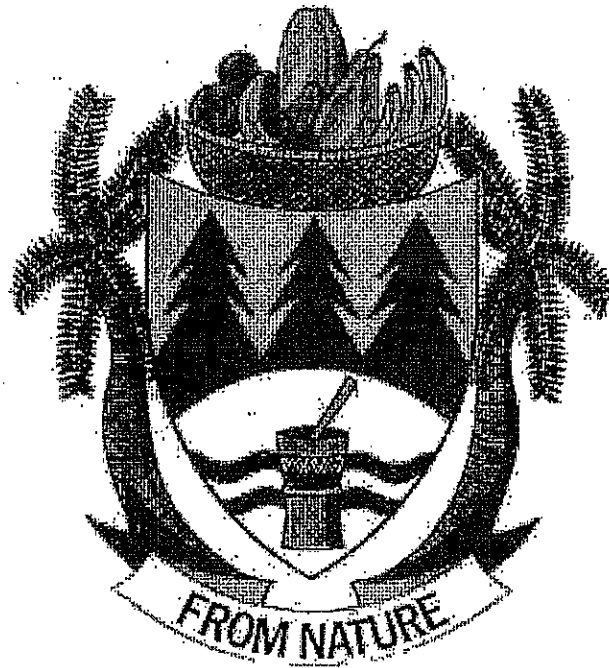


GREATER TZANEEN
MUNICIPALITY

OFFICE OF THE
MUNICIPAL MANAGER



PERFORMANCE REPORT

2008/09

Outcome of the Performance Assessment for the 2008/09 financial Year.

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1. Background

According to Section 41 (c) (ii) of the Municipal Systems Act, 2000 (Act No 32 of 2000) a Municipality must measure and review its performance at least once per year. The assessment of individual performance and institutional performance of GTM is conducted in an integrated manner with Section 57 Managers reporting on performance with regard to the Key Performance Areas, but also on individual performance in this regard. The compilation of the Performance Report therefore takes place upon the completion of the annual individual performance assessments. The annual performance assessment for 2008/09 took place during August and September of 2009.

The report will firstly reflect on the outcome of the individual performance assessment process with a focus on the results as well as the aspects of the process that needs to be improved. Secondly, the report will look into the institutional performance per Key Performance Area and in line with the objectives set.

2. Individual Performance

The performance plans signed during 2008/09 were drafted in accordance with the five Key Performance Areas (KPA) as required by the Department of Provincial and Local Government. These 5 KPAs are: Municipal Transformation and Organisational Development, Basic Service Delivery, Local Economic Development, Financial Viability and Good Governance and Public Participation. The performance in these KPAs contributed 80% to the total score of the individual while the other 20% was determined by measuring their performance in terms of the Core Competency Requirements (CCR). Performance reporting in terms of the KPAs were broken down into 2 aspects, firstly, the Key Performance Indicators relating to each KPA and secondly the project implementation per quarter. The KPIs and the Projects contributed equally to the score for the KPAs, therefore 50% each tot the 80% total. Since GTM has adopted a 360° panel, the Panel for the Section 57 Managers consisted of the following:

- Chairperson of the Performance Audit Committee
- Member of the Executive Committee
- Municipal Manager
- Manager from another municipality
- Head of Division (HOD) from the Department
- Representative from the Internal Audit Division
- Representative from DLGH
- PMS Officer

In all instances the Manager from another municipality was not present as those invited could not attend. The representatives from DLGH and Internal Audit were there for observation purposes only, while the PMS Officer was the scribe.

In the case of HODs the panel consisted of the following:

- Manager of the Department
- HOD from another Department
- Direct Subordinate
- Representative from the Internal Audit Division
- PMS Officer

The outcome of the individual assessments will now be presented per Department.

2.1 Community Services

The Manager and all the HODs in Community Services were assessed. The results are presented in Table 1.

Employee	Average Score	Percentage
Manager	3.34	111.43
HOD Environmental Health	3.89	129.56
HOD Law Enforcement	3.61	120.28
HOD Library	4.12	137.46
HOD Licensing	3.87	129.11
HOD Parks	3.20	106.63
HOD Waste Management	3.15	104.87
Average Score for Dept	3.60	119.91

The outcome of the assessment for Community Services is extremely good compared to the other departments. It should however be noted with concern that the Manager did not submit the actual achieved for projects and KPIs on the scoresheet as expected, making it extremely difficult for a panel to assess the actual performance. The auditing of the performance of the Department is herewith also compromised. The HOD for Law Enforcement did also not submit the actual achieved with regard to project implementation.

2.2 Corporate Services

The Manager for Corporate Services could not be assessed as the employee resigned and was not available. The acting HOD for Communications was also not assessed as the employee was not willing to be assessed as he is also the Acting HOD for Public Participation and Project Support. The outcome of the individual assessment for the Corporate Services Department is presented in Table 2.

Employee	Average Score	Percentage
Manager	Not assessed	Not assessed
HOD Admin Support	3.62	120.59
HOD Communications	Not assessed	Not assessed
HOD HR	3.36	111.96
HOD Legal	3.39	112.89
HOD Public Participation	3.22	107.49
Average Score for Dept	3.40	113.23

Similarly, to Community Services, the HOD for Legal and Public Participation did not complete their scoresheets and the actual achieved for KPIs and Projects were therefore not available to the panel. The scores achieved by the individuals are therefore questionable as auditing will not be possible.

2.3 Electrical Engineering Department

The Manager and all the HODs in the Electrical Engineering Department were assessed; the results are presented in Table 3:

Employee	Average Score	Percentage
Manager	3.03	100.98
HOD Projects	3.04	101.48
HOD Rural	3.21	106.97
HOD Urban	3.03	101.12
Average Score for Dept	3.08	102.64

2.4 Engineering Services Department

The Manager and HODs for the PMU, Water and Building Divisions were assessed. The HOD for Roads could not be assessed as the employee resigned. The results of the individual assessment for the Engineering Services Department are presented in Table 4:

Table 4: Summary of Individual Scores for Engineering Services		
Employee	Average Score	Percentage
Manager	2.75	91.64
HOD Building	3.06	101.90
HOD PMU	2.70	89.93
HOD Water & Sewer	2.79	92.83
Average Score for Dept	2.82	94.08

2.5 Office of the Chief Financial Officer

The CFO and the HODs for Expenditure, Financial Services and Supply Chain were assessed. The HOD for Revenue could not be assessed as the employee was dismissed. The results of the individual assessment are presented in Table 5:

Table 5: Summary of Individual Scores for the Office of the CFO		
Employee	Average Score	Percentage
Manager	2.94	98.09
HOD Expenditure	2.91	97.13
HOD Financial Services	3.54	118.04
HOD SCM	2.80	93.24
Average Score for Dept	3.05	101.62

It should be noted with concern that the CFO also did not complete his scoresheet fully and therefore the actual performance for KPIs and projects were not available to the panel. The HOD for Supply Chain Management did not submit actual in terms of projects and the HOD for Expenditure also did not submit the actual achieved for KPIs and Projects and also did not submit a POE. This, again, brings into question the score achieved by the individuals as the panel had to score on what they were told.

2.6 Office of the Municipal Manager

The MM and the HOD for Internal Audit were assessed; the outcome is presented in Table 6.

Table 6: Summary of Individual Scores for the Office of the MM		
Employee	Average Score	Percentage
Manager	2.64	88.16
HOD Internal Audit	3.84	128.11
Average Score for Dept	3.24	108.13

2.7 Planning and Economic Development

The PED Manager and the HODs for Land, Property and Housing, LED and Town Planning were assessed. The results of the individual assessments are presented in Table 7.

Table 7: Summary of Individual Scores for PED		
Employee	Average Score	Percentage
Manager	3.32	110.68
HOD Land, Property and Housing	3.27	105.51
HOD LED	3.17	105.51
HOD Town Planning	3.57	118.90
Average Score for Dept	3.33	110.15

2.8 Summary of scores

Table 8 presents a summary of all individual scores achieved by HODs in chronological order.

Table 8: Summary of HOD individual Scores for 2008/09		
HOD	Average Score	Percentage
Revenue	n/a	n/a
Roads and Storm water	n/a	n/a
IT	n/a	n/a
Communications and Marketing	n/a	n/a
Library Services	4.12	137.46

Table 8: Summary of HOD individual Scores for 2008/09		
HOD	Average Score	Percentage
Environmental Health	3.89	129.56
Licensing and Testing	3.87	129.11
Internal Audit	3.84	128.11
Administrative Support	3.62	120.59
Law Enforcement	3.61	120.28
Town Planning	3.57	118.90
Financial Services & Reporting	3.54	118.04
Legal Services	3.39	112.89
Human Resource	3.36	111.96
Public Participation & Project Support	3.22	107.49
Rural Operations and Maintenance	3.21	106.97
Parks and Recreational Facilities	3.20	106.63
Socio-Economic Development, LED & Tourism	3.17	105.51
Land, Property & Housing	3.27	105.51
Waste Management	3.15	104.87
Building and Maintenance	3.06	101.90
Electrical Projects	3.04	101.48
Urban Operations and Maintenance	3.03	101.12
Expenditure	2.91	97.13
Supply Chain Management	2.80	93.24
Water and Sewer	2.79	92.83
Project Management Unit	2.70	89.93

Table 9 presents a summary of all individual scores achieved by Managers in chronological order.

Table 9: Summary of Section 57 Manager individual Scores for 2008/09		
Manager	Average Score	Percentage
Corporate Services	n/a	n/a
Community Services	3.34	111.43
Planning and Economic Development	3.32	110.68
Electrical Engineering	3.03	100.98
Chief Financial Officer	2.94	98.09
Engineering Services	2.75	91.64

Manager	Average Score	Percentage
MM	2.64	88.16

The payment of performance bonuses for Section 57 Managers will be based on the following scale contained in the Performance Agreements (see Table 10):

Final Score (%)	Reward
100-129%	0
130-149%	5-9%
150% and more	10-14%

Note: Specific bonus percentages will be determined on a sliding scale, proportionately to the points scored, and rounded up to the next 0.25 percentage. E.g. 136% score = 6.678% = 6.75% bonus.

2.9 Concerning issues regarding individual performance assessment process

2.9.1 Composition of the Panel

The panel for the assessment of HODs is supposed to consist of the following:

- Manager
- HOD from another Department
- Direct Subordinate
- Representative from Internal Audit
- Representative from the PMS office

Unfortunately, due to a shortage of staff, the Internal Audit unit was not represented in most of the HODs assessments. Also, in some cases the subordinate participating was not one which accounts directly to the HOD, resulting in some confusion with regard to the application of the scoring system. It is therefore advisable that in future, the direct

subordinate form part of the panel and that the panel be briefed on the scoring system, prior to each session, for them to have clarity in terms of what is expected.

The panelists for the Section 57 Managers assessment were invited as per Regulation 805. However, it is concerning that the requirement of a Manager from another municipality could not be met due to the unavailability of the invitees. Invitations were repeatedly sent to the MM and Mayor of Mopani District Municipality with no response as to their availability for the session. It was only at a very late stage that we were informed that they were not available, thereby making it impossible to arrange a replacement. The participation of the representative from Exco was appreciated by all.

2.9.2 Logistical Arrangements for the assessment

The submission of incomplete scoresheets, discussed in 2.9.3, should be prevented in future. The Chairperson of the Audit Committee indicated that the PMS office should in future receive the scoresheets prior to the assessment session to ensure that all the required information is submitted.

2.9.3 Score sheets submitted

The non submission of the actual achieved for KPIs and Projects is a major concern as it brings into question the actual performance of the individual as well as the department. The following scoresheets did not contain the actual achieved as required:

- CFO
- Expenditure HOD
- Public Participation and Project Support HOD
- Legal Services HOD
- Community Services Manager
- Law Enforcement HOD

It is also not possible for Internal Audit to audit the programmes and projects. The non-availability of the actual achieved also makes it impossible to assess institutional performance. No excuse for the non submission of information should be acceptable as most

employees manage to do this year after year. The PMS policy should be amended to ensure that the non-submission of information or incomplete score sheets are addressed.

2.9.4 Non submission of Files

The submission of files (Portfolio of Evidence) containing proof of performance is a requirement for the individual assessment to allow the actual achieved to be confirmed and audited. The submissions of these files have been a requirement since the 2006/07 performance assessment and are therefore not something new to Managers and HODs. In spite of this, certain employees are submitting incomplete files, files that do not comply with the required standards, submitting files late and in some cases not at all. In the past individuals were awarded a performance bonus (when they achieved the required score) whether they submitted a file or not. This is however a concerning issue as the actual performance cannot be audited if files are not available or incomplete. The submission of a portfolio of evidence should be non-negotiable and the PMS policy should be amended to address that cases where this is not adhered to.

2.9.5 Application of scoring system

The application of the scoring system as prescribed by Regulation 805, for Section 57 Managers, is a concerning point. The incorrect application of the scoring system by some individuals tends to mislead external panel members on actual performance and an unfair advantage in the outcome of the panel scores. However, since the scoring is left open for interpretation by each panel member it will remain a contentious issue. The fact that employees have good excuses for not delivering on what was expected should not warrant high scores.

2.9.6 Auditing of the Portfolio of Evidence

The Performance Audit Committee recommended that the Portfolio of Evidence (POE) should be audited prior to the assessment taking place, so that the panel knows that what is presented is a true reflection of what is actually on the ground. It is therefore proposed that in future the scoresheets and POE be submitted to the PMS Officer for quality assurance and then to Internal Audit prior to the assessment. It is therefore of critical importance that

employees consolidate their POE's well in advance and not the week before, as has previously been the case. .

3. Institutional Performance

The institutional performance assessment is integrated with the individual performance assessment process and could therefore only be completed upon the finalisation of the assessment of Section 57 Managers. Ideally, the current system allows for an institutional score to be calculated per KPA. However, the institutional assessment was made extremely difficult by the fact that in certain departments employees did not submit the actual achieved for KPIs and Projects. Furthermore, that fact that the Corporate Services Manager was not assessed resulted in a situation where the actual achieved for targets set for that department is not available. The outcome of the assessment (where information was made available) as well as the information submitted for the SDBIP will be utilised to present the institutional performance for the 2008/09 financial year. The performance in terms of the Strategic Indicators will be focused on.

3.1 Performance per Key Performance Area

Table 11: Summary of performance wrt Key Performance Indicators					
Strategic Objective	Programme	Departmental KPI	Annual Target 08/09	Actual Achieved 08/09	Reason for deviation
Municipal Transformation and Organisational Development					
Develop a high performance culture for a changed, diverse, efficient and effective local government	Institutional Performance Management	%Section 57 Managers with signed Performance Agreements/ Plans	100%	100%	Delayed approval of final IDP project list
	Institutional Performance Management	% of HOD's with signed performance plans	100%	100%	
	Performance Management Reports	% Quarterly performance reports submitted on time	100%	0%	SDBIP report finalised too late
Develop and build skilled and knowledgeable workforce	Capacity building and Training	% of Personnel budget spend on implementing the Workplace skills plan	1%	LESS 1%	Financial constraints
	Capacity building and Training	% of Sec 57 managers undergone Leadership Development Training	100%	29%	Manager: Corporate Services resigned
	Capacity building and Training	# of Bursaries awarded per annum	50	59	Awarded as per need
	Capacity building and	% of new appointees induced within 3 months	100%	100%	NA

Table 13: Summary of performance wrt Key Performance Indicators					
Strategic Objective	Programme	Departmental KPI	Annual Target 08/09	Actual Achieved 08/09	Reason for deviation
	Training				
Attract and retain the best human capital to become employer of choice	Labour relations management	# Industrial actions	0	0	NA
	Employee satisfaction and well-being	% Staff turnover	6%	7.1%	High number of ill health applications
	Employment equity	# of people from employment equity target groups employed in the three highest levels of management	22	18	Vacancies not filled due to financial constraints
	Employment equity	# of meetings with Employment Equity Consultative forums	4	4	NA
	Retention and succession	% Vacancies in the services departments (Post level 1-6)	25%	27%	Slow filling of vacancies due to financial constraints
Basic Service Delivery					
Improve access to sustainable and affordable services.	Accessible services	% households earning less than R1100 with access to basic water services	tbd	n/a	Information not available
	Accessible services	% households earning less than R1100 with access to basic sanitation services	tbd	n/a	Information not available
	Accessible services	% households earning less than R1100 with access to basic electricity	tbd	n/a	Information not available
	Accessible services	% households earning less than R1100 with access to basic waste removal	tbd	n/a	Information not available
	Water and sanitation	m ³ increase of water quota	3.8million m ³	0	Correspondence was sent through but still awaiting responses
	Water and sanitation	% Progress with the completion of a Water and Sanitation Sector Plans	40%	0%	Couldn't be developed due to lack of funds, however an application was submitted to DBSA for assistance
	Electricity Infrastructure	MVA increase of urban capacity	10	4	
	Electricity Infrastructure	R-value sourced to implement electricity recovery plan	R100m	0	Unsuccessful thus far

Table 11: Summary of performance with Key Performance Indicators					
Strategic Objective	Programme	Departmental KPI	Annual Target 08/09	Actual Achieved 08/09	Reason for deviation
	Roads and Storm water Infrastructure	Km of transportation routes upgraded	180	6km	
Maintain and upgrade municipal assets	Maintenance of municipal assets	% Progress with development of integrated Repairs and maintenance plan	100%	80%	
Local Economic Development					
Create community beneficiation and empowerment opportunities through networking for increased employment and poverty alleviation	Poverty Reduction and empowerment	Total Number of jobs created through municipal LED initiatives, capital and infrastructure projects	500	620	
Create a stable economic environment by attracting suitable investors	Economic Growth and Investment	% growth in Gross Geographic Product (GGP) in municipal area			Information not available
Integrated developmental planning	Integrated Development Planning	% Compliance to the integrated IDP/ PMS/ Budget Process Plan	100%	90%	
	Integrated Development Planning	# of Repforum meetings	4	1	
	Integrated Development Planning	# of Steering Committee meetings	12	0	
Financial Viability					
Increase financial viability	Financial viability	% Cost coverage			Information not available
	Financial viability	Debt coverage ratio			Information not available
	Revenue Management	% Annual increase in actual revenue generated	6%	3%	
	Revenue Management	% Revenue from grants		22%	
	Revenue Management	R-value MIG funding / R-Value Capital budget as %		49%	
	Debt management	% of bad debt cases (older than 60 days) handed over		68%	13%

