



2008/09
Annual Report

Our Vision

is for Metsimaholo to be a leading Municipality
in delivering effective, affordable and sustainable quality services
to its communities.

We will achieve our vision by:

- Promoting proper planning and implementation of projects and programmes
- Setting standards
- Being accountable
- Communication
- Capacity building of staff and communities
- Having proper systems and processes
- Ensuring a sustainable, affordable and effective service delivery

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CHAPTER 1

INTRODUCTION AND OVERVIEW

Foreword by the Executive Mayor

It is a great honour and pleasure for me to table this Annual Report for the 2008/2009 financial year. This year in review, above all, has been a celebration of Metsimaholo Local Municipality's hard work as we have been judged as the best performing training committee of the Year in the Free State.

The intention of the annual report, which covers the 2008/2009 financial year, is to provide an easily readable and summarised statement of Metsimaholo's progress towards the targets set in its Integrated Development Plan.

This Annual Report also seeks to portray a picture of the efforts our municipality made to address the needs of our more than 200 thousand residents spread throughout our municipal area. Our efforts to create a climate of public participation and consultation give rise to various infrastructural programs and the streamlining of our service delivery initiatives such as houses, water and electricity and other basic services. The key priority of our Municipality is the delivery of effective, affordable and sustainable quality services to our community.

Although the municipality has done a lot, we still acknowledge that much more needs to be done. If we continue to work together, and learn from our past experiences we can move even faster to realize the goal of a better life for all. Metsimaholo Local Municipality will continue to demonstrate good financial management and viability, municipal transformation, institutional development and good governance.

I would like to thank all the members of the council, officials and members of the public for their support during this financial year and I am really looking forward to work with you all to achieve a better life for all.

CLR B MAHLAKU

EXECUTIVE MAYOR

Executive Review by the Municipal Manager

The 2008/09 financial year was a period during which important progress have been registered in various areas such as administration and management, the provision of basic municipal services and the continuous improvement in our service delivery processes.

The Organisational structure and strategy were reviewed to enhance effective service delivery and effective administration. This organisational structure will enable the municipality of Metsimaholo to structure and manage its administration and budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community.

A Service Delivery and Budget Implementation Budget Plan (SDBIP) was adopted as envisaged by the Municipal Finance Management Act, Act No. 56 of 2003. SDBIP seeks to ensure effective monitoring of the execution of the budget, the performance of senior management and the achievement of service delivery objectives set by Council.

A substantial number of the projects were implemented to improve the capacity of the municipality in order to improve service delivery. The Municipality's operating and capital budget amounted to R 418,9 million and R88,9 million respectively for the 2008/09 financial year and was drawn up as a transformation tool to improve the lives of all the people in the municipality. This budget is a product and also an expression of the political will of the ruling party and the people of Metsimaholo. The Municipality continues to improve its financial health through prudent fiscal management, financial management reforms and service delivery enhancement programmes.

I would therefore want to express my sincere appreciation for the support and dedication of all departments, employees and councillors in realising all these special achievements. Let us continue working together to further enhance the work of our institution and thereby ensuring that our people experience a visible improvement in their lives.

X W MSWELI

MUNICIPAL MANAGER

Metsimaholo Local Municipality

for the year ended June 30, 2009

Overview of the Municipality

The Local Municipality of Metsimaholo is situated in the northernmost corner of the Free State Province, which forms part of the Vaal Triangle [Vanderbijlpark, Vereeniging and Sasolburg region(s)]. The Local Municipality of Metsimaholo lies at an altitude of approximately 1500 meters above sea level. The average annual rainfall is 638 mm while the average maximum summer temperature is 26.9°C and the average minimum winter temperature is 1.6°C;

The Metsimaholo Local Municipality covers an area of 1 739 square kilometres and includes Deneysville, Metsimaholo, Oranjeville, Refengkgotso, Sasolburg, Vaalpark and Zamdela. It is inhabited by approximately 116 000 people with more than 90% living in the urban areas of the municipal region.



A large percentage of houses in Deneysville are holiday homes, which implies that the actual permanent inhabitants of the community may be less than estimated. The majority of the rural population is active in the agricultural sector and a total of 1 753 farms are located within the Metsimaholo municipal area.

The population and household statistics of the Metsimaholo Municipality according to *Statistics South Africa* are shown in the table below.

Metsimaholo Local Municipality

for the year ended June 30, 2009

| | Census 2001 | Community Survey (CS) 2007 |
|------------|-------------|-------------------------------|
| Population | 115 955 | 154 658 |
| Households | 32 260 | 37 320 |

The tables below (*taken from the Stats SA Community Survey 2007*) show that the municipality has made notable strides in increasing the access by residents to basic municipal services.

Percentage distribution of households by water source

| | Census 2001 | CS 2007 |
|------------------------------------|-------------|---------|
| Piped water | | |
| inside the dwelling | 41,7 | 73,0 |
| inside the yard | 39,3 | 16,3 |
| from access point outside the yard | 17,8 | 10,5 |
| Borehole | 0,2 | - |
| Other | 0,9 | 0,2 |
| Total | 100,0 | 100,0 |

Percentage distribution of households by type of toilet facilities (sanitation)

| | Census 2001 | CS 2007 |
|---|-------------|---------|
| Flush toilet (connected to sewerage system) | 68,1 | 87,5 |
| Flush toilet (with septic tank) | 1,8 | 0,7 |
| Dry toilet facility | - | 0,9 |
| Chemical toilet | 0,1 | 0,3 |
| Pit latrine with ventilation (VIP) | 1,5 | 8,7 |
| Pit latrine without ventilation | 13,5 | - |
| Bucket latrine | 4,7 | 1,4 |
| None | 10,4 | 0,5 |
| Total | 100,0 | 100,0 |

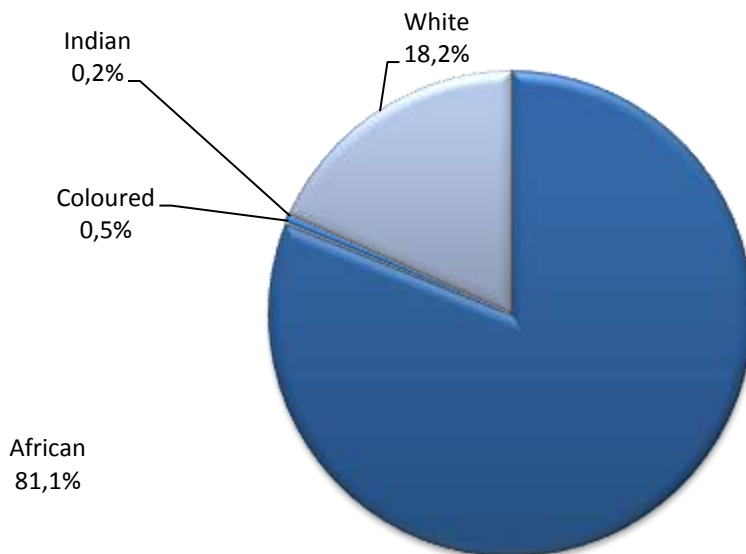
Metsimaholo Local Municipality

for the year ended June 30, 2009

Percentage distribution of households by type of refuse removal

| | Census 2001 | CS 2007 |
|--|-------------|---------|
| Removed by local authority/private company at least once a week | 60,2 | 94,5 |
| less often | 2,5 | 1,3 |
| Communal refuse dump | 9,8 | 0,3 |
| On refuse dump | 22,1 | 1,8 |
| No rubbish disposal | 5,4 | 2,1 |
| Other | - | - |
| Total | 100,0 | 100,0 |

