



FINAL ANNUAL REPORT

2012/2013

Letsemeng Local Municipality

2012-13 Annual Report

Contents

Contents	1
CHAPTER 1.....	4
FOREWORD: MAYOR: CLLR TI REACHABLE	5
Mission	5
Values	5
1.1 FOREWORD: Municipal Manager: Rev I.E. Poëe	10
1.1. Municipal Overview	10
1.1.1. Demographic Information.....	10
1.1.2. Socio Economic Growth.....	11
1.1.3. Challenges Facing the Municipality.....	11
1.2. Service Delivery Overview	12
1.2.1. Water.....	12
1.2.2. Sanitation	12
1.2.3. Electricity	12
1.2.4. Refuse Removal.....	12
1.2.5. Housing	12
1.2.6. Roads and Storm Water.....	13
1.3. Financial Health Overview	13
1.3.1. Operating Results.....	13
1.3.2. Capital Expenditure.....	14
1.3.3. Cash Flow Management.....	14
1.4. Organisational Development Overview	14
1.4.1. Staffing.....	14
1.5. Auditor General Report	15
1.6. Statutory Annual Report Process	15
1.7. Risk Assessment and Shared Internal Audit	16
1.8. Appreciation	16
CHAPTER 2.....	17
Introduction	17
2.1 Political Governance	18

Letsemeng Local Municipality

2012-13 Annual Report

Terms of Reference of Portfolio Committees	19
2.2 Administrative Governance	19
2.3 Intergovernmental Relations	20
2.4 Public Meetings	20
2.5 IDP Participation and Alignment	21
2.6 Risk Management	21
2.7 Anti-Corruption and Fraud	21
2.8 Internal Controls	21
2.9 Supply Chain Management	22
2.10 By-Laws	22
2.11 Websites	22
 CHAPTER 3	24
 3. SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART 1)	24
Introduction	24
A: CORPORATE POLICY OFFICES AND OTHER SERVICES	24
3.1. ANNUAL PERFORMANCE FOR 2012/13: CORPORATE SERVICE DEPARTMENT	25
3.2. ANNUAL PERFORMANCE FOR 2012/13: TECHNICAL SERVICE DEPARTMENT	30
3.3. ANNUAL PERFORMANCE FOR 2012/13: BUDGET AND TREASURY OFFICE DEPARTMENT	37
 CHAPTER 4	43
 4. ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE HIGHLIGHTS PART II)	43
Introduction	43
A: INTRODUCTION TO THE MUNICIPAL PERSONNEL	43
4.1. Employee Totals, Turnover and Vacancies	43
B: MANAGING THE MUNICIPAL WORKFORCE	46
4.2. Policies	46
4.3. Injuries, Sickness and Suspensions	48
4.4. Performance Rewards	50
C: CAPACITATING THE MUNICIPAL WORKFORCE	51
4.5. Skills Development and Training	51
 CHAPTER 5	55
 5. FINANCIAL PERFORMANCE	55
Introduction	55
A: STATEMENT OF FINANCIAL PERFORMANCE	55
5.1. Statement of Financial Performance	55
5.2. Statement of financial Position	56
5.3. Grants	57
5.4. Financial Ratios Based on Key Performance Indicators	57
5.5. Asset Management	58
5.6. Service Charges	59
5.6.1. Indigents Households	60
5.7. Debtors Analysis	61
5.7.1. Debtors per Service	61
5.7.2. Debtors per Customer Group	61
5.8. Credit Rating	62
5.9. SCM Unit	62

Letsemeng Local Municipality

2012-13 Annual Report

5.10. Bid Committees	62
5.11. Contract above R100,000	62
5.12. Current Project/Tenders Awarded	63
5.13. Irregular Expenditure	64
5.14. Fruitless and Wasteful Expenditure	64
5.15. Unauthorised Expenditure	64
5.16. Under Pricing Of Services	64
5.17. Borrowing and Investments	65
5.18. Accounting Officer's assessment of arrears in respect of Municipal Taxes and Service Charge	65
5.18.1. Measures to be implemented to address the Areas	65
5.19. Public Private Partnerships (PPP)	66
5.20. Supply Chain Management (SCM)	66
5.21. Generally Recognised Accounting Practices (GRAP) Compliance	67
CHAPTER 6	68
6. AUDITOR GENERAL AUDIT FINDINGS	68
Introduction	68
A: AUDITOR GENERAL OPINION OF FINANCIAL STATEMENTS (30 JUNE 2012 FINANCIAL YEAR)	68
6.1. Auditor General's Report (30 June 2013)	68
6.2. Audit Recovery Plan based on the Auditor General's Report (30 June 2013)	77
B: AUDITOR GENERAL OPINION OF FINANCIAL STATEMENTS (30 JUNE 2011 FINANCIAL YEAR)	79
6.3. Auditor General Reports (30 June 2013)	79
GLOSSARY	85
APPENDIX A: COUNCILLORS, COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE	88
APPENDIX B: COMMITTEES AND COMMITTEE PURPOSES	89
APPENDIX C: THIRD TIER ADMINISTRATIVE STRUCTURE	90
APPENDIX E: WARD REPORTING	91
APPENDIX F: LONG TERM CONTRACTS	92
APPENDIX G: MUNICIPAL SERVICE PROVIDER PERFORMANCE SCHEDULE	93
APPENDIX H: DISCLOSURE OF FINANCIAL INTERESTS	94
APPENDIX I: DECLARATION OF RETURNS NOT MADE IN DUE TIME UNDER MFMA S71	95
VOLUME II: ANNUAL FINANCIAL STATEMENTS	96

CHAPTER 1

OVERVIEW OF THE STATE OF THE MUNICIPALITY

Letsemeng Local Municipality

2012-13 Annual Report



FOREWORD: MAYOR: CLLR. TI REACHABLE

I am delighted to present the Letsemeng Local Municipality's Annual Report for the 2012/2013 financial year. This report outlines our achievements and challenges for the past financial year, reflecting our vision and plans for the communities' future. The presentation of this Annual Report allows the Municipality to communicate with its stakeholders, both internal and external ones.

Vision

"Maximised quality service to local communities"

- To be a prosperous municipality that creates an enabling environment for shared economic growth and development,
- To achieve effective and equitable service delivery,
- To serve the community of Letsemeng as a well-governed and effectively run administration.

To achieve this vision, Letsemeng strives at all times to:

- Contribute actively to the development of the towns environmental, human and social capital;
- Offer high-quality services to all who live in, or do business in Letsemeng and
- Be known for its efficient, effective and caring staff.

Mission

"To provide the best resource management capability at our disposal"

Values

- ❖ Commitment
- ❖ Innovativeness
- ❖ Creativity
- ❖ Integrity

Our community expects us to be willing and committed to address those problems that do not appear to have readily available solutions and see them as opportunities. In so doing, Letsemeng has committed itself to the principles of innovation and dynamic leadership – both of which, we believe, are essential qualities that will help take us forward into the future.

Letsemeng Local Municipality

2012-13 Annual Report

We conduct our affairs with the ultimate objective of becoming one of the most developmental municipalities in the country and we have adopted a motto saying “We Sparkle in Pursuit of Service Excellence” and we intend to do exactly that; in terms of executing our mandate and key performance areas of our municipality. Thus my office participates or spearheads our Annual Strategic Meetings. This is where we, among other things, relook and evaluate our past performance in terms of the targets set in the previous year(s), revise, realign and adopt new strategies so as to achieve our desired goals. These targets are set and we aim to achieve them despite the number of challenges that we face at Letsemeng Local Municipality. These range from Human Capital (recruiting the right qualified staff) to Financial Capital (getting adequate funding from provincial and national government) to address key historical and non-historical challenges such as housing backlogs, providing clean tap water to all our communities.

Thus, the municipality guarantees a firm commitment towards good governance, accountability and efforts to extend to our people the benefits accruing from the resources of this municipality.

Key Policy Developments

Despite the challenges alluded above our commitment remain that of enhancing stronger, better managed and accountable developmental local municipality, one that is better placed to meet the ever emerging demands and new challenges of different communities. As the political head of this institution I would like to give the Council of Letsemeng, the current Accounting Officer and his administration applause for a stunning job they have done; it is indeed a job well done.

We have gone further and aligned ourselves to the development and establishment of:

- The Anti – Corruption Strategy – our plight and commitment towards rooting out corruption in Government;
- Operation Clean Audit 2014;
- 5 Year Local Government Strategic Agenda;
- Municipal Turn Around Strategy;
- Outcome 9;
- Memorandum of Agreements; and
- Public Private Partnerships;

Measures to enhance the foregoing are being pursued and implemented on a regular basis.

As Letsemeng Municipality we are committed towards the effective implementation and execution of the abovementioned strategies and service level agreements in accordance with national guidelines.

Key Service Delivery Improvements

Letsemeng Local Municipality

2012-13 Annual Report

Our focus for the coming financial year is to accelerate the delivery of services within the confines of prudent financial controls. We are still committed to achieve a clean audit by the year 2014. We believe this is achievable, looking at where we were in the previous year and the significant progress made regarding our audit opinion.

Despite the enormous progress achieved over the years we are aware that our people are still faced with many challenges that still require our attention. Unemployment, poverty, crime, the burden of disease and access to basic services, especially for rural communities, remain some of the major challenges. We have managed to ensure that at least 95% of our community has access to portable water.

A number of key projects were undertaken during the current year. These are at different stages of completion as the projects differ in size and nature. Once all of these projects are completed, it would be a giant step in Service Delivery and ensuring that we are complying with the various legislations governing our operations. The following are some of the major projects:

- Multi Purpose Community Centre; Dithlake
- Paving of access road in Jacobsdal / Ratanang;
- Compilation of the General Valuation Rolls;
- The review, implementation and monitoring of Performance Management System.

As mentioned in the prior year, the Municipality's target was to provide proper sanitation facilities to all communities by 2011. This was achieved on time as 100% of our communities had proper sanitation (a target as set in National Standards) prior to 2011. The objective of the Municipality is to facilitate provision of adequate and affordable housing structures to the communities in its area of jurisdiction. The Municipality in Partnership with the Provincial Department of Human Settlement have allocated 130 houses in Koffiefontein, 70 houses in Petrusburg and 100 houses to Luckhoff. The project is on-going as the demand for housing remains a big challenge but we remain committed to provide shelter to the communities we serve.

Public Participation

Public participation is an institutionalised function in our Municipality. Since the inception of Ward Committees, public participation has become second nature to our Municipality. Our communities have learned to appreciate the elaborative process which ensures that all interested residents are afforded an ample opportunity to make meaningful contributions to policy development and planning for developments in the municipal jurisdiction. It is important to inform the public of our mandate and how we fulfilled it during the financial year.

Letsemeng Local Municipality

2012-13 Annual Report

These are some of the objectives we would like to achieve:

- Functionality of Ward Committees
- Broader public participation plans and policies
- Public communication systems
- Complaints management system
- Feedback to communities

To our communities, thank you for cooperation during our public participation processes. Indeed working together we can do and achieve more, let us join hands together and advance our developmental agenda.

Expanded Public Works Programme (EPWP)

In line with the National Government objectives of creating jobs and giving our people skills, we will continue to implement the Expanded Public Works Programme, commonly referred to as the EPWP. I am glad to report that this programme has been so successful.

Future Actions

Our commitment will always remain that of enhancing stronger, better managed and accountable developmental local municipality, one that is better placed to meet the ever emerging demands and new challenges of different communities.

We will to facilitate the adequate and constant maintenance of access roads and to ensure regular maintenance of all internal roads. To date approximately 190 km's of internal roads have been repaired. Key projects in question are the

We will also continue to work with the appointed Land Surveyor to identify vacant land to be surveyed and utilised for future use. To date about 240 residential sites have been identified in Diamanthoogte. Submission have been submitted to COGTA to register the identified 240 sites and to also assist with the provision of basic services on those sites.

The process of ensuring that Grade 12 learners apply for bursaries from the different Sector Departments in order to promote further educational training and tertiary education which will contribute positively to the community of Letsemeng Municipality.

What could you expect from us over the next five years?

- An in depth diagnosis of our IDP document;
- Redesigning and redeveloping our IDP to close the gaps as identified in the diagnosis;
- Effective implementation of our IDP document as the most strategic document of the municipality;

Letsemeng Local Municipality

2012-13 Annual Report

- A detailed, deep and rigorous analysis of the status quo of the municipality with respect to the internal and external environment needs;
- Using the KPAs, while organised as they are to facilitate ease of all our planning and performance;
- Spatial Analysis and Rationale (to serve as a sixth focal area)
- Basic Service Delivery
- Local Economic Development
- Municipal Transformation and Organisational Development
- Municipal Financial Viability and Management
- Good Governance and Public Participation

Thank you

Cllr. Thandiwe I. Reachable
Mayor / Speaker

Letsemeng Local Municipality

2012-13 Annual Report



1.1 FOREWORD: Municipal Manager: Mr. Z. Manjiya

It is an honour for me to present the Letsemeng Local Municipality's Annual Report for the 2012/2013 financial year. The Annual Report outlines the achievements made throughout the year in execution of our mandate from mainly the Constitution of South Africa and the Municipal Finance Management Act and other pieces of legislation that governs local government. The preparation and compilation of the strategic document is one of the requirements by a number of pieces of legislations governing all spheres of government in South Africa.

It is important to inform the public of our mandate and how we fulfilled it during the financial year. Chapter seven (7) of the Constitution gives local government its status as a separate sphere of government and states that, within its financial and its administrative capacity, it must strive to achieve the following:

- To provide democratic and accountable government for local communities
- To ensure the provision of services to the communities in a sustainable manner
- To promote social and economic development
- To promote a safe and healthy environment, and
- To encourage the involvement of communities and community organizations in local government.

But, equally important, the Constitution also outlines specific "developmental duties:" for local government. It states that a municipality must structure and manage its administration, budgeting and planning processes to give priority to the basic needs of the community and to promote the social economic development of the community. It must also participate in national and provincial development programmes. This broadens the roles and responsibilities of our municipality far beyond merely removing refuse and approving building plans.

1.1. Municipal Overview

1.1.1. Demographic Information

Letsemeng Local Municipality is situated in the South Western part of Free State Province and forms part of the Xhariep District Municipality, a rather agricultural rich area with natural economic resources. The local municipality area measures 10 192 square kilometres in extend and comprise the former TLCs of Koffiefontein (which is now the municipal head office), Petrusburg, Jacobsdal, Oppermansgronde and Luckhoff.

(a) *Populations Size and Growth*

Based on the census conducted in 2011, Letsemeng's population was estimated at 38 628 (42 982 during 2001). This represents a significant decrease from the previous census of 2000/2001, as the population decreased with approximately 4 354. It should,

Letsemeng Local Municipality

2012-13 Annual Report

however, be noted that these patterns are difficult to measure, keep track and get the exact reasons for the trends as population migration tend to migrate in an informal way, no proper coordination or monitoring measures are in place. As is inherent even in the official censuses challenges, reasons for such migrations tend to be assumptions rather than facts.

1.1.2. Socio Economic Growth

The socio-economic growth of the municipality is centred on agriculture. The municipality area also has mining activities that are taking place with diamond minerals being the major natural resource which helps with employment creation. The municipality's endeavours in the short term will be to create a business enabling environment to the area, which will automatically attract investors to the area. This will bring significant economic growth to the municipal area.

Self-employment initiatives and SMME development which have been kick started through the Local Economic Development Unit of Letsemeng Municipality have brought a meaningful impact to the job creation component of the municipality. However, the challenge is the sustainability thereof due to limited financial resources and lack of skills by various people to run their own projects. Whilst the trend is worldwide in that about 96% of businesses/projects fail within the first five years, the municipality will make an effort to assist new project owners not to fail and thus, hopefully reduce the failure rate.

1.1.3. Challenges Facing the Municipality

The key challenges facing the municipality relatively remain the same every year. These are as follows:

- Attracting economic investment opportunities to improve the economy of the municipal area;
- Capacity building of staff to execute their tasks effectively in attempting to render efficient government services to the people as per the electoral mandate;
- Creating adequate job creation opportunities in attempting to alleviate poverty;
- Up-liftment of economic development of individuals, like your SMME and BEE development;
- Provide alternative means of support to rural/informal population in order to decrease dependencies on the subsistence agricultural environment;
- Improvement of the road networks (internal and external roads);

Letsemeng Local Municipality

2012-13 Annual Report

Council, management and staff strongly believe that challenges can be effectively addressed only if we maintain and continue to build partnerships that include all spheres of government, organizations of civil society, communities and the private sector.

1.2. Service Delivery Overview

1.2.1. Water

The Municipality's objective remains that of ensuring at least 100% of its inhabitants have access to portable water. Measures are being implemented on a regular and on-going basis to ensure that this objective is achieved. We will continue to ensure that this is met and clean water is delivered to our communities. Where necessary and required, the municipality will engage the Provincial/National Government as well as other key stakeholders. Projects such as the Petrusburg one undertaken in the previous year is an example of such co-ordinated and joint efforts.

1.2.2. Sanitation

The Municipality's continues to provide proper sanitation facilities to all communities. The municipality managed to eradicate all bucket system within the municipal area and this was achieved two years ago, earlier than the target dates set in National Standards.

1.2.3. Electricity

Electricity provision in the Municipality is jointly supplied by ESKOM and the Municipality. The Municipality is servicing all the five towns under its jurisdiction, which are Koffiefontein, Petrusburg, Oppermansgronde, Jacobsdal and Luckhoff. The municipality also sells prepaid electricity to some Koffiefontein and Luckhoff residents. There are townships where ESKOM is the supplier.

1.2.4. Refuse Removal

Waste Removal Services are provided to all the remote towns Koffiefontein, Petrusburg, Luckhoff, Oppermansgronde and Jacobsdal. The Municipality is in a process of developing an Integrated Waste Management Plan. In addition to this land fill sites that are currently used as transfer stations will be registered accordingly and be used fully as land fill sites.

1.2.5. Housing

The objective of the Municipality is to facilitate provision of adequate and affordable housing structures to the communities in its area of jurisdiction. Provision for houses is not the core competency of the Municipality, this objective is undertaken in partnership with the Provincial Department of Human Settlement which continues to allocate houses to residents on an on-going basis. This is mainly due to the fact that demand for housing

Letsemeng Local Municipality

2012-13 Annual Report

remains a big challenge but remain committed to provide shelter to the communities we serve.

1.2.6. Roads and Storm Water

Another aim of the municipality is to facilitate the adequate and constant maintenance of access roads and to ensure regular maintenance of all internal roads. Every year, a lot more kilometres of internal roads have been repaired. To date more than 200 kms of these roads have been repaired. Furthermore, there is an annual allocation of sufficient budget allocation to ensure that roads are maintained.

1.3. Financial Health Overview

The following tables give a brief indication of the foregoing. A more detailed analysis is shown in Chapter 5 of this Annual Report.

1.3.1. Operating Results

Financial Overview – 30 June 2013			
			R' 000
Details	Original budget	Adjustment Budget	Actual
Income			
Grants	68 087	68 087	78 303
Taxes, Levies and tariffs	30 708	37 362	30 709
Other	5 020	2 763	4 713
Sub Total	103 815	108 212	113 730
Less Expenditure	-103 312	-109 289	-111 104
Net Total*	503	-1 077	2 687
* Note: surplus/(deficit)			

Operating Ratios	
Detail	%
Employee Cost	26%
Repairs & Maintenance	3%
Finance Charges & Depreciation	22%

The employee costs constituted 26% of the total operating expenditure, which is relatively below the industry average of 30%. However, this is an decrease from previous year's 27%. This despite the increase in the nominal amounts paid. The reasons for this are the cost cutting measures implemented in other expenditure areas such repairs and maintenance.

Although repairs and maintenance expense decreased by about 1%, it remains within the 4% margin as in the previous period. Finance and depreciation amounted to R21.8 million (2012: R26.5 million). A number of assets are fully depreciated. Measures are in place to replace such assets within the near future

Letsemeng Local Municipality

2012-13 Annual Report

1.3.2. Capital Expenditure

Total Capital Expenditure: Year 2010 to Year 2013			
			R'000
Detail		2012/13	2011/12
Original Budget		23 881	19 500
Adjustment Budget		15 542	25 592
Actual		20 494	16 131

The actual capital expenditure was relatively more than budgeted levels as some projects we need to complete most of these project in time for the community to start benefiting from the use. This can be seen as a more aggressive approach but in our view, the main aim to offer services to our community. That is our main mandate. The major capital expenditures/projects that were undertaken are as follows:

- Construction of 2.2km streets and storm water in Jacobsdal – R4.8 million
- Construction of a Multi Purpose Communication Centre in Koffiefontein – R9.8 million
- Upgrading of sport facilities in Luckhoff – R1.9 million
- Upgrading of streets in Koffiefontein – R400 539
- Electrification of 82 stands in Luckhoff – R396 840

For detailed information refer to Chapter 5.

1.3.3. Cash Flow Management

We believe that one of the ways to be able to offer a good service to our community is to properly manage our finances. Service delivery is greatly linked to cash flow management. In line with that principle, the municipality constantly monitors its cash flows. This is evident by the relatively healthy cash flow position. As at 30 June 2013, our bank and cash balance was R21.8 million whilst our investment balance remained at about R1.8 million.

Our internal controls mechanism in place and management's commitment in adhering to the MFMA regarding cash flow management are yielding the results.

1.4. Organisational Development Overview

1.4.1. Staffing

The municipality continues to make efforts to fill vacancies. Despite having been successful in filling the Corporate Service Director and Technical Director positions, the

Letsemeng Local Municipality

2012-13 Annual Report

Chief Finance Officer left the municipality. There is now an Acting Chief Finance Officer. Measures are in place to fill the vacancy. However, attracting the right calibre of junior officials still remains a major challenge for the municipality. This has led to a number of key positions remaining vacant. As at 30 June 2013, the municipality's vacancy rate was 43%, which is relatively high.

The municipality will continue to provide training to those officials in need of the training (both onsite and offsite) as well as getting interns on the Internship programme. I am pleased to report that of the four interns we had on this programme in the previous intake, the municipality managed to retain all of them. This goes a long way in our capacity building.

1.5. Auditor General Report

I am pleased to report that the municipality received a qualified audit report for the financial year 2012/2013. This was as a result of the municipality firm commitment towards good governance, accountability and efforts to extend to our people the benefits accruing from the resources of this municipality. With this kind of commitment I believe that the next audit opinion will be unqualified. Work has commenced in addressing the key challenges that led us to a qualified audit report.

We are looking forward to improving the opinion in the current year as we move towards the target of Clean Audit by 2014. I have no doubt we will be able to achieve this.

1.6. Statutory Annual Report Process

The municipality strictly adheres to the MFMA Annual Report Timelines. This helps it to be able to provide and submit the annual report to the relevant stakeholders on time. The following is the brief timelines followed for the 2012/13 annual report:

No.	Activity	Timeframe
1	Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period	31/08/2011
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	July
3	Finalise the 4th quarter Report for previous financial year	
4	Submit draft 2011 Annual Report to Internal Audit and Auditor General	
5	Municipal entities submit draft annual reports to MM	
6	Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant)	August
8	Mayor tables the unaudited Annual Report	31/01/2012

Letsemeng Local Municipality 2012-13 Annual Report

9	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General	31/08/2013
10	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	August
11	Auditor General audits Annual Report including consolidated Annual Financial Statements and Performance data	September to November 2013
12	Municipalities receive and start to address the Auditor General's comments	30 November 2013
13	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	30 January
14	Audited Annual Report is made public and representation is invited	7 February 2014
15	Oversight Committee assesses Annual Report	26 March 2014
16	Council adopts Oversight report	30 March 2014
17	Oversight report is made public	April 2014
18	Oversight report is submitted to relevant provincial councils (COGTA)	May 2014
19	Commencement of draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input	January

1.7. Risk Assessment and Shared Audit and Performance Committee

The Municipality was not supported by Risk Assessment from the District and Internal Audit performed risk assessment. It should however be noted that risk assessment is a continuous exercise hence the need to capacitate internal staff in performing this worthwhile function due to emergence of risks in our operational areas on daily basis. Further, the municipality enjoyed the services of the Xhariep District Municipality Shared Audit and Performance Committee as per sec 166 of the MFMA and also activities relating to Performance as per MSA.

1.8. Appreciation

I record my thanks and appreciation to the political leadership for support and guidance. The appreciation is also extended to the management and administration team who selflessly devoted so much time and effort in the execution of their mandates

Mr Z. Manjiya

Acting Municipal Manager

CHAPTER 2

CO-OPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

Introduction

In line with the Intergovernmental Relations Act, Letsemeng Local Municipality does consultations with other government departments such as provincial departments for purposes of informed planning, budgeting and support. The Act promotes engagement of government sectors. It is set to beat the challenge of government sectors working in silos. It encourages government sectors to inform and support one another on their actions and legislations.

Letsemeng Local Municipality believes the consultations with other government sectors were effective. The Mayor/Speaker was selected as a representative to the Intergovernmental Relations structures at the Council meeting held 24 June 2011.

To encourage good governance and public participation, Letsemeng Local Municipality has;

- a) set up section 79 committees as of 24 June 2011. The committees will assist in the disciplines of Finance & Integrated Development Planning, Health, Technical, Corporate Services and Human Resources.
- b) five wards of the Council (six wards after the 2011 local government) and is in the process of setting up the ward committees as of 30 June 2011.
- c) Public participation processes such as IDP and budget public consultations.

The Council of Letsemeng Local Municipality is comprised of 11 Councillors. In terms of section 7 of the Municipal Structures Act, the municipality has a plenary executive system. The system limits the exercise of the executive authority to the Municipal Council itself. The Mayor of the Municipality is also the Speaker.

In addition to the foregoing, the municipality is part of the District's shared Internal Audit Unit. The Internal Audit Unit, which reports to the Audit Committee, provides the much needed review processes and recommendations on the municipality's financial processes and performances as well as comments to the Oversight Committee on the Annual Report.

The Oversight Committee provides Council with comments and recommendations on the Annual Report. The Oversight committee's report will be published separately in accordance with the MFMA.

Letsemeng Local Municipality

2012-13 Annual Report

2.1 Political Governance

The council structure consists of 11 councillors. The council is a plenary system meaning that the Speaker of the council also assumes the responsibilities of the Mayor. There were four Sec 79 committees for the reporting period which were working effectively.

Structure of Council

Name of Councillor	Ward	Party
Mrs T.I. Reachable	Mayor/Speaker	African National Congress
Mr Pudumo J Louw	Chief Whip	African National Congress
Ward Councillors		
Councillor Mike M Tsiloane	Ward 1	African National Congress
Councillor Mzingo Jantjies	Ward 2	African National Congress
Councillor Sibongile Lechoko	Ward 3	African National Congress
Councillor Vuyisile A Mona	Ward 4	African National Congress
Councillor Muso A Mpatshela	Ward 5	African National Congress
Councillor Palesa Dibe	Ward 6	African National Congress
PR Councillors		
Councillor Pudumo J Louw	PR	African National Congress
Councillor Kempen Nel	PR	Democratic Alliance
Councillor Lionel Greef	PR	Democratic Alliance
Councillor Vanitta Coetzee	PR	COPE

PORTFOLIO COMMITTEE

The municipality established Council Portfolio Committees in June 2011. The committees were established in line with Section 79 of the Municipal Structures Act. Section (1) (a) and (b) which states that:

A Municipal Council may;

- (a) Establish one or more committees necessary for the effective and efficient performance of any of its functions or the exercise of any of its powers,*
- (b) Appoint the members of such a committee from among its members*

Letsemeng Local Municipality

2012-13 Annual Report

The Committees established are;

COMMITTEE	MEMBER COUNCILOR
Finance	Cllr. P. Louw
Health	Cllr. M. Mpatshela
Technical & infrastructure	Cllr. M. Jantjies
Human Resources	Cllr M Tsiloane
Safety and Security	Cllr. S. Lecoko
Sports and Social Transformation	Cllr. M. Tsiloane
LED & IDP	Cllr P Dibe

Terms of Reference of Portfolio Committees

Subsection (2) (a) and (b) of the same section states that;

A Municipal Council;

- (a) Must determine the functions of the committee,*
- (b) May delegate duties and powers to it in terms of section 32 of the Municipal Systems Act.*

The terms of reference of the committees had not been established at the end of the financial period under review as stipulated in the Act. The process is underway to clearly define the roles of these committees.

Implementation of Council Resolutions

Council resolutions are implemented as far as possible and there is also an execution list which shows how far the resolution of Council has been implemented. This list is considered by Council (where possible) during ordinary Council meeting or where council minutes are considered.

2.2 Administrative Governance

The administration of the municipality consists of the Municipal Manager and the Managers reporting direct to him. The managers are part of the administrative governance structures at both district and provincial level. For example, the CFO is part of the district CFO Forum and also participates at the SALGA Finance Forum (which is the provincial structure that assists municipalities with financial management functions).

2.3 Intergovernmental Relations

The municipality participates in a number of forums ranging from National to Local. These forums are taken seriously as they help our officials in exchanging ideas with their counterparts on a number of municipal related activities. The following are some of forums in which the municipality participates:

National Intergovernmental Structures

The Municipal Manager and Chief Financial Officer participate in the MMs Forums and CFOs Forums respectively.