Table 11: Summary of performance with Key Performance Indicators					
Strategic Objective	Programme	Departmental KPI	Annual Target 08/09	Actual Achieved 08/09	Reason for deviation
	Debt management	% Reduction in municipal debt	20%	14%	
	Financial Management and Budgeting	% of capital budget spent		64.27%	
	Financial Management and Budgeting	% General expenses budget / Operating expenses budget		13.2%	
	Financial Management and Budgeting	% Capital Budget actually spent on capital projects identified for financial year in the IDP	100%	80%	
	Financial Management and Budgeting	% actual expenditure (R-value expenditure / budget expenditure)	100%	96.6%	
	Supply chain management	Total R-value of contracts awarded during 2008/9		R 30,988,845.65	
	Supply chain management	% of tenders awarded within 30 days after closing date of tender	70%	100%	
	Supply chain management	Number of Tenders awarded that deviated from the adjudication committee recommendations	0		
Good Governance and Public Participation					
Develop effective and sustainable stakeholder relations	Client satisfaction	% Progress with the customer satisfaction survey	100%	50%	Lack of resources
	Community, client and stakeholders relationship management	# of CDW monthly reports submitted	12	12	NA
Develop and improve policies and systems	Inter-governmental relations	% of premier IGR resolutions implemented	100%	70%	
	Inter-governmental relations	# of quarterly reports from MDM council representatives	4		
	Customer care	% of Information requests responded to according to guidelines (PAI Act)	100%	100%	NA
	Customer care	% progress with the development of the Corporate Image strategy	40%	20%	Lack of resources
	Personnel Management system	% Personnel costs / Operating expenses (excl Salaries of councilors)	37%	32%	Savings
	Council Structures	% of Council resolutions implemented	100%	100%	NA

Table E1: Summary of Performance with Key Performance Indicators					
Strategic Objective	Programme	Departmental KPI	Annual Target 08/09	Actual Achieved 08/09	Reason for deviation
	Committee Management	% of Cluster committees quorated	100%	100%	NA
	Committee Management	# of Councilors that underwent Leadership training	n/a	20%	NA
	Committee Management	% of Ward committees that underwent Leadership training	n/a	0%	NA
	Committee Management	% Fully functional ward committees	34	32	Practical problems
	Sound Governance	% of reported cases of corruption prosecuted	100%	100%	NA
	Sound Governance	% of Audit queries responded to within 14 days	100%	100%	NA

3.2 Main areas that require improvement

3.2.1 Municipal Transformation and Organisational Development Programmes

a) Institutional Performance Management

The Municipal Finance Management Act (Act 56 of 2003) and Performance Regulations (No 805 of 2006) clearly stipulate the requirements for the development of performance agreements for Section 57 Managers. The performance agreements for Section 57 Managers and HODs were only concluded in January of 2009. Furthermore, the SDBIP was also only finalised in January of 2009 but only signed by the Mayor in June (that is 12 months late). The result of this situation was that the no quarterly performance appraisals could take place and no quarterly SDBIP reports were sent to Council during this financial year. Institutional as well as individual performance management was thereby in reality not implemented. The annual performance appraisal was conducted in September of 2009 (with this report a result thereof), however the assessment performance (institutional and individual) severely affected by the non submission of the actual achieved for performance targets especially with regard to issues pertaining to Financial Management and Corporate Services.

b) Performance Management Reports

GTM is required to submit quarterly performance reports in the form of SDBIP reports, Performance Appraisal reports and Local Government Strategic Agenda (DLGH reports). During 2008/09 no quarterly SDBIP reports were submitted to Council. No quarterly performance appraisals were conducted, with only the annual appraisal report herewith being reported on. The implication is that the mid-year budget adjustment was not informed by a performance report as required by Section 72 of the MFMA. On the other hand the DLGH reports were submitted for all 4 quarters as required, although sometimes not within the required timeframes. Overall, GTM is therefore not complying with the MFMA in terms of performance reporting.

c) Staff retention and succession

The percentage vacancies in the service departments have increased to 27% with very few engineering technicians employed. Furthermore, the loss of experienced personnel in various divisions has created a vacuum that is seriously affecting institutional performance, for example, in Land Management and Revenue.

d) Employment Equity

GTM is currently doing well in achieving employment equity targets for the 3 highest levels of staff with 18 of the positions filled from target groups. However, the labourer contingent of staff does not comply with the targets set.

3.2.2 Basic Service Delivery Programmes

a) Accessible services

One of the main concerning issues regarding access to services is the absence of baseline information regarding the percentage of households, earning less than R1100, with access to basic services. GTM cannot respond to this national indicator for two reasons, *firstly*, it is not known exactly how many households fall within this category as not all of them register on the indigent register of the municipality. *Secondly*, even for those registered on the indigent register it is not known if they are receiving basic services since not all reside in the GTM service area e.g Mopani District Municipality provides water and sanitation in the rural areas.

Another concerning issues is the absence of long term infrastructure planning. An integrated 5 –year infrastructure development plan is not available, resulting in project planning and prioritisation being done on an annual basis. The advantage of integrated infrastructure planning is therefore lost with ad-hoc initiatives being funded as funds become available. Furthermore, infrastructure development plans for the different services is also not available, except for electricity. The development of these plans is being hampered by the lack of human and financial resources in the Engineering Department as well as the absence of a Geographical Information System (GIS) to inform infrastructure planning.

b) Water and Sanitation

The main concerning issue regarding the provision of water and sanitation is the non-adherence by Mopani District Municipality to the Service Level Agreement (SLA) between them as Service Authority (WSA) and GTM as Service Provider. Attempts by GTM to become the WSA have not been successful. The non adherence to the service level agreement has resulted in a situation where GTM is providing services in the WSA area of delivery without being refunded in accordance with DORA and the SLA.

c) Roads and Stormwater

The development of a road maintenance plan remains one of the major concerning issues. Furthermore, the implementation of MIG (Municipal Infrastructure Grant) road projects is severely affected by the appointment of contractors that cannot comply with quality standards. It was evident from the assessment of the HOD for Project Management (PMU) that the poor performance of contractors is negatively affecting the implementation of PMU projects (None of the MIG projects were completed on time, with others far behind schedule). The reasons behind this need to be investigated and addressed as a matter of urgency, as this is not the first year that this has been a concern.

d) Electricity Infrastructure

Where electrical infrastructure is concerned, plans are in place to maintain and extend the existing network. However in this case the lack of funding to implement these plans is having a serious impact on the ability of the Department to provide a sustainable service. The fact that the Tzaneen area has lost various investment opportunities due to the inability to provide electricity is contrary to what the Vision of Council proclaims.

e) Maintenance of Municipal Assets

During the assessment of the Engineering Services and the Electrical Engineering Department it was highlighted by all that the limited funding for infrastructure maintenance is a serious concern. Although the development of new infrastructure is essential the maintenance of the existing infrastructure is essential to avoid the collapse of the existing networks.

3.2.3 Local Economic Development Programmes

a) Economic Growth and Investment

Although various activities are being undertaken to support economic growth and investment in the GTM area, the inability to measure the impact of activities of GTM is a concerning factor, especially when taking into account this is an essential part of the vision of Council. Furthermore, some of the activities cannot be effective in the light of the serious infrastructure challenges facing council. For example, marketing the GTM area or the development of an Incentive strategy can only be effective if Council had the capacity to provide services to potential investors.

b) Integrated Development Planning

The absence of a coordinated integrated development planning process in Council has been a major concern for the past few years. Currently the IDP is a one year document which does not conform to the requirements of public participation, council ownership and integration. During the 2008/09 year only 2 Representative Forum meetings was held and steering committee meetings were also limited. The manner in which the Representative Forum is being utilised is also a major concern as it is mainly used for presenting decisions already taken by Council instead of serving as a platform for

discussion and inputs from the representatives. The community ownership of the IDP will remain low as long as representatives are not consulted and allowed to actively participate in the prioritisation of council activities.

3.2.4 Municipal Financial Viability Programmes

a) Financial Viability

As already indicated earlier, the assessment of the Financial Viability of GTM is made impossible by the non-submission of information by the CFO. However it should be noted that the Office of the CFO is under severe pressure due to the vacancies that exist in the positions of CFO and HOD Revenue and an overall 32% vacancy rate in post levels 0-6.

b) Revenue Management

The actual revenue raise by Council was increased by 3% during the 2008/09 financial year; however this is only half of the target set. Increasing own revenue generated is essential for Council to be financially viable.

c) Debt Management

The main concerning issue regarding debt management is the fact that only 13% of bad debt cases were handed over, with the overall municipal debt only reduced to 14%.

d) Financial Management and Budgeting

GTM have complied with the MFMA regarding the submission of the Annual Budget and the required reports. However, it should be noted that, as in the past, the IDP and the Budget were not aligned. Furthermore, in terms of complying with the MFMA with regard to the drafting of the adjustment budget, GTM did not adjust the budget on the basis of a performance report as required by Section 72.

3.2.5 Good Governance and Public Participation Programmes

a) Client Satisfaction

A survey to measure the satisfaction of external clients has never been conducted by Council, even though the client satisfaction rating has been part of the PMS for the past 4 financial years.

b) Public Participation

As already mentioned in 3.2.3b, the level of public participation in especially the IDP process is concerning. Furthermore, the Community Based Planning (CBP) process, which was aimed at community empowerment, capacity building as well as participation, has come to a complete standstill. GTM is one of the few municipalities with a whole unit aimed at Public Participation, this unit should be utilised effectively to improve community participation in all programmes of Council through the IDP process.

c) Intergovernmental relations

All IGR forums is attended to by Managers on a regular basis, however the implementation of resolutions are not effectively monitored. It would be advisable that the MM develop a resolution register to monitor the implementation of these resolutions. A point of concern is the non-submission of reports from GTM representatives in the Mopani District Municipal Council. Only one report was received during this financial year.

d) Customer Care

GTM currently has a manual system of handling customer complaints, the electronic system has been established but is not being utilised by all departments. Furthermore, a Corporate Image strategy has not yet been developed as planned.

e) Legal Support

The total legal costs of Council for the 2008/09 financial year amounted to R 2,029,948.92

4. Concerning issues regarding institutional performance process

4.1 Non submission of information

The ability of the Performance Management System to effectively report on all programmes of Council is dependent on the information submitted all the Departments to the Office of the Municipal Manager. Currently, there is a tendency for Departments not to comply for requests to submit information on a monthly, quarterly and annual basis. The non-availability of information therefore makes it impossible to determine the performance on all programmes and projects. This should be noted with concern as projects are postponed from year to year without any questions asked by Management or Council.

4.2 Accuracy of information submitted

The assessment of both institutional and personal performance is done based on the information submitted by departments (SDBIP & Performance Assessments) and individuals (Performance Assessments). However, it has become evident that the information submitted by Departments as "actual achieved", are rather flattering estimates to artificially boost ratings. Owing to the fact that the quarterly performance reports have not been audited in the past, this has never been questioned by Council.

4.3 Reporting on KPIs

The foundation for measuring institutional and individual performance is the achievement of Key Performance Indicators (KPIs). After an assessment of the KPIs contained in the PMS of GTM the following has become evident:

- Many KPIs do not have baseline information available, especially concerning where National Indicators of service delivery is concerned (e.g. % households earning less than R1100 with access to basic water services)
- Many KPIs do not conform to the characteristics of being SMART (Specific, Measurable, Achievable, Realistic & Time-bound).
- The number of KPIs in the SDBIP increased dramatically from 2006/07 to 2008/09, this coincided with an increase in the number of KPIs that where not reported on.

From the above it can be construed that the need to have more indicators to measure performance have resulted in the quality of indicators being neglected, which may in turn have resulted in too many indicators and a loss in focus. The review of IDP strategy should therefore coincide with a review of the Strategic Indicators.

5. Recommendations

- a) That the non-submission of the actual performance in terms of the Performance Plans and SDBIP templates be addressed by the Municipal Manager.
- b) That the quarterly performance reports be audited by Internal Audit Division prior to submission to Council.
- c) That the Internal Audit Division audits the submissions of all Departments for the mid-year and annual assessments, prior to the panel assessment taking place.
- d) That the employees qualifying for a performance bonus be paid according to the sliding scale.
- e) That the findings of the performance report be used to guide the review of the IDP to ensure that service delivery challenges are addressed.

**INTERDEPARTMENTAL MEMORANDUM
INTERNAL AUDIT**

TO: Municipal Manager

From: HOD-Internal Audit

03/11/2009

**SECTION 57 MANAGERS AND HEADS OF DIVISION 2008/09 ASSESSMENT
FILES AND DOCUMENTS**

PURPOSE

The purpose of this report is to inform the Municipal Manager about the findings of the information from the assessment files of section 57 managers and heads of division for 2008/09.

Deliberations

The above mentioned officials were assessed for 2008/09 financial year. All their portfolio of evidence files were submitted to audit to verify if all portfolios indicated in their score cards are attached and it can be presented for audit purpose.

FINDINGS

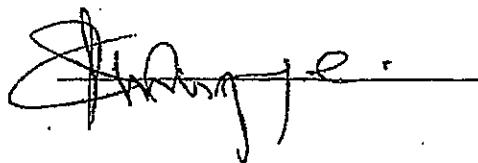
Criteria

5. All documents should be placed in a file.
6. It must be properly arranged.
7. Documents must be numbered for cross reference.
8. The documents must be relevant to the score card.

Condition

All documents for both section 57 managers and the heads of division were properly arranged and placed in files. The documents were relevant to the score cards and numbered for cross reference. The arithmetic calculation of the scored marks has also been verified and found to be correct.

Internal audit is satisfied that the files could be presented to external auditors for audit when requested.

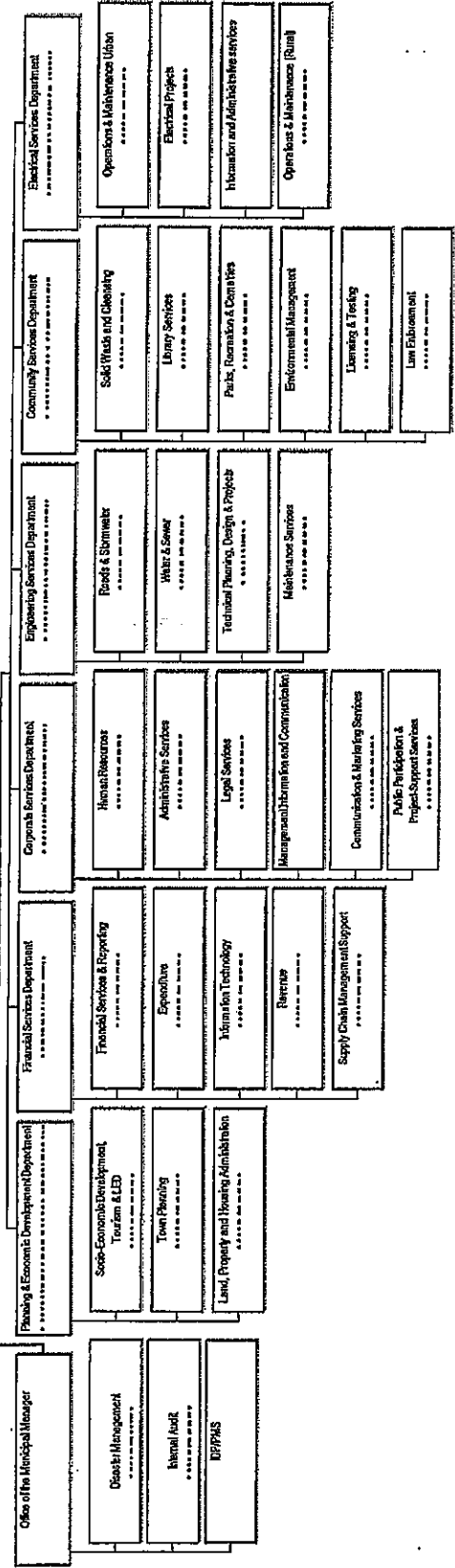




Greater Tzaneen Municipality Council
 Polok Shumba
 Mayor
 P.M. Tsoa-Cousins

Executive Committee

Municipal Manager



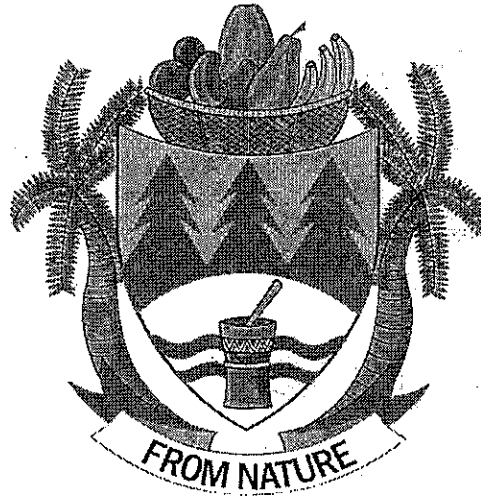


Employment Category	Highest level qualifications held by employees																				Total		
	NOE1	NOE2	NOE3	NOE4	NOE5	NOE6	NOE7	NOE8	Unknown	M	F												
Financial Services	Banking																				0	0	0
	Other Services																				0	0	0
Community Services	Community Services																				0	0	0
	Other Services																				0	0	0
Environment and Health Management	Environment and Health Management																				0	0	0
	Other Services																				0	0	0
Legal	Legal																				0	0	0
	Other Services																				0	0	0
Emergency Services and Management	Emergency Services and Management																				0	0	0
	Other Services																				0	0	0
Communication Services	Communication Services																				0	0	0
	Other Services																				0	0	0
Public Transport	Public Transport																				0	0	0
	Other Services																				0	0	0
Housing	Housing																				0	0	0
	Other Services																				0	0	0
Technical Services	Records and Information	1																			1	0	1
	Solid Waste and Landfill	5																			5	0	5
SUBTOTALS	Electricity	3	1																		4	1	5
	Other Services	17	7																		24	2	26
SUBTOTALS		20	8																		44	3	47
Corporate Services	Corporate Services																				0	0	0
	Other Services																				0	0	0
SUBTOTALS		0	0																		0	0	0
GRAND TOTALS		20	8																		44	3	47

