

# **DRAFT ANNUAL REPORT**



## **FINANCIAL YEAR-END**

**2011-12**

## Contents

<b>Contents .....</b>	<b>1</b>
<b>CHAPTER 1.....</b>	<b>5</b>
<b>FOREWORD: MAYOR .....</b>	<b>5</b>
<b>Mission .....</b>	<b>5</b>
<b>Values .....</b>	<b>5</b>
<b>1.1 FOREWORD: Municipal Manager: Rev I.E. Poë .....</b>	<b>9</b>
<b>1.1. Municipal Overview .....</b>	<b>9</b>
1.1.1. Demographic Information.....	9
1.1.2. Socio Economic Growth.....	10
1.1.3. Challenges Facing the Municipality.....	10
<b>1.2. Service Delivery Overview .....</b>	<b>11</b>
1.2.1. Water.....	11
1.2.2. Sanitation.....	11
1.2.3. Electricity.....	11
1.2.4. Refuse Removal.....	11
1.2.5. Housing.....	11
1.2.6. Roads and Storm Water.....	12
<b>1.3. Financial Health Overview .....</b>	<b>12</b>
1.3.1. Operating Results.....	12
1.3.2. Capital Expenditure.....	13
1.3.3. Cash Flow Management .....	13
<b>1.4. Organisational Development Overview .....</b>	<b>14</b>
1.4.1. Staffing.....	14
<b>1.5. Auditor General Report .....</b>	<b>14</b>
<b>1.6. Statutory Annual Report Process .....</b>	<b>14</b>
<b>1.7. Risk Assessment and Shared Internal Audit.....</b>	<b>16</b>
<b>1.8. Appreciation.....</b>	<b>16</b>
<b>CHAPTER 2.....</b>	<b>17</b>
<b>Introduction .....</b>	<b>17</b>
<b>2.1 Political Governance.....</b>	<b>18</b>
<b>Terms of Reference of Portfolio Committees .....</b>	<b>19</b>

<b>2.2</b>	<b>Administrative Governance</b>	19
<b>2.3</b>	<b>Intergovernmental Relations</b>	20
<b>2.4</b>	<b>Public Meetings</b>	20
<b>2.5</b>	<b>IDP Participation and Alignment</b>	21
<b>2.6</b>	<b>Risk Management</b>	21
<b>2.7</b>	<b>Anti-Corruption and Fraud</b>	21
<b>2.8</b>	<b>Internal Controls</b>	22
<b>2.9</b>	<b>Supply Chain Management</b>	22
<b>2.10</b>	<b>By-Laws</b>	22
<b>2.11</b>	<b>Websites</b>	23

## CHAPTER 3..... 24

3.	SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART 1)	24
	<b>Introduction</b>	24
	A: CORPORATE POLICY OFFICES AND OTHER SERVICES	24
<b>3.1.</b>	<b>Financial Services</b>	24
	B: BASIC SERVICES – PERFORMANCE HIGHLIGHTS	34
<b>3.2.</b>	<b>Water Provision</b>	34
<b>3.3.</b>	<b>Waste Water (Sanitation) Provision</b>	36
<b>3.4.</b>	<b>Electricity</b>	38
<b>3.5.</b>	<b>Waste Management</b>	39
<b>3.6.</b>	<b>Housing</b>	39
<b>3.7.</b>	<b>Free Basic Services and Indigent Support</b>	40
	C: ROAD TRANSPORT – PERFORMANCE HIGHLIGHTS	41
<b>3.8.</b>	<b>Roads</b>	41

## CHAPTER 4..... 42

4.	ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE HIGHLIGHTS PART II)	42
	<b>Introduction</b>	42
	A: INTRODUCTION TO THE MUNICIPAL PERSONNEL	42
<b>4.1.</b>	<b>Employee Totals, Turnover and Vacancies</b>	42
	B: MANAGING THE MUNICIPAL WORKFORCE	46
<b>4.2.</b>	<b>Policies</b>	46
<b>4.3.</b>	<b>Injuries, Sickness and Suspensions</b>	48
<b>4.4.</b>	<b>Performance Rewards</b>	50
	C: CAPACITATING THE MUNICIPAL WORKFORCE	51
<b>4.5.</b>	<b>Skills Development and Training</b>	51
	D: MANAGING THE MUNICIPAL WORKFORCE	54
<b>4.6.</b>	<b>Employee Expenditure</b>	54

## CHAPTER 5..... 55

5.	FINANCIAL PERFORMANCE	55
	<b>Introduction</b>	55
	A: STATEMENT OF FINANCIAL PERFORMANCE	56
<b>5.1.</b>	<b>Statement of Financial Performance</b>	56
<b>5.2.</b>	<b>Grants</b>	60
<b>5.3.</b>	<b>Asset Management</b>	61
<b>5.4.</b>	<b>Financial Ratios Based on Key Performance Indicators</b>	61
<b>5.5.</b>	<b>Credit Rating</b>	63
<b>5.6.</b>	<b>Under Pricing Of Services</b>	63
	B: SPENDING AGAINST CAPITAL BUDGET	64

<b>5.7. Capital Expenditure</b>	64
<b>5.8. Sources of Finance</b>	65
<b>C: CASH FLOW MANAGEMENT AND INVESTMENTS</b>	67
<b>5.9. Cash flow</b>	67
<b>5.10. Borrowing and Investments</b>	68
<b>5.11. Accounting Officer's assessment of arrears in respect of Municipal Taxes and Service Charge</b>	70
<b>5.11.1. Measures to be implemented to address the Areas</b>	70
<b>5.12. Public Private Partnerships (PPP)</b>	71
<b>5.13. Supply Chain Management (SCM)</b>	71
<b>5.14. Generally Recognised Accounting Practices (GRAP) Compliance</b>	71
<b>CHAPTER 6</b>	<b>72</b>
<b>6. AUDITOR GENERAL AUDIT FINDINGS</b>	<b>72</b>
<b>Introduction</b>	<b>72</b>
<b>A: AUDITOR GENERAL OPINION OF FINANCIAL STATEMENTS (30 JUNE 2012 FINANCIAL YEAR)</b>	<b>72</b>
<b>6.1. Auditor General's Report (30 June 2012)</b>	<b>72</b>
<b>6.2. Audit Recovery Plan based on the Auditor General's Report (30 June 2012)</b>	<b>79</b>
<b>B: AUDITOR GENERAL OPINION OF FINANCIAL STATEMENTS (30 JUNE 2011 FINANCIAL YEAR)</b>	<b>81</b>
<b>6.3. Auditor General Reports (30 June 2012)</b>	<b>81</b>
<b>GLOSSARY</b>	<b>86</b>
<b>APPENDIX A: COUNCILLORS, COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE</b>	<b>89</b>
<b>APPENDIX B: COMMITTEES AND COMMITTEE PURPOSES</b>	<b>90</b>
<b>APPENDIX C: THIRD TIER ADMINISTRATIVE STRUCTURE</b>	<b>91</b>
<b>APPENDIX E: WARD REPORTING</b>	<b>92</b>
<b>APPENDIX F: WARD INFORMATION</b>	<b>93</b>
<b>APPENDIX G: RECOMMENDATIONS OF THE MUNICIPAL AUDIT COMMITTEE – 30 JUNE 2012</b>	<b>94</b>
<b>APPENDIX H: LONG TERM CONTRACTS</b>	<b>98</b>
<b>APPENDIX I: MUNICIPAL SERVICE PROVIDER PERFORMANCE SCHEDULE</b>	<b>99</b>
<b>APPENDIX J: DISCLOSURE OF FINANCIAL INTERESTS</b>	<b>100</b>
<b>APPENDIX K: REVENUE BILLING PERFORMANCE BY VOTE AND BY SOURCE</b>	<b>101</b>
<b>APPENDIX K (i): REVENUE BILLING PERFORMANCE BY VOTE</b>	<b>101</b>
<b>APPENDIX K (ii): REVENUE BILLING PERFORMANCE BY VOTE</b>	<b>102</b>
<b>APPENDIX L: CONDITIONAL GRANTS RECEIVED: EXCLUDING MIG</b>	<b>103</b>
<b>APPENDIX N: CAPITAL PROGRAMME BY PROJECT – 30 JUNE 2012</b>	<b>104</b>
<b>APPENDIX O: CAPITAL PROGRAMME BY PROJECT BY WARD – 30 JUNE 2012</b>	<b>105</b>
<b>APPENDIX S: DECLARATION OF RETURNS NOT MADE IN DUE TIME UNDER MFMA S71</b>	<b>106</b>
<b>VOLUME II: ANNUAL FINANCIAL STATEMENTS</b>	<b>107</b>

## CHAPTER 1

### OVERVIEW OF THE STATE OF THE MUNICIPALITY



#### FOREWORD: MAYOR

I am delighted to present the Letsemeng Local Municipality's Annual Report for the 2011/2012 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

Any municipality must be willing 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.

In our adopted first Strategic document we have resolved to become 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.

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;

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**

Our focus for the coming financial year is to accelerate the delivery of services within the confines of prudent financial controls. We are committed to achieve a clean audit by the year 2014.

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. For 2010/2011 financial year the Municipality has managed to ensure that 95% of its community has access to portable water.

The Municipality's target was to provide proper sanitation facilities to all communities by 2011. To date the municipality has already achieved 100% of the target as set in National Standards. 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 Housing have allocated 130 to houses Koffiefontein, 70 houses to Petrusburg and 100 houses to Luckhoff. The project is on-going. The demand for housing remains a big challenge but we remain committed to provide shelter to the communities' services.

### **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 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.

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.

### **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.

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. Approximately 190 km's of internal roads have been repaired.

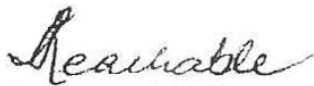
The municipality have appointed a Land Surveyor to identify vacant land to be surveyed and utilised for future use, a number of 240 residential sites have been identified in Diamanthoogte. A submission has been submitted to COGTA to register the identified 240 sites and to also assist with the provision of basic services on those sites.

The municipality has embarked on a 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;
- 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**



**1.1 FOREWORD: Municipal Manager: Rev I.E. Poëe**

It is an honour for me to present the Letsemeng Local Municipality's Annual Report for the 2011/2012 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 says 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 responsibility 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 limited 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,

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 has been kick started through the Local Economic Development Unit of Letsemeng Municipality has 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);

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. One of the major projects undertaken in this regard was the Petrusburg Water Relief Project. The project, which was undertaken in conjunction or with the assistance of the Department of Water Affairs, greatly alleviated Petrusburg perennial water challenges. Previously, residents used to get water for about an hour a day. To alleviate this challenge, a 500 kilolitres elevated pressure tank was constructed. About R5.6 million was spent in this project. Water challenges in this area are now a thing of the past.

### **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 Housing which continues to allocate houses to residents on an on-going basis. This is mainly due to the fact that demand for housing

remains a big challenge but remain committed to provide shelter to the communities 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 2012			
			R' 000
Details	Original budget	Adjustment Budget	Actual
Income			
Grants	67 039	72 039	72 999
Taxes, Levies and tariffs	39 160	39 160	29 892
Other	1 482	1 602	4 183
Sub Total	88 877	88 997	107 024
Less Expenditure	-88 604	-88 001	-105 026
Net Total*	273	996	2 048
* Note: surplus/(deficit)			

The total actual income was more than budgeted by about R18 million. This is attributable to the amount not budgeted received from the Department of Water Affairs to alleviate a critical situation of water shortages in Bolokanang (refer section 5.7 for more details) and interest received from investments was at least 66% more than the budgeted amount. The total actual operating expenditure was 16% more than the total operating budgeted expenditure, representing an increase of 11% from the previous year. The increase is mainly attributed to the depreciation expense as the municipality embarked on an exercise to unbundle all its assets to comply with the accounting standards.

<b>Operating Ratios</b>	
<b>Detail</b>	<b>%</b>
Employee Cost	27%
Repairs & Maintenance	4%
Finance Charges & Depreciation	25%

The employee costs constituted 27% of the total operating expenditure, which is relatively below the industry average of 30%. However, this is an increase from previous year's 25.5%. The increase was mainly due to recruitments of new staff during the financial year under review.

Repairs and maintenance expense remained within the 4% margin as in the previous period. Finance and depreciation amounted to R26.3million (2011: R25.8 million). Depreciation amounted to R21.9 million (2011: R21.8 million) as a result of the unbundling of municipal assets. The previously reported 2011 depreciation expense before the municipality unbundled its assets was R9.5 million.

### 1.3.2. Capital Expenditure

<b>Total Capital Expenditure: Year 2010 to Year 2012</b>			
			<b>R'000</b>
<b>Detail</b>		<b>2010/11</b>	<b>2011/12</b>
Original Budget		19 494	19 500
Adjustment Budget		20 154	25 592
Actual		14 226	16 131

The actual capital expenditure was not at budgeted levels as some projects were still in progress at the end of the financial period. The adjustment to the original budget was a Department of Water Affairs grant that was given to the municipality to alleviate the water situation in Petrusburg by providing a 500kl storage tank. The major capital expenditures were on the following projects:

- Construction of 7.7km streets and storm water in Luckhoff – R6.1 million
- Construction of access road and storm water in Ratanang – R4.7 million
- Construction of multi-purpose centre in Koffiefontein – R4.5 million

For detailed information refer to section 5.7.

### 1.3.3. Cash Flow Management

The municipality continues to maintain a relatively healthy cash flow position. As at 30 June 2012, our bank and cash balance was R20.6 million whilst our investment balance was R1.8 million. This is mainly due to the internal controls mechanism in place and management's commitment in adhering to the MFMA regarding cash flow management. This is done in such a way that service delivery is not compromised by this function.

## **1.4. Organisational Development Overview**

### **1.4.1. Staffing**

During the year under review, the municipality managed to fill the position of Technical Manager and Corporate Services Manager. 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 2012, 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 of all 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 2011/2012, which is a significant improvement from the previous year's disclaimer of opinion. 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.

## **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 2010/11 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	31/08/2010
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	31/01/2011
9	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General	31/08/2011
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 - November 2011
12	Municipalities receive and start to address the Auditor General's comments	30 November 2011
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 2012
15	Oversight Committee assesses Annual Report	26 March 2012
16	Council adopts Oversight report	30 March 2012
17	Oversight report is made public	9 April 2012
18	Oversight report is submitted to relevant provincial councils (COGTA)	7 May 2012
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 Internal Audit**

The Municipality was supported by the District Chief Risk Officer in conducting its risk assessment at the beginning of the financial year. 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 District municipality Internal Audit as we are part of shared Internal Audit Function.

**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.



Rev. IE. Poöe

**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 Act 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.

## 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
<b>Ward Councillors</b>		
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
<b>PR Councillors</b>		
Councillor Pudumo J Louw	PR	African National Congress
Councillor Kempen Nel	PR	Democratic Alliance
Councillor Lionel Greef	PR	Democratic Alliance
Councillor Tshepiso M. Gomojong	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*

The Committees established are;

<b>COMMITTEE</b>	<b>MEMBER COUNCILOR</b>
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.

## 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

As at the end of the financial period under review, the municipality did not have an approved Fraud Risk Management Policy and Fraud Prevention Plan in place. The municipality had, however, begun the process of drafting the Fraud Risk Management Policy which will be tabled to Council for approval and subsequently followed by training.

## 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 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 update on a regular basis and with all the information that is supposed to be uploaded, great strides and achievements have been made to date. A number of documents were uploaded on time, thus available to the public. Measures are in place to ensure that by the end of the 2012/13 financial period more than 90% of such documents will be uploaded on time. The following table shows the status as of 30 June 2012.

Municipal Website : Content and Currency of Material		
Documents published on the Municipality's / Entity's Website	Yes / No	Publishing Date
Current annual and adjustments budgets and all budget-related documents	Yes	08/06/2012
All current budget-related policies	Yes	08/06/2012
The previous annual report (2010/11)	Yes	04/04/2012
The annual report (2011/12) to be published		
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (2011/2012) and resulting scorecards	Yes	01/08/2012
All service delivery agreements (2011/2012)	No	
All long-term borrowing contracts (2011/2012)	N/A	
All supply chain management contracts above R200 000 for 2011/2012	No	
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during the year	N/A	
Contracts agreed during the year to which subsection (1) of section 33 apply, subject to subsection (3) of that section	N/A	
Public-private partnership agreements referred to in section 120 made during the year	N/A	
All quarterly reports tabled in the council in terms of section 52 (d) during The Year	No	-
<i>Note: MFMA S75 sets out the information that a municipality must include in its website as detailed above. Municipalities are, of course encouraged to use their websites more extensively than this to keep their community and stakeholders abreast of service delivery arrangements and municipal developments.</i>		

## 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. Financial Services

KEY PERFORMANCE AREA(KPA)	KEY PERFORMANCE INDICATOR(KPI)	ANNUAL TARGET	ACTUAL	COMMENTS
Municipal Financial Viability and Management	<input type="checkbox"/> Budget and Treasury Office established and the structure reviewed.	Review the BTO structure and filling of vacant posts	The BTO structure was reviewed and two posts were filled	The Manager: Accounting Services and Budget and Reporting Officer post were filled during the financial period. The following posts are still vacant: Manager: Income and Budget Management, Supply Chain Management Practitioner and Asset Management Practitioner
	<input type="checkbox"/> Monthly and quarterly financial reporting performed.	Submission of section 71 and 72 reports to MM, Mayor, PT and NT	100%	All the reports required are submitted monthly, quarterly and yearly to the MM, Mayor, Provincial and National Treasury.
	<input type="checkbox"/> Financial management and budget related policies reviewed and developed	Development of budget related policies in line with the MBRR	100%	The financial management and budget related policies were reviewed and developed. They are as follow: - Indigent Policy, Funding and Reserve Policy, Credit Control & Debt Collection Policy, Budget Policy, Virement Policy, Property Rates Policy and Tariff Policy
	<input type="checkbox"/> Training of Officials and Councillors on SCM policies and procurement processes	One workshop conducted for councillors and officials within the BTO	There was a training held for all bid committee members.	All the bid committee members attended training.



KEY PERFORMANCE AREA(KPA)	KEY PERFORMANCE INDICATOR(KPI)	ANNUAL TARGET	ACTUAL	COMMENTS
	<input type="checkbox"/> Effective billing system developed <input type="checkbox"/> Develop revenue Enhancement strategies	Monthly accounts issued to consumers	Statements were issued to consumers for the financial period	All consumers on the Municipal system were issued with statements
	<input type="checkbox"/> Monthly and quarterly reporting to the Council on implementation of revenue enhancement policies and programme	12 Monthly reports on revenue performance and debtors submitted to the Mayor	No monthly reports submitted to the Mayor	No monthly reports on revenue were submitted to Mayor
	<input type="checkbox"/> Monthly reports to management and Council on updating of indigent register	12 reports submitted to the MM and Mayor on registered indigents	Quarterly reports are submitted to Mayor and MM.	Reports on registered indigents is submitted quarterly and not monthly
	<input type="checkbox"/> Monthly and quarterly reports to management and Council on implementation of debt management policy	12 monthly reports on connections, disconnections and handing-over of accounts	Connection and disconnection of services is done on quarterly basis	Report on connections and disconnections of services are done on a quarterly basis. The long outstanding accounts are not handed over to the lawyers.
	<input type="checkbox"/> Monthly and quarterly reports to management and Council on implementation of cash flow management model	12 monthly cash flow statements and bank reconciliation submitted to MM and Mayor	The bank reconciliations and cash flow statements were submitted. 3	The bank reconciliation and cash flow statements are submitted on a monthly basis to the MM and Mayor.
	<input type="checkbox"/> Monthly and Quarterly	PROPAC resolution	The PROPAC resolutions are implemented	There are responses to PROPAC

<b>KEY PERFORMANCE AREA(KPA)</b>	<b>KEY PERFORMANCE INDICATOR(KPI)</b>	<b>ANNUAL TARGET</b>	<b>ACTUAL</b>	<b>COMMENTS</b>
	reports to management and Council on resolving of PROPAC	implemented as required	50%	
	<input type="checkbox"/> 2010-11 Annual Financial Statements compiled and submitted to AG	31 August 2011	31 August 2011	The financial statements were submitted to the Auditor General on time
<b>Good Governance and Public Participation</b>	<input type="checkbox"/> Unqualified audit report achieved and implemented	70%	A disclaimer of opinion was issued by AG	The audit report is submitted on a yearly basis and a disclaimer of opinion report was issued by AG for financial period 2010/11
	<input type="checkbox"/> Ensure there's monthly performance review meeting between Municipal Manager and the Mayor	80%	No monthly performance review by MM and Mayor	No monthly performance review held between the MM and Mayor.
	<input type="checkbox"/> All units should be physically visited at least twice quarterly by Management	80%	All units were physically visited by Management	No formal report was compiled

**Financial Performance 2012: Financial Services**

Revenue per source as at 30 June 2012					
Description	Target	Actual	Variance	Variance %	Comments
Property rates	5 106 002	4 788 846	317 156	6%	There was a collection above the target amount, it's above 20% and therefore significant. The water overspending is due to the meters that does not stop after the 6kl limit. The were more rental of facilities and licenses and permits collected than expected in the financial period. There other income was due to photocopies, tax certificates and agreements which were not budget for.
Service charges-electricity	15 123 450	14 533 410	590 040	4%	
Service charges- water	3 572 426	5 301 797	-1 729 371	-33%	
Service charges- sanitation	2 072 740	2 258 442	-185 702	-8%	
Service charges- refuse	1 945 661	2 466 442	-520 781	-21%	
Rental of facilities and equipment	302 000	470 394	-168 394	-36%	
Interest earned- external investments	1 000 000	1 002 800	-2 800	0%	
Interest earned- outstanding debtors	-	1 923 476	-1 923 476	0%	
Dividends received	5 500	5 247	253	5%	
Fines	77 000	75 090	1 910	3%	
Licences and permits	6 000	3 268	2 732	84%	
Transfers recognised - operational	48 235 000	47 952 000	283 000	1%	
Transfers recognised - capital	18 804 000	18 804 000	-	0%	
Other revenue	2 494 000	787 370	1 706 630	217%	

Revenue by vote for the year ended 30 June 2012					
Revenue by Vote	Target	Actual	Variance	Variance %	Comments
Council	774 000	774 000	-	0%	There was a collection above the target amount, it's above 20% and therefore significant, Planning and development, Sports and recreation and budget and treasury collected less than what was budgeted. More collection was made in the properties vote
Mayor's support services	-	-	-	0%	
Municipal Manager	321 210	321 210	-	0%	
Townhall and offices	27 500	26 780	720	3%	
Libraries	740 744	740 617	127	0%	
Cemetries	30 132	36 903	-6 771	-18%	
Housing	62 400	68 300	-5 900	-9%	
Fire Fighting	740 617	740 617	-	0%	
Traffic	82 570	83 235	-665	-1%	
Corporate Service Management	764 760	771 743	-6 983	-1%	
Information technology	-	-	-	0%	
Budget and treasury Office	9 314 689	6 555 524	2 759 165	42%	
Planning and development	536 000	26 553	509 447	1919%	
Sport and recreation	761 719	336 471	425 248	126%	
Environmental Health	-	-	-	0%	
Waste Management	13 890 543	14 659 225	-768 682	-5%	
Waste water Management	14 428 030	14 861 560	-433 530	-3%	
Water	17 725 330	18 882 570	-1 157 240	-6%	
Electricity	28 110 260	27 828 167	282 093	1%	
Road transport	12 500	14 623	-2 123	-15%	
Properties	221 425	745 462	-524 037	-70%	