During the current year, our senior municipal officials attended various conferences some of which were the IMFO Conference, Durban Conference and the Internal Audit Conference (Internal Audit Indaba)

Provincial Intergovernmental Structures

Our Mayor serves in the Provincial Executive Committee of SALGA of the Free State. This helps here in articulating issues affecting municipalities in general and Letsemeng in particular. Our officials attend any workshops organised by the Provincial Government. During the year a number of such workshops/forums were attended.

District Intergovernmental Structures

At the local level, the Mayor attends the District Mayors' Forums, whilst the MM, CFO and the Corporate Services Manager attend their respective district forums. There are other various administrative forums at the district level that our officials attend.

2.4 Public Meetings

Several public meetings or engagements were held during the year. The objectives and frequency of these meeting or engagements various and at times are ad hoc. For example, during the year the following key engagements with various stakeholders were held:

- The Mayor held several meetings with the farming community and other stakeholders. The main objectives were to discuss issues pertaining to payment of property rates as well as the contribution farmers can make in terms of develop within the municipal area.
- IDP and Budget Public Participation
- Ward Committee meetings

Some of these engagements lead to a draft IDT agreement which, once signed, will be used in the implementation of the LED Strategy.

Letsemeng Local Municipality

2012-13 Annual Report

2.5 IDP Participation and Alignment

IDP Participation and Alignment Criteria*	Yes/No
Does the municipality have impact, outcome, input, output indicators?	Yes
Does the IDP have priorities, objectives, KPIs, development strategies?	Yes
Does the IDP have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	No
Does the budget align directly to the KPIs in the strategic plan?	Yes
Do the IDP KPIs align to the Section 57 Managers	Yes
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	No
Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes	Yes
Were the indicators communicated to the public?	No
Were the four quarter aligned reports submitted within stipulated time frames?	No
* Section 26 Municipal Systems Act 2000	
T2.5.1	

2.6 Risk Management

Letsemeng Local Municipality has developed and approved a risk management strategy but has not established the Risk Management Committee for managing and monitoring of risks on an on-going basis. However there is a committee established internally to deal with operational risk matters however it is not effective. A resolution has been taken that a member of the Shared Audit and Performance Committee becomes the chair of the Risk Committee to ensure its effectiveness and that it functions as intended. There are also no personnel assisting the Chief Risk Officer as he is responsible for the whole district. Internal Audit Unit assist at times however it creates a risk as duties overlap. During the period ending 30 June 2012, reports relating to risk management were presented to the Shared Audit & Performance Committee. Based on the risk management reports presented, the Committee is satisfied that risk within the Municipality is reasonably managed.

Top risks to the municipality

- Operational risks
- Financial risks
- Strategic risks
- Technical risks

2.7 Anti-Corruption and Fraud

The municipality now has an approved Fraud Risk Management Policy and Fraud Prevention Plan in place.

2.8 Internal Controls

Letsemeng Local Municipality also has reasonable internal control mechanisms in place. For example, some of the employees would understate customers' payments recorded

Letsemeng Local Municipality

2012-13 Annual Report

on the manual receipts when these amounts are being captured in the system. This would happen in cases where customers pay in times when the system is down and the amounts are receipted on manual receipts. The officials would then collect the difference. Further, some of the municipal employees misappropriated funds relating to the sale of pre-paid electricity. The misappropriation was identified and investigations are in progress. However, there are some areas that require improvements in the Internal Control Environment and the municipality is in the process of correcting that.

2.9 Supply Chain Management

The Municipality has established a Supply Chain Management Unit as required by legislation. The eminent challenge has been filling the unit with adequately skilled officials. Upon completion of the internship programme, one Intern was absorbed within the unit with the view of capacitating the unit. Since its establishment, there has never been a time where all approved positions within the unit are filled. Currently, the Unit consists of one procurement clerk and demand clerk. The situation poses a serious challenge as controls and procedures are not adhered to during procurement process thereby resulting in irregular expenditure.

2.10 By-Laws

By-laws Introduced during the Current Year 1					
Newly Developed	Revised	Public Participation Conducted Prior to Adoption of By-Laws (Yes/No)	Dates of Public Participation	By-Laws Gazetted * (Yes/No)	Date of Publication
Commonages Standard By Law	New	Yes	02 Sept 2012 to 06 Sept 2012	Yes	20 August 2012
Standard Impoundment of Animals By-Law.	New	Yes	02 Sept 2012 to 06 Sept 2012	Yes	20 August 2012
Standard Informal Settlements By-Law	New	Yes	02 Sept 2012 to 06 Sept 2012	Yes	20 August 2012
Standard Dumping & Littering By Law	New	Yes	02 Sept 2012 to 06 Sept 2012	Yes	20 August 2012
Standard Water Services By Law	New	Yes	02 Sept 2012 to 06 Sept 2012	Yes	20 August 2012
Standard Credit Control & Debt Collection By-Law	New	Yes	02 Sept 2012 to 06 Sept 2012	Yes	20 August 2012
Standard Indigent Support	New	Yes	02 Sept 2012 to 06 Sept 2012	Yes	20 August 2012
Note: See MSA section 13.					

COMMENT ON BY-LAWS

The municipality has, in the previous periods, experienced difficulties in resolving/dealing with reported cases due to lack of regulations. The above by-laws were therefore necessary to enforce the laws.

2.11 Websites

Whilst the municipality's website is not updated on a regular basis and with all the information that is supposed to be uploaded, great strides and achievements have been

Letsemeng Local Municipality

2012-13 Annual Report

made to date. A number of documents were uploaded on time, thus available to the public. Measures are in place to ensure that documents are uploaded on the website on a timely.

CHAPTER 3

3. SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART 1)

Introduction

The Performance report of basic service delivery provides progress made in the provision of basic services to communities which are sanitation, water and the implementation of the indigent policies by Municipalities in an attempt to address the three strategic objectives namely:

- To ensure that services are provided to the community in a sustainable manner
- To promote social and economic development
- To promote safe and healthy environment

A: CORPORATE POLICY OFFICES AND OTHER SERVICES

3.1. ANNUAL PERFORMANCE FOR 2012/13: CORPORATE SERVICE DEPARTMENT

KEY PERFORMANCE AREA	IDP GOAL/OBJECTIVE	KEY PERFORMANCE INDICATOR (KPI)	ANNUAL TARGET	ACHIEVEMENTS/NON-ACHIEVEMENT	COMMENTS
Good Governance	Stability of Council	-Schedule for Council Meeting; -Schedule for Section 79 Committee meetings; -Schedule for Committee meetings	4x Schedule/Programme for Council meeting, Section 79 Committees and Ward Committees	Achieved	
Good Governance	Stability of Council	-Minutes of 4 Ordinary Council meetings; -Agenda for Council issued 24 hours before the date of the meeting; -Minutes of Ordinary Council submitted to Accounting Officer 3 days after the Council	-4 Ordinary Council meetings convene; -Agenda for Council meeting issued to Councillors 24 hours before the date of the meeting; -Minutes for Council submitted to the Accounting Officer 3	Achieved. Achieved. Agendas are sent at least 24 hours before the date of the meeting.	Attached Agenda and minutes for Ordinary Council meeting.

		meeting; -Resolution by Council capture on Execution list.	days after the Council meeting.	Minutes for Council submitted to the Accounting Officer 3 days after the meeting.	
Good Governance	Discipline in the institution	Report on Disciplinary cases	-50 Employees training on Disciplinary Code and procedures; -Cases reported and attended within 90 days;	Partially Achieved.	There are outstanding cases, which are as follows: -Arbitration (official dismissed); -Fraud electric tickets (internal process pending); -Public instigation (internal process pending); -Insubordination (internal process pending).
Good Governance	-Recruitment and Selection policies and procedures	-HR Policy Approved and Implemented -Attendance register for training of Employees and Councillors	-HR Policy Approved and Effectively Implemented; -70 Employees and 6 Councillors.	Partially Achieved as 46 Employees were trained . However, none of the Councillors were trained	Training/Workshop to Councillors is still pending due to their busy schedule. Efforts will be made to ensure that they are trained during the ensuing financial period.
Good Governance	Leave management	-Accurate and reconciled leave register; -Leave applications fully	-Leave register effectively managed and reconciled;	Achieved: All leave applications are captured on system. However, there wer challenges with the Accounting System in	

		<p>completed, signed by relevant parties and relevant supporting documents attached;</p> <p>-Annual leave programme obtain from departments</p> <p>-Attendance register for leave training</p>	<p>-All relevant supporting documents attached to leave applications;</p> <p>-Annual leave plan in place</p> <p>-50 Employees and 6 Councillors trained on leave policy</p>	<p>that it could only be capture a certain maximum number of leave days. This is in the process of being addressed.</p>	
Good Governance	Availability of resources	<p>- Advertisement of posts;</p> <p>-Appointment letters</p> <p>-Submission for Short listed and Interviews conducted</p> <p>- Appointment of successful candidates</p>	<p>Fill all budgeted critical posts</p>	<p>Partially achieved. 46 Critical posts were advertised and shortlisting is completed.</p> <p>The only pending processes are those subsequent to shortlisting i.e. interviewing and appointment of the successful applicants.</p>	
Good Governance	Human Capital Development and productivity	<p>-List of identified employees and allocated with mentors;</p> <p>-Quarterly reports submitted;</p> <p>-Minutes of meetings with employees and mentors</p>	<p>The process is planned for 2012/13 financial year</p>	<p>The following were achieved as detailed below:</p> <p>- 5 Interns appointed and allocated with mentors;</p> <p>-4 Former Interns absorbed and allocated with mentors;</p> <p>-1x Temporary worker mentored</p>	None

				<p>at finance section;</p> <p>- 1x HR Clerk mentored as HR Officer;</p> <p>- 1x Cleaner allocated to registry and mentored.</p> <p>-Meetings are held on monthly basis.</p>	
Financial Viability and Management	Effective budget management	<p>-Training register for S & T and Overtime policies;</p> <p>Budget expenditure report for department;</p> <p>-Overtime reports;</p> <p>-S &T reports</p>	<p>-50 Employees and 6 Councillors trained on overtime policy and S&T policy;</p> <p>-No overspending and under spending on budget expenditure report</p>	<p>Not Achieved</p>	<p>Policy not presented to Employees and Councillors. This will be done in the ensuing period.</p>
Good Governance	Communication Strategy	<p>-Communication Strategy Plan in place;</p> <p>-Attendance Register for training</p>	<p>-No Communication strategy in place</p>	<p>About 60% Achieved:</p>	<p>Draft Communication Strategy Policy is now in place. It will be finalised in the ensuing accounting period.</p>
Good Governance	Effective and Efficient Record management system	<p>-Record Management Policy in place;</p> <p>-Training conducted to employees and Councillors</p>	<p>-No record management in place</p>	<p>About 30% Achieved:</p>	<p>Record Management Policy to be drafted and finalised by the end of 2013.</p>

Good Governance	Effective Implementation of the Municipal Employment Equity ratio	<ul style="list-style-type: none"> -Employment Equity Plan in place; -Attendance register for Employment Equity training; -Human Resource report; -Skill development report 	Draft Employment Equity Policy	<p>60% Partially Achieved:</p> <p>Draft finalised still to be presented to Management and LLF for refinement.</p> <p>-Employment Equity Policy approved and 46 Employees trained.</p>	Equity Plan to be finalised by the end of 2013tra
Good Governance	Organisational Performance Management System development	<ul style="list-style-type: none"> -Approved WSP; -Training nomination list; -Reports on training conducted/attendance register; -Departmental Performance reports 	WSP for 2012/13 approved	<p>50% Partially Achieved:</p> <p>-4 Employees attending MFMP Programme;</p> <p>-1 Employee completed CPMD;</p> <p>-10 Employees completed training on boiler making;</p> <p>-4 Former Interns graduated for MFMP Programme;</p> <p>-1 Cleaner passed Grade 11;</p> <p>-2 Employees graduated for LED and IDP Training Programme;</p> <p>-2 Employees completed training Programme on Local Government Accounting.</p>	The remaining employees will be trained during the 2013 financial year end.

3.2. ANNUAL PERFORMANCE FOR 2012/13: TECHNICAL SERVICE DEPARTMENT

SECTION	IDP GOAL / OBJECTIVE	KEY PERFORMANCE INDICATOR (KPI)	BASELINE (2011-12 FIN) UNAUDITED	ANNUAL TARGET 2012-13	ACHIEVED / NOT ACHIEVED	COMMENTS
Roads	1. To provide safe internal gravel, paved and tarred roads.	1. Reduce accident claims against the Municipality. 2. Improve access to adjacent private property.		1.1 Blading and Re-gravelling of selected internal gravel roads in Bolokanang (4Km).	Achieved	Lack of internal construction plant Slow blading progress, Un-productive internal plant
				1.2 .Paving of internal gravel roads in Ratanang (2Km).	Achieved	
				1.3 Blading of internal gravel roads in Ratanang (2Km) – 202 sites.	Not Achieved	
				1.4 Blading (4Km) and Re-gravelling (2Km) of internal gravel roads in Dithlake.	Partially Achieved	
Stormwater	1. To provide effective stormwater system.	1. Reduction of the risk of internal flooding.		1. Cleaning and reshaping of exiting stormwater channels in Bolokanang (6Km), Dithlake (4Km), Petersburg (5Km)	Not Achieved	Lack of internal personnel and in-adequate construction plant Lack of internal Resources
				2. Construction of stormwater berm, Petersburg (1.5 Km)	Not Achieved	

SECTION	IDP GOAL / OBJECTIVE	KEY PERFORMANCE INDICATOR (KPI)	BASELINE (2011-12 FIN) UNAUDITED	ANNUAL TARGET 2012-13	ACHIEVED / NOT ACHIEVED	COMMENTS
3. Water	1.To provide adequate portable drinking water to IDP standards	1.Improvement of current Blue Drop status		1.Upgrade water purification in Jacobsdal and Luckhoff	Partially Achieved	Projects have been recommended but at 50% projected costs, Reviews are in progress .
		2.Reduction in water shortages/restrictions		2.1 Installation of stand taps in Bolokanang (135)	Partially Achieved	Slow progress, procurement and supply of material is delayed
				2.2Provision of water to 202 sites in Ratanang	Partially Achieved	Awaiting approval for funding from sector Department
				2.3 Provision of water to Phambili	Partially Achieved	Registration of settlement is delayed due to land ownership issues.
					95% Achieved	Procurement and supply of material delayed progress. Project is behind schedule.
				2.4 Construction of new 2MI water tank and 200mm pipeline (800m), control chamber in Petrusburg	Achieved	Poor workman quality by local leaner plumbers has prompted extensive repairs Projects have been recommended but at 50% projected costs, Reviews are in progress.

SECTION	IDP GOAL / OBJECTIVE	KEY PERFORMANCE INDICATOR (KPI)	BASELINE (2011-12 FIN) UNAUDITED	ANNUAL TARGET 2012-13	ACHIEVED / NOT ACHIEVED	COMMENTS
Waste Water/ Sanitation	1.To provide sufficient and efficient internal sewerage network	<p>3.Reduction of water losses (water conservation)</p> <p>1. To improve current Green Drop status</p> <p>2. Reduction in internal sewer spillages and blockages</p>		<p>3. Domestic water leakage repairs in Bolokanang (575)</p> <p>1. Upgrading of treatment plants in Jacobsdal and Luckhoff.</p> <p>2.1Upgrading of aged, small(50mm) internal sewer pipes in Jacobsdal (1.2Km) and Petersburg (5Km)</p> <p>2.2Replacement of old asbestos outfall pipeline and construction of pump station in Jacobsdal (800m)</p>	<p>Partially Achieved</p> <p>Not Achieved</p> <p>Not Achieved</p>	<p>Lack of internal funding, MIG can- not fund the project.</p> <p>Lack of internal funding</p>
5. Electrical	1. To provide efficient electrical supply to the community	1. Provision and Replacement of electrical meters.		<p>1.1Installation of internal electrical network and Pre-paid meters in Luckhoff (82)</p> <p>1.2Replacement of faulty electrical meters in Koffiefontein, Luckhoff and Petersburg (Required Quantities Unknown)</p>	<p>Achieved</p> <p>Achieved but cannot be qualified</p>	<p>1.Project completed with installation 3 additional connections and Pre-paid meters</p> <p>Audits are required to determine the demand for the replacement of electrical meters</p> <p>Procurement and supply of</p>

SECTION	IDP GOAL / OBJECTIVE	KEY PERFORMANCE INDICATOR (KPI)	BASELINE (2011-12 FIN) UNAUDITED	ANNUAL TARGET 2012-13	ACHIEVED / NOT ACHIEVED	COMMENTS
	2. To provide sufficient community lighting	2.Installation of community lighting (high masts)		2.Installation of high mast lights in Bolokanang (3), Ratanang (3) and Dithlake (4)	Partially Achieved	material very slow Lack of internal funding, Sector Department needed to fund Maintenance of existing infrastructure is restricted due to lack of plant and qualified personnel
6.Solid Waste	1.To provide an efficient, integrated solid waste management system	1.Reduction, Limitation of unregulated domestic waste dumping 2.Centralisation of landfill sites to Koffifontein		1.1Construction of internal waste dumping stations in all towns (Quantity to be determined) 1.2Implementation of routine waste removal in all towns 1.3Provision of street based wastebins (100) 2.Upgrading of Koffifontein landfill site	Not Achieved Achieved Not Achieved Partially Achieved	Lack of internal funds Additional plant required to improve impact but the situation is better Lack of internal funds Project Registration pending
	To effect effective departmental management	1.Appointment of key qualified technical personnel		1.Appointment of key technically qualified personnel: i)Electrical Superintendent	Achieved	Interviews suspended due to procedural internal matters

SECTION	IDP GOAL / OBJECTIVE	KEY PERFORMANCE INDICATOR (KPI)	BASELINE (2011-12 FIN) UNAUDITED	ANNUAL TARGET 2012-13	ACHIEVED / NOT ACHIEVED	COMMENTS
		2. Implementation of Fleet Management system		ii)Water Technician iii)Infrastructure Technicians x 2 iv)Technical Officer Branding of existing vehicles (7) 2.2Dispersing of unproductive, old and high maintenance vehicle, plant and materials. Acquisition of additional vehicles and plant (7): i)LDV's x 4 ii)Trailor based Cherrypicker x 1 iii)2 x 1400cc Sedans (Government Garage)	Achieved Achieved Achieved Achieved Not Achieved Partially Achieved Partially achieved	Applications for Technical Officer received and review in progress Pending Quotations Pending approval from Council and CFO CFO's and Council approval pending
	1.To provide	Appointment of local		Appointment of Local SMME's:	Achieved	Signing of Contracts in May

SECTION	IDP GOAL / OBJECTIVE	KEY PERFORMANCE INDICATOR (KPI)	BASELINE (2011-12 FIN) UNAUDITED	ANNUAL TARGET 2012-13	ACHIEVED / NOT ACHIEVED	COMMENTS
	opportunity for local enterprise empowerment	SMME's		Jacobsdal (4) Petersburg (4) Luckhoff (3) Koffiefontein (6) Oppermansgronde (1)		2013
	1.To effect good departmental management and monitoring	1.To make provision for Maintenance and Operational Plans		Appointment of Consultants for development of M&O Plans: i) Electrical ii) Water iii)Roads and stormwater iv)Waste Water v)Mechanical vi) Buildings	Minimal Achieved	Appointments pending
1. Buildings	To provide effect maintenance to municipal building	Renovations and maintenance of buildings: i) Dithlake x 1 ii)Bolokanang x 1 iii)Luckhoff x 2 iv) Jacobsdal x 2 i) Petrusburg x 2		1.Repair work to: i)Offices in Koffiefontein, Luckhoff and Jacobsdal ii)Town Hall in Jacobsdal iii) Stores in Koffiefontein	Partially Achieved	Appointment of local SMME's and Established Contractor delayed

SECTION	IDP GOAL / OBJECTIVE	KEY PERFORMANCE INDICATOR (KPI)	BASELINE (2011-12 FIN) UNAUDITED	ANNUAL TARGET 2012-13	ACHIEVED / NOT ACHIEVED	COMMENTS
2. Parks and Sports facilities	To develop, maintain public facilities promoting community interaction	ii)Koffiefontein x 2 1.Development and upgrading of parks and sports facilities		1.Upgrading and development of local parks, (2) per town i.e 10 per financial year	Partially Achieved	1.Identification by local Councillors is slow, progress is delayed
				2.Upgrading of sports facility in Luckhoff	Partially Achieved	Project progress is delayed due to registration with MIG, due to start end of February 2013
1.Water and Electricity	To enhance revenue collection	1.Audit and Replacement of faulty meters (Quantity unknown)		1.Audit of meters in all town	Partially Achieved	BAC not forming quorum
				2.Replacement of meters: i) Jacobsdal Water (100) ii)Koffiefontein	Partially Achieved	Procurement and supply of material is delaying progress

SECTION	IDP GOAL / OBJECTIVE	KEY PERFORMANCE INDICATOR (KPI)	BASELINE (2011-12 FIN) UNAUDITED	ANNUAL TARGET 2012-13	ACHIEVED / NOT ACHIEVED	COMMENTS
				Electrical (200) Water (200) iii) Petrusburg Electrical (100) Water (200) iv) Luckhoff Water (100)		

3.3. ANNUAL PERFORMANCE FOR 2012/13: BUDGET AND TREASURY OFFICE DEPARTMENT

KEY PERFORMANCE AREA (KPA)	IDP GOAL / OBJECTIVE	KEY PERFORMANCE INDICATOR (KPI)	BASELINE	ANNUAL TARGET 2012-13	ACHIEVEMENTS/NON-ACHIEVEMENT	COMMENTS
Municipal Financial Viability and Management	Improvement of the revenue management and collection	Compile a monthly cut-off list for non-paid / arrear accounts	No monthly cut-off list is compiled for non-paid / arrear accounts	12 monthly cut-off list compiled and submitted to the Municipal Manager for approval	The cut-off list were compiled for the period under review	The cut-off list were compiled for the period under review
Municipal Financial Viability and Management	Improvement of the revenue management and collection	Increase in payment rate for services	The average payment rate is 70% for the 2011-12 financial year	Improve the payment rate to 80% by 30 June 2013	The year-to-date payment rate is at 69%.	The year-to-date payment rate is at 69%.
Municipal Financial Viability and Management	Improvement of the revenue management and collection	Indigent register compiled and updated on a monthly basis	Update done on a quarterly basis to the Mayor and subsequently to Council	12 updates made on the Indigent Register	The indigent register was updated monthly for the period under review.	The indigent register was updated monthly for the period under review.

KEY PERFORMANCE AREA (KPA)	IDP GOAL / OBJECTIVE	KEY PERFORMANCE INDICATOR (KPI)	BASELINE	ANNUAL TARGET 2012-13	ACHIEVEMENTS/NON-ACHIEVEMENT	COMMENTS
Municipal Financial Viability and Management	Effective billing of consumers for services rendered	Number of consumers billed on a monthly basis	Completeness and accuracy of consumers list unknown	95% of consumers billed timeously on a monthly basis	96% of consumers were billed on a monthly basis.	All the consumers are billed on a monthly basis. The total number of consumers amounts to 11 546 and the number of accounts issued is 12 014. There was 96% of consumers billed
Municipal Financial Viability and Management	To identify and investigate inaccurate meter readings / consumptions.	Monthly variance report printed on a monthly basis and variance investigated	No monthly variance report were produced on a monthly basis and variance were only attended when raised by consumers	12 monthly variance reports	No monthly variance reports were generated.	No monthly variance reports were generated.
Service Delivery and Free Basic services	Ensure provision and reporting on Free Basic Services	Free basic services quarterly monitoring report/template submitted to Cogta	Late submission of Free Basic Services quarterly monitoring report/template submitted to Cogta	4 Free Basic Services quarterly monitoring report/template submitted to Cogta within 10 working days after the end of the quarter	The Free basic services quarterly monitoring report was submitted to Cogta on 09 July 2013.	The Free basic services quarterly monitoring report was submitted to Cogta on 09 July 2013.
Good governance and community participation	Improvement of Community and stakeholder participation on the budget process	Inputs / comments requested from stakeholders and considered where necessary	Inputs / comments on the annual budget were requested and considered where necessary	One meeting held on the tabled annual budget	Budget meeting was held for inputs from stakeholders	Budget meeting was held for inputs from stakeholders
Municipal Financial Viability and Management	To compile the annual budget according to the MFMA and relevant legislation	Final draft budget submitted to Council for consideration and approval	2012-13 final draft budget was submitted to Council on 31 May 2012 for consideration and was referred back	Submission of final draft budget to Council by 31 May 2013 for consideration and approval by 30 June	The annual budget was approved by Council on 07 June 2013	The annual budget was approved by Council on 07 June 2013

KEY PERFORMANCE AREA (KPA)	IDP GOAL / OBJECTIVE	KEY PERFORMANCE INDICATOR (KPI)	BASELINE	ANNUAL TARGET 2012-13	ACHIEVEMENTS/NON-ACHIEVEMENT	COMMENTS
			and only approved by 07 June 2012	2013		
Good governance and community participation	Financial and performance reporting done in accordance with the applicable legislation	Monthly financial reporting performed.	Only Appendix B returns were submitted to NT/PT	Submission of 12 section 71 reports to the Municipal Manager; Mayor and NT/PT in Schedule C and Appendix B returns	Appendix B returns were submitted to NT/PT and the Municipal Manager to submit to the Mayor within 10 working days	Appendix B returns were submitted to NT/PT and the Municipal Manager to submit to the Mayor within 10 working days
Good governance and community participation	Financial and performance reporting done in accordance with the applicable legislation	Quarterly financial reporting performed	Quarterly reports were submitted to the Municipal Manager and Mayor	4 quarterly reports submitted to the Municipal Manager; Mayor and Council on the implementation of the annual budget and performance assessment	The 4 th quarterly report will be submitted to Council	The 4 th quarterly report will be submitted to Council
Municipal Financial Viability and Management	Ensure transparent; cost effective and economical procurement processes	Quarterly report on the implementation of the Supply Chain Management policy	Report on the implementation of the SCM Policy was submitted as part of the quarter performance report	4 quarterly reports submitted to the Municipal Manager and Mayor on the implementation of the Supply Chain Management policy	The 4 th quarterly report will be submitted to Council	The 4 th quarterly report will be submitted to Council
Municipal Financial Viability and Management	Ensure transparent reporting on supply chain management processes	Registers for irregular, unauthorised, fruitless and wasteful expenditure	Registers were not kept up to date	4 quarterly reports on irregular, unauthorised, fruitless and wasteful expenditure registers	The 4 th quarterly report will be submitted to Council	The 4 th quarterly report will be submitted to Council
Municipal Financial Viability and Management	Ensure transparent reporting on supply chain management processes	Report on contracts / awards above R100 000	Contracts above R100 000 were not reported on time to NT and Council	100% of awards above R100 000 reported to NT monthly and to Council quarterly	Contracts above R100 000 were not reported on time to NT and Council	Contracts above R100 000 were not reported on time to NT and Council

KEY PERFORMANCE AREA (KPA)	IDP GOAL / OBJECTIVE	KEY PERFORMANCE INDICATOR (KPI)	BASELINE	ANNUAL TARGET 2012-13	ACHIEVEMENTS/NON-ACHIEVEMENT	COMMENTS
Municipal Financial Viability and Management	Ensure transparent; cost effective and economical procurement processes	Number of tenders within the BTO awarded within 90 days from date of advertisement	No tender within the BTO was finalised within 90 days from date of advertisement	All tenders within the BTO to be awarded within 90 days from date of advertisement	No tenders were advertised during the period under review	No tenders were advertised during the period under review
Municipal Financial Viability and Management	To ensure timeous payments of salaries	Payment of salaries to Councillors, and employees made on time (25 th of each month or prior)	Salaries were not always paid on time (25 th of each month)	12 salary payments made to Councillors and employees	The 3 monthly payments were made on the following months: 25 April 2013 24 May 2013 25 June 2013	The 3 monthly payments were made on the following months: 25 April 2013 24 May 2013 25 June 2013
Municipal Financial Viability and Management	To ensure timeous salary deduction on Councillor's and employee's salaries to the relevant third parties	Payments to third parties made on time	Third party payments were made by at least the 7 th of each month	Third parties paid within 7 days from the salary payment date	The third-party payments were made within 7 days for 3 consecutive months.	The third-party payments were made within 7 days for 3 consecutive months.
Municipal Financial Viability and Management	Ensure effective expenditure management	Percentage of creditors paid within 30 days	Creditors were not always paid within 30 days after receiving the relevant statement / invoice	90% of the creditors paid within 30 days after receiving the relevant/correct statement or invoice	Creditors were not always paid within 30 days after receiving the invoice or statement.	Creditors were not always paid within 30 days after receiving the invoice or statement.
Municipal Financial Viability and Management	Conditional grants used and utilised in line with the conditional framework	FMG grants spend by 30 June 2013	100% spending on FMG was achieved late in June 2012	100% spending on FMG	100% spending on FMG was achieved by 30 June 2013	100% spending on FMG was achieved by 30 June 2013
Municipal Financial Viability and Management	Conditional grants used and utilised in line with the	MSIG grants spend by 30 June 2013	100% spending on MSIG was achieved late in June 2012	100% spending on MSIG	100% spending on MSIG was achieved by 30 June 2013	100% spending on MSIG was achieved by 30 June 2013

KEY PERFORMANCE AREA (KPA)	IDP GOAL / OBJECTIVE	KEY PERFORMANCE INDICATOR (KPI)	BASELINE	ANNUAL TARGET 2012-13	ACHIEVEMENTS/NON-ACHIEVEMENT	COMMENTS
Management	conditional framework					
Municipal Financial Viability and Management	Conditional grants used and utilised in line with the conditional framework	Grant register for FMG and MSIG conditional grants	The grant register for FMG and MSIG were only compiled by year end during the 2011-12 financial year	FMG and MSIG grant registers updated on a monthly basis	The grant registers were updated on a monthly basis	The grant registers were updated on a monthly basis
Good governance and community participation	Achievement of the 2014 clean audit objectives	Quarterly reports to management and Council on resolving of PROPAC resolutions pertaining to the BTO	No quarterly reports to Management and Council on resolution of PROPAC queries	100% of the PROPAC resolution implemented as required	No quarterly reports to Management and Council on resolution of PROPAC queries	No quarterly reports to Management and Council on resolution of PROPAC queries
Good governance and community participation	Compile the Interim Financial Statements for submission to AGSA	Quarterly financial statements prepared	No quarterly financial statements were compiled during the 2011-12 financial year	3 quarterly financial statements	Third quarter financial statements were not prepared	Third quarter financial statements were not prepared
Municipal Financial Viability and Management	Compilation of the Municipal valuation roll in line with MPRA	Existence of General Valuation Roll for 2013-14 till 2016-17 financial years	2009 valuation roll was still applicable during 2011-12	Complete General Valuation Roll by 01 July 2013	The new valuation roll was not implemented by 01 July 2013	The new valuation roll was not implemented by 01 July 2013
Good governance and community participation	Promote the culture of consultation within the BTO	Number of departmental meetings held (minutes / audio files)	Four departmental meetings were held during the 2011-12 financial year	12 departmental meetings held on a monthly basis	Only one departmental meeting was held on the 21 June 2013	Only one departmental meeting was held on the 21 June 2013
Good governance and	Promote the culture of consultation between the	Number of Finance Committee	Two Finance Committee meeting were held during the	4 Finance Committee meetings held	Finance Committee meeting was held on the 06 June 2013	Finance Committee meeting was held on the 06 June 2013

KEY PERFORMANCE AREA (KPA)	IDP GOAL / OBJECTIVE	KEY PERFORMANCE INDICATOR (KPI)	BASELINE	ANNUAL TARGET 2012-13	ACHIEVEMENTS/NON-ACHIEVEMENT	COMMENTS
community participation	Administration and Council Committees	meetings held (minutes / audio files)	2011-12 financial year			
Good governance and community participation	Promote Intergovernmental Relations within the provincial and district level	Number of CFO Forums attended	The CFO did not attend all CFO Forums co-ordinated by PT and Xhariep DM	Attend all provincial CFO Forum co-ordinated by PT and all district CFO Forum co-ordinated by Xhariep DM	No CFO Forum was held on the fourth quarter	No CFO Forum was held on the fourth quarter
Municipal transformation and institutional development	Capacity building opportunities and skills programs	Number of external trainings attended by BTO staff	No records of number of trainings attended by BTO officials during the 2011-12 financial year	5 officials trained on GRAP; 2 officials trained on Revenue Management; 2 officials trained on SCM; 1 Councillor trained Oversight Role on Cllrs.	2 officials attended the training on revenue management and debt collection at the district municipality on the 24 April 2013	2 officials attended the training on revenue management and debt collection at the district municipality on the 24 April 2013
Local Economic Development	Promote local economic within the municipality	Payment of SMME's (within Letsemeng jurisdiction) within 20 days of receipt of invoice or statement	SMME's were not always paid within 30 days	100% of local SMME paid within 20 days of receipt of the relevant invoice or statement	SMME's were paid within 20 days of receipt of the invoice	SMME's were paid within 20 days of receipt of the invoice

CHAPTER 4

4. ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE HIGHLIGHTS PART II)

Introduction

The municipality is located in a remote area and has over the years experienced difficulties attracting skilled employees. The municipality therefore relied more on training and retaining staff.