Employment Category	Below		NQ1		NQ2		NQ3		NQ4		NQ5		NQ6		NQ7		NQ8		Unknown		Total		Total
	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	
Procurement																							
HR and Training																							
Property Valuation																							
Financial Services																							
Billing																							
Client Services																							
Banks																							
Community Facilities																							
Community Services																							
Recreation																							
Health																							
Primary Health Care																							
Facilities																							
Comparative																							
Environmental																							
Health																							
Pollution Control																							
Bylaws																							
Licensing																							
Fire																							
Emergency Services																							
Public Safety																							
Traffic Management																							
Public Transport																							
RED/DP																							
Urban Planning																							
Land Use																							
Intergovernmental																							
Housing																							
Roads and																							
Structural																							
Engineering																							
Solid Waste																							
and Landfills																							
Technical Services																							
Water Supply and waste water																							
Electricity																							
SUB-TOTALS	50	52	51	41	41	32	10	10	12	12	10	10	10	10	10	10	10	10	10	10	10	10	

Apprentices

GREATER TZANEEN MUNICIPALITY



POST AUDIT ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009



TROPICAL PARADISE

GREATER TZANEEN MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS : 2008/2009
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GENERAL INFORMATION

Mayor: Alderman O.J. Mushwana

Members of the Executive Committee:

Alderman O.J. Mushwana
Councillor M.N. Mboweni
Councillor T.P. Ramatsoma
Councillor J.K. Ngobeni
Councillor M.M. Makhuthudise
Councillor R.R. Selomo
Councillor B.G. Baloyi
Councillor F.N. Makurupetse
Councillor S.M. Maunatlala
Councillor M.L. Ncha - Speaker
Councillor J.H. Nkwinika - Chief whip

Members of the Audit Committee:

Mr. M.J. Malatji	Chairperson
Mr. O.J.O. Groenewald	Member
Ms. R.M. Phasha	Member
Mr. T.C. Modipane	Member

Banker:

ABSA
TZANEEN
0850

Municipal Manager: Mabakane F. Mangena

Acting Chief Financial Officer: Andre J J Le Grange

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 June 2009

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 39 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 23 of these financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

I have complied with the disclosure requirements in terms of section 122 to 126 of the Municipal Finance Management Act.

M.F. MANGENA
MUNICIPAL MANAGER

DATE: 30 NOVEMBER 2009

GREATER TZANEEN MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2009

	NOTE	2009 R	2008 R
COMMUNITY WEALTH AND LIABILITIES			
Net Assets		160,245,791	155,072,767
Reserves	1	72,319,053	78,888,617
Accumulated Surplus /(Deficit)		87,926,738	76,184,150
LIABILITIES		171,620,385	145,728,803
Non-Current liabilities		65,015,997	67,148,224
Borrowings	2	52,110,800	54,297,961
Non-current Provisions	5	1,962,096	0
Financial lease liability		10,943,101	12,850,263
Current liabilities		106,604,388	78,580,579
Consumer deposits	4	6,836,510	6,739,229
Provisions	6	1,610,821	3,304,442
Accounts Payable	7	60,402,431	33,384,392
VAT Payable	8	2,664,282	9,469,024
Unspent Conditional Grants and Receipts	9	32,924,152	10,906,138
Bank, cash and overdraft balances	17	0	12,895,065
Current portion of long-term borrowings	2	2,166,192	1,882,289
Total Net Assets and Liabilities		331,866,176	300,801,570
ASSETS			
Non-current assets		258,821,311	230,926,247
Property, plant and equipment	10	232,921,413	206,005,844
Held-to-maturity Investments	11	25,865,349	21,658,065
Non-current receivables	12	34,549	3,262,338
Current assets		73,044,865	69,875,323
Inventory	13	8,480,572	6,764,464
Receivables	14	52,725,360	50,196,348
Other receivables	16	11,175,153	10,427,789
Current portion of long-term receivables	12	406,695	2,486,722
Cash and cash equivalents	17	257,085	0
Total Assets		331,866,176	300,801,570

GREATER TZANEEN MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE 2009

	NOTE	ACTUAL	
		2009	2008
REVENUE		R	R
Property rates	18	27,734,237	28,973,424
Property rates - penalties imposed and collection charges		1,957,645	1,389,816
Service charges	19	204,804,547	170,298,568
Rental of facilities and equipment		442,383	454,627
Interest earned - external investments		3,679,040	3,062,088
Interest earned - outstanding receivables		6,004,714	4,699,372
Fines		852,479	1,068,559
Licences and permits		355,202	383,559
Income for agency services		9,108,870	8,050,392
Government grants and subsidies	20	124,528,802	94,388,961
Other income	21	3,428,504	2,704,550
Public contributions, donated and contributed property, plant & equipment		0	0
Operating Income Generated		382,896,423	315,473,916
Total Revenue		382,896,423	315,473,916
EXPENDITURE			
Employee related costs	22	67,646,316	57,951,171
Remuneration of Councillors	23	14,108,421	11,973,246
Bad debts		20,530,654	22,140,891
Collection costs		852,088	228,380
Loss on Inventory		-2,216	962
Depreciation		19,050,709	20,133,997
Repairs and maintenance	24	80,906,367	74,467,399
Finance cost	25	9,778,536	9,722,211
Impairment of assets		16,863	0
Bulk purchases	26	94,458,945	68,670,853
Contracted services	27	22,163,085	18,424,468
Grants and subsidies paid	28	10,190,508	2,903,514
General expenses	29	29,115,507	28,077,605
Total Expenditure		368,815,783	314,694,697
Gain/(loss) on sale of assets	31	0	2,471,202
NET SURPLUS / (DEFICIT) FOR THE YEAR		14,080,640	3,250,421

Refer to Appendix E(1) for the comparison with the approved Budget.

GREATER TZANEEN MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2009

	Capital Replacement Reserve	Depreciation Reserve ex AFR	Government Grant Reserve	Donations and Public Contributions Reserve	Self-Insurance Reserve	Revaluation Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R	R	R	R
2008								
Opening balance	8,623,038	0	46,598,866	10,785,342	523,039		98,142,301	164,672,609
Net surplus for the year							3,250,421	3,250,421
Adjustments							0	0
Dividends paid (municipal entities only)							0	0
Transfer to AFR							0	0
Property, plant and equipment purchased							0	0
Capital grants used to purchase PPE							0	0
Donated / contributed PPE			16,531,012	1,619,243			-18,150,255	0
Contribution to Insurance Reserve					432,381		-432,381	0
Insurance claims processed							0	0
Transfer to Income Statement							0	0
Asset disposals			-3,776,169	-2,448,158			6,224,327	0
Offsetting of depreciation								0
Balance at 30 JUNE 2008	8,623,038	0	59,353,709	9,956,427	955,420	0	89,034,413	167,923,030
Correction of prior period error							-12,850,263	-12,850,263
Restated opening balance	8,623,038	0	59,353,709	9,956,427	955,420	0	76,184,150	155,072,767
2009								
Changes in accounting policy								
Restated balance	8,623,038	0	59,353,709	9,956,427	955,420	0	76,184,150	155,072,767
Correction of prior period error							-7,631,984	-7,631,984
Net surplus for the year							14,080,640	14,080,640
Adjustment	-8,623,038						8,623,038	0
Dividends paid (municipal entities only)							0	0
Transfer to AFR							0	0
Property, plant and equipment purchased							0	0
Capital grants used to purchase PPE							0	0
Donated / contributed PPE			21,340,736	798,403			-22,139,139	0
Contribution to Insurance Reserve					-455,419		455,419	0
Insurance claims processed							0	0
Transfer to Income Statement							-1,275,632	-1,275,632
Asset disposals			-18,280,879	-1,349,367			19,630,246	0
Offsetting of depreciation								0
Balance at 30 JUNE 2009	0	0	62,413,566	9,405,463	500,001	0	87,926,738	160,245,791

GREATER TZANEEN MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	NOTE	2009 R	2008 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		379,183,845	313,189,661
Cash paid to suppliers and employees		-313,163,864	-285,902,870
Cash generated from operations	32	69,243,152	27,286,791
Interest received		9,683,754	7,761,460
Interest paid		-9,778,536	-9,722,211
NET CASH FROM OPERATING ACTIVITIES		69,148,370	25,326,040
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		-54,626,953	-19,406,629
Proceeds on disposal of property plant & equipment		0	2,471,202
Increase/(Decrease) in non-current receivables		4,643,994	4,499,649
Increase/(Decrease) in non current investments		-4,207,284	-2,600,447
NET CASH FROM INVESTING ACTIVITIES		-54,190,243	-15,036,225
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised / (repaid)		-1,903,258	-1,649,082
Increase in consumer deposits		97,281	137,807
NET CASH FROM FINANCING ACTIVITIES		-1,805,977	-1,511,275
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		13,152,150	8,778,540
Cash and cash equivalents at the beginning of the year		-12,895,065	-21,673,605
Cash and cash equivalents at the end of the year	17	257,085	-12,895,065

GREATER TZANEEN MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

The principal accounting policies adopted in the preparation of these financial statements are set out below and are consistent with those of the previous financial year.

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, unless specified otherwise.

The Annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003)

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

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

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.2 PRESENTATION CURRENCY

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

1.3 GOING CONCERN ASSUMPTION

The annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months. (Refer to note 44 for managements assessment of going concern).

1.4 COMPARITIVE INFORMATION

1.4.1 Current Year Comparatives

Budgeted amounts have been included in the annual financial statements for the current financial year only.

1.4.2 Prior Year Comparatives

When the presentation or classification of items in the annual financial statements are amended, prior period comparative amounts are reclassified.

1.5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

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

GRAP 8 Interests in Joint Ventures - issued August 2006

GRAP 18 Segment Reporting - issued March 2005

GRAP 21 Impairment of non-cash generating assets

GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008

GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007

GRAP 26 Impairment of cash generating assets

GRAP 103 Heritage Assets - issued July 2008

2. RESERVES

2.1 Government Grants Reserve

When items of property, plant and equipment are financed from Government grants, a transfer is made from the accumulated surplus/deficit to the Government Grants Reserve equal to the Government grant recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government grant Reserve to the accumulated surplus/deficit.

2. RESERVES (continued)

The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/deficit.

2.2 Donations and Public contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/deficit to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from donations and public contributions is disposed, the balance in the Donations and Public contributions Reserve relating to such item is transferred to the accumulated surplus/deficit.

2.3 Self Insurance Reserve

The Municipality has a self-insurance reserve to set aside amounts to offset potential losses or claims that are not insured externally. All claims less than the excess payment of R2 500 are debited against the reserve. The balance of the self-insurance reserve is determined by the Chief Financial Officer.

Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary cost of dismantling and removing the asset and restoring the site on which it is located.

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

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

3.2 Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the asset are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally assessed standard of performance, then it is regarded as repairs and maintenance and is expensed. The enhancement of an existing asset so that its use is expanded or the further development of an asset so that its original life is extended are examples of subsequent expenditure which should be capitalised.

3.3 Depreciation and impairment losses

3.3.1 Depreciation is calculated on cost, using the straight-line method, over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated useful lives.

A more appropriate useful life can also be motivated by the department purchasing the asset, and the useful life is approved by the Financial Manager

INFRASTRUCTURE	YEARS
Roads and Paving	30
Pedestrian Malls	30
Electricity	20 - 30
Water	15 - 20
Sewerage	15 - 20
Housing	30
COMMUNITY	
Improvements	30
Recreational Facilities	20 - 30
Security	5
OTHER	
Buildings	30
Specialist Vehicles	10
Other Vehicles	5
Office Equipment	3 - 7
Furniture and fittings	7 - 10
Watercraft	15
Bins and containers	5
Specialised plant an equipment	10 - 15
Other items of plant and equipment	2 - 5

3.3.2 Heritage assets, which are defined as culturally significant resources, are not depreciated as they are regarded as having an indefinite life. Land is also not depreciated for the same reason.

3.3.3 Incomplete construction work is stated at historic cost. Depreciation only commences when the asset is commissioned into use.

3.4 Derecognition

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4 Intangible Assts

4.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- It is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- It is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

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

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

4.2 Subsequent Measurement - Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

4.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer Software - 3 Years

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

5 FINANCIAL INSTRUMENTS

5.1 Initial Recognition

Financial Instruments are initially recognised at fair value.

5.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

5.2.1 Investments

Investments, which may include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the Instrument.

5.2.2 Trade and other Receivables

Trade and other receivables are categorised as financial assets: Loans and receivables are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on all outstanding amounts of 120 days and longer at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current. The carrying amount of trade and other receivables is a reasonable approximation of fair value.

An impairment of receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited recognised under other income.

5.2.3 Trade Payables and Borrowings

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

5 FINANCIAL INSTRUMENT (continued)

5.2 Subsequent Measurement (continued)

5.2.4 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

6 UNAUTHORISED EXPENDITURE

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

7 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

8 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

9 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

10 LEASES

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

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

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

Property, plant and equipment subject to finance lease agreements are capitalised at their cash equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life.

11 REVENUE RECOGNITION

11.1 Revenue from exchange transactions

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

- 11.1.1 Revenue arising from the application of the approved tariff of changes is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licenses and permits.
- 11.1.2 Service charges relating to Electricity and Water are based on consumption. Meters are read on a monthly basis and revenue is recognized when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on the consumption history. The provisional estimates of consumption are recognized as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognized as revenue in the invoicing period.
- 11.1.3 Service charges relating to solid waste, sanitation and sewerage are levied monthly in terms of the approved tariffs.
- 11.1.4 Interest earned on investments is recognised in the Statement of Financial Performance on a time proportionate basis that takes into account the effective yield on the investment.
- 11.1.5 Dividends are recognized when the Municipality's right to receive payment is established.
- 11.1.6 Revenue from the sale of goods is recognized when all the following conditions have been satisfied:
 - The Municipality has transferred to the buyer 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.

11.2 Revenue from non-exchange transactions

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

- 11.2.1 Revenue from rates is recognized when the legal entitlement to this revenue arises. Collection charges are recognized when such amounts are legally enforceable. Interest on unpaid rates is recognized on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable.

The same rate is charged to all categories. Rebates are granted to certain categories of ratepayers and are deducted from revenue.
- 11.2.2 Fines constitute both spot fines and summonses. Revenue from spot fines is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.
- 11.2.3 Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.
- 11.2.4 Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality
- 11.2.5 Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

12 INVENTORIES

Inventories consist of raw materials, work in progress, consumables and finished goods, which are valued at the lower of cost, determined on the first in, first out method, and net realisable value. Where it is held for distribution or consumption at no charge or for a nominal amount, inventories are valued at the lower of cost and current replacement value.

Cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Redundant and slow moving inventories are identified and written down with regard to their cost. Consumables are written down according to their age, condition and utility.

Stands available for sale during the next 12 months are recognised as inventory.

13 CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with all of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. The liability is transferred to revenue as and when the conditions attached to the grants are met. Grants without any conditions attached are recognised as revenue when the assets are recognised.

14 SEGMENTAL INFORMATION

Segmental information on Property, Plant and Equipment as well as income and expenditure is set out in Appendix C and D based on the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

15 VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the payment basis.

16 EMPLOYEES BENEFITS

16.1 Retirement Funds

The Municipality provides retirement benefits for its Employees and Councillors. The contribution to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

16.2 Medical Aid: Continued Members

The Municipality provides post retirement benefits by subsidising the medical aid contribution of certain retired staff. According to the rules of the medical aid funds, with which the Municipality is associated, a member (who is on the current conditions of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for 30% of the medical aid membership fee, and the Municipality for the remaining 70%.

These contributions are charged to the operating account when paid.

16.3 Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. Accrual is based on the total accrued leave days at year-end.

17 IMPAIRMENT OF ASSETS

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

Irrespective of whether there is any indication of impairment, the municipality also:

- test intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

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

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

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

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

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.D274

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

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1 RESERVES	2009	2008
	R	R
Capital Replacement Reserve	0	8,623,038
Future Depreciation Reserve		
- Assets financed ex Capitalisation Reserve		
- Assets financed ex Government Grants	62,413,591	59,353,734
- Assets financed ex Donations and Contributions	9,405,462	9,956,426
Self-insurance Reserve	500,000	955,419
Total Reserves	<u>72,319,053</u>	<u>78,888,617</u>

2 BORROWINGS

Local Registered Stock Loans	10,292,000	10,292,000
Annuity Loans	1,272,999	1,976,847
Annuity Loan INCA	22,711,993	23,911,403
Sinking Fund ABSA	20,000,000	20,000,000
Deferred Swap ABSA		
Sub-total	<u>54,276,992</u>	<u>56,180,250</u>
Less : Current portion transferred to current liabilities	2,166,192	1,882,289
Annuity Loans	812,170	682,879
Annuity Loan INCA	1,354,022	1,199,410
	<u>52,110,800</u>	<u>54,297,961</u>

Total External Loans

Refer to Appendix A for more detail on long-term liabilities

Local Registered Stock

An investment of R1,800,000.00 has been made with Liberty to repay the loan of R10,292,000 on maturity date. This loan bears interest on a variable rate and the value of the investment amounts to R10 516 978.

Annuity Loans

Bear interest at rates between 0% and 16,15% per annum and will be fully redeemed on 31 December 2010.

Annuity Loans INCA

Bear interest at a rate of 12,5%% per annum and will be fully redeemed on 31 December 2018.