Expenditure by type as at 30 June 2012					
Description	Target	Actual	Variance	Variance %	Comments
Employee related costs	26 475 000	24 492 135	1 982 865	8%	There was an under and over spending for the line items listed, which is above 20% and therefore significant, there was a low spending for debt impairment due to unbundling of assets. The finance charges includes the charges for all leases. Repairs and maintenance were not done in all 5 towns. The underspending in capital expenditure is due to the grant from DWA that was received late in the financial period.
Remuneration of councillors	3 228 001	3 060 116	167 885	5%	
Debt impairment	6 639 000	461 203	6 177 797	1339%	
Finance charges	63 000	1 350 556	-1 287 556	-95%	
Bulk purchases	19 903 000	17 605 612	2 297 388	13%	
Repairs and maintenance	5 862 565	4 331 461	1 531 104	35%	
Other expenditure	31 627 000	24 092 713	7 534 287	31%	
Capital expenditure	19 013 340	15 640 791	3 372 549	22%	

### Human Resource Services

#### ANNUAL PERFORMANCE FOR 2011/12: CORPORATE SERVICE DEPARTMENT

KEY PERFORMANCE AREA	OBJECTIVE	WEIGHTING	KEY PERFORMANCE INDICATOR	ANNUAL TARGET	ACHIEVEMENT	REASON FOR NON ACHIEVEMENT
<b>Good Governance and Public Participation</b>	Notice of agendas for Council meetings distributed at least 48 hours prior to the commencement of the meeting	20	Copy of agenda, register and attendance register	Agenda distributed before commencement of Council meeting	<b>Achieved:</b>  <b>-4 Ordinary Council held and Special Council meeting;</b>  <b>-Agenda issued 48 hours before commencement of Council meeting</b>	None
	Draft minutes of meetings are submitted to the Municipal Manager within 5 working days after closing of the meeting concerned		Council Minutes and attendance register	Council minutes submitted	<b>Achieved:</b>  <b>All Council minutes submitted to the Municipal Manager</b>	None
<b>Good Governance and Public Participation</b>	Written and Informal legal advice are provided on request basis		Written legal advice	Provide informal legal advice when required	<b>Achieved:</b>  <b>-Advise provided to Municipal Manager and community members on a theft electricity cable that damage community members electrical appliances;</b>  <b>-Advise Council</b>	None

					<b>Section 79 Committees in dealing with HR issues</b>	
	Effective process and implementation of by-laws		Council Resolutions, by-laws advert, minutes of Council meeting and public participation.	Implement process of by-laws	<b>Achieved:</b>  <b>-7 By-laws identified, Council approved the process;</b>  <b>-Identified by-laws handed over to Section 79 Committees for amendments;</b>  <b>-Advert for by-laws publicised and closing on the 31 July 2012</b>	None
<b>Municipal Transformation and Institutional Development</b>	Record management system, including file plan prescribed registers and files are in place	<b>20</b>	Archive register, incoming and outgoing post register, personnel files	Record management system in place	<b>Partially Achieved:</b>  <b>-Metro File appointed to assist with record management of over 1 year;</b>  <b>-Registers are in place for incoming and outgoing correspondences</b>  <b>-Record management policy not yet developed</b>	Record management policy not yet developed awaiting process of Metro File to be finalised and guide the municipality in terms of managing and accessing information from their side.
	Training and development of staff		Training Attendance	Training development of staff	<b>Achieved:</b>	None

	members are undertaken in accordance with the WSP		registers	members are undertaken in accordance with the WSP	<b>-All training conducted in accordance with WSP</b>	
<b>Municipal Transformation and Institutional Development</b>	Capacitate Customer Care Clerk		Attendance Register and correspondence to coordinate training	Customer Care Clerk trained and Customer Orientated.	<b>Customer Care Clerks trained on client service by Department of Water Affairs on the 20 May 2012</b>	None
<b>Municipal Transformation and Institutional Development</b>	Management of Council owned Immovable Property		Agreement signed	All Property renters issued and signed agreements	<b>Agreements for All renters signed by both parties</b>	None
	Effective Management of Disciplinary Cases		Report on disciplinary cases	Cases reported and promptly attended	<b>Partially Achieved:</b>  <b>12 Cases reported in this financial year ten finalised and 2 Outstanding</b>	Two disciplinary cases outstanding due to process to be followed before finalising the case. (outcome from SALGBC)
	Training Employee on Disciplinary Code and Procedures.		Training programme and Attendance Register	Training employees on disciplinary code and procedures	<b>Partially Achieve:</b>  <b>45% of employees trained on disciplinary code and procedures</b>	Most of the staff is at Technical department serving on essential service. Training will be carried over to the next financial year to train 100% of staff.
	Development of HR Policy		HR Policy approved and implemented	Develop HR policy, approved and implemented	<b>Partially Achieved:</b>  <b>HR policy development and submitted to Management for approval, awaiting</b>	The resolution was taken by the Council that before policies are adopted Councillors must be workshopped that is the reason it is not approved

					approval by Council	by Council.
	Effective Management of Leave		Leave Register in place	Reconciled leave register in place	<b>Achieved:</b>  <b>Reconciled leave register in place</b>	None
	Employees signed Job Description		Job descriptions signed by employees	All employees signed job description aligned with organogram	<b>Partially Achieved:</b>  <b>Job description for Finance and Corporate department signed only Technical department is outstanding</b>	Organogram for technical department needs to be corrected before signing of job descriptions.
	Filling of Vacant Posts		Critical posts identified, advertised and filled	All critical posts identified and field	<b>Partially Achieved:</b>  <b>-Critical posts identified and submitted to the MM for approval</b>  <b>-Lower level posts advertised but not filled due to vacant posts placed on moratorium.</b>	Vacant posts placed on moratorium.
<b>Municipal Financial Viability and Management</b>	Set input, output and outcome indicators for each service provider appointed for the department		Input and Output indicators set for service providers	Appointment of Service provider and set performance inputs and output indicators	<b>No Service provider appointed</b>	No service provider appointed
<b>Municipal Financial Viability and</b>	No expenses incurred		None	None	<b>None</b>	None



<b>Management</b>	by/on behalf of the department disallowed for being irregular, unauthorised or fruitless and wasteful.					
	Written progress report to audit queries submitted to the Municipal Manager		Management minutes and emails	Progress report submitted to the Municipal Manager on regular basis	<b>Achieved:</b>  <b>Progress on Audit queries reported on regular basis to the Municipal Manager</b>	None

## B: BASIC SERVICES – PERFORMANCE HIGHLIGHTS

## 3.2. Water Provision

Households - Water Service Delivery Levels below the minimum						Households
Description	Year 2009	Year 2010	Year 2011	Year 2012		
	Actual No.	Actual No.	Actual No.	Original Budget No.	Adjusted Budget No.	Actual No.
<b>Formal Settlements</b>						
Total households	11 243	11 243	11 243	11 243	11 243	11 243
Households below minimum service level	202	202	202	202	202	202
Proportion of households below minimum service level	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%
<b>Informal Settlements</b>						
Total households						
Households below minimum service level						
Proportion of households below minimum service level						
						T3.1.4

W									
Service Objectives	Outline Service Targets	Y		Y			Year 2	Y	
		Targ	Actu	T		Actu	T		
		*Previ ous Y	(	*Previ ous Y	*Curr ent Year	(	*Curr ent Yea	*Curr ent Year	*Follow ing Y
Service Objective xxx									
Households without minimum water supply	Additional Households provided with minimum water supply during the year (Number of households (HHs) without	202	202	202	202	202	202	202	202
Improve reliability of water supply	Reduce the number of interruptions (Ints) in supply of one hour or more compared to the baseline of Year 0 (xxx interruptions of one hour or								
Improve water conservation	Reduce unaccountable water levels compared to the baseline of Year 0 (xxx kilolitres (KLs)								
Note: This statement should include no more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators'. * 'Previous Year' refers to the targets that were set in the Year 0 Budget/IDP round; *'Current Year' refers to the targets set in the Year 1 Budget/IDP round. *'Following Year' refers to the targets set in the Year 2 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Integrated Development Plans (IDPs) and chapter 6 sets out the requirements for the									

Financial Performance Year 2012: Water Services					
R'000					
Details	2011	2012			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	14 824	17 727	17 725	16 935	5%
Expenditure:					
Employees	2 744			3 757	
Repairs and Maintenance	426			661	
Other	7 297			9 119	
<b>Total Operational Expenditure</b>	<b>10 467</b>	<b>16 488</b>	<b>14 463</b>	<b>13 537</b>	7%
<b>Net Operational Expenditure</b>	4 357	1 239	3 262	3 398	4%
<i>Net expenditure to be consistent with summary table T5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					

Capital Expenditure Year 2012: Water Services					
Capital Projects	2012				
	Budget	Adjustment Budget	Actual Expenditure	Variance from origin	Total Project Value
<b>Total All</b>					
Provision of 500kl water storage tank	5 600	0	4 522	7%	5 600
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.</i>					

#### COMMENTS ON WATER PROVISION

- The employee costs increase from 2011, R2.7million to R3.7 million in 2012 is attributable to wages of R178 604, R410 873 and leave reserve of R139 661. The increase in employee costs is as a result of casual / temporary workers who previously have been paid under the SMME vote. The correction of this eventually increased the salaries in this department.

- Other expenditure increases from prior period highlights were in bulk purchases increase of R1 million, uniforms expense of R184 thousand and chemicals R584 thousand
- The project above was for the provision of a 500kl storage tank in Bolokanang in Petrusburg. The project commenced in March 2011 after a water crisis in Petrusburg. Department of Water Affairs funded the project and as at 30 June 2012, the project was pending completion.

### 3.3. Waste Water (Sanitation) Provision

Households - Sanitation Service Delivery Levels below the minimum						
Description	2009	2010	2011	2012		
	Actual	Actual	Actual	Original Budget	Adjusted Budget	Actual
	No.	No.	No.	No.	No.	No.
<b>Formal Settlements</b>						
Total households	11243	11243	11243	11243	11243	11243
Households below minimum service Level	2002	2002	2002	2002	2002	2002
Proportion of households below minimum service level	1.8	1.8	1.8	1.8	1.8	1.8
<b>Informal Settlements</b>						
Total households						
Households below minimum service level						
Proportion of households below minimum service level						
						T3.2.4

Waste Water (Sanitation) Service Policy Objectives Taken From IDP									
Service Objectives  <i>Service Indicators</i> (i)	Outline Service Targets  (ii)	2011		2012			2013	2014	
		Target	Actual	T		Actual	T		
		*Previous Year	(	*Previous Year	*Current Year	(	*Current Year	*Current Year	*Following Year
Service Objective xxx									
Provision of toilets within standard	Additional Households (HHs) provided with minimum sanitation during the year (Number of HHs	202	202	202	202	202	202	202	202
<p>Note: This statement should include no more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators'. * 'Previous Year' refers to the targets that were set in the Year 0 Budget/IDP round; * 'Current Year' refers to the targets set in the Year 1 Budget/IDP round. * 'Following Year' refers to the targets set in the Year 2 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA</p> <p>2000 chapter 5 sets out the purpose and character of Integrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangement by municipalities in which IDPs play a key role.</p>									
T3.2.6									

Financial Performance 2012: Sanitation Services						R'000
Details	2011	2012				
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget	
<b>Total Operational Revenue</b>	<b>10 061</b>	<b>13 892</b>	<b>13 891</b>	<b>10 992</b>	26%	
Expenditure:						
Employees	2 123			2 253		
Repairs and Maintenance	135			126		
Other	13 080			13 751		
<b>Total Operational Expenditure</b>	<b>15 338</b>	<b>7 002</b>	<b>5 653</b>	<b>16 130</b>	-65%	
<b>Net Operational Expenditure</b>	<b>-5 277</b>	<b>6 890</b>	<b>8 238</b>	<b>-5 138</b>	-260%	
<p>Net expenditure to be consistent with summary table T5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</p>						<p>8</p> <p>T3.2.</p>

### 3.4. Electricity

Financial Performance Year 2012: Electricity Services					
R'000					
Details	2011	2012			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	<b>25 724</b>	<b>28 093</b>	<b>28 110</b>	<b>27 872</b>	1%
Expenditure:					
Employees	2 190			1 301	
Repairs and Maintenance	1 245			1 422	
Other	13 185			14 975	
<b>Total Operational Expenditure</b>	<b>16 620</b>	<b>25 724</b>	<b>25 612</b>	<b>17 698</b>	45%
<b>Net Operational Expenditure</b>	<b>9 104</b>	<b>2 369</b>	<b>2 498</b>	<b>10 174</b>	-75%
Net expenditure to be consistent with summary table T5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.					T3.3.7

Capital Expenditure 2012: Electricity Services					
R' 000					
Capital Projects	2012				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All					
Luckhoff Electrification	0.54	0.92	0.92	59%	
Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).					T3.3.8

#### COMMENTS TO ELECTRICITY SERVICES

- Contributing to the decrease from prior period employee costs are:
  - Salaries decrease of R980 thousand due reallocation of employees from electricity department to the correct departments. The allocations of employees to departments was reviewed and corrected during the financial period 2011/12
- Other expenditure increase is attributable to bulk purchases increase of R1.1 million of which determining factor is the demand for electricity.

The project's purpose is for the electrification of newly developed areas. The project is funded by the Department of Minerals and Energy.

### 3.5. Waste Management

Financial Performance Year 1: Solid Waste Management Services					
R'000					
Details	2011	2012			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	<b>10 320</b>	<b>14 428</b>	<b>14 428</b>	<b>11 276</b>	<b>28%</b>
Expenditure:					
Employees	649			679	
Repairs and Maintenance	129			73	
Other	1 988			2 082	
<b>Total Operational Expenditure</b>	<b>2 766</b>	<b>6 001</b>	<b>4 467</b>	<b>2 834</b>	<b>58%</b>
<b>Net Operational Expenditure</b>	<b>7 554</b>	<b>8 427</b>	<b>9 961</b>	<b>8 442</b>	<b>18%</b>
Net expenditure to be consistent with summary table T5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.					T3.4.7

#### COMMENTS ON SOLID WASTE MANAGEMENT SERVICES

The expenditures for this department remained within the same margins as in the previous period as no major activities or repairs took place to warrant a major variance.

The actual amount to budgeted amount varied by R1.6 million

### 3.6. Housing

Financial Performance 2012: Housing Services					
R'000					
Details	2011	2012			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	<b>68</b>	<b>62</b>	<b>66</b>	<b>68</b>	<b>-3%</b>
Expenditure:					
Employees					
Repairs and Maintenance					
Other					
<b>Total Operational Expenditure</b>	<b>-</b>	<b>17</b>	<b>9</b>	<b>-</b>	<b>0%</b>
<b>Net Operational Expenditure</b>	<b>68</b>	<b>45</b>	<b>57</b>	<b>68</b>	<b>-16%</b>
Net expenditure to be consistent with summary table T5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.					T3.5.5

**COMMENTS ON HOUSING**

The housing department recognised income from rental of flats and the variance between the actual 2012 income and the budgeted income was 3%. There were no rental escalations during the financial period under review hence the amount recognised is equal to the prior period amount.

**3.7. Free Basic Services and Indigent Support**

As at 30 June 2012, the municipality had 4 880 indigents of which all of them received free basic services during the financial year. The challenge has been on those consumers who qualify as indigents to have them registered with the municipality. Furthermore, certain consumers who qualified as indigents fail to notify the municipality when their status changes.



## C: ROAD TRANSPORT – PERFORMANCE HIGHLIGHTS

## 3.8. Roads

Financial Performance 2012: Road Services					
R'000					
Details	2011	2012			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	<b>11</b>	<b>105</b>	<b>95</b>	<b>15</b>	533%
Expenditure:					
Employees	3 589			4 434	
Repairs and Maintenance	532			2 191	
Other	1 893			1 113	
<b>Total Operational Expenditure</b>	<b>6 014</b>	<b>6 293</b>	<b>8 181</b>	<b>7 738</b>	6%
<b>Net Operational Expenditure</b>	<b>-6 003</b>	<b>-6 188</b>	<b>-8 086</b>	<b>-7 723</b>	5%
Net expenditure to be consistent with summary table T5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.					T3.7.8

## COMMENTS ON ROAD SERVICES

- The increase in employee costs is attributable to wages. Wages expense of R866 thousand was incurred in 2012 contrary to the prior year with a nil value. The increase in employee costs is as a result of casual / temporary workers who previously have been paid under the SMME vote. The correction of this eventually increased the salaries in this department.
- The amount of repairs and maintenance includes the operating lease rentals on the Mayor's vehicle from Free State Provincial of R760 thousand.

## 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%	It includes 5 additional Mayor's office positions.
14-16	1	5	6	5	83%	
MM	1	0	1	0	0	
Section 56	3	0	3	0	0	
Councillors	11		11	0	0	
<b>Total</b>	<b>141</b>	<b>109</b>	<b>250</b>	<b>46</b>	<b>43.6%</b>	

EMPLOYEES					
Description	Year: 0	Year: 1		Year: 1	
	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	3	3	3	0	None
Cemeteries/Sports Ground/Council Building	0	10	0	10	10 x General Labourers
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
<b>Total</b>	<b>141</b>	<b>250</b>	<b>141</b>	<b>109</b>	

<b>Vacancy Rate: Year 2012</b>			
<b>Description</b>	<b>Total Approved Posts No.</b>	<b>Vacancies (Total time that vacancies exist including full time equivalent No.</b>	<b>Vacancies (as proportion of total posts in each category)</b>
Legislature	11	None	0
Municipal Manager	1	None	0
CFO	1	None	0
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
<b>Total</b>	<b>250</b>		<b>109</b>

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

COMMENTS ON VACANCIES AND TURNOVER

The municipality is in the process of advertising and filling in vacant posts. 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 posts are filled. The Corporate Services Manager and the Technical Manager posts were both appointed in January 2012. The middle management posts filled during the financial period under review included that of the Manager Accounting Services and Budget Officer which were occupied in September 2011. The municipality has the internship programme and of all the four interns who completed their training in 2012, the municipality has managed to retain them.

## B: MANAGING THE MUNICIPAL WORKFORCE

## 4.2. Policies

HR Policies and Plans				
	Name of Policy	Completed % Completed	Reviewed %	Date adopted by council or comment on failure to adopt
1	Affirmative Action	100%	0%	30 August 2012 retrospectively from March 2011.
2	Attraction and Retention	100%	0%	30 August 2012 retrospectively from March 2011.
3	Code of conduct for Employees	100%	0%	30 August 2012 retrospectively from March 2011.
4	Delegations, Authorisation & Responsibility	100%	0%	30 August 2012 retrospectively from March 2011.
5	Disciplinary Code and Procedures	100%	0%	30 August 2012 retrospectively from March 2011.
6	Essential Service	100%	0%	30 August 2012 retrospectively from March 2011.
7	Employee Assistance/Wellness	100%	0%	30 August 2012 retrospectively from March 2011.
8	Employment Equity	100%	0%	30 August 2012 retrospectively from March 2011.
9	Exit Management	100%	0%	30 August 2012 retrospectively from March 2011.
10	Grievance Procedure	100%	0%	30 August 2012 retrospectively from March 2011.
11	HIV/AIDS	100%	0%	30 August 2012 retrospectively from March 2011.
12	Human Resource Development	100%	0%	30 August 2012 retrospectively from March 2011.
13	Information Technology	None	None	To be finalised
14	Job Evaluation	100%	0%	Waiting for the provincial framework that is not yet finalised.
15	Leave	100%	0%	30 August 2012 retrospectively from March 2011.
16	Occupational Health and Safety	100%	0%	30 August 2012 retrospectively from March 2011.

17	Official Housing	None	None	None
18	Official Journey	N/A	N/A	Covered S&T Policy
19	Official Transport to attend Funerals	None	None	None
20	Officials working Hours and Overtime	100%	0%	30 August 2012 retrospectively from March 2011.
21	Organisational rights	100%	0%	30 August 2012 retrospectively from March 2011.
22	Payroll Deduction	100%	0%	30 August 2012 retrospectively from March 2011
23	Performance Management of Development	50%	0%	Not finalised
24	Recruitment, Selection and Appointments	100%	0%	30 August 2012 retrospectively from March 2011
25	Remuneration Scales and Allowance	50%	0%	Not finalised
26	Resettlement	N/A	N/A	Covered S&T Policy
27	Sexual Harassments	100%	0%	30 August 2012 retrospectively from March 2011
28	Skill Development	100%	0%	30 August 2012 retrospectively from March 2011
29	Smoking	100%	0%	30 August 2012 retrospectively from March 2011
30	Special Skills	None	None	None
31	Work Organisation	100%	0%	30 August 2012 retrospectively from March 2011
32	Uniforms and Protection Clothing	50%	0%	30 August 2012 retrospectively from March 2011
33	Other: Head Hunting	100%	0%	30 August 2012 retrospectively from March 2011

**List of aforementioned policies are integrated in Human Resource Policy.**

### 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
<b>Total</b>	<b>294</b>	<b>3</b>	<b>5.4%</b>	<b>273</b>	<b>75 948</b>

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 No.	Average sick leave per employees Days	Estimated Cost
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
<b>Total</b>	<b>710</b>	<b>75%</b>	<b>142</b>	<b>160</b>	<b>480</b>	<b>4 961</b>

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 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

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.
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. 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
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**COMMENTS ON PERFORMANCE REWARD:**

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 2012					
Management level	Gender	Employees in post as at 30 June Y1	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	3	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
<b>Total</b>		<b>22</b>	<b>0</b>	<b>15</b>	<b>60</b>	<b>5</b>	<b>50</b>	<b>52</b>	<b>15</b>	<b>15</b>	<b>15</b>

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

Section 57 Female was appointed on the 23<sup>rd</sup> January 2012.

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))
<b>Financial Officials</b>						
Accounting Officer	1	0	1	0	1	0
Chief Financial Officer	1	0	1	0	1	0
Senior Managers	2	0	2	0	2	0
Any other	18	0	18	4	0	4

financial Officials						
Supply Chain Management Officials	1	0	1	0	0	0
<b>Total</b>	<b>23</b>	<b>0</b>	<b>23</b>	<b>4</b>	<b>4</b>	<b>4</b>

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	3	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 and Personal Service Workers	Female	0	0	0	20 000	20 000	0	0	20 000	20 000
	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
<b>Total</b>		<b>141</b>	<b>0</b>	<b>0</b>	<b>51 000</b>	<b>162 000</b>	<b>30 000</b>	<b>65 000</b>	<b>81 000</b>	<b>227 000</b>

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

**Financial Competency Regulation:** MM, S56 Managers and Middle Managers have enrolled for the CPMD Programme and to be 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

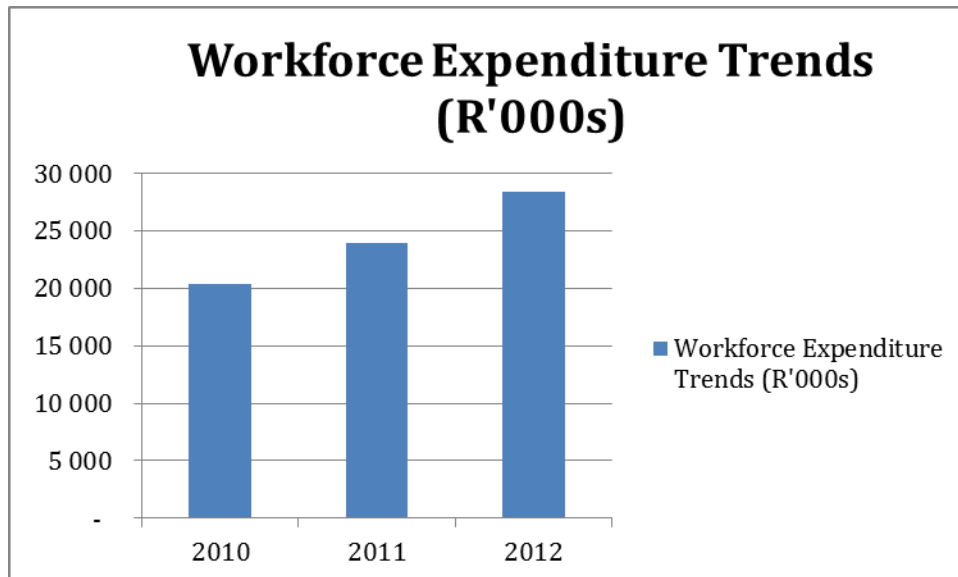
youth are on brick laying and Plumbing learner ship; 50 unemployed are on Plant Controllers learner ship; 2 employee attending LED Course, 1 employee attending IDP training, 2x IT Interns trained on advance Information Technology.