A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

4.1. Employee Totals, Turnover and Vacancies

Employees: Human Resource Services						
Job Level	Year 0	Year				
	Total Number of Filled posts	Total Number of Vacant Posts	Total number of posts on establishment	Total Number of Post Advertised	Vacancies (as a % of total posts) %	Comments
1-3	49	73	122	17	60%	
4-8	51	20	71	9	28%	
9-13	25	11	36	15	31%	
14-16	1	5	6	5	83%	
MM	1	0	1	0	0	
Section 56	2	2	4	1	50%	This relates to the CFOs position, which fell vacant during the year.
Councillors	11		11	0	0	
Total	141	109	250	46	43.6%	

EMPLOYEES					
Description	Year: 0	Year: 1		Year: 2	
	Employee No	Approved Post No	Employees No	Vacancies No.	Vacancies
Legislatures	11	11	11	0	None
Municipal Manager	1	1	1	0	None
Section 56/57	2	3	2	1	33%
Cemeteries/Sports Ground/Council Building	0	10	0	10	10 x General Labourers

Letsemeng Local Municipality

2012-13 Annual Report

Civil Engineering, mechanical and Technical maintenance services	0	12	0	12	1x Civil Technician, 1x Mechanic, 7x General labours, 2x Supervisor, 1x TLB Operator
Water & Sewage Services	87	95	87	8	1x Water and sewerage, 1x Waste Water Supervisor, 1x Water quality Technician, 2x Plumbers, & 2 Water purifiers, 1x WWT Operators
Water	10	12	10	2	2x Process Controllers
Waste Management Service	0	16	0	16	10x General Labourers, 3x Compactor drivers & 3x Tractor drivers.
Project Management Unit	0	3	0	3	1x Project Unit Manager, 1x Technician & 1x Data Capturer
Electricians	3	11	3	8	4x Electricians, 3x Artisans, 1x Head of Section
Community Service	2	9	2	7	4x Unit Managers, 2x Customer care & 1x Community Service Manager.
Housing Section	1	9	1	8	1x Land Officer, 5x Pounder Master, 2x Housing Clerks
Corporate Service	5	15	5	10	1x HR Manager, 1x SDF, 1x Legal Service, 1x Admin Manager, 2x Cleaner, 1x Messenger driver, 1x Secretary, 1x Committee Clerk & 1x Typist
Municipal Managers Office	2	4	2	2	1x IDP/LED Manager, 1x PMS Officer
Finance department	12	31	12	19	1x Payroll, 1x Asset Practitioner, 1x Supply Chain Practitioner, 1x Income and Budget Expenditure, 4x Credit Controls, 2x Data Capturer, 1x Secretary & 1x Supply Chain Clerk.
Office of the Mayor	4	8	4	4	1x YDO, 1x Public Participation Officer, 1x PA to Mayor's office & 1x Special Programmes Officer
Total	141	250	141	109	

Letsemeng Local Municipality

2012-13 Annual Report

Vacancy Rate: Year 2012/13			
Description	Total Approved Posts No.	Vacancies Total time that vacancies exist including full time equivalent No.	Vacancies (as proportion of total posts in each category)
Legislature	11	None	0
Municipal Manager	1	None	0
CFO	1	3 months	100%
Other S57 (excluding finance post)	2	None	0
Middle Managers (Tactical Skill)	6	12 months	5
Specialised Officers	36	12 months	11
Discretionary Employees	71	12 months	20
Basic Employees	122	12 months	73
Total	250		109

Turn-Over Rate			
Details	Total Appointments as of beginning of Financial Year No.	Termination during the financial year No	Turnover rate
2006/07	6	4	67%
2007/8	10	2	20%
2008/09	0	2	0%
2009/10	5	0	0%
2010/11	2	2	100%
2011/12	16	5	31.2%
2012/13	6	2	33%

COMMENTS ON VACANCIES AND TURNOVER

The municipality has advertised and shortlisted on most of the vacant posts. The only pending process is to interview and appoint the successful applicants. It should, however, be noted that it has been a challenge for the municipality to attract highly skilled labour as it is located in a remote area. However, all the section 57 Managers, except for the Chief Finance Officer who left during the current year, posts are filled. The municipality has adopted a strategy to try and retain all the interns that comes through the internship programme. As a result all the four interns who completed their training in 2012 were retained.

Letsemeng Local Municipality

2012-13 Annual Report

B: MANAGING THE MUNICIPAL WORKFORCE

4.2. Policies

We continue to review and draft policies as depicted by our operations and new Accounting Standards (GRAP) released. The following are the policies where there were major changes:

MUNICIPALITY POLICY	MAJOR CHANGES EFFECTED
Supply Chain Management	<ul style="list-style-type: none"> Changed the threshold for written quotations to be in line with Government Gazette No. 34350 issued in June 2011. Ensured that the entire policy meets the foregoing Gazette requirements such as emphasising the requirements of BBBEE certificates
IT Data & Systems Security	<ul style="list-style-type: none"> Significantly enhanced the General and Application controls in the Information system (IS) environment. A wide range of new requirements were proposed such as: <ul style="list-style-type: none"> - Changing of SEBATA accounting system's password policy, - Currently the system allows password setup of at least two characters that exposes the system to unauthorised access. - We proposed a change in password policy to the requirement that at least four (4) alpha-numeric characters. Managing change in information security policy for example: <ul style="list-style-type: none"> - change request submission - change request review - change request approval & - change request implementation
Disclosure of financial interests and related Parties	<ul style="list-style-type: none"> Ensuring compliance with IAS 24 and recommendation of early adoption of GRAP 20. No municipal official will do business with the municipality.
Travel & Subsistence	<ul style="list-style-type: none"> Incorporated a section that clearly explains the process of payment of travel allowances and effect on the officials when they do not submit invoices. This has always been a challenge in that there will be quotations with no invoices Included a section that deals with the fact that all payments should be done in terms of the SCM policy as the old policy was rather silent, which would complicate the procurement process.
Funding & Reserves Policy	<ul style="list-style-type: none"> Ensured compliance with GRAP 1-Presentation of financial statements. Ensured compliance with Municipal Property Rates Act as far as Valuation reserve is concerned.

During the review processes, some of the policies were merged into one policy due to a number of factors. The following are the major policies that were merged:

Letsemeng Local Municipality

2012-13 Annual Report

MUNICIPALITY POLICY	STATUS
Information Security Management Policy	<p>This resulted from merging the following policies as they are closely related in nature:</p> <p>(a) Electronic information policy The main issues covered in such a policy are issues such as Emails, Portable Devices, Use of desktops etc.</p> <p>(b) Data backup (IT data). The ultimate policy name was changed to Information Security Management Policy.</p>
IT Network	<p>This policy was merged with IT Network Security as the issues are closely related. The combined policy was thus renamed to IT Network and Network Security.</p>
Disclosure of Interest and Related Parties	<p>This was merged with Disclosure of Financial Interests and related parties. The combined policy was named Disclosure of Financial Interests and Related Parties.</p>

The following other policies remained in place, with some having had minor changes that did not warrant specific mention.

	Name of Policy
1	Affirmative Action
2	Attraction and Retention
3	Code of conduct for Employees
4	Delegations, Authorisation & Responsibility
5	Disciplinary Code and Procedures
6	Essential Service
7	Employee Assistance/Wellness
8	Employment Equity
9	Exit Management
10	Grievance Procedure
11	HIV/AIDS
12	Human Resource Development
13	Information Technology

Letsemeng Local Municipality

2012-13 Annual Report

14	Job Evaluation
15	Leave
16	Occupational Health and Safety
17	Official Housing
18	Official Journey
19	Official Transport to attend Funerals
20	Officials working Hours and Overtime
21	Organisational rights
22	Payroll Deduction
23	Performance Management of Development
24	Recruitment, Selection and Appointments
25	Remuneration Scales and Allowance
26	Resettlement
27	Sexual Harassments
28	Skill Development
29	Smoking
30	Special Skills
31	Work Organisation
32	Uniforms and Protection Clothing
33	Other: Head Hunting

4.3. Injuries, Sickness and Suspensions

Number and Cost of Injuries on Duty					
Type of Injury	Injury leave taken Days	Employee using Injury leave No.	Proportion employees using sick leave %	Average Injury leave per employee Days	Total Estimated Cost
Required basic medical attention only	42	2	5%	21	7 182
Temporary total disablement	0	0	0	0	0
Permanent disablement	252	1	0.4%	252	68766
Total	294	3	5.4%	273	75 948

Number of days and Cost of Sick Leave (excluding Injuries on duty)						
Salary band	Total sick leave Days	Proportion of sick leave without medical certificates	Employees using sick leave No.	Total employees in post	Average sick leave per employees Days	Estimated Cost

Letsemeng Local Municipality 2012-13 Annual Report

		%		No.		
Lower skilled (Level 1-2)	289	5%	72	82	80	310
Skilled (Level 3-5)	307	20%	62	41	80	510
Highly skilled production (level 6-8)	103	30%	5	32	80	857
Highly skilled supervision (9-12)	3	15%	1	1	80	1142
Senior Management (level 13-15)	0	5%	0	0	80	0
MM and S57	8	0	2	4	80	2 142
Total	710	75%	142	160	480	4 961

Medical certificate is not required if sick leave days are less than 3 days.

Number and Period of Suspension

Position	Nature of Alleged Misconduct	Date of Suspension	Details of Disciplinary Action taken or Status of Case and Reasons why not finalised	Date finalised
3x Cashiers & Supervisor	Fraud on Electricity Sale amounting to R280 000	July 2011	-Fraud case opened with SAPS, investigations still not finalised yet. -Internal disciplinary proceedings are still going on.	Not yet finalised
Registry Clerk	Instigate Community to fight against the Municipality	18 April 2012	Employee was suspended, Internal disciplinary process took place and the employee was dismissed.	October 2012
Temporary Worker	Instigate Community to fight against the Municipality	July 2012	Employee suspended with full pay case will be finalised on the 7 November 2012	Case finalised 7 November 2012
1 x Cashier	Fraud on Electricity Sale amounting to R77 000. This occurred during the current financial period.	August 2013	-Fraud case opened with SAPS, investigations still not finalised yet. -Internal disciplinary proceedings are still going on.	Not yet finalised

Letsemeng Local Municipality

2012-13 Annual Report

Disciplinary Action Taken on Cases of Financial Misconduct			
Position	Nature of Alleged Misconduct and Rand value of any loss to the municipality	Disciplinary action taken	Date finalised.
1 x Cashier	Fraud on Electricity Sale amounting to R77 000. This occurred during the current financial period.	-Fraud case opened with SAPS, investigations still not finalised yet. -Internal disciplinary proceedings are still going on.	Not yet finalised
3x Cashiers & Supervisor	Fraud on Electricity Sale amounting to R280 000	-Fraud case opened with SAPS, investigations still not finalised yet. -Internal disciplinary proceedings are still going on.	Not finalised

COMMENTS ON SUSPENSIONS AND CASES OF FINANCIAL MISCONDUCT:

Number of misconduct cases reported is reducing due to training that was conducted to all employees in the municipality across the board and enhanced internal controls in place. Supervisors currently understand disciplinary code and procedures.

4.4. Performance Rewards

Performance Rewards by Gender					
Designation	Gender	Total number of employees in group	Total number of beneficiaries	Expenditure on reward Year 1 R'000	Proportion of beneficiaries within group %
Lower skilled (levels 1-2)	Female	None	None	None	None
	Male	None	None	None	None
Skilled (level 3-5)	Female	None	None	None	None
	Male	None	None	None	None
Highly skilled production (level 6-8)	Female	None	None	None	None
	Male	None	None	None	None
Highly skilled supervision (level 9-12)	Female	None	None	None	None
	Male	None	None	None	None
Senior management (levels 13-15)	Female	None	None	None	None
	Male	None	None	None	None
MM and S57	Female	None	None	None	None
	Male	None	None	None	None
Total	0	0	0	0	0

COMMENTS ON PERFORMANCE REWARD:

Letsemeng Local Municipality

2012-13 Annual Report

Letsemeng Municipality is in process to develop Performance Management and Development System that will be applicable to employees in the lower rank than Section 57 Managers. Policy has been developed still waiting Rewarding guideline framework to be approved by province.

C: CAPACITATING THE MUNICIPAL WORKFORCE

4.5. Skills Development and Training

Skills Matrix						Number of skilled employees required and actual as 30 June 2013					
Management level	Gender	Employees in post as at 30 June 2012	Learner ship			Skill Programme & other short courses			Other forms of Training		
		No	Actual End of 0	Actual End of Year 1	Target	Actual End of 0	Actual End of Year 1	Target	Actual End of 0	Actual End of Year 1	Target
MM and S57	Female	1	0	0	0	0	1	1	0	0	0
	Male	3	0	0	0	2	2	3	0	0	0
Councillors, Senior officials and Managers	Female	3	0	0	0	0	3	3	0	0	0
	Male	8	0	0	0	0	8	8	3	3	3
Technicians and associated professionals	Female	0	0	0	0	0	15	15	3	3	3
	Male	0	0	15	60	0	15	15	3	3	3
Professionals	Female	3	0	0	0	0	1	3	3	3	3
	Male	4	0	0	0	3	4	4	3	3	3
Total		22	0	15	60	5	50	52	15	15	15

Other forms of training will be in-house training on HR Policies, Code of Conduct and new directives that are to be implemented.

The CFO resigned with effect from March 2013.

Letsemeng Local Municipality

2012-13 Annual Report

Financial Competency Development Progress Report

Description	A Total number of officials employed by municipality (Regulation 14 (4)(a) and (c))	B Total number of officials employed by municipal entities (Regulation 14 (4)(a) and (c))	Consolidated Total of A & B	Consolidated Competency Assessment completed for A& B (Regulation 14 (4)(a) and (c))	Consolidated Total number of officials whose performance agreement comply with (Regulation 14 (4)(a) and (c))	Consolidated Total number of officials that meet prescribed competency levels (Regulation 14 (4)(a) and (c))
Financial Officials						
Accounting Officer	1	0	1	0	1	0
Chief Financial Officer	0	0	0	0	0	0
Senior Managers	2	0	2	0	2	0
Any other financial Officials	18	0	18	4	0	4
Supply Chain Management Officials	1	0	1	0	0	0
Total	22	0	22	4	4	4

Skill Development Expenditure

R'000

Management Level	Gender	Employees as at the beginning of the financial year	Original Budget and Actual Expenditure on skills development Year 1							
			Learner ship		Skills Programmes & other short courses		Other forms of training		Total	
		No.	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual
MM and S57	Female	1	0	0	6 000	56 000	0	0	6 000	56 000
	Male	2	0	0	0	0	30 000	65 000	30 000	65 000
Legislators, senior officials and managers	Female	3	0	0	0	0	0	0	0	0
	Male	8	0	0	0	0	0	0	0	0
Professionals	Female	3	0	0	0	0	0	0	0	0
	Male	4	0	0	0	0	0	0	0	0
Technicians and associate professionals	Female	0	0	0	0	0	0	0	0	0
	Male	0	0	0	5 000	56 000	0	0	5 000	56 000
Clerks	Female	2	0	0	0	0	0	0	0	0
	Male	11	0	0	0	0	0	0	0	0
Community	Female	0	0	0	20 000	20 000	0	0	20 000	20 000

Letsemeng Local Municipality 2012-13 Annual Report

and Personal Service Workers	Male	11	0	0	20 000	30 000	0	0	20 000	30 000
Plant and machine operators and assemblers	Female	12	0	0	0	0	0	0	0	0
	Male	0	0	0	0	0	0	0	0	0
Labourers	Female	0	0	0	0	0	0	0	0	0
	Male	83	0	0	0	0	0	0	0	0
Total		141	0	0	51 000	162 000	30 000	65 000	81 000	227 000

COMMENT ON SKILL DEVELOPMENT AND RELATED EXPENDITURE AND ON THE FINANCIAL COMPETENCY REGULATION:

Financial Competency Regulation: MM, S56 Managers and Middle Managers were enrolled for the CPMD Programme and completed early 2013. 4 Interns have completed a programme (CPMD and MFMP).

Skill Development: 4x Employees were trained on Local Government accounting; 1 Employee trained on Housing; 1 Employee registered for CPMD course, 25 unemployed youth are on brick laying and Plumbing learner ship; 50 unemployed are on Plant Controllers learner ship; 2 employee attending LED Course, 1 employee attending IDP training, 2x IT Interns trained on advance Information Technology.

Number of Employees Whose Salaries Were Increased due To their Position being Upgraded		
Beneficiaries	Gender	Total
None	None	None
Total		
COMMENTS: No filled positions were upgraded in Letsemeng municipality.		

Employees Whose Salary Levels Exceed The Grade Determined By Job Evaluation				
Occupation	Number of employees	Job Evaluation level	Remuneration level	Reasons for deviation
None	None	None	None	None
COMMENTS: All positions are job evaluated considering responsibilities of the post (Job description). The municipality is also standard bench marking with municipalities in the same grade as ours for not to deviate from the required standard or framework.				

Letsemeng Local Municipality

2012-13 Annual Report

Employees appointed to posts not approved				
Department	Level	Date of Appointment	No. appointed	Reason for appointment when no established post exist
None	None	None	None	None
COMMENTS: Appointments are only done when posts are approved on Organogram/establishment.				

CHAPTER 5

5. FINANCIAL PERFORMANCE

Introduction

The municipality's performance during the year under review has been satisfactory, reasonably sound and is not experiencing any financial distress at the moment. To curb inflationary pressures, the municipality does invest excess funds and monitors projects closely to facilitate completion within targeted timeframes.

With the GRAP 24 (Presentation of Budget Information in Financial Statements) now effective, detailed analysis and comments for comparatives of Actual against Budgeted Amounts are shown in the financial statements, which forms part of this report.

A: STATEMENT OF FINANCIAL PERFORMANCE

5.1. Statement of Financial Performance

Total recognised income was R6.9 more than the budgeted representing a positive variance of 6%. The highlights of income recognised are as follows:

- Budgeted service charges were about R17.5 million below the budgeted amounts. The variance was due to free basic services being budgeted for in service charges while the funding of these services is from equitable share.
- Actual property rates were about R0.913 million more than the budgeted amounts.
- Investment revenue amounted to R3.43 and the budgeted amount R1.3 million representing a 1.64% favourable variance. The municipality monitored its cash flow and invested a lot of the funds that were not immediately required to earn interest. Very little cash was kept in the current account.
- Operational grants recognised amounted to R77.1 million and the budgeted grants income was R72.6 million representing a favourable 6.2 % variance.

Total expenditure incurred amounted to R111.04 million and the budgeted expenditure was R109.289 million. The variance was overall 2%. The highlights of the municipality's expenditures are:

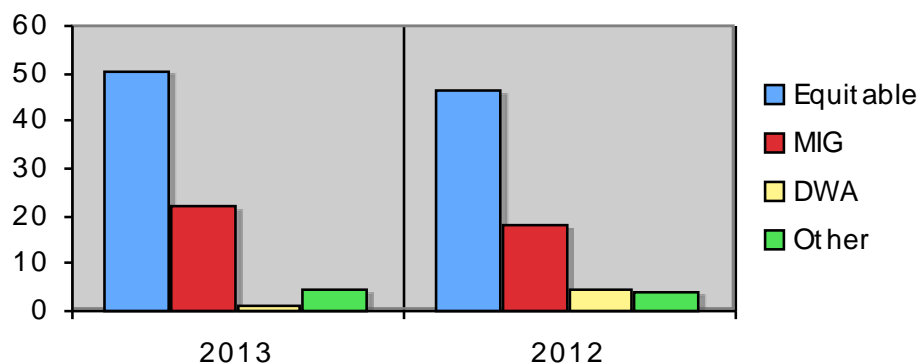
- Depreciation & asset impairment amounted to R19 million while the budgeted amount was R10.7 million. The variance of 78% was mainly caused by the under budgeting of the expense..
- There was a saving of about R10.2 million on all other expenses as the total budgeted other expenses were R41 compared to the actual expenditure of about R30.8 million. This is mainly due to the cost cutting measures that are being implemented by the municipality.

5.2. Statement of financial Position

The municipality continues to employ prudent measures. Thus the municipality is still solvent, unlike other municipalities who are insolvent. The key highlights are as follows:

- Current assets favourable exceed current liabilities by R28.8 million. Of this positive variance, about R19.5 million is liquid assets as it is cash and cash equivalents.
- Assets exceed liabilities by about R616.5 million.
- Of the total liabilities balance of R50 million, about R10 and R1.4 million relates to Post Retirement Medical Aid benefit and Long Service Award respectively. Both of these are long term. Further, R27 million relates to Land rehabilitation provision.

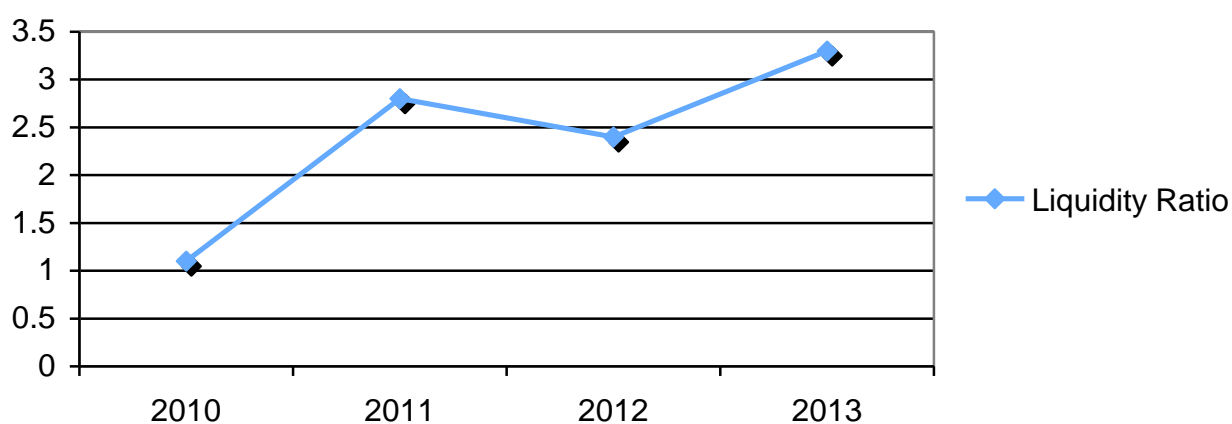
5.3. Grants



COMMENTS ON GRANTS

- Other grants includes FMG, MSIG, EPWP and CoGTA grants. The marginal increase this year was mainly due to receipt of the Police Road Transport and Department of Health grants amounting to R1.2 million, which were not received in the prior year.
- About R3.9 million more for the MIG was transferred from Unspent conditional grant to Income as the conditions were met. This was mainly due to the completion of the projects that were in progress in the prior year.
- Regarding the Department of Water Affairs (DWA) grant, the amount spent this year was the remaining amount carried forward from the prior year. No additional funds were disbursed during the year as the project was nearing completion.

5.4. Financial Ratios Based on Key Performance Indicators



Formula: $(\text{Current Assets} - \text{Inventory}) / \text{Current Liabilities}$

COMMENTS ON FINANCIAL RATIOS

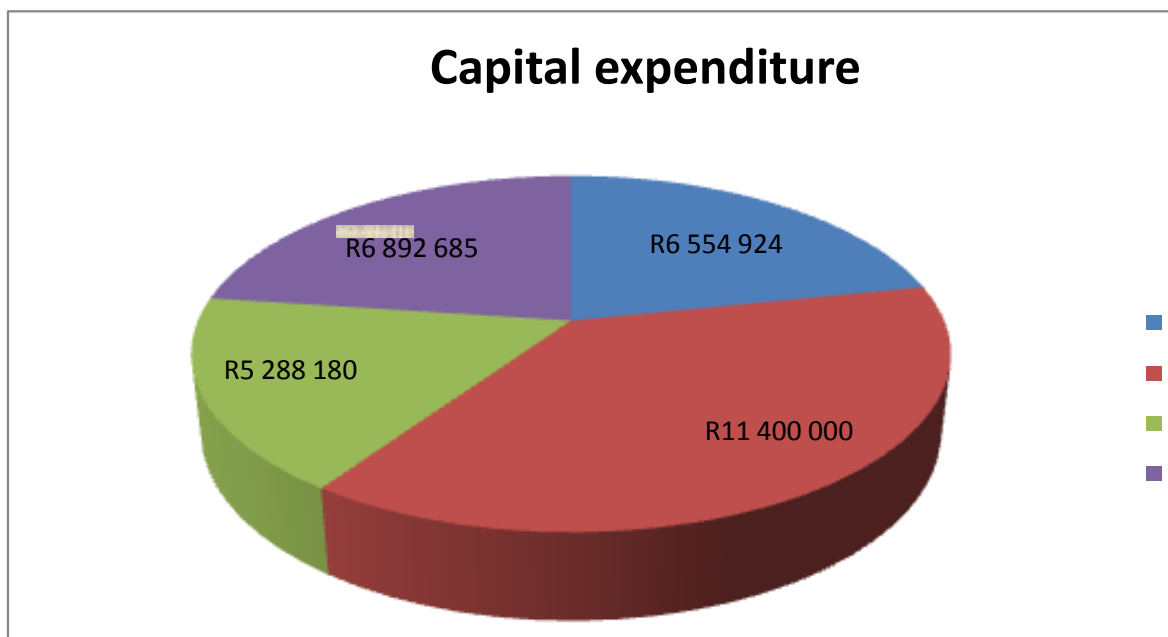
The municipality 2012/13 liquidity ratio is almost 3 times from 1.1 times in 2009/10. The improvement in the ratio is attributable to higher cash and investment balances.

