSA.	Municipal Manager	30 June 2013	Predetermined objectives	Lack of adequate internal policies and procedures over the processes pertaining to reporting of performance information.
22.	The MSA section 4 (c) requires that the actual performance against planned indicators and target must be reported annually. Annual Performance Report submitted for audit purpose did not included the actual performance of 24% of all planned indicators specified in the IDP for the year under review.	Municipal Manager	30 June 2013	Predetermined objectives	Lack of or limited review and monitoring of the completeness of reporting documents by management.
23.	Of the total number of 173 targets planned for the year, 87 targets were not reaching during the year under review. This represents 51% of total planned targets that were not reached during the year under review.	Municipal Manager	30 June 2013	Predetermined objectives	Institution not considering relevant and evidential requirements during the annual strategic planning process.

Source: Directorate Finance

CHAPTER 14: COUNCIL OVER SIGHT REPORT

Oversight Committee Members

Councillors

Councillor SD Ntsepe, Committee Chairperson
Councillor PB Matsunyane
Councillor J Machakela

Management

Mr. SM Selepe, Municipal Manager
Me. PP Moloi, Director Corporate Services

Committee Support Staff

Tlali Motshoikha, Manager Organisational Performance Management System **(Secretariat)**

Oversight Committee Chairperson's Foreword

We live in times of promises. Mantsopa Local Municipality (MLM) has underway the programmes to comprehensively address our community's and citizen's needs and expectations. Our responsibility now is to turn this promises into times of hopes fulfilled, times of sustained service delivery that enriches all our citizen's lives on a financially sustainable basis.

This year, for the first time, Mantsopa Local Municipality subjected its Annual Report for period ended 30 June 2012 to vigorous scrutiny by an Oversight Committee appointed by Council. As noted in our Oversight Report, Mantsopa Local Municipality's 2011/2012 Annual Report contains many positive elements and is a significant improvement over prior years' reports; it complies with the National Treasury guidelines in most areas. But we also note areas of deficiency and challenges that remain to be addressed. We are encouraged and are ready to support the Mayor, council and Municipal Manager in ensuring that Mantsopa Local Municipality's record of exceptional performance is improved by addressing the issues noted in our Report.

All in all, the year under review has not been a steady one. On behalf of my Oversight Committee colleagues, Myself as the Mayor of Mantsopa Local Municipality, the Speaker Cllr Mapuleng Majara, Councillors, Municipal Manager, Mr SM Selepe and staff for the significant success that is demonstrated by the 2011/2012 Annual Report. I also thank the Director Corporate Services, Me. PP Moloi and Manager Organisational Performance Management Systems, Mr. Tlali Motshoikha for their hard work and support they provided to the Committee.

On behalf of the committee

SD Ntsepe
Mayor

MANTSOPA LOCAL MUNICIPALITY

Reference: (450/23/01/2013) 23 January 2013

OVERSIGHT REPORT ON ANNUAL REPORT: 2011/2012 FINANCIAL YEAR

1. PURPOSE OF REPORT

To consider the Mantsopa Local Municipality's Annual Report for the 2011/2012 financial year and to adopt an Oversight Report containing Council's comments on the Annual Report in terms of section 129 (1) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (hereafter indicated as MFMA).

2. BACKGROUND

A. Legal Requirements

Section 121(1) (2) and (3) of the Local Government: Municipal Finance Management Act no 53 of 2003 determines as follows:

- (a) Section 121(1) Every Municipality must for each financial year prepare an Annual Report.
- (b) The Council must within nine months after the end of a financial year deal with the annual report of a municipality in accordance with section 129.

B. The purpose of an annual report is:-

- (a) To provide a record of the activities of the municipality during the financial year to which the report relates;
- (b) To provide a report on performance against the budget of the municipality for the financial year; and
- (c) To promote accountability to the local community for the decisions made throughout the year by the municipality.

C. The annual report of a municipality must include-

- (i) The annual financial statements of the municipality, and in addition, if section 122(2) applies, consolidated annual financial statements, as submitted to the Auditor-General for audit in terms of section 126(1);
- (ii) The Auditor-General audit report in terms of section 126(3) on those financial statements;
- (iii) The annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal Systems Act;
- (iv) The Auditor-General's audit report in terms of section 45(b) of the Municipal Systems Act, Act 32 of 2000;
- (v) An assessment by the municipality's Accounting Officer of any arrears on municipal taxes and service charges;
- (vi) An assessment by the municipality's Accounting Officer of the municipality's performance against the measurable performance objectives referred to in section 17(3)(b) for revenue from each source and for each vote in the municipality's approved budget for the relevant financial year;
- (vii) Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports referred to in paragraphs (b) and (d);
- (viii) Any explanations that may be necessary to clarify issues in connection with the financial statements;
- (ix) Any information as determined by the municipality;
- (x) Any recommendation as determined by the municipality; and
- (xi) Any other information as may be prescribed.