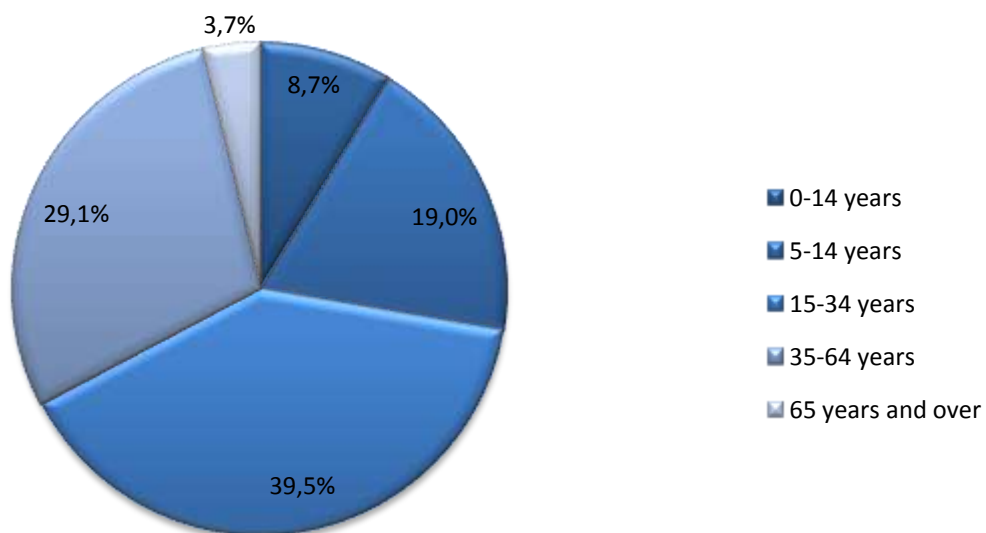
According to the 2001 national census information the gender distribution is almost equal with 51,1% male and 48,9% female. The breakdown in terms of population groups is indicated below.



Metsimaholo Local Municipality

for the year ended June 30, 2009

The age distribution of the population in the municipal area is as follows (Census 2001):



Labour force (Census 2001)

| | |
|---------------------------|---------------|
| Employed | 31 486 |
| Unemployed | 18 512 |
| Not economically active | 29 971 |
| Total labour force | 49 998 |

Metsimaholo Local Municipality

for the year ended June 30, 2009

According to the 2001 census, individual monthly income statistics were as follows:

| Monthly income | Number of people | % |
|---------------------|------------------|---------------|
| None | 75 318 | 64,94 |
| R1 – R400 | 7 789 | 6,71 |
| R401 – R800 | 10 228 | 8,81 |
| R801 – R1 600 | 7 164 | 6,17 |
| R1 601 – R3 200 | 6 201 | 5,34 |
| R3 201 – R6 400 | 5 085 | 4,38 |
| R6 401 – R12 800 | 2 961 | 2,55 |
| R12 801 – R25 600 | 861 | 0,74 |
| R25 601 – R51 200 | 201 | 0,17 |
| R51 201 – R102 400 | 90 | 0,07 |
| R102 401 – R204 800 | 63 | 0,05 |
| Over R204 801 | 17 | 0,01 |
| Total | 115 978 | 100,00 |

CHAPTER 2

PERFORMANCE HIGHLIGHTS

Departmental highlights

Finance

- Revenue enhancement strategy approved by Council.
- The compilation of the **movable** fixed asset register
- An extensive scoping exercise and a situational analysis were conducted to determine the status of the Infrastructure Assets. A costed implementation plan was also compiled, to be rolled out in the new year.
- Launching of the Loyalty programme to promote the payment of services.
- Establishment of a call centre (only for finance related enquiries) and the training of staff on the use of the system
- The Municipality has maintained a positive bank balance for the rest of the 2008/09 financial year and has not defaulted on the payment of its major suppliers, ie, Eskom and Randwater .
- Implementation of the Property Rates Act

Organisational Development and Corporate Services

- Finalisation of individual performance management system
- Investment in the municipality's human capital through granting of bursaries and training of the workforce
- Implementation of a job evaluation system
- Finalisation of all grievance and disciplinary cases internally within 90 days
- Implementation of a logging and tracking system for council resolutions

Social Services

- Opening of the Ntai Mokoena library in Refengkgotso (Deneysville)
- Upgrading of Refengkgotso and Metsimaholo Community Halls (±R950 000 Anglo Coal)
- Upgrading of Penny Haynes Swimming pool (Electronic score board, Touch Pad and Water heating system – funder Sasol Rejuvenation)
- Upgrading of the Etienne Rousseau Theatre (±R4.5M –Sasol Rejuvenation)
- Upgrading of DP.De Villiers Stadium (New Hummer Cage, Repairing Tartan Track and High Mast lights)
- 38 Clean-up campaigns (±40 illegal dumping removed)
- Purchasing of 1 new Compactor Truck.
- Upgrading of security fence Deneysville Bird Sanctuary (R180 000 Sasol Rejuvenation)
- Launching of Local Council of AIDS.

Technical and Infrastructural Services

Waste water management

- Progressive reduction in sanitation backlogs by 2800 households and eradication of buckets system;
- Maintaining the complete network to ensure that it remains operational; and
- Improved customer care related to waste water and sewerage.

Roads and storm water

- Maintaining the complete network to ensure that it remains operational; and
- Regravelling or blading or scraping of gravel roads ± 250km
- Improved customer care.

Water provision

- Expansion of water services in terms of minimum levels and standards;
- Addressing the service backlogs whilst keeping the complete network operational; and
- Implementation of strategies to reduce water distribution losses.

Metsimaholo Local Municipality

for the year ended June 30, 2009

Electricity

- Expansion of electricity services in terms of minimum levels and standards and electrification of 1760 stands;
- Addressing and reduce power outages ;
- Addressing the service backlogs whilst keeping the complete network operational; and
- Implementation of strategies to reduce electricity distribution losses.

Economic Development and Planning

- Supported and facilitate the provision of tenure to all inhabitants
- Investigated the establishment of inner cities (social housing, medium density, rental stock housing)
- Planning for the replacement of 112 old rental units at Hostel 4 Zamdela with 420 CRU Units by Provincial Government completed
- 1 190 families re-located at Mooi Plaats Refengkgotso
- 1 800 RDP houses = 90% completed
- Land Audit Completed and Securing of Ownership in progress = 60 applications received
- Spatial Development Framework reviewed
- 2500 erven planned and surveyed on the farm Mooiplaats
- 3500 erven planned on the farm Mooidraai

Metsimaholo Local Municipality

for the year ended June 30, 2009

KEY PERFORMANCE INFORMATION

Free Basic Services

The municipality continues to provide free water of 6 kilolitres per household per month (*indigent households receive 10 kilolitres*) and 50 kilowatt of free electricity per household per month in terms of national government's policy directives and to address poverty in the municipal area.

| | 2007/08 | 2008/09 |
|---|---------------------|----------------------|
| Free water: | | |
| - residents | 6kl | 6kl |
| - indigent residents | 10kl | 10kl |
| Basic water - all residents | Free | Free |
| | | |
| Free Electricity: | | |
| - all resident | 50 kWh | 50kWh |
| - non Municipal supply | Subsidy of 50 kWh | Agreement with Eskom |
| Basic Electricity | Free | Free |
| | | |
| Sewerage Basic | Free | Free |
| Sewerage additional indigents | | Free |
| Refuse removal - indigents | Free | Free |
| | | |
| Indigent subsidy (property rates) | R60.00 | R50.00 |
| | | |
| Income level for registration of indigents | R1 800.00 per month | R2 000.00 per month |
| | | |
| Number of registered indigents | 6 700 | 7 543 |

The number of registered indigents increased from 6 700 in the 2007/08 financial year to 7 543 in 2008/09. The income level for registration increased from R1 800 to R2 000 per month.