The municipality's outstanding debtors' ratio has deteriorated due to revenue collection challenges as a result of the understaffed credit control department and current economic hardships.

5.5. Asset Management

The municipality has approved the capital expenditure budget of R 23.8 million and it was adjusted to R25.5 million after the mid-year assessment in January 2013. The capital expenditure incurred for the period under review amounts to R6.8 million which is approximately 27% of the adjustment budget. The expenditure was funded as follows:

Own funds:	R 370 729
Grants:	R 6 892 685



The graph above shows the movement in the capital spending of the municipality. There was a spending of R6.5 million in the first quarter, R11.4 million in the second quarter, R5.2 million in the third quarter and R6.8 million in the 4th quarter.

The spending in the fourth quarter increased with R1.6 million compared to the previous quarter. The funds were used for construction of New Multipurpose Centre and construction 2km access road and storm water in Ratanang, the 2 projects were funded through Municipal Infrastructure Grant.

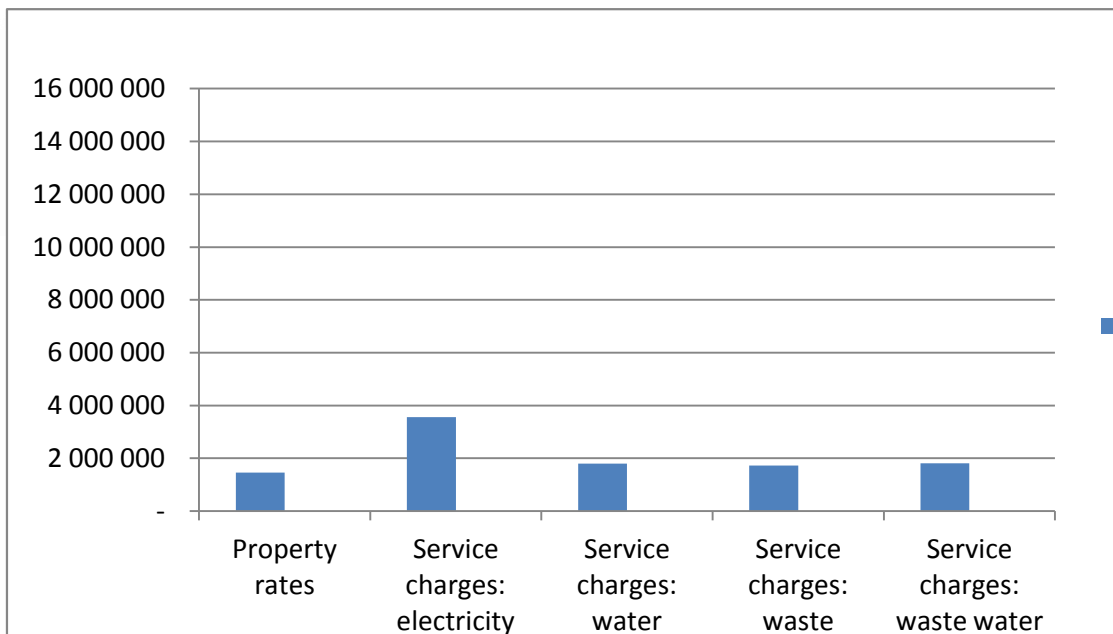
5.6. Service Charges

The table below shows the budget performance on the adjustment budget of R47.3 million. A total of R10.3 million was billed for the period under review which is 22% of the adjustment budget.

PROPERTY RATES AND SERVICE CHARGES AS AT 30 JUNE 2013											
Revenue Source	Adjusted Budget	Quarter 1	Quarter 2	Quarter 3	April 13	May 13	June 13	Total Billing		Year to date	
		Billed	Billed	Billed	Billed	Billed	Billed	R	%	Billing R	Billing %
Property rates	6 382 000	2 002 754	2 065 828	1 826 921	367 693	539 594	553 268	1 460 555	23%	7 356 058	115%
Service charges: electricity consumption	8 952 450	1 558 834	1 491 393	1 543 785	480 242	490 624	536 839	1 507 705	17%	6 101 717	68%
Service charges: electricity pre-paid	11 500 200	1 958 935	1 676 998	1 994 687	592 139	595 179	865 237	2 052 555	18%	7 683 175	67%
Service charges: water	7 905 000	1 755 143	1 774 844	1 834 943	575 215	569 386	657 692	1 802 293	23%	7 167 223	91%
Service charges: waste management	6 314 000	1 741 108	1 736 995	1 756 615	566 041	574 647	582 584	1 723 272	27%	6 957 990	110%
Service charges: waste water management	6 308 000	1 793 834	1 783 218	1 812 801	603 988	606 122	601 914	1 812 024	29%	7 201 877	114%
Total	47 361 650	10 810 608	10 529 276	10 769 751	3 185 318	3 375 552	3 797 534	10 358 404	22%	42 468 040	90%

The year-to-date billing amounts to R42.4 million which is 90% of the budget.

Billing vs Actual



Property rates collected amounts to R1.3 million which is 92% of the billed amount, while the amount for electricity-consumption equals to R1.8 million which is 123% of the billed income and electricity-pre-paid equals to R2.2 million of the billed income which is 112%.

Water income collection amounts to R1.0 million which is 57% of the billed amount. The collection rate at water revenue is not satisfactory. Poor payment rates are evident within waste management and waste water management services which are 35% and 37% respectively. There were no new connections and disconnections made since April to June 2013.

PROPERTY RATES AND SERVICE CHARGES AS AT 31 MARCH 2013												
Revenue Source	Year-to-date	Total Billing	Quarter 1	Quarter 2	Quarter 3	April '13	May '13	June '13	Total Actual		Year-to-date	
	Billing	Quarter 4	Actual	Actual	Actual	Actual	Actual	Actual	R	%	Actual R	Actual %
Property rates	7 356 058	1 460 555	1 287 096	1 539 788	1 459 266	354 132	442 553	541 054	1 337 739	92%	5 623 889	76%
Service charges: electricity consumption	6 101 717	1 507 705	1 837 695	1 646 937	1 759 591	657 676	564 174	638 989	1 860 839	123%	7 105 062	116%
Service charges: electricity pre-paid	7 683 175	2 052 555	2 170 061	1 877 583	2 142 889	659 470	669 017	963 917	2 292 404	112%	8 482 937	110%
Service charges: water	7 167 223	1 802 293	804 398	928 567	966 109	334 495	321 572	368 182	1 024 249	57%	3 723 323	52%
Service charges: waste management	6 957 990	1 723 272	494 727	472 435	542 368	193 130	181 476	234 142	608 748	35%	2 118 278	30%
Service charges: waste water management	7 201 877	1 812 024	567 124	529 041	628 278	213 053	203 977	258 288	675 318	37%	2 399 761	33%
Total	42 468 040	10 358 404	7 161 101	6 994 351	7 498 501	2 411 955	2 382 770	3 004 572	7 799 296	75%	29 453 249	69%

Evidence depicted by the above graph that despite the Municipality being able to bill for services rendered at acceptable rates, the collection rates are not satisfactory. The collection rates that are acceptable are on the electricity services and property rates.

Below is the actual receipt per town, a total of R8.0 million was received as at 30 June 2013 on R10.3 million of the billed revenue. The highest payment rate is in Koffiefontein with R6.1 million, this is due to the prepaid services.

PAYMENT PER TOWN				
Towns	April '13	May '13	June '13	Total
Koffiefontein	1 833 890	1 826 760	2 448 713	6 109 363
Petrusburg	425 525	356 453	403 879	1 185 856
Jacobsdal	110 862	131 048	105 011	346 922
Luckhoff	123 777	115 599	144 212	383 587
Oppermans	5 510	5 595	4 785	15 890
Total	2 499 563	2 435 454	3 106 600	8 041 618

5.6.1. Indigents Households

The municipality embarked on an indigent registration for the quarter under review. The table below indicates the number of registered indigents from April to June 2013. At the end of June the number has increased by 61.

April 2013: 4992
 May 2013: 4983
 June 2013: 5053

5.7. Debtors Analysis

The debtors of the municipality arise from the households, government, business and other. These debtors arise from the following services, water, electricity, sewerage and refuse removal.

5.7.1. Debtors per Service

The table below shows the total outstanding debtors of the municipality as at 30 June 2013 which was standing at R29.8 million, the debtor's amount did not change compared to previous quarter. As much as the municipality has not accounted for write-offs, the amount is quite significant.

DEBTORS AGE ANALYSIS BY SERVICE										
DEBTORS	0 - 30 DAYS	%	31-60 DAYS	%	61-90 DAYS	%	91-120 DAYS	%	Total	%
WATER	761 004	11%	272 519	4%	238 155	3%	5 616 107	82%	6 887 785	23%
ELECTRICITY	587 594	33%	181 633	10%	119 123	7%	882 952	50%	1 771 302	6%
RATES	475 823	6%	382 781	5%	352 642	4%	6 797 585	85%	8 008 831	27%
SEWERAGE	705 375	11%	198 434	3%	176 413	3%	5 293 702	83%	6 373 924	21%
REFUSE	682 577	11%	194 907	3%	169 769	3%	5 090 762	83%	6 138 015	21%
RENTAL	14 651	10%	3 651	3%	3 256	2%	118 008	85%	139 566	0%
OTHER	23 753	4%	8 564	2%	8 479	2%	498 639	92%	539 435	2%
TOTAL	3 250 777	11%	1 242 489	4%	1 067 837	4%	24 297 755	81%	29 858 858	100%

5.7.2. Debtors per Customer Group

DEBTORS AGE ANALYSIS BY CUSTOMER GROUP										
DEBTORS	0 - 30 DAYS	%	31-60 DAYS	%	61-90 DAYS	%	91-120 DAYS	%	Total	%
GOVERNMENT	278 650	39%	118 202	17%	69 823	10%	239 302	34%	705 977	2%
BUSINESS	547 653	12%	186 470	4%	163 717	4%	3 544 833	80%	4 442 673	15%
HOUSEHOLDS	2 217 051	11%	753 619	4%	651 151	3%	16 145 634	82%	19 767 455	66%
OTHER	207 423	4%	184 198	4%	183 146	4%	4 367 986	88%	4 942 753	17%
TOTAL	3 250 777	11%	1 242 489	4%	1 067 837	4%	24 297 755	81%	29 858 858	100%

The above table shows that household consumers do not pay for services rendered to them. This poses a serious threat on the financial sustainability and overall provision of services by the municipality as households form a major part of the consumers.

Current debtors are standing at R3.2 million (11%), debtors between 31 – 60 days amount to R1.2 million (4%), debtors between 61-90 days amount to R1 million (4%) and debtors between 91-120 days amount to R24.2 million (81%) of the total outstanding debtors.

5.8. Credit Rating

The municipality has not performed any credit ratings in the past. This is mainly because of the fact that in the recent past, there has not been any need to borrow funds on the open market. The only major facility that the municipality had was the overdraft facility with our bankers.

5.9. SCM Unit

The SCM Unit is under staffed and as such it is not effective in terms of the implementing the Supply Chain Management policy and other applicable legislations / regulations. The post of Supply Chain Management Practitioner was advertised and still needs to be filled. This unit requires Officials with knowledge of the Supply Chain Management regulations and other related regulations.

5.10. Bid Committees

The bid committees consists of bid specification committee, bid evaluation committee and bid adjudication committee. The most functioning committees are the bid evaluation committee and bid adjudication committee. The bid evaluation committee consists of 3 members and evaluation committee consists of 4 members and both of the committees have one scribe.

The evaluation committee evaluate all the tenders/proposals submitted to the municipality for specific services and send recommendation to the adjudication committee; the adjudication committee assess the recommendation provided and send the final recommendation to the Accounting Officer.

5.11. Contract above R100,000

The contracts above R100 000 needs to be reported to National Treasury regularly, the data capture has been appointed and needs to start capturing all the contracts above R100 000 for the financial period. The total value amounts to R12.1 million.

CONTRACTS ABOVE R100 000 FOR THE QUARTER ENDING 30 JUNE 2013				
Document No	Date	Description		Amount
15022058	2013/04/09	MAMOTSOTUWA TRADING	Purchasing of chemicals	-193 800.00
15022071	2013/04/12	FREE LANCE CONSTRUCTION (PTY)	Construction of MPCC in Koffiefontein	-1 334 092.12
15022080	2013/04/12	FREE LANCE CONSTRUCTION (PTY)	Construction of MPCC in Koffiefontein	-122 803.14
15022082	2013/04/12	NDLALA MASS VALUATION SERVICES	Compilation of valuation rolls	-451 424.00
15022175	2013/05/01	AAS OPERATIONS	Purchasing of chemicals for sewerage and water	-111 445.89
15022186	2013/05/01	IMPA PAINTS	Purchasing of paints for roads	-152 482.76
15022220	2013/05/07	FREE LANCE CONSTRUCTION (PTY)	Construction of MPCC in Koffiefontein	-562 285.32
15022230	2013/05/10	XEROX	Purchasing od office equipment	-102 600.00
15022235	2013/05/10	AUDITOR-GENERAL	Audit fees	-117 893.03
15022236	2013/05/10	AAS OPERATIONS	Purchasing of chemicals for sewerage and water	-180 461.27
15022242	2013/05/10	COLEMO PROJECTS	Petrusburg water relief	-200 527.37
15022255	2013/05/23	AAS OPERATIONS	Purchasing of chemicals for sewerage and water	-141 901.16
15022327	2013/06/01	SEDITI CONSTRUCTION	Renovation of Daniel Mohopela hall	-113 000.00
15022339	2013/06/01	SYNCHRIM	Accommodation	-112 697.83
15022340	2013/06/01	MOROKA ATTORNEYS	Legal costs	-217 344.00
15022353	2013/06/01	PANDELL CONSULTING	Compilation of financial statements	-147 630.00
15022354	2013/06/01	PANDELL CONSULTING	Compilation of financial statements	-227 483.01
15022367	2013/06/03	FREELANCE CONSTRUCTION	Construction of MPCC in Koffiefontein	-1 695 534.21
15022368	2013/06/03	SET MAK CIVILS	Upgrading of sports facilities in Luckhoff	-585 400.06
15022373	2013/06/03	NDLALA MASS VALUATION SERVICES	Compilation of valuation rolls	-234 748.80
15022392	2013/06/07	PANDELL CONSULTING	Compilation of financial statements	-227 483.01
15022399	2013/06/12	SKHOKHO CIVIL & CONSTRUCTION	Upgrading of streets in Jacobsdal	-704 530.37
15022415	2013/06/13	BOVICON CONSULTING ENGINEERS C	Upgrading of streets in Jacobsdal	-301 057.98
15022410	2013/06/12	KALKFONTEIN WUA	Purchasing of water	-558 177.86
15022498	2013/06/28	PANDELL CONSULTING	Compilation of financial statements	-322 519.83
15022515	2013/06/28	BOVICON CONSULTING ENGINEERS C	intergrated waste management	-122 439.62
15022517	2013/06/28	MOFOMO CONSTRUCTION CC	Upgrading od streets in Luckhoff	-160 549.61
15022518	2013/06/28	FREELANCE CONSTRUCTION	Construction of MPCC in Koffiefontein	-1 437 392.01
15022523	2013/06/28	FLEET MANAGEMENT (DPR&T)	Rental of equipment	-855 412.87
15022533	2013/06/27	NDLALA MASS VALUATION SERVICES	Compilation of valuation rolls	-164 700.00
15022534	2013/06/27	AAS OPERATIONS	Purchasing of chemicals for sewerage and water	-281 330.57
Total				-12 141 147.70

5.12. Current Project/Tenders Awarded

The following projects listed below are currently running at the Municipality. Most of them are multi-year projects that were awarded in the previous financial year:

- Multi Purpose Community Centre which is executed by Freelance Construction to the value of R13 million, as a Contractor. The Consulting Engineers for this project is Worley Parsons.
- Paving of access road in Jacobsdal / Ratanang which is executed by Nomad Construction to the value of R6 million. Bovicon Consulting Engineers have been appointed as the consultants for the project.
- Compilation of the Financial Statements 2012/13 which is executed by Pandell Consulting to the value of R2.5 million for the 2012/13. The project was awarded on a two year basis from 2011/12 to 2012/13 due to inadequate skills and capacity within the BTO.
- Compilation of the General Valuation Rolls 2013/14 which is executed by Ndlala Mass valuation to the value of R1.4 million. The service provider will be the Municipal Valuer till 30 June 2017.
- The Performance Management System will be performed by Friday Management Solution Ltd.
- Co-sourcing of internal auditing is done by Thebeyaka Consulting.

5.13. Irregular Expenditure

Irregular expenditure is an expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Municipal Finance Management Act (Act No. 56 of 2003), Municipal Systems Act (Act No.32 of 2000) and Public Office-Bearers Act (Act No. 20 of 1998) and which has not been condoned in terms of these acts.

The Accounting Officer must promptly inform the Mayor, the MEC for Local government in the province and the Auditor General, in writing of any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality. There was irregular expenditure which was incurred during the implementation of the Supply Chain Management Policy which amount to R67.7 million, compared to R49.0 million in the previous year. This has been disclosed in the notes to the financial statements as required by the MFMA.

5.14. Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure is an expenditure that was made in vain and would have been avoided had reasonable care been exercised. The municipality endeavours to avoid this expenditure. However, during the year, the municipality incurred R1 095 610 (2012: R740 096). This mainly related to penalty for late submission of VAT Returns, interest on late payment of creditors and legal costs for a lost case. Measures have been put in place to avoid such expenditure in the ensuing periods.

5.15. Unauthorised Expenditure

Details	2013	2012
Opening balance	42 429 654	9 320 075
Current year amounts	5 379 867	33 109 579
Closing Balance	47 809 521	42 429 654

As can be seen from the table above, current year unauthorised expenditure significantly decreased from the previous period. This is attributable to strict budgetary control measures in place.

5.16. Under Pricing Of Services

The municipality's tariffs are low and do not reflect the cost of providing such services. Annually the average increase of basic services is aligned to inflation rate due to the fact most of the population is indigent. This scenario coupled with our low collection rate in terms of totalled services billed to clients, resulted on the municipality depending heavily on equitable share grants.

5.17. Borrowing and Investments

Letsemeng municipality is highly dependent on grants to finance its operating and capital activities. Grant income constitutes on average 68% of income. Though services charges income constitutes on average 23% of total income recognised, collection is a challenge as the significant number of the community members are indigent. This is evidenced by a relatively high provision of bad debts. The municipality therefore invests grant funds and its collections not immediately required with registered financial institutions.

5.18. Accounting Officer's assessment of arrears in respect of Municipal Taxes and Service Charge

The municipality's debtors continue to increasing at an alarming rate as shown in the Annual Financial Statements for 2012/13 (statement of financial position and the relevant notes). There are number of factors that are contributing to this increase and they include but not limited to the ones mentioned below:

- Non-payment of services is prevalent especially on the services that are not on a pre-payment system;
- Registered indigents consuming services above the threshold and eventually not paying for the excess consumption;
- Incorrect meter-readings which leads to incorrect accounts being issued to consumers also discourages consumers to pay for services;
- The high levels of unemployment and poverty within the municipal area. Ineffective implementation of the credit control and debt collection policy;
- Skills gap pertaining to credit control and revenue collection strategies.

When one looks at the outstanding debtors, it is clear that most of the outstanding debtors are above 30 days which means they are likely to be uncollectable and might have to be written off.

It should be noted that the situation is not likely to change in the immediate future because most of the residents in the satellite locations that claim to be indigent and are consuming services over the limit of their indigent allowances, they become violent when their services are suspended and consequently a political decision is made to restore their services. Most illegal connections are found in these locations. Municipal employees are powerless to deal with the situation due to the level of threats and violence against them.

5.18.1. Measures to be implemented to address the Areas

Despite the foregoing, the following measures are being implemented or considered so as to improve the situation:

- Consideration to appoint a service provider to design, implement and monitor revenue enhancement strategies are in place. We believe this will significantly help in addressing most of the challenges in this section. This is so because some the problems relating to are customer disputes due to meter malfunctioning etc.

- Review the Internal Control Environment, with an objective of improving them
- Staff training, especially in the Revenue Section, as some issues or challenges that officials face are due to lack of training,
- Regular monitoring of consumer accounts with the view of identifying non payers for services, unusual account transactions, and non-billings. Appropriate measures will be implemented to address the identified anomalies.
- Detailed review of the billing process so as to establish the exact nature and extent of challenges that the municipality is facing regarding billing e.g. the extent of faulty meters etc.
- Undertake a project to register or document indigent debtors as the current database does not cover all of the indigent debtors. Further, there is no adequate information for most of them.
- Improved marketing and communication of the various payment methods, which are available to the general public. For example installing a swipe machine at the various pay points, Electronic Funds Transfer and bank transfers.

5.19. Public Private Partnerships (PPP)

At the moment the municipality does not have agreements, contracts and projects undertaken through the Public Private Partnership (PPP) process. All our service delivery projects, LED projects, other community development or enhancement projects etc. are being undertaken directly by the municipality.

5.20. Supply Chain Management (SCM)

The SCM department was implemented three years ago, since the inception of this department relevant improvements have been made.

The SCM policy is reviewed on yearly basis (last review approved by Council on the 07 June 2012) and submitted to Council for approval together with the budget related policies.

There are still positions that are not filled in the unit. The position of the Head of the unit is still vacant since March 2011; SCM Clerk is on a temporary basis. An Intern was absorbed and placed in this Unit after completion of the internship programme. Currently, there is 50% vacancy rate at the SCM Unit (two posts are filled on a permanent basis out of 4 approved posts as per the organogram).

5.21. Generally Recognised Accounting Practices (GRAP) Compliance

The municipality prepared the annual financial statement in terms of the GRAP Reporting Framework. This includes standards that were adopted for the first time during the current year. The following is a list of such standards:

- GRAP 23: Revenue from Non-Exchange Transactions (Taxes and Transfers)
- GRAP 24: Presentation of Budget Information

GRAP 103: Heritage Assets

GRAP 21: Impairment of Non-cash generating Assets

GRAP 26: Impairment of cash generating assets

GRAP 104: Financial Instruments

Due to the high level of GRAP understanding within the municipality, there are no challenges expected when the new standards are implemented.

CHAPTER 6

6. AUDITOR GENERAL AUDIT FINDINGS

Introduction

The municipality received a qualified opinion in 2012/13. There was a significant improvement from the 2011/12 qualified opinion in terms of audit paragraphs and 2010/11 disclaimer opinion. In the previous period the municipality was issued with a disclaimer mainly due to the infrastructure assets that were not unbundled to comply with the requirements of GRAP 17. During the financial period 2011/12 the municipality embarked on the exercise to unbundle the infrastructure assets and a GRAP compliant fixed assets register was compiled. The other issues raised in the previous period's audit report were also attended to.

A concerted effort was done address all the issues using the audit recovery plan. We believe the measures put in place will adequately address the prior year audit queries such that we will receive a better opinion in the current year

A: AUDITOR GENERAL OPINION OF FINANCIAL STATEMENTS (30 JUNE 2013 FINANCIAL YEAR)

6.1. Auditor General's Report (30 June 2013)

REPORT OF THE AUDITOR-GENERAL TO THE FREE STATE LEGISLATURE AND THE COUNCIL ON THE LETSEMENG LOCAL MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Letsemeng Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2013, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, the statement of comparison of budget and actual amounts, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2012 (Act No. 5 of 2012) (DoRA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for qualified opinion**Service charges**

6. I was unable to obtain sufficient appropriate audit evidence regarding revenue from the sale of water and electricity included in the service charges income as the meter reading books were incomplete and inaccurate. I was unable to confirm revenue from sale of water and electricity by alternative means. Consequently, I was unable to determine whether any adjustments relating to revenue from sale of water stated at R4 466 907 and sale of electricity stated at R14 037 990 in note 23 to the financial statements were necessary.

Irregular expenditure

7. The municipality did not disclose all the irregular expenditure in the notes to the financial statements, as required by section 125(2)(d)(i) of the MFMA. The municipality incurred expenditure in contravention with the Municipal Supply Chain Management (SCM) Regulations, resulting in irregular expenditure being understated by R1 356 760. In addition the irregular expenditure was disclosed inclusive of Value Added Tax (VAT) resulting in irregular expenditure being overstated by R2 128 285. I was unable to confirm the irregular expenditure by alternative means.

Consequently, I was unable to determine whether any adjustments to irregular expenditure stated at R67 665 993 (2012: R49 004 625) in note 47 to the financial statements was necessary.

Aggregation/accumulation of immaterial uncorrected misstatements

8. The financial statements as a whole are materially misstated due to the cumulative effect of numerous individually immaterial uncorrected misstatements in the following elements making up the statement of financial position:
- Other PPE reflected as R8 457 909 is overstated by R1 070 111
 - Consumer debtors reflected as R3 147 403 is overstated by R632 406
 - Receivables reflected as R13 078 775 is overstated by R582 868
 - VAT receivables reflected as R4 427 635 is overstated by R326 532.

Qualified opinion

9. In my opinion, except for the effect of the matters described in the basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the Letsemeng Local Municipality as at 30 June 2013 and its financial performance and cash flows for the year then ended, in accordance with SA Standard of GRAP and the requirements of the MFMA and DoRA.

Emphasis of matters

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

Restatement of corresponding figures

11. As disclosed in note 41 to the financial statements, the corresponding figures for 30 June 2012 have been restated as a result of errors discovered during 2013 in the annual financial statements of the Letsemeng Local Municipality at, and for the year ended, 30 June 2012.

Material losses

12. As disclosed in note 48 to the financial statements, material losses to the amount of R10 473 401 (2012: R3 802 636) were incurred as a result of illegal connections and burst pipes.

Additional matter

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

Unaudited supplementary schedules

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

15. 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

16. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages xx to xx of the annual report.
17. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned development 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's *Framework for managing programme performance information (FMPPi)*.
18. The reliability of the information in respect of the selected development objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).
19. The material findings are as follows:

Usefulness of information

20. Section 46 of the Municipal Systems Act, 2000 (Act no. 32 of 2000) (MSA) requires disclosure in the annual performance report of measures taken to improve performance where planned targets were not achieved. Adequate and reliable corroborating evidence could not be provided for 94% (>20%) measures taken to improve performance as disclosed in the annual performance report. The municipality's records did not permit the application of alternative audit procedures.

Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the reliability of the measures taken to improve performance.

21. 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 80% (>20%) of the planned objectives, 87% (>20%) of the planned indicators and 89% (>20%) of the

planned targets specified in the Service Delivery Budget Implementation Plan (SDBIP) for the year under review. I did not obtain sufficient appropriate audit evidence to satisfy myself that the information systems recording and documenting of actual achievements against targets as well as a lack of review and monitoring of the completeness of reporting documents by management, internal audit and the audit committee.

22. The National Treasury *FMPPI* requires that it must be possible to validate the processes and systems that produce the indicator. A total of 100% (>20%) of the indicators were not verifiable in that valid processes and systems that produce the information on actual performance did not exist. I did not obtain sufficient appropriate audit evidence to satisfy myself that the performance indicators were verifiable.
23. The National Treasury *FMPPI* requires that indicators should have clear unambiguous data definitions so that data is collected consistently and is easy to understand and use. A total of 98% (>20%) of the indicators were not well defined in that clear, unambiguous data definitions were not available to allow for data to be collected consistently. The municipality could not provide sufficient appropriate audit evidence to confirm that the performance indicators were well defined.
24. The National Treasury *FMPPI* requires that performance targets be specific in clearly identifying the nature and required level of performance. A total of 83% (>20%) of the targets were not specific in clearly identifying the nature and the required level of performance. This was due to the lack of determination from management to ensure compliance with the prescripts or guides issued by the National Treasury in relation to the predetermined objectives.
25. The National Treasury *FMPPI* requires that performance targets be measurable. The required performance could not be measured for a total of 83% (>20%) of the targets. This was due to the lack of determination from management to ensure compliance with the prescripts or guides issued by the National Treasury in relation to the predetermined objectives.
26. The National Treasury *FMPPI* requires that the time period or deadline for delivery be specified. A total of 83% (>20%) of the targets were not time bound in specifying a time period or deadline for delivery. This was due to the lack of determination from management to ensure compliance with the prescripts or guides issued by the National Treasury in relation to the predetermined objectives.
27. The National Treasury *FMPPI* requires that the indicator should relate logically and directly to an aspect of the institution's mandate, the realisation of strategic goals and objectives. A total of 100 %(> 20%) of indicators did not relate logically and directly to an aspect of the institution's mandate and realisation of strategic goals and objectives as per the SDBIP. This was due to the lack of development and implementation of proper performance planning and management practices to provide for the development of performance indicators and targets included in the SDBIP.

Reliability of information

28. The National Treasury *FMPPI* requires that institutions should have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets.

I was unable to obtain the information and explanations I considered necessary to satisfy myself as to the reliability of information presented with respect to the strategic objectives of Service Delivery and Infrastructure, Good Governance and Community Participation and Local Economic Development. This was due to limitations placed on the scope of my work due to the municipality not reporting on the planned objectives, indicators and targets with respect to these key performance reports.