This loan has been taken up to finance the purchase of land.

Excelsior 1000 Investment

An investment of R855 619 has been made with Liberty to repay a loan of R15 million on maturity date. The loan bears interest on variable rate and the value of the investment amounts to R838 756. The loan will be taken up in July 2009.

Sinking Fund

An investment of R6 982 292 has been made with BOE to repay a loan of R20 000 000 on maturity date. The loan bears interest on a variable rate and the value of the investment amounts to R14 509 615. The BOE investment has been ceded to ABSA

None of the loans are secured by any fixed or movable asset of The Greater Tzaneen Municipality.

3 FINANCE LEASE LIABILITY

	Minimum lease payment R	Future finance charges R	Present value of minimum lease payment R
30 June 2009			
Within one year			1,244,038
Within two to five years			8,397,694
	<u>0</u>	<u>0</u>	<u>9,641,732</u>
Less: Amount due for settlement within 12 months			<u>0</u>
			<u>9,641,732</u>

Fair values to be determined

	Minimum lease payment R	Future finance charges R	Present value of minimum lease payment R
30 June 2008			
Within one year			3,208,531
Within two to five years			9,641,732
	<u>0</u>	<u>0</u>	<u>12,850,263</u>
Less: Amount due for settlement within 12 months			<u>0</u>
			<u>12,850,263</u>

Fair values to be determined

4 CONSUMER DEPOSITS

	2009 R	2008 R
Water & Electricity	6,836,510	6,739,229
Total Consumer Deposits	<u>6,836,510</u>	<u>6,739,229</u>
Guarantees held in lieu of Electricity and Water Deposits	<u>3,100,000</u>	<u>3,051,960</u>

5 NON-CURRENT PROVISIONS

Provision for rehabilitation of landfill site	<u>1,962,096</u>	<u>0</u>
Balance at beginning of the year	0	0
Contributions to provision	<u>1,962,096</u>	<u>0</u>
Balance at end of the year	<u>1,962,096</u>	<u>0</u>

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation, discounted at 10% over an average period of 20 years. The due date of this provision is June 2027.

6 CURRENT PROVISIONS	2009 R	2008 R
Performance bonus	1,610,821	3,304,442
	<u>1,610,821</u>	<u>3,304,442</u>

Performance bonuses accrue to Section 57 Managers and HOD's on annual basis subject to certain conditions. The provision is an estimate of the amount due at the reporting date to staff.

Performance bonuses are paid one year in arrears as the assessment of eligible employees had not taken place at the end of the reporting period.

	<u>Performance Bonus</u>	<u>Performance Bonus</u>
Balance at beginning of year	3,304,442	1,569,729
Performance bonuses paid	-2,359,909	0
Contributions to provision	666,288	1,734,713
Balance at the end of year	<u>1,610,821</u>	<u>3,304,442</u>

7 ACCOUNTS PAYABLE

Trade creditors	43,578,508	24,583,778
Payments received in advance	4,882,521	683,028
13th Cheque	1,509,502	0
Staff leave	3,669,165	3,546,250
Retention	4,484,282	2,246,059
Unknown direct deposits	1,761,710	1,894,711
Other creditors	516,743	430,566
Total Creditors	<u>60,402,431</u>	<u>33,384,392</u>

8 VAT

Net VAT payables	<u>2,664,282</u>	<u>9,469,024</u>
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VAT is payable on the payments basis. Only once payment is received from debtors and payments made to suppliers, is VAT paid over to SARS.

9 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Conditional Grants from other spheres of Government	32,924,152	10,906,138
Finance Management Support	739,302	1,209,004
IDP Donations	0	0
Municipal System Upgrade	6,111,170	299,425
Grants RSC & Other	26,073,680	9,397,709
Total Conditional Grants and Receipts	<u>32,924,152</u>	<u>10,906,138</u>

LEAVE FOR PPE NOTE

11 INVESTMENTS

	2009 R	2008 R
Unlisted		
<u>Held-to-maturity investments</u>		
Fixed Deposits	25,865,349	21,658,065
Total Cash Investments	25,865,349	21,658,065
Councils' valuation of unlisted investments		
Liberty	838,756	0
BOE (Sinking Fund)	14,509,615	13,061,415
Liberty	10,516,978	8,596,650
	25,865,349	21,658,065

Investments have been made for the redemption of long - term loan liabilities. Refer to note 2 for more detail on long - term loans.

12 LONG-TERM RECEIVABLES

Loans To Staff	0	65,048
Vehicle loans	0	65,048
Other Loans	5,077,014	6,952,267
Electrical Connection	35,549	26,289
Sport clubs	0	0
Stand Loans	2,292,921	5,657,723
Other Debtors (El Gondor)	1,416,205	
Debtor Arrangements	1,332,339	1,268,255
LESS: Current portion transferred to current receivables	406,695	2,486,722
Loans To Staff	0	24,172
Vehicle loans	0	24,172
Other Loans	406,695	2,462,550
Electrical Connection	1,000	25,289
Sport clubs	0	0
Stand Loans	405,695	1,169,006
Debtor Arrangements	0	1,268,255
Less :Provision for bad debt	4,635,770	1,268,255
Total	34,549	3,262,338
Reconciliation of provision for bad debt		
Balance at beginning of year	1,268,255	0
Contributions to provision	3,367,515	1,268,255
Bad debts written off	0	0
Balance at end of year	4,635,770	1,268,255

LOANS TO STAFF AND THE PUBLIC

To comply with the requirements of the MFMA no loan has been made after 1 March 2004.

VEHICLE LOANS

Staff were entitled to vehicle loans which attracted interest between 9,4% and 9,9% per annum and which are repayable over a maximum period of 6 years. These loans were granted before the implementation of the MFMA.

12 LONG-TERM RECEIVABLES (CONTINUED)

OTHER LOANS

Electricity Connection

To encourage tenants to connect to the electricity service, a subsidy of 50% per connection were granted to finance the cost to consumers, with interest rates between 20% and 21%. These loans are repayable over a maximum period of five years and were granted before the implementation of the MFMA.

Stand Loans

Loans were made to enable people to purchase stands from Council. These loans are repayable over 6 years at a fixed interest rate of 18%.

Debtor Arrangements

Short-term debt repayment arrangements are engaged in to enable debtors to pay outstanding consumer accounts.

13 INVENTORY	2009	2008
	R	R
Consumable stores	7,935,372	6,741,864
Water	23,200	22,600
Stands	522,000	0
Total Inventory	8,480,572	6,764,464

14 RECEIVABLES	Gross Balance	Provision for	Net Balance
As at 30 June 2009	R	Bad Debts	R
Service debtors		R	
Rates	29,595,066	18,444,201	11,150,865
Electricity	28,182,539	6,917,119	21,265,420
Water	35,210,658	23,836,010	11,374,648
Sewer	8,663,591	6,016,752	2,646,839
Refuse	19,770,802	13,483,214	6,287,588
Total	121,422,656	68,697,296	52,725,360

As at 30 June 2008	Gross Balance	Provision for	Net Balance
Service debtors	R	Bad Debts	R
		R	
Rates	25,851,355	15,932,518	9,918,837
Electricity	20,902,754	3,750,208	17,152,546
Water	33,272,168	19,168,391	14,103,777
Sewer	7,924,495	5,626,469	2,298,026
Refuse	18,432,846	11,709,684	6,723,162
Total	106,383,618	56,187,270	50,196,348

	2009	2008
	R	R
Rates: Ageing		
Current (0 - 30 days)	7,973,819	7,810,119
31 - 60 Days	1,122,070	801,849
61 - 90 Days	1,222,106	652,137
91 - 120 Days	832,869	654,732
121 Days and longer	18,444,201	15,932,518
Total	29,595,065	25,851,355

Electricity: Ageing

(Current 0 - 30 Days)	18,793,307	12,017,540
31 - 60 Days	1,089,210	591,333
61 - 90 Days	749,519	182,542
91 - 120 Days	633,384	279,960
121 Days and longer	6,917,119	3,750,209
Payments made in advance	0	4,081,170
Total	28,182,539	20,902,754

Refuse removal: Ageing

(Current 0 - 30 Days)	4,517,593	4,538,542
31 - 60 Days	647,353	1,213,778
61 - 90 Days	570,028	445,932
91 - 120 Days	552,615	524,910
121 Days and longer	13,483,214	11,709,684
Total	19,770,803	18,432,846

Water: Ageing

(Current 0 - 30 Days)	6,198,735	8,742,560
31 - 60 Days	852,096	1,032,988
61 - 90 Days	945,513	643,232
91 - 120 Days	1,060,882	1,049,225
121 Days and longer	23,836,010	19,168,390
Indigent charge & Development cost	2,317,422	2,635,773
Total	35,210,658	33,272,168

Sewerage: Ageing

(Current 0 - 30 Days)	2,036,184	1,583,088
31 - 60 Days	198,085	287,268
61 - 90 Days	209,296	185,880
91 - 120 Days	203,274	241,790
121 Days and longer	6,016,752	5,626,469
Total	8,663,591	7,924,495

15 RECONCILIATION OF DOUBTFUL DEBT PROVISION

Balance at beginning of the year	56,187,270	51,278,754
Contributions to provision	14,527,328	7,890,400
Doubtful debts written off against provision	-2,017,302	-2,981,884
Balance at end of year	68,697,296	56,187,270

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

16 OTHER RECEIVABLES

	2009	2008
	R	R
Other debtors	24,598,870	20,336,229
Payments made in advance	4,882,521	683,026
Vehicle insurance	0	0
Bursary Loans	648,842	381,520
Deposit Petrol	9,808	9,808
Year end debtors	2,649,334	5,849,916
Relocation loans	0	0
Other	16,408,365	13,411,959
Less : Provision for bad debt	13,423,717	9,908,440
Total Other Debtors	11,175,153	10,427,789

16 OTHER RECEIVABLES (Continued)

2009
R

2008
R

Reconciliation of provision for bad debt

Balance at beginning of year	9,908,440	13,103,328
Contributions/ (Reversal) to provision	3,515,277	-3,194,888
Bad debts written off	0	0
Balance at end of year	13,423,717	9,908,440

17 BANK, CASH AND OVERDRAFT BALANCES

The Municipality has the following bank accounts:

Current bank account (Primary bank account)

ABSA Bank - Tzaneen Branch
Account number - 1260850527

Cash book balance at beginning of year	-12,895,065	-21,698,065
Cash book balance at end of year	257,085	-12,895,065

EFF Bank Acc

ABSA Bank - Tzaneen Branch
Account number - 4056018122

Bank statement balance at beginning of year	63,325	62,925
Bank statement balance at end of year	62,925	63,325

AFF Bank Acc

ABSA Bank - Tzaneen Branch
Account number - 4056017980

Bank statement balance at beginning of year	4,747	4,765
Bank statement balance at end of year	4,765	4,747

Rates & General

ABSA Bank - Tzaneen Branch
Account number - 4051444332

Bank statement balance at beginning of year	0	0
Bank statement balance at end of year	0	0

Grants Account

ABSA Bank - Tzaneen Branch
Account number - 9093767307

Bank statement balance at beginning of year	1,142,759	243,206
Bank statement balance at end of year	247,680	1,142,759

ABSA Bank - Tzaneen Branch
Account number - 4056018237

Bank statement balance at beginning of year	24,836	24,711
Bank statement balance at end of year	24,711	24,836

ABSA Bank - Tzaneen Branch
Account number - 4048964222

Bank statement balance at beginning of year	12,922,652	42,243,498
Bank statement balance at end of year	1,791,037	12,922,652

ABSA Bank - Tzaneen Branch
Account number - 9081974990

Cash book balance at beginning of year	10,346	24,460
Cash book balance at end of year	10,612	10,346

18 PROPERTY RATES

	2009 R	2008 R
Actual		
Residential	9,152,298	16,671,009
Commercial	5,824,190	10,603,643
State	832,027	583,377
Other	11,925,722	1,115,395
Total Assessment Rates	27,734,237	28,973,424

Valuations

	July 2009 R000's	July 2008 R000's
Residential	3,055,253	1,125,060
Commercial	1,878,084	571,079
State	970,340	46,385
Municipal	249,778	1,521
Agriculture	4,161,309	1,107,912
Other	285,108	23,590
Total Property valuations	10,599,872	2,875,547

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2008. Interim valuations are processed on a monthly basis to take into account changes in individual property values due to alterations and subdivisions. The same rate is applied on different categories of property and improvement valuations to determine assessment rates. Rebates are granted on various categories of properties. Interest at prime rate plus 1% is levied on outstanding rates and the prime rate of ABSA applies.

19 SERVICE CHARGES

Sale of water	14,561,318	15,084,432
Sewer charges	3,921,092	4,325,947
Sale of electricity	169,473,531	134,710,778
Refuse removal	14,290,014	12,769,760
Indigent Charges	231,015	857,117
Water penalties	0	0
Other	2,327,577	2,550,534
Total Service Charges	204,804,547	170,298,568

20 GOVERNMENT GRANTS AND SUBSIDIES

Free Basic Water	3,030,073	5,894,645
National MSIG		16,556,012
Provincial Local Government	93,636	-466
Private Sector	103,236	
Development Bank of SA	624,774	
Finance Management Grant	969,701	
Equitable share	93,728,574	71,241,184
SETA	126,234	197,586
MIG	21,340,736	
Vuna Awards		
Grant: Department of Trade & Mineral	2,894,385	
National - Electrification Grant	1,617,453	
Valuation Roll		500,000
	124,528,802	94,388,961

20 GOVERNMENT GRANTS AND SUBSIDIES (continued)

	2009 R	2008 R
Free Basic Water		
Balance unspent at beginning of year	299,425	0
Current year receipts	8,841,818	5,894,646
Conditions met - transferred to revenue	-3,030,073	-5,894,646
Conditions still to be met - transferred to liabilities	<u>6,111,170</u>	<u>0</u>

This Grant is used to alleviate poverty and ensure that services are rendered to the community and that no one is denied access to water supply because they are unable to pay. The fund helps with providing free basic water equivalent to 6 kiloliters free per month.

Provincial Local Government

Balance unspent at beginning of year	-596,693	-48,052
Current year receipts	0	371,700
Conditions met - transferred to revenue	-93,636	-1,197,580
Conditions still to be met - transferred to liabilities	<u>-690,329</u>	<u>-873,932</u>

The funds are used to provide services such as: upgrading of sporting facilities, Cattle Pounding, PHP Housing Projects and Fruit and nuts.

Drought Relief Programme

Balance unspent at beginning of year	30,702	30,702
Current year receipts	0	0
Conditions met - transferred to revenue	0	0
Conditions still to be met - transferred to liabilities	<u>30,702</u>	<u>30,702</u>

The grant is targeting communities without primary potable water, mainly attributed by drought. The aim is to provide primary water to a minimum of 25lt per day in the proposed area.

MFMG

Balance unspent at beginning of year	1,209,004	1,409,537
Current year receipts	500,000	501,851
Conditions met - transferred to revenue	-969,701	-702,384
Conditions still to be met - transferred to liabilities	<u>739,303</u>	<u>1,209,004</u>

MFMG funds are used to facilitate GAMAP and MFMA. To capacitate employees by having programmes such as: The Municipal Finance Management Internship Programme

Equitable Share

Balance unspent at beginning of year	0	0
Current year receipts	93,728,574	71,241,184
Conditions met - transferred to revenue	-93,728,574	-71,241,184
Conditions still to be met - transferred to liabilities	<u>0</u>	<u>0</u>

The equitable share is allocated to the different Municipal Basic Services and institutions to provide basic services to low income household.

20 GOVERNMENT GRANTS AND SUBSIDIES (continued)

2009
R

2008
R

SETA

Balance unspent at beginning of year	1,195,999	1,213,048
Current year receipts	344,193	180,537
Conditions met - transferred to revenue	-126,234	-197,586
Conditions still to be met - transferred to liabilities	<u>1,413,958</u>	<u>1,195,999</u>

The grant is used to pay for training courses. It supplement/augment the funds on the training vote. It is used to set off the primary and secondary skills development facilitators when they are out of the office on skills development related matters.

MIG Grant

Balance unspent at beginning of year	7,333,997	2,171,903
Current year receipts	19,941,000	21,718,106
Conditions met - transferred to revenue	-21,340,736	-16,556,012
Conditions still to be met - transferred to liabilities	<u>5,934,261</u>	<u>7,333,997</u>

MIG Funds are used to upgrade and build new infrastructure up to a basic level of service as well as to rehabilitate existing infrastructure for the poorest of poor.

Vuna Awards

Balance unspent at beginning of year	0	8,889
Current year receipts	0	0
Conditions met - transferred to revenue	0	0
Conditions still to be met - transferred to liabilities	<u>0</u>	<u>8,889</u>

The Vuna Award funds were utilised to cover for the CBP (community based projects) process funding, five community projects funding and capacity building.

Department of Trade & Mineral

Balance unspent at beginning of year	-76,458	4,121,762
Current year receipts	5,693,231	0
Conditions met - transferred to revenue	-2,894,385	-4,198,220
Conditions still to be met - transferred to liabilities	<u>2,722,388</u>	<u>-76,458</u>

The main aim of this grant was to supply the farmers(workers) with electricity and the funds were used for the electrification of the farmers houses (the workers house) within the GTM these was according to the DME (Department of minerals and Energy standards).

National Electrification Grant

Balance unspent at beginning of year	1,117,933	1,916,570
Current year receipts	14,098,000	1,120,000
Conditions met - transferred to revenue	-1,617,453	-1,918,637
Conditions still to be met - transferred to liabilities	<u>13,598,480</u>	<u>1,117,933</u>

The grant was used for electrification of farm labour housing and schools

20 GOVERNMENT GRANTS AND SUBSIDIES (continued)

	2009 R	2008 R
Community Based Projects		
Balance unspent at beginning of year	415,325	11,248
Current year receipts	0	404,077
Conditions met - transferred to revenue	0	
Conditions still to be met - transferred to liabilities	<u>415,325</u>	<u>415,325</u>

The funds were used for the training of lead facilitators, ward-based facilitators and lastly community based projects roll out to the wards. This process took place from December 2003 until to date.