Basic services rendered

| | 2007/08 | 2008/09 |
|--|--------------------------|---------|
| Number of new houses built in municipal areas | 2 600 | 1 800 |
| Number of households provided with water | 1 840 | 2 204 |
| Number of households provided with electricity | 3 240 | 1 760 |
| Number of households provided with sanitation | Phase 2 outfall sewer | 1 475 |

Metsimaholo Local Municipality

for the year ended June 30, 2009

SERVICE DELIVERY BACKLOGS

| Water | 2007/08 | 2008/09 |
|---|----------------|----------------|
| Number of households | 40 120 | 40 120 |
| Minimum standard of service (<i>eg 6kl</i>) | 6kl# | 6kl# |
| Number of households not receiving the minimum standard of service at the beginning of the financial year | 4 340 | 2 500 |
| Number of households provided with minimum standard of service during the financial year | 1 840 | 1 493 |
| Number of households not receiving the minimum standard of service at end of the financial year | 2 500 | 1 007 |

#The minimum standard of service for metered households is 6 kilolitres per household per month and in un-metered areas it is the provision of a communal standpipe within 200 meters from dwelling

| Electricity | 2007/08 | 2008/09 |
|---|----------------|----------------|
| Number of households | 40 120 | 40 120 |
| Minimum standard of service (<i>eg 50kWh</i>) | 50kWh* | 50kWh* |
| Number of households not receiving the minimum standard of service at the beginning of the financial year | 8 560 | 5 320 |
| Number of households provided with minimum standard of service during the financial year | 3 240 | 1 760 |
| Number of households not receiving the minimum standard of service at end of the financial year | 5 320 | 3 560 |

*The minimum standard of service for metered households is 50 kilowatt hours per household per month.

Metsimaholo Local Municipality

for the year ended June 30, 2009

| Sanitation | 2007/08 | 2008/09 |
|---|-----------------------|----------------|
| Number of households | 40 120 | 40 120 |
| Minimum standard of service | VIP | VIP* |
| Number of households not receiving the minimum standard of service at the beginning of the financial year | 13 579 | 13 579 |
| Number of households provided with minimum standard of service during the financial year | Phase 2 outfall sewer | 1 475 |
| Number of households not receiving the minimum standard of service at end of the financial year | 13 579 | 12 104 |

*The minimum standard in urban areas is a flush toilet and for non-urban areas is a ventilated improved pit latrine (VIP).

| Refuse removal | 2007/08 | 2008/09 |
|---|---------------------|---------------------|
| Number of households | 40 120 | 41 496 |
| Minimum standard of service (<i>eg removed once a week</i>) | Removed once a week | Removed once a week |
| Number of households not receiving the minimum standard of service at the beginning of the financial year | | 3 500 |
| Number of households provided with minimum standard of service during the financial year | | ±37 996 |
| Number of households not receiving the minimum standard of service at end of the financial year | | 3 500 |

*The backlog in so far as refuse removal is concerned in terms of the minimum standard of service agreed to by the municipality is based on the removal of refuse once a week by the municipality.

Metsimaholo Local Municipality

for the year ended June 30, 2009

| Housing | 2007/08 | 2008/09 |
|---|------------------|--------------------|
| Number of households | 39 181 | 47 045 |
| Minimum standard of service* | 40m ² | 40m ² * |
| Number of households not receiving the minimum standard of service at the beginning of the financial year | 7 200 | 4 600 |
| Number of households provided with minimum standard of service during the financial year | 2 600 | 1 800 |
| Number of households not receiving the minimum standard of service at end of the financial year | 4 600 | 2 800 |

*The minimum standard of service for housing is a RDP house of 40m².

Metsimaholo Local Municipality

for the year ended June 30, 2009

APPROVAL OF ZONING AND BUILDING PLAN APPLICATIONS

| Applications Outstanding on 1 July 2008 | Category | Number of new applications received during 2008/09 | Total value of new applications received R | Number of applications outstanding on 30 June 2009 |
|---|--|--|--|--|
| 0 | Residential new | 61 | R 47,140,999.00 | 0 |
| 0 | Residential additions | 402 | R 65,557,600.00 | 0 |
| 0 | Commercial | 18 | R 111,792,800.00 | 0 |
| 0 | Industrial | 18 | R 71,931,742.00 | 0 |
| 0 | Other (specify) (Swimming pools, Mast & Advertising boards) | 84 | R 2,079,100.00 | 0 |

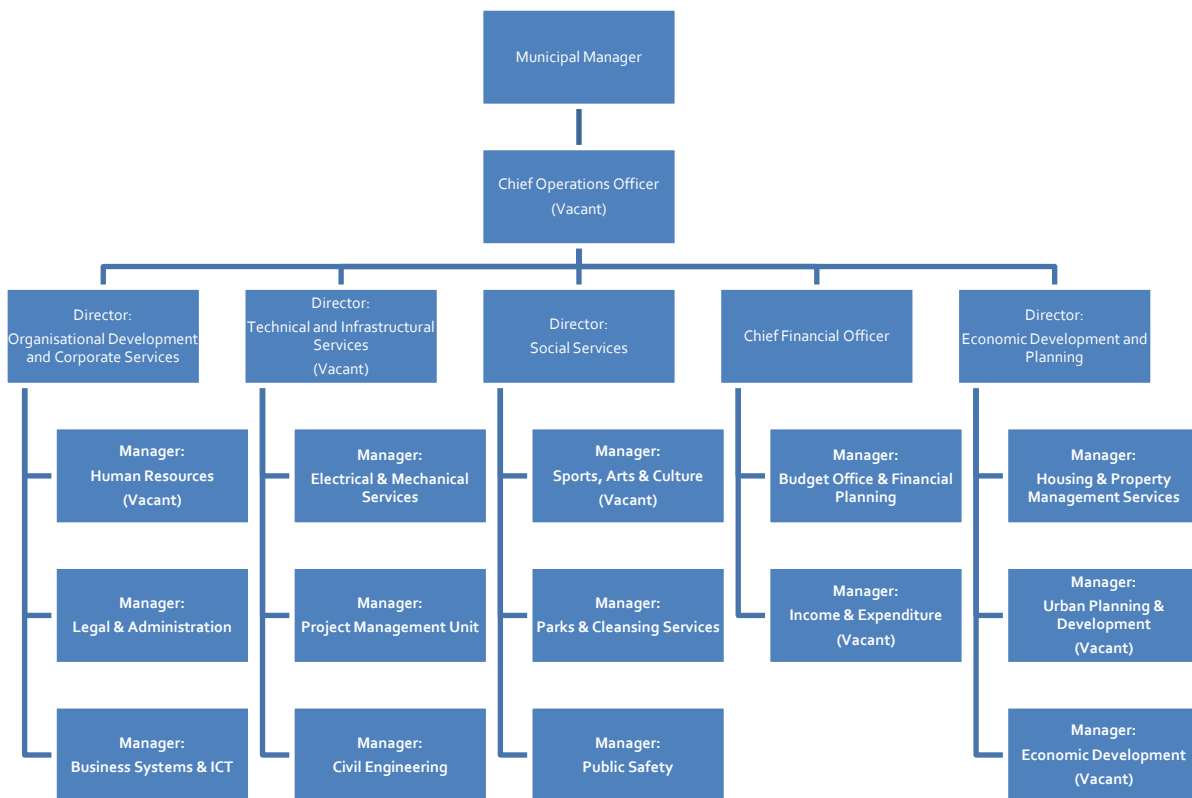
Notes:

- All building plan applications are processed and approved by the municipality
- Applications in relation to zoning, re-zoning and sub-divisions are approved by the provincial government.

CHAPTER 3

HUMAN RESOURCES AND ORGANISATIONAL MANAGEMENT

Executive Organisational Structure



Metsimaholo Local Municipality

for the year ended June 30, 2009

STAFFING INFORMATION

The table below indicates the total number of posts per function as per the approved organisational structure as well as the number of posts filled and the vacancies per function as at the end the financial year.