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

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
<b>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.</b>				

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
<b>COMMENTS: Appointments are only done when posts are approved on Organogram/establishment.</b>				

## D: MANAGING THE MUNICIPAL WORKFORCE

**4.6. Employee Expenditure**COMMENTS ON WORKFORCE EXPENDITURE

The employee expenditure shows an upward trend over the three year period. The municipality is in the process of building up its workforce for effective delivery. During the financial period 2011/12 the municipality filled up the posts of Technical Manager, the Corporate Services Manager, Manager Accounting Services, Budget Officer and absorbed all the interns.

## **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.

## A: STATEMENT OF FINANCIAL PERFORMANCE

## 5.1. Statement of Financial Performance

Financial Summary R						
Description	2011	Current Year: 2012			2012 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
<b>Financial Performance</b>						
Property rates	4 247 417	5 106 000	5 106 000	5 350 022	-5%	-5%
Service charges	23 053 266	34 054 000	34 054 000	24 542 385	39%	39%
Investment revenue	1 948 802	900 000	1 000 000	3 006 249	-70%	-67%
Transfers recognised - operational	46 350 342	48 235 000	48 235 000	54 788 581	-12%	-12%
Other own revenue	677 235	582 000	602 000	1 156 936	-50%	-48%
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>76 277 062</b>	<b>88 877 000</b>	<b>88 997 000</b>	<b>88 844 173</b>		
Employee costs	-21 766 760	-23 693 000	-26 475 000	-25 382 040	-7%	4%
Remuneration of councillors	-2 182 623	-2 795 000	-3 228 000	-3 068 372	-9%	5%
Bad debts written off	-461 203	-	-	-		
Depreciation & asset impairment	-31 300 087	-10 065 000	-6 639 000	-28 985 961	-65%	-77%
Finance charges	-3 997 630	-62 000	-63 000	-4 383 133	-99%	-99%
Materials and bulk purchases	-14 572 719	-16 396 000	-19 800 000	-17 096 661	-4%	16%
Transfers and grants						
Other expenditure	-19 395 327	-35 594 000	-31 796 000	-26 109 554	36%	22%
<b>Total Expenditure Surplus/(Deficit)</b>	<b>-93 676 349</b>	<b>-88 605 000</b>	<b>-88 001 000</b>	<b>-105 025 721</b>		
Transfers recognised - capital	12 718 000	18 804 000	23 804 000	18 210 000	3%	31%
Contributions recognised - capital & contributed assets	166 963			20 000	-100%	-100%
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>-4 514 324</b>	<b>19 076 000</b>	<b>24 800 000</b>	<b>2 048 452</b>		
Share of surplus/ (deficit) of associate						



Surplus/(Deficit) for the year	-4 514 324	19 076 000	24 800 000	2 048 452		
<b><u>Capital expenditure &amp; funds sources</u></b>						
<b>Capital expenditure</b>						
Transfers recognised - capital Public contributions & donations	12 884 963	18 804 000	23 804 000	18 210 000	3%	31%
Borrowing						
Internally generated funds	1 299 743	696 000	1 788 000		-82%	0%
<b>Total sources of capital funds</b>	<b>14 184 706</b>	<b>19 500 000</b>	<b>25 592 000</b>	<b>18 210 000</b>		
<b><u>Financial position</u></b>						
Total current assets	28 498 435	21 609 000	25 755 000	43 346 930	-50%	-41%
Total non- current assets	624 164 847	237 742 000	1 220 417 000	626 405 703	-62%	95%
Total current liabilities	-9 666 215	-2 207 000	-14 658 000	-18 910 912	-88%	-22%
Total non- current liabilities	-38 905 989	-	-882 232 000	-42 140 790	-100%	1994%
Community wealth/Equity	<b>604 091 078</b>	<b>257 144 000</b>	<b>349 282 000</b>	<b>608 700 931</b>		
<b><u>Cash flows</u></b>						
Net cash from (used) operating	28 632 438	8 519 000	17 752 000	37 900 858	-78%	-53%
Net cash from (used) investing	-19 975 444	-18 726 000	-25 592 000	-22 250 070	-16%	15%
Net cash from (used) financing	135 528	-59 000	-59 000	-949 284	-94%	-94%
<b>Cash/cash equivalents at the year end</b>	<b>5 950 119</b>	<b>13 092 000</b>	<b>10 725 000</b>	<b>20 651 623</b>		
<b><u>Cash backing/surplus reconciliation</u></b>						
Cash and investments available	7 695 252	1 858 000	7 695 000	22 477 051	-92%	-66%
Application of cash and investments		-8 506 000	-16 023 000		0%	0%
<b>Balance - surplus (shortfall)</b>	<b>7 695 252</b>	<b>-6 648 000</b>	<b>-8 328 000</b>	<b>22 477 051</b>		
<b><u>Asset management</u></b>						

Asset register summary (WDV)	14 184 706	19 545 000	25 592 000	22 148 063	-12%	16%
Depreciation & asset impairment	-21 835 294	-	-	-21 929 675	-100%	-100%
Renewal of Existing Assets	-	-	-	-	0%	0%
Repairs and Maintenance	-3 144 893	-3 898 000	-4 899 000	4 716 889	-183%	-204%
<b>Free services</b>						
Cost of Free Basic Services provided						
Revenue cost of free services provided						
Households below minimum service level						
Water: Sanitation/sewerage: Energy:						
Refuse:						
Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual. This table is aligned to MBRR table A1						

## COMMENTS ON STATEMENT OF FINANCIAL PERFORMANCE

### Statement of financial performance

Total recognised income was R153 thousand less than the budgeted representing an insignificant variance of 0.2%. However, the highlights of income recognised are as follows:

- Service charges actual income recognised was R24.5million and the budgeted was R34.1 million representing a 39% variance. The variance was due to free basic services being budgeted for in service charges while the funding of these services is from equitable share.
- Investment revenue amounted to R3 006 249 and the budgeted amount R1 000 000 representing a 67% favourable variance. The municipality monitored its cash flow and invested a lot of the funds that were not immediately required to earn interest.
- Operational grants recognised amounted to R54.8 million and the budgeted grants income was R48.2 million representing a favourable 48% variance. The variance is due to the Department of Water Affairs grant that was budgeted for in capital grants while the accounting recognised the expenditure of the grant in the Statement of Financial performance. The grant amounted to R5.6million. Refer also the Transfers Recognised –Capital variance of 31%.
- Other income variance of 48% was mainly due to insurance claims and L.G. Seta human development reimbursements.

Total expenditure incurred amounted to R105 million and the budgeted expenditure was R88 million. The variance was overall 16%. The highlights of the municipality's expenditures are:

- Depreciation & asset impairment amounted to R29 million while the budgeted amount was R6.6 million. The variance of 77% was mainly caused by the unbundling of assets which the municipality undertook for purposes of complying with the requirements of GRAP 17.
- Finance Charges variance of 99% was due to unwound interest on the provision of landfill site which was revised and restated for the financial period 2010/11. Furthermore, the budget did not include the interest on finance leases and retirement benefit obligation

#### **Statement of financial Position**

- Current assets favourable variance of 41% is mainly attributable to the Cash and cash equivalents (including investments) of which the balance was R15 million more than the previous year. The municipality invested funds not immediately required.
- Non-current liabilities variance was 95% attributed to overestimation of asset valuations pending the unbundling of infrastructure assets.
- Non-current liabilities are comprised of finance lease obligation, retirement benefit obligation, landfill site provision and long service awards provision. These liabilities had not been budgeted for hence a 100% variance

## 5.2. Grants

Details of Donor	Actual Grant 2011 (000)	Actual Grant 2012 (000)	2012 Municipal Contribution (000)	Date Grant Terminates (000)	Date Municipal contribution terminates (000)	Nature and benefit from the grant received, include description of any contributions in kind(000)
MSIG	750	790	37	30 JUNE 2012	30 JUNE 2012	
FMG	1 200	1 450	2	30 JUNE 2012	30 JUNE 2012	
MIG	12 718	18 210	495	30 JUNE 2012	30 JUNE 2012	
DWA	0	5 600	0	30 JUNE 2012	30 JUNE 2012	
DME	0	594	15	30 JUNE 2012	30 JUNE 2012	
ROAD TRANSPORT	0	500	0	30 JUNE 2012	30 JUNE 2012	
EPWP	0	389	0	30 JUNE 2012	30 JUNE 2012	

### COMMENTS ON GRANTS

- Municipal Systems Improvement Grant (MSIG) is a grant that was utilised in promoting and supporting reforms in financial management by building capacity in the municipality to implement MFMA and improve progressive financial reporting.
- Financial management Grant (FMG) is a grant meant for assisting municipalities in the improvement of system related transactions and was utilised as such.
- The grants recognised in 2012 were more than in the previous period due to demand for service delivery. Municipality embarked on 2 new projects funded by MIG during the financial period 2011/12. These are namely:
  - The construction of 7.7km streets and storm water in Luckhoff which commenced on 01 July 2011, and
  - The construction of access road and storm water in Ratanang which commenced on 12 December 2011.

For more detail on these projects refer section 5.7 on Capital Expenditure.

- The Department of Water Affairs (DWA) grant was for the alleviation of the water situation in Bolokanang in Petrusburg. The municipality embarked on a project for the provision of a 500kl storage tank in this respect.
- The Department of Minerals and Energy Affairs (DME) grant was utilised in the electrification of newly developed areas.
- Road Transport grant was used to finance the upgrading and construction of the street network within the municipal boundaries

### 5.3. Asset Management

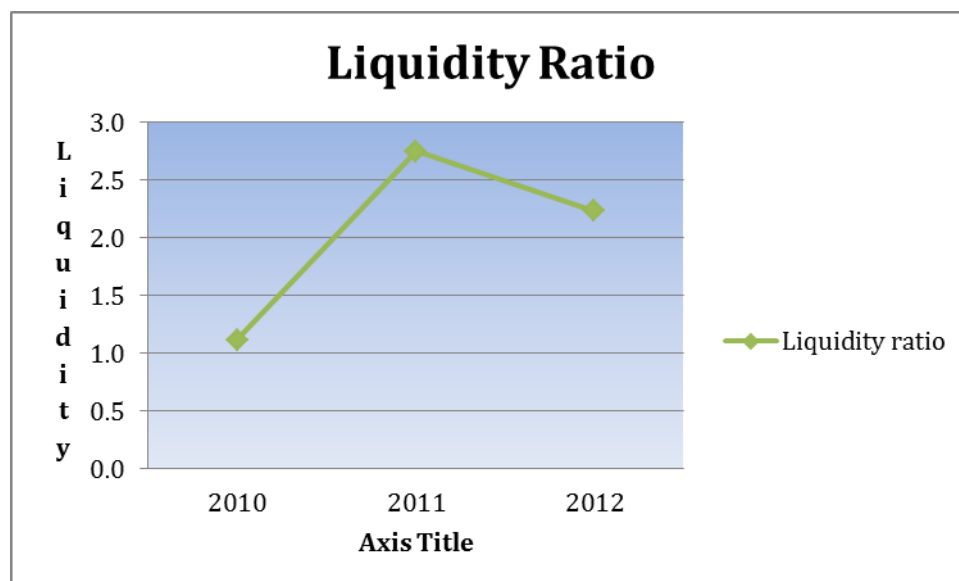
During the financial period 2011/12 the municipality embarked on an exercise to unbundle infrastructure assets. This involved also setting up an asset management financial system and implementation of fixed assets policy.

Repair and Maintenance Expenditure: 2011/12				
	Original Budget	Adjustment Budget	Actual	Budget variance
Repairs and Maintenance	3 898	4 899	4 717	4%
T5.3.4				

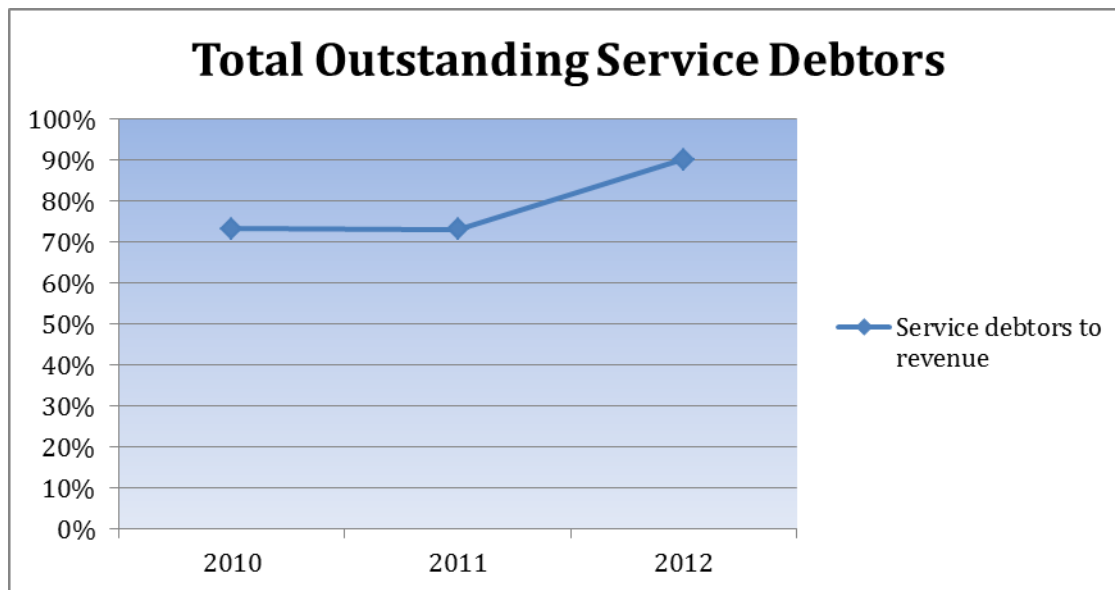
#### COMMENTS ON REPAIRS AND MAINTENANCE

The repairs and maintenance expenditure remained within the budgeted amounts. The municipality did not incur major repairs on its equipment, buildings, vehicles and other assets. General maintenance such as the servicing of vehicles and equipment was incurred hence the expenditure was contained within the same levels.

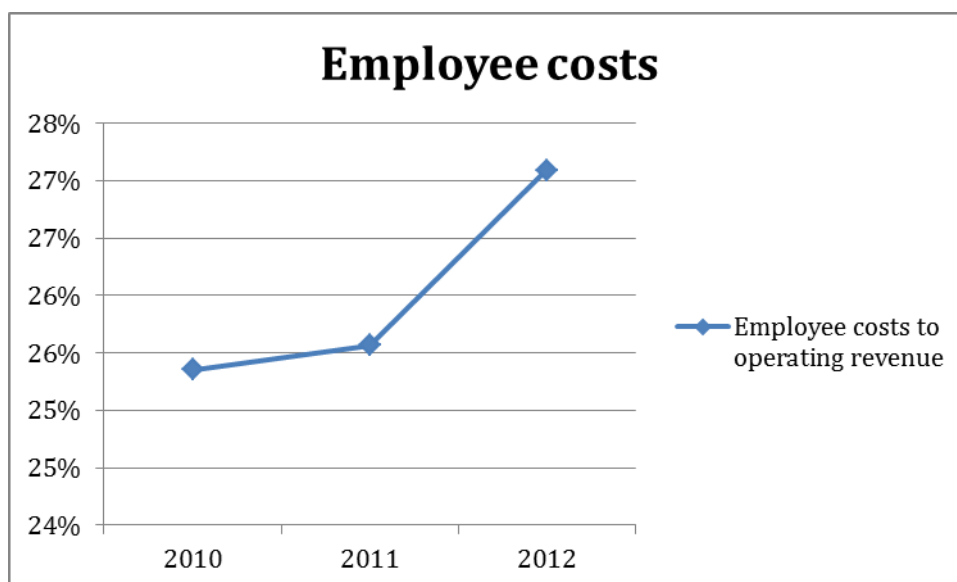
### 5.4. Financial Ratios Based on Key Performance Indicators



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



**Formula:** *Service debtors/Revenue*



**Formula:** *Employee costs/Operating Expenditure*

#### COMMENTS ON FINANCIAL RATIOS

The municipality 2011/12 liquidity ratio is 2.2 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.

Employee costs to operating expenditure ratio reflects an upward trend due to new appointments in the municipality.

Repairs and maintenance expenditure to operating expenditure ratio has maintained a 4% ratio since 2009/10.

**5.5. 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.

**5.6. 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.

## B: SPENDING AGAINST CAPITAL BUDGET

## 5.7. Capital Expenditure

Capital Expenditure of 5 largest projects*					
R' 000					
Name of Project	Current Year: Year 2012			Variance Current Year:	
	Original Budget	Adjustment	Actual	Original	Adjustment variance
A – Construction of multi-purpose community centre in Koffiefontein	4 267	4 267	4 521	-6%	-6%
B –Upgrading of waste water treatment works in Petrusburg	317	317	361	-14%	-14%
C – Construction of 7.7 km streets and storm water in Luckhoff	6 345	6 345	6 121	4%	4%
D – Construction of access road and storm water in Ratanang	4 757	4 757	4 667	2%	2%
E – Provision of 500kl storage tank in Bolokanang	1 218	1 218	1 517	-25%	-25%
* Projects with the highest capital expenditure in Year 2012					
Name of Project - A	MIG/FS0806/CF/11/13				
Objective of Project	To construct a multi-purpose community centre in Koffiefontein				
Delays	7 days delay due to rainfall				
Future Challenges	Rainfall				
Anticipated citizen benefits	Access to community hall computer lab and general community services				

Name of Project - B	MIG/FS0755/5/09/09
Objective of Project	Upgrading of waste water treatment works in Petrusburg
Delays	None
Future Challenges	None
Anticipated citizen benefits	Fully functional waste water treatment facility for Petrusburg

Name of Project - C	MIG/FS0803/R,ST/10/10
Objective of Project	Construction of 7.7km streets and storm water in Luckhoff
Delays	None
Future Challenges	None
Anticipated citizen benefits	Access to 7.7km paved roads and 6.5km gravel roads

Name of Project - D	MIG/FS0804/ R,ST/11/13
Objective of Project	Construction of access road and storm water in Ratanang
Delays	None
Future Challenges	None
Anticipated citizen benefits	Access to 2km of paved roads



Name of Project - E	MIG/FS0805/W/10/12
Objective of Project	Provision of 500kl Storage Tank in Bolokanang
Delays	None
Future Challenges	None
Anticipated citizen benefits	Sufficient portable water storage and supply
T5.7.1	

#### COMMENT ON CAPITAL EXPENDITURE

As part of service delivery, the municipality has the above project running for the benefit of the community of Letsemeng. The projects are funded by MIG and monitored by the Project Management Unit at the municipality and any delays are reported timeously.

### **5.8. Sources of Finance**

Capital Expenditure - Funding Sources 2011 to Year 2012						
R' 000						
Details		2011	Year 2012			
		Actual	Original	Adjustment	Actual	Adjustment
Source of finance						Actual to OB
	External loans	-	-	-	-	-
	Public contributions and donations	167	-	-	-	-
	Grants and subsidies	14 833	18 804	23 804	23 810	-21%
	Other		696	1 788		-61%
<b>Total</b>		<b>15 000</b>	<b>19 500</b>	<b>25 592</b>	<b>23 810</b>	<b>32.59%</b>
Percentage of finance						
	External loans	-	-	-	-	-
	Public contributions and donations	1%	-	-	-	-
	Grants and subsidies	99%	96%	93%	100%	
	Other		-	-	-	-
Capital expenditure						
	Water and sanitation	1 684	468	6 374	5 768	-93%
	Electricity	58	602	865	542	-30%
	Housing					
	Roads and storm water	6 564	12 396	12 296	9 589	1%
	Other	5 920	6 034	6 057	232	0%
<b>Total</b>		<b>14 226</b>	<b>19 500</b>	<b>25 592</b>	<b>16 131</b>	<b>-24%</b>
Percentage of expenditure						
	Water and sanitation	12%	2%	25%	36%	

	Electricity	0%	3%	3%	3%		
	Housing	0%	0%	0%	0%		
	Roads and storm water	46%	63%	48%	59%		
	Other	42%	31%	24%	1%		
							T5.6.1

#### COMMENTS ON SOURCES OF FINANCE

The capital expenditure of Letsemeng is mainly funded through grants. During the financial period 2011/12, the following grants contributed to the funding of capital expenditure:

- Municipal Improvement Grant
- Department of Water Affairs

The variance between the Actual source of income of R23,810 million and the budgeted amount of R23,804 million was the Department of Water Affairs amount which was budgeted at R5 million when the actual amount received was R5,6 million.

The water and roads & storm water department had the most spending due to projects pending completion in these departments. These include Construction of access roads in Ratanang, Construction of access road and storm water in Luckhoff and Provision of 500 kl storage tank in Bolokanang.

## C: CASH FLOW MANAGEMENT AND INVESTMENTS

## 5.9. Cash flow

R'000				
Description	2010/11	Current Year: Year 2011/12		
	Audited Outcome	Original Budget	Adjusted Budget	Actual
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Ratepayers and other	-20 758	-25 101	-39 377	-30 056
Grants	-60 720	-65 662	-65 662	-72 745
Interest	-1 947	-900	-900	-3 001
Dividends	-2	-8	-8	-5
	-83 426	-55 251	-69 527	-105 808
<b>Payments</b>				
Suppliers and employees	51 074	82 958	88 001	63 619
Finance charges	3 720	194	194	4 288
Other non-cash item				
	54 794	83 152	88 195	67 907
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>-28 632</b>	<b>27 901</b>	<b>18 668</b>	<b>-37 901</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Receipts</b>				
Proceeds on disposal of PPE				
Purchase of other Intangible Assets	42			23
Proceeds from sale of Financial Assets	8			-1
Purchase of money market investments	5 740			80
<b>Payments</b>				
Capital assets	14 185	18 726	25 592	22 148
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>19 975</b>	<b>18 726</b>	<b>25 592</b>	<b>22 250</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Movement in Deferred Revenue	-10			-142
Movement In Interest Bearing Liability				313
Increase (decrease) in consumer deposits		59	59	
Finance Lease Payments	-126			778
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>-136</b>	<b>59</b>	<b>59</b>	<b>949</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>8 793</b>	<b>10 266</b>	<b>7 899</b>	<b>14 702</b>
Cash/cash equivalents at the year begin:	-2 842	2 826	2 826	5 950
Cash/cash equivalents at the year-end:	<b>5 950</b>	<b>13 092</b>	<b>10 725</b>	<b>20 652</b>
Source: MBRR SA7 T5.9.1				

## COMMENTS ON CASHFLOW

### **Receipts**

- Ratepayers and other receipts amounted to R30million compared to budgeted of R39 million. The variance is mainly attributable to that the community is dominated by indigent debtors hence collection of debtors balances is a challenge.
- Grants receipts of amounted to R72,7 million, R7million more than the budgeted amount . The variance is mainly attributed to the Department of Water Affairs grant of which in the cash flow statement adjustment budget it was not adjusted for. The grant was not originally budgeted for but was allocated during the year for the critical water problems in Petrusburg.
- Interest received was R3million, R2.1 million more than the budgeted amount due to the investment of funds not immediately required.