Compliance with laws and regulations

29. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the general notice issued in terms of the PAA, are as follows:

Strategic planning and performance management

30. The IDP adopted by the municipality for the year under review does not reflect the key performance indicators and targets, as required by sections 26 and 41 of the MSA.
31. The municipality did not establish a performance management system, as required by section 38(a) of the MSA.
32. The municipality did not set key performance indicators, including input indicators, output indicators and outcome indicators, in respect of each of the development priorities and objectives set out in the IDP, as required by section 41(1)(a) of the MSA and the Municipal planning and performance management regulation 1 and 9(1)(a).
33. The annual performance report for the year under review does not include in the annual report measures taken to improve performance, as required by section 46(1) of the MSA.
34. The municipality did not have and maintain effective, efficient and transparent systems of financial and risk management and internal controls as required by section 62(1)(c)(i) of the MFMA.

Budgets

35. Expenditure was incurred 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.
36. Sufficient appropriate audit evidence could not be obtained that monthly budget statements were submitted to the mayor, as required by section 71(1) of the MFMA.

Annual financial statements, performance and annual report

37. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA.

Expenditure management

38. Money owing by the municipality was not always paid within 30 days or an agreed period, as required by section 65(2)(e) of the MFMA.

Revenue management

39. An effective system of internal control for revenue was not in place, as required by section 64(2)(f) of the MFMA.

Conditional grants received

40. The municipality did not submit quarterly performance reports to the transferring national officer, the Free State Provincial Treasury and the National Treasury, within 30 days after the end of each quarter, as required by section 12(2)(c) of the DoRA.
41. The municipality did not submit the evaluation to the transferring national officer within two months after the end of the financial year, as required by section 12(5) of the DoRA.
42. The municipality did not submit its implementation plans to the National Treasury to address weaknesses in financial management, as required by the Division of Revenue Grant Framework, Gazette No.35399.

HR management

43. Job descriptions were not established for all posts in which appointments were made in the current year, in contravention of section 66(1)(b) of MSA.

Procurement and contract management

44. Goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations as required by SCM regulation 17(a) and (c).
45. Quotations were accepted from prospective providers who are not registered on the list of accredited prospective providers and do not meet the listing requirements prescribed by the SCM policy in contravention of SCM regulation 16(b) and 17(b).
46. Goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a).
47. Bid specifications were not always drafted by the bid specification committee which were composed of one or more officials of the municipality as required by SCM regulation 27(3).
48. Sufficient appropriate audit evidence could not be obtained that invitations for competitive bidding were advertised for a required minimum period of days, as required by SCM regulation 22(1) and 22(2).
49. Contracts and quotations were awarded to bidders based on points given for criteria that differed from those stipulated in the original invitation for bidding and quotations, in

contravention of SCM Regulations 21(b) and 28(1)(a) and the Preferential Procurement Regulations.

50. Awards were made to bidders other than those recommended by the bid evaluation committee without ratification by the accounting officer, as required by SCM regulation 29(5)(b).
51. The preference point system was not applied in all procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) (PPPFA) and SCM regulation 28(1)(a).
52. Contracts and quotations were awarded to bidders based on preference points that were not allocated and calculated in accordance with the requirements of the PPPFA and its regulations.
53. Contracts were awarded to bidders that did not score the highest points in the evaluation process, as required by section 2(1)(f) of PPPFA.
54. Construction projects were not always registered with the Construction Industry Development Board (CIDB), as required by section 22 of the CIDB Act and CIDB regulation 18.
55. Contracts and quotations were awarded to providers whose tax matters had not been declared by the South African Revenue Service to be in order, as required by SCM regulation 43.
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).

Internal control

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

Leadership

58. The leadership of the municipality have not been able to ensure effective oversight over all aspects of financial and performance reporting and compliance to laws and regulations. This was brought about by weaknesses in the support structures of the local municipality most notably in the areas of human resources, capacity constraints and the design and implementation of formal processes and systems to produce reliable information.

Financial and performance management

59. The internal control environment of the municipality remains weak and lacks critical policies and procedures. Daily and monthly control processes and reconciliations are not being done and a lack of systems and controls over the collection, collation and verification of performance information results in unreliable and unverifiable performance reporting. Management has not implemented processes that ensure consequences for poor performance which has resulted in weak staff discipline within

the municipality.

Governance

60. The governance structures have not influenced an improvement in the control environment of the municipality which is mainly attributable to the fact that the internal audit division is not adequately resourced and functioning and the recommendations from the audit committee is not being implemented.

OTHER REPORTS**Investigation**

61. The investigation regarding the prior year prepaid electricity by SAPS was finalised and no further actions were taken against any of the officials involved. A further investigation into prepaid electricity is being conducted by SAPS. The investigation is still in progress at the reporting date.

Bloemfontein

30 November 2013

6.2. Audit Recovery Plan based on the Auditor General's Report (30 June 2013)**Audit Recovery Plan based on the Auditor General's Report (30 June 2013)**

Section	Audit Finding	Responsibility	Remedial Action
AUDIT REPORT MATTERS			
Service Charges	I was unable to obtain sufficient appropriate audit evidence regarding revenue from the sale of water and electricity included in the service charges income as the meter reading books were incomplete and inaccurate. I was unable to confirm revenue from sale of water and electricity by alternative means. Consequently, I was unable to determine whether any adjustments relating to revenue from sale of water stated at R4 466 907 and sale of electricity stated at R14 037 990 in note 23 to the financial statements were necessary.	Budget and Treasury Office.	New water metres to be installed and also new houses to be installed too. Meter readers to verify and check all the obsolete metres to be installed and rectified. Improve record keeping of the books and accuracy of recording by reviewing monthly. Appointment of Manager Revenue and Budget to come with methods to address the qualification matter.
Irregular Expenditure	The municipality did not disclose all the irregular expenditure in the notes to the financial statements, as required by section 125(2)(d)(i) of the MFMA. The municipality incurred expenditure in contravention with the Municipal Supply Chain Management (SCM) Regulations, resulting in irregular expenditure being understated by R1 356 760. In addition the irregular expenditure was disclosed inclusive of Value Added Tax (VAT) resulting in irregular expenditure being overstated by R2 128 285. I was unable to confirm the irregular expenditure by alternative means. Consequently, I was unable to determine whether any adjustments to irregular expenditure stated at R67 665 993 (2012: R49 004 625) in note 47 to the financial statements was necessary.	Budget and Treasury Office.	The identified irregular expenditure to be taken to council as per requirement of Sec 125(2)(d)i(i) of the MFMA. The matter to be rectified as a prior year adjustment in the AFS and it is part of the action plan discussed at management meetings.
Aggregation/accumulation of immaterial uncorrected	The financial statements as a whole are materially misstated due to the cumulative effect of numerous	Budget and Treasury Office.	The municipality intends to do AFS in-house and only request the quality review by a

Section	Audit Finding	Responsibility	Remedial Action
misstatements.	<p>individually immaterial uncorrected misstatements in the following elements making up the statement of financial position:</p> <ul style="list-style-type: none"> - Other PPE reflected as R8 457 909 is overstated by R1 070 111 - Consumer debtors reflected as R3 147 403 is overstated by R632 406 - Receivables reflected as R13 078 775 is overstated by R582 868 - VAT receivables reflected as R4 427 635 is overstated by R326 532. 		service provider. The Manager to be appointed will be responsible for addressing the issue and rectify it as prior year adjustment. The item to be part of action plan to be addressed at management meetings.
Restatement of corresponding figures	As disclosed in note 41 to the financial statements, the corresponding figures for 30 June 2012 have been restated as a result of errors discovered during 2013 in the annual financial statements of the Letsemeng Local Municipality at, and for the year ended, 30 June 2012.	Budget and Treasury Office.	The municipality intends to do AFS in-house and only request the quality review by a service provider. The Manager to be appointed will be responsible for addressing the issue and rectify it as prior year adjustment. The item to be part of action plan to be addressed at management meetings.
Material Losses	12. As disclosed in note 48 to the financial statements, material losses to the amount of R10 473 401 (2012: R3 802 636) were incurred as a result of illegal connections and burst pipes.	Budget and Treasury Office.	The municipality intends to do AFS in-house and only request the quality review by a service provider. The Manager to be appointed will be responsible for addressing the issue and rectify it as prior year adjustment. The item to be part of action plan to be addressed at management meetings.

Note should be taken that for the purpose of the annual report, the above recovery plan takes into account only qualification matters contained in the audit report. A detailed audit recovery plan addressing all matters raised on audit report and management report has been developed by various department

B: AUDITOR GENERAL OPINION OF FINANCIAL STATEMENTS (30 JUNE 2011 FINANCIAL YEAR)

6.3. Auditor General Reports (30 June 2013)

The municipality received a qualified audit report for both 2011/12 and 2012/13 financial years. The main causes of the qualified opinions were almost the same for both years. The following table details the main causes of the qualification over the past two years:

	2011/12	2012/13
STATUS	Qualification	Qualification
Main Reasons or Causes of the Qualification	<p>Revenue</p> <p>1. I was unable to obtain sufficient appropriate audit evidence as to the completeness, and accuracy of property rates to the amount of R5 350 022 (2011: R4 247 417) as disclosed in note 25 to the financial statements due to inadequate revenue reconciliations. I was unable to confirm the property rates by alternative means. Consequently, I was unable to determine whether any adjustments to property rates were necessary.</p> <p>I was unable to obtain sufficient appropriate audit evidence as to the completeness, and accuracy of service charges to the amount of R24 542 385 (2011: R23 053 266) as disclosed in note 23 to the</p>	<p>Service charges</p> <p>1. I was unable to obtain sufficient appropriate audit evidence regarding revenue from the sale of water and electricity included in the service charges income as the meter reading books were incomplete and inaccurate. I was unable to confirm revenue from sale of water and electricity by alternative means. Consequently, I was unable to determine whether any adjustments relating to revenue from sale of water stated at</p>

	2011/12	2012/13
STATUS	Qualification	Qualification
	<p>financial statements due to free basic services subsidy not applied in line with the indigent policy. I was unable to confirm the service charges by alternative means. Consequently, I was unable to determine whether any adjustments to service charges were necessary.</p> <p>Expenditure</p> <p>B. I was unable to obtain sufficient appropriate audit evidence on employee related cost of R24 513 913 (2011: R21 679 835), as disclosed in the statement of financial performance and note 31 to the financial statements. 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 further adjustments to employee related cost were necessary.</p> <p>9. I was unable to obtain sufficient appropriate audit evidence as to the accuracy and occurrence of repairs and maintenance to the amount of R4 716 889 (2011: R3 144 893), as disclosed in the statement of financial performance. I was unable to confirm the repairs and maintenance by alternative means. Consequently, I was unable to determine whether any adjustments to repairs and maintenance were necessary.</p> <p>10. I was unable to obtain sufficient appropriate audit evidence as to the completeness and accuracy of other expenses to the amount of R21 392 665 (2011: R16 250 434), as disclosed in the statement of financial</p>	<p>R4 466 907 and sale of electricity stated at R14 037 990 in note 23 to the financial statements were necessary.</p> <p>Irregular expenditure</p> <p>2. The municipality did not disclose all the irregular expenditure in the notes to the financial statements, as required by section 125(2)(d)(i) of the MFMA. The municipality incurred expenditure in contravention with the Municipal Supply Chain Management (SCM) Regulations, resulting in irregular expenditure being understated by R1 356 760. In addition the irregular expenditure was disclosed inclusive of Value Added Tax (VAT) resulting in irregular expenditure being overstated by R2 128 285. I was unable to confirm the irregular expenditure by alternative means.</p> <p>Consequently, I was unable to determine whether any adjustments to irregular expenditure stated at R67 665 993 (2012: R49 004 625) in note 47 to the financial statements was necessary.</p> <p>3. Aggregation/accumulation of</p>

	2011/12	2012/13
STATUS	Qualification	Qualification
	<p>performance and note 37 to the financial statements. I was unable to confirm the other expenses by alternative means. Consequently, I was unable to determine whether any further adjustments to other expenses were necessary.</p> <p>Trade and other payables from exchange transactions</p> <p>11. The municipality did not have an effective system of control for trade and other payables from exchange transactions and as a result I was unable to obtain sufficient appropriate audit evidence as to the completeness, existence, valuation and allocation of, as well as the municipality's obligations to trade and other payables from exchange transactions to the amount of R12 821 642 (2011: R5 108 833) as disclosed in note 20 to the financial statements. I was unable to confirm the amount disclosed by alternative means. Consequently, I was unable to determine whether any further adjustments to trade and other payables from exchange transactions were necessary. Irregular expenditure</p> <p>12. I was unable to obtain sufficient appropriate audit evidence that management has properly identified, investigated and recorded all irregular expenditure during the current and prior year. Due to the limitations placed on my audit of expenditure and procurement management at the municipality and the lack of a proper system in place to</p>	<p>immaterial uncorrected misstatements</p> <p>➤ The financial statements as a whole are materially misstated due to the cumulative effect of numerous individually immaterial uncorrected misstatements in the following elements making up the statement of financial position:</p> <ul style="list-style-type: none"> - Other PPE reflected as R8 457 909 is overstated by R1 070 111 - Consumer debtors reflected as R3 147 403 is overstated by R632 406 - Receivables reflected as R13 078 775 is overstated by R582 868 - VAT receivables reflected as R4 427 635 is overstated by R326 532.

	2011/12	2012/13
STATUS	Qualification	Qualification
	<p>account for and identify irregular expenditure, there were no satisfactory alternative audit procedures that I could perform to confirm the completeness of irregular expenditure of R40 953 956 (2011: R37 653 805), as disclosed in note 48 to the financial statements.</p>	

	2011/12	2012/13
STATUS	Qualification	Qualification

As can be seen from the table above the audit opinion for the 2012/13 financial year, there is a significant improvement in the municipality's financial management processes and commitment in improving the audit opinion. The issues being raised by the Auditor General are decreasing significantly.

COMMENTS ON MFMA SECTION 71 RESPONSIBILITIES

Section 71 of the MFMA requires municipalities to return a series of financial performance data to the National Treasury at specified intervals throughout the year. The Chief financial officer states that these data sets have been returned according to the reporting requirements/ with the exception of those items and for those reasons given at **Appendix I**.

GLOSSARY

Accessibility indicators	Explore whether the intended beneficiaries are able to access services or outputs.
Accountability documents	Documents used by executive authorities to give “ <i>full and regular</i> ” reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and Annual Reports.
Activities	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe “ <i>what we do</i> ”.
Adequacy indicators	The quantity of input or output relative to the need or demand.
Annual Report	A report to be prepared and submitted annually based on the regulations set out in Section 121 of the Municipal Finance Management Act. Such a report must include annual financial statements as submitted to and approved by the Auditor-General.
Approved Budget	The annual financial statements of a municipality as audited by the Auditor General and approved by council or a provincial or national executive.
Baseline	Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period.
Basic municipal service	A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment.
Budget year	The financial year for which an annual budget is to be approved – means a year ending on 30 June.
Cost indicators	The overall cost or expenditure of producing a specified quantity of outputs.

Distribution indicators	The distribution of capacity to deliver services.
Financial Statements	Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other Statements that may be prescribed.
General Key performance indicators	After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
Impact	The results of achieving specific outcomes, such as reducing poverty and creating jobs.
Inputs	All the resources that contribute to the production and delivery of outputs. Inputs are "what we use to do the work". They include finances, personnel, equipment and buildings.
Integrated Development Plan (IDP)	Set out municipal goals and development plans.
National Key performance areas	<ul style="list-style-type: none"> • Service delivery & infrastructure • Economic development • Municipal transformation and institutional development • Financial viability and management
Outcomes	The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are "what we wish to achieve".
Outputs	The final products, or goods and services produced for delivery. Outputs may be defined as "what we produce or deliver". An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunization, or a service such as processing an application)
Performance Indicator	Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation

Performance Information	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.
Performance Standards:	The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this EPMDS performance standards are divided into indicators and the time factor.
Performance Targets	The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and express a specific level of performance that a municipality aims to achieve within a given time period.
Service Delivery Budget Implementation Plan	Detailed plan approved by the mayor for implementing the municipality's delivery of services; including projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included
Vote	<p>One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area.</p> <p>Section 1 of the MFMA defines a "vote" as:</p> <ul style="list-style-type: none"> <i>a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and</i> <i>b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.</i>

APPENDIX A: COUNCILLORS, COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE

Councillors, Committees Allocated and Council Attendance					
Council Members	Full Time (FT) or Part Time (PT)	Committees Allocated	*Ward and/or Party Represented	Percentage Council Meetings Attendance	Percentage Apologies for non- attendance
				%	%
TI Reachable	FT	Oversight Role for Committees	Ward 5	100%	0%
P Louw	PT	S 79 Finance	Ward 4	100%	0%
MA Mpatshela	PT	S 79 – Health & Safety	Ward 5	80%	20%
VA Mona	PT	S 79 – Corporate Services & Sports	Ward 4	60%	40%
MM Tsiloane	PT	S 79 - Corporate Services	Ward 1	100%	0%
S Lecoko	PT	S 79 - Corporate Services	Ward 3	80%	20%
P Dibe	PT	S 79 – Infrastructure	Ward 6	100%	0%
M Jantjies	PT	S 79 – Infrastructure	Ward 2	80%	20%
K Nel	PT	S 79 – Finance	Ward 2	100%	0%
TM Gomojong	PT	S 79 – Infrastructure	Ward 5	50%	50%
L Greef	PT	S 79 – Health & Safety	Ward 1	50%	50%
Note: * There are five Councillors appointed on a proportional basis and have wards allocated to them.					T A

APPENDIX B: COMMITTEES AND COMMITTEE PURPOSES

The Municipal Council currently has two committees in place. The following are the details of the committees.

Committees (other than Mayoral / Executive Committee) and Purposes of Committees	
Municipal Committees	Purpose of Committee
Local Inter-governmental Relations	To address challenges that are affecting community and sector departments.
Section 79 - Finance	To play an oversight role on all matters relating to the finances and make recommendations to Council
Section 79 – Health & Safety	To promote a health environment and conducive environment and continuous health environment improvement and areas that need urgent attention
Section 79 – Corporate Services & Sports	<ol style="list-style-type: none"> 1) To promote talent and wellness in an institution and advise Council on all matters pertaining to staff. 2) Effective people management within the institution to motivate and skills development of employees
Section 79 - Infrastructure	To address service delivery issues and identifying projects necessary for service delivery improvement.

APPENDIX C: THIRD TIER ADMINISTRATIVE STRUCTURE

Third Tier Structure	
Directorate	Director/Manager's Details
Municipal Manager	Rev Itumeleng Pooe
Acting Chief Financial Officer	Mr Sandile Busakwe
Technical Manager	Mr Nameco Gaelejwe
Corporate Services Manager	Mrs Thuli Mbonani

APPENDIX E: WARD REPORTING

Functionality of Ward Committees					
Ward Name (Number)	Name of Ward Councillor and elected Ward committee members	Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
1	Cllr M. Tsiloane	Yes	4	4	6
2	Cllr M. Jantjies	Yes	4	4	3
3	Cllr S. Lechoko	Yes	4	4	2
4	Cllr V. Mona	Yes	4	4	7
5	Cllr M. Mpatshela	Yes	4	4	2
6	Cllr P. Dibe	Yes	4	4	3
					T E

APPENDIX F: LONG TERM CONTRACTS

R' 000					
Name of Service Provider (Entity or Municipal)	Description of Services Rendered by the Service Provider	Start Date of Contract	Expiry date of Contract	Project manager	Contract Value
Finance	Preparation of Financial	April 2012	December 2013	Sandile Busakwa	2 255
Technical	Upgrading of Koffiefontein Sports Complex	2010/03/30		Duba Mbulelo	3 206
Technical	Petrusburg: Upgrading of waste water treatment works	2009/09/02		Duba Mbulelo	9 148
Technical	Luckhoff: Phase 1 - Construction of 7,7km streets & Storm water	2011/07/01		Duba Mbulelo	17 323
Technical	Construction of Ratanang Access Road and Storm Water	2011/12/12 2011/12/12		Duba Mbulelo	15 095
Technical	Provision of 500Kl Storage Tank in	2011/03/15		Duba Mbulelo	3 381
Technical	Koffiefontein: Multi-Purpose	2012/03/02	2014/06/30	Duba Mbulelo	21 254
GRAND TOTALS					73 918

APPENDIX G: MUNICIPAL SERVICE PROVIDER PERFORMANCE SCHEDULE

(a) Budget and Treasury Office

SERVICE PROVIDER	PURPOSE	PERFORMANCE
Pandell Consultants	Assisted with the compilation of the annual financial statements.	Satisfactory

(b) Technical Department

SERVICE PROVIDER	PURPOSE	Performance
Colemo Projects	Petrusburg Water Relief project	Satisfactory
Mofomo Construction	Luckhoff: Phase 1 – Construction of 7,7 km streets and storm water (MIS: 189925)	Satisfactory
Nomad Construction	Jacobsdal/Ratanang: Construction of 2km access road and storm water (MIS: 194947)	Satisfactory
Nomad Construction	Provision of 500Kl Storage Tank in Bolokanang	Satisfactory
Freelance Construction	Dithlake/ Diamanthoogte: New Multipurpose Centre (MIS 194994)	Satisfactory

APPENDIX H: DISCLOSURE OF FINANCIAL INTERESTS

Position	Name	Description of interest (Nil/or details)
Mayor	Thandiwe Ivy Reachable	Nil
Councilors	Pudumo Jan Louw	Nil
	Vuyisile Andries Mona	Nil
	Muso Albert Mpatshela	Shares in Trust Fund, De Beers Pension Fund
	Michael Tsiloane	Nil
	Matthews Jantjies	Nil
	Sibongile Lecoko	Nil
	Palesa Mildred Dibe	Nil
	Kempen W Nel	Shares: Suidwes Kooperasie, GWK, Celtron International, JW Nel & Son Boerdery, Simbiose Boerdery, Kempen W Nel Family Trust
	Tshepiso M Gomojong	Nil
	Lionel Greef	Nil
Municipal Manager	Itumeleng Edward Poë	Syndicated Shares – Sasol (Inzalo) Syndicated Shares – MTN Partnership, Wesu Synergies
Acting Chief Financial Officer	Sandile Busakwa	Nil
Other S57 Officials	Nokuthula Judith Mbonani	Nil
	Nameco Charmus Gaelejwe	Nil

APPENDIX I: DECLARATION OF RETURNS NOT MADE IN DUE TIME UNDER MFMA S71

MFMA Section 71 Returns not made during the Year according to Reporting Requirements	
Returns	Reason Return has not been properly made on due date
<ol style="list-style-type: none"> 1. Age Creditors M01-M03 2. Age Debtors M01-M03 	The old return forms were used and National Treasury's system rejected the forms and the new forms were completed after due date.
<ol style="list-style-type: none"> 3. Financial Position Actual (M01-M03) 4. Capital Acquisitions Actual (M01-M04) 5. Cash Flow Actual (M01-M04) 6. Finance Management Grant (M02-M03) 7. Integrated National Electrification Program Grant (M01-M02) 8. Municipal Infrastructure Grant (M01-M04) 9. Municipal Systems Improvement Grant (M01-M02) 	The forms were submitted late due to lack of staff in the Budget and Treasury Office Department during the beginning of the financial period.

VOLUME II: ANNUAL FINANCIAL STATEMENTS



**Letsemeng Local Municipality
Annual Financial Statements
for the ended 30 June 2013**

Legal form of entity	Local Municipality
Nature of business and principal activities	Provision of municipal services in terms of the Municipal Systems Act No.32 of 2000 (MSA) and Municipal Finance Management Act No.56 of 2003
Municipal Councillors	
Mayor/Speaker	Clr. T.I. Reachable
Councillors	Clr. M.A. Mpatshela Clr. M.M. Tsilana Clr. M.U. Jantjes Clr. P.M. Dibe Clr. S. Lecoko Clr. V.A. Mona Clr. P. Louw Clr. K. Nel Clr. L. Greef Clr. V. Coetzee Clr. T.M. Gomojong (Resigned in December 2012)
Grading of local authority	Grade 2
Accounting Officer	Rev. Itumeleng Edward Pooe
Acting Chief Finance Officer (CFO)	Mr. Sandile Busakwe
Registered office	Civic Centre 7 Grootrek Street Koffiefontein 9986

Business address

Civic Centre

7 Groottrek Street

Koffiefontein

9986

Postal address

Private Bag X3

Koffiefontein

9986

Bankers

First National Bank

Auditors

Auditor-General of South Africa

Attorneys

Bokwa Attorneys

Letsemeng Local Municipality

Index

The reports and statements set out below comprise the annual financial statements presented to the Letsemeng Local Municipality's Council:

Contents	Page
Accounting Officer's Responsibilities and Approval	103 - 105
Audit Committee Report	106 - 108
Accounting Officer's Report	109 - 112
Statement of Financial Position	113 - 114
Statement of Financial Performance	115
Statement of Changes in Net Assets	116
Cash Flow Statement	117 - 119
Appropriation Statement	120 - 123
Accounting Policies	124 - 168
Appendixes:	
Appendix A: Schedule of External loans	258 - 260

Letsemeng Local Municipality

Index

Appendix B: Analysis of Property, Plant and Equipment	261-263
Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	264

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
FMG	Finance Management Grant
MSIG	Municipal Systems Improvement Grant
COGTA	Department of Co-operative Governance & Traditional Affairs

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and are given unrestricted access to all financial records and related data.

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

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

Letsemeng Local Municipality

Accounting Officer's Responsibilities and Approval

The accounting officer has reviewed the municipality's cash flow forecast for the to 30 June 2014 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality operations depend on a number of sources of revenue ranging from National Government to its own sources and donations. There are no signs or indications that any of these sources will be significantly curtailed. As such, the annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's external auditors.

The annual financial statements set out on pages 7 to 91, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2013 and were signed on its behalf by:

Letsemeng Local Municipality

Accounting Officer's Responsibilities and Approval

Rev. Itumeleng Edward Pooe

Accounting Officer

Letsemeng Local Municipality

Audit Committee Report

We are pleased to present our report for the financial ended 30 June 2013.

Shared Audit and Performance Committee members and attendance

The shared audit and performance committee (Xhariep District) consists of four members listed hereunder and meet on a regular basis per annum as per its approved terms of reference. During the current year four meetings were held.

Name of member	Number of meetings attended
Mr. M.M. Segalo (Chairman)	4
Mr. V. Vapi	4
Mr. K.S. Rapulungoane	2
Miss T. Molelle	1

Audit committee responsibility

The shared audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA and Treasury Regulations.

The shared audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements (as applicable in municipal environment and adopted by Council), Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the

Audit Committee Report

identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, material deficiencies in the system of internal controls or any deviations therefrom are disclosed in their audit report (Other Matters).

Quality of Periodic Reports

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer of the municipality during the under review.

Audit Committee Report

Evaluation of annual financial statements

We have:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

We concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit unit

We are satisfied that the internal audit unit is operating effectively and that it has addressed the risks pertinent to the municipality and its audits. The external audit used internal audit reports for risk identification purposes but did not place reliance on the internal audit reports.

Chairperson of the Audit Committee

Date: _____

Letsemeng Local Municipality

Accounting Officer's Report

The accounting officer submits his report for the ended 30 June 2013.

1. Review of activities

Main business and operations

The municipality is engaged in provision of municipal services in terms of the Municipal Systems Act No.32 of 2000 (MSA) and Municipal Finance Management Act No.56 of 2003 and operates principally in South Africa.

The operating results for the were satisfactory for the following reasons:

Net surplus of the municipality was 3 116 616 (2012: surplus 4 072 085).

Proportion of income and loss attributable to various classes of business:

2013

Classes of business	Proportion of contribution to income	Amount
Property rates	6 %	7 295 014
Service Charges	21 %	23 413 849
Grants and Subsidies	69 %	77 839 937
Other Income	4 %	6 639 365

2012

Classes of business	Proportion of contribution to income	Amount
Property Rates	5 %	5 350 022
Service Charges	23 %	25 663 213
Grants and Subsidies	68 %	72 998 581
Other Income	4 %	4 184 074

Accounting Officer's Report

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

As indicated to earlier on, the ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continues to procure funding for its on-going operations.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial .

Letsemeng Local Municipality

Accounting Officer's Report

4. Accounting Officer's interest in contracts

The Accounting Officer declared his interest in terms of Supply Chain Management Regulations.

5. Accounting policies

The annual financial statements were prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP Reporting Framework) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Accounting Officer

The accounting officer of the municipality during the and to the date of this report is as follows:

Name	Nationality
Rev. Itumeleng Edward Poee	South African

7. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to compliance with certain selected and applicable sections of the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report III. The accounting officer discusses the responsibilities of management in this respect, at Board meetings and monitor the municipality's compliance with the code on a regular basis.

Management meetings

Letsemeng Local Municipality

Accounting Officer's Report

The accounting officer meets section 56 managers at least on a monthly basis.

Internal audit

The municipality has its own internal audit unit. This is in compliance with the Municipal Finance Management Act, 2003.

8. Bankers

The municipality's bankers did not change during the year.

9. Auditors

Auditor-General of South Africa will continue to audit the books of the municipality, into the foreseeable future.

10. Non compliance with applicable legislation

Significant non-compliance with various legislations have been properly disclosed in the notes to the financial statements.