Umsombovu Youth Fund

Balance unspent at beginning of year	60,978	0
Current year receipts	0	150,938
Conditions met - transferred to revenue	-51,170	-89,960
Conditions still to be met - transferred to liabilities	<u>9,808</u>	<u>60,978</u>

EU GRANT

FRUIT & NUT CLUSTER

Balance unspent at beginning of year	367,808	0
Current year receipts		0
Conditions met - transferred to revenue	-624,774	0
Conditions still to be met - transferred to liabilities	<u>-256,966</u>	<u>0</u>

NEIGHBOURHOOD GRANT

Balance unspent at beginning of year	0	0
Current year receipts	3,000,000	0
Conditions met - transferred to revenue		0
Conditions still to be met - transferred to liabilities	<u>3,000,000</u>	<u>0</u>

CLEANEST TOWN

Balance unspent at beginning of year	150,766	0
Current year receipts		0
Conditions met - transferred to revenue		0
Conditions still to be met - transferred to liabilities	<u>150,766</u>	<u>0</u>

MSIG - ESTABLISHMENT GRANT

Balance unspent at beginning of year	4,595	0
Current year receipts	400,000	0
Conditions met - transferred to revenue		0
Conditions still to be met - transferred to liabilities	<u>404,595</u>	<u>0</u>

CATTLE POUND

Balance unspent at beginning of year	-24,313	0
Current year receipts		0
Conditions met - transferred to revenue		0
Conditions still to be met - transferred to liabilities	<u>-24,313</u>	<u>0</u>

UPGRADING SPORT FACILITIES

Balance unspent at beginning of year	152,687	0
Current year receipts		0
Conditions met - transferred to revenue	-52,066	0
Conditions still to be met - transferred to liabilities	<u>100,622</u>	<u>0</u>

The funds are used for the lunching of the project, also to pay for the insurance and the graduation of the Youth that are in the project.

CHANGES IN LEVELS OF GOVERNMENT GRANTS

2009
R

2008
R

Based on the allocation set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years

21 OTHER INCOME

Sale of Investment properties	18,594	105,583
Insurance claims	645,809	484,523
Public contributions	0	0
Other income	2,764,101	2,114,444
Provision for motor vehicle licences	0	0
Total other Income	3,428,504	2,704,550

22 EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	87,422,853	81,236,067
Employee related costs - Social contributions	18,612,652	17,662,783
Travel allowance	4,167,411	3,940,059
Housing allowance	794,000	661,964
Overtime payments	7,890,680	6,146,813
Performance bonus	2,692,805	341,234
Long service awards	0	0
Less: Employee costs capitalised to Property, Plant and Equip	0	0
Less: Employee costs included in other expenses	53,934,085	52,037,749
Total Employee Related Costs	67,646,316	57,951,171

There were no advances to employees.

Remuneration of the Municipal Manager

Annual Remuneration	916,029	808,057
Performance Bonuses	37,590	0
Total	953,619	808,057

Remuneration of the Chief Finance Officer

Annual Remuneration	764,491	594,787
Performance Bonuses	55,337	0
Total	819,828	594,787

Remuneration of Individual Managers

30 June 2009

	Technical Services R	Corporate Services R	Community Services R
Annual Remuneration	1,319,398	703,995	2,438,386
Performance Bonuses	43,831	55,337	72,855
Total	1,363,229	759,332	2,511,241

22 EMPLOYEE RELATED COSTS (coninued)

<i>Remuneration of Individual Managers</i>	Technical Services	Corporate Services	Community Services
30 June 2008	R	R	R
Annual Remuneration	1,222,932	594,787	1,685,230
Performance Bonuses	0	0	0
Total	1,222,932	594,787	1,685,230

23 REMUNERATION OF COUNCILLORS

	2009	2008
	R	R
Mayor	571,982	483,652
Councillors Allowances	9,739,429	8,257,486
Executive Committee Allowances	1,160,803	1,009,197
Councillors pension contribution	0	0
Speaker Allowances	464,441	389,996
Full Time Councillors	2,171,766	1,832,915
Medical Fund Contributions		
	14,108,421	11,973,246

In-kind Benefits

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

The Mayor has use of a Council owned vehicle for official duties.

The Mayor has one full-time Secretary and one pa.

24 Repairs & Maintenance

Machinery & Equipment	5,309,781	5,607,392
Lawnmowers	2,244,161	2,049,117
Distribution Networks	22,769,396	27,179,743
Stormwater Drainage & Bridges	6,565,501	5,862,002
Tarred Roads	3,618,640	3,205,108
Gravel Roads	8,082,981	5,364,779
Sidewalks & Pavements	3,684,920	3,087,422
Streetlights	729,655	674,904
Council-Owned Land	6,857,630	5,565,576
Council-Owned Buildings	5,440,444	4,996,183
Council-Owned Vehicles	13,822,977	9,175,382
Non-Council-Owned Assets - Contractors	163,363	322,451
Others	1,616,918	1,377,340
Total Repairs & Maintenance	80,906,367	74,467,399

25 INTEREST ON EXTERNAL BORROWINGS

Long term liabilities	7,656,892	8,614,110
Finance leases	1,786,529	0
Bank overdrafts	335,115	1,108,101
Total Interest on External Borrowings	9,778,536	9,722,211

26 BULK PURCHASES	2009	2008
	R	R
Water	1,296,974	1,024,376
Electricity	93,161,971	67,646,477
Total Bulk Purchases	94,458,945	68,670,853

27 CONTRACTED SERVICES

Contracted services for:		
Information Technology	1,741,790	1,689,680
Meter reading	1,970,115	1,939,008
Security Services	3,502,302	3,400,684
Refuse removal	5,259,030	4,212,909
Cleaning Services	6,608,981	4,128,065
Valuation roll	610,607	2,392,724
Town Planning	82,190	8,080
Aerodrum	167,678	165,607
Water Supply	2,220,392	487,711
	22,163,085	18,424,468

28 GRANTS & SUBSIDIES PAID

Museum		33,326
Sport Council	106,644	106,644
SPCA	37,770	37,770
Arts & Cultural		
Mayor Special Account	65,840	9,283
Mayor Bursary Account	144,465	
Eskom EBSST	3,077,432	2,508,905
Farm labour housing		
Seta (Training)	126,234	197,586
Community based projects		
Finance Management Grant		
Fruit & Nut Cluster		
Electrification Grant		
PMS Evaluation		
Vuna Awards		
Tours Water Treatment		
Department of Trade & Mineral	2,894,385	
LIMAC		
BMK Elect. & Greyling Const. Boreholes		
Free Basic Services		
Upgrading Sport Facilities		
HPH	93,636	
Other grants	3,644,102	10,000
	10,190,508	2,903,514

29 General Expenses	2009	2008
	R	R
Auditors Fees	1,743,823	1,479,735
Consumable Domestic Items	576,001	406,872
Fuel - Vehicles	3,403,420	2,999,325
Insurance	3,872,663	4,339,578
Insurance Claims Own Expenditure	5,510,903	1,500,585
Leases - Photocopiers	855,829	595,768
Membership Fees - Salga	424,776	363,945
Non-Capital Tools & Equipment	430,130	271,684
Postage & Courier Fees	693,909	542,157
Printing & Stationery	982,903	864,622
Prodiba Share - Drivers Licence Fee	0	669,150
Protective Clothing	564,876	426,955
Provincial Share - Vehicle Licence Fee	0	0
Public Education And Training	197,897	56,288
Rent - Telephone Exchange	620,431	589,633
Rental Computer	197,552	421,681
Subsistence & Travelling Expenses	1,860,671	1,331,694
Telephone	1,233,738	1,388,859
Training Costs	787,151	242,264
Others	5,158,834	9,586,810
Total General Expenses	<u>29,115,507</u>	<u>28,077,605</u>

30 CORRECTION OF PRIOR PERIOD ERROR

During the year ended 30 June 2008, the finance lease liability was not recognised. The comparative amount has been restated as follows:

Correction of finance lease liability attributed to the 2008 Financial Year	<u><u>12,850,263</u></u>
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31 GAIN / (LOSS) ON SALE OF ASSETS

Property plant and equipment	0	2,471,202
Other financial assets	0	0
Total Gain / (Loss) on sale of assets	<u>0</u>	<u>2,471,202</u>

32 CASH GENERATED BY OPERATIONS

Net surplus for the year	14,080,640	6,088,405
Adjustments for:		
Depreciation	19,050,709	20,133,997
Gain on disposal of property plant & equipment	0	-2,471,202
Contributions to Provisions - non- current	1,962,096	164,984
Contributions to Provisions current	-2,017,302	
Transfers	-418,488	0
Interest received	-9,683,754	-6,653,359
Interest Paid	9,778,536	8,614,110
Operational surplus before working capital changes	<u>32,752,437</u>	<u>25,876,935</u>
Increase in inventories	-1,718,324	-334,809
Increase in Debtors	-1,865,190	-1,234,618
Decrease in other debtors	-747,364	58,463
Increase in Conditional Grants	22,018,014	-591,469
Increase in Creditors	18,803,579	3,512,289
Cash generated by operations	<u>69,243,152</u>	<u>27,286,791</u>

33 CASH AND CASH EQUIVALENTS

	2009	2008
	R	R
Balance at the end of the year	257,085	-12,895,065
Balance at the beginning of the year	-12,895,065	-21,673,605
Net increase / (decrease) in cash and cash equivalents	<u>13,152,150</u>	<u>8,778,540</u>

34 UTILISATION ON LONG-TERM LIABILITIES RECONCILIATION

Long term liabilities	54,276,992	56,180,250
Used to finance property, Plant and equipment	15,000,000	41,173,962
Sub-Total	<u>39,276,992</u>	<u>15,006,288</u>
Cash set aside for the repayment of loans		
Cash invested for repayment of loans	15,000,000	21,658,065
Cash invested for repayment of external loans	<u>54,276,992</u>	<u>36,664,353</u>

External loans have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that external loans can be repaid on redemption date. See notes 2 for more detail

35 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**Unauthorised expenditure**

Reconciliation of unauthorised expenditure

Opening Balance	0	0
Unauthorised expenditure for the year	0	13,788,140
Approved by council	0	-13,788,140
Closing balance	<u>0</u>	<u>0</u>

Incident

Unbudgeted expenditure

Disciplinary steps / Criminal proceedings

None

Irregular fruitless and wasteful expenditure

	2009	2008
	R	R
Reconciliation of fruitless and wasteful expenditure		
Opening balance	0	0
Fruitless and wasteful expenditure		
Interest charged	0	29,063
Penalties charged	0	172,499
Salaries - Once-off payments		
S Mokhashoa	1,117,228	0
V Maake	1,742,421	0
Loss of cash due to fraud	914,682	
Transfer to Statement of Financial Performance	-3,774,331	-201,562
Closing balance	<u>0</u>	<u>0</u>

Incident

Payments relate to once-off payments made to employees that were dismissed during the year.

Loss of cash was due to fraud identified during the year. A forensic audit relating to the fraud identified was carried out.

Disciplinary steps / Criminal proceedings

The municipality is in the process of instituting criminal proceedings against the accused parties.

Reconciliation of irregular expenditure	2009	2008
	R	R
Opening balance	0	0
Irregular expenditure	32,924,152	300,000
Transfer to Statement of Financial Performance	0	-300,000
Closing balance	32,924,152	0

Incident

Cash received to fund conditional grants were utilised for the municipality's operations

Disciplinary steps / Criminal proceedings

None

36 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

Contributions to SALGA

Opening balance	0	0
Council subscriptions	424,776	363,945
Amount paid - current year	-424,776	-363,945
Balance unpaid (included in creditors)	0	0

Audit Fees

Opening balance	0	0
Current year audit fee	1,743,823	1,479,735
Amount paid - Current year	-1,743,823	-1,479,735
Balance unpaid (included in creditors)	0	0

VAT

2009	2008
R	R

VAT are shown in notes 8. All VAT returns have been submitted by the due date throughout the year.

PAYE AND UIF

Opening balance	0	0
Current year payroll deductions	20,277,023	16,312,725
Amount paid - current year	-20,277,023	-16,312,725
Balance unpaid (included in creditors)	0	0

Pension and Medical Aid Deductions

Opening balance	0	0
Current year payroll deductions and Control Contributions	27,196,256	24,431,468
Amount paid - Current year	-27,196,256	-24,431,468
Balance unpaid (included in creditors)	0	0

The balance represents pension and medical aid contributions deducted from employees in the June 2009 payroll as well as Council's contribution to pension and medical aid funds. These amounts were paid during July 2009

36 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

Councillor's arrear consumer accounts

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

30th June 2009

	Total	Outstanding less than 90 days	Outstanding more than 90 days
	R	R	R
Councillor G Baloyi	493	0	493
Councillor WM Mogoboya	587	423	164
Total Councillor Arrear Consumer Accounts	1,080	423	657

30th June 2008

	Total	Outstanding less than 90 days	Outstanding more than 90 days
	R	R	R
Councillor ST Mapimele	1,606	949	657
Councillor M Sibiyi	1,489	621	868
Total Councillor Arrear Consumer Accounts	3,095	1,570	1,525

During the Year the following Councillors had arrear accounts outstanding for more than 90 days

30th June 2009

	Highest Amount Outstanding	Ageing
	R	R
Councillor G Baloyi	493	120 Days
Councillor WM Mogoboya	27	120 Days

30th June 2008

	Highest Amount Outstanding	Ageing
	R	R
Councillor ST Mapimele	949	120 Days
Councillor M Sibiyi	621	120 Days

37 NON-COMPLIANCE WITH CHAPTER 11 OF THE MUNICIPAL FINANCE MANAGEMENT ACT

Refer to Schedule 1 attached.

38 CAPITAL COMMITMENTS

	2009 R	2008 R
Commitments in respect of capital expenditure:		
- Approved and contracted for	0	29,605,000
Infrastructure	0	29,605,000
Community	0	
Heritage		
Other		
Housing Development Fund		
Investment Properties		
- Approved but not yet contracted for	156,540,000	40,000,000
Infrastructure	143,276,355	40,000,000
Community	12,263,645	
Heritage		
Other	1,000,000	
Housing Development Fund		
Investment Properties		
Total	156,540,000	69,605,000
This expenditure will be financed from:		
- Internal Advances	21,000,000	25,000,000
- External Loans	75,000,000	15,000,000
- Capital Replacement Reserve		
- Government Grants	25,829,000	1,601,000
- Electronic Project Grant		
- MIG Grants	34,711,000	28,004,000
	156,540,000	69,605,000

39 RETIREMENT BENEFIT INFORMATION

Joint Municipal Pension Fund

The last valuations of the Joint Municipal Pension Fund was done on 30 September 2008.

The results of the valuation (with provision for some future pension increases) are as follows

Actuarial Valuation	2009 R'000	2008 R'000
Actuarial value of Assets	1,942,228	2,201,405
Total accrued liabilities	1,794,944	1,779,695
Solvency reserve	147,284	339,579
Surplus / (Deficit)	<u>0</u>	<u>82,131</u>
Funding level (including solvency)	100.0%	
Funding level (excluding solvency)	108.2%	

Municipal Employees Gratuity Fund

The last valuation of the Municipal Employees Gratuity Fund was done on 30 June 2008

Actuarial Valuation	2009 R'000	2008 R'000
Share account	7,988,316	7,866,593
Reserve Account	116,050	126,977
Value of Fund 30 June 2007	<u>8,104,366</u>	<u>7,993,570</u>

The fund is financial sound for the requirements of the Pension Fund Act.

Municipal Employees Pension Fund

Actuarial Valuation	29/02/2008 R'000	28/02/2005 R'000
Assets	5,715,557	3,046,791
Liabilities	4,900,548	2,654,108
Contingency Reserves	382,289	196,571
Surplus/(Deficit)	<u>432,720</u>	<u>196,112</u>

This represents a funding level of 108.2%.

Imatu Retirement Fund

The above mentioned fund is a defined contribution fund and according to regulation 2 of the Pension Fund of 1956 exempt from the provisions of sections 9A and 16 of the Act.

40 CONTINGENT LIABILITY	2009 R	2008 R
Paper guarantees housing loan (ABSA)	<u>1,000,000</u>	<u>1,000,000</u>

A paper guaranty of R1 million has been negotiated with ABSA on behalf of officials in respect of housing loans. No collateral is needed by ABSA on housing loans.

The Municipality is being sued for by a member of the public due to injuries sustained when she fell into an unmarked trench digged by the Municipality. The contingent liability includes legal cost of R35 000.

	<u>0</u>	<u>100,000</u>
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The municipality is being sued by a member of the public for R708 446.78 for unlawfull arrest, detained, assaulted and publicly degraded by a Traffic Officer

	<u>708,446</u>	<u>0</u>
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The Municipality is being sued by 2 members of the public Helen Maimela for R100 000 each for unlawful prosecution by our traffic department.

	<u>200,000</u>	<u>200,000</u>
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41 RELATED PARTIES

Refer to Schedule 2 attached.

42 FINANCIAL INSTRUMENTS

The main risks of the Municipality are interest rate risk, liquidity risk, credit risk and the fair value of financial instruments.

Interest rate risk

The Municipality is exposed to interest rate risk on its investments and long term borrowings.

This risk is managed by investing in investments with different maturity dates. This enables the Municipality to re-allocate some of the investments in the event of major fluctuations in the interest rates. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings at fixed rates expose the municipality to fair value interest rate risk.

42 FINANCIAL INSTRUMENTS (Continued)

Currency risk

The Municipality does not have currency risk as in terms of section 163 of the Municipal Finance Management Act, No. 56 of 2003, no municipality may incur a liability or risk payable in a foreign currency.

Liquidity risk

The Municipality's risk to liquidity is a result of the funds available to cover future commitments. The Municipality's policy on counterpart credit exposures ensures that only counterparties of a high credit standing are used for the investments of any excess cash.