In terms of section 127(5) of the MFMA, the Accounting Officer must immediately after the Annual Report is tabled, make public the annual report, invite the local community to submit representations in connection with the annual report and submit the annual report to the Auditor-General, the relevant provincial treasury and the provincial department responsible for local government in the province.

According to section 129(1) of the MFMA, the council must consider the Annual Report by no later than two months from the date on which the annual report was tabled, adopt an oversight report containing the Council's comments on the annual report which must include a statement whether-

- ***The Council has approved the Annual Report with or without reservations;***
- ***Has rejected the Annual Report or***
- ***Has referred the Annual Report back for revision of those components that can be revised.***

3. PROCESS

a) Submission and tabling of the Annual Report

The Draft Annual Report of the Mantsopa Local Municipality for the 2011/2012 financial year was tabled on the 23 January 2013 during the ordinary council meeting which was held in Thaba Patchoa Community Hall as required in terms of section 127(2) of the Local Government: Municipal Finance Management Act, 56 of 2003.

Council resolved: ITEM 450/23/01/2013 the following:

- 1. That the draft annual report for the 2011/2012 financial year be adopted; and**
- 2. That the draft annual report 2011/2012 be advertised in the media for public comment.**

4. The Oversight Committee

With reference to National Treasury: MFMA Circular No. 32 of 15 March 2006 Council established an Oversight Committee. The Oversight Committee analyses and review annual reports in detail before tabling the Annual Report to Council for consideration.

In terms of the resolution by Council regarding the advertisement of the Annual report:

- The local community was invited via the press and website to submit comments / objections from the 01February 2013 to 28 February 2013 and no comments or objections were received.
- The Annual Report was placed on the municipal website: www.mantsopa.net
- The Annual Report was submitted to the relevant government departments such as:
 - National and Provincial Treasury;
 - Provincial CoGTA; and
 - Auditor General of South Africa

At the closing date for public comments on 28 February 2013 no representations were received.

5. Minutes of the Oversight Committee

The Mantsopa Local Municipality oversight committee meeting was convened on the 19 March 2013 at Ladybrand EXCO Council Chambers at 12H00 to discuss the Annual Report for the period ended 30 June 2013.

ITEM: 1/03/2013: OPENING AND WELCOME

The chairperson of the oversight committee Councillor SD Ntsepe opened and welcomed all members of the oversight committee present and also welcomed members of the management team present.

ITEM: 2/03/2013: APPLICATION FOR LEAVE OF ABSENCE

The following applications for leave of absence were noted: Mr. N Raliapeng – his farther has passed away, Me. B Sebolai – attending MFMP class in Bethlehem and Mr. P Matsie who is attending a workshop organised by Provincial Treasury in Bloemfontein.

ITEM: 3/03/2013: OFFICIAL ANNOUNCEMENTS

None

ITEM: 4/03/2013: MOTION OF SYMPATHY AND CONGRADULATIONS

The chairperson informed the meeting about the passing away of the father of the municipality Director Technical Services Mr. N Raliapeng.

ITEM: 5/03/2013: DISCLOSURE OF INTERESTS

None

ITEM: 7/03/2013: QUESTIONS

None

ITEM: 8/03/2013: MATTERS DEFERRED FROM THE PREVIOUS MEETING

None

ITEM: 9/03/2013: DEPUTATIONS, INTERVIEWS AND PRESENTATIONS

None

ITEM: 10/03/2013: RESERVED MATTERS: MANTSOPA OVERSIGHT REPORT ON THE 2011/2012 ANNUAL REPORT

The committee discussed and raised the following points from the Annual Report for the period 30 June 2012:

The meeting further resolved that, the report shall be discussed page by page with the intention to make justice from the report as tabled. The Mayor and Municipal Manager were requested to re-visit their forewords respectively to ensure that the information provided in the foreword is relevant and the Manager organisational Performance Management Systems was requested to make sure that, the font size between the foreword of the Mayor and Municipal Manager is the same.