Letsemeng Local Municipality

Statement of Financial Position as at 30 June 2013

Figures in Rand	Note(s)	2013	2012
		R	R RESTATED
Assets			
Inventories	8	373 238	1 183 750
Other financial assets	6	62 750	57 350
Other receivables from exchange transactions	9	1 497 070	1 507 273
Other receivables from non-exchange transactions	10	13 078 775	13 044 448
VAT receivable	11	4 427 635	2 193 900
Consumer debtors	12	3 147 403	2 763 582
Money Market Investments	14	1 851 400	1 825 428
Cash and cash equivalents	13	17 627 472	20 699 581
		42 065 743	43 275 312
Non-Current Assets			
Intangible assets	4	135 081	246 358
		624 769 291	622 038 431
Total Assets		666 835 034	665 313 743
Liabilities			
Current Liabilities			
Trade and payables from exchange transactions	20	9 813 417	12 812 577
Consumer deposits	21	769 002	668 659
Retirement benefit obligation	7	376 000	343 000
Unspent conditional grants and receipts	22	1 878 724	2 571 666
Provisions	18	117 000	196 000
Deferred revenue	19	150 461	240 518
Interest bearing liability	17	104 626	331 145
		13 252 625	17 701 881

Letsemeng Local Municipality

Non-Current Liabilities

Retirement benefit obligation	7	9 855 000	8 760 000
Provisions	18	27 182 453	24 483 303
Interest bearing liability	17	-	104 626

		37 037 453	33 391 324
--	--	-------------------	-------------------

Total Liabilities

		50 290 078	51 093 205
--	--	-------------------	-------------------

Net Assets

		616 544 956	614 220 538
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Net Assets

Accumulated surplus		614 522 844	614 112 086
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Total Net Assets

		616 544 957	614 220 537
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Letsemeng Local Municipality

Statement of Financial Performance

Figures in Rand	Note(s)	2013	2012
		R	R
Revenue			
Revenue from exchange transactions			
Rental of facilities and equipment	24	288 552	354 563
Other income	28	978 881	802 373
Interest received - investment	29	3 427 178	3 048 960
Gains on disposal of assets		-	1 176
Dividends received	29	10 607	5 247
Total revenue from exchange transactions		28 119 067	29 875 532
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	7 295 014	5 350 022
Transfer revenue			
Public contributions and donations	27	1 934 147	20 000
Total revenue from non-exchange transactions		87 069 098	78 368 603
Total revenue		115 188 165	108 244 135
Expenditure			
Remuneration of councillors	32	(2 704 532)	(2 421 160)
Depreciation and amortisation		(19 976 740)	(21 929 675)
Impairment of receivables	33	(5 200 917)	(7 056 286)
Finance costs	34	(3 759 557)	(3 626 132)
Repairs and maintenance		(2 998 122)	(4 632 950)
Bulk purchases	35	(19 953 399)	(16 826 144)
Other Expenses	36	(27 307 572)	(22 222 662)
Total expenditure		(112 076 949)	(104 171 027)
Operating surplus	30	3 111 216	4 073 108
Fair value adjustments		5 400	(1 023)
Surplus for the			

Letsemeng Local Municipality

Annual Financial Statements for the ended 30 June 2013

Statement of Changes in Net Assets

	Fair value adjustment assets- available-for- sale reserve	Donations and public contributions	Total reserves	Accumulated surplus	Total net assets
Figures in Rand					
Balance at 01 July 2011	17 255	130 128	147 383	604 661 453	604 808 836
Depreciation charge	-	(21 677)	(21 677)	21 677	-
Net income (losses) recognised directly in net assets	(1 023)	(21 677)	(22 700)	21 677	(1 023)
Surplus/ (deficit) for the period	-	-	-	4 072 085	4 072 085
Total recognised income and expenses for the period	(1 023)	(21 677)	(22 700)	4 093 762	4 071 062
Prior year adjustment	-	-	-	5 340 639	5 340 639
Change in accounting policy	(16 232)	-	(16 232)	16 232	-
Total changes	(17 255)	(21 677)	(38 932)	9 450 633	9 411 701
Balance at 01 July 2012	-	108 451	108 451	614 112 087	614 220 538
Changes in net assets					
Additions for the year	-	1 934 147	1 934 147	(9 034)	1 925 113
Net income (losses) recognised directly in net assets	-	1 913 662	1 913 662	11 451	1 925 113
Surplus/ (deficit) for the period	-	-	-	3 116 616	3 116 616
Total recognised income and expenses for the	-	1 913 662	1 913 662	3 128 067	5 041 729
Other Adjustments	-	-	-	(2 717 310)	(2 717 310)
Total changes	-	1 913 662	1 913 662	410 757	2 324 419
Balance at 30 June 2013	-	2 022 113	2 022 113	614 522 844	616 544 957
Note(s)		49			

Letsemeng Local Municipality

Cash Flow Statement

Figures in Rand	Note(s)	2013	2012
		R	R RESTATED
Cash flows from operating activities			
Sale of goods and services		30 210 853	28 272 543
Grants		77 147 250	72 745 000
Interest income received		3 427 178	3 001 002
Dividends received		10 607	5 247
Other receipts		1 276 258	1 176 936
		112 072 146	105 200 728
Payments			
Employee costs		(35 069 441)	(29 103 411)
Suppliers		(54 661 485)	(35 286 947)
Finance costs		(3 759 557)	(3 530 677)
		(93 490 483)	(67 921 035)
Undefined difference compared to the cash generated from operations note		1	(1)
Net cash flows from operating activities	37	18 581 664	37 279 692
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(20 495 186)	(22 110 949)
Proceeds from sale of property, plant and equipment	3	-	1 176
Purchase of other intangible assets	4	(143 223)	(22 735)
Repayment of loans from economic entities		-	-
Proceeds from sale of financial assets		-	1 023
Purchase of money market investments		(25 972)	(80 295)
Net cash flows from investing activities		(20 664 381)	(22 211 780)

Letsemeng Local Municipality

Cash Flow Statement

Cash flows from financing activities

Movement in deferred revenue	(90 057)	141 734
Movement in interest bearing liability	(331 145)	(313 235)
Finance lease payments	(568 189)	(777 783)
Net cash flows from financing activities	(989 391)	(949 284)

Letsemeng Local Municipality

Cash Flow Statement

Figures in Rand	Note(s)	2013	2012
		R	R RESTATED
<hr/>		<hr/>	
Cash and cash equivalents at the beginning of the year		20 699 581	6 580 952
Cash and cash equivalents at the end of the year	13	17 627 473	20 699 580

Letsemeng Local Municipality

Appropriation Statement

Figures in Rand

		adjustments (i.t.o. s28 and s31 of the MFMA)	adjustments budget	(i.t.o. s31 of the council MFMA) approved policy)		expenditure		outcome as % of final budget	outcome as % of original budget

Letsemeng Local Municipality

Appropriation Statement

Total expenditure	(103 312 132)	(5 977 751)	(109 289 883)	-	-	(109 289 883)	(112 076 949)	-	(2 787 066)	103 %	108 %
Surplus/(Deficit)	503 349	(1 580 587)	(1 077 238)	-		(1 077 238)	(21 984 767)		(20 907 529)	2 041 %	(4 368)%

Letsemeng Local Municipality

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments	Final adjustments	Shifting of funds Virement (i.t.o. s31 of the council MFMA) approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	22 090 000	1 077 236	23 167 236	-	23 167 236	23 167 236		-	100 %	105 %
Contributions recognised - capital and contributed assets	-	-	-	-	-	1 934 147		1 934 147	- %	- %
Surplus (Deficit) after capital transfers and contributions	22 593 349	(503 351)	22 089 998	-	22 089 998	3 116 616		(18 973 382)	14 %	14 %
Surplus/(Deficit) for the year										

Capital expenditure and funds sources

Sources of capital funds

Transfers recognised - capital	22 090 000	1 077 000	23 167 000	-	23 167 000	19 492 508			84 %	88 %
Internally generated funds	1 791 000	584 000	2 375 000	-	2 375 000	1 002 678		(1 372 322)	42 %	56 %
Total sources of capital funds	23 881 000	1 661 000	25 542 000	-	25 542 000	20 495 186			80 %	86 %

Letsemeng Local Municipality

Appropriation Statement

Figures in Rand

		adjustments (i.t.o. s28 and s31 of the MFMA)	adjustments budget	(i.t.o. s31 of the MFMA)	council approved policy)		expenditure		outcome as % of final budget	outcome as % of original budget
Cash flows										
Net cash from (used)										
operating										
Net cash from (used)										
investing										
Net cash from (used)	27 491 000	-	27 491 000	-		27 491 000	18 581 664	(8 909 336)	68 %	68 %
financing										
								(49 258 381)	(72)%	(72)%
Net increase/(decrease) in cash and cash equivalents	28 594 000	-	28 594 000	-		28 594 000	(20 664 381)	(989 391)	- %	- %
	56 085 000	-	56 085 000	-		56 085 000	(3 072 108)	(59 157 108)	(5)%	(5)%
Cash and cash equivalents at the beginning of the	37 609 000	-	37 609 000	-		37 609 000	20 699 581	(16 909 419)	55 %	55 %
Cash and cash equivalents at end	93 694 000	-	93 694 000	-		93 694 000	17 627 473	76 066 527	19 %	19 %

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

The preparation of financial statements in conformity with GRAP requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

In the process of applying the municipality's policies, management has made the following significant accounting judgements, estimates, assumptions, which have the most significant effect on the amounts recognised in the financial statements and these are consistent with the previous period.

Impairment of trade and other receivables

Letsemeng Local Municipality

Accounting Policies

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, and an assessment of their ability to make payments based on their creditworthiness. This was performed per debtor per service.

Provisions and contingent liabilities

The provisions raised by the municipality are detailed in note 18. Management's judgement is required on recognising and measuring provisions.

Post-retirement medical aid benefit

The cost of post-retirement medical aid benefit is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Additional information is disclosed in Note 7.

1.1 Significant judgements and sources of estimation uncertainty (continued)

Classification of Investment Property

The municipality has reviewed its property portfolio and determined which items of land and buildings are held to earn rental revenue or for capital appreciation. Land and buildings fulfilling these requirements have been classified as investment property, whilst the remainder of the portfolio have either been classified as property, plant and equipment or inventory depending on management's intention in dealing with these properties.

Depreciation and carrying value of items of property, plant and equipment

The estimation of the useful lives of assets is based on management's judgement. Management considers the impact of technology, availability of capital funding, service requirements, and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

1.2 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment or at fair value where assets have been acquired by grant or donation.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the assets are enhanced in excess of the originally assessed standard of performance. If the expenditure only restores the originally assessed standard of performance, it is regarded as repairs and maintenance, and is expensed.

Accounting Policies

The municipality maintains and acquires assets to provide a social service to the community, with no intention of disposing of the assets for any economic gain, and thus no residual values are determined other than for motor vehicles.

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

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

Assets held under finance leases are depreciated over their useful lives on the same basis as owned assets or, where appropriate, the term of the relevant lease, and are recognised in the Statement of Financial Performance.

Assets under construction are carried at cost. Depreciation of an asset commences when the asset is ready for its intended use.

The depreciation rates are based on the following estimated useful lives:

Accounting Policies

1.2 Property, plant and equipment (continued)

Item	Estimated useful life (years)
Land and buildings	
• Land	Not applicable
Plant and machinery	5-25
Furniture and fixtures	7-10
Motor vehicles	5-7
• Specialised vehicles	10-15
• Other vehicles	3
Office equipment	3-7
IT equipment	4-5
Computer software	3-5
Infrastructure assets	
• Electricity	10-15
• Roads	3-18
• Water	5-40
• Sewer	5-40
Community assets	
• Buildings	30
• Recreational facilities	20-30
• Security	3-5
Bins and containers	5
Landfill sites	5-15

Accounting Policies

Heritage Assets

Not applicable

Impairment of property, plant and equipment

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Finance Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.3 Heritage assets

A heritage asset is defined as an asset that has cultural, environmental, historical, natural, scientific, technological or artistic significance, and are held and preserved indefinitely for the benefit of present and future generations.

A heritage asset that qualifies for recognition as an asset shall be measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

Heritage assets are not depreciated, since their long economic life and high residual value mean that any depreciation would be immaterial.

1.4 Investment property

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

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

Investment property is held at fair value.

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

1.5 Non-current assets held for sale and disposal groups

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. The municipality 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

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

1.6 Intangible assets

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Letsemeng Local Municipality

Accounting Policies

Item	Useful life
Computer software	3 years

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

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

- Financial instruments at fair value, with changes in fair value recognised in surplus or deficit;
- Financial instruments at amortised costs; and
- Financial instruments at cost

1.7 Financial instruments (continued)

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and other receivables	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial asset - Unlisted shares	Financial asset measured at fair value

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Bank overdraft and borrowings	Financial liability measured at amortised cost

- **Trade and other receivables** - Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit. Interest is charged on overdue amounts. Amounts receivable within 12 months from the date of reporting are classified as current.

Accounting Policies

- **Payables from exchange transactions** - Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Liabilities for annual leave (accrued leave) and annual bonus leave are recognised as they accrue to employees.

accrual is based on the potential liability of the municipality. Liabilities for goods and services rendered to the municipality before year end are accrued on management's estimate if the invoice or statement has not been issued.

- **Cash and cash equivalents** - These comprise cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments that are readily convertible to a known amount of cash that are held with registered banking institutions of three months or less and are subject to an insignificant risk of changes in value. For purposes of Cash Flow Statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables. bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position. Cash and cash equivalents and bank borrowings are subsequently recorded at amortised cost.
- **Bank overdraft** - Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

1.7 Financial instruments (continued)

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Trade and other payables are stated at their nominal value.

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

Accounting Policies

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

1.7 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Accounting Policies

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

1.8 Inventories

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

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

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

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

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

1.8 Inventories (continued)

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is generally determined using the first-in-first-out principle except where stated otherwise.

Some of the inventories are used for surrogating purposes. However, due to the fact that some of the components of these inventories would have been removed or faulty, the value of the inventories cannot be determined. As such these inventory items have no value attached to them.

Unsold properties are measured at the lower of cost and net realisable value. Cost is primarily determined by reference to the valuation roll or total cost of servicing the land.

Water Inventory

Water is measured at the lower of purifying cost and net realisable value, insofar as it is stored and controlled in reservoirs and pipe network at year end.

Readings of water levels are taken at year-end, which is quantified at the above value.

1.9 Going concern assumption

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

1.10 Presentation of currency

These annual financial statements are presented in South African Rand, which is the municipality's functional currency. All financial information has been rounded to the nearest Rand.

Accounting Policies

1.11 Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the municipality has a legal right to set off amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.12 Revenue from exchange transactions

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

Revenue from exchange transactions includes revenue from trading activities and other services provided.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of value added tax, estimated returns, rebates and discounts.

1.12 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.12 Revenue from exchange transactions (continued)

Rendering of services

Revenue from rendering of service is recognised in surplus or deficit in proportion to the stage of completion of the transaction at the reporting date.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Service Charges

Service charges relating to distribution of electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates on the consumption history, are made on a monthly basis 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 it being invoiced. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is raised based on the average monthly consumption. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters are read. These adjustments are recognised as revenue in the invoicing period.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property receiving services. Tariffs are determined per category of property and are levied monthly

Letsemeng Local Municipality

Accounting Policies

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 services are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council. revenue is recognised on a monthly basis.

Prepaid Electricity

Revenue from the sale of electricity prepaid meter cards is recognised based on consumption. The consumption is determined based on the following trend analysis:

- During the winter season (May, June, July and August), the municipality tends to sell more units as the temperature will be generally low.
- The municipality will calculate the average sales for the four months. The resultant average units are compared to the sales for May and August for reasonableness. If the average sales are within a reasonable range or threshold of the May and August units sold, the average is deemed reasonable. If it is not within the reasonable range obtained of the May and August sales, reasons for the significant variances are obtained. If there are exceptional items, these are adjusted for.

1.12 Revenue from exchange transactions (continued)

- The resultant reasonable average consumption rate is used as an estimated consumption of prepaid electricity for June. The actual units sold in June are then compared to the estimated consumption for June.

If the actual quantity sold is more than the estimated consumption for June, prepaid electricity revenue sales for June is based on the estimated consumption for June and the excess is deferred to July of the ensuing year.

If the actual quantity sold in June is less than the estimated consumption for June, prepaid revenue sales for June is based on the actual units sold.

Interest, royalties and dividends

Interest earned and rentals received

Interest is recognised, in surplus or deficit as it accrues, using the effective interest rate method. Interest earned on unutilised conditional grants is recognised as an unspent conditional grants liability if the grant conditions indicate that interest is payable to the grantor.

Rental Income from operating leases is recognised on a straight line basis over the lease term.

Dividends

Dividends are recognised on the date that the municipality's right to receive payment has been established.

Royalties

Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreements.

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.

Accounting Policies

Housing rental and installments

Finance income from the sale of housing by way of installment sales agreements or finance leases is recognised as it accrues in surplus or deficit using the effective interest rate.

1.13 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions includes rates levied, fines, donations and grants from other spheres of government.

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

1.13 Revenue from non-exchange transactions (continued)

Revenue from non-exchange transactions is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, the amount of the revenue can be measured reliably and, if applicable, there has been compliance with the relevant legal requirements or restrictions.

Measurement

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

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised on a monthly basis when the taxes are levied as this is regarded to be the date when:

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

A composite rating system charging different rates tariffs is employed. rebates are granted to certain categories of ratepayers and are deducted from revenue.

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

Fines

Revenue from the issuing of fines is recognised on receipt.

1.13 Revenue from non-exchange transactions (continued)

Government grants

Unconditional grants and receipts

Revenue from unconditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably. Since these grants are unconditional and there are no attached stipulations, the grants are recognised as revenue or, if the recognition criteria has been met, as assets in the reporting period in which they are received or receivable.

Conditional grants and receipts

Revenue from conditional grants is recognised as revenue when:

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

Interest earned on investments is treated in accordance with grant conditions. If the interest is payable to the grantor, it is recognised as a liability and if not, it is recognised as interest earned in the Statement of Financial Performance.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

Accounting Policies

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.13 Revenue from non-exchange transactions (continued)

Donations and contributions

Revenue from donations is recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- any restrictions associated with the donation have been met

Revenue from donations is measured at the fair value of the consideration received or receivable which is the cash amount received or where the donation is in the form of property, plant and equipment, the fair value of the property, plant and equipment received or receivable.

Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure

Revenue from 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 councilors or officials is virtually certain.

Gifts and donations, including goods in kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.14 Consumer Deposits

Consumer deposits are charged when new water and/or electricity accounts are opened. The amounts vary per consumer and are approved by Council as part of the tariff structure.

1.15 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

Accounting Policies

1.15 Provisions and contingencies (continued)

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

Provisions are not recognised for future operating surplus.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality.

The municipality's net obligation in respect of long service awards is the amount of future benefit that employees have earned in return for their service in the current and prior periods less amounts paid during the current period. The benefit is discounted to determine its present value less the amount.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the municipality from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of fulfilling the contract.

Reimbursements

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

1.15 Provisions and contingencies (continued)

Restructuring

A provision for restructuring is recognised when the municipality has approved a detailed and formal restructuring plan and the restructuring either has commenced or has been announced publicly.

1.16 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered.

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

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past service or performance and the obligation can be estimated reliably.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expects to pay in exchange for that service and had accumulated at the reporting date.

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 surplus or deficit in the period in which the service is rendered by the relevant employees. prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payments is available

Letsemeng Local Municipality

Accounting Policies

The municipality contributes to various national and provincial administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer plans and are accounted for as defined contribution plans as there is no consistent and reliable basis available for allocating the obligation, plan assets and cost to individual municipalities participating in the plan. The contributions to fund obligations for the payment of retirement benefits are expensed in the year it becomes payable. These multi-employer plans are actuarially valued annually on a national or provincial level using the projected unit credit method. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

1.16 Employee benefits (continued)

Defined benefit plans

The cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses that exceed 10 per cent of the greater of the present value of the municipality's defined benefit obligation and the fair value of plan assets as at the end of the prior year are amortised over the expected average remaining working lives of the participating employees.

The municipality provides certain post-retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of all of the medical aid funds with which the municipality is associated, a member is entitled to remain a continued member of the medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. These medical aid funds are classified as defined benefit plans.

The current service cost is recognised as a period expense in the statement of financial performance and is matched to the benefit received during the working life of the employee. the current service cost includes the expense for benefits received by the employee currently in service and the cost of funding the employee when no longer in service.

Where some of the employees are not members of any qualifying medical aid scheme as at reporting date, the municipality accrues 50% of such potential liability. This management estimate is meant to cater for employees who are likely to join the qualifying medical schemes in future but before retirement.

1.17 Leases

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

Accounting Policies

Finance leases - lessor

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

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

1.17 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets leased under operating leases, except for property interests held by the municipality as investment property, are not recognised in the statement of financial position.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

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

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

Operating leases - lessee

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

Finance sale and leaseback

Where the sale and leaseback results in a finance lease, any excess of sales proceeds over the carrying amount of the asset is not recognised immediately as revenue in the annual financial statements of the seller -lessee. The excess amount is deferred and amortised over the lease term.

Operating sale and leaseback

Where the sale and leaseback results in an operating lease the transactions are accounted for as follows:

- If the transaction is concluded at fair value, any gain or loss is recognised immediately.

1.17 Leases (continued)

- If the price is below fair value, any gain or loss is recognised immediately except that, if the loss is compensated for by future lease payments at below market price, it is deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used.
- If the sale price is above fair value, the excess over fair value is deferred and amortised over the period for which the asset is expected to be used.

1.18 Value Added Tax

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

1.19 Unauthorised expenditure

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

1.20 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of

Letsemeng Local Municipality

Accounting Policies

2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure

excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the relevant authority, it is treated as a receivable until it is written off as irrecoverable.

1.21 Fruitless and wasteful expenditure

Fruitless expenditure is expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Comparative figures

When the presentation or classification of items in the annual financial statements are amended, comparative amounts are reclassified. The nature and amounts of reclassifications as well as the reasons are disclosed.

1.23 Site restoration, dismantling cost and similar liability

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- changes in the liability are added to, or deducted from, the cost of the related asset in the current period. The related depreciation is recognised over the remaining estimated useful life of the landfill site in surplus or deficit.
- If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- If the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that: a) a decrease in the liability is credited to revaluation surplus in equity, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit. b) an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- In the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit. If the revaluation is necessary, all assets of that class are revalued.

1.24 Impairment of non-cash-generating assets

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

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

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

1.24 Impairment of non-cash-generating assets (continued)

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

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

Letsemeng Local Municipality

Accounting Policies

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

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

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

1.24 Impairment of non-cash-generating assets (continued)

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

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

Reversal of an impairment loss

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

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

Accounting Policies

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

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

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

Letsemeng Local Municipality

Accounting Policies

1.25 Finance Income and expenses

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in surplus or deficit, using the effective interest method. Dividend income is recognised in surplus or deficit on the date that the municipality's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. Borrowing costs are recognised in surplus or deficit using the effective interest method.

1.26 Budget information

Letsemeng Local Municipality is subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.27 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Letsemeng Local Municipality

Accounting Policies

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
	R	R
		RESTATED

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current

In the current , the municipality has adopted the following standards and interpretations that are effective for the current financial and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after
• GRAP 23: Revenue from Non-exchange Transactions (Taxes and Transfers)	01 April 2012
• GRAP 24: Presentation of Budget Information	01 April 2012
• GRAP 103: Heritage Assets	01 April 2012
• GRAP 21: Impairment of non-cash-generating assets	01 April 2012
• GRAP 26: Impairment of cash-generating assets	01 April 2012
• GRAP 104: Financial Instruments	01 April 2012

GRAP 23: Revenue from Non-exchange Transactions (Taxes and Transfers)

The standard became effective for the years beginning on or after 1 April 2012. In particular, it requires deferral of revenue when a valid obligation exists. A valid obligation only exists where a grant or transfer is subject to conditions. It further requires that any existing liabilities which arise from grants and

Letsemeng Local Municipality

transfers that are not subject to conditions should be derecognised and the accumulated surplus or deficit adjusted.

Most of the grants received by the municipality are conditional grants, deferral of revenue is done on conditional grants and revenue is currently only recognised when the conditions associated with the respective grants are met and therefore there has not been a significant impact on the financial statements on adoption of GRAP 23 regarding grants, property rate receivables and donations in-kind. The required disclosures have been made in the notes to the financial statements.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is not material.

GRAP 24: Presentation of Budget Information

The budget is approved for same fiscal year as the annual financial statements.

The municipality's budget is on the same basis of accounting as the annual financial statements. In terms of GRAP 24, the financial statements and the budget are on a comparable basis.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- are prepared for the same period.

The comparison of actual amounts to budget amounts are presented in a separate statement to the annual financial statements.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

GRAP 103: Heritage Assets

All the municipality's asset's were physically verified during the unbundling process in the financial period ending 30 June 2012. The exercise included the verification of heritage assets. The municipality therefore as required by the standard undertook a significant amount of work in advance in order to comply with the standard. The verification will determine the opening balance of heritage assets for the 2012/13 reporting period as the standard will be applied retrospectively..

The municipality has opted to utilise the transitional period of three years in which to measure the heritage assets. The municipality will therefore comply with all the requirements of GRAP 103 by 30 June 2015.

As at 30 June 2013, the municipality identified its heritage assets through physical verification.

Notes to the Annual Financial Statements

This standard becomes effective for years beginning on or after 1 April 2012 and will therefore be formally adopted by the municipality on or after 1 July 2012. The standard will be applied prospectively. The standard determines the requirements and provides additional guidance on how to impair non-cash-generating assets, being assets that are not held to generate any sort of commercial benefit. In particular, it provides guidance on how to determine an asset's recoverable service amount in the absence of any future cash flows.

The municipality has considered the principles set by this standard in developing its general asset impairment policy and therefore does not expect significant changes in how assets will be accounted for or disclosed when the standard becomes effective.

GRAP 104: Financial Instruments

The municipality has unlisted shares with Senwes Limited and Senwes Beleggings Limited. These shares were previously presented as available-for-sale under IAS 39 and measured at fair value with the gains and losses being accounted for in a fair value adjustment reserve in equity. With the adoption of GRAP

104, the shares have been reclassified to financial asset at fair value. The gains and losses which were previously recognised through net assets are recognised through surplus or deficit. The previous years' gains and losses have been written off through accumulated surplus.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The impact of the amendment is set out in note 52 Changes in Accounting Policy.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

2.2 Standards and interpretations issued, but not yet effective

The following standards expected to be applicable to the municipality have been issued, but are not yet effective.

The GRAP standards below will be applied by the municipality from the effective date determined by the Minister of Finance. The effective dates are currently unknown.

Standard/ Interpretation	Effective date: Years beginning on or after
GRAP 18: Segment Reporting	01 April 2013
GRAP 105: Transfers of functions between entities under common control	01 April 2014
GRAP 106: Transfers of functions between entities not under common control	01 April 2014
GRAP 107: Mergers	01 April 2014
GRAP 20: Related Parties	01 April 2013

The impact of GRAP 18, GRAP 105, GRAP 106 and GRAP 107 cannot be determined accurately (impracticable) as there are currently no systems, processes and procedures in place to determine such amounts. These will be developed and implemented once the standards become effective.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or

Notes to the Annual Financial Statements

deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Notes to the Annual Financial Statements

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

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

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and Buildings	159 947 019	(24 673 707)	135 273 312	148 119 954	(23 799 235)	124 320 719
Infrastructure	689 766 345	(208 863 356)	480 902 989	682 213 719	(191 451 375)	490 762 344
Other property, plant and equipment	13 185 233	(4 727 324)	8 457 909	10 000 548	(3 291 538)	6 709 010
Total	862 898 597	(238 264 387)	624 634 210	840 334 221	(218 542 148)	621 792 073

Letsemeng Local Municipality

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Under Construction	Other changes, movements	Depreciation	Total
Land and buildings	124 320 719	241 631	11 585 434	-	(874 472)	135 273 312
Infrastructure	490 762 344	-	7 907 074	(354 447)	(17 411 982)	480 902 989
Other property, plant and equipment	6 709 010	3 184 685	-	-	(1 435 786)	8 457 909
	621 792 073	3 426 316	19 492 508	(354 447)	(19 722 240)	624 634 210

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Under Construction	Depreciation	Write-back	Total
Infrastructure	491 267 800	7 469 391	9 465 724	(17 440 571)	-	490 762 344
Other property, plant and equipment	7 429 144	676 486	-	(1 397 395)	775	6 709 010
	619 385 633	8 145 877	13 965 072	(19 705 284)	775	621 792 073

Pledged as security

None of the tangible assets were pledged as security during the current and previous year.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
	R	R
		RESTATED

4. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	837 619	(702 538)	135 081	694 396	(448 038)	246 358

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer software, other	246 358	143 223	(254 500)	135 081

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Amortisation	Total
Computer software, other	449 056	22 735	(225 433)	246 358

Pledged as security

None of the intangible assets were pledged as security during the current and previous year.

Letsemeng Local Municipality

Notes to the Annual Financial Statements

5. Heritage assets

Transitional provisions

Heritage assets identified as 30 June 2013.

In accordance with the transitional provisions as per GRAP 103 the the following is a list of Heritage assets identified as per the South African Heritage Resource Agency:

a)Old Powder Magazine-Luckhoff, b)Burgher Memorial,Magersfontein-Jacobsdal, c)Anglo Boer War Blockhouse-Jacobsdal.

The municipality will appoint independent experts to provide fair values of the foregoing assets and any other assets within the transitional period.

The date at which full compliance with GRAP 103 is expected, is 30 June 2015.