Credit risk

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

The utilisation of credit limits is regularly monitored.

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

Long term liabilities - ABSA	-20,000,000	-20,000,000
Long term liabilities - INCA	-22,711,993	-23,911,403
Long term liabilities - DBSA	-11,564,999	-12,268,847
Finance lease liability	-10,943,101	-12,850,263
Investments - BOE	14,509,615	13,061,415
Investments - Liberty	11,355,734	8,596,650
Non-current receivables	441,244	5,749,060
Trade and other receivables	52,725,360	50,196,348
Other receivables	11,175,153	10,427,789
Cash and cash equivalents	257,085	-12,895,065
Trade and other payables	-60,402,431	-33,384,392
Consumer deposits	-6,836,510	-6,739,229
VAT payable	-2,664,282	-9,469,024
Unspent conditional grants and receipts	-32,924,152	-10,906,138
	<u>-77,583,277</u>	<u>-54,393,099</u>

These balances represent the maximum exposure to credit risk

Counterparties

The Municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty. The Municipality has no significant concentration of credit risk with any single counterparty or a group of counterparties.

43 COMPARISON WITH THE BUDGET

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

44 GOING CONCERN

The following factors were noted by management

- Current liabilities exceeded current assets by R 33 559 523 at 30 June 2009
- Grant monies received appear to have been utilized to fund operational expenditure.

Debt collection, cash management and expenditure management was overseen by management in line with the financial recovery plan implemented in the previous financial period. Management is of the opinion that this plan adequately mitigates the going concern risk.

GREATER TZANEEN MUNICIPALITY
PROPERTY, PLANT AND EQUIPMENT

10

	COST						ACCUMULATED DEPRECIATION						BUDGET ADDITIONS 2009	
	OPENING BALANCE	ADDITIONS	ADDITIONS UNDER CONSTRUCTION 2009	BALANCE UNDER CONSTRUCTION 2009	DISPOSALS	IMPAIRMENT	CLOSING BALANCE	OPENING BALANCE	ADDITIONS	DISPOSALS	IMPAIRMENT	CLOSING BALANCE		CARRYING VALUE
2009														
Infrastructure	266,686,376	25,055,983	27,682,283	616,779	5,364,195	21,539,971	292,500,476	133,854,689	13,143,949	3,269,362	7,388,425	136,340,830	156,169,646	53,245,000
Community Assets	35,781,492	1,320,568	0	0	906,772	0	36,195,308	8,394,418	1,176,161	619,469	0	8,543,510	27,251,798	0
Land	31,330,592	0	0	0	4,033,635	0	27,295,957	0	0	0	0	0	27,295,957	0
Other Assets	43,764,866	568,099	0	0	231,678	0	43,601,309	29,849,477	1,136,738	394,133	0	30,592,062	13,009,227	1,360,000
Investment Properties	551,462	0	0	0	551,462	0	0	0	0	0	0	0	0	0
Finance Lease Assets	16,611,638	0	0	0	0	0	16,611,638	3,815,932	3,891,862	0	0	7,407,654	9,203,764	0
Total carried forward	394,706,445	28,944,670	27,682,283	616,779	11,687,738	21,539,971	416,205,689	175,904,964	19,050,710	4,282,964	7,388,425	183,284,276	232,921,413	54,605,000

	COST						ACCUMULATED DEPRECIATION						BUDGET ADDITIONS 2008	
	OPENING BALANCE	ADDITIONS	ADDITIONS UNDER CONSTRUCTION 2008	BALANCE UNDER CONSTRUCTION 2008	DISPOSALS	IMPAIRMENT	CLOSING BALANCE	OPENING BALANCE	ADDITIONS	DISPOSALS	IMPAIRMENT	CLOSING BALANCE		CARRYING VALUE
2008														
Infrastructure	253,225,292	4,134,874	12,783,268	1,248,304	0	0	270,143,435	116,132,449	17,722,219	0	0	133,854,668	136,288,767	28,888,000
Community Assets	33,043,204	2,432,046	0	0	0	0	35,475,250	7,372,443	966,444	0	0	6,336,686	27,136,664	10,000,000
Land	24,228,627	0	0	0	0	0	24,228,627	0	0	0	0	0	24,228,627	0
Other Assets	36,301,648	56,441	0	0	0	0	36,358,089	28,450,275	1,445,334	0	0	29,895,610	6,462,479	0
Investment Properties	11,889,407	0	0	522,962	0	0	11,889,407	0	0	0	0	0	11,889,407	0
Total carried forward	358,686,178	6,623,361	12,783,268	1,771,266	0	0	378,094,809	151,954,966	20,133,997	0	0	172,088,964	206,005,844	38,888,000

Refer to Appendix B for more detail on property, plant and equipment, including those in the course of construction.

Unbundling of assets
The municipality has not yet unbundled all its assets

GREATER TZANEEN MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2009

SCHEDULE 1

Deviations of supply chain management processes

Description of bids	Bid number	Relevant Section	BEC recommendation	BAC recommendation	Awarded to	Amount of award
EXTENSION: All the extensions are attached. DEVIATION: 1) The appointment of a bidder to construct Maramitwa Taxi Rank	MIG/LP0620/TR/0708/	36	Bathopele Services providers	Mabake Construction	Mabake Construction	2,325,908.37
2) Re-gravelling and re-drainage construction of Maritroni village access road	MIG/LP0634/R,ST/06/08	36	Quality Plant Hire	Quality Plant Hire	Makgetsi Construction	1,349,938.41

GREATER TZANEEN MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2009

SCHEDULE 2

RELATED PARTIES

**Related party transactions awarded to
 Councillors or Officials in service of State**

Name of person	Capacity in which person is in service	Successful tenderer	Contract No	Amount of award
MS Maluleke	Law enforcement Officer	Universal Vision Building Construction Business Enterprise		R 58,485
MK Makhubele	Safety and Security Officer	Phewani Multi Services		R 903,491
JH Nkwini	Councillor Chief Whip	Vhila Vhila Construction		R 13,500

**APPENDIX A
GREATER TZANEEN MUNICIPALITY**

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2009

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 30-06-2008	Received during the period	Redeemed written off during the period	Balance at 30-06-2009	Carrying Value of Property Plant & Equip	Other Costs in accordance with the MFMA
LONG-TERM LOANS		2009						
DBSA			10,292,000			10,292,000		
TOTAL LONG-TERM LOANS			10,292,000	0	0	10,292,000	0	0
ANNUITY LOAN			25,888,250	0	1,903,258	23,984,992		
TOTAL ANNUITY LOANS			25,888,250	0	1,903,258	23,984,992	0	0
SINKING FUND ABSA			20,000,000			20,000,000		
TOTAL SINKING FUND			20,000,000	0	0	20,000,000	0	0
TOTAL EXTERNAL LOANS			56,180,250	0	1,903,258	54,276,992	0	0

**APPENDIX B
GREATER TZANEEN MUNICIPALITY**

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009

	COST										ACCUMULATED DEPRECIATION				BUDGET ADDITIONS 2009
	OPENING BALANCE	ADDITIONS	ADDITIONS UNDER CONSTRUCTION 2009	BALANCE UNDER CONSTRUCTION 2009	WRITE OFFS	IMPAIRMENT	CLOSING BALANCE	OPENING BALANCE	ADDITIONS	WRITE OFFS	IMPAIRMENT	CLOSING BALANCE	CARRYING VALUE		
Infrastructure															
Car parks,Taxi Ranks	71,389.44	0	0	0	0	0	71,389	9,519	2,380	0	0	11,898	59,491	10,000,000	
Elec reticulation	7,784,216.94	9,267,074	0	0	1,502,561	0	15,548,730	1,196,490	306,132	300,512	0	1,202,110	14,346,820	1,601,000	
Electricity	94,728,406.45	1,069,914	0	0	203,538	0	95,994,782	47,240,540	3,568,618	143,592	0	50,665,566	44,829,216	0	
Land & Buildings	1,168,577.76	0	0	0	0	0	1,168,578	229,082	48,977	0	0	278,069	890,509	29,397,000	
Roads	110,072,232.18	2,839,053	27,682,283	616,779	2,700,000	21,539,971	116,353,598	62,192,403	6,742,401	2,330,000	7,388,425	59,216,379	57,137,219	0	
Roads & pavements	4,439,630.60	0	0	0	0	0	4,439,631	443,514	95,539	0	0	539,053	955,387	0	
Refuse sites	3,528,933.35	11,879,941	0	0	0	0	15,408,875	0	0	0	0	149,882	15,258,992	12,247,000	
Sewerage	10,994,604.64	0	0	0	107,334	0	10,887,271	4,607,050	508,620	101,967	0	5,013,703	5,873,567	0	
Sewerage & purification	3,973,071.23	0	0	0	3,973,071	0	7,129,555	178,239	178,239	0	0	891,193	3,081,878	0	
Water	32,619,523.59	0	0	0	850,761	0	31,768,762	17,183,708	1,530,311	393,290	0	18,320,729	13,448,034	0	
Water & reservoirs	230,980.73	0	0	0	0	0	230,981	39,398	12,849	0	0	52,247	178,734	0	
	266,666,376	25,055,983	27,682,283	616,779	5,364,195	21,539,971	292,500,477	133,854,668	13,143,949	3,269,362	7,388,425	136,340,830	156,159,647	53,245,000	
Community Assets															
Airports	1,109,060.15	0	0	0	0	0	1,109,060	1,032,466	33,019	0	0	1,065,485	43,575	0	
Buildings	5,697,100.01	0	0	0	309,068	0	5,388,032	2,697,823	177,995	167,107	0	2,708,311	2,679,721	0	
Housing	4,979,356.07	0	0	0	0	0	4,979,356	0	0	0	0	4,979,356	0	0	
Land & Buildings	1,411,025.43	0	0	0	0	0	1,411,025	132,470	64,808	0	0	197,278	1,213,747	0	
Parks	5,946,687.75	0	0	0	0	0	5,946,688	596,946	296,467	0	0	6,843,113	5,053,275	0	
Pedestrian Paths	3,262,200.22	0	0	0	0	0	3,262,200	2,454,860	162,416	0	0	2,617,275	644,925	0	
Recreational Facilities	1,409,195.00	0	0	0	597,704	0	811,491	1,149,284	25,309	452,362	0	722,231	89,260	0	
Sport fields	11,966,867.32	1,320,588	0	0	0	0	13,287,455	320,969	419,547	0	0	739,516	12,547,940	0	
	35,781,492	1,320,588	0	0	908,772	0	36,195,308	8,384,818	1,178,161	619,469	0	8,943,510	27,251,798	0	
Land															
Land	31,330,591.89	0	0	0	4,033,635	0	27,296,957	0	0	0	0	0	27,296,957	0	
	31,330,592	0	0	0	4,033,635	0	27,296,957	0	0	0	0	0	27,296,957	0	
Other Assets															
Buildings	9,180,884.00	0	0	0	731,675	0	8,449,009	3,656,651	281,634	394,133	0	3,544,152	4,904,858	0	
Electricity	93,853.57	0	0	0	0	0	93,854	93,854	0	0	0	93,854	0	0	
Emergency Equipment	288,444.83	0	0	0	0	0	288,445	276,656	3,057	0	0	279,712	8,732	0	
Furniture & Fittings	1,465,308.03	0	0	0	0	0	1,465,308	828,389	13,922	0	0	842,311	622,997	1,360,000	
Land	4,788.00	0	0	0	0	0	4,788	4,788	0	0	0	4,788	0	0	
Motor Vehicles	14,486,336.84	0	0	0	0	0	14,486,337	9,038,295	368,360	0	0	9,406,655	5,079,681	0	
Office Equipment	9,121,351.29	0	0	0	0	0	9,121,351	7,740,484	364,897	0	0	8,105,381	1,015,970	0	
parks	46,080.00	0	0	0	0	0	46,080	46,080	0	0	0	46,080	0	0	
Plant & Equipment	8,224,956.93	568,099	0	0	0	0	8,793,056	7,942,538	46,918	0	0	7,989,456	803,600	0	
Watercraft	20,000.00	0	0	0	0	0	20,000	20,000	0	0	0	20,000	0	0	
Security Measures	833,082.12	0	0	0	0	0	833,082	201,743	57,951	0	0	259,694	573,388	0	
	43,764,866	568,099	0	0	731,675	0	43,601,310	29,849,477	1,136,738	394,133	0	30,592,083	13,009,227	1,360,000	
Investment Properties															
Investment Properties	551,462	0	0	0	551,462	0	0	0	0	0	0	0	0	0	
	551,462	0	0	0	551,462	0	0	0	0	0	0	0	0	0	
Finance Lease assets															
Finance Lease assets	16,611,638	0	0	616,779	11,587,738	21,539,971	416,205,689	3,815,991,665	3,591,862	4,282,964	7,388,425	7,407,853	9,203,784	54,605,000	
Total carried forward	394,706,445	26,944,670	27,682,283	616,779	11,587,738	21,539,971	416,205,689	175,904,955	19,050,710	4,282,964	7,388,425	183,284,276	232,921,413	54,605,000	

APPENDIX C

GREATER TZANEEN MUNICIPALITY

SEGMENTAL ANALYSIS OF PROPERTY PLAND AND EQUIPMENT : 30 JUNE 2009

	COST				ACCUMULATED DEPRECIATION				CARRYING VALUE				
	OPENING BALANCE	ADDITIONS	UNDER CONSTRUCTION 2009	UNDER CONSTRUCTION 2009	WRITE OFFS	IMPAIRMENT	CLOSING BALANCE	OPENING BALANCE					
Community & Social Services	14,957,632	0	0	0	0	0	14,957,632	3,099,411	481,727	0	3,581,138	11,376,494	
Electricity	126,050,181	11,324,121	0	0	1,807,357	0	135,566,945	58,543,997	4,466,077	442,512	62,567,562	72,999,383	
Executive & Council	8,501,081	0	0	0	1,427,730	0	7,073,351	4,144,730	178,088	210,677	4,112,141	2,961,210	
Finance & Admin	9,470,745	0	0	0	553,083	0	8,917,662	7,765,110	403,747	0	8,168,857	748,805	
Health	385,597	0	0	0	0	0	385,597	224,397	7,437	0	231,835	153,763	
Housing	9,217,510	0	0	0	659,547	0	8,557,963	3,960,815	255,128	316,908	3,899,034	4,658,929	
Planning & Development	14,568,491	0	0	0	1,472,961	0	13,095,530	382,086	53,846	78,335	357,597	12,737,934	
Public Safety	4,059,251	0	0	0	0	0	4,059,251	2,962,093	43,759	0	3,005,851	1,053,399	
Road Transport	121,280,185	2,420,019	27,682,283	616,779	4,353,576	21,539,971	125,488,940	64,430,913	6,465,622	2,404,749	61,103,362	64,385,578	
Sports & Recreation	15,790,887	1,320,588	0	0	745,049	0	16,366,426	3,929,636	479,647	526,531	3,883,448	12,482,978	
Waste Management	17,196,681	11,879,941	0	0	120,052	0	28,956,571	3,623,552	705,483	32,014	4,297,021	24,659,550	
Water	36,616,566	0	0	0	448,383	0	36,168,183	19,022,225	1,918,286	271,934	20,668,577	15,499,606	
Finance Lease Assets	16,611,638	0	0	0	0	0	16,611,638	3815991.646	3,591,862	0	7,407,853	9,203,784	
TOTAL	394,706,446	26,944,670	27,682,283	616,779	11,587,738	21,539,971	416,205,690	175,904,956	19,050,710	4,283,661	7,388,425	183,284,277	232,921,413

APPENDIX D

GREATER TZANEEN MUNICIPALITY

30 JUNE 2009

SEGMENTAL INCOME STATEMENT FOR THE YEAR ENDED

	2008 ACTUAL INCOME R	2008 ACTUAL EXPENDITURE R	2,008 SURPLUS/ (DEFICIT) R	2009 ACTUAL INCOME R	2009 ACTUAL EXPENDITURE R	2009 SURPLUS/ (DEFICIT) R
	113,362	2,249,138	-2,135,776	138,111	2,601,297	-2,463,186
Community & Social Services	134,710,778	109,026,969	25,683,809	171,090,334	137,691,552	33,398,782
Electricity	0	15,363,253	-15,363,253	0	19,359,680	-19,359,680
Executive & Council	118,178,425	61,320,247	56,858,178	117,252,109	36,493,447	80,758,662
Finance & Admin	12,282	2,492,743	-2,480,461	32,826	3,569,395	-3,536,569
Health	705,908	5,786,679	-5,080,771	769,144	6,115,586	-5,346,442
Housing	88,780	8,577,600	-8,488,820	3,668,298	12,503,329	-8,835,031
Planning & Development	872,528	10,547,870	-9,675,342	585,089	12,069,205	-11,484,116
Public Safety	33,154,726	55,154,038	-21,999,312	52,812,008	62,760,372	-9,948,364
Road Transport	2,735,817	8,393,857	-5,658,040	17,632	10,209,566	-10,191,934
Sport & Recreation	4,325,947	7,969,505	-3,643,558	4,263,547	7,636,596	-3,373,049
Waste Management	20,603,962	22,550,819	-1,946,857	14,290,014	30,240,815	-15,950,801
Waste Water Management	20,979,079	23,798,455	-2,819,376	17,977,311	27,564,943	-9,587,632
Water			0			0
Other			0			0
Sub Total	336,481,594	333,231,173	3,250,421	382,896,423	368,815,783	14,080,640
Less Inter-Dep Charges	45,821,539	45,821,539	0			0
Total	290,660,055	287,409,634	3,250,421	382,896,423	368,815,783	14,080,640

APPENDIX E(1)