CHAPTER 1: INTRODUCTION AND OVERVIEW

The committee noted the following mistakes to be corrected in the final Annual report of the Mantsopa Local Municipality for the period ended 30 June 2013:

Overview of the municipality:

- Mantsopa Local Municipality does no longer form part of the Motheo District Municipality as captured in the draft report but falls under the Thabo Mofutsanyana District Municipality.
- The table for wards of the municipality be corrected as follows in the final report:

Ward Councillor	Ward	Name of Location
Cllr Chomane	Ward 1	Tweespruit, Boroa, Thaba Patchoa, and Rural.
Cllr Nakalebe	Ward 2	Hobhouse, Dipelaneng, Part of Ladybrand Town and Rural.
Cllr Raboko	Ward 3	Manyatseng, Masakeng, Riverside, Modderpoort, new Platberg, rural.
Cllr Ncwada	Ward 4	Flamingo, part of Loss my Cherry and Lusaka.
Cllr Molefe	Ward 5	Thusanong, part of homes 2000, Mandela Park and Riverside.
Cllr Tigeli	Ward 6	Metapelong, Lusaka and Thabong.
Cllr Matsunyane	Ward 7	Ladybrand, Mauersnek and Platberg.
Cllr Sebotsa	Ward 8	Excelsior, Marseilles, rural and part of Tweespruit.
Cllr Seoe	Ward 9	Mahlatswetsa, plus rural.

NB: ward 4 is vacant

Spatial Development Profile:

The map has been provided by the demarcation board and therefore the information remains the same.

Population Profile:

The information shall also remain the main the same, the statistical information provided by census 2001. The meeting resolved that Bopa Lesedi be removed as source for population profile.

Executive Summary:

The meeting resolved that:

To stimulate sustainable economic development and tourism:

The report must recognise the role played by both Indalo-Yethu and Hentique in the creation of jobs with the Mantsope area of jurisdiction during the period under review. Including the extension of Indalo-Yethu programme to other parts of the municipality.

To sustain financial management excellence:

The committee noted with serious concern the outstanding debtors of R104 million as a going concern towards achieving financial management excellence.

To improve human resource management excellence (Institutional transformation):

The committee resolved that, the final report should indicate the successful appointment of the Municipal Manager of the 23 April 2012. And that during the period under review the municipality managed to review all HR related policies.

The committee also recommended to council the establishment of cooperatives with the intention to absorb Indalo Yethu Personnel in such cooperatives. The task team comprising of the Mayor, Chairperson Section 79 Committee Social Development, Director Community Services and LED unit be established to fastrack the launching of the programme.

To promote good governance through effective leadership:

The report must also indicate the capacity building programme that was conducted for councillor with the University of the Free State. The programme primarily focused on the leadership qualities.

Municipal Vision and Mission:

The mission and vision remains the same this can only be amended during the IDP forums.

QUICK REFERENCE TO CHAPTER 1 – ANNUAL REPORT 2011/2012

- *Overview of the Municipality – page 9*
- *Spatial Development Profile – page 9*
- *Population Profile – page 10*
- *Executive Summary – page 13 – 14*
- *Vision and Mission – page 15*

CHAPTER 2: PERFORMANCE HIGHLIGHTS

Water and Sanitation:

The meeting noted that, the table for performance highlights of the municipality does not include the sanitation project which was implemented by the Thabo Mofutsanyana District Municipality at Platberg benefiting 350 households. The meeting therefore, recommended that the correction be made accordingly in the final report as one of the key performance highlights for the period under review.

Electricity:

The committee noted with serious concern the non-functionality of 10 high mast lights which were installed in Manyatseng some three years ago but still not yet connected to electricity mainlines. The committee resolved that a letter must be prepared by the Municipal Manager to the senior executives of ESKOM to connect those high mast lights.

Refuse and Waste Management:

The committee recommend the establishment of cooperatives for the sole purpose of refuse collection and waste management instead of contracting service providers. And priority be given to former employees of Indalo-Yethu who received extensive training on waste management, horticulture etc.

Performance of Service Providers:

The meeting noted that, the table provided for in the annual report indicating the performance of service providers as required by section 46(1)(a) is not comprehensive and other service providers who provided service to council during the period under review might have been omitted. The meeting therefore, recommended that, the table be referred back to supply chain management for rectification and among others the date of completion by certain service providers be corrected in line with SLA's concluded.

Service Delivery Backlogs:

The meeting noted that, the backlogs for roads were not provided for in the report, and a recommendation was made that, a report on roads backlogs submitted to MISA be incorporated into the final report.