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
	R	R
		RESTATED

6. Other financial assets

Financial assets at fair value

Unlisted shares	62 750	57 350
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Current assets

Financial Instruments at fair value	62 750	57 350
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Financial assets at fair value

Fair values of financial assets measured or disclosed at fair value

Unlisted Shares	62 750	57 350
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This comprises of a non-controlling interest of 3,600 shares in Senwes Limited and 4,990 shares in Senwes Beleggings Limited, which are recognised at fair value. The shares are valued as per valuation obtained from the Senwes Transfer Secretaries as at 30 June 2013. The share price values were R10.50 (2012:R9.70) and R5.00 (2012: R5.00) respectively.

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Fair value hierarchy of financial assets at fair value

The municipality uses the following hierarchy to determine the fair value of those instruments carried at fair value:

Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 applies inputs which are not based on observable market data.

At the reporting date the municipality held the following financial assets carried at fair value:

Level 1

Unlisted Shares	62 750	57 350
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Reconciliation disclosures for investments

Investments measured at amortised cost

Call account deposits	17 555 194	14 038 641
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The interest rate for the call account was 4.00% per annum.

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
	R	R
		RESTATED

Collateral

Carrying value of financial assets pledged as collateral for liabilities or contingent liabilities	1 670 000	1 670 000
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An investment account was opened, ceded and pledged as security for the duration of overdraft facility which expires on 31 March 2014.

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
	R	R
		RESTATED

7. Employee benefit obligations

Defined benefit plan

The following are the defined benefit plans that employees of the municipality belong to:

- SALA Pension Fund
- Free State Municipal Provident Fund
- Free State Municipal Pension Fund
- SAMWU Provident fund
- Metropolitan Pension Fund

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

In terms of contributions to the fund, the employer and employee contributions are as follows:

- Free State Municipal Provident Fund - Employee: 4.5%, Council: 18.07%
- South African Local Authorities (SALA) Pension Fund - Employer: 8.6%, Council: 20.78%
- Free State Municipal Fund - Employee: 8.5%, Council: 18.07%
- Metropolitan Pension Fund - Employee: 8.6%, Council: 18.06%

Letsemeng Local Municipality

Notes to the Annual Financial Statements

- South African Municipal Workers Union (SAMWU) - Employee: 8.6%, Council 18.6%

An amount of R (2012: R2,299,843) was contributed by Council in respect of Councillors and employees retirement funding. These contributions have been expensed and are included in employee related costs for the year.

Post retirement medical aid plan

The municipality operates a funded post-employment health care plans for qualifying employees. employees of the municipality are members of Bonitas, Keyhealth, Samwumed and Hosmed medical schemes.

The municipality is committed to pay 60% of the members' post -employment medical scheme contributions up to an amount that is currently capped at R3 440 per month. Under the plan, dependants of employees are entitled to continued membership of their Medical Aid Scheme upon the death of the primary member. No other post-retirement benefits are provided to these employees. As at the Statement of financial position date, the members of the medical aid entitled to the post employment medical scheme subsidy were 31-in-service members and 14 pensioners.

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2013 by D.T Mureriwa, Fellow of the Institute of Actuaries. The present value of the defined benefit obligation, and related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
	R	R
		RESTATED

7. Employee benefit obligations (continued)

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(10 231 000)	(9 103 000)
Non-current liabilities	(9 855 000)	(8 760 000)
Current liabilities	(376 000)	(343 000)
	(10 231 000)	(9 103 000)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	9 103 000	9 000 000
Benefits paid	(343 000)	(302 000)
Net expense recognised in the statement of financial performance	1 471 000	405 000
	10 231 000	9 103 000

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Net expense recognised in the statement of financial performance

Past service cost	450 000	493 000
Interest cost	737 000	796 000
Actuarial (gains) losses	284 000	(884 000)
	1 471 000	405 000

Key assumptions used

The principal assumptions used for the purposes of the actuarial valuation on 30 June 2013 were as follows:

Discount rates used	7,25 %	8,25 %
Expected health care cost inflation	6,75 %	6,75 %
Net discount rate used	0,47 %	1,41 %
Consumer price inflation	6,00 %	6,25 %
Expected increase in salaries	7,15 %	6,90 %

Plan Assets

The municipality does not have assets set aside for post employment medical aid funding that qualify as plan assets in terms of the requirements of GRAP 25. As such no value has been ascribed to the fair value of plan assets.

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
	R	R
Maintenance materials	354 115	1 161 538
Water	19 123	22 212
	373 238	1 183 750

8.1 Non - Financial information - Quantities of Water (mega litres)

Koffiefontein (4 tanks)	10 243	5 134
Petrusburg (4 tanks)	1 378	1 430
Jacobsdal (5 tanks)	732	15 996
Luckhoff (3 tanks)	1 050	1 249
Oppermans (2 tanks)	2 533	1 857
	15 936	25 666

Water inventory has been calculated to include purified water in the pipe network within the jurisdiction of Letsemeng Local Municipality.

Inventory pledged as security

No inventory was pledged as security during the current and previous financial period.

9. Other receivables from exchange transactions

Other receivables	923 749	922 403
Prepaid expenses	-	33 439
Less Provision for impairment	(643 879)	(599 956)
	1 497 070	1 507 273

Reconciliation of provision for impairment of trade and other receivables

Opening balance	599 956	494 148
Provision for impairment	43 923	105 808
	643 879	599 956

Letsemeng Local Municipality

Notes to the Annual Financial Statements

The basis of provision is described in note 11.

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
	R	R
		RESTATED

10. Other receivables from non-exchange transactions

Property rates	8 120 147	5 933 013
Grants receivable	12 608 493	12 633 250
Provision for impairment	(7 649 865)	(5 521 815)
	13 078 775	13 044 448

Other receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2013, 470 282 (2012: 411 198) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	247 637	254 062
2 months past due	130 707	105 224
3 months past due	91 938	51 912

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Other receivables from non-exchange transactions impaired

As of 30 June 2013, other receivables from non-exchange transactions of 7 649 865 (2012: 5 521 185) were impaired and provided for.

The ageing of these loans is as follows:

Over 3 months	6 908 900	4 890 525
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11. VAT receivable

VAT receivable	4 427 635	2 193 900
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All VAT returns have been submitted by the due date throughout the year.

12. Trade Receivables from exchange transactions

Gross balances

Water	7 169 787	9 503 459
Sewerage	6 386 792	5 475 515
Refuse	6 150 848	5 245 566
	21 734 270	22 137 920

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
	R	R
Less: Allowance for impairment		
Water	(6 217 578)	(8 839 723)
Sewerage	(5 739 454)	(4 905 245)
Refuse	(5 533 196)	(4 703 245)
	(18 586 867)	(19 374 338)
Net balance		
Water	952 209	663 736
Sewerage	647 338	570 270
Refuse	617 652	542 321
	3 147 403	2 763 582
Electricity		
31 - 60 days	135 572	107 677
61 - 90 days	71 267	72 631
	930 204	987 255
Water		
31 - 60 days	109 794	60 749
61 - 90 days	66 187	42 841
	952 209	663 736
Sewerage		
31 - 60 days	54 349	49 374
61 - 90 days	32 520	23 970
	647 338	570 270

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Refuse

31 - 60 days

51 718

41 920

61 - 90 days

27 270

22 004

617 652

542 321

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
	R	R

Summary of debtors by customer classification

Consumers/Households

31 - 60 days	753 619	634 577
61 - 90 days	651 151	585 002
91 - 120 days	16 145 634	15 973 148
	19 767 455	19 448 172

Industrial/ commercial

31 - 60 days	357 762	258 034
61 - 90 days	337 464	218 552
91 - 120 days	7 898 894	6 490 464
	9 310 915	7 622 206

National and provincial government

31 - 60 days	131 107	171 019
61 - 90 days	79 221	126 667
91 - 120 days	510 392	508 134
	1 037 510	1 095 053

Total

31 - 60 days	847 492	727 678
61 - 90 days	703 459	658 033
91 - 120 days	623 058	835 712
121 - 150 days	560 472	731 877
> 150 days	15 844 507	15 956 272
	21 734 270	22 137 920
Less: Allowance for impairment	(18 586 867)	(19 374 338)
	3 147 403	2 763 582

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Less: Provision for debt impairment

31 - 60 days	(496 060)	(467 959)
61 - 90 days	(506 216)	(496 586)
91 - 120 days	(623 058)	(835 712)
> 150 days	(16 405 027)	(16 688 149)

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
	R	R
		RESTATED

12. Trade Receivables from exchange transactions (continued)

(18 586 867) (19 374 338)

Reconciliation of allowance for impairment

Balance at beginning of the year	(19 374 338)	(14 183 970)
Contributions to allowance	(2 997 662)	(5 190 368)
Debt impairment written off against allowance	3 785 133	-
	<u>(18 586 867)</u>	<u>(19 374 338)</u>

Consumer debtors pledged as security

No consumer debtors were pledged as security for any facilities.

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

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2013, 2 728 722 (2012: 2 194 058) were past due but not impaired.

Letsemeng Local Municipality

Notes to the Annual Financial Statements

The ageing of amounts past due but not impaired is as follows:

1 month past due	2 180 046	1 772 892
2 months past due	351 432	259 719
3 months past due	197 243	161 447

Consumer debtors impaired

As of 30 June 2013, consumer debtors of 18 586 865 (2012: 19 374 338) were impaired and provided for.

The ageing of these loans is as follows:

Over 3 months	17 028 085	17 523 861
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Reconciliation of allowance for impairment of consumer debtors

Opening balance	(19 374 338)	(14 183 970)
Allowance for impairment	4 572 604	(5 190 368)
Amounts written off as uncollectible	(3 785 133)	-
	(18 586 867)	(19 374 338)

The creation and release of allowance for impaired receivables have been included in operating expenses in the statement of financial performance. Amounts charged to the allowance account are written off when there is no expectation of recovering additional cash.

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
	R	R
		RESTATED

12. Trade Receivables from exchange transactions (continued)

The municipality's debt impairment is based on individual payments history. Debtors that show signs of non payment through accumulation of arrear balances are considered as delinquent debtors. These debtors are considered to be impaired due to uncertainty surrounding the recoverability of these amounts.

The credit quality of trade and other receivables from exchange transactions are determined and monitored with reference to historical payment trends. Accordingly, the credit quality of the customers included in the balance of trade and other receivables from exchange transactions is determined internally through application of the municipality's credit policy. Based on the evaluation of the historical payment trends, customers included in the balance of trade and other receivables are categorised into the following:

- A (high credit quality) - Customer accounts with up to date payments, no arrear balances.
- B (medium credit quality) - Customer accounts with a history of payment with no outstanding balances in either 120 days, 150 days or 180 days.
- C (low credit quality) - Customer accounts with no history of payment. These are accounts that have been considered delinquent.

The write off of bad debts relates to water balances of indigent households. The bad debts written off were approved at Council meeting held 30 August 2012.

Letsemeng Local Municipality

Notes to the Annual Financial Statements

13. Cash and cash equivalents

Cash on hand	690	575
Bank balances	1 874 892	8 437 835
Short-term deposits	15 751 890	12 261 171
	17 627 472	20 699 581

The total amount of undrawn facilities available for future operating activities and commitments	2 000 000	2 000 000
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Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for overdraft facility	1 670 000	1 670 000
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An investment account was opened, ceded and pledged as security for the duration of overdraft facility which expires on 31 March 2014.

Movement during the year

Interest earned and capitalised	25 644	80 623
	1 851 400	1 825 756

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
	R	R
		RESTATED

13. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2013	30 June 2012	30 June 2011	30 June 2013	30 June 2012	30 June 2011
FNB BANK - Account Type - Current Number 527115689918	1 747 824	5 091 164	1 935 971	1 874 892	8 437 835	(1 932 185)
ABSA BANK - Account Type - Current Number 40-4803-4774	153 236	3 410 711	-	-	-	-
STANDARD BANK - Account Type - Investment Number 248467824-008	-	6 157 130	-	-	6 186 571	-
STANDARD BANK - Account Type - Investment Number 248467824-010	-	6 056 083	-	-	6 074 600	-
STANDARD BANK - Account Type - Investment Number 551151119	-	-	22 254	-	-	22 131
FNB BANK - Account Type - Call account number 62273244849	17 555 194	-	-	15 751 890	-	-
CASH ON HAND	-	-	-	690	575	575
Total	19 456 254	20 715 088	1 958 225	17 627 472	20 699 581	(1 909 479)

The municipality maintains one cashbook for its primary bank account with First National Bank and the ABSA bank account.

Letsemeng Local Municipality

Notes to the Annual Financial Statements

14. Money Market Investments

These are money market instruments placed with local institutions. Average interest rates for the year was 5.14% (2012: 5.61%).

Money Market Investments

FNB Account Number 62273244849

Maturing within 3 months disclosed in cash & cash equivalents

17 603 290 14 086 599

(15 751 890) (12 261 171)

1 851 400 1 825 428

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
	R	R
		RESTATED

15. Fair value adjustment reserve

This relates to changes in the value of unlisted shares (see note 5). The gains and losses previously recognised in the reserve have been written off to accumulated surplus as a result of a change in accounting policy on adoption of GRAP 104.

Opening Balance	-	17 255
Current year charge	-	(1 023)
Written off to accumulated surplus	-	(16 232)
	-	-

16. Finance lease obligation

Minimum lease payments due

- in second to fifth year inclusive	-	45 142
	45 143	614 288
less: future finance charges	(1 748)	(32 577)
Present value of minimum lease payments	43 395	581 711

Present value of minimum lease payments due

- in second to fifth year inclusive	-	43 394
	43 395	581 711

Current liabilities	43 395	538 316
	43 395	581 711

It is municipality policy to lease certain office equipment, security and communication equipment under finance leases.

Letsemeng Local Municipality

Notes to the Annual Financial Statements

The average lease term was 2-3 years and the average effective borrowing rate was 9% (2012: 9%).

Interest rates are linked to prime at the contract date. Fintech lease escalate at 15% p.a , Multitech leases and Bytes/Xerox leases has 0% escalation. These would include additional charges for variable costs based on the number of copies printed by the municipality in an given month. .

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 4.

17. Interest bearing liability

Non-current liability	-	104 626
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Letsemeng Local Municipality

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
	R	R
		RESTATED

17. Interest bearing liability (continued)

Current liability	104 626	331 145
	104 626	435 771

This relates to embedded loans advanced towards the installation of the municipality's communication and access control equipment. The loans bears an average interest of 8.5% (2012: 9.5%) per annum.

18. Provisions

Reconciliation of provisions - 2013

Opening Balance	Change in Accounting estimate	Utilised during the year	Actuarial (gains/losses)	Service cost and Interest	Unwound Interest	Total
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Letsemeng Local Municipality

Notes to the Annual Financial Statements

Reconciliation of provisions - 2012

	Opening Balance	Utilised during the year	Actuarial (gains)/losses	Service cost and interest	Unwound interest	Total
Environmental rehabilitation	20 815 452	-	-	-	2 497 851	23 313 303
Long Service Awards	1 063 000	(136 085)	24 085	415 000	-	1 366 000
	21 878 452	(136 085)	24 085	415 000	2 497 851	24 679 303
Environmental Non-current liabilities rehabilitation	23 313 303	(354 446)	-	-	27 182 453	25 756 453
Long Service Awards Provision	1 366 000	-	(211 000)	(37 000)	425 000	1 543 000
	24 679 303	(354 446)	(211 000)	(37 000)	425 000	27 299 453
Current liabilities					117 000	196 000
					27 299 453	24 679 303

The Municipality operates five disposal sites. Based on the engineers report and estimate costs (Mr A. Troskie of Bovicon Consulting Engineers cc), three of the municipality's five sites namely Koffiefontein, Luckhoff and Oppermansgronde do not meet all the minimum registration and operating requirements as prescribed by the National Environmental Conservation Act (Act No.73 of 1989). These sites will need to be closed and new sites be identified and opened. The remaining two, namely Petrusburg and Jacobsdal mainly need upgrading as the existing sites meet the regulatory requirements. In lieu of the foregoing, the provision of R25 756 453.00 is based on the assumption that these sites and the other two will be closed and upgraded respectively, in short to medium term, once all the relevant legal and other processes are completed. For more information relating to the assumptions made, refer to note 50.

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
	R	R
		RESTATED

18. Provisions (continued)

The municipality changed the discount rate from 12% to 10.5% thereby the change in accounting estimate led to a decrease in landfill site asset by R 354 446.

Long Service Awards

The actuarial valuation of the long service bonus awards accrued liability was carried out by D.T. Mureriwa, Fellow of the Institute of Actuaries.

The long service bonus awards consists of an obligation to pay out a bonus in the year of the employee attaining the required service. The obligation presents a liability to Letsemeng Local Municipality and the value is represented by the present value of the total long service bonus awards expected to become payable under Letsemeng's current policy.

The municipality offers bonuses for every 5 years of completed service from 5 years to 45 years.

Long service accumulated leave must be taken within one year of receiving such leave or may be wholly or partially cashed

The portion of the bonus that is a percentage of annual salary is awarded within the month following the employee attaining the qualifying completed years of service.

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Movement for the year

Opening accrued liability	1 366 000	1 063 000
Service cost	320 000	311 000
Interest cost	105 000	104 000
Bonuses paid	(211 000)	(112 000)
Actuarial (gains)/losses	(37 000)	-
	1 543 000	1 366 000

Assumptions made include discount rate of 7.25% (2012: 8.25%), Salary increase rate of 7.15% (2012: 6.90%) and net discount rate of 0.09% (2012:1.50%).

Other assumptions included a mortality of SA85-90 and a normal retirement age of 63

19. Deferred revenue

Balance at beginning of period	240 518	98 784
Additions during the year	150 461	240 518
Recognised in the Statement of Financial Performance	(240 518)	(98 784)
	150 461	240 518

Balance at end of period

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
	R	R
		RESTATED

19. Deferred revenue (continued)

The deferred revenue arises in respect of a portion of prepaid electricity sold during the year but not consumed during the current financial period.

20. Trade and payables from exchange transactions

Salary Control Account	15 858	1 718
Other payables	257 164	207 516
Deposits	1 860	2 991
Ambulance related services	-	21 731
Accumulated leave pay	4 271 278	2 610 954
Accrued bonus	650 886	423 554
	9 813 417	12 812 577

Electricity	368 412	363 713
Water	400 590	304 946
	769 002	668 659

22. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Department of Water Affairs	-	1 077 236
Department of Local government(COGTA)	347 320	-
Department of Health	115 000	-
	1 878 724	2 571 666

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Movement during the

Balance at the beginning of the	2 571 666	1 994 996
Received during the year	77 146 995	27 033 000
Income recognition during the	(77 839 937)	(26 456 330)
	1 878 724	2 571 666

See note for reconciliation of grants from National/Provincial Government as well as their purpose.

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
	R	R
		RESTATED

22. Unspent conditional grants and receipts (continued)

These amounts are invested with one of the local banks, together with the municipality's excess cash. See note 13.

23. Service charges

Sale of water	4 466 907	6 422 903
Sewerage and sanitation charges	2 572 976	2 466 487
Refuse removal	2 335 976	2 258 303
	23 413 849	25 663 213

24. Rental of facilities and equipment Premises

Venue hire	20 527	17 713
	286 284	348 813

Facilities and equipment

	288 552	354 563
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25. Property rates

Rates received

Residential	2 726 746	2 289 853
Commercial	1 043 412	789 095
State	783 533	144 139
Small holdings and farms	2 741 323	2 126 935
	7 295 014	5 350 022

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
	R	R

Valuations

Residential	341 471	341 471
Commercial	73 539	73 539
State	121 763	121 763
Municipal	117 957	117 957
Small holdings and farms	4 594	4 594
Agriculture	1 489 032	1 489 032
Other	120 595	120 595
	2 268 951	2 268 951

Valuations on which property rates are based are performed every 4 years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Various rates are applied to property valuations to determine assessment rates. Rebate of 2% is applied to residential, 30% is applied to state property owners, 0% on commercial property and 100% on municipal property. Rates are levied on a monthly basis on property owners.

The new general valuation was implemented on 01 July 2013.

Operating grants

Expanded Public Works Programme	1 073 750	389 000
Department of Minerals and Energy	-	594 000
Municipal Systems Improvement Grant (MSIG)	800 000	790 000
Financial Management Grant	1 500 000	1 450 000
Police Road Transport	78 026	500 567
Department of Local Government (COGTA)	712 680	-
	54 672 701	50 265 817

Capital grants

Municipal Infrastructure Grant (MIG)	22 090 000	18 210 000
Department of Water Affairs (DWA)	1 077 236	4 522 764

Letsemeng Local Municipality

Notes to the Annual Financial Statements

23 167 236	22 732 764
77 839 937	72 998 581

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
	R	R
		RESTATED
Conditional grants received	27 331 685	26 456 331
Unconditional grants received	50 508 252	46 542 250
	77 839 937	72 998 581

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of 207 (2012: 187), which is funded from the grant.

No grant was held during the current period.

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
	R	R
		RESTATED

26. Government grants and subsidies (continued)

Finance Management Grant(FMG)

Current-year receipts	1 500 000	1 450 000
Conditions met - transferred to revenue	(1 500 000)	(1 450 000)
	-	-

Conditions still to be met - remain liabilities (see note 22).

The grant is meant for assisting municipalities in the improvement of system related transactions.

Municipal Systems Improvement Grant (MSIG)

Current-year receipts	800 000	790 000
Conditions met - transferred to revenue	(800 000)	(790 000)
	-	-

Conditions still to be met - remain liabilities (see note 22).

The grant is mainly used for promoting and supporting reforms in the financial management by building capacities in municipalities to implement MFMA and improve progressive financial reporting for municipalities.

No grant was held during the current period.

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Municipal Infrastructure Grant (MIG)

Current-year receipts	22 090 000	18 210 000
Conditions met - transferred to revenue	(22 090 000)	(18 210 000)
	<hr/>	<hr/>
	-	-

Conditions still to be met - remain liabilities (see note 22).

The grant was used to fund infrastructure related projects (mainly as part of the service delivery). Capitalised projects funded by this grant are included in property, plant and equipment whilst the unspent portion of the grant is included in current liabilities.

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
	R	R
		RESTATED

26. Government grants and subsidies (continued)

Department of Minerals and Energy Affairs (DME)

Current-year receipts	-	594 000
Conditions met - transferred to revenue	-	(594 000)
	-	-

Conditions still to be met - remain liabilities (see note 22).

The grant was utilised for the electrification of newly developed areas.

No grant was withheld during the year.

Road Transport Grant

Balance unspent at beginning of	1 494 430	1 994 996
Conditions met - transferred to revenue	(78 026)	(500 566)
	1 416 404	1 494 430

Conditions still to be met - remain liabilities (see note 22).

The grant was used to finance the upgrading and construction of the street network within the municipal boundaries.

Letsemeng Local Municipality

Notes to the Annual Financial Statements

No grant was withheld during the year.

Balance unspent at beginning of	1 077 236	-
Current-year receipts	-	5 600 000
Conditions met - transferred to revenue	(1 077 236)	(4 522 764)
	-	1 077 236

Conditions still to be met - remain liabilities (see note 22).

The grant is used for the provision of water and sanitation services to the community.

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
	R	R

Expanded Public Works Programme (EPWP)

Current-year receipts	1 073 750	389 000
Conditions met - transferred to revenue	(1 073 750)	(389 000)
	-	-

Conditions still to be met - remain liabilities (see note 22).

The grant is for the improvement of public infrastructure.

Department of Local Government (COGTA)

Current-year receipts	1 060 000	-
Conditions met - transferred to revenue	(712 680)	-
	347 320	-

Conditions still to be met - remain liabilities (see note 22).

The grant was to fund the Chief Financial Officer's remuneration .

Department of Health

Current-year receipts	115 000	-
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Conditions still to be met - remain liabilities (see note 22).

27. Public contributions and donations

Public contributions and donations	1 934 147	20 000
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Conditions still to be met - remain liabilities (see note 22)

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
	R	R
Photocopies	2 500	2 935
Refuse bags	-	114
Tax certificates	15 457	14 923
Test meters	111	202
Trading licences	1 399	3 268
Sundry Income	752 707	542 305
Building plan fees	3 929	4 119
Agreements	3 070	17 939
Court fines	55 510	77 740
Grave plots	29 481	34 083
Call out fees	55	-
Reconnection fees	114 662	104 745
	978 881	802 373

29. Investment and interest revenue

Dividend revenue

Unlisted financial assets - Local	10 607	5 247
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Interest revenue

Interest received - Bank	106 199	-
Interest charged on trade and other receivables	2 227 301	1 923 149
Interest received - Eskom and SARS	65 814	74 726
	3 427 178	3 048 960
	3 437 785	3 054 207

30. Operating surplus

Operating surplus for the is stated after accounting for the following:

Gain on sale of property, plant and equipment	-	1 176
Impairment on trade and other receivables	5 200 917	7 056 286
Depreciation on property, plant and equipment	19 976 740	21 929 675
Employee costs	32 880 642	27 877 178

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
	R	R
Basic	15 620 555	13 859 685
Special Bonuses	-	137 757
Medical aid - company contributions	558 589	781 056
UIF contributions	158 625	150 919
WCA contributions	546 639	-
SDL	215 355	218 442
Leave pay provision charge	1 660 323	1 248 018
Post-employment benefits - Pension - Defined contribution plan	1 898 931	1 861 194
Travel, motor car, accommodation, subsistence and other allowances	1 743 124	1 788 642
Overtime payments	1 793 796	1 725 167
Long-service awards	132	154 475
13th Cheques and other bonuses	1 115 016	910 671
Housing benefits and allowances	351 121	18 596
Industrial Council	9 222	6 580
Actuarial gains and losses	479 659	(859 915)
Defined benefit -Current Service Cost	770 000	804 000
	26 921 087	22 805 287
Remuneration of Municipal Manager		
Annual Remuneration	789 670	741 981
Car Allowance	112 109	108 893
Other	243 890	98 677
	1 145 669	949 551
Remuneration of Chief Finance Officer		
Annual Remuneration	332 667	454 697
Car Allowance	97 536	164 566
Contributions to UIF, Medical and Pension Funds	24 000	36 000
Acting Allowance	59 899	-
Other	198 578	74 178
	712 680	729 441

The Municipal Manager was re-appointed effective 01 August 2012.

The Chief Financial Officer resigned 28 February 2013. An Acting Chief Financial Officer was appointed on 05 March 2013.

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
	R	R

Remuneration of Technical Services Manager

Annual Remuneration	508 040	250 495
Car Allowance	144 000	60 000
Acting Allowance	-	145 377
Other	38 433	17 361
	690 473	473 233

Remuneration of Corporate Services Manager

Annual Remuneration	521 900	237 427
Car Allowance	96 000	40 000
Contributions to UIF, Medical and Pension Funds	35 832	12 535
Acting Allowance	-	166 624
Other	52 469	41 920
	706 201	498 506

32. Remuneration of councillors

Executive Mayor/Speaker	628 273	596 538
Councillors	2 076 259	1 824 622
	2 704 532	2 421 160

Remuneration of Executive Mayor/Speaker

Annual remuneration	604 460	572 948
Cell phone allowance	19 872	18 840
Travelling and subsistence	3 941	4 750
	628 273	596 538

In-kind benefits

The Executive Mayor/Speaker is full-time and she is provided with an office and secretarial support at the cost of the Council. She also has a driver, who acts as her bodyguard.

Remuneration of Councillors

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
	R	R
Annual remuneration	1 590 210	1 276 122
Car allowances	401 103	405 762
Cell phone allowances	84 436	114 954
Travelling and subsistence	510	10 519
	2 076 259	1 807 357

The remuneration of Councillors was based on the upper limits determined in terms of the Government Notices issued by the Minister of Co-operative Governance and Traditional Affairs, as required of Him by the Remuneration of Public Office Bearers Act No. 20 of 1998.

33. Impairment of receivables

Change in provision for receivables	1 384 500	7 056 286
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Customer account balances are considered impaired when the debtor has significant financial difficulties, the probability that the debtor will enter bankruptcy or financial reorganisation, and default in payments (more than 90 days overdue). The municipality charges interest on overdue customer balances.

Debtors are written off once it has been proven that the debtor cannot

pay the amount due. The write off is done after council approval.