GREATER TZANEEN MUNICIPALITY

ACTUAL VERSES BUDGET FOR THE YEAR ENDED 30 JUNE 2009

	2009 ACTUAL (R)	2009 BUDGET (R)	2009 VARIANCE (R)	2009 VARIANCE (%)	EXPLANATION OF SIGNIFICANT VARIANCES GREATER THAN 10% VERSUS BUDGET
REVENUE					
Property rates	27,734,237	51,368,614	23,834,377	85.94%	
Property rates - Penalties imposed and collection charges	1,957,645	1,500,000	-457,645	-23.38%	Water penalties included in budget. Should be service charges
Service charges	204,804,547	210,155,525	5,350,978	2.61%	
Rental of facilities and equipment	442,383	421,324	-21,059	-4.76%	
Interest earned - external investments	3,679,040	2,700,000	-979,040	-26.61%	Interest on long - term investments no budgeted for.
Interest earned - outstanding debtors	6,004,714	5,500,000	-504,714	-8.41%	
Fines	852,479	1,672,907	820,428	96.24%	
Licences and permits	355,202	222,500	-132,702	-37.36%	
Income for agency services	9,108,870	26,194,740	17,085,870	187.57%	
Government grants and subsidies	124,528,802	128,742,609	4,213,807	3.38%	MIG grants included in actual income
Other Income	3,428,504	738,468	-2,690,036	-78.46%	Collection cost income and agency serv. Income included
Public contributions, donated/contributed PPE	0	0	0	0.00%	
Gains on disposal of property, plant and equipment	0	1,500,000	1,500,000	0.00%	
Operating Income generated	382,896,423	430,916,687	48,020,264	12.54%	
Less Income Foregone			0	0.00%	
Total Operating Income	382,896,423	430,916,687		12.54%	
EXPENDITURE					
Employee related costs	67,646,316	64,783,190	-2,863,126	-4.23%	Employee cost to R&M less than budget
Remuneration of Councillors	14,108,421	14,252,854	144,433	1.02%	Increase in allowances was approved after approval of budget
Bad debts	20,530,654	10,229,557	-10,301,097	-50.17%	
Collection costs	852,088	100,000	-752,088	-88.26%	Actual expenditure not just net result
Loss on Inventory	-2,216	0	2,216	-100.00%	
Depreciation	19,050,709	26,158,592	7,107,883	37.31%	
Repairs and maintenance	80,906,367	88,282,667	7,376,300	9.12%	Allocation from salaries less than budgeted (as above)
Interest on external borrowings	9,778,536	12,367,941	2,589,405	26.48%	
Impairment of assets	16,863	0	-16,863	-100.00%	
Bulk purchases	94,458,945	102,380,233	7,921,288	8.39%	Increase in consumption
Contracted services	22,163,085	22,582,069	418,984	1.89%	
Grants and subsidies paid	10,190,508	4,268,079	-5,922,429	-58.12%	MIG grants included in actual expenditure
General expenses - other (including abnormal expenses)	29,115,507	53,917,978	24,802,471	85.19%	
Contributions to/(transfers from) provisions	0	0	0	0.00%	
Loss on disposal of property, plant and equipment	0	0	0	0.00%	
Cash Requirement			0	0.00%	
Total Expenditure	368,815,783	399,323,160	30,507,377	8.27%	
NET SURPLUS (DEFICIT) FOR THE YEAR	14,080,640	31,593,527	17,512,887	124.38%	

**APPENDIX E(2)
ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2009**

	OPENING		ACTUAL	UNDER		DISPOSALS	TOTAL	2009		2009 VARIANCE %	EXPLANATION OF SIGNIFICANT VARIANCES GREATER THAN 5% VERSUS BUDGET
	BALANCE			CONSTRUCTION				BUDGET	VARIANCE		
Community & Social Services	7,764,077	0	0	0	0	0	0	0	0	0%	
Electricity	106,511,885	11,324,121	11,324,121	0	0	0	11,324,121	11,601,000	-276,879	-2%	
Executive & Council	8,487,003	0	0	0	0	0	0	0	0	0%	
Finance & Admin	8,449,416	0	0	0	0	0	0	860,000	-860,000	-100%	
Health	385,597	0	0	0	0	0	0	0	0	0%	
Housing	9,217,510	0	0	0	0	0	0	0	0	0%	
Planning & Development	9,800,780	0	0	0	0	0	0	500,000	-500,000	-100%	
Public Safety	4,039,412	0	0	0	0	0	0	0	0	0%	
Road Transport	96,770,627	2,420,019	2,420,019	27,682,283	0	0	30,102,302	29,397,000	705,302	2%	
Sports & Recreation	6,018,904	1,320,588	1,320,588	0	0	0	1,320,588	1,320,588	0	0%	
Waste Management	8,224,636	11,879,941	11,879,941	0	0	0	11,879,941	12,247,000	-367,059	-3%	
Water	36,541,081	0	0	0	0	0	0	0	0	0%	
TOTAL	302,210,930	26,944,670	26,944,670	27,682,283	0	0	54,626,953	54,605,000	21,953		



FINANCIAL STATEMENTS 2008/2009**(E/C****; C****)****(5/1/3)**

REPORT OF THE DEPARTMENT OF THE CHIEF FINANCIAL OFFICER, (MR. A.J.J. LE GRANGE)**PURPOSE OF THE REPORT**

The purpose of this report is to inform Council that the 2008/2009 annual financial statements have been finalized and submitted to National Treasury, Provincial Treasury, the Auditor General and DPLG on 31 August 2009 as required by legislation and that the Audit Report of the Auditor General was issued during December 2009.

BACKGROUND

Circular no 36 received from National Treasury determines that once the financial statements have been submitted to the Auditor General, it should be tabled at the next meeting in Council for noting. Council's approval is not required before submission to the Auditor General.

Council should also take cognizance that the 2008/2009 financial statements of Greater Tzaneen Municipality have been compiled according to the statements of GRAP as approved by the Accounting Standards Board and comply with the requirements of the Municipal Finance Management Act.

DELIBERATIONS

The Municipal Manager is responsible to ensure that the 2008/2009 annual financial statements are prepared and presented in accordance with the statements of Generally Recognized Accounting practice (Statements of GRAP) and in the manner required by Local Government: Municipal Finance Management Act, 2003 (MFMA).

All these requirements have been complied with and the 2008/2009 annual financial statements were submitted to the Auditor General for Audit purposes.

A qualified audit opinion was received during December 2009 and the basis for qualification is discussed in item Q of this report.

Council attention is first drawn to the following aspects of the 2008/2009 Annual Financial Statements:

- a) Annual Financial Statements
- b) Net Result (Statement of financial performance)
- c) Reserves (Note 1)
- d) Borrowings (Note 2)
- e) Current provision (Note 5)
- f) Accounts payable/creditors (Note 7)
- g) Investments (Note 11)
- h) Long-term receivables (Note 12)
- i) Receivables / Consumer debtors (Note 14)
- j) Bank, Cash and Overdraft balances (Note 17)
- k) Service charges (Note 19)
- l) Disclosures in terms of the MFMA (Note 36)
- m) Water and Sewer Services
- n) Capital Expenditure (Appendix B)
- o) General
- p) Going Concern
- q) Audit Report

A) ANNUAL FINANCIAL STATEMENTS (APPENDIX "A")

Municipal Financial Statements are sometimes difficult to understand especially if statements change on an annual basis, therefore this short explanation regarding the reading of Financial Statements.

Annual Financial Statements consist of a statement of financial position, a statement of financial performance, a statement of changes in net assets for the year, a cash flow statement, the accounting policy, Notes and Appendixes.

STATEMENT OF FINANCIAL POSITION / BALANCE SHEET

The statement of financial position or balance sheet shows the difference between the assets and liabilities and is calculated as assets less liabilities = Net Assets or Financial position. The financial position relates to a specific date and not period as with the determination of the profit.

STATEMENT OF FINANCIAL PERFORMANCE / INCOME STATEMENT

The statement of financial performance or income statement provides an indication of the profitability of the Municipality. Profit is derived from revenue less expenditure = Net Profit / (Deficit) or financial performance. This profit or deficit relates to a specific period, normally one year.

STATEMENT OF CHANGES IN NET ASSETS

The purpose of the statement of change in equity is purely to explain the change in the financial position, if the financial position increases or decreases from one financial year to the next.

CASH FLOW STATEMENT

The cash flow statement simply indicates if there has been an increase or decrease in the net cash and cash equivalent for the year, in other words, cash in less cash out = cash in the bank.

The cash flow statement also explains why the Municipality has more or less cash at the end of the year than at the start thereof.

ACCOUNTING POLICY

Municipalities have to comply with the recognition and measurement criteria set out in the GRAP Statements. To ensure compliance of the above mentioned and other measurement criteria an accounting policy which sets out the

basis of recognition and measurement of material transactions in the annual financial statements must accompany the annual financial statements.

The accounting policy which forms part of the 2008/2009 financial statements has been expanded to make provision for conditional grants and receipts, employees benefits, borrowings, value added tax and comparative information. It is also a more comprehensive policy which lays a solid basis for the measurement of transactions in the financial statements.

NOTES AND APPENDIXES

The notes and appendixes provide detail of the figures contained in the statement of financial position and statement of financial performance.

B) NET RESULT (STATEMENT OF FINANCIAL PERFORMANCE)

The financial year ended with a surplus of R14 080 640 which is evident from the statement of financial performance (Page 5). This can however be seen as an administrative result seeing that it is not backed by cash in the bank. The surplus is mainly the result of a prior year error of R12,9 million which was disclosed in the statement of changes in net assets and not in the statement of financial performance. This prior year error is the incorrect disclosure of financial leases due to the change over from GAMAP to GRAP. Council must also take cognizance that the income figures in the statement of financial performance represent charges levied and not cash received. The expenditure on the other hand which represent actual expenditure remained almost the same as the previous year.

The income foregone for the 2008/2009 financial year has been allocated to the various services.

The accumulated surplus contained in the statement of changes in net assets (page 6) changed with R11,7 million. This increase is mainly the result of a correction of the prior year error to the amount of R12,8 million.

C) RESERVES (NOTE 1)

The decrease of R6,6 million is mainly the result of R8,6 million representing Capital replacement reserve which was written back.

Council is also informed that the future depreciation reserve represents assets obtained through grants, subsidies and income and can therefore not be recovered from the rate payers seeing that the assets are already paid for.

D) BORROWINGS (NOTE 2)

The long-term liabilities decreased from R56 million to R54 million, a decrease of R2 million. This decrease can be attributed to the redemption of annuity loans.

More details on these loans are contained in Appendix "A" of the attached annual financial statements.

E) CURRENT PROVISION (NOTE 6)

Provision of R1,6 million has been made for performance bonuses which accrue to section 57 Managers and Head of Divisions on a annual basis, subject to certain conditions. This provision is an estimate of the amount due to the employees at 30 June 2009.

The provision decreased with R1,6 million due to the late payment of bonuses during the previous year.

F) ACCOUNTS PAYABLE/CREDITORS (NOTE 7)

The decrease of R9 369 402 in creditors is mainly the result of the decrease in trade creditors, VAT and unknown direct deposits.

G) INVESTMENTS (NOTE 11)

Investments have been made to redeem the long term loans contained in Note 2 and all the investments are therefore long-term investments. The increase in investments is the result of growth of the investments.

H) LONG-TERM RECEIVABLES (NOTE 12)

Municipalities were entitled to make loans to staff and or members of the public for inter alia vehicle loans to staff or loan to the public for electrical connections or stand sales.

This was however repealed by the promulgation of the MFMA which determines that no Municipality may make loans to Councillors or Officials of the Municipality, Directors or Officials of the entity or members of the public.

To comply with this requirement of the Act, no new loans have been made since 1 March 2004.

I) RECEIVABLES / CONSUMER DEBTORS (NOTE 14)

The outstanding debtors increased from R106 million to R121 million an increase of R15 million. This is a matter for concern seen that an amount of R2 million was written off as bad debt during the course of the year. The net result of consumer debtors is an increase of R2,5 million in outstanding debtors. An amount of R68,7 million which represents debt 120 days and longer outstanding has been provided for provision for bad debts.

J) BANK, CASH AND OVERDRAFT BALANCES (NOTE 17)

Council ended the financial year with a positive bank balance of R257 085.

K) SERVICE CHARGES (NOTE 19)

The service charges have been discussed previously in this report under item (B) Net result. It must once again be emphasized that these amounts represent amounts levied and not cash received.

L) DISCLOSURES IN TERMS OF THE MFMA (NOTE 22, 23 and 36)

Note 22, 23 and 36 contain additional disclosures which are required in terms of section 124 of the Municipal Finance Management Act.

The Act determines that the notes to the annual financial statements of a Municipality must include particulars of the salaries, allowances and benefits of Councillors whether financial or in kind. This information is contained in note 23.

It also determines that any arrears owed by individual Councillors to the Municipality for rates or services which at any time during the financial year were outstanding for more than 90 days, as well as the names of those Councillors, must be included in the financial statements. This information is contained in Note 36 page 34.

The salaries, allowances and benefits of the Municipal Manager, Chief Financial Officer, Managers and Officials must also be included in the financial statements. This information is contained in Note 22.

M) WATER AND SEWER SERVICES

The water and sewer services have been included in the 2008/2009 financial statements due to the fact that no agreement has been reached or signed between Greater Tzaneen Municipality and Mopani district Municipality. The transfer of assets and liabilities has also not been finalized.

N) CAPITAL EXPENDITURE (APPENDIX B)

Appendix "B" contains details of the property plant and equipment of Greater Tzaneen Municipality. The expenditure incurred on capital projects amount to R54,6 million whilst R54,6 million has been approved by Council on its capital budget.

O) GENERAL

The expenditure budget approved by Council amounts to R399 million and the actual expenditure amounts to R368 million, a saving of R31 million. On the other hand the income budget is R430 million and the actual income amounts to R382 million a short fall of R48 million. See Appendix E(1). Council is also reminded that the net surplus of R14 million for the year needs to be reduced by R12,9 million which represents a prior year error

which resulted from the changes in accounting standards.
Change from GAMAP to GRAP.

P) GOING CONCERN

Council must take cognizance that the following factors indicate the existence of doubt about Greater Tzaneen Municipalities ability to continue as a going concern in the future if they are not addressed.

- The current liabilities exceed the current assets by R33,5 million as at 30 June 2009.
- Inadequate debt collection – Consumer debtors increased with R2,5 million to R52,7 million from the 2007/2008 financial year.
- Funds and reserves are not cash-backed.
- Conditional grant money of R32,9 million received to fund capital expenditure has been utilized to fund operational expenditure.
- An amount of R68,6 million has been provided for provision for bad debt.

Q) AUDIT REPORT

Section 131 of the Municipal Finance Management Act no. 56 of 2003 determines the following:

“A municipality must address any issues raised by the Auditor General in an audit report. The Mayor of a municipality must ensure compliance by the municipality with this sub-section.”

The Audit report was received during December 2009 and the basis for qualification is the following:

Accounts payable: Item 8 of the Audit report.

Financial lease liability: Item 9 of the Audit report.

Property plant & equipment: Item 10 & 15 of the Audit report.

Revenue: Item 16 of the Audit report.

Prior year error: Item 17 of the Audit report.

A programme to address these shortcomings is attached hereto as Annexure "B".

It needs to be mentioned that most of these issues are due to the change from GAMAP to GRAP.

RECOMMENDATIONS

- (a) That Council takes cognizance that the 2008/2009 financial statements have been compiled according to the standards of GRAP as approved by the Accounting Standards Board, and that a qualified Audit opinion was received from the Auditor General.
- (b) That Council takes note of the 2008/2009 Financial Statements.
- (c) That Council approves the Accounting Policy which guides the 2008/2009 Financial Statements.
- (d) That Council takes note that two copies of the un-audited Financial Statements have been submitted to National Treasury and that one copy each was provided to the Auditor General, Provincial Treasury and DPLG on 31 August 2009 as required by the MFMA.
- (e) That Council takes note that confirmation of receipt of the Financial Statements from the Auditor General was also submitted to National Treasury and Provincial Treasury.
- (f) That Council takes note of the propose programme to address the short comings which led to the qualified Audit opinion,

DEPARTMENTAL COMMENTS

COMMENTS FROM CORPORATE SERVICES

COMMENTS FROM ENGINEERING SERVICES

COMMENTS FROM ELECTRICAL ENGINEERING

**COMMENTS FROM PLANNING AND ECONOMIC
DEVELOPMENT**

COMMENTS FROM COMMUNITY SERVICES

COMMENTS FROM THE CFO

COMMENTS FROM THE MUNICIPAL MANAGER

COMMITTEE OUTCOME OR STUDY GROUP OUTCOMES

RESOLVED TO RECOMMEND

ATTACHMENT

**REPORT OF THE AUDITOR-GENERAL TO THE PROVINCIAL LEGISLATURE
AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE
INFORMATION OF THE GREATER TZANEEN MUNICIPALITY FOR THE YEAR
ENDED 30 JUNE 2009**

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Greater Tzaneen Municipality which comprise, the statement of financial position as at 30 June 2009, and the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages [xx] to [xx].

The accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the statements of Generally Recognised Accounting Practice (statements of GRAP) and in the manner required by the Local Government Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), *Auditor-General audit circular 1 of 2007*, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. 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.
5. 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.
6. Paragraph 11 *et seq.* of the Statement of Generally Recognised Accounting Practice, GRAP 1, *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget

reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the Greater Tzaneen Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.

7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for qualified opinion

Accounts payable

8. The amount for 13th cheque bonuses included under accounts payable only reflects the accrual for section 57 managers and heads of divisions. An accrual for all other employees entitled to 13th cheque bonuses was not computed and recorded in the financial statements. As a result, I was unable to verify the completeness and valuation of the 13th cheque accrual amounting to R1,5 million and the corresponding effect on the accuracy of employee cost.

Financial lease liability

9. An amortization schedule was available for the financial lease liability balance of R10,9 million disclosed in the financial statements. However, I was unable to obtain the supporting documentation for the amounts used in that schedule. Furthermore, note 3 to the financial statements, representing the finance lease liability, has not been correctly disclosed in terms of GRAP 13 and the amount disclosed in that note did not agree with the finance lease liability balance of R10,9 million by R1,3 million. As a result I could not verify the valuation of the financial lease liability balance and the accuracy of the interest cost on the finance lease.