QUICK REFERENCE TO CHAPTER 2 – ANNUAL REPORT

- *Performance highlights – pages 17 – 19*
- *Performance of service providers – pages 20 – 21*
- *Service delivery backlogs – page 21*

CHAPTER 3: HUMAN RESOURCES AND ORGANISATIONAL MANAGEMENT

Skills levels of education attained by staff:

The whole table needs to be rectified.

Council meeting and committee meetings held during the financial year under review:

The committee noted with serious concern the factual incorrectness of information provided under this section of the report. The table provide a bad picture about the proper functioning of council and as things stand 95% of council committees did not perform their responsibilities as required by applicable legislation and is viewed on a serious light as not a true reflection of the actual performance of all council committees during the period under review. The Director Corporate Services was requested to ensure that a proper report is compiled and submitted into the final Annual Report.

QUICK REFERENCE TO CHAPTER 3 – ANNUAL REPORT

- *Skills level of education attained by staff.*
- *Council meetings and committee meetings held during the financial year under review.*

CHAPTER 4: BASIC SERVICE DELIVERY

The meeting noted that, the information provided in the annual report under section basic service delivery, achievements, challenges and interventions is actually a reputation of chapter 2 of the annual report performance highlights. A recommendation was therefore, made that this information as comprehensive as is be transferred to chapter 2 of the annual report for consistency and avoidance of repetition of actual performance.

QUICK REFERENCE TO CHAPTER 4 – ANNUAL REPORT

- *Performance highlights – pages 17 -19*
- *Basic service delivery: achievements, challenges and interventions - pages 37 -38.*

CHAPTER 5: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

The meeting took note of the fact that, this chapter deals extensively so with the financial performance of the municipality and that, this section was audit as part of the annual financial statements which were submitted to the Auditor General for auditing in August 2012.

QUICK REFERENCE – CHAPTER 5 – ANNUAL REPORT

- *Financial viability and management – pages 40 – 46*
- *Annual Financial Statements - pages 61 – 119*

CHAPTER 6: GOOD GOVERNANCE AND PUBLIC PARTICIPATION

The committee recommended that, the table showing actual performance of all ward committees be submitted as part of the annual report.

Anti-corruption:

The committee recommended that a correction be made on the final report that “the following councillors completed their declaration forms during the financial year under review”.

List of Councillors and the structure of senior management team:

The committee also recommended that, the final report must include a list of all councillors and the structure of the senior management team immediately after the foreword of the Mayor and Municipal Manager.

QUICK REFERENCE – CHAPTER 6 – ANNUAL REPORT

- *Good governance and public participation – pages 47 – 52.*
- *Anti-corruption – pages 50*

ITEM: 11/03/2013: CLOSURE

The meeting was officially closed by the chairperson at 16H00.

6. SUMMARY OF CONCLUSION AND RECOMMENDATIONS

The Committee recommends:

- (a) The 2011/2012 Annual Report be approved with reservations; specific reservations are listed in the minutes of the oversight committee meeting which was held on the 19 March 2013 at EXCO Council Chambers in Ladybrand at 12H00.
- (b) That the annual report 2011/2012 be approved in terms of section 129 of the local government municipal financial management act (MFMA act no 56 of 2003) without reservations;
- (c) That the 2011/2012 oversight report of the Mantsopa local municipality be made public in terms of section 129(3) of the MFMA, and
- (d) That the oversight report and annual report 2011/2012 be submitted to the provincial legislature in terms of section 132(2) of the MFMA.

7. ADDITIONAL RECOMMENDATIONS

The committee further recommend the following:

- (a) That council take note of the fact that, during the financial year under review the municipality did not have a functional audit committee and internal audit division as required by the MFMA and therefore a report on the performance of the committee and the unit could not be provided for in the report.

- (b) That, the municipality received a disclaimer of audit opinion on financial statements and annual performance report submitted to audit general for audit purpose during August 2012.
- (c) That a comprehensive audit action to correct the findings of the auditor general was duly prepared and is part of the final annual report as required by the MFMA.
- (d) That the attendances register of the oversight committee and advertisement inviting public for inputs and comments as required by section 21A of the Local Government: Municipal Systems Act. No 31 of 2000 are attached to the report.
- (e) That council condone EXCO sitting of the 19 March 2013 and appointment of additional councillor P Matsunyane as official oversight committee meeting specifically to deal with the contents of the Annual Report for the period ended 30 June 2012 as required by MFMA circular No. 32 of 2006.

Mantsopa Local Municipality

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