Staff establishment as at 30 June 2009

| Function | Total no. of approved posts | No. of filled posts | No. of vacancies |
|-----------------------------------|-----------------------------|---------------------|------------------|
| Office of the Executive Mayor | 9 | 4 | 5 |
| Office of the Municipal Manager | 7 | 4 | 3 |
| Finance | 105 | 88 | 17 |
| Corporate Services | 64 | 39 | 25 |
| Economic Development and Planning | 36 | 22 | 14 |
| Social Services | 509 | 327 | 182 |
| Technical Services | 344 | 233 | 111 |
| Total | 1 074 | 717 | 357 |

Note: The number of filled posts excludes 34 Councillors and any new appointments made after 30 June 2009. It should also be noted that the approved posts can only be filled if they are funded or budgeted for.

EMPLOYMENT EQUITY STATISTICS

Workforce profile as at 30 June 2009

| Occupational category | Male | | | | Female | | | | Total |
|--|------------|----------|---|-----------|------------|----------|---|-----------|------------|
| | A | C | I | W | A | C | I | W | |
| Legislators, senior officials and managers | 35 | | | 11 | 15 | 1 | | 3 | 65 |
| Professionals | 3 | | | | 6 | | | 2 | 19 |
| Technicians and associate professionals | 6 | | | 1 | 0 | | | 0 | 8 |
| Clerks | 79 | | | 3 | 1 | | | 0 | 176 |
| Service and sales workers | 48 | | | 9 | 67 | | | 27 | 77 |
| Skilled agricultural and fishery workers | | | | 6 | 15 | | | 5 | 72 |
| Craft and related trade workers | 64 | | | 1 | 2 | | | 0 | 60 |
| Plant and machine operators and assemblers | 58 | 1 | | | 0 | | | 0 | 305 |
| Elementary occupations | 229 | | | 2 | 74 | | | 0 | |
| TOTAL | 522 | 1 | | 33 | 180 | 1 | | 37 | 782 |

A = African, C = Coloured, I = Indian, W = White

Note: The above totals include part-time and non-permanent staff.

Metsimaholo Local Municipality

for the year ended June 30, 2009

SKILLS DEVELOPMENT PROGRAMMES

2008/09 financial year

| Training and skills development interventions | Skills priority no. | No. of staff trained | Cost in rand R |
|---|---------------------|----------------------|-------------------|
| Client service | 2 | 4 | Fezile Dabi |
| Telephone etiquette | 2 | 0 | Nil |
| Information technology | 9 | 1 | 10 800.00 |
| Administration | 9 | 95 | 210 905.44 |
| Financial | 4 | 13 | DBSA |
| Teambuilding | 0 | 0 | Nil |
| Management/leadership | 6 | 2 | 30 000.00 |
| Health and safety | 5 | 0 | Nil |
| Specialist technical | 3 | 48 | 184 376.86 |
| Corporate, legal and support | 10 | 23 | 61 960.72 |
| Training skills | 11 | 20 | 29 640.00 |
| Policy development | 9 | 12 | DBSA |
| Stress and conflict management | 2 | 0 | Nil |
| Project management and planning | 8 | 5 | DBSA |
| TOTAL | 80 | 223 | 527 683.02 |

PERSONNEL EXPENDITURE TRENDS

| Financial year | R'000 (Audited actual) | % of total expenditure |
|----------------|---------------------------|------------------------|
| 2002/03 | 56 452 | 31,8% |
| 2003/04 | 61 464 | 31,7% |
| 2004/05 | 71 149 | 31,3% |
| 2005/06 | 74 355 | 26,5% |
| 2006/07 | 92 711 | 29.1% |
| 2007/08 | 100 965 | 28.2% |
| 2008/09 | 112 815 | 30.6% |

The personnel expenditure as a total of the municipality's total operating expenditure has shown an increase in the last financial year compared to the steady decline shown over the previous financial years.

Metsimaholo Local Municipality

for the year ended June 30, 2009

PENSION AND MEDICAL AID FUNDS

Pension and provident funds

| Name of fund | No. of members | |
|-------------------------------|----------------|--------------|
| | 30 June 2008 | 30 June 2009 |
| Vrystaat Pensioen Fonds | 48 | 43 |
| Free State Provident Fund | 83 | 74 |
| SALA Pension fund | 16 | 18 |
| SAMWU Provident fund | 496 | 542 |
| Pension Funds For Councillors | 32 | 30 |
| TOTAL | 675 | 707 |

The municipality's actual expenditure for the 2008/09 financial year in respect of employer's contributions amounted to R10 484 113.

Medical aid funds

| Name of fund | No. of members | |
|--------------|----------------|--------------|
| | 30 June 2008 | 30 June 2009 |
| MUNIMED | 103 | 85 |
| BONITAS | 125 | 158 |
| L A HEALTH | 40 | 51 |
| SAMWUMED | 82 | 109 |
| HOSMED | 34 | 40 |
| TOTAL | 384 | 443 |

The municipality's actual expenditure for the 2008/09 financial year in respect of employer's contributions amounted to R5 641 750.

Metsimaholo Local Municipality

for the year ended June 30, 2009

SALARY DISCLOSURES

(as per note 21 to the Annual Financial Statements)

Councillors Actual (Remuneration of Public Office Bearers Act)

| | 2007/08 | 2008/09 |
|------------------------------------|------------------|------------------|
| | R | R |
| Executive Mayor | 304 786 | 312 700 |
| Speaker | 229 724 | 290 337 |
| Mayoral Committee Members (10) | 1 533 688 | 1 746 748 |
| Councillors (24) | 2 454 610 | 3 162 299 |
| Councillors' pension contributions | 642 004 | 327 843 |
| Councillors' medical contributions | 117 573 | 131 581 |
| Telephone allowances | 380 359 | 425 669 |
| Travelling allowances | 1 965 230 | 2 027 163 |
| | 7 627 974 | 8 424 340 |

Senior Management (Section 57 employees)

| Designation | Remuneration package per annum 2007/08 | Remuneration package per annum 2008/09 |
|--|---|---|
| | R | R |
| Municipal Manager | 766 489 | 946 921 |
| Chief Financial Officer | 876 466 | 738 224 |
| Director: Corporate and Transformation Services | 674 811 | 738 909 |
| Director: Social Services | 633 843 | 695 505 |
| Director: Economic Development and Planning | 308 494 | 808 429 |
| Director: Technical and Infrastructural Services | 409 579 | 721 007 |

CHAPTER 4

AUDITED STATEMENTS AND RELATED FINANCIAL INFORMATION

Report of the Chief Financial Officer

For the year under review Council also experience the decline in the economy of the world whereby it resulted in a decrease of our debtors payments (75.2%). Furthermore the implementation of the Property Rates Act also affected the budget increases tremendously in the sense that water, refuse and sewer didn't increase and in some instances lead to increases of more than 100% in rates. Electricity increased with the Eskom percentage of 14.2%. This resulted on the other hand that the operating budget been cut to bare essentials.

Capital expenditure was limited to grant funding (MIG & DME) due to cash flow that is not up to standard. Different Directorates should also take ownership of their budgets.

Challenges that still lie ahead for the Municipality are a compliant Asset register, implementation of revenue enhancement strategy and drafting of by-laws.

M E MOKOENA
CHIEF FINANCIAL OFFICER

Report of the Audit Committee

The Audit Committee is pleased to present the report for the financial year ended 30 June 2009 as recommended by the Municipal Finance Management Act No.56 of 2003.

1. Audit Committee Members and Attendance

The Audit Committee consists of the members listed hereunder and meets at least four times a year or more when the need arise. During the current year meetings were held on 4 occasions in terms of section 166 (4) b of the MFMA and the approved Audit Committee charter. Meetings were held on the following dates: 19 August 2008, 18 November 2008, 17 February 2009 and 19 May 2009.