### **Payments**

- The Suppliers and employees payments were lower than budgeted for mainly because vacant posts in Finance and Human Resources departments that were budgeted for were not filled during the year. Furthermore, the budget includes medical aid contributions of which some Councillors are not on medical aid.
- Finance charges of such as finance leases were not included on the budget hence the variance of R4 million from budgeted amount.

### **Net cash flow from(used) from investing activities**

- The money market investments purchased had not been budgeted for hence a variance. The municipality invested a lot of its cash resources not immediately required during the year
- The original budget of payments of capital assets was adjusted upwards as a result of the DWA grant already explained in the above sections.

### **Net cash flow from(used) from financing activities**

- The components of this section include finance lease payments of which the finance leases were not included in the budget.

Overall the municipality as at 30 June 2012 was in a favourable cash flow position.

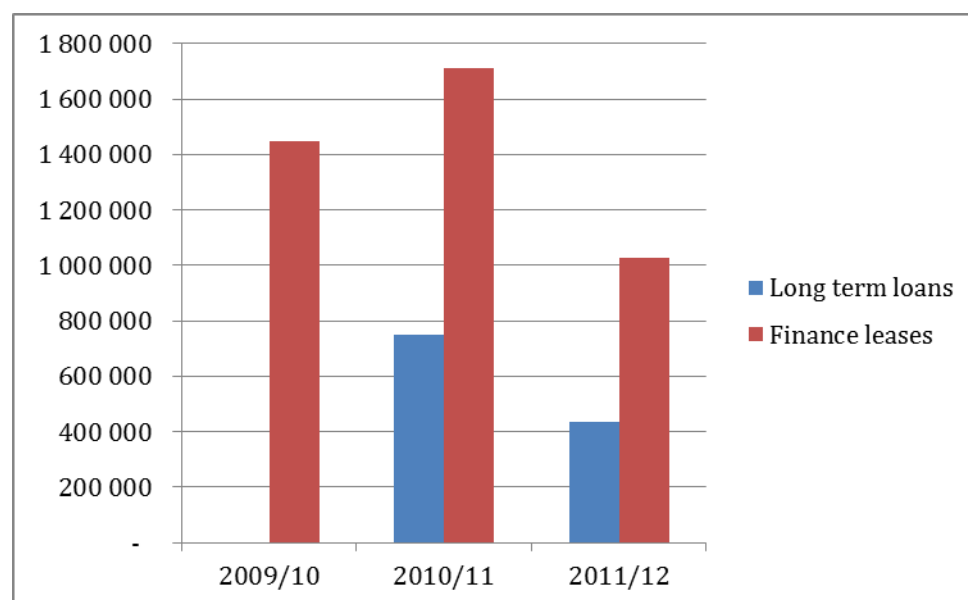
## **5.10. Borrowing and Investments**

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 high

provision of bad debts (88% of outstanding balance in 2012). The municipality therefore invests grant funds and its collections not immediately required with registered institutions.

The borrowings are comprised of lease liabilities

Actual Borrowings 2010 to 2012 (R)			
Instrument	2009/10	2010/11	2011/12
<b>Municipality</b>			
Long-Term Loans (annuity)	0	749 006	435 771
Financial Leases	1 446 536	1 710 334	1 028 005
<b>Municipality Total</b>	<b>1 446 536</b>	<b>2 459 340</b>	<b>1 463 776</b>



Municipal Investments (R)			
Investment* type	2009/10	2010/11	2011/12
	Actual	Actual	Actual
<b>Municipality</b>			
Deposits - Bank	22 131	5 762 491	14 038 641
Unlisted Shares	15 962	58 373	57 350
<b>Municipality Total</b>	<b>38 093</b>	<b>5 820 864</b>	<b>14 095 991</b>

**5.11. 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 2011-12 (statement of financial position and the relevant notes). Although Council did not write-off any bad debt for the 2011-12 financial year, the debtors' balances have grown quite significantly when compared to the previous year. 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.

**5.11.1. 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.

#### **5.12. 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.

#### **5.13. 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).

#### **5.14. Generally Recognised Accounting Practices (GRAP) Compliance**

The municipality prepared the annual financial statement in terms of the GRAP Reporting Framework. All the standards were fully complied with as the transitional arrangements expired in the previous year. There were no significant challenges noted during the year.

The municipality has put in place measures to adopt and implement the requirements of the standards that are effective from the ensuing financial period. This is mainly due to the fact that all standards that the municipality did not elected to adopt early all the standards that were effective in 2012/13 financial year.

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 2011/12. This was an improvement from the 2010/11 disclaimer opinion and 2009/10 adverse 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. These included finance lease valuation, putting in place an inventory management system and disclosure of prior period error.

#### A: AUDITOR GENERAL OPINION OF FINANCIAL STATEMENTS (30 JUNE 2012 FINANCIAL YEAR)

##### 6.1. Auditor General's Report (30 June 2012)



**REPORT OF THE AUDITOR-GENERAL TO THE FREE STATE PROVINCIAL 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 107 to 197, which comprise the statement of financial position as at 30 June 2012, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

**Accounting officer's responsibility for the financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of the 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, 2011 (Act No. 6 of 2011) (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 misstatement.
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****Revenue**

6. 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.

7. 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 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.

### **Expenditure**

8. 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.
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.
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 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.

### **Trade and other payables from exchange transactions**

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**

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 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.

### **Qualified opinion**

13. In my opinion, except for the possible effects 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 2012 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the MFMA and DoRA.

**Emphasis of matter**

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

**Restatement of corresponding figures**

15. As disclosed in note 42 and 43 to the financial statements, the corresponding figures for 30 June 2011 have been restated as a result of errors identified during 2011-12 in the financial statements of the Letsemeng Local Municipality at, and for the year ended 30 June 2011.

**Additional matter**

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

**Unaudited supplementary information**

17. The supplementary information set out on pages 189 to 197 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**

18. 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**

19. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages 23 to 32 of the annual report.
20. 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 Framework for managing programme performance information*.

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).

21. The material findings are as follows:

**Usefulness of information**

22. Section 41(c) of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA) requires that the integrated development plan (IDP) should form the basis for the annual performance report, therefore requiring the consistency of objectives, indicators and targets between planning and reporting documents. A total of 85% (>20%) of the reported indicators and 79% (>20%) of the reported targets are not consistent with the objectives, indicators and targets as per the approved IDP. This is due to the lack of review procedures in place to ensure that the IDP and annual performance report is aligned.

23. The National Treasury *Framework for managing programme performance information (FMPP)* requires that performance targets be specific in clearly identifying the nature and required level of performance. A total of 67% (>20%) of the targets of the selected program were not specific in clearly identifying the nature and the required level of performance. This was due to the fact that management was aware of the requirements of the *FMPP* but did not receive the necessary training to enable application of the principles.
24. The National Treasury *Framework for managing programme performance information (FMPP)* requires that performance targets be measurable. The required performance could not be measured for a total of 67% (>20%) for the targets of the selected program. This was due to the fact that management was aware of the requirements of the *FMPP* but did not receive the necessary training to enable application of the principles.
25. The National Treasury *Framework for managing programme performance information (FMPP)* 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 89% (>20%) for the indicators of the selected program were not well defined in that clear, unambiguous data definitions were not available to allow for data to be collected consistently. This was due to the fact that management was aware of the requirements of the *FMPP* but did not receive the necessary training to enable application of the principles.
26. The National Treasury *Framework for managing programme performance information (FMPP)* requires that it must be possible to validate the processes and systems that Produce the indicator. A total of 89% (>20%) for the indicators of the selected program were not verifiable in that valid processes and systems that produce the information on actual performance did not exist. This was due to the fact that management was aware of the requirements of the *FMPP* but did not receive the necessary training to enable application of the principles.

#### **Compliance with laws and regulations**

27. 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:

#### **Annual financial statements, performance and annual reports**

28. The accounting officer did not make the 2010-11 annual report public immediately after the annual report was tabled in the council, as required by section 127(5)(a) of the MFMA.
29. The council did not adopt in good time, a process set out in writing to guide the planning, drafting, adoption and review of its IDP, as required by section 28(1) of the MSA.
30. The municipality did not establish a performance management system, as required by section 38(a) of the MSA.

#### **Revenue management**

31. A tariff policy on the levying of fees for municipal services provided by the municipality was not implemented, as required by section 74(1) of the MSA and section 62(1)(f)(i) of MFMA.
32. A credit control and debt collection policy was not implemented, as required by section 96(b) of the MSA and section 62(1)(f)(iii) of MFMA.
33. A policy on the levying of rates on rateable property within the municipality was not implemented, as required by section 3(1) of the Local Government: Municipal Property Rates Act, 2004 (Act No.6 of 2004) and section 62(1) (f) (ii) of MFMA.
34. Sufficient audit evidence could not be obtained that revenue had been reconciled on a weekly basis, as required by 64(2) (h) of the MFMA.

**Expenditure management**

35. The accounting officer did not take reasonable steps to prevent unauthorised, irregular and fruitless and wasteful expenditure, as required by section 62(1) (d) of the MFMA.
36. Unauthorised, irregular, and fruitless and wasteful expenditure was not recovered from the liable person, as required by section 32(2) of the MFMA.

**Liability management**

37. An effective system of internal control for liabilities (including a liability register) was not in place, as required by section 63(2) (c) of the MFMA.

**HR Management**

38. Sufficient appropriate audit evidence could not be obtained that appointments were only made in posts which were provided for in the approved staff establishment of the municipality, as required by section 66(3) of MSA.
39. 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.
40. Sufficient appropriate audit evidence could not be obtained that the appointment of senior managers directly accountable to the municipal manager were approved by municipal council as required by 56(1) (a) of MSA.

**Financial misconduct**

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

**Waste management legislation**

42. The municipality operated some of their waste disposal sites without a waste management license or permit, in contravention of section 20(b) of the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008) and section 20(1) of the Environmental Conservation Act, 1989 (Act No. 73 of 1989).

**Internal control**

43. I considered internal control relevant to my audit of the financial statements, 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 qualified opinion, the findings on the performance report and the findings on compliance with laws and regulations included in this report.

**Leadership**

44. The leadership did not evaluate whether management had implemented effective internal controls. They did not gain a comprehensive understanding of how senior management members had met their responsibilities in terms of ensuring proper record management in respect of preparing the annual financial statements.
45. The leadership of the municipality neglected to develop, implement and monitor internal control procedures to ensure that quarterly financial statements are prepared and subjected to review. This oversight resulted in the challenges faced to submit financial statements to audit that are fully compliant to the SA Standards of GRAP and necessitated the amendment of financial statements provided for audit purposes.
46. The leadership failed to implement adequate controls to ensure compliance with laws, regulations and internally designed policies and procedures. As a result, significant non compliance issues were noted.

**Financial and performance management**

47. Effective performance systems, processes and procedures as well as the management thereof had not been adequately developed and implemented.
48. Due to oversight on the part of the accounting officer, the regular review and monitoring of compliance to laws and regulations were not sufficiently prioritised in the municipality. As a result, significant non-compliance issues were noted that could have been prevented.
49. The staff within the finance directorate of the municipality lacked the appropriate skill and competence and this necessitated the municipality to make use of consultants to supplement such constraints. Consultants assisted with the preparation of an asset register and the preparation of the financial statements.
50. Due to time pressure brought about by the fact that the process of preparing the financial statements were only started late in the financial year, when appointment of the consultants were finalised sufficient time was not available to the chief financial officer to properly review such statements for completeness and accuracy prior to submission thereof for auditing.  
This resulted in many findings relating to incorrect disclosure which were subsequently corrected.
51. Staff within the finance directorate of the municipality had an insufficient understanding of the accounting framework. This contributed towards the numerous errors that were subsequently corrected in the financial statements of the municipality.

**Governance**

52. The internal audit unit was not sufficiently staffed and effective during the year.

**OTHER REPORTS**

53. Investigations are being conducted by South African Police Services on request of the municipality. The investigations were initiated based on allegations of prepaid electricity expenditure. The investigations were still in progress at the reporting date.

*Auditor - General*

Bloemfontein

30 November 2012



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*



**6.2. Audit Recovery Plan based on the Auditor General's Report (30 June 2012)**

Section	Audit Finding	Responsibility	Remedial Action
<b>AUDIT REPORT MATTERS</b>			
Employee Costs	Incomplete Employee Files - For some identified employees (a) No proof of have written, signed contracts of employment/appointment letters with the municipality. (b) No Curriculum Vitas. (c) No proof of resignation or serving of notice periods. (d) No death certificates. (e) No contracts. (f) No supporting documentation pertaining to suspension. <b>Ex 47</b>	Corporate Services	All employee files to be reviewed for completeness and relevant information filed. Target date is April 2013.
Employee Costs	Lack of supporting documentation of manual payments - No proof to confirm the occurrence and the accuracy of wages paid out. No register/database of hours worked by employees and type of worked performed. <b>Ex 74</b>	Technical Department	Corporate Services to develop a wage register which will be signed off by the temporary employees when they receive their wages.
Operating Expenditure	Irregular expenditure incurred with awarding of contracts above R200 000. <b>Ex 113</b>	Finance Department	Controls and all relevant documentation to be in place regarding the awarding of tenders
Operating Expenditure	Accruals not raised at year end and differences on creditors listings - Invoices received prior to year-end not accrued for and unexplained difference of R36,247 identified between creditors listing and actual payments. <b>Ex 50</b>	Finance Department	Differences to be investigated and necessary prior period adjustments to be made in the financial statements for 2012/13
Operating Expenditure	No supporting documentation for telephone expenses. <b>Ex 94</b>	Finance Department	Telephone expenses (debit orders) to be reconciled on a monthly basis to invoices and a separate file maintained. A register of debit orders to be maintained. Effective date is July 2013

Section	Audit Finding	Responsibility	Remedial Action
Operating Expenditure	Incorrect classification and scope limitation – (a) Asset additions amounting to R58 702 incorrectly classified as repairs and maintenance. (b) Supporting documentation of transactions amounting to R45,847 not submitted for audit. <b>Ex 99</b>	Finance Department	(a) Supporting documentation to be inspected and a prior period adjustment be made in the 2012/13 financial statements as necessary (b) Filing system to be improved
Revenue	Free basic services subsidy not applied in line with indigent policy- Free basic services to the value of R1,120,828 were credited to customer accounts in excess of the estimated annual subsidy. <b>Ex 127</b>	Finance Department	To be investigated
Taxes	No assessment rates reconciliations performed. <b>Ex 76</b>	Finance Department	Reconciliations to be performed for 2012/13 financial period
Operating Expenditure	Leave pay accrual incorrectly calculated and disclosed – (a) Difference of R156,172 noted between leave provision disclosed and recalculation performed by auditors. The differences were attributed to differences between the leave days recorded on the system and the leave days used for the calculation of the leave pay provision. (b) Leave days in excess of 48 days up to maximum of 72 days was incorrectly disclosed under Contingent Liabilities. <b>Ex 54</b>	Corporate Department	(a) The system to be updated to facilitate the processing of all leave days (b) Correction was done in the 2011/12 financial statements

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 departments.



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

**6.3. Auditor General Reports (30 June 2012)**

The municipality received a disclaimer and adverse opinion in 2010/11 and 2009/10 respectively. The main causes of the disclaimer opinions were almost the same except for the 2010/11 financial year. The following table details the main causes of the adverse and disclaimer opinion over the past two years:

	2009/2010	2010/2011
STATUS	Adverse	Disclaimer
Main Reasons or Causes of the Disclaimers	<p><b>1. Property, Plant &amp; Equipment.</b></p> <ul style="list-style-type: none"> <li>- figures in the statement of financial position or performance did not agree to the relevant notes,</li> <li>- closing balances and opening balance did not agree due to comparative information not being restated with identified prior period errors</li> <li>- insufficient appropriate audit evidence to conclude on the existence, completeness and rights &amp; obligations regarding PPE especially in the following areas: <ul style="list-style-type: none"> <li>(a) asset could not be physically verified due inadequate information in the asset register</li> <li>(b) ervens could not be traced to the asset register</li> <li>(c) unable to determine actual expenditure incurred on projects</li> <li>(d) insufficient appropriate audit evidence relating to journals</li> <li>(e) insufficient appropriate audit evidence regarding cost and accumulated depreciation</li> </ul> </li> </ul> <p><b>2. Unspent Conditional Grants</b></p> <ul style="list-style-type: none"> <li>- Insufficient appropriate audit evidence regarding journals recorded in unspent grants</li> </ul> <p><b>3. Receivables</b></p> <ul style="list-style-type: none"> <li>- insufficient appropriate audit evidence relating to provision for bad debts as a general provision was made rather review of individual debtors</li> <li>- incorrect classification of deposits paid to third parties (to expenditure rather than receivables)</li> <li>- misstatement of receivables form exchange transactions and non-exchange</li> </ul>	<p><b>1. Property, Plant &amp; Equipment</b></p> <ul style="list-style-type: none"> <li>- PPE could not be physically verified due inadequate information in the asset register</li> <li>- Incorrect classification of repairs and maintenance</li> </ul> <p><b>2. Finance Lease Assets</b></p> <ul style="list-style-type: none"> <li>- insufficient appropriate audit evidence to confirm the fair value of the finance leased assets.</li> </ul> <p><b>3. Inventory</b></p> <ul style="list-style-type: none"> <li>- insufficient appropriate audit evidence to conclude on the valuation &amp; completeness of inventory due to the following areas: <ul style="list-style-type: none"> <li>(a) non-submission of information used in the determination of fair values</li> <li>(b) non-submission of a detailed stock list</li> <li>(c) no satisfactory information regarding differences identified at stock count</li> <li>(d) inaccurate water quantities due to various challenges</li> </ul> </li> </ul> <p><b>4. Accounts payable</b></p> <ul style="list-style-type: none"> <li>- insufficient appropriate audit evidence for some of the creditors invoices</li> </ul> <p><b>5. Revenue</b></p> <ul style="list-style-type: none"> <li>- Use of estimates on a recurring basis on water meters with no actual readings</li> </ul>

	2009/2010	2010/2011
STATUS	Adverse	Disclaimer
	<p>transactions</p> <ul style="list-style-type: none"> <li>- amount for water receivable disclosed was inaccurate due to the amount not being restated with the identified prior period error.</li> <li>- Misstatement of payments received in advance and consumer receivables</li> <li>- Unable to confirm the existence, valuation and completeness of consumer receivables from non-exchange due to: <ul style="list-style-type: none"> <li>(a) incorrect treatment of indigent subsidies</li> <li>(b) insufficient appropriate audit evidence relating to journals processed against receivables from non-exchange</li> </ul> </li> </ul> <p><b>4. Revenue</b></p> <ul style="list-style-type: none"> <li>- Insufficient appropriate audit evidence to confirm completeness of property rates due to non-performance of the valuation roll</li> <li>- Incorrect treatment of notional revenue from indigent consumers</li> <li>- Use of estimates on a recurring basis on water meters with no actual readings</li> <li>- Insufficient appropriate audit evidence to substantiate journals processed in revenue</li> <li>- Insufficient controls and information to determine if expenditure for conditional grants was incurred in line with the set conditions</li> <li>- Differences between the electricity and water meter readings cards and the readings captured in the system</li> <li>- Insufficient appropriate audit evidence for rental income</li> <li>- Incorrect treatment of prepaid electricity income</li> <li>- Uncorrected prior year errors</li> </ul> <p><b>5. Employee related costs</b></p> <ul style="list-style-type: none"> <li>- Unexplained difference between the general ledger amounts and the amounts in the payroll</li> <li>- Insufficient appropriate audit evidence regarding journals</li> </ul> <p><b>6. Operating expenditure</b></p> <ul style="list-style-type: none"> <li>- Insufficient appropriate audit evidence</li> </ul> <p><b>7. Payables</b></p> <ul style="list-style-type: none"> <li>- Insufficient appropriate audit evidence regarding stale cheques</li> <li>- Omitted liabilities for goods and services rendered before year end</li> </ul> <p><b>8. Investment Property</b></p>	<ul style="list-style-type: none"> <li>- Differences between the electricity and water meter readings cards and the readings captured in the system</li> </ul> <p><b>6. Employee costs</b></p> <ul style="list-style-type: none"> <li>- Insufficient appropriate audit evidence for prior journals</li> </ul> <p><b>7. Operating expenditure</b></p> <ul style="list-style-type: none"> <li>- Insufficient appropriate audit evidence</li> </ul> <p><b>8. Disclosure</b></p> <ul style="list-style-type: none"> <li>- Incorrect disclosure of prior year errors</li> </ul>

	2009/2010	2010/2011
STATUS	Adverse	Disclaimer
	<ul style="list-style-type: none"> <li>- Investment property disclosed as PPE and some investment properties were omitted from the ledger</li> <li><b>9. Investments</b> <ul style="list-style-type: none"> <li>- Insufficient appropriate audit evidence</li> </ul> </li> <li><b>10. Accruals</b> <ul style="list-style-type: none"> <li>- Insufficient appropriate audit evidence regarding leave pay provision</li> <li>- Understatement of accruals due to non-recording of unpaid bonuses</li> </ul> </li> <li><b>11. Consumer deposits</b> <ul style="list-style-type: none"> <li>- Unexplained difference between the consumer deposit listing and the AFS</li> </ul> </li> <li><b>12. Finance lease liability</b> <ul style="list-style-type: none"> <li>- Incorrect capitalisation of finance leases (contrary to GRAP Standards)</li> </ul> </li> <li><b>13. Inventory</b> <ul style="list-style-type: none"> <li>- Stock count not performed at year end</li> <li>- Non-performance of the valuation roll reconciliation so as to identify errors for PPE or inventory</li> </ul> </li> <li><b>14. Post Retirement Benefit</b> <ul style="list-style-type: none"> <li>- No provision was made for post-retirement medical aid benefit obligation</li> </ul> </li> <li><b>15. Unauthorised expenditure</b> <ul style="list-style-type: none"> <li>- Non-provision of the final approved budget for the 2008/09 and 2008/10 financial periods</li> <li>- Incomplete disclosure of unauthorised expenditure</li> </ul> </li> <li>• Capital commitments <ul style="list-style-type: none"> <li>- Non-maintenance of a capital commitments register</li> </ul> </li> <li><b>16. Irregular expenditure</b> <ul style="list-style-type: none"> <li>- Non-disclosure of irregular expenditure</li> <li>- Insufficient appropriate audit evidence regarding the processes in place</li> </ul> </li> <li><b>17. Fruitless &amp; wasteful expenditure</b> <ul style="list-style-type: none"> <li>- Non-disclosure of irregular expenditure</li> <li>- Insufficient appropriate audit evidence regarding the processes in place</li> </ul> </li> <li><b>18. Cash flow statement</b> <ul style="list-style-type: none"> <li>- Several challenges regarding the cash flow statement</li> </ul> </li> <li><b>19. Accumulated surplus</b></li> </ul>	

	2009/2010	2010/2011
STATUS	Adverse	Disclaimer
	<ul style="list-style-type: none"><li>- Insufficient appropriate audit evidence regarding the differences between the opening and closing balance</li></ul> <b>20. Value added tax</b> <ul style="list-style-type: none"><li>- Incorrect treatment and classification of value added tax</li></ul> <b>21. Presentation and disclosure</b> <ul style="list-style-type: none"><li>- Several challenges regarding the cash flow statement</li></ul>	

As can be seen from the table above the audit opinion for the 2011/12 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 S**.