5 200 916	7 056 286
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34. Finance costs

Unwound interest on landfill site	2 797 597	2 497 854
Non-current borrowings	26 192	56 802
Trade and other payables	63 895	76 021
Finance leases	29 873	95 455
Long service awards	105 000	104 000
Post retirement medical fund	737 000	796 000
	3 759 557	3 626 132

35. Bulk purchases

Electricity	15 933 519	13 803 956
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Letsemeng Local Municipality

Notes to the Annual Financial Statements

Water

4 019 880 3 022 188

19 953 399 16 826 144

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
	R	R
Advertising	259 902	177 783
Auditors remuneration	2 976 289	2 583 334
Bank charges	124 719	131 156
Consulting and professional fees	4 797 963	4 232 860
Materials and Consumables	13 929	28 559
Entertainment	300 732	222 628
Penalties	21 851	1 000
Insurance Short Term	321 787	451 536
Fuel and Oil	1 154 709	1 083 560
Postage and courier	56 051	61 724
Printing and stationery	382 287	392 023
License fees	331 243	414 423
Subscriptions and membership fees	450 415	625 529
Telephone and fax	1 651 030	1 364 251
Rental of Equipment	1 697 743	67 693
Travel and subsistence	1 862 341	1 390 828
Municipal Services	2 924 236	2 253 274
Uniforms	80 086	196 174
Administration costs	-	90 342
Special Events	111 994	380 372
INDIGENT SUBSIDIES	-	1 120 828
Valuations	2 304 941	-
SMME projects	452 659	979 162
Loss of cash (refer note 47)	77 821	2 570
Chemicals	2 075 866	2 698 892
Other expenses	2 876 978	1 272 161
	27 307 572	22 222 662

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
	R	R
Surplus	3 116 616	4 072 085
Adjustments for:		
Loss on sale of assets and liabilities	-	(1 176)
Fair value adjustments	(5 400)	1 023
Finance costs - Finance leases	29 873	95 455
Impairment deficit	5 200 917	7 056 286
Movements in retirement benefit assets and liabilities	1 128 000	1 037 000
Movements in provisions	2 620 150	3 199 855
Changes in working capital:		
Other receivables from exchange transactions	(5 190 714)	(7 198 495)
Other receivables from non-exchange transactions	(34 327)	(1 510 847)
Consumer debtors	(383 821)	(107 366)
Trade and payables from exchange transactions	(2 999 160)	7 712 809
VAT	(2 233 735)	963 872
Unspent conditional grants and receipts	(692 942)	576 670
Consumer deposits	100 343	25 791
Other non-cash item	(2 861 388)	(1 301 776)
	18 581 664	37 279 692

38. Capital Commitments

Approved and contracted for

Already contracted for but not provided for

• Infrastructure	3 941 490	16 920 850
Not yet contracted for and authorised by accounting officer		
• Infrastructure	65 431 163	28 823 414
	65 921 163	30 611 414

This committed expenditure relates to property and will be financed by government grants and funds internally generated.

Letsemeng Local Municipality

Notes to the Annual Financial Statements

This expenditure will be finance from

Government Grants

36 395 393 45 744 264

Own Resources

2 506 000 1 788 000

38 901 393 47 532 264

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
	R	R
		RESTATED

39. Contingencies

Contingent liabilities

Disposal Sites

Disposal sites

Disposal sites	15 000 000	15 000 000
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Section 20 (b) of the National Environmental Management: Waste Act (2008) states that no person may commence or conduct a waste management activity except in accordance with:

- the requirements or standards determined in terms of section 19 (3) for that entity or
- a waste management licence issued in respect of that activity, if a licence is required.

The municipality operates five disposal sites of which three (Koffiefontein, Luckhoff and Oppermansgronde) do not meet the registration and operating requirements as prescribed by the National Environmental Management: Waste Act (2008). These sites are unlicensed and as such there is a possibility that a penalty may be imposed on the municipality in accordance with section 68 (1) of this Act.

It is uncertain that a penalty will be levied as the municipality is not aware of any instances whereby such penalties were levied on a municipality in violation of this section of the Act.

The penalty amount cannot be measured reliably as the Act provides for the maximum amount that can be levied as a result of this violation. The Act stipulates that the amount shall not exceed R10,000,000.

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Litigation and Claims

The municipality is being sued for contractual claim for payment to the sum of R382 735.36. The matter is pending. The municipality is suing for damage to municipal pulps for the sum of R30 000.00

40. Related parties

During the year there were no related party transactions. The municipality has various processes in place to identify and note any related party transactions. These range from disclosure on the bid documents to maintenance of a conflict of interest register. For councilors and senior managers, this is kept in the office of the Municipal Manager.

41. Prior period errors

The correction of the error(s) resulted in the following adjustments:

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
	R	R
		RESTATED

41. Prior period errors (continued)

Statement of financial position

Other receivables from exchange transactions	-	1 176
VAT Receivable	-	(120 753)
Property, plant and equipment	-	(4 367 272)
Finance Lease Obligation (Current liability)	-	331 839
Trade and other payables from exchange transactions	-	9 065
Finance Lease Liability (Non-current liability)	-	114 456
Retirement Benefit Obligation (Non-current liability)	-	4 911 000
Provisions	-	(3 724 011)
Cash and cash equivalents	-	47 959
Accumulated Surplus	-	(4 667 712)

The errors comprise of:

- **Other receivables from exchange transactions** - This relates to a debtor that was raised for disposal of asset. The debtor balance was recognised at an amount equivalent to the carrying amount of the tablet instead of the amount agreed with the municipality.
- **VAT Receivable** - The prior period creditors listing was reconstructed and this resulted in the adjustment of Input VAT.
- **Property, plant and equipment** - A payment of R13 096 relating to the 2013 financial period was in the previous period erroneously accounted for in trade payables and an asset recognised. The cost/value of landfill site was revised thus an effect on accumulated depreciation. The net effect of the change is amounting to R2 694 177. Furthermore land valued at R340 000 had been recorded at a value of R2 000 000 in the asset register.

Letsemeng Local Municipality

Notes to the Annual Financial Statements

- **Finance Lease Obligation (Current & non-current liabilities)** - The 2012 interest bearing liability balances were accounted for twice and disclosed in finance lease and separate as Interest bearing liability.
- **Trade and other payables** - This relates to leave accrual of 48-72 days that was incorrectly disclosed as a contingent liability instead of a leave accrual, and restatement of the creditors balance.
- **Retirement Benefit Obligation** - The 2012 data was erroneously compiled. The total number of non-contributing employees used was incorrect. The list included Councilors and contract workers of which, based on the nature of their contracts, are not eligible for post employment medical subsidies.
- **Cash and Cash equivalents**- The adjustment was necessitated by incorrect accounting of interest accrual.
- **Provisions**-Interest rate adjustment for landfill site led to a decrease of landfill site provision
- **Accumulated Surplus**-Restatement of prior year figures were necessitated by the figures as per note 41.

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
	R	R
		RESTATED

41. Prior period errors (continued)

Statement of Financial Performance

Gains and losses on disposal of assets	-	(1 176)
Interest received	-	(47 958)
Employee related costs	-	294 891
Finance costs	-	(757 001)
Depreciation expense	-	18 082
Repairs and maintenance	-	(83 939)
Bulk Purchases	-	(270 517)
Other expenses	-	(829 997)
Service Charges	-	(1 120 828)

The errors comprise of:

- **Gains and losses from disposal of assets** - An asset in the prior period was disposed of at an amount R1,176 more than the carrying amount. The gain was not recognised in the financial statements.
- **Depreciation and Amortisation** - This relates to the depreciation expense of the 2012 asset additions omitted in the 2012 annual financial statements and the write- back of asset erroneously recognised in assets in the 2012 financial period.(refer Property, plant and equipment error)
- **Employee related costs** -The error is comprised of the leave accrual previously disclosed as a contingent liability, restatement of actuarial gains/losses, current service cost as a result of restating the retirement benefit obligation and the restement of creditors balance.
- **Finance Costs** - This relates to the restatement of the Retirement benefit obligation due to inclusion of Councilors and contract workers in the 2012 compilation of the obligation.
- **Repairs and maintenance** - The restatement was due to corrections made to the creditors listing and balance of financial period 2012.

Letsemeng Local Municipality

Notes to the Annual Financial Statements

- **Bulk Purchases** - The restatement was due to corrections made to the creditors listing and balance of financial period 2012.
- **Other expenses** - The restatement was due to corrections made to the creditors listing and balance of financial period 2012.
- **Service Charges**-Indigent subsidies incorrectly accounted for reduced the service charges hence the restatement of the balance.

42. Comparative figures

Certain comparative figures have been reclassified/restated.

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
	R	R
		RESTATED

43. Risk management

Financial risk management

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

The Council audit committee overseas the monitoring of compliance and oversight of the municipality's risk management framework. The Council a Risk management Committee which is responsible for developing and monitoring the municipality's risk management policies.

The shared audit committee oversees the monitoring of compliance with the municipality's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the municipality. The audit committee is assisted in its oversight role by the municipality's internal audit unit.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Council and the finance committee which has built an appropriate liquidity risk management framework for the management of the Municipality's short, medium and long-term funding and liquidity management requirements. The Municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Municipality also gets funding from the National and provincial governments which help to ease the pressure of any liquidity crisis.

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.

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Cash flow forecasts are prepared on a monthly basis to monitor cash resources of the municipality.

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. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2013	Not later than one month	Later than one month and not later than three months	Later than three months and not later than one year	later than one year and no later than five years
Finance lease obligations	-	-	43 395	-
Interest bearing liability	-	-	104 626	-
Trade and other payables	4 142 261	393 378	80 733	-

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
	R	R
		RESTATED

43. Risk management (continued)

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings (finance lease obligations). 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. The municipality leases security equipment and office equipment (refer note 15). These leases have a 0% escalation and hence are at fixed rates.

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

Fair value interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Finance lease from Multitech Corporation	9,00 %	4 070	-	-	-	-
Interest bearing liability from Multitech Corporation	9,00 %	104 626	-	-	-	-
Finance lease from Bytes Document Solutions	9,00 %	39 325	-	-	-	-

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
	R	R
		RESTATED

43. Risk management (continued)

Credit risk

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

Trade receivables comprise a widespread customer base. The municipality cannot, however, limit the rate at which it can offer services to its stakeholders as it has a constitutional mandate to offer these services.

Trade receivables are presented net of an allowance for impairment.

In terms of the Credit Control and Debt Collection Policy, customers whose accounts become in arrears, collection of such accounts should be done through levying penalty charges, issuing demands for payment, restricting service and handling customers over for collection. However, during the current year proper procedures were not enforced to collect amounts amounts owing to the Municipality. Management is in the process of establishing procedures to be implemented by the credit control function to improve debt collection.

Financial assets carried at amortised cost expose the municipality to credit risk. The maximum exposure to credit risk is the carrying amount of the related financial asset. The value of the maximum exposure to credit risk are as follows for each class of financial assets at amortised cost:

Financial instrument	2013	2012
Cash and cash equivalents	17 579 376	20 651 623
Trade and other receivables from exchange transactions	3 147 403	2 763 582
Investments	1 851 400	1 825 428

Letsemeng Local Municipality

Notes to the Annual Financial Statements

The municipality is exposed to equity price risks arising from equity investments, classified on the statement of financial position as available-for-sale. Equity investments are held for strategic rather than trading purposes. The Municipality does not actively trade these investments. The only shares held are the Senwes shares.

44. Events after the reporting date

On 25 August 2013 there was a break-in at the municipality's offices situated in Luckhoff. The desktop computer for prepaid electricity was stolen. The case was recorded to the South African Police Service.

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
	R	R
		RESTATED

45. Unauthorised expenditure

Opening balance	42 429 654	9 320 075
Current year expenditure	5 379 867	33 109 579
	47 809 521	42 429 654

- Council is in the process of investigating the unauthorised expenditure. A Council sub-committee was been established for this purpose.
- Provincial Treasury is providing assistance to municipalities with the objective of clearing current and prior years unauthorised expenditure.
- A report detailing the outcome of the investigations will be presented to council upon completion.

Where necessary the municipality will apply for condonment from the relevant providers of grants (conditional and unconditional) such as National Treasury.

Departments that exceed their budgets were as follows:

Technical	227 251	-
Budget and Treasury Office	4 000 975	32 362 238
Townhall and Offices	592 763	647 675
Planning and Development	558 878	-
Corporate Services Management	-	99 666
	5 379 867	33 109 579

46. Fruitless and wasteful expenditure

Opening balance	740 096	854 809
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Letsemeng Local Municipality

Current year expenditure Notes to the Annual Financial Statements

355 514 541 952

Amounts written off by Council (Prior year)

- (656 665)

1 095 610 740 096

Fruitless and wasteful expenditure of R1 095 610 which includes current year expenditure of R355 514 has not yet been approved by Council for write off. The main reasons for this are that:

- Council is in the process of investigating the expenditure. A Council sub-committee was been established for this purpose.
- Provincial Treasury is providing assistance to municipalities with the objective of clearing current and prior years expenditure

Current year fruitless and wasteful expenditure relates to:

- Interest paid to creditors for late payments of R65,288.43
- Lease payments of R260,504-24 for five bioguards which were not operational for the entire financial year
- Legal costs of R6,976-89 for a lost cases during the year.
- A claim of R893.85 made against the municipality for repairs and maintenance to a vehicle damaged because of a pothole.

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
	R	R
		RESTATED

46. Fruitless and wasteful expenditure (continued)

- Traffic fines of R400-00
- Penalty of R21,450.74 paid to South African Revenue Services due to late submission of VAT returns.

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
	R	R
		RESTATED

47. Irregular expenditure

Opening balance	49 004 625	37 653 805
Add: Current year expenditure not yet condoned	18 661 368	11 350 820
	67 665 993	49 004 625

Details of irregular expenditure

-

Irregular expenditure of R67 665 993 (2012: R49 004 625) has not yet been approved for write off by council. The main reasons for this are that Council is in the process of investigating the expenditure. A Council sub-committee was been established for this purpose. In addition, Provincial Treasury is providing assistance to municipalities with the objective of clearing current and prior years expenditure.

A report detailing the outcome of the investigations will be presented to council upon completion. Where necessary the municipality will apply for condonment from the relevant custodians of the Acts such as National Treasury.

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription/fee	9 223	6 580
Amount paid - current year	(9 223)	(6 580)
	-	-

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Water Losses

The municipality purchases water from the local water service authority and sells to its residents.

The water losses incurred for the current year are as follows:

Pumped for the year (kilolitres)	15 334 251	4 901 488
Sales for the year (kilolitres)	(4 860 850)	(1 098 852)
Losses for the year (kilolitres)	10 473 401	3 802 636

The water losses are attributable to illegal connections and burst pipes.

The municipality has implemented processes to attend to burst pipes to reduce the amount of water lost through such means.

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
	R	R
		RESTATED

48. Additional disclosure in terms of Municipal Finance Management Act (continued)

Electricity Losses

The municipality purchases electricity from Eskom and sells to its residents.

Electricity losses incurred during the current year are as follows:

Purchased during the year (kilowatt hours)	29 985 063	20 895 495
Sold during the year (kilowatt hours)	(27 910 855)	(13 056 943)
Losses for the year (kilowatt hours)	2 074 208	7 838 552

The resultant losses are attributable to illegal connections.

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
	R	R
		RESTATED

48. Additional disclosure in terms of Municipal Finance Management Act (continued)

Material losses through criminal conduct

Prepaid Electricity

Opening balance	273 257	270 687
Loss - current year	77 821	2 570
	351 078	273 257

The fraudulent activities relating to prepaid electricity sales was discovered by management during the year. The matter was reported to the South African Police Services and is still under investigation.

The current year fraudulent activities are suspected to have occurred on purchases of some customers as follows:

- A banking batch is generated during the day and a second batch generated end of day but only one of the two batches is banked.

The prior period fraudulent activities occurred as a result of deleting sales on the system after issuing a coupon that remained valid. The banking batch for the day would not recognise the sales deleted and hence underbankings occurred. The cases have since been closed.

Other Income Receipts

Loss - current year	-	5 222
Recovered - current year	-	(5 222)
	-	-

Letsemeng Local Municipality

Notes to the Annual Financial Statements

The fraudulent activities relating to receipts was discovered by management in the prior year. The matter employee acknowledged to defrauding the municipality and paid the amount. The matter was reported to South African Police Services.

The fraudulent activities occurred as follows:

- Certain customers paid cash at the counter and were issued with manual receipts. The manual receipt would then be captured on the system. However, instead of capturing and surrendering the full amounts collected from the customers, part of the receipt would be captured and part money surrendered for banking. The amount surrendered would agree to the system receipts.

Audit fees

Opening balance	(112 995)	20 614
Current year subscription / fee	3 402 121	2 583 334
Amount paid - current year	(3 289 169)	(2 716 943)
	(43)	(112 995)

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
	R	R
		RESTATED

48. Additional disclosure in terms of Municipal Finance Management Act (continued)

PAYE and UIF

Current year subscription / fee	3 245 107	2 492 934
Amount paid - current year	(3 251 456)	(2 245 083)
	(6 349)	247 851

Pension and Medical Aid Deductions

Current year subscription / fee	3 600 373	3 567 650
Amount paid - current year	(4 167 995)	(3 253 730)
	(567 622)	313 920

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
	R	R
		RESTATED

48. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

No Councillors' had arrear accounts outstanding for more than 90 days as at 30 June 2013.

30 June 2012	Highest outstanding amount	Aging (in days)
Councillor T.M. Gomojong	1 013	180
Councillor M.U. Jantjies	646	150
Councillor K.W. Nel	2 653	120
	4 312	450

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
	R	R
		RESTATED

49. Donations and public contributions

This represents the carrying amount of assets donated by various stakeholders i.e. not funded by own income

Opening balance	108 451	130 128
Additions	1 934 147	-
Depreciation charge	(20 485)	(21 677)
	2 022 113	108 451

50. Deviation from supply chain management regulations

In terms of section 36(1) of the Supply Chain Management Regulations, the accounting officer may dispense with the official procurement process in the following instances:

- In an emergency
- If such goods or services were produced or available from a single provider only
- For acquisition of special works of art or historical objects where specifications were difficult to complete
- Acquisition of animals for zoos and/or nature and game reserves
- In any other exceptional cases where it is impractical or impossible to follow the official procurement processes

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Deviation from the official procurement process during the financial year were approved in terms of the delegations as stipulated in the Supply Chain Management Policy and amounted to the following:

Deviation from normal procurement processes (SCM Policy)

DWA funds	1 077 236	4 522 765
Co-sourcing of Internal Audit Services	86 596	-
Repairs to Daniel Moopela Hall	113 000	-
	1 276 832	4 522 765

- **DWA Funds** - The municipality deviated from the normal procurement policies for the use of these funds due to an emergency situation in Bolokanang in Petrusburg.
- **Co-sourcing of internal auditing services** - This was a procurement of services under contracts secured by other organ of state. The deviation from normal procurement policies occurred due to time limitations.
- **Repairs to Daniel Moopela Hall** - The municipality deviated from the normal procurement policies for the awarding of the contract to repair the hall as it was an emergency situation.

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
	R	R
		RESTATED

51. Key Assumptions and estimates

Long Service Awards Provision

The key assumptions used in estimating the long service awards provision are:

- To each beneficiary, a mortality rate of an individual three years younger than that beneficiary was assigned.
- The percentage salary inflation rate will be 7.15%.
- A discount rate of 7.25% per annum was used to determine the present value of the provision.

It was also assumed that the collective bargaining will remain the same. For the carrying amount of this provision refer to note 17.

Landfill Site Rehabilitation

The key assumptions made by management in estimating the provision for land rehabilitation are:

- That the estimate was based on the worst case scenario in that the landfill site do not comply to the minimum requirements should the geotechnical analysis confirm otherwise the provision should significantly change, and;
- That the geotechnical analysis is highly dependent on the risk factor analysis in the case of contamination.

The carrying amount as disclosed in note 17.

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Post Retirement Benefits

The key assumptions used for the estimation of post retirement benefit obligation refer note 7. Refer to same note for the carrying amount of the post retirement benefit.

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
	R	R
		RESTATED

52. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior except for the adoption of the following new or revised standards.

- GRAP 104 - Financial Instruments

GRAP 104

During the , the municipality changed its accounting policy with respect to the treatment of Other Financial Assets. In order to conform with the transitional arrangements of GRAP 104 – Financial Instruments, the municipality transferred the balance that was in the Fair Value Adjustment (Available for sale) reserve at the beginning of the year to Accumulated Surplus. This against the background that the transitional arrangements in the standard requires entities to transfer any balances that existed in the reserve that would have been recognised in equity to accumulated surplus or deficit. The municipality now recognises any gains/losses relating to Other Financial Assets in the surplus or deficit for the year.

The aggregate effect of the changes in accounting policy on the annual financial statements for the ended 30 June 2012 is as follows:

Statement of financial position

Previously stated	-	16 232
Adjustment	-	(16 232)
	-	-

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Accumulated Surplus

Previously stated	- 604 030 620
Adjustment	- 16 232
	- 604 046 852

Statement of Financial Performance

Fair value adjustments

Adjustment	- (1 023)
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Letsemeng Local Municipality

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
	R	R
		RESTATED

53. Comparison of Budget to Actual Information

	Outcome		outcome as % of final budget	
Property rates	6 381 783	7 295 014	913 231	114 %
Investment revenue	1 305 474	3 437 646	2 132 172	263 %
Transfers recognised -Operational	49 446 134	55 135 271	5 689 137	112 %
Employee costs	(32 520 466)	(29 617 049)	2 903 417	91 %
Remuneration of Councillors	(4 342 164)	(3 550 594)	791 570	82 %
Depreciation and asset impairment	(10 737 523)	(19 788 116)	(9 050 593)	184 %
Finance Charges	(64 842)	(3 513 878)	(3 449 036)	5 419 %
Materials and bulk purchases	(20 520 000)	(19 953 399)	566 601	97 %
Other expenditure	(40 998 645)	(30 804 469)	10 194 167	75 %
	(52 050 249)	(41 359 574)	10 690 666	6 437 %

Property rates

The percentage increase used for purposes of the budget was lower than the actual rate.

Investment revenue

More funds were invested into financial institutions than budgeted.

Transfers recognised - Operational

The amount recognised in the Statement of Financial Performance is the grants income of which conditions have been met while that on the budget relates to actual expected payments to be made to the municipality.

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Employee costs

There is a reluctance from employees to take up benefits such as pension and medical aid and this resulted in a lower spending by the municipality than budgeted.

Remuneration of Councillors

The budget included medical aid for Councillors of which most of them are not members.

Depreciation and asset impairment

The budget did not take into account the actual depreciation after the unbundling of assets exercise hence it was underr-budgeted.

Finance Charges

Letsemeng Local Municipality

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
	R	R
		RESTATED

53. Comparison of Budget to Actual Information (continued)

The budgeted amounts relate to interest on overdue accounts. The budget does not take into account the interest costs on finance leases, post retirement medical benefit obligation, long service awards provision and unwound interest on environmental rehabilitation provision.

Materials and bulk purchases

Bulk purchases of water and electricity are driven by demand by consumers.

Other Expenditure

The significant variation was mainly caused by the municipality incurring expenditure which had not been included on the budget. These expenditures include consultation fees on the financial management system and rental of equipment. The spending on such services were driven by the need that was not anticipated at the time of approval of the budget.

Letsemeng Local Municipality

Appendix A

Schedule of external loans as at 30 June 2012

Loan	Redeemable	Balance at 30 June	Received during the period	Redeemed written off during the period	Balance at 30 June	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA
		Rand	Rand	Rand	Rand		- .
Loan Stock		-	-	-	-	-	-
Structured loans							
Funding facility							
Development Bank of South Africa							
Bonds							
Other loans							
Lease liability							
FINTECH		469 541	-	469 541	-	-	-
MULTITECH		475 670	-	471 600	4 070	-	-
BYTES		82 795	-	43 470	39 325	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		1 028 006	-	984 611	43 395	-	-
Annuity loans							
		-	-	-	-	-	-
		-	-	-	-	-	-

Letsemeng Local Municipality

Appendix A

Schedule of external loans as at 30 June 2012

Loan	Redeemable	Balance at 30 June	Received during the period	Redeemed written off during the period	Balance at 30 June	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA
		Rand	Rand	Rand	Rand	Rand	- . -
		-	-	-	-	-	-
		435 771	-	331 145	104 626	-	-
Government loans		-	-	-	-	-	-
Total external loans							
Loan Stock		-	-	-	-	-	-

Appendix A

Loan	Redeemable	Balance at 30 June	Received during the period	Redeemed written off during the period	Balance at 30 June	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA
		Rand	Rand	Rand	Rand	Rand	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		1 028 006	-	984 611	43 395	-	-
		435 771	-	331 145	104 626	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		1 463 777	-	1 315 756	148 021	-	-

Letsemeng Local Municipality

Appendix B

Analysis of property, plant and equipment as at 30 June 2013 Cost/Revaluation Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Under construction Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Buildings (Separate for AFS purposes)	49 654 647	162 281	-	-	-	11 585 434	61 402 362	(23 799 235)	-	-	(874 472)	-	(24 673 707)	36 728 655
	<u>148 119 954</u>	<u>241 631</u>	-	-	-	11 585 434	<u>159 947 019</u>	<u>(23 799 235)</u>	-	-	<u>(874 472)</u>	-	<u>(24 673 707)</u>	<u>135 273 312</u>
Infrastructure														
Roads, Pavements & Bridges	428 047 266	-	-	-	-	7 077 323	435 124 589	(124 425 825)	-	-	(10 119 155)	-	(134 544 980)	300 579 609
Electricity Network	29 170 350	-	-	-	-	396 845	29 567 195	(9 734 292)	-	-	(616 091)	-	(10 350 383)	19 216 812
Water Network	134 986 967	-	-	-	-	-	134 986 967	(38 720 803)	-	-	(4 046 838)	-	(42 767 641)	92 219 326
Sewerage Network	70 974 906	-	-	-	-	325 503	71 300 409	(16 697 844)	-	-	(1 855 529)	-	(18 553 373)	52 747 036
Solid Waste Disposal	19 034 228	-	-	(354 447)	-	107 403	18 787 184	(1 890 700)	-	-	(756 280)	-	(2 646 980)	16 140 204
	<u>682 213 717</u>	-	-	<u>(354 447)</u>	-	7 907 074	<u>689 766 344</u>	<u>(191 469 464)</u>	-	-	<u>(17 393 893)</u>	-	<u>(208 863 357)</u>	<u>480 902 987</u>
Community Assets														
Fire, safety & emergency	33 868	-	-	-	-	-	33 868	(10 418)	-	-	(5 939)	-	(16 357)	17 511
	<u>33 868</u>	-	-	-	-	-	<u>33 868</u>	<u>(10 418)</u>	-	-	<u>(5 939)</u>	-	<u>(16 357)</u>	<u>17 511</u>

Letsemeng Local Municipality

Appendix B

Analysis of property, plant and equipment as at 30 June 2013

Cost/Revaluation							Accumulated depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Under construction Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Heritage assets

Specialised vehicles

Other assets

General vehicles	3 058 946	59 650	-	-	-	-	3 118 596	(546 549)	-	-	(151 875)	-	(698 424)	2 420 172
Plant & equipment	1 317 572	189 781	-	-	-	-	1 507 353	(389 929)	-	-	(168 312)	-	(558 241)	949 112
Furniture & Fittings	2 415 863	65 278	-	-	-	-	2 481 141	(738 082)	-	-	(318 959)	-	(1 057 041)	1 424 100
Office Equipment	3 174 299	446 090	-	-	-	2 423 888	6 044 277	(1 606 560)	-	-	(790 701)	-	(2 397 261)	3 647 016
	9 966 680	760 799	-	-	-	2 423 888	13 151 367	(3 281 120)	-	-	(1 429 847)	-	(4 710 967)	8 440 400

Appendix B

Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Under construction Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand	
682 213 717	-	-	(354 447)	-	7 907 074	689 766 344	(191 469 464)	-	-	(17 393 893)	-	(208 863 357)	480 902 987	
33 868	-	-	-	-	-	33 868	(10 418)	-	-	(5 939)	-	(16 357)	17 511	
9 966 680	760 799	-	-	-	2 423 888	13 151 367	(3 281 120)	-	-	(1 429 847)	-	(4 710 967)	8 440 400	
840 334 219	1 002 430	-	(354 447)	-	21 916 396	862 898 598	(218 560 237)	-	-	(19 704 151)	-	(238 264 388)	624 634 210	
694 396	143 223	-	-	-	-	837 619	(448 038)	-	-	(254 500)	-	(702 538)	135 081	
694 396	143 223	-	-	-	-	837 619	(448 038)	-	-	(254 500)	-	(702 538)	135 081	
148 119 954	241 631	-	-	-	11 585 434	159 947 019	(23 799 235)	-	-	(874 472)	-	(24 673 707)	135 273 312	
682 213 717	-	-	(354 447)	-	7 907 074	689 766 344	(191 469 464)	-	-	(17 393 893)	-	(208 863 357)	480 902 987	
33 868	-	-	-	-	-	33 868	(10 418)	-	-	(5 939)	-	(16 357)	17 511	
9 966 680	760 799	-	-	-	2 423 888	13 151 367	(3 281 120)	-	-	(1 429 847)	-	(4 710 967)	8 440 400	
694 396	143 223	-	-	-	-	837 619	(448 038)	-	-	(254 500)	-	(702 538)	135 081	
841 028 615	1 145 653	-	(354 447)	-	21 916 396	863 736 217	(219 008 275)	-	-	(19 958 651)	-	(238 966 926)	624 769 291	

Letsemeng Local Municipality
Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/ withholding of funds	Did your municipality comply with the grant conditions in terms of framework in the latest Division of Revenue Act?		Reason for noncompliance
																		Yes	No	
Equitable Share		50 508 250	-	-	-	-	46 542 250	-	-	-	-	-	-	-	-	-	MIG plan did not meet required standards	Yes	No	MIG withheld
MSIG																				
MIG																	MIG plan did not meet required standards	Yes		Plan did not meet standard
FMG		800 000	-	-	-	-	800 000	-	-	-	-	-	-	-	-	-				Yes
DWAF																				Yes
EPWP		22 090 000	-	-	-	-	22 090 000	-	-	-	-	-	-	-	-	-				Yes
DME																				Yes
COGTA																				Yes
Sport																				Yes
Road Transport																				Yes
		77 147 250	-	-	-	-	73 873 937	-	-	-	-	-	-	-	-	-				

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Section 5 - Page 264 - 12 December 2013- 01:07 PM