Name of the Members

Prof. E.P Ababio (Chairperson)

R. Najjaar

P. Lessing

T. Melato

P.E. Mahonko

M. Tlou

2. Audit Committee Responsibility

The Audit Committee reports that it has complied with its roles and responsibilities as outlined by section 166 of the MFMA and the approved charter. The Audit Committee also reports that it has adopted appropriate formal terms of reference as contained in the Audit Committee charter approved by the Municipal Council and has regulated its affairs in compliance with the charter and has discharged its responsibilities as contained therein.

3. Internal Control

The system of internal control is partially effective as the various reports of the Internal Audit, the Audit report on the annual financial statements and the management letter of the Auditor General have reported certain significant and housekeeping matters of non compliance and control nature.

However, nothing significant has come to the attention of the Audit Committee to indicate that any material breakdown in the functioning of internal controls, procedures and systems has occurred during the period under review.

4. Internal Auditing

The Internal Auditing provides a supportive role to management and the Audit Committee to achieve their objectives by assisting in the management of risk within the Municipality.

The Internal Audit department is responsible for objective evaluation of the of the Council's system of internal control at a detailed level and to bring any significant business risks and exposures to the attention of management and the committee through the provision of comprehensive internal audit reports.

5. Risk Management

The municipality has developed a risk management strategy. The Audit Committee has recommended that the strategy be approved by the Council as it will be the foundation for a continuous risk assessment process and for managing and monitoring of risks on an ongoing basis.

6. Evaluation of Financial Statements

The Audit Committee has:

- Reviewed the financial statements prior its submission to the Auditors General.
- Reviewed and discussed the Auditor General Management letter and the Audit report with the Management and the Internal Audit.

The Audit Committee concurs and accepts the conclusion of the Auditor General on the annual financial statements and is of the opinion that the audited financial statements be accepted and read together with the report of the Auditor General.

PROF E P ABABIO
CHAIRPERSON



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

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I was engaged to audit the accompanying group financial statements of the Metsimaholo Local Municipality which comprise the consolidated statement of financial position as at 30 June 2009, the consolidated statement of financial performance, the consolidated statement of changes in net assets and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 44 to 92.

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 Practices (Statements of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126 of the MFMA, my responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

Property, plant and equipment

4. As a result of the audit matters detailed below, I was unable to obtain adequate audit evidence as to the existence, valuation and completeness of and rights and obligations relating to property, plant and equipment amounting to R302 673 809, as disclosed in the statement of financial position for the current financial year and R309 761 867 for the previous financial year, and the related detailed disclosure in note 8 to the financial statements.
- I was unable to verify the physical existence of property, plant and equipment amounting to R11 166 711 (including R3 524 443 pertaining to legacy issues). The corresponding figure in the prior year audit report amounted to R13 263 861. I was unable to perform alternative audit procedures to confirm the existence and valuation of these transactions.
 - I was unable to satisfy myself regarding the valuation and completeness of property, plant and equipment as assets could not be traced from the physical location to the asset register.
 - Contrary to the Standards of Generally Recognised Accounting Practice (GRAP), GRAP 17 the residual value and the useful life of an asset were not reviewed in the prior financial years, resulting in assets being written down to a nominal value. Consequently, I was not able to verify the valuation of the municipality's property, plant and equipment.
 - Infrastructure assets of R223 482 187 as disclosed in note 8 to the financial statements have not been recognised in accordance with the component approach, as required by the Standards of Generally Recognised Accounting Practice (GRAP), GRAP 17: *Property, plant and equipment*. The municipality did not identify significant components to be depreciated separately and consequently the valuation of property, plant and equipment, the accumulated depreciation balance, as well as depreciation written off, could not be verified.

Inventories

5. I was unable to verify the completeness and valuation of water, as disclosed in note 2 to the annual financial statements. I was unable to perform alternative audit procedures to confirm the completeness and valuation of water.

Trade and other receivables

6. As a result of the audit matters below, I was unable to obtain adequate audit evidence as to the existence, valuation and completeness of and rights and obligations relating to trade and other receivables amounting to R73 216 516, as disclosed in the statement of financial performance for the current financial year and R58 886 236 for the previous financial year.
- A difference of R12 239 870 was identified between the debtors age analysis and the balance presented in the statement of financial position and disclosed in note 3 to the financial statements. The corresponding figure in the prior year audit report amounted to R13 752 510. Furthermore, the additional information disclosed in note 3 for ageing, customer classification and ageing of impaired receivables did not reconcile with the services receivable summary disclosed in the same note to the financial statements. I was unable to perform alternative audit procedures. Consequently, I was unable to obtain sufficient supporting documentation to confirm the existence and valuation of and the rights and obligations relating to trade and other receivables.
 - For the year ended 30 June 2008, current consumer debtors amounting to R97 767 164 were included in service receivables as per note 3 to the financial statements. On average the municipality levied property rates and service charges of R25 263 217 on a monthly basis. Consequently, I was unable to assess the fair representation of the consumer debtor ageing.
 - Certain consumer debtors have entered into an agreement with the municipality to repay their accounts in periods exceeding 12 months. These debtors were not classified as long-term debtors, resulting in the understatement of long-term debtors and the overstatement of the trade and other receivables included in the statement of financial position. I was unable to determine the misstatement accurately due to the classification error.

Non-current provisions

7. As a result of the audit matters below, the municipality has omitted the disclosure of non-current provisions in the financial statements for the year ended 30 June 2009.
- The municipality did not provide for the rehabilitation of landfill sites, as required by section 28(1) of the National Environmental Management Act, 1998 (Act No. 107 of 1998) and in accordance with the Standard of Generally Accepted Municipal Accounting Practice, GAMAP 9 *Provisions, contingent liabilities and contingent assets* (GAMAP 19).

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- The municipality did not provide for a medical aid fund and other employee liabilities, which constitutes a departure from the South African Statement of Generally Accepted Accounting Practice, IAS 19: *Employee benefits*.

In the absence of actuarial valuations, I was unable to verify the valuation of these liabilities at reporting date and could consequently not quantify the misstatement.

Trade and other payables

8. As a result of the audit matters detailed below, I was unable to verify the existence, valuation and completeness of and rights and obligations relating to trade and other payables amounting to R99 484 998, as disclosed in the statement of financial position for the current financial year and R89 190 214 for the previous financial year and the related detailed disclosure in note 12 to the financial statements.
 - Direct bank deposits amounting to R6 109 930 included in the trade and other payables balance were not allocated to the correct account. The corresponding figure in the prior year audit report amounted to R21 084 113. I was unable to verify the existence and valuation of these unallocated deposits.
 - I was unable to satisfy myself as to the completeness (cut-off) and valuation of trade and other payables and the related expenses.

Revenue

9. As a result of the audit findings detailed below, I was unable to verify the occurrence, completeness and accuracy of revenue amounting to R361 730 731, as presented in the statement of financial performance for the current and previous financial year. The corresponding figure in the prior year audit report amounted to R384 955 953.
 - I was unable to verify the completeness and accuracy of revenue from property rates amounting to R65 199 753 for the current financial year and R56 917 298 for the previous financial year as per note 18 to the financial statements, as 5 679 (2008: 5 577) properties in the municipal area were identified from which no service charges are being recovered.
 - Sufficient supporting documentation could not be obtained for service charges levied of R206 020 116 for the current financial year and R215 292 559 for the previous financial year. The municipality's records did not allow the performance of alternative audit procedures. I could consequently not obtain adequate audit evidence as to the completeness, accuracy and occurrence of these service charges.