## GLOSSARY

<b>Accessibility indicators</b>	Explore whether the intended beneficiaries are able to access services or outputs.
<b>Accountability documents</b>	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.
<b>Activities</b>	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> ”.
<b>Adequacy indicators</b>	The quantity of input or output relative to the need or demand.
<b>Annual Report</b>	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.
<b>Approved Budget</b>	The annual financial statements of a municipality as audited by the Auditor General and approved by council or a provincial or national executive.
<b>Baseline</b>	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.
<b>Basic municipal service</b>	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.
<b>Budget year</b>	The financial year for which an annual budget is to be approved – means a year ending on 30 June.

<b>Cost indicators</b>	The overall cost or expenditure of producing a specified quantity of outputs.
<b>Distribution indicators</b>	The distribution of capacity to deliver services.
<b>Financial Statements</b>	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.
<b>General Key performance indicators</b>	After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
<b>Impact</b>	The results of achieving specific outcomes, such as reducing poverty and creating jobs.
<b>Inputs</b>	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.
<b>Integrated Development Plan (IDP)</b>	Set out municipal goals and development plans.
<b>National Key performance areas</b>	<ul style="list-style-type: none"> <li>• Service delivery &amp; infrastructure</li> <li>• Economic development</li> <li>• Municipal transformation and institutional development</li> <li>• Financial viability and management</li> </ul>
<b>Outcomes</b>	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".
<b>Outputs</b>	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)

<b>Performance Indicator</b>	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
<b>Performance Information</b>	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.
<b>Performance Standards:</b>	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.
<b>Performance Targets</b>	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.
<b>Service Delivery Budget Implementation Plan</b>	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
<b>Vote</b>	<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"> <li><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></li> <li><i>b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.</i></li> </ul>



**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	100%	0%
VA Mona	PT	S 79 – Corporate Services & Sports	Ward 4	100%	0%
MM Tsiloane	PT	S 79 - Corporate Services	Ward 1	100%	0%
S Lecoko	PT	S 79 - Corporate Services	Ward 3	100%	0%
P Dibe	PT	S 79 – Infrastructure	Ward 6	100%	0%
M Jantjies	PT	S 79 – Infrastructure	Ward 2	100%	0%
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	100%	0%
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.

<b>Committees (other than Mayoral / Executive Committee) and Purposes of Committees</b>	
<b>Municipal Committees</b>	<b>Purpose of Committee</b>
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 of the 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"> <li>1) To promote talent and wellness in an institution and advise Council on all matters pertaining to staff.</li> <li>2) Effective people management within the institution to motivate and skills development of employees</li> </ol>
Section 79 - Infrastructure	To address service delivery issues and identifying projects necessary for service delivery improvement.

**APPENDIX C: THIRD TIER ADMINISTRATIVE STRUCTURE**

<b>Third Tier Structure</b>	
<b>Directorate</b>	<b>Director/Manager's Details</b>
Municipal Manager	Rev Itumeleng Pooe
Chief Financial Officer	Mr Lefa Moletsane
Technical Manager	Mr Nameco Gaelejwe
Corporate Services Manager	Mrs Thuli Mbonani

**APPENDIX E: WARD REPORTING**

<b>Functionality of Ward Committees</b>					
<b>Ward Name (Number)</b>	<b>Name of Ward Councillor and elected Ward committee members</b>	<b>Committee established (Yes / No)</b>	<b>Number of monthly Committee meetings held during the year</b>	<b>Number of monthly reports submitted to Speakers Office on time</b>	<b>Number of quarterly public ward meetings held during year</b>
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: WARD INFORMATION****Capital Projects: Seven Largest in Current Year (Full List at Appendix M)**

<b>No.</b>	<b>Project Name and detail</b>	<b>Start Date</b>	<b>Expected End Date</b>	<b>Total Value</b>
MIG/FS0523/CF/10/10	Upgrading of Koffiefontein Sports Complex	2010/03/30		3 369 919
MIG/FS0755/S/09/09	Petrusburg: Upgrading of waste water treatment works	2009/09/02		9 288 505
MIG/FS0803/R,ST/10/10	Luckhoff: Phase 1 - Construction of 7,7km streets & Storm water (MIS:189925)	2011/07/01		8 418 400
MIG/FS0804/R,ST/11/13	Construction of Ratanang Access Road and Storm Water (Jacobsdal) (2 km Paving)	2011/12/12		7 571 199
MIG/FS0805/W/10/12	Provision of 500kl Storage Tank in Bolokanang	2011/03/15		3 721 122
MIG/FS0806/CF/11/13	Koffiefontein: Multi-Purpose Community Centre	2012/03/02		15 881 944
				<b>48 251 090</b>

**APPENDIX G: RECOMMENDATIONS OF THE MUNICIPAL AUDIT COMMITTEE – 30 JUNE 2012**

<b>Municipal Audit Committee Recommendations</b>		
<b>Date of Committee</b>	<b>Committee recommendations during Year 1</b>	<b>Recommendations adopted (enter Yes) If not adopted (provide explanation)</b>
01 July 2011	Municipalities to submit the Accounting Policies and Opening figures on/before the 12 <sup>th</sup> August 2011.	Yes. Submission was made in time.
01 July 2011	The current year's financial information should be submitted simultaneously to the internal audit unit and SAPC on the 15 <sup>th</sup> August 2011 (electronic and hardcopy, as well as supporting documentation to internal audit units).	Yes. Submission was made in time.
01 July 2011	All municipalities to submit the draft Annual Report for 2010/11 together with the Annual Financial Statements to the Auditor-General.	Yes. Submission was made in time.
25 August 2011	SAPC to communicate any risks foreseeable to them through Internal Auditors to AGSA so that AGSA can include those risks in their audit.	Yes
25 August 2011	CFO's of both Letsemeng and Kopanong Local Municipalities to submit the Financial Statements on 26 August 2011.	Yes. Submission was made in time.
25 August 2011	SAPC to review the Financial Statements of all municipalities and provide the CFO's with a report of the review.	Yes
25 August 2011	CFO's to provide a feedback or report on the implementation of the SAPC recommendations to the members of the SAPC.	Yes

25 August 2011	SAPC to compile a report for Letsemeng Local Municipality. The report will contain information of the previous and the current SAPC members.	Yes. The report was made and formed part of Annual Report.
25 August 2011	<ol style="list-style-type: none"> <li>1) SAPC resolution register must be developed.</li> <li>2) Within the next two weeks the register must be circulated to all SAPC members.</li> <li>3) This register must be monitored monthly.</li> <li>4) Internal Auditors must report monthly on the progress of the resolution implementation to the SAPC and copy their Municipal Managers.</li> <li>5) Electronic submission of the reports should be done in no less than 5 days before the sitting of the SAPC meeting.</li> <li>6) Internal Auditors in consultation with the SAPC must compile a framework, which will assist SAPC members with regard to audit reports that are submitted.</li> </ol>	<p>Monitoring took place but no report to SACP was made or Municipal Managers and to Provincial Treasury.</p> <p>It is done though there is a room for improvement.</p> <p>Framework was never compiled.</p>
28 November 2011	<p>All municipalities should report on:</p> <ul style="list-style-type: none"> <li>- Accuracy of PMS</li> </ul> <p>Completeness and Controls relating to PMS (annually).</p>	Yes
29 November 2011	By the end of December 2011, all resolutions made by the SAPC on the meetings held on 1 July 2011 and 25 August 2011 should be fully implemented and feedback should be given on any challenges encountered where resolution are not implemented.	Yes
29 November 2011	In the next financial year, tasks relating to AGSA audit should have their own hours allocated in the IA Plan as Internal Auditors are willing to continue coordinating.	Yes

27 March 2012	<ul style="list-style-type: none"> <li>▪ SAPC resolution to be distributed to everybody affected by them in the Municipality.</li> <li>▪ The minutes of SAPC should be made available on the 8<sup>th</sup> day after SAPC meeting.</li> <li>▪ Within 3 days after the minutes have been reviewed, the SAPC members must submit their inputs to the Secretary. Secretary to capture the inputs of the members within 1 day and circulate to back to members.</li> </ul>	Yes
27 March 2012	SAPC to investigate the causes of Irregular Expenditure.	Yes. A report was submitted to management for attention of council.
27 March 2012	SAPC to provide municipalities with the format of finance reports to be submitted in the next meeting.	Yes.
27 March 2012	SAPC to provide Heads of Internal Audit with a format of reports to be used for IA progress report.	Yes
27 March 2012	SAPC to also use their expertise in assisting in terms of executing the internal assessments.	Yes
27 March 2012	Management to consider co-sourcing of the Internal Audit Unit.	No. Bid Adjudication still to sit and finalize appointment.
27 March 2012	SAPC to arrange a special SAPC meeting with Letsemeng Local Municipality to discuss outstanding issues before end of May 2012.	No. Schedule of meetings changed as SACP preferred closed session and schedule of management didn't permit for meeting to materialize.
27 March 2012	SAPC to compile reports for all four (4) municipalities advising Council based on reports submitted by Heads of Internal Audit at the SAPC meetings.	No. A report in response to AGSA was submitted to management to be tabled in council.



20 June 2012	<ul style="list-style-type: none"><li>- Risk Register for Letsemeng to be circulated in next meeting.</li><li>- The following risks were noted by members: Non Implementation of SAPC resolutions. Non Compliance with applicable legislation. Insufficient preparation time for meetings. Ineffectiveness of the Internal Audit affecting the SAPC.</li></ul>	Yes
		T G

**APPENDIX H: 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	Lefa Moletsane	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 500KI Storage Tank in	2011/03/15		Duba Mbulelo	3 381
Technical	Koffiefontein: Multi-Purpose	2012/03/02	2014/06/30	Duba Mbulelo	21 254
<b>GRAND TOTALS</b>					<b>73 918</b>

## APPENDIX I: 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.	<b>Satisfactory</b>
Ducharme Consultants	Assisted with the unbundling of the infrastructure of Assets.	<b>Satisfactory</b>

### (b) Technical Department

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

**APPENDIX J: DISCLOSURE OF FINANCIAL INTERESTS**

<b>Position</b>	<b>Name</b>	<b>Description of interest (Nil/or details)</b>
<b>Mayor</b>	Thandiwe Ivy Reachable	Nil
<b>Councilors</b>	Pudumo Jan Louw	<b>Nil</b>
	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
<b>Municipal Manager</b>	Itumeleng Edward Poëe	Syndicated Shares – Sasol (Inzalo) Syndicated Shares – MTN Partnership, Wesu Synergies
<b>Chief Financial Officer</b>	Lefa Nicholas Moletsane	Shares - MDJ Entertainment Syndicated Shares - MTN
<b>Other S57 Officials</b>	Nokuthula Judith Mbonani	Nil
	Nameco Charmus Gaelejwe	Nil

## APPENDIX K: REVENUE BILLING PERFORMANCE BY VOTE AND BY SOURCE

### APPENDIX K (i): REVENUE BILLING PERFORMANCE BY VOTE

DEPARTMENTAL VOTE	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
Budget and Treasury	19 346	9 214	9	13	32%	31%
Corporate Services	863	986	986	20 660	95%	95%
Council	1 130	774	774	816	5%	5%
Technical Services	66 640	76 214	76 235	70 878	-8%	-8%
Library	1 033	741	741	615	-20%	-20%
Halls	33	28	28	18	-56%	-56%
Environment	-	-	-	-		
Housing		62	62			
Traffic	117	84	83	82	-2%	-1%
Municipal Manager	-	774	774	416	-86%	-86%
<b>Total Revenue by Vote</b>	<b>89 162</b>	<b>88</b>	<b>88</b>	<b>107 074</b>		
Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual. This table is aligned to MBRR table A3						

## APPENDIX K (ii): REVENUE BILLING PERFORMANCE BY VOTE

Revenue Collection Performance by Source						
R '000						
Description	Prior Year (2011)	Current Year (30 June 2012)			2012 Variance	
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjusted Budget
Property rates	4 247	5 106	5 106	5 350	-5%	-5%
Service Charges	23 053	34 054	34 054	24 542	39%	39%
Rentals of facilities and equipment	294	335	342	355	-6%	-4%
Interest earned	1 947	900	1 000	3 001	-70%	-67%
Dividends received	2			5	-100%	-100%
Transfers recognised - C	59 235	48 235	48 235	73 019	-34%	-34%
Other revenue	381	247	260	802	-69%	-68%
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>89 160</b>	<b>88 877</b>	<b>88 997</b>	<b>107 074</b>	<b>-17%</b>	<b>-17%</b>
Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual. This table is aligned to MBRR table A4.						

**APPENDIX L: CONDITIONAL GRANTS RECEIVED: EXCLUDING MIG**

R' 000						
Details	Budget	Adjustment Budget	Actual	Variance		Major conditions applied by donor  (continue below if necessary)
				Budget	Adjustments Budget	
Expanded Public Works Programme	-	-	389	-100%	-100%	Improvement of public infrastructure
Department of Minerals and Energy	-	-	594	-100%	-100%	Electrification of newly developed areas
Municipal Systems Improvement	790	790	790	0%	0%	Promoting and supporting reforms in the financial management
Financial Management Grant	1 450	1 450	1 450	0%	0%	Improvement of system related transactions
Department of Water Affairs	-	5 000	5 600	-100%	-11%	Provision of water and sanitation services to the community
<b>Total</b>	<b>2 240</b>	<b>7 240</b>	<b>8 823</b>	<b>-75%</b>	<b>-18%</b>	

## APPENDIX N: CAPITAL PROGRAMME BY PROJECT – 30 JUNE 2012

Capital Programme by Project: 2012					
R' 000					
Capital Project	Original Budget	Adjustment Budget	Actual	Variance (Act - Adj) %	Variance (Act - OB) %
<b>Water</b>					
Provision of 500kl storage tank in Bolokanang Petrusburg water project(DWA)	1 218	1 218	3 436	-65%	-65%
<b>Sanitation/Sewerage</b>					
Petrusburg: Upgrading of waste water treatment works	317	317	8 448	-96%	-96%
<b>Electricity</b>					
RDP electrification			830	-100%	-100%
<b>Housing</b>					
<b>Refuse removal</b>					
<b>Storm water</b>					
Luckhoff: Phase 1 - Construction of 7,7km streets and storm water streets & Storm water (MIS:189925)	6 345	6 345	6 889	-8%	-8%
Jacobsdal Ratanang access road and storm water	4 757	4 757	4 667	2%	2%
<b>Economic development</b>					
Koffiefontein multipurpose community centre	4 267	4 267	4 521	-6%	-6%
<b>Sports, Arts &amp; Culture</b>					
Upgrading of Koffiefontein Sports Complex	396	396	3 370	-88%	-88%
<b>Environment</b>					
<b>Health</b>					
<b>Safety and Security</b>					
<b>ICT and Other</b>					
<b>GRAND TOTALS</b>	<b>17 300</b>	<b>17 300</b>	<b>32 161</b>	<b>-46%</b>	<b>-46%</b>



## APPENDIX O: CAPITAL PROGRAMME BY PROJECT BY WARD – 30 JUNE 2012

Capital Programme by Project by Ward: Year 1			R' 000
Capital Project	Ward(s) affected	Works completed (Yes/No)	
<b>Water</b>			
Provision of 500kl storage tank in Bolokanang	Bolokanang	yes	
Petrusburg water project(DWA)	Petrusburg	No	
<b>Sanitation/Sewerage</b>			
Petrusburg: Upgrading of waste water treatment works	Petrusburg	yes	
<b>Electricity</b>			
RDP electrification	Koffiefontein	Yes	
<b>Housing</b>			
None			
<b>Refuse removal</b>			
None			
<b>Storm water</b>			
Luckhoff: Phase 1 - Construction of 7,7km streets and storm water	Luckhoff	yes	
Jacobsdal Ratanang access road and storm water	Ratanang	No	
<b>Economic development</b>			
Koffiefontein multipurpose community centre	Koffiefontein	no	
<b>Sports, Arts &amp; Culture</b>			
Upgrading of Koffiefontein Sports Complex	Koffiefontein	yes	

## APPENDIX S: 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
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.
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 year ended 30 June 2012

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## General Information

---

### Legal form of entity

Local Municipality

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. P. Louw

Clr. M. Tsiloana

Clr. V. Mona

Clr. M.A. Mpatshela

Clr. E.J. Jantjies

Clr. S. Lecoko

Clr. P.M. Dibe

Clr. K.W. Nel

Clr. T. M. Gomojong

Clr. L.J. Greef (Replaced Clr. Z.W. Toehand)

Clr. Z.W. Toehand (Deceased November 2011)

### Grading of local authority

Grade 2

### Accounting Officer

Rev. Itumeleng Edward Pooe

### Chief Finance Officer (CFO)

Mr. Lefa Moletsane

### Registered office

Civic Centre

7 Groottrek 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

Annual Financial Statements for the year ended 30 June 2012

## Index

---

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

<b>Contents</b>	<b>Page</b>
Accounting Officer's Responsibilities and Approval	110 - 111
Audit Committee Report	112 - 113
Accounting Officer's Report	114 - 115
Statement of Financial Position	116
Statement of Financial Performance	117
Statement of Changes in Net Assets	118
Cash Flow Statement	119
Accounting Policies	120 - 141
Notes to the Annual Financial Statements	142 - 188
Appendixes:	
Appendix A: Schedule of External loans	189
Appendix B: Analysis of Property, Plant and Equipment	191
Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	197

## Abbreviations

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of Southern Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
ME	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
FMG	Financial 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 was 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.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2013 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's 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 80, which have been prepared on the going concern basis, were approved by the accounting officer on 30 November 2012 and were signed on its behalf by:

## Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Accounting Officer's Responsibilities and Approval

---



---

Rev. Itumeleng Edward Pooe  
Accounting Officer



**Audit Committee Report**

---

We are pleased to present our report for the financial year ended 30 June 2012.

**Audit committee members and attendance**

The shared audit committee (at District level) 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 five meetings were held.

<b>Name of member</b>	<b>Number of meetings attended</b>
Mr. M.M. Segalo ( Chairman)	5
Mr. V. Vapi	5
Mr K.S. Rapulungoane	4
Mr. S. Majola (Resigned 30/03/2012)	1
Miss T. Molelle (Appointed 01/04/2012)	1

**Audit committee responsibility**

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

The 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 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 year 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

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

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Accounting Officer's Report

---

The accounting officer submits his report for the year ended 30 June 2012.

### 1. Review of activities

#### Main business and operations

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

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

Net surplus of the municipality was R 2 916 579 (2011: deficit R 4 427 401). The decrease is attributable to increase in grant income. The municipality received and recognised income on Department of Water affairs grant and Department of Minerals and Energy which grants were not received in the prior year. Further, the municipality's contribution towards total income decreased from 34% to 31%.

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

##### 2012

Type of Income	Proportion of Amount contribution
Property Rates	5 % 5 350 022
Service Charges	23 % 24 542 385
Grants and subsidies	68 % 72 998 581
Other Income	4 % 4 184 074

##### 2011

Type of Income	Proportion of Amount contribution
Property Rates	5 % 4 247 417
Service Charges	26 % 23 053 266
Grants and subsidies	66 % 59 068 342
Other Income	3 % 2 682 054

### 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 year.

## 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 year 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 total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report III. The accounting officer discuss 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

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

Annual Financial Statements for the year ended 30 June 2012

## Statement of Financial Position

	Note(s)	2012	2011
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	7	1 183 750	1 912 581
Other financial assets	5	57 350	58 373
Other receivables from exchange transactions	8	1 506 097	1 363 888
Other receivables from non-exchange transactions	9	13 044 448	11 533 601
VAT receivable	10	2 314 652	3 278 524
Consumer debtors	11	2 763 582	2 656 216
Money Market Investments	13	1 825 428	1 745 133
Cash and cash equivalents	12	20 651 623	5 950 119
		<b>43 346 930</b>	<b>28 498 435</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	3	626 159 345	623 715 791
Intangible assets	4	246 358	449 056
		<b>626 405 703</b>	<b>624 164 847</b>
<b>Total Assets</b>		<b>669 752 633</b>	<b>652 663 282</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Finance lease obligation	16	870 155	977 574
Trade and other payables from exchange transactions	20	12 821 642	5 108 833
Consumer deposits	21	668 659	642 868
Retirement benefit obligation	6	343 000	307 000
Conditional grants and receipts	22	2 571 666	1 994 996
Provisions	18	196 000	136 000
Deferred revenue	19	240 518	98 784
Interest bearing liability	17	331 145	313 235
		<b>18 042 785</b>	<b>9 579 290</b>
<b>Non-Current Liabilities</b>			
Finance lease obligation	16	157 851	732 760
Retirement benefit obligation	6	13 671 000	12 670 000
Provisions	18	28 207 313	25 067 458
Interest bearing liability	17	104 626	435 771
		<b>42 140 790</b>	<b>38 905 989</b>
<b>Total Liabilities</b>		<b>60 183 575</b>	<b>48 485 279</b>
<b>Net Assets</b>		<b>609 569 058</b>	<b>604 178 003</b>
<b>Net Assets</b>			
Reserves			
Fair Value Adjustment Reserve	14	16 232	17 255
Donations and public contributions	50	108 451	130 128
Accumulated surplus		609 444 375	604 030 620
<b>Total Net Assets</b>		<b>609 569 058</b>	<b>604 178 003</b>

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Statement of Financial Performance

	Note(s)	2012	2011
<b>Revenue</b>			
Property rates	25	5 350 022	4 247 417
Service charges	23	24 542 385	23 053 266
Rental of facilities and equipment		354 563	295 889
Public contributions and donations		20 000	166 963
Government grants & subsidies	26	72 998 581	59 068 342
Other income	28	802 373	381 346
Interest revenue	29	3 001 002	1 947 077
Dividends revenue	29	5 247	1 723
<b>Total income</b>		<b>107 074 173</b>	<b>89 162 023</b>
<b>Expenditure</b>			
Employee related costs	31	(24 513 913)	(21 679 835)
Remuneration of councillors	32	(3 068 372)	(2 182 623)
Depreciation and amortisation	33	(21 929 675)	(21 835 294)
Impairment of receivables	34	(7 056 286)	(9 464 793)
Finance costs	35	(4 383 133)	(3 997 630)
Bad Debts Written Off		-	(461 203)
Repairs and maintenance		(4 716 889)	(3 144 893)
Bulk purchases	36	(17 096 661)	(14 572 719)
Other Expenses	37	(21 392 665)	(16 250 434)
<b>Total Expenditure</b>		<b>(104 157 594)</b>	<b>(93 589 424)</b>
<b>Surplus (deficit) for the year</b>		<b>2 916 579</b>	<b>(4 427 401)</b>

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Statement of Changes in Net Assets

	Fair Value Adjustment Reserve	Government grant reserve	Donations and public contributions	Total reserves	Accumulated surplus	Total net assets
<b>Balance at 01 July 2010</b>	<b>9 237</b>	<b>73 421 501</b>	<b>138 156</b>	<b>73 568 894</b>	<b>74 585 321</b>	<b>148 154 215</b>
Changes in net assets						
Charge for the year	8 018	-	57 519	65 537	(57 519)	8 018
Current Year Additions	-	-	(31 716)	(31 716)	31 716	-
Net income (losses) recognised directly in net assets	8 018	-	25 803	33 821	(25 803)	8 018
Surplus/ (deficit) for the period	-	-	-	-	(4 427 401)	(4 427 401)
Total recognised income and expenses for the period	8 018	-	25 803	33 821	(4 453 204)	(4 419 383)
Prior Year Adjustment (Note 42)	-	-	-	-	460 443 171	460 443 171
Transfer to accumulated surplus	-	(73 421 501)	(163 959)	(73 585 460)	73 585 460	-
Asset Recognition/Purchase	-	-	152 560	152 560	(152 560)	-
Depreciation charge	-	-	(22 432)	(22 432)	22 432	-
Total changes	8 018	(73 421 501)	(8 028)	(73 421 511)	529 445 299	456 023 788
<b>Balance at 01 July 2011</b>	<b>17 255</b>	<b>-</b>	<b>130 128</b>	<b>147 383</b>	<b>604 030 620</b>	<b>604 178 003</b>
Changes in net assets						
Additions for the year	(1 023)	-	-	(1 023)	-	(1 023)
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	-	-	-	-	2 916 579	2 916 579
Total recognised income and expenses for the year	(1 023)	-	(21 677)	(22 700)	2 938 256	2 915 556
Prior year adjustment (Note 42)	-	-	-	-	2 475 499	2 475 499
Total changes	(1 023)	-	(21 677)	(22 700)	5 413 755	5 391 055
<b>Balance at 30 June 2012</b>	<b>16 232</b>	<b>-</b>	<b>108 451</b>	<b>124 683</b>	<b>609 444 375</b>	<b>609 569 058</b>
Note(s)	14	15	50			

## Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Cash Flow Statement

	Note(s)	2012	2011
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		28 283 718	20 461 720
Grants		72 745 000	60 719 587
Interest income received		3 001 002	1 947 077
Dividends received		5 247	1 723
Other receipts		1 772 635	295 889
		<u>105 807 602</u>	<u>83 425 996</u>
<b>Payments</b>			
Employee costs		(27 534 320)	(23 761 840)
Suppliers		(36 084 746)	(27 311 954)
Finance costs		(4 287 678)	(3 719 764)
		<u>(67 906 744)</u>	<u>(54 793 558)</u>
<b>Net cash flows from operating activities</b>	38	<u><b>37 900 858</b></u>	<u><b>28 632 438</b></u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(22 148 063)	(14 184 706)
Purchase of other intangible assets	4	(22 735)	(42 360)
Proceeds from sale of financial assets		1 023	(8 018)
Purchase of money market investments		(80 295)	(5 740 360)
<b>Net cash flows from investing activities</b>		<u><b>(22 250 070)</b></u>	<u><b>(19 975 444)</b></u>
<b>Cash flows from financing activities</b>			
Movement in deferred revenue		141 734	9 636
Movement in interest bearing liability		(313 235)	-
Finance lease payments		(777 783)	125 892
<b>Net cash flows from financing activities</b>		<u><b>(949 284)</b></u>	<u><b>135 528</b></u>
<b>Net increase/ (decrease) in cash and cash equivalents</b>		<b>14 701 504</b>	<b>8 792 522</b>
Cash and cash equivalents at the beginning of the year		5 950 119	(2 842 403)
<b>Cash and cash equivalents at the end of the year</b>	12	<u><b>20 651 623</b></u>	<u><b>5 950 119</b></u>



## 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**

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 6.