Property, plant and equipment

10. Infrastructure assets amounting to R156,2 million were not separately identified and valued in accordance with GRAP 17 in the asset register.
11. Properties amounting to R3,4 million registered in the name of the municipality are not included in the asset register.
12. Assets amounting to R6,2 million were selected from the asset register but could not be physically verified for existence.
13. An amount of R16,6 million was capitalised as the cost price for finance lease assets. However, there was no supporting documentation available to substantiate that amount. Consequently, I could not verify the valuation of the finance lease assets and the accuracy of the depreciation amounting to R3,6 million computed on these assets.
14. An amount of R14,1 million representing impairment of assets has not been accounted for in the statement of financial performance. This amount was directly accounted for in the statement of changes in net assets. This accounting treatment is contrary to the municipality's accounting policy as well as the requirements of GRAP 17.
15. As a result of the matters listed above, I was unable to verify the completeness, existence and valuation of property, plant and equipment balance of R232,9 million.

Revenue

16. The breakdown of property rates amounting to R27,7 million, disclosed under note 18 to the financial statements could not be agreed to supporting documentation as the system being used by the municipality could not generate this report. As a result, I was unable to verify the classification of property rates as disclosed in the notes to the financial statements.

Prior year error

17. The prior year error, amounting to R12,9 million and R7,6 million, disclosed in the statement of changes in net assets for the 2007-08 and 2008-09 financial years respectively, has not been correctly accounted for in terms of GRAP 3. The error related to finance leases that were not accounted for from the 2006-07 financial period. The error has not been adjusted for retrospectively and the opening balances have not been restated for the earliest period presented in terms of paragraph GRAP 3.42(b), which is the 2007-08 financial year.

Qualified opinion

18. In my opinion, except for the 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 Greater Tzaneen Municipality as at 30 June 2009 and its financial performance and its cash flows for the year then ended, in accordance with the Generally Recognised Accounting Practice (GRAP) and in the manner required by the MFMA and DoRA.

Emphasis of matters

19. Without further qualifying my opinion, I draw attention to the following matters:

Going concern

20. As disclosed in note 44 to the financial statements, current liabilities exceeded current assets by R33,6 million for the year ended 30 June 2009. Furthermore, money received from conditional grants has also been utilised to fund operational expenditure. These conditions, along with other matters, point to the existence of a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern.

Irregular, fruitless and wasteful expenditure

21. As disclosed in note 35 to the financial statements, fruitless and wasteful expenditure to the amount of R3,8 million was incurred. The expenditure resulted from the loss of cash due to fraud and the once-off payouts to two employees who were dismissed by the municipality. Furthermore, irregular expenditure amounting to R32,9 million was incurred by the municipality as they used money from conditional grants to fund operational expenditure.

Restatement of corresponding figures

22. As disclosed in note 30 to the financial statements, the corresponding figures for year ended 30 June 2008 have been restated as a result of an error discovered during the 2008-09 financial year of the Greater Tzaneen Municipality.

Other matters

23. Without further qualifying my opinion, I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Unaudited supplementary schedules

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

Non-compliance with application legislation

25. In terms of paragraph 64(2)(h) of the MFMA the accounting officer must for the purposes of subsection (1) take all reasonable steps to ensure that all revenue received by the municipality, including revenue received by any collecting agent on its behalf, is reconciled at least on a weekly basis. However, it was noted that the property rate reconciliations were not prepared during the year.

26. In terms of paragraph 62(1)(c)(i) of the MFMA the accounting officer of a municipality is responsible for managing the financial administration of the municipality and must, for this purpose, take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. Such systems and control would include bank reconciliations. However, it was noted that monthly bank reconciliations were not performed.

27. All councillors did not disclose their financial interests as required by the Municipal Systems Act, 2000 (Act No. 32 of 2000) (schedule (1), section (5) – disclosure of interest).

Governance framework

28. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting officer and executive management and are reflected in the internal control deficiencies and key governance responsibilities addressed below:

Internal control deficiencies

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

Par. no.	Basis for qualified opinion	CE	RA	CA	IC	M
8	Accounts payable	5	2	4		
9	Finance lease liability	5		4	1	
10-15	Property, plant and equipment	5	3	4	1	1
16	Revenue			4	1	
17	Prior period error	5		4		

30. The errors identified during the audit can be attributed to the difficulties experienced by the municipality's financial staff in applying the GRAP standards applicable in terms of the basis of accounting.

Legend	
CE = Control environment	
The organisational structure does not address areas of responsibility and lines of reporting to support effective control over financial reporting.	1
Management and staff are not assigned appropriate levels of authority and responsibility to facilitate control over financial reporting.	2
Human resource policies do not facilitate effective recruitment and training, disciplining and supervision of personnel.	3
Integrity and ethical values have not been developed and are not understood to set the standard for financial reporting.	4
The accounting officer/accounting authority does not exercise oversight responsibility over financial reporting and internal control.	5
Management's philosophy and operating style do not promote effective control over financial reporting.	6
The entity does not have individuals competent in financial reporting and related matters.	7
RA = Risk assessment	
Management has not specified financial reporting objectives to enable the identification of risks to reliable financial reporting.	1
The entity does not identify risks to the achievement of financial reporting objectives.	2
The entity does not analyse the likelihood and impact of the risks identified.	3
The entity does not determine a risk strategy/action plan to manage identified risks.	4
The potential for material misstatement due to fraud is not considered.	5
CA = Control activities	
There is inadequate segregation of duties to prevent fraudulent data and asset misappropriation.	1
General information technology controls have not been designed to maintain the integrity of the information system and the security of the data.	2
Manual or automated controls are not designed to ensure that the transactions have occurred, are authorised, and are completely and accurately processed.	3
Actions are not taken to address risks to the achievement of financial reporting objectives.	4
Control activities are not selected and developed to mitigate risks over financial reporting.	5
Policies and procedures related to financial reporting are not established and communicated.	6
Realistic targets are not set for financial performance measures, which are in turn not linked to an effective reward system.	7
IC = Information and communication	
Pertinent information is not identified and captured in a form and time frame to support financial reporting.	1
Information required to implement internal control is not available to personnel to enable internal control responsibilities.	2
Communications do not enable and support the understanding and execution of internal control processes and responsibilities by personnel.	3
M = Monitoring	
Ongoing monitoring and supervision are not undertaken to enable an assessment of the effectiveness of internal control over financial reporting.	1
Neither reviews by internal audit or the audit committee nor self-assessments are evident.	2
Internal control deficiencies are not identified and communicated in a timely manner to allow for corrective action to be taken.	3

Key governance responsibilities

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

No.	Matter	Y	N
Clear trail of supporting documentation that is easily available and provided in a timely manner			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.		✓
Quality of financial statements and related management information			
2.	The financial statements were not subject to any material amendments resulting from the audit.		✓
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.		✓
Timeliness of financial statements and management information			

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No.	Matter	Y	N
4.	The annual financial statements were submitted for auditing as per the legislated deadlines (section 126 of the MFMA).	✓	
Availability of key officials during audit			
5.	Key officials were available throughout the audit process.		✓
Development and compliance with risk management, effective internal control and governance practices			
6.	Audit committee		
	• The municipality had an audit committee in operation throughout the financial year.	✓	
	• The audit committee operates in accordance with approved, written terms of reference.	✓	
	• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.	✓	
7.	Internal audit		
	• The municipality had an internal audit function in operation throughout the financial year.	✓	
	• The internal audit function operates in terms of an approved internal audit plan.	✓	
	• The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.		✓
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.		✓
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.		✓
10.	The information systems were appropriate to facilitate the preparation of the financial statements.		✓
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section 62(c)(i) of the MFMA.		✓
12.	Delegations of responsibility are in place, as set out in section 79 of the MFMA.	✓	
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.	✓	
Issues relating to the reporting of performance information			
14.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		✓
15.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		✓
16.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the municipality against its mandate, predetermined objectives, outputs, indicators and targets (section 68 of the MFMA).		✓
17.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	✓	

32. Overall reflection on key governance responsibilities:

- The financial statements were adjusted for the exceptions identified during the audit. The exceptions resulted from a lack of understanding of the applicable GRAP standards.
- Key officials were not available during the finalisation of the audit process as they were attending training or were on leave.
- Internal audit did not perform all the audits per their internal audit plan as they did not have enough staff members.
- Deficiencies were identified in the internal control system in respect of financial and risk management, which allowed the misappropriation of cash (as discussed in paragraph 32 below) not being detected timeously. One of the key controls not in place during the year was the performance of regular

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bank reconciliations. The position for head of division in the revenue section was vacant. The office of the CFO did not intervene timeously to ensure that the bank reconciliations are prepared regularly.

- Appropriate actions were not taken to ensure compliance with all applicable laws and regulations.
- A fraud prevention plan was drafted but was not approved and implemented during the financial year.
- The accounting officer did not develop proper information systems to facilitate the preparation of performance information that is accurate and complete.

Investigations

33. A forensic investigation was conducted by an independent consulting firm on request of the municipality. The investigation was initiated based on allegations of possible misappropriation of cash amounting to R914 682 by employees of the municipality. The investigation has resulted in criminal proceedings being instituted against a former employee.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Reporting on performance information

34. I was engaged to review the performance information.

The accounting officer's responsibility for the performance information

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

The Auditor-General's responsibility

36. I conducted my engagement in accordance with section 13 of the Public Audit Act, 2004 (Act No. 25 of 2004) read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.
37. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate audit evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
38. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

Audit findings

Non-compliance with regulatory requirements

39. The municipality did not adopt a performance management system as required by section 8 of the Local Government: Municipal Planning and Performance Management Regulations, 2001 (Gazette number (GRN) 796 of 24 August 2001).
40. The municipality did not develop and implement mechanisms, systems and processes for auditing the results of performance measurement as part of its internal audit processes, as required in terms of section 45(a) of the MSA and

section 14(c) of the Local Government: Municipal Planning and Performance Management Regulations, 2001 (GNR 796 of 24 August 2001).

41. No evidence was provided that the performance audit committee reviewed all the quarterly performance reports for the year under review. An audit report was also not submitted to the council regarding the performance management system of the municipality, as required by section 14(4)(a) of the Local Government: Municipal Planning and Performance Management Regulations, 2001 (GNR 796 of 24 August 2001).

Performance information not received in time

42. The municipality did not provide me with the annual performance report in terms of section 46 of the MFMA as it was not yet finalised and approved at the time of the audit.

APPRECIATION

43. The assistance rendered by the staff of the Greater Tzaneen Municipality during the audit is sincerely appreciated.

Auditor - General

Pretoria

30 November 2009



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNEXURE G

GREATER TZANEEN MUNICIPALITY

Managers Report and Action Plan for the 2008/2009 Audit Report

No	Description	Causes	Corrective Measures	Responsible person	Target Date
	Matters for qualification				
8	Accounts Payable - 13th cheque	New provision, never been done on previous AFS	All provisions for both the 13th cheque and medical aid will be addressed to be GRAP compliant	Clean Audit Report Project Manager	30-Jun-10
9	Financial Lease liability	GRAP compliance current agreement set up as full maintenance contract which must now be lease agreement, therefore assumptions was made to calculate the value of assets. No liability on companies in agreement to supply values of items.	Appointment of contractor to update Asset Register as well as the Finance Lease Register	Clean Audit Report Project Manager	30-Apr-10
	Property, Plant and Equipment				
10	- Infrastructure assets	No unbundling of assets because of legacies of the past inherited. No budget funds available. The costs will be approximately R1.5m to do unbundling	Appointment of contractor to update Asset Register as well as the Finance Lease Register	Clean Audit Report Project Manager	30-Apr-10
11	- Properties not in asset Register	Fixed Properties not brought into Asset Register. Assets reflected came on Asset Register through Capital Exp over the existence of the Asset Register. Properties inherited through the amalgamation of municipalities into GTM, not all reflected. The physical verification already done	Appointment of contractor to update Asset Register as well as the Finance Lease Register	Clean Audit Report Project Manager	30-Apr-10

12	- Assets not physically verified	- Assets could be not physically verified because unbundling have not been finalised yet.	Appointment of contractor to update Asset Register as well as the Finance Lease Register	Clean Audit Report Project Manager	30-Apr-10
13	- No supporting documents to support the Finance lease capitalized	Refer to item no 9 above	Appointment of contractor to update Asset Register as well as the Finance Lease Register	Clean Project Manager	30-Apr-10
14	- Impairment of asset not accounted	Difference in opinion between Financial Expert company (Akhile) and the AG on accounting for impairment.	Appointment of contractor to update Asset Register as well as the Finance Lease Register. Correction of error will be done with the 2009 2010 Annual Financial Statement	Clean Audit Report Project Manager	30-Apr-10
15	- Completeness, existence and valuation of property could not be verified	As in above in PPE	Appointment of contractor to update Asset Register as well as the Finance Lease Register	Clean Audit Report Project Manager	30-Apr-10
16	Revenue -Property Rates could not be verified	Current Financial System unable to generate the relevant report. Implementation of MPPRA	Changes to the system and balancing of assessments rates will be effected.	Clean Audit Report Project Manager	30-Apr-10
17	Prior year errors on Finance leases not corrected	Refer to 9 and 13 above	Refer to 9 and 13 above	Refer to 9 and 13 above	
18	Qualified opinion				
19	Emphasis of a matter				
20	Going Concern	Financial constraints	Financial recovery plan updated and adhered to.	Clean Audit Report Project Manager	Ongoing
21	Irregular, fruitless and wasteful expenditure	Previous decisions by Council. Financial constraints	Investigations will be done and reported Adherence to financial recovery plan	Clean Audit Report Project Manager	30-Mar-10

22	Restatement of corresponding figures	GRAP Implementation and correction of errors	N/A		
23	Other matters				
24	Unaudited supplementary schedules - does not form part of financial statements	New format of AFS	Clean Audit Project team will go through other matters and make corrections	Clean Audit Report Project Manager	Ongoing



Annexure H: Service Delivery Backlogs - Annual report (2008/09)

	30-Jun-08		30-Jun-09		30-Jun-10	
	Required	Budgeted	Actual	Required	Budgeted	Actual
Water Backlogs						
Backlogs to be eliminated (No of Households not Receiving Minimum Service)						
Backlog to be eliminated as % (HH identified as backlogs / total HH in municipality)						
Spending on new infrastructure to eliminate backlogs (R'000)						
Spending on renewal of existing infrastructure to eliminate backlogs (R'000)						
Total Spending to eliminate backlogs (R'000)						
Spending on maintenance to ensure no new backlogs are created (R'000)						
Sanitation Backlogs						
Backlogs to be eliminated (No of Households not Receiving Minimum Service)						
Backlog to be eliminated as % (HH identified as backlogs / total HH in municipality)						
Spending on new infrastructure to eliminate backlogs (R'000)						
Spending on renewal of existing infrastructure to eliminate backlogs (R'000)						
Total Spending to eliminate backlogs (R'000)						
Spending on maintenance to ensure no new backlogs are created (R'000)						
Refuse Removal Backlogs						
Backlogs to be eliminated (No of Households not Receiving Minimum Service)						
Backlog to be eliminated as % (HH identified as backlogs / total HH in municipality)						
Spending on new infrastructure to eliminate backlogs (R'000)						
Spending on renewal of existing infrastructure to eliminate backlogs (R'000)						
Total Spending to eliminate backlogs (R'000)						
Spending on maintenance to ensure no new backlogs are created (R'000)						
Electrical Backlogs						
Backlogs to be eliminated (No of Households not Receiving Minimum Service)						
Backlog to be eliminated as % (HH identified as backlogs / total HH in municipality)						
Spending on new infrastructure to eliminate backlogs (R'000)						
Spending on renewal of existing infrastructure to eliminate backlogs (R'000)						
Total Spending to eliminate backlogs (R'000)						
Spending on maintenance to ensure no new backlogs are created (R'000)						
Water Backlogs						
Backlogs to be eliminated (No of Households not Receiving Minimum Service)						
Backlog to be eliminated as % (HH identified as backlogs / total HH in municipality)						
Spending on new infrastructure to eliminate backlogs (R'000)						
Spending on renewal of existing infrastructure to eliminate backlogs (R'000)						
Total Spending to eliminate backlogs (R'000)						
Spending on maintenance to ensure no new backlogs are created (R'000)						



	30-Jun-08		30-Jun-09		30-Jun-10	
	Required	Budgeted	Required	Budgeted	Required	Budgeted
Water Backlogs						
Spending on new infrastructure to eliminate backlogs (R'000)	Eskom Distribution Area	Unknown	Eskom Distribution Area	Unknown	R 46,179,000.00	R 26,076,736.90
Spending on renewal of existing infrastructure to eliminate backlogs (R'000)	Distribution Area	Unknown	Eskom Distribution Area	Unknown	Unknown	Unknown
Total Spending to eliminate backlogs (R'000)	Eskom Distribution Area	Unknown	Eskom Distribution Area	Unknown	Unknown	Unknown
Spending on maintenance to ensure no new backlogs are created (R'000)	Eskom Distribution Area	Unknown	Eskom Distribution Area	Unknown	Unknown	Unknown
Roads Backlogs						
Backlogs to be eliminated (No of Households not Receiving Minimum Service)		83,840		83760		Information not available
Backlog to be eliminated as % (HH identified as backlogs / total HH in municipality)		81,8%		81,70%		
Spending on new infrastructure to eliminate backlogs (R'000)	142,650,000	6,000,000	136,650,000	6,000,000	6,000,000	
Spending on renewal of existing infrastructure to eliminate backlogs (R'000)	30,000,000	4,000,000	26,000,000	4,000,000	4,000,000	
Total Spending to eliminate backlogs (R'000)	172,650,000	10,000,000	162,650,000	10,000,000	10,000,000	
Spending on maintenance to ensure no new backlogs are created (R'000)						
TOTALS						