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- I was unable to verify the completeness, accuracy and occurrence of the direct income transactions as sufficient supporting documentations could not be obtained for direct income amounting to R12 973 627.
- Differences were identified between the actual meter readings and the meter readings as per the municipality's accounting system on which levies were charged for the year under review. I was unable to calculate the amount of service charges for water and the service charges for electricity. Consumer receivables were therefore overstated by an unknown amount.
- For the year ended 30 June 2008, the municipality recorded water sales amounting to R117 021 478 as per note 19 to the financial statements. The water sales according to the system amounted to R122 071 904. Sufficient supporting documentation for the difference of R4 340 962 could not be obtained. Consequently, assurance regarding completeness, cut-off and accuracy of water sales could not be obtained.
- For the year ended 30 June 2008, the municipality recorded electricity sales amounting to R73 402 144 as per note 19 to the financial statements. The electricity sales according to the system amounted to R78 165 426. Sufficient supporting documentation for the difference of R4 763 282 could not be obtained. Consequently, assurance regarding the completeness, cut-off and accuracy of electricity sales could not be obtained.

Expenditure

10. Bad debt expenditure is overstated by input tax estimated at R16 463 054 for the current financial year and R21 667 825 for the previous year, as the provision for bad debts was incorrectly made to include the input tax.

Contingent liabilities

11. I was unable to verify the completeness of contingent liabilities as no confirmation could be obtained from the attorneys.

Commitments

12. For the year ended 30 June 2008, my review of management controls and procedures to record outstanding commitments indicated that there were insufficient procedures in place to ensure that all the municipality's capital commitments have been identified and disclosed in note 31 to the financial statements.

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Irregular expenditure

13. Contrary to the municipality's *Supply Chain Management Policy*, the necessary procurement documentation could not be provided to substantiate expenditure amounting to R29 180 455 for the current financial year and R2 373 941 for the previous financial year.
14. No service level agreements could be obtained for payments amounting to R2 186 052.

Cash flow statement

15. I was unable to obtain adequate audit evidence that the cash flow statement and related notes for the current and prior financial years were fairly stated, due to the material effect of scope limitations and identified misstatements mentioned in this report.

Disclaimer of opinion

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

Emphasis of matters

Without further qualifying my opinion, I draw attention to the following matters on which I do not express a disclaimer of opinion:

Going concern

17. Note 45 to the financial statements indicates that the municipality experienced cash flow problems as a result of not being able to collect outstanding debtors. This resulted in trade payables not being paid on time.

Unauthorised and fruitless and wasteful expenditure

18. As disclosed in note 36 to the financial statements:
- fruitless and wasteful expenditure amounting to R876 652 was incurred as a result of creditors not being paid within 30 days (R1 337) and salaries being paid to suspended employees (R875 316).

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Restatement of corresponding figures

19. As disclosed in note 37 to the financial statements, the corresponding figures for 30 June 2008 have been restated as a result of an error discovered during 2009 in the financial statements of the Metsimaholo Local Municipality at, and for the year ended, 30 June 2008.

Other matters

I draw attention to the following matters that relate to my responsibility in the audit of the financial statements:

Non-compliance with applicable legislation

Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA)

20. Section 65(2)(e) of the MFMA requires that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement. Contrary to this requirement, outstanding accounts were not paid within the prescribed time frame.
21. Consolidated reports of all withdrawals made in terms of subsections (1)(b) to (j) were not submitted to the Auditor-General as required by section 11(4) of the MFMA.
22. The budget was not submitted to the council at the end of each quarter, as required by section 52(d) of the MFMA.
23. Section 32(4) of the MFMA requires that the accounting officer promptly inform the mayor, the MEC for local government in the province and the Auditor-General, in writing, of any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality. Contrary to the above, the required reports were not issued by the municipality during the year under review although instances of irregular and fruitless and wasteful expenditure were identified and disclosed in the financial statements.
24. The management of the Metsimaholo Local Municipality did not investigate identified instances of unauthorised, irregular and fruitless and wasteful expenditure, as required by section 32(2) of the MFMA.
25. No evidence could be obtained that the municipality had submitted to the National Treasury the required report for each contract valued above R100 000, as required by circular 34 of the MFMA.
26. No oversight report has been prepared or adopted in respect of the 2008 annual report, as required by section 129 of the MFMA.

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27. The requirements of section 33(1) and (2) in respect of the contracts entered into which relate to financial obligations beyond one year were not adhered to.
28. The shortfalls and overspending in respect of the budget were not reported in writing to the council, as required by section 70(1) of the MFMA.
29. A number of reconciliations were not performed at month-end as required by section 65(2)(i), which resulted in a number of weaknesses identified.
30. The MEC for finance was not informed of the fact that all annual performance contracts had not been signed, as required by section 53(2) of the MFMA.

Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA)

31. No performance contracts could be obtained for the municipal manager or any other manager directly accountable to the municipal manager, as required by section 57 of the MSA.
32. Section 67(d) of the MSA requires that appropriate systems be developed to monitor, measure and evaluate the performance of staff. Although the performance of management is monitored, the performance of other employees was not monitored and evaluated.
33. Full declarations of financial interests were not made, as required by schedule 1, paragraph 7(1) of the Municipal Systems Act, 2000 (Act No. 32 of 2000).

Supply Chain Management Regulations (GNR 868 of 30 May 2005) (SCM Regulations)

34. The deviation from the official procurement policies in certain instances were not recorded at the next council meeting, as required by regulation 36(2) of the SCM Regulations.

Governance framework

35. 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

36. 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 disclaimer of opinion. The root causes are categorised according to the five components of an effective system of internal control. In some instances deficiencies exist in more than one internal control component.

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| Par. no. | Basis for disclaimer of opinion | CE | RA | CA | IC | M |
|----------|---------------------------------|------|----|---------|------|---|
| 4 | Property, plant and equipment | 5 | 4 | 4 | 2, 3 | 1 |
| 5 | Inventories | 5 | 2 | | 2 | 1 |
| 6 | Trade and other receivables | 5, 6 | 2 | 3, 5 | 3 | 3 |
| 7 | Non-current provisions | | 2 | 3, 4, 5 | | 1 |
| 8 | Trade and other payables | 6 | 2 | 3 | | 3 |
| 9 | Revenue | 5, 6 | 2 | 3, 5 | 2 | 3 |
| 10 | Expenditure | 5, 6 | 2 | 3, 5 | 2 | 3 |
| 11 | Contingent liabilities | 5 | 2 | 3, 4 | | |
| 12 | Commitments | 5 | | 3, 4 | | 3 |
| 13 | Irregular expenditure | 5 | | 3, 4 | | 3 |
| 14 | Cash flow statement | 5 | | 3 | | 3 |

Overall reflections on the governance framework based on internal control deficiencies

37. The lack of dedicated resources resulted in the fixed asset register not being updated to ensure that all assets are verifiable.
38. The lack of a sufficient system of debt collection resulted in a significant amount of debtors to be impaired. A system error further resulted in the agree analysis not agreeing to the general ledger accounts.
39. Inadequate information supplied to the municipality resulted in the suspense accounts not being cleared on a regular/monthly basis.
40. Due to a number of constraints in the municipality's meter reading and capturing system, the completeness of income could not be verified.
41. The lack of a SCM review process resulted in a number of procurements which did not follow the Supply Chain Management Regulations. The municipality does not have systems in place to identify non-compliance.