**Accounting Policies**

---

**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.

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
Community assets	
• Buildings	30
• Recreational facilities	20 - 30
• Security	3-5
Bins and containers	5
Sewer	5-40
Landfill sites	5-15

**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.

## Accounting Policies

---

### 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.

Item	Useful life
Computer software	3 years

### 1.7 Financial instruments

#### Classification

Financial instruments are recognised when the municipality becomes party to the contractual provisions of the instrument and are initially measured at fair value plus, in the case of a financial asset or liability, not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

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

- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

**Accounting Policies**

---

**1.7 Financial instruments (continued)****Available-for-sale financial assets**

Available for sale financial assets are non-derivative financial assets that are designated on initial recognition as available-for-sale or any other instruments that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through surplus or deficit. Available-for-sale financial assets are initially measured at fair value plus direct transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale monetary items, are recognised in net assets and presented in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in net assets is transferred to surplus or deficit.

**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.

Trade and other receivables are classified as loans and receivables.

**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 pay) and annual bonus 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 have not been issued.

**Accounting Policies**

---

**1.7 Financial instruments (continued)****Cash and cash equivalents**

Cash and cash equivalents 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 with maturities of three months or less and are subject to an insignificant risk of changes in value.

For purposes of the 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 and borrowings**

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 the 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.

**Financial liabilities and equity instruments**

Financial liabilities are classified according to the substance of contractual agreements entered into. Trade and other payables are stated at their nominal value. Equity instruments are recorded at the amount received, net of direct issue costs.

**Gains and losses**

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

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

**Derecognition****Financial assets**

Financial assets are recognised when the rights to receive cash flows from the assets have expired or have been transferred and the municipality has transferred substantially all risks and rewards of ownership, or when the enterprise loses control of contractual rights that comprise the assets. Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or expire

**Financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

**Accounting Policies**

---

**1.7 Financial instruments (continued)****Impairment of financial assets**

At each reporting date, the municipality assesses all financial assets, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the amortised cost of the financial asset at the date that the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available for sale

**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.

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 inventory items 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.

**Accounting Policies**

---

**1.8 Inventories (continued)****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.

**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.

**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.



**Accounting Policies**

---

**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 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.

**Accounting Policies**

---

**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.

**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.

**Accounting Policies**

---

**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.

**Accounting Policies**

---

**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.

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.

**Accounting Policies**

---

**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 40.

**Restoration and similar liability**

Changes in the measurement of an existing restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model, the related depreciation, based on the estimated useful life of the landfill site, is recognised immediately in surplus or deficit.

If the related asset is measured using the revaluation model, the revaluation surplus is recognised in full against accumulated surplus when the landfill site is rehabilitated. Thus depreciation is recognised in the Statement of Financial Position.

The provision (liability) is periodically discounted or interest is unwound on a yearly basis. The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

**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.

**Accounting Policies**

---

**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

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.

**Accounting Policies**

---

**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.

**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.



**Accounting Policies**

---

**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.

## Accounting Policies

---

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

### 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.

**Accounting Policies**

---

**1.23 Site restoration and dismantling cost**

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;
- 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.

**Accounting Policies**

---

**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.

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 a non-cash generating asset is the present value of the asset's remaining service potential.

**Accounting Policies**

---

**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.

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.

**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 annual financial statements.

The Statement of comparative and actual information have been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by GRAP 1.

## Accounting Policies

---

### 2. New standards and interpretations

#### 2.1 Standards and interpretations issued, but not yet approved

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. Their impact on the financial statements will be discussed and determined when the Minister of Finance determines the effective dates.

#### Standard/ Interpretation:

- 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

## Notes to the Annual Financial Statements

---

### 2. New standards and interpretations (continued)

- GRAP 25: Employee benefits 01 April 2013
- GRAP 104: Financial Instruments 01 April 2012
- IGRAP 7: The Limit on a Defined Benefit Asset, 01 April 2013  
Minimum Funding Requirements and their Interaction
- 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
- GRAP 18 : Segment Reporting
- GRAP 20 : Related Parties
- GRAP 25 : Employee benefits
- GRAP 105: Transfer of functions between entities under common control
- GRAP 106: Transfer of functions between entities not under common control
- GRAP 107: Mergers

### 2.2 Standards and interpretations approved in current year

The following standards and interpretations have been issued by the Accounting Standards Board and approved by the Minister of Finance for the years beginning on or after 01 April 2012. The municipality plans to implement the standards relevant to its operations on or after 1 July 2012 in line with transitional arrangements. The municipality has in some cases referred to them for guidance in developing appropriate accounting policies in accordance with the requirements of Directive 5: Determining the GRAP Reporting Framework.

#### Standard/ Interpretation:

- GRAP 21: Impairment of non-cash- generating assets
- GRAP 23: Revenue from non-exchange transactions (taxes and transfers)
- GRAP 24: Presentation of Budget Information
- GRAP 26: Impairment of cash-generating assets
- GRAP 103: Heritage assets
- GRAP 104: Financial Instruments

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

The standard becomes effective for the years beginning on or after 1 April 2012 and will be formally adopted by the municipality on or after 1 July 2012. This standard will be applied retrospectively in accordance with GRAP 3: Accounting Policies, changes in accounting estimates and errors. It determines the requirements and provides additional guidance on how to account for revenue from non-exchange transactions. 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 transfers that are not subject to conditions should be derecognised and the accumulated surplus or deficit adjusted.

In respect of fines this standard requires that fines be recognised when the receivable meets the criteria to be recognised as an asset.



## Notes to the Annual Financial Statements

---

### 2. New standards and interpretations (continued)

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 it is not expected that the standard will have a significant impact on the financial statements on adoption regarding grants.

The municipality has been recognising fines on receipt. The adoption of GRAP 23 entails recognising fines on an accrual basis.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

The expected impact of the standard is [discuss the impact that Standard/Interpretation/Amendment is expected to have on the municipality's annual financial statements].

#### **GRAP 24: Presentation of Budget Information**

This standard becomes effective for the years beginning on or after 1 April 2012. The standard will be applied prospectively. It determines the specific requirements and provides additional guidance on how to present a comparison between budgeted and actual amounts in the financial statements, as required by GRAP 1. In particular it requires a detailed comparison of actual and budgeted information. This is expected to add significantly to the level of disclosures currently being provided in terms of the interim guidance on minimum budget information from the Accountant General's Office.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

The expected impact of the standard is [discuss the impact that Standard/Interpretation/Amendment is expected to have on the municipality's annual financial statements].

#### **GRAP 103: Heritage Assets**

The standard becomes effective for the years beginning on or after 1 April 2012. Although the standard will be applied prospectively, entities are granted a period of three years in which to measure the heritage assets. Although entities are allowed three years within which to comply with the initial and subsequent measurement requirements of the standard, entities are required to undertake a physical verification of the heritage assets on hand at 30 June 2012 (in the case of a municipality) to assist in determining the opening balance for the 2012/13 reporting period. It determines requirements for accounting for heritage assets. Heritage assets are defined as assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations. The municipality currently recognises all its heritage assets at cost and includes heritage assets with property, plant and equipment. The key impact of GRAP 103 will therefore only be changes in disclosures.

All the municipality's assets were physically verified during the unbundling process for the financial period ending 30 June 2012. The exercise included the verification of heritage assets. The municipality therefore as required by the standard has undertaken a significant amount of work in advance in order to comply with the standard retrospectively and plans also to utilise the transitional provisions granted.

The expected impact of the standard is [discuss the impact that Standard/Interpretation/Amendment is expected to have on the municipality's annual financial statements].

## Notes to the Annual Financial Statements

---

### 2. New standards and interpretations (continued)

#### **GRAP 21: Impairment of non-cash-generating assets**

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.

The expected impact of the standard is [discuss the impact that Standard/Interpretation/Amendment is expected to have on the municipality's annual financial statements].

#### **GRAP 26: Impairment of cash-generating assets**

The standard becomes effective for the financial years beginning on or after 1 April 2012. The standard will be applied prospectively. It determines the requirements and provides additional guidance on how to impair cash-generating assets, being assets that are expected to generate a commercial benefit. The standard requires similar treatment to that currently required by IAS 36, the principles of which have already been incorporated into the accounting policies of the municipality in the prior year. As a result, the impact of this standard becoming effective is expected to be limited.

#### **GRAP 104: Financial Instruments**

The standard will be applied retrospectively. The main difference between GRAP 104 and IAS 39 is the elimination of certain categories of financial assets in GRAP 104. The entities are required to analyse the financial assets recognised as at 30 June 2012 and categorise them using the requirements of GRAP 104, taking note of the carrying values and fair values of the financial assets at that date.

The key principles established by this standard have already been utilised to develop appropriate accounting policies for accounting for financial instruments and therefore it is not expected to have a significant impact on the financial statements.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

The expected impact of the amendment is [discuss the impact that Standard/Interpretation/Amendment is expected to have on the municipality's annual financial statements].

#### **GRAP 23: Revenue from Non Exchange Transactions**

The revision resulted in various terminology and definition changes.

Dividends or similar distributions declared from pre-acquisition surpluses:

Paragraph .36 has been amended to encompass not only securities, but any contributed capital.

## **Notes to the Annual Financial Statements**

---

### **2. New standards and interpretations (continued)**

Various amendments, deletions and additions to examples included in the appendix.

All amendments to be applied retrospectively

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 annual financial statements.

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

#### **GRAP 24: Presentation of Budget Information in the Annual Financial Statements**

Certain terminology changes:

- The reference to 'current cost' in paragraph .30 has been deleted.
- Where reference has been made to 'net realisable value', 'current replacement cost' has been added.

Net monetary position:

References to 'surplus' or 'deficit' have been changed, throughout the document, to 'gain' or 'loss'.

Interpretations:

Text included in this Standard of GRAP from IFRIC Interpretation 7 on Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies has been deleted.

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 annual financial statements.

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

## **Notes to the Annual Financial Statements**

---

### **2. New standards and interpretations (continued)**

#### **GRAP 103: Heritage Assets**

The revision resulted in certain terminology changes.

Social benefits:

Paragraphs .08 and .16(a) clarify that social benefits due at year end are 'payables', as the amounts due are certain in terms of legislation.

Binding agreements for restructurings:

Paragraph .87 has been amended to clarify that restructurings may take place in the public sector in terms of directives, legislation or other means. These alternative means are enforceable and may give rise to an obligation.

Interpretations:

In developing the Standard initially, the Board included relevant text from any Interpretation that had been issued by the International Financial Reporting Interpretations Committee (IFRIC) relating to provisions, contingent liabilities and contingent assets. The Board included selected text from IFRIC 1 on Changes in Decommissioning, Restoration and Similar Liabilities and IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds in line with the Board's decisions. The Board concluded at its May 2008 meeting that it would issue any Interpretations as separate documents rather than dispersing the text of the Interpretations across various Standards. As a result, paragraphs .37 to .43, .74 to .80, and Appendix F of the previous version of GRAP 19, have been deleted.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2011.

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

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

## Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

Figures in Rand

#### 3. Property, plant and equipment

	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and Buildings	149 779 954	(23 799 235)	125 980 719	145 256 588	(22 931 917)	122 324 671
Infrastructure	684 939 073	(191 469 457)	493 469 616	667 990 862	(174 028 886)	493 961 976
Other property, plant and equipment	10 000 548	(3 291 538)	6 709 010	9 324 062	(1 894 918)	7 429 144
<b>Total</b>	<b>844 719 575</b>	<b>(218 560 230)</b>	<b>626 159 345</b>	<b>822 571 512</b>	<b>(198 855 721)</b>	<b>623 715 791</b>

#### Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Under construction	Depreciation	Write-back	Total
Land and buildings	122 324 671	-	4 523 366	(867 318)	-	125 980 719
Infrastructure	493 961 976	7 482 487	9 465 724	(17 440 571)	-	493 469 616
Other property, plant and equipment	7 429 144	676 486	-	(1 397 395)	775	6 709 010
	<b>623 715 791</b>	<b>8 158 973</b>	<b>13 989 090</b>	<b>(19 705 284)</b>	<b>775</b>	<b>626 159 345</b>

## Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

Figures in Rand

#### 3. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Under construction	Depreciation	Total
Land and Buildings	121 324 627	102 000	1 765 362	(867 318)	122 324 671
Infrastructure	497 891 094	7 921 445	4 283 681	(16 134 244)	493 961 976
Other property, plant and equipment	8 448 566	112 218	-	(1 131 640)	7 429 144
	<b>627 664 287</b>	<b>8 135 663</b>	<b>6 049 043</b>	<b>(18 133 202)</b>	<b>623 715 791</b>

##### 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

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

2012 2011

#### 4. Intangible assets

	2012			2011		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	694 396	(448 038)	246 358	671 661	(222 605)	449 056

#### Reconciliation of intangible assets - 2012

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

#### Reconciliation of intangible assets - 2011

	Opening balance	Additions	Amortisation	Total
Computer software, other	629 301	42 360	(222 605)	449 056

#### Pledged as security

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

#### 5. Other financial assets

##### Available-for-sale

Unlisted shares	57 350	58 373
Terms and conditions		

##### Current assets

Available-for-sale	57 350	58 373
--------------------	--------	--------

#### Fair value information

This comprises of a non-controlling interest of 3,600 shares Senwes Limited and 4,990 shares 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 2012. The share price values were R9,00 (2011: R9,70) and R5,00 (2011: R4,70) respectively.

**Notes to the Annual Financial Statements**

2012

2011

**6. 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%
- South African Municipal Workers Union (SAMWU) - Employee: 8.6%, Council: 18.6%

An amount of R2,299,843 (2011: R1,662,593) 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 092.55 per month. Under the plan, dependents 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 2012 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

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012	2011
--	------	------

### 6. 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	(14 014 000)	(12 977 000)
Non-current liabilities	(13 671 000)	(12 670 000)
Current liabilities	(343 000)	(307 000)
	<b>(14 014 000)</b>	<b>(12 977 000)</b>

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

Opening balance	12 977 000	11 503 000
Benefits paid	(307 000)	(284 000)
Net expense recognised in the statement of financial performance	1 344 000	1 758 000
	<b>14 014 000</b>	<b>12 977 000</b>

#### Net expense recognised in the statement of financial performance

Current service cost	803 000	736 000
Interest cost and current service cost	1 154 000	1 022 000
Actuarial (gains) losses	(613 000)	-
	<b>1 344 000</b>	<b>1 758 000</b>

#### Key assumptions used

The principal assumptions used for the purposes of the actuarial valuation on 30 June 2012 were as follows:

Discount rates used	8.25 %	9.00 %
Expected health care cost inflation	6.75 %	8.00 %
Net discount rate used	1.41 %	0.93 %
Consumer price inflation	6.25 %	6.25 %
Expected increase in salaries	6.90 %	7.25 %

#### 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 IAS 19. As such no value has been ascribed to the fair value of plan assets.

## Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

	2012	2011
--	------	------

#### 7. Inventories

Maintenance materials	1 161 538	1 878 426
Water	22 212	34 155
	<b>1 183 750</b>	<b>1 912 581</b>

#### 7.1 Non - Financial information - Quantities of Water (mega litres)

Koffiefontein (4 tanks)	5 134	2 880
Petrusburg (4 tanks)	1 430	1 000
Jacobsdal (5 tanks)	15 996	10 791
Luckhoff (3 tanks)	1 249	887
Oppermans (2 tanks)	1 857	74
	<b>25 666</b>	<b>15 632</b>

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.

#### 8. Other receivables from exchange transactions

Deposits	1 151 387	1 100 739
Other receivables	921 227	680 667
Prepaid expenses	33 439	76 630
Less Provision for Bad Debts	(599 956)	(494 148)
	<b>1 506 097</b>	<b>1 363 888</b>

#### 9. Trade and Other receivables from non-exchange transactions

Property rates	5 933 013	3 992 306
Grants receivable	12 633 250	11 303 000
Provision for bad debts	(5 521 815)	(3 761 705)
	<b>13 044 448</b>	<b>11 533 601</b>

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012	2011
--	------	------

### 9. Trade and Other receivables from non-exchange transactions (continued)

#### Trade and 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 2012, R 411 198 (2011: R 230 600) were past due but not impaired.

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

1 month past due	254 062	156 516
2 months past due	105 224	48 394
3 months past due	51 912	25 690

#### Trade and Other receivables from non-exchange transactions impaired

As of 30 June 2012, other receivables from non-exchange transactions of R 5 521 185 (2011: R 4 499 588) were impaired and provided for.

The ageing of these loans is as follows:

Up to 3 months	631 290	1 303 948
Over 3 months	4 890 525	3 195 640

### 10. VAT receivable

VAT receivable	2 314 652	3 278 524
----------------	-----------	-----------

All VAT returns have been submitted by the due date throughout the year.

### 11. Trade Receivables from exchange transactions

#### Gross balances

Electricity	1 913 380	1 656 824
Water	9 503 459	6 436 025
Sewerage	5 475 515	4 482 777
Refuse	5 245 566	4 264 560
	<b>22 137 920</b>	<b>16 840 186</b>

#### Less: Provision for debt impairment

Electricity	(926 125)	(689 446)
Water	(8 839 723)	(5 771 391)
Sewerage	(4 905 245)	(3 962 291)
Refuse	(4 703 245)	(3 760 842)
	<b>(19 374 338)</b>	<b>(14 183 970)</b>

## Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

	2012	2011
<b>11. Trade Receivables from exchange transactions (continued)</b>		
<b>Net balance</b>		
Electricity	987 255	967 378
Water	663 736	664 634
Sewerage	570 270	520 486
Refuse	542 321	503 718
	<b>2 763 582</b>	<b>2 656 216</b>
<b>Electricity</b>		
Current (0 -30 days)	806 947	829 698
31 - 60 days	107 677	101 424
61 - 90 days	72 631	36 256
	<b>987 255</b>	<b>967 378</b>
<b>Water</b>		
Current (0 -30 days)	560 146	549 306
31 - 60 days	60 749	72 609
61 - 90 days	42 841	42 719
	<b>663 736</b>	<b>664 634</b>
<b>Sewerage</b>		
Current (0 -30 days)	496 926	463 776
31 - 60 days	49 374	39 354
61 - 90 days	23 970	17 356
	<b>570 270</b>	<b>520 486</b>
<b>Refuse</b>		
Current (0 -30 days)	478 397	446 415
31 - 60 days	41 920	40 454
61 - 90 days	22 004	16 849
	<b>542 321</b>	<b>503 718</b>

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

2012 2011

### 11. Trade Receivables from exchange transactions (continued)

#### Summary of debtors by customer classification

##### Consumers/Households

Current (0 -30 days)	2 255 445	1 966 726
31 - 60 days	634 577	644 289
61 - 90 days	585 002	576 577
91 - 120 days	15 973 148	10 897 843
	<b>19 448 172</b>	<b>14 085 435</b>

##### Industrial/ commercial

Current (0 -30 days)	655 156	623 417
31 - 60 days	258 034	242 219
61 - 90 days	218 552	197 806
91 - 120 days	6 490 464	5 153 719
	<b>7 622 206</b>	<b>6 217 161</b>

##### National and provincial government

Current (0 -30 days)	289 233	190 424
31 - 60 days	171 019	88 657
61 - 90 days	126 667	43 156
91 - 120 days	508 134	215 182
	<b>1 095 053</b>	<b>537 419</b>

##### Total

Current (0 -30 days)	3 228 348	2 400 132
31 - 60 days	727 678	717 459
61 - 90 days	658 033	594 876
91 - 120 days	835 712	517 081
121 - 150 days	731 877	513 488
> 150 days	15 956 272	12 097 150
	<b>22 137 920</b>	<b>16 840 186</b>
Less: Provision for debt impairment	<b>(19 374 338)</b>	<b>(14 183 970)</b>
	<b>2 763 582</b>	<b>2 656 216</b>

##### Less: Provision for debt impairment

Current (0 -30 days)	(885 932)	(645 496)
31 - 60 days	(467 959)	(463 619)
61 - 90 days	(496 586)	(481 703)
91 - 120 days	(835 712)	(517 081)
>121 days	(16 688 149)	(12 076 071)
	<b>(19 374 338)</b>	<b>(14 183 970)</b>

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012	2011
<b>11. Trade Receivables from exchange transactions (continued)</b>		
<b>Reconciliation of debt impairment provision</b>		
Balance at beginning of the year	(14 183 970)	(7 041 143)
(Increase)/Reversal of provision	(5 190 368)	(7 142 827)
	<b>(19 374 338)</b>	<b>(14 183 970)</b>
<b>Consumer debtors pledged as security</b>		
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.		
<b>Consumer debtors past due but not impaired</b>		
Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2012, R 2 194 058 (2011: R 2 121 651) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	1 772 892	1 754 636
2 months past due	259 719	253 840
3 months past due	161 447	113 175
<b>Consumer debtors impaired</b>		
As of 30 June 2012, consumer debtors of R 19 374 338 (2011: R 14 183 970) were impaired and provided for.		
The ageing of these loans is as follows:		
Up to 3 months	1 850 477	1 590 818
Over 3 months	17 523 861	12 593 152
<b>12. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	575	575
Bank balances	20 651 048	5 949 544
	<b>20 651 623</b>	<b>5 950 119</b>
The total amount of undrawn facilities available for future operating activities and commitments	2 000 000	2 000 000

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012	2011
<b>12. Cash and cash equivalents (continued)</b>		
<b>Cash and cash equivalents pledged as collateral</b>		
Total financial assets pledged as collateral for the overdraft facility (See Note 13)	1 670 000	1 670 000
An investment account was opened, ceded and pledged as security for the duration of overdraft facility which expires on 13/05/2013		
The investment balance as at 30 June 2012 is as follows:		
<b>Movement during the year</b>		
Opening balance	1 745 133	-
Capital amount invested	-	1 670 000
Interest earned and capitalised	80 623	75 133
	<b>1 825 756</b>	<b>1 745 133</b>

### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2012	30 June 2011	30 June 2010	30 June 2012	30 June 2011	30 June 2010
FNB BANK - Account Type - Current Number 527115689918	5 091 164	1 935 971	(154 989)	8 437 835	(1 932 185)	(2 826 853)
ABSA BANK- Account type- Current Number 40-4803-4774	3 410 711	-	-	-	-	-
STANDARD BANK - Account Type - Investment Number 248467824-008	6 157 130	-	-	6 157 130	-	-
STANDARD BANK - Account Type - Investment account number 248467824-010	6 056 083	-	-	6 056 083	-	-
STANDARD BANK - Account type - Investment account number 551151119	-	22 254	20 685	-	22 131	20 685
Petty Cash Balances	-	-	-	575	575	694
<b>Total</b>	<b>20 715 088</b>	<b>1 958 225</b>	<b>(134 304)</b>	<b>20 651 623</b>	<b>(1 909 479)</b>	<b>(2 805 474)</b>

The municipality maintains one cashbook for its primary bank account with First National Bank and the ABSA bank account which was opened in the current year.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012	2011
--	------	------

### 13. Money Market Investments

These are money market instruments placed with local institutions. Average interest rates for the year was 5.61% (2011: 5.48%).