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| 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 |

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| 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

42. 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 | Yes | No |
|---|---|-----|----|
| Clear trail of supporting documentation that is easily available and provided in a timely manner | | | |
| 1. | No significant difficulties were experienced during the audit concerning delays or the availability of requested information. | X | |
| Quality of financial statements and related management information | | | |
| 2. | The financial statements were not subject to any material amendments resulting from the audit. | | X |
| 3. | The annual report was submitted for consideration prior to the tabling of the auditor's report. | X | |
| Timeliness of financial statements and management information | | | |
| 4. | The annual financial statements were submitted for auditing as per the legislated deadlines section 126 of the MFMA. | | X |

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| No. | Matter | Yes | No |
|--|---|-----|----|
| Availability of key officials during audit | | | |
| 5. | Key officials were available throughout the audit process. | X | |
| Development of and compliance with risk management, effective internal control and governance practices | | | |
| 6. | Audit committee | | |
| | The municipality had an audit committee in operation throughout the financial year. | X | |
| | The audit committee operates in accordance with approved, written terms of reference. | X | |
| | The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA. | X | |
| 7. | Internal audit | | |
| | The municipality had an internal audit function in operation throughout the financial year. | X | |
| | The internal audit function operates in terms of an approved internal audit plan. | X | |
| | The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA. | X | |
| 8. | There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management. | | X |
| 9. | There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations. | | X |
| 10. | The information systems were appropriate to facilitate the preparation of the financial statements. | X | |
| 11. | A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section 62(c)(i) of the MFMA. | | X |
| 12. | Delegations of responsibility are in place, as set out in section 79 of the MFMA. | X | |
| Follow-up of audit findings | | | |
| 13. | The prior year audit findings have been substantially addressed. | X | |
| 14. | SCOPA resolutions have been substantially implemented. | X | |
| Issues relating to the reporting of performance information | | | |

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| No. | Matter | Yes | No |
|-----|--|-----|----|
| 15. | The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete. | | X |
| 16. | Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information. | | X |
| 17. | A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the municipality against its mandate, predetermined objectives, outputs, indicators and targets as per section 68 of the MFMA. | X | |
| 18. | There is a functioning performance management system in place. | X | |

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

43. Due to unforeseen circumstances, the entity opted to outsource the compilation of the annual financial statements. This resulted in the reporting process starting late and ultimately the late submission of the financial statements.
44. The municipality did not have a risk management committee in place during the year under review. Furthermore, no risk assessment was conducted and a risk management strategy, which includes a fraud prevention plan, has not been documented. These key governance deficiencies can be ascribed to the fact that management did not take adequate responsibility to drive the process of establishing key governance structures.
45. Management did not adequately address the risk of non-compliance with laws and regulations. This key governance deficiencies can be ascribed to the fact that management did not take adequate responsibility to drive the process of complying with the applicable laws and regulations.
46. The prior year audit findings have been substantially addressed, but not fully resolved.
47. The municipality has not developed and implemented an effective performance measurement system to ensure the accuracy and completeness of the performance information. This is attributable to the lack of dedicated resources in respect of performance management and inadequate training and development of relevant staff to ensure that they are knowledgeable concerning the requirements and deliverables regarding performance information.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report of performance information

48. I have reviewed the performance information as set out on pages xx to xx.

The accounting officer's responsibility for the performance information

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

The Auditor-General's responsibility

50. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.

51. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

52. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

Audit findings (performance information)

Non-compliance with regulatory requirements

No quarterly reporting on performance information

53. No quarterly reports on progress made in achieving measurable objectives and targets were prepared by the Metsimaholo Local Municipality to facilitate effective performance monitoring, evaluation and corrective action.

Existence and functioning of a performance audit committee

54. The Metsimaholo Local Municipality appointed a performance audit committee on the 31 March 2009, as required by regulation 14(2) of the Municipal Planning and Performance Management Regulations, 2001.

Internal auditing of performance measurements

55. The Metsimaholo Local 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 of the MSA.

Usefulness and reliability of reported performance information

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

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

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The following audit findings relate to the above criteria:

Inconsistently reported performance information

57. The Metsimaholo Local Municipality has not reported on its performance with regard to its objectives as per the approved strategic plan, due to changes to the objectives from the approved integrated development plan. No evidence could be provided that these changes had been approved. Summary of differences found:

| Development priorities and objectives per IDP | Target per IDP | Target per SDBIP and annual report |
|---|----------------|------------------------------------|
| Water provision & sanitation: | | |
| Reduced unaccounted for water | 10% | 20% |
| Install new water connections | 3200 | 3120 |
| Eradication of bucket system (informal areas) | 100 | 0 |
| Complete outfall sewer | 6.5km | 12km |
| Roads and storm water drainage/channels: | | |
| Construction of new storm water culvert | 100% | 0% |
| Upgrading and maintenance of storm water system | 100% | 80% |
| Electricity provision: | | |
| Electrified residential stands | 3000 | 1000 |
| Sport, recreation and community facilities: | | |
| Community halls upgraded | 3 | 0 |
| Refuse removal: | | |
| Refuse points serviced | 3500 | 5000 |
| Housing: | | |
| Number of approved stands allocated | 3150 | 0 |
| Cemeteries: | | |
| Upgraded cemeteries | 1 | 0 |

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Reported performance information not reliable

Differences in reported achievements

58. The reported actual achievement of targets differed from the adequate evidence/source documentation. Summary of examples found:

| Develop-ment priorities and objectives per IDP | Develop-ment priorities and objectives per annual performance report | Prior year actual per prior year annual report | Prior year actual per current year's annual report | Target per IDP 2008/2009 | Target per current year annual report | Actual per budget statement of June source | Actual reported as per the current annual report | Differ-ence |
|--|--|--|--|--------------------------|---------------------------------------|--|--|-------------|
| Reduced unaccounted for water | KI billed & purchased | 10% | 38,6% | 10% | 20% | 22,34% | 15% | 7,34% |
| Not in IDP | KwH billed & purchased | 10% | 6,4% | Not in IDP | 6% | 4,75% | 6% | 1,25% |

APPRECIATION

59. The assistance rendered by the staff of the Metsimaholo Local Municipality during the audit is sincerely appreciated.

Bloemfontein

16 April 2010



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Metsimaholo Local Municipality

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Statement of Financial Position on 30 June 2009

| Figures in Rand | Note(s) | 2009 | 2008 |
|--|---------|--------------------|--------------------|
| Assets | | | |
| Non-Current Assets | | | |
| Property, plant and equipment | 8 | 302,673,809 | 309,761,867 |
| Intangible assets | 9 | 34,437 | 34,437 |
| Long-term receivables | 5 | 289,191 | 711,881 |
| Investments | 10 | 6,199,683 | 8,255,305 |
| | | 309,197,120 | 318,763,490 |
| Current Assets | | | |
| Inventories | 2 | 2,244,459 | 1,985,481 |
| Current portion of long-term receivables | 5 | 49,800 | 185,863 |
| Investments Held to Maturity | 6 | 8,042,748 | 7,221,019 |
| Trade and other receivables from exchange transactions | 3 | 73,216,516 | 58,886,236 |
| Other receivables from non-exchange transactions | 4 | 10,033,903 | 16,331,593 |
| Cash and cash equivalents | 7 | 6,325,261 | 6,893 |
| | | 99,912,687 | 84,617,085 |
| Total Assets | | 409,109,807 | 403,380,575 |
| Net assets and Liabilities | | | |
| Net assets | | | |
| Net surplus | | 277,534,988 | 276,742,030 |
| Liabilities | | | |
| Non-Current Liabilities | | | |
| Long-term liabilities | 14 | 1,217,666 | 2,564,743 |
| Finance lease obligation | 15 | 11,038,354 | 16,314,583 |
| | | 12,256,020 | 18,879,326 |
| Current Liabilities | | | |
| Current portion of long-term liabilities | 14 | 1,347,077 | 4,050,364 |
| Finance lease obligation | 15 | 5,380,057 | 4,255,673 |
| Trade and other payables | 12 | 99,484,998 | 89,190,214 |
| Consumer deposits | 11 | 7,394,644 | 7,143,179 |
| Unspent conditional grants and receipts | 13 | 5,712,023 | 465,803 |
| Bank overdraft | 7 | - | 2,653,986 |
| | | 119,318,799 | 107,759,219 |
| Total Liabilities | | 131,574,819 | 126,638,545 |
| Total Net Assets and Liabilities | | 409,109,807 | 403,380,575 |