R1 670 000 of the investment balances was used as security for the overdraft facility of R2 000 000, which expires on 13/05/2013. See note on cash and cash equivalents.

#### Money Market Investments

FNB Account Number: 62273244849	1 825 756	1 745 132
---------------------------------	-----------	-----------

### 14. Fair value adjustment reserve

This relates to changes in the value of shares available-for-sale (see note 6 )

Opening Balance	17 255	9 237
Current Year Charge	(1 023)	8 018
	<b>16 232</b>	<b>17 255</b>

### 15. Government grant reserve

Opening Balance	-	73 421 501
Write-off to accumulated surplus	-	(73 421 501)
	-	-

### 16. Finance lease obligation

#### Minimum lease payments due

- within one year	927 925	926 016
- in second to fifth year inclusive	162 622	988 661

	1 090 547	1 914 677
less: future finance charges	(62 541)	(204 343)

<b>Present value of minimum lease payments</b>	<b>1 028 006</b>	<b>1 710 334</b>
--	------------------	------------------

#### Present value of minimum lease payments due

- within one year	870 155	775 727
- in second to fifth year inclusive	157 851	934 607

	<b>1 028 006</b>	<b>1 710 334</b>
--	------------------	------------------

Non-current liabilities	157 851	732 760
Current liabilities	870 155	977 574

	<b>1 028 006</b>	<b>1 710 334</b>
--	------------------	------------------



# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

2012 2011

### 16. Finance lease obligation (continued)

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

The average lease term was 2-3 years and the average effective borrowing rate was 9% (2011: 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	435 771
Current liability	331 145	313 235
	<b>435 771</b>	<b>749 006</b>

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 9.5% (2011: 9.5%) per annum. The loan is secured by the related assets included in note 3.

### 18. Provisions

#### Reconciliation of provisions - 2012

	Opening Balance	Utilised during the year	Actuarial (gains)/losses	Service cost and Interest	Unwound interest	Total
Environmental rehabilitation	24 140 458	-	-	-	2 896 855	27 037 313
Long Service Awards Provision	1 063 000	(136 085)	24 085	415 000	-	1 366 000
	<b>25 203 458</b>	<b>(136 085)</b>	<b>24 085</b>	<b>415 000</b>	<b>2 896 855</b>	<b>28 403 313</b>

#### Reconciliation of provisions - 2011

	Opening Balance	Utilised during the year	Service cost and interest cost	Unwound interest	Total
Environmental rehabilitation	21 553 980	-	-	2 586 478	24 140 458
Long Service Awards	708 000	(111 000)	466 000	-	1 063 000
	<b>22 261 980</b>	<b>(111 000)</b>	<b>466 000</b>	<b>2 586 478</b>	<b>25 203 458</b>

**Notes to the Annual Financial Statements**

	2012	2011
--	------	------

**18. Provisions (continued)**

Non-current liabilities	28 207 313	25 067 458
Current liabilities	196 000	136 000
	<b>28 403 313</b>	<b>25 203 458</b>

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 R24 140 458 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

**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.

**Movement for the year**

Opening accrued liability	1 063 000	708 000
Service cost	311 000	353 000
Interest cost	104 000	113 000
Bonuses paid	(112 000)	(111 000)
	<b>1 366 000</b>	<b>1 063 000</b>

Assumptions made include discount rate of 8.25% (2011: 8.50%), Salary increase rate of 6.90% (2011: 6.90%) and net discount rate of 1.50% (2011:1.25%).

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

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012	2011
--	------	------

### 19. Deferred revenue

#### Reconciliation of movement during the period

Balance at beginning of period	98 784	89 148
Additions during the year	240 518	98 784
Recognised in the Statement of Financial Performance	(98 784)	(89 148)
	<b>240 518</b>	<b>98 784</b>

#### Balance at end of period

Transferred to current liabilities	(240 518)	(98 784)
------------------------------------	-----------	----------

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 other payables from exchange transactions

Trade payables	10 421 305	2 941 304
Salary Control Account	1 718	-
Other payables	207 516	335 123
Deposits	2 991	683
Ambulance related services	21 731	21 731
Accumulated leave pay in excess of 72 days	288 552	15 042
Accumulated leave pay	1 454 275	1 374 569
Accrued bonus	423 554	420 381
	<b>12 821 642</b>	<b>5 108 833</b>

### 21. Consumer deposits

Electricity	363 713	302 886
Water	304 946	339 982
	<b>668 659</b>	<b>642 868</b>

### 22. Conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Road Transport Grant	1 494 430	1 994 996
Department of Water Affairs	1 077 236	-
	<b>2 571 666</b>	<b>1 994 996</b>

## Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

	2012	2011
--	------	------

#### 22. Conditional grants and receipts (continued)

##### Movement during the year

Balance at the beginning of the year	1 994 996	-
Received during the year	27 033 000	19 282 554
Income recognition during the year	(26 456 330)	(17 287 558)
	<b>2 571 666</b>	<b>1 994 996</b>

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

These amounts are invested with one of the local banks, together with the municipality's excess cash. See note 14.

#### 23. Service charges

Sale of electricity	14 515 520	13 349 429
Sale of water	5 302 075	5 050 993
Sewerage and sanitation charges	2 466 487	2 417 975
Refuse removal	2 258 303	2 234 869
	<b>24 542 385</b>	<b>23 053 266</b>

#### 24. Rental of facilities and equipment

##### Premises

Premises	331 100	251 896
Venue hire	17 713	33 100
	<b>348 813</b>	<b>284 996</b>

##### Facilities and equipment

Rental of equipment	5 750	10 893
	<b>354 563</b>	<b>295 889</b>

#### 25. Property rates

##### Rates received

Residential	2 289 853	1 490 111
Commercial	789 095	710 999
State	144 139	129 874
Small holdings and farms	2 126 935	1 916 433
	<b>5 350 022</b>	<b>4 247 417</b>

## Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

---

	2012	2011
--	------	------

---

#### 25. Property rates (continued)

##### Valuations

Residential	341 471	326 489
Commercial	73 539	68 735
State	121 763	127 676
Municipal	117 957	40 419
Small holdings and farms	4 594	3 962
Agriculture	1 489 032	1 367 876
Other	120 595	217 290
	<b>2 268 951</b>	<b>2 152 447</b>

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 will be implemented on 01 July 2013.

#### 26. Government grants and subsidies

Equitable share	46 542 250	41 780 784
Expanded Public Works Programme	389 000	-
Department of Minerals and Energy	594 000	-
Municipal Systems Improvement Grant (MSIG)	790 000	750 000
Financial Management Grant	1 450 000	1 200 000
Police Road Transport	500 567	505 004
Department of Water Affairs	4 522 764	-
Municipal Infrastructure Grant (MIG)	18 210 000	12 718 000
DBSA Assistance	-	2 114 554
	<b>72 998 581</b>	<b>59 068 342</b>

##### Equitable Share

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

All registered indigents receive a monthly subsidy of R 187 (2011: R 173), which is funded from the grant.

Only R33,604,000 was transferred (R11,608,000 was delayed until March 2012). The delay was caused by the unspent portion of the MSIG which was incorrectly disclosed as unspent as at 30 June 2011.

## Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

---

	2012	2011
--	------	------

---

#### 26. Government grants and subsidies (continued)

##### Finance Management Grant(FMG)

Current-year receipts	1 450 000	1 200 000
Conditions met - transferred to revenue	(1 450 000)	(1 200 000)
	-	-

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	790 000	750 000
Conditions met - transferred to revenue	(790 000)	(750 000)
	-	-

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.

##### Municipal Infrastructure Grant (MIG)

Current-year receipts	18 210 000	12 718 000
Conditions met - transferred to revenue	(18 210 000)	(12 718 000)
	-	-

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.

MIG grant delayed during the current year was R4 390 000. This was as a result of the submitted plan not meeting the standards of MIG funding. The grant was due to be received in November 2011. A revised plan was submitted and the grant subsequently received March 2012.

## Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

	2012	2011
--	------	------

#### 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.

##### Development Bank of Southern Africa

Current-year receipts	-	2 114 554
Conditions met - transferred to revenue	-	(2 114 554)
	-	-

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

This was DBSA's contribution towards funding of the municipality's valuation roll, which was implemented on 1 July 2009.

##### Road Transport Grant

Balance unspent at beginning of year	1 994 996	-
Current-year receipts	-	2 500 000
Conditions met - transferred to revenue	(500 566)	(505 004)
	<b>1 494 430</b>	<b>1 994 996</b>

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.

No grant was withheld during the year.

## Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

	2012	2011
<b>26. Government grants and subsidies (continued)</b>		
<b>Department of Water Affairs (DWA)</b>		
Current-year receipts	5 600 000	-
Conditions met - transferred to revenue	(4 522 764)	-
	<b>1 077 236</b>	-
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.		
<b>Expanded Public Works Programme (EPWP)</b>		
Current-year receipts	389 000	-
Conditions met - transferred to revenue	(389 000)	-
	-	-
Conditions still to be met - remain liabilities (see note 22).		
The grant is for the improvement of public infrastructure.		
<b>27. Public contributions and donations</b>		
Public contributions and donations	20 000	166 963
Conditions still to be met - remain liabilities (see note 22)		
The current year's donation was made by Petra Diamonds for the Mayor's inauguration ceremony. The donation had no conditions attached to it.		



## Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

	2012	2011
<b>28. Other income</b>		
Photocopies	2 935	3 062
Refuse bags	114	-
Tax certificates	14 923	10 589
Test meters	202	105
Trading licences	3 268	5 054
Other Income	542 305	83 126
Sale of erven	-	8 250
Building plan fees	4 119	4 016
Agreements	17 939	7 594
Court fines	77 740	110 325
Grave plots	34 083	26 898
Call out fees	-	184
Pound fees	-	153
Reconnection fees	104 745	121 990
	<b>802 373</b>	<b>381 346</b>
<b>29. Investment and interest revenue</b>		
<b>Dividend revenue</b>		
Unlisted financial assets - Local	5 247	1 723
<b>Interest revenue</b>		
Interest received on investments	1 003 127	522 966
Interest received - Eskom and SARS	74 726	80 528
Interest charged on trade and other receivables	1 923 149	1 343 583
	<b>3 001 002</b>	<b>1 947 077</b>
	<b>3 006 249</b>	<b>1 948 800</b>
<b>30. Operating surplus (deficit)</b>		
Operating surplus (deficit) for the year is stated after accounting for the following:		
Impairment on trade and other receivables	7 056 286	9 464 793
Depreciation on property, plant and equipment	21 929 675	21 835 294
Employee costs	27 582 285	23 862 458

## Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

	2012	2011
<b>31. Employee related costs</b>		
Basic	13 859 685	10 935 580
Special Bonuses	137 757	224 451
Medical aid - company contributions	773 291	576 045
UIF contributions	150 919	143 152
SDL	218 442	31 156
Leave pay provision charge	379 891	744 335
Post-employment benefits - Pension - Defined contribution plan	1 861 194	1 644 013
Travel, motor car, accommodation, subsistence and other allowances	1 141 429	659 934
Overtime payments	1 725 167	1 398 165
Long-service awards	154 475	1 542 674
13th Cheques and other bonuses	910 671	935 167
Housing benefits and allowances	18 596	13 532
Industrial Council	6 580	6 275
Actuarial gains and losses	(588 915)	-
Defined benefit -Current Service Cost	1 114 000	736 000
	<b>21 863 182</b>	<b>19 590 479</b>
<b>Remuneration of Municipal Manager</b>		
Annual Remuneration	741 981	569 652
Car Allowance	108 893	97 383
Acting Allowance	-	78 661
Back pay	-	16 078
Other	98 677	17 008
	<b>949 551</b>	<b>778 782</b>
<b>Remuneration of Chief Finance Officer</b>		
Annual Remuneration	454 697	208 565
Car Allowance	164 566	76 500
Annuity	36 000	18 000
Back pay	-	12 295
Acting allowance	-	156 784
Other	74 178	49 203
	<b>729 441</b>	<b>521 347</b>

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012	2011
--	------	------

### 31. Employee related costs (continued)

#### Remuneration of Technical Services Manager

Annual Remuneration	250 495	39 729
Car Allowance	60 000	8 853
Acting allowance	145 377	346 088
Back pay	-	12 295
Other	17 361	11 009
	<b>473 233</b>	<b>417 974</b>

The current Technical Services Manager was appointed on 13 January 2012.

#### Remuneration of Corporate Services Manager

Annual Remuneration	237 427	-
Car Allowance	40 000	-
Contributions to UIF, Medical and Pension Funds	12 535	-
Acting allowance	166 624	354 530
Back pay	-	12 295
Other	41 920	4 428
	<b>498 506</b>	<b>371 253</b>

The current Corporate Services Manager was appointed on 23 January 2012

### 32. Remuneration of councillors

Executive Mayor/Speaker	596 538	469 880
Councillors	2 471 834	1 712 743
	<b>3 068 372</b>	<b>2 182 623</b>

#### 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.

### 33. Depreciation and amortisation

Property, plant and equipment	21 929 675	21 835 294
-------------------------------	------------	------------

### 34. Impairment of receivables

#### Impairments

Change in provision for receivables	7 056 286	9 464 793
-------------------------------------	-----------	-----------

## Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

	2012	2011
<b>35. Finance costs</b>		
Unwound interest on landfill site	2 896 855	2 586 478
Non-current borrowings	56 802	57 438
Trade and other payables	76 021	38 753
Finance leases	95 455	277 866
Bank	-	15 095
Long service awards	104 000	-
Post-retirement medical fund	1 154 000	1 022 000
	<b>4 383 133</b>	<b>3 997 630</b>
<b>36. Bulk purchases</b>		
Electricity	13 956 110	12 594 644
Water	3 140 551	1 978 075
	<b>17 096 661</b>	<b>14 572 719</b>

## Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

	2012	2011
<b>37. Other expenses</b>		
Advertising	177 783	123 227
Auditors remuneration	2 583 334	2 033 975
Bank charges	131 156	85 684
Consulting and professional fees	4 222 485	3 038 378
Chemicals	2 833 892	1 335 959
Conferences and delegations	220 033	202 890
Penalties	1 000	-
Administration costs	90 342	-
Consumables	28 559	-
Fuel and oil	1 083 560	959 203
Insurance Short Term	451 536	307 151
License fees	414 423	395 098
Loss of cash	2 570	207 862
Municipal Services	2 238 274	851 052
Other expenses	1 475 484	920 222
Postage and courier	63 198	50 171
Printing and stationery	391 271	296 747
Rental of Equipment	67 693	413 724
SMME projects	979 162	2 634 622
Special Events	370 496	210 460
Subscriptions and membership fees	625 529	33 003
Telephone and fax	1 376 627	1 019 160
Travel and subsistence	1 365 475	991 941
Uniforms	198 783	131 913
Valuations	-	7 992
	<b>21 392 665</b>	<b>16 250 434</b>

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012	2011
<b>38. Cash generated from operations</b>		
Surplus (deficit)	2 916 579	(4 427 401)
<b>Adjustments for:</b>		
Depreciation and amortisation	21 929 675	21 835 294
Finance costs - Finance leases	95 455	277 866
Impairment deficit	7 056 286	9 464 793
Debt impairment	-	461 203
Movements in retirement benefit assets and liabilities	1 037 000	1 474 000
Movements in provisions	3 199 855	20 794 398
Public contributions and donations	-	(42 360)
<b>Changes in working capital:</b>		
Inventories	728 831	(1 912 581)
Other receivables from exchange transactions	(7 198 495)	249 390
Other receivables from non-exchange transactions	(1 510 847)	12 880 923
Consumer debtors	(107 366)	2 034 198
Trade and other payables from exchange transactions	7 712 809	(18 866 269)
VAT	963 872	(2 515 687)
Conditional grants and receipts	576 670	1 994 996
Consumer deposits	25 791	73 875
Other non-cash items	474 743	(15 144 200)
	<b>37 900 858</b>	<b>28 632 438</b>

## 39. Capital Commitments

### Approved and contracted for

• Infrastructure	16 920 850	6 634 494
------------------	------------	-----------

### Approved but not yet contracted for

• Property, plant and equipment	1 788 000	696 000
• Infrastructure	28 823 414	12 169 506
	<b>30 611 414</b>	<b>12 865 506</b>

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

### This expenditure will be finance from

Government grants	45 744 264	18 804 000
Own resources	1 788 000	696 000
	<b>47 532 264</b>	<b>19 500 000</b>

**Notes to the Annual Financial Statements**

	2012	2011
--	------	------

**40. Contingencies****Accumulated Leave**

Accumulated leave (48-72days)	868 127	86 925
-------------------------------	---------	--------

The amount refers to leave days in excess of 48 days up to a maximum of 72 days that accrued to employees. According to South African Local Bargaining Main Collective Agreement, leave days in excess of 48 can be taken when the opportunity is afforded, be encashed if the employee is unable to take the leave as a result of operational requirements or then forfeit the leave if it is not taken or encashed. Based on this, there is uncertainty whether the employee will take leave or encash the days. Therefore the municipality does not have a present obligation.

**Disposal Sites****Disposal sites**

Disposal sites	15 000 000	15 000 000
----------------	------------	------------

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.

**41. 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.

**42. Prior period errors**

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

**Notes to the Annual Financial Statements**

2012 2011

**42. Prior period errors (continued)**

**Statement of financial position**

Inventory	-	17 115
Other receivables from exchange transactions	-	93 820
VAT Receivable	-	2 646 979
Investment property	-	(9 854 800)
Property, plant and equipment	-	464 672 914
Intangible assets	-	390 567
Finance Lease Obligation (Current liability)	-	136 802
Provisions -current liability	-	(136 000)
Provisions - non current liability	-	(19 539 692)
Interest bearing liability - current liability	-	(313 235)
Interest bearing liability -non-current	-	(435 771)
Donations and public contributions	-	33 831
Accumulated Surplus	-	(463 664 272)

- **Inventory** -This relates to water inventory in the pipe network computed after the unbundling of infrastructure assets.
- **Other receivables from exchange transactions** - The amount relates to prepayments for water purchases and electricity deposits misallocated in the prior year.
- **VAT Receivable** - This relates to the VAT component on the initial recognition of the provision for landfill sites.
- **Investment Property** - In terms of the GRAP Framework, there are no assets meeting the investment property criteria. After the unbundling of infrastructure assets and land and buildings, the amounts were recognised as property, plant and equipment.
- **Property, Plant and Equipment** - This mainly relates to the unbundling of infrastructure assets and reclassification of investment property, at depreciated replacement cost.
- **Intangible Assets** - This mainly relates to the recognition of the accounting system at fair value, as compared to the previous amounts which were at provisional amounts of R1.
- **Provisions (Non-current and Current Liabilities)** - The prior year restatement was necessitated by the recognition of the provision for landfill site rehabilitation and an adjustment to the amount previously recognised as long service award.
- **Interest bearing liability and Finance Lease(Non-current and current liabilities)** - This related to the correction of the loan embedded in the finance lease. The amount was erroneously disclosed as a finance lease.
- **Donations and Public Contributions** - This relates the correction of the amount at which the Mayor's vehicle (donated by the Provincial Government Department) was recognised.
- **Accumulated Surplus** - This is mainly caused by the net corrections recognised in the Statement of Financial Performance and Position. Most of these corrections relates to the unbundling of infrastructure, which was done retrospectively.



**Notes to the Annual Financial Statements**

---

	2012	2011
--	------	------

---

**42. Prior period errors (continued)****Statement of Financial Performance**

Public contributions and donations	-	(109 444)
Remuneration of councillors	-	100 617
Depreciation and amortisation	-	9 945 157
Finance costs	-	2 647 074
Bulk purchases	-	(138 444)
Other expenses	-	530 211

- **Public Contributions and Donations** - This relates to the correction of the value of the Mayor's vehicle donated by the Provincial Government.
- **Depreciation and Amortisation** - This mainly relates to the increase in the asset values as a result of the unbundling of infrastructure assets and the subsequent valuation of the related assets at depreciated replacement cost.
- **Finance Costs** - It mainly relates to the unwinding of interest on the provision for landfill site rehabilitation.
- **Bulk Purchases** - This mainly relates to prior year prepayment erroneously recognised as expenses in the prior period.
- **Other Expenses** - The restatement related to prior year invoices omitted in the prior periods.
- **Employee Costs** - This relates the former Mayor's back pay

**43. Comparative figures**

Certain comparative figures have been reclassified/restated.

**44. 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 oversees 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.

**Notes to the Annual Financial Statements**

2012

2011

**44. Risk management (continued)****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.

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

**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 handing customers over for collection. However, during the current year proper procedures were not enforced to collect 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.

**Price Risk**

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.

**45. Events after the reporting date**

- Indigent balances amounting to R3,494,786.46 were approved for write off by Council at a meeting held on 30 August 2012. The balances were as at 27 August 2012.
- The Municipal Manager's contract expired just before year end and was extended for a further three months.

## Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

	2012	2011
--	------	------

#### 46. Unauthorised expenditure

Opening balance	9 320 075	4 442 255
Unauthorised expenditure - current year	33 109 579	4 877 820
Amounts condoned or written off by Council	(4 877 820)	-
	<b>37 551 834</b>	<b>9 320 075</b>

Unauthorised expenditure of R10,675,643.03 was condoned at a Council meeting held on 30 August 2012

The unauthorised expenditure of R4,877,820 relates to prior year. It was condoned at the Council meeting held 26 August 2011.