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Statement of Financial Performance

| Figures in Rand | Note(s) | 2009 | 2008 |
|---|---------|----------------------|----------------------|
| Revenue | | | |
| Property rates | 18 | 65,199,753 | 56,917,298 |
| Services charges | 19 | 206,020,116 | 215,292,559 |
| Government grants and subsidies | 17 | 70,424,030 | 50,725,832 |
| Fines | | 338,203 | 776,553 |
| Rental income | | 2,590,228 | 1,288,598 |
| Realisation of deferred income | | 4,114,774 | 39,704,898 |
| Other income | 20 | 12,973,627 | 11,445,049 |
| Gains on disposal of property, plant and equipment | | 70,000 | 8,805,166 |
| | | 361,730,731 | 384,955,953 |
| | | - | - |
| Other income | | 22,269,099 | 18,799,243 |
| Expenses | | | |
| Employee costs | 21 | (105,056,481) | (93,947,023) |
| Remuneration of Councillors | 22 | (8,424,341) | (7,627,974) |
| Bad debts | | (18,105,892) | (139,441,965) |
| Bulk purchases | 24 | (109,888,895) | (93,097,767) |
| Depreciation, amortisation and impairments | | (36,239,233) | (13,262,023) |
| Contracted services | | (6,413,210) | (5,611,341) |
| Increase in provisions | | (1,494,531) | (931,277) |
| Income Foregone | | (3,384,207) | - |
| Repairs and maintenance | | (15,590,971) | (9,261,940) |
| Grants and subsidies paid | 25 | (4,224,152) | (3,543,782) |
| General Expenditure | 26 | (79,424,942) | (45,421,193) |
| Loss with disposal of property, plant and equipment | | - | (1,276,265) |
| | | (388,246,855) | (413,422,550) |
| Surplus before finance cost for the period | | (4,247,025) | (9,667,354) |
| Finance costs | 23 | (4,999,555) | (4,918,760) |
| (Deficit) / Surplus for the period | | (9,246,580) | (14,586,114) |

Metsimaholo Local Municipality

for the year ended June 30, 2009

Statement of Changes in Net Assets

Metsimaholo Local Municipality

for the year ended June 30, 2009

Cash Flow Statement

| Figures in Rand | Note(s) | 2009 | 2008 |
|--|---------|---------------------|---------------------|
| Cash flows from operating activities | | | |
| Cash receipts from customers | | 413,343,117 | 344,395,439 |
| Cash paid to suppliers and employees | | (408,139,004) | (288,101,647) |
| Cash from operating activities | 27 | 5,204,113 | 56,293,792 |
| Interest income | | 21,673,141 | 16,412,281 |
| Finance costs | | (4,999,555) | (4,918,760) |
| Net cash from operating activities | | 21,877,699 | 67,787,313 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 8 | (19,112,886) | (43,712,265) |
| Proceeds from sale of Property, Plant and Equipment | 8 | - | 965,986 |
| Sale of financial assets | | 558,753 | - |
| Sale of investments | | 2,055,622 | (650,066) |
| Sale of other receivables from non-exchange transactions | | 6,297,690 | 4,656,416 |
| Net cash from investing activities | | (10,200,821) | (38,739,929) |
| Cash flows from financing activities | | | |
| Repayment of long-term liabilities | | (4,050,364) | (8,847,623) |
| Movement in consumer deposits | | 251,465 | 51,368 |
| Movement in unspent conditional grants and receipts | | 5,246,220 | (4,592,991) |
| Finance lease payments | | (4,151,845) | (3,247,452) |
| Net cash from financing activities | | (2,704,524) | (16,636,698) |
| Total cash movement for the year | | 8,972,354 | 12,410,686 |
| Cash at the beginning of the year | | (2,647,093) | (15,057,779) |
| Total cash at end of the year | 7&28 | 6,325,261 | (2,647,093) |

Metsimaholo Local Municipality

for the year ended June 30, 2009

Accounting Policies

1. Basis of preparation of Annual Financial Statements

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

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

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

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

The accounting policies are applied consistently 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.

The standards included in the GRAP reporting framework, as determined in Directive 5 issued by the Accounting Standards Board, are summarised as follows:

| Standard | Title of Standard |
|-----------------|---|
| GRAP 1 | Presentation of Financial Statements |
| GRAP 2 | Cash Flow Statements |
| GRAP 3 | Accounting Policies, Changes in Accounting Estimates and Errors |
| GRAP 4 | The Effects of changes in Foreign Exchange Rates |
| GRAP 5 | Borrowing Costs |
| GRAP 6 | Consolidated and Separate Financial Statements |
| GRAP 7 | Investments in Associate |
| GRAP 8 | Interest in Joint Ventures |
| GRAP 9 | Revenue from Exchange Transactions |
| GRAP 10 | Financial Reporting in Hyperinflationary Economies |
| GRAP 11 | Construction Contracts |
| GRAP 12 | Inventories |
| GRAP 13 | Leases |
| GRAP 14 | Events after the reporting date |
| GRAP 16 | Investment Property |
| GRAP 17 | Property Plant and Equipment |
| GRAP 19 | Provisions, Contingent Liabilities and Contingent Assets |
| GRAP 100 | Non-current Assets held for Sale and Discontinued Operations |
| GRAP 101 | Agriculture |
| GRAP 102 | Intangible Assets |
| IFRS 3 (AC 140) | Business Combinations |
| IFRS 4 (AC 141) | Insurance Contracts |
| IFRS 6 (AC 143) | Exploration for and Evaluation of Mineral Resources |
| IFRS 7 (AC 144) | Financial Instruments: Disclosures |
| IAS 12 (AC 102) | Income Taxes |
| IAS 19 (AC 116) | Employee Benefits |
| IAS 32 (AC 125) | Financial Instruments: Presentation |
| IAS 36 (AC 128) | Impairment of Assets |
| IAS 39 (AC 133) | Financial Instruments: Recognition and Measurement |

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, as detailed above, have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3 and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

Metsimaholo Local Municipality

for the year ended June 30, 2009

Accounting Policies

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

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

| Standard | Details of amendment and anticipated impact thereof | Annual periods beginning on or after thereof |
|--|---|--|
| GRAP 18 – Segment Reporting | New standard of GRAP dealing with presentation and disclosure requirements in respect of segment reporting. Will require significant new disclosures | To be determined by the Minister of Finance (issued March 2005) |
| GRAP 21 – Impairment of Non-cash-generating Assets | New standard of GRAP dealing with the requirements around determining impairments of non-cash generating assets | To be determined by the Minister of Finance (issued March 2009) |
| GRAP 23 – Revenue from Non-exchange transactions | New standard of GRAP dealing with revenue from non-exchange transactions, including grant income, levies and taxes. This is likely to change the way that grants are accounted as the new standard eliminates the matching principal and focuses only on the conditions as a factor for determining the recognition of grant revenue. | To be determined by the Minister of Finance (issued February 2008) |
| GRAP 24 – Presentation of Budget Information in the Financial Statements | New standard of GRAP dealing with the presentation and disclosure of budget information as required by GRAP 1. The impact of this is currently being assessed by management as part of the work on assets. | To be determined by the Minister of Finance (issued November 2007) |
| GRAP 26 - Impairment of Cash-generating Assets | New standard of GRAP dealing with the requirements around determining impairments of cash generating assets. The impact of this is currently being assessed by management as part of the work on assets. | To be determined by the Minister of Finance (issued March 2009) |
| GRAP 103 – Heritage Assets | New standard of GRAP dealing with the recognition, subsequent measurement, presentation and disclosure of heritage assets. The impact of this is currently being assessed by management as part of the work on assets. | To be determined by the Minister of Finance (issued July 2008) |
| Amendment to IFRS 3 – Business Combinations | Amendments to accounting for business combinations. 1 July 2009 | |

The municipality has not entered into any business combinations. As such it is anticipated that the amendment to the Standard will have an impact on financial results of the municipality.

| | | |
|--|-------------------------------|----------------|
| * Amendment to IFRS 7 – Financial Instruments: Disclosures | Presentation of finance costs | 1 January 2009 |
|--|-------------------------------|----------------|

The amendment to the Standard enhances