Departments that exceed their budgets were as follows:

#### Unauthorised expenditure by department

Planning and Development	-	757 772
Electricity	-	4 120 048
Budget and Treasury Office	32 362 238	-
Townhall and offices	647 675	-
Corporate Services Management	99 666	-
	<b>33 109 579</b>	<b>4 877 820</b>

#### 47. Fruitless and wasteful expenditure

Opening balance	854 809	678 497
Fruitless and wasteful expenditure - current year	541 952	176 312
Amounts condoned or written off by Council	(656 665)	-
	<b>740 096</b>	<b>854 809</b>

Current year fruitless and wasteful expenditure relates to:

- Settlement amounts on two lost cases where the employees were dismissed unprocedurally of R17,040
- Interest paid of R83,322.24 on late payments to Eskom, Telkom
- Fines of R1,377
- Settlement of damaged hired equipment of R4,569
- Lease payments relating to five bioguards of R213,176.73, which were not utilised for the entire financial year.

The current year fruitless and wasteful expenditure of R319,485.57 was condoned by Council at a meeting held on 30 August 2012.

The fruitless and wasteful expenditure of R656,665 relates to prior year and was condoned at a Council meeting held 26 August 2011.

## Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

	2012	2011
--	------	------

#### 48. Irregular expenditure

Opening balance	37 653 805	14 347 372
Irregular Expenditure - current year	9 507 674	23 306 433
Amounts condoned or written off by Council	(6 207 523)	-
	<b>40 953 956</b>	<b>37 653 805</b>

#### Details of irregular expenditure condoned or written off by Council

-

Irregular expenditure of R4,951,562.81 was condoned by Council at a meeting held on 30 August 2012.

#### 49. Additional disclosure in terms of Municipal Finance Management Act

##### Contributions to organised local government

Current year subscription/ fee	6 580	6 275
Amount paid - current year	(6 580)	(6 275)
	-	-

##### 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)	4 901 488	1 530 563
Sales for the year (kilolitres)	(1 098 852)	(1 090 938)
<b>Losses for the year (kilolitres)</b>	<b>3 802 636</b>	<b>439 625</b>

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.

##### 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)	20 895 495	17 925 098
Sold during the year (kilowatt hours)	(13 056 943)	(13 237 175)
<b>Losses for the year (kilowatt hours)</b>	<b>7 838 552</b>	<b>4 687 923</b>

The resultant losses are attributable to illegal connections.

**Notes to the Annual Financial Statements**

	2012	2011
--	------	------

**49. Additional disclosure in terms of Municipal Finance Management Act (continued)****Material losses through criminal conduct****Prepaid Electricity**

Opening balance	270 687	62 825
Loss - current year	2 570	207 862
	<b>273 257</b>	<b>270 687</b>

The fraudulent activities relating to prepaid electricity sales was discovered by management in the prior period. It could not be determined when these fraudulent activities could have started occurring. The matter was reported to the South African Police Services and is still under investigation.

The activities are suspected to have occurred on purchases of some customers as follows:

- A customer purchases prepaid electricity. The electricity coupon is issued to the customer. The transaction gets deleted from the system but coupon remains valid. The sale is not recorded on the end of day report (cash collected report) and thus the report would be reconciled to hard cash. This resulted in the deletions going undetected for a prolonged period.

Management implemented access controls on the sales system in July 2011 and as such the current year losses relate to the month of July 2011 only.

**Other Income Receipts**

Loss - current year	5 222	-
Recovered - current year	(5 222)	-
	-	-

The fraudulent activities relating to receipts was discovered by management during the 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	20 614	22 046
Current year subscription / fee	2 583 334	2 033 975
Amount paid - current year	(2 716 943)	(2 035 407)
	<b>(112 995)</b>	<b>20 614</b>

## Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

	2012	2011
<b>49. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
<b>PAYE and UIF</b>		
Current year subscription / fee	2 492 934	2 131 022
Amount paid - current year	(2 245 083)	(2 131 022)
	<b>247 851</b>	<b>-</b>
<b>Pension and Medical Aid Deductions</b>		
Current year subscription / fee	3 567 650	2 305 576
Amount paid - current year	(3 253 730)	(2 305 576)
	<b>313 920</b>	<b>-</b>

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

2012 2011

### 49. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2012:

30 June 2012	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor K Nel	465	1 037	1 502
Councillor M.U. Jantjies	321	693	1 014
Councillor T.M. Gomojong	1 335	1 954	3 289
	<b>2 121</b>	<b>3 684</b>	<b>5 805</b>

30 June 2011	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor K. Nel	83	-	83
Councillor E.J. Jantjies	309	-	309
Councillor P.M. Dibe	447	9	456
Councillor P. Louw	514	-	514
Councillor T.M. Gomojong	967	-	967
Councillor Z.W. Toehand	277	1 154	1 431
	<b>2 597</b>	<b>1 163</b>	<b>3 760</b>

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

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
	<b>4 312</b>	<b>450</b>

30 June 2011	Highest outstanding amount	Aging (in days)
Councillor Z.W. Toehand	941	-

**Notes to the Annual Financial Statements**

	2012	2011
--	------	------

**50. Donations and public contributions**

This represents the carrying amount of assets donated by various stakeholders i.e. not funded by own income

Opening Balance	130 128	138 156
Current Year charge- reversal	-	57 519
Depreciation charge-reversal	-	(31 716)
Write-off to accumulated surplus (GRAP adjustments)	-	(163 959)
Additions and write-back	-	152 560
Depreciation charge	(21 677)	(22 432)
	<b>108 451</b>	<b>130 128</b>

**51. 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

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	4 522 765	-
-----------	-----------	---

The municipality deviated from normal procurement policies for the use of the above funds due to an emergency situation in Bolokanang in Petrusburg



**Notes to the Annual Financial Statements**

2012

2011

**52. 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 1.26%.

It was also assumed that the collective bargaining will remain the same. For the carrying amount of this provision refer to note 18.

**Landfill Site**

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 18.

**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

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

Figures in Rand

### 53. Statement of comparative and actual information

2012

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Financial Performance</b>							
Property rates	5 106 056	5 106 000	5 106 000	5 350 022	(244 022)	105 %	105 %
Service charges	34 054 000	34 054 000	34 054 000	24 542 385	9 511 615	72 %	72 %
Investment and interest revenue	900 000	1 000 000	1 000 000	3 006 249	(2 006 249)	301 %	334 %
Transfers recognised - operational	48 235 000	48 235 000	48 235 000	54 788 581	(6 553 581)	114 %	114 %
Other own revenue	582 000	602 000	602 000	1 156 936	(554 936)	192 %	199 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>88 877 056</b>	<b>88 997 000</b>	<b>88 997 000</b>	<b>88 844 173</b>	<b>152 827</b>	<b>100 %</b>	<b>100 %</b>
Employee related costs	(23 693 000)	(26 475 000)	(26 475 000)	(24 513 913)	(1 961 087)	93 %	103 %
Remuneration of councillors	(2 795 000)	(3 228 000)	(3 228 000)	(3 068 372)	(159 628)	95 %	110 %
Depreciation and asset impairment	(10 065 000)	(6 639 000)	(6 639 000)	(28 985 961)	22 346 961	437 %	288 %

## Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

	2012				2011		
<b>53. Statement of comparative and actual information (continued)</b>							
Finance charges	(62 000)	(63 000)	(63 000)	(4 383 133)	4 320 133	6 957 %	7
Materials and bulk purchases	(16 396 000)	(19 800 000)	(19 800 000)	(17 096 661)	(2 703 339)	86 %	
Other expenditure	(35 594 000)	(31 796 000)	(31 796 000)	(26 109 554)	(5 686 446)	82 %	
<b>Total expenditure</b>	<b>(88 605 000)</b>	<b>(88 001 000)</b>	<b>(88 001 000)</b>	<b>(104 157 594)</b>	<b>16 156 594</b>	<b>118 %</b>	
<b>Surplus/(Deficit)</b>	<b>272 056</b>	<b>996 000</b>	<b>996 000</b>	<b>(15 313 421)</b>	<b>16 309 421</b>	<b>(1 537)%</b>	<b>(5</b>
Transfers recognised - capital	(18 804 000)	(23 804 000)	(23 804 000)	18 210 000	(42 014 000)	(76)%	
Contributions recognised - capital and contributed assets	-	-	-	20 000	(20 000)	- %	
<b>Surplus/(Deficit) for the year</b>	<b>(18 531 944)</b>	<b>(22 808 000)</b>	<b>(22 808 000)</b>	<b>2 916 579</b>	<b>(25 724 579)</b>	<b>(13)%</b>	

## Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

Figures in Rand

#### 53. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Capital expenditure and funds sources</b>							
<b>Sources of capital funds</b>							
Transfers recognised - capital	18 804 000	23 804 000	23 804 000	-	23 804 000	- %	- %

#### Service Charges

The budget includes free basic services of which the funding is in equitable share. The free basic services for the current year amounted to R11,437,000. Therefore the free basic was budgeted in service charges as well as in equitable share.

#### Investment and interest revenue

More investments were done during the year than budgeted.

#### Transfers recognised-operational

Department of Water Affairs income recognised is in operational grants while in the budget it has been included in capital grants.

#### Employee related costs

## Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

---

	2012	2011
--	------	------

---

#### 53. Statement of comparative and actual information (continued)

Vacant posts in Finance and Human Resources department were not filled during the year as budgeted.

##### **Remuneration of Councilors**

Budget includes medical aid contributions of which some councilors are not on medical aid.

##### **Finance Charges**

Budget is based on expected finance charges from suppliers. Actual includes interest on finance leases and retirement benefit obligation.

**Letsemeng Local Municipality**  
**Appendix A**

**Schedule of external loans as at 30 June 2012**

Loan Number	Redeemable	Balance at 30 June 2011	Received during the period	Redeemed written off during the period	Balance at 30 June 2012	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
Loan Stock		-	-	-	-	-	-
Structured loans		-	-	-	-	-	-
Funding facility		-	-	-	-	-	-
Development Bank of South Africa		-	-	-	-	-	-
Bonds		-	-	-	-	-	-
Other loans		-	-	-	-	-	-
<b>Lease liability</b>							
FINTECH		907 609	-	438 069	469 540	-	-
MULTITECH		802 725	-	327 055	475 670	-	-
BYTES		-	82 795	-	82 795	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		<b>1 710 334</b>	<b>82 795</b>	<b>765 124</b>	<b>1 028 005</b>	-	-
<b>Annuity loans</b>							
MULTITECH		749 006	-	313 235	435 771	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		<b>749 006</b>	<b>-</b>	<b>313 235</b>	<b>435 771</b>	<b>-</b>	<b>-</b>
Government loans		-	-	-	-	-	-
<b>Total external loans</b>							
Loan Stock		-	-	-	-	-	-

## Letsemeng Local Municipality Appendix A

### Schedule of external loans as at 30 June 2012

	Loan Number	Redeemable	Balance at 30 June 2011	Received during the period	Redeemed written off during the period	Balance at 30 June 2012	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
			Rand	Rand	Rand	Rand	Rand	Rand
Structured loans			-	-	-	-	-	-
Funding facility			-	-	-	-	-	-
Development Bank of South Africa			-	-	-	-	-	-
Bonds			-	-	-	-	-	-
Other loans			-	-	-	-	-	-
Lease liability			1 710 334	82 795	765 124	1 028 005	-	-
Annuity loans			749 006	-	313 235	435 771	-	-
Government loans			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			2 459 340	82 795	1 078 359	1 463 776	-	-

**Letsemeng Local Municipality**  
**Letsemeng Local Municipality**  
**Appendix B**

**Analysis of property, plant and equipment as at 30 June 2012**  
**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
<b>Land and buildings</b>														
Land (Separate for AFS purposes)	100 125 307	-	-	-	-	-	100 125 307	-	-	-	-	-	-	100 125 307
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	45 131 281	-	-	-	-	4 523 366	49 654 647	(22 931 917)	-	-	(867 318)	-	(23 799 235)	25 855 412
	<b>145 256 588</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4 523 366</b>	<b>149 779 954</b>	<b>(22 931 917)</b>	<b>-</b>	<b>-</b>	<b>(867 318)</b>	<b>-</b>	<b>(23 799 235)</b>	<b>125 980 719</b>
<b>Infrastructure</b>														
Roads, Pavements & Bridges	417 797 181	5 204 219	-	-	-	5 058 963	428 060 363	(114 290 696)	-	-	(10 135 126)	-	(124 425 822)	303 634 541
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity Network	28 570 158	525 816	-	-	-	74 376	29 170 350	(9 118 022)	-	-	(616 270)	-	(9 734 292)	19 436 058
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Network	133 551 082	1 435 882	-	-	-	4 332 385	139 319 349	(34 646 765)	-	-	(4 074 038)	-	(38 720 803)	100 598 546
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage Network	69 165 440	316 570	-	-	-	-	69 482 010	(14 838 983)	-	-	(1 858 857)	-	(16 697 840)	52 784 170
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Solid Waste Disposal	18 907 000	-	-	-	-	-	18 907 000	(1 134 420)	-	-	(756 280)	-	(1 890 700)	17 016 300
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastructure)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>667 990 861</b>	<b>7 482 487</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9 465 724</b>	<b>684 939 072</b>	<b>(174 028 886)</b>	<b>-</b>	<b>-</b>	<b>(17 440 571)</b>	<b>-</b>	<b>(191 469 457)</b>	<b>493 469 615</b>
<b>Community Assets</b>														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	33 868	-	-	-	-	-	33 868	(4 321)	-	-	(6 097)	-	(10 418)	23 450
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>33 868</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33 868</b>	<b>(4 321)</b>	<b>-</b>	<b>-</b>	<b>(6 097)</b>	<b>-</b>	<b>(10 418)</b>	<b>23 450</b>



Letsemeng Local Municipality  
Letsemeng Local Municipality  
Appendix B

Analysis of property, plant and equipment as at 30 June 2012

	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														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
General vehicles	3 037 823	21 123	-	-	-	-	3 058 946	(397 901)	-	-	(148 648)	-	(546 549)	2 512 397
Plant & equipment	1 097 272	220 300	-	-	-	-	1 317 572	(236 378)	-	-	(153 550)	-	(389 928)	927 644
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	2 205 666	210 197	-	-	-	-	2 415 863	(437 481)	-	-	(300 601)	-	(738 082)	1 677 781
Office Equipment	2 949 433	233 465	(8 599)	-	-	-	3 174 299	(818 836)	775	-	(788 499)	-	(1 606 560)	1 567 739
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	9 290 194	685 085	(8 599)	-	-	-	9 966 680	(1 890 596)	775	-	(1 391 298)	-	(3 281 119)	6 685 561

**Letsemeng Local Municipality**  
**Letsemeng Local Municipality**  
**Appendix B**

Analysis of property, plant and equipment as at 30 June 2012	
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
<b>Total property plant and equipment</b>														
Land and buildings	145 256 588	-	-	-	-	4 523 366	149 779 954	(22 931 917)	-	-	(867 318)	-	(23 799 235)	125 980 719
Infrastructure	667 990 861	7 482 487	-	-	-	9 465 724	684 939 072	(174 028 886)	-	-	(17 440 571)	-	(191 469 457)	493 469 615
Community Assets	33 868	-	-	-	-	-	33 868	(4 321)	-	-	(6 097)	-	(10 418)	23 450
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	9 290 194	685 085	(8 599)	-	-	-	9 966 680	(1 890 596)	775	-	(1 391 298)	-	(3 281 119)	6 685 561
	<b>822 571 511</b>	<b>8 167 572</b>	<b>(8 599)</b>	-	-	<b>13 989 090</b>	<b>844 719 574</b>	<b>(198 855 720)</b>	<b>775</b>	-	<b>(19 705 284)</b>	-	<b>(218 560 229)</b>	<b>626 159 345</b>
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Intangible assets</b>														
Computers - software & programming	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	671 661	22 735	-	-	-	-	694 396	(222 605)	-	-	(225 433)	-	(448 038)	246 358
	<b>671 661</b>	<b>22 735</b>	-	-	-	-	<b>694 396</b>	<b>(222 605)</b>	-	-	<b>(225 433)</b>	-	<b>(448 038)</b>	<b>246 358</b>
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>														
Land and buildings	145 256 588	-	-	-	-	4 523 366	149 779 954	(22 931 917)	-	-	(867 318)	-	(23 799 235)	125 980 719
Infrastructure	667 990 861	7 482 487	-	-	-	9 465 724	684 939 072	(174 028 886)	-	-	(17 440 571)	-	(191 469 457)	493 469 615
Community Assets	33 868	-	-	-	-	-	33 868	(4 321)	-	-	(6 097)	-	(10 418)	23 450
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	9 290 194	685 085	(8 599)	-	-	-	9 966 680	(1 890 596)	775	-	(1 391 298)	-	(3 281 119)	6 685 561
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	671 661	22 735	-	-	-	-	694 396	(222 605)	-	-	(225 433)	-	(448 038)	246 358
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>823 243 172</b>	<b>8 190 307</b>	<b>(8 599)</b>	-	-	<b>13 989 090</b>	<b>845 413 970</b>	<b>(199 078 325)</b>	<b>775</b>	-	<b>(19 930 717)</b>	-	<b>(219 008 267)</b>	<b>626 405 703</b>

**Letsemeng Local Municipality**  
**Letsemeng Local Municipality**  
**Appendix B**

**Analysis of property, plant and equipment as at 30 June 2011**  
**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
<b>Land and buildings</b>														
Land (Separate for AFS purposes)	100 870 907	-	-	-	-	-	100 870 907	-	-	-	-	-	-	100 870 907
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	44 268 085	102 000	-	-	-	1 765 363	46 135 448	(22 064 599)	-	-	(867 318)	-	(22 931 917)	23 203 531
	<b>145 138 992</b>	<b>102 000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 765 363</b>	<b>147 006 355</b>	<b>(22 064 599)</b>	<b>-</b>	<b>-</b>	<b>(867 318)</b>	<b>-</b>	<b>(22 931 917)</b>	<b>124 074 438</b>
<b>Infrastructure</b>														
Roads, Pavements & Bridges	411 233 766	5 889 561	-	-	-	673 854	417 797 181	(104 704 248)	-	-	(9 586 448)	-	(114 290 696)	303 506 485
Storm water Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity Network	28 511 698	-	-	-	-	58 460	28 570 158	(8 543 253)	-	-	(574 769)	-	(9 118 022)	19 452 136
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Network	131 867 493	1 683 589	-	-	-	-	133 551 082	(31 033 083)	-	-	(3 613 681)	-	(34 646 764)	98 904 318
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage Network	65 265 778	348 295	-	-	-	3 551 367	69 165 440	(13 235 917)	-	-	(1 603 066)	-	(14 838 983)	54 326 457
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Solid Waste Disposal	18 907 000	-	-	-	-	-	18 907 000	(378 141)	-	-	(756 280)	-	(1 134 421)	17 772 579
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastructure)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Capital Work In Progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>655 785 735</b>	<b>7 921 445</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4 283 681</b>	<b>667 990 861</b>	<b>(157 894 642)</b>	<b>-</b>	<b>-</b>	<b>(16 134 244)</b>	<b>-</b>	<b>(174 028 886)</b>	<b>493 961 975</b>
<b>Community Assets</b>														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	33 868	-	-	-	-	-	33 868	(983)	-	-	(3 338)	-	(4 321)	29 547
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>33 868</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33 868</b>	<b>(983)</b>	<b>-</b>	<b>-</b>	<b>(3 338)</b>	<b>-</b>	<b>(4 321)</b>	<b>29 547</b>

Letsemeng Local Municipality  
Letsemeng Local Municipality  
Appendix B

Analysis of property, plant and equipment as at 30 June 2011

	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	3 037 823	-	-	-	-	-	3 037 823	(252 614)	-	-	(145 287)	-	(397 901)	2 639 922
Plant & equipment	1 048 110	49 162	-	-	-	-	1 097 272	(132 370)	-	-	(104 008)	-	(236 378)	860 894
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	2 194 264	11 402	-	-	-	-	2 205 666	(160 204)	-	-	(277 277)	-	(437 481)	1 768 185
Office Equipment	2 897 779	51 654	-	-	-	-	2 949 433	(213 768)	-	-	(605 068)	-	(818 836)	2 130 597
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	9 177 976	112 218	-	-	-	-	9 290 194	(758 956)	-	-	(1 131 640)	-	(1 890 596)	7 399 598

**Letsemeng Local Municipality**  
**Letsemeng Local Municipality**  
**Appendix B**

**Analysis of property, plant and equipment as at 30 June 2011**

	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
Total property plant and equipment														
Land and buildings	145 138 992	102 000	-	-	-	1 765 363	147 006 355	(22 064 599)	-	-	(867 318)	-	(22 931 917)	124 074 438
Infrastructure	655 785 735	7 921 445	-	-	-	4 283 681	667 990 861	(157 894 642)	-	-	(16 134 244)	-	(174 028 886)	493 961 975
Community Assets	33 868	-	-	-	-	-	33 868	(983)	-	-	(3 338)	-	(4 321)	29 547
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	9 177 976	112 218	-	-	-	-	9 290 194	(758 956)	-	-	(1 131 640)	-	(1 890 596)	7 399 598
	810 136 571	8 135 663	-	-	-	6 049 044	824 321 278	(180 719 180)	-	-	(18 136 540)	-	(198 855 720)	625 465 558
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & programming	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	629 301	42 360	-	-	-	-	671 661	-	-	-	(222 605)	-	(222 605)	449 056
	629 301	42 360	-	-	-	-	671 661	-	-	-	(222 605)	-	(222 605)	449 056
Investment properties														
Investment property	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total														
Land and buildings	145 138 992	102 000	-	-	-	1 765 363	147 006 355	(22 064 599)	-	-	(867 318)	-	(22 931 917)	124 074 438
Infrastructure	655 785 735	7 921 445	-	-	-	4 283 681	667 990 861	(157 894 642)	-	-	(16 134 244)	-	(174 028 886)	493 961 975
Community Assets	33 868	-	-	-	-	-	33 868	(983)	-	-	(3 338)	-	(4 321)	29 547
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	9 177 976	112 218	-	-	-	-	9 290 194	(758 956)	-	-	(1 131 640)	-	(1 890 596)	7 399 598
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	629 301	42 360	-	-	-	-	671 661	-	-	-	(222 605)	-	(222 605)	449 056
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	810 765 872	8 178 023	-	-	-	6 049 044	824 992 939	(180 719 180)	-	-	(18 359 145)	-	(199 078 325)	625 914 614

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 grant framework in the latest Division of Revenue Act	Reason for noncompliance
Equitable Share		45 212 000	-	-	-	-	46 542 250	-	-	-	-	11 608 000	-	-	-	-	MIG plan did not meet required standards	Yes	MIG withheld
MSIG		790 000	-	-	-	-	790 000	-	-	-	-	-	-	-	-	-		Yes	
MIG		18 210 000	-	-	-	-	18 210 000	-	-	-	-	4 390 000	-	-	-	-	MIG plan did not meet required standards	Yes	Plan did not meet standard
FMG		1 450 000	-	-	-	-	1 450 000	-	-	-	-	-	-	-	-	-		Yes	
DWAF		5 600 000	-	-	-	-	4 522 764	-	-	-	-	-	-	-	-	-		Yes	
EPWP		389 000	-	-	-	-	389 000	-	-	-	-	-	-	-	-	-		Yes	
DME		594 000	-	-	-	-	594 000	-	-	-	-	-	-	-	-	-		Yes	
RSC		400 000	-	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
Sport		100 000	-	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
Road Transport		-	-	-	-	-	500 567	-	-	-	-	-	-	-	-	-		Yes	
		72 745 000	-	-	-	-	72 998 581	-	-	-	-	15 998 000	-	-	-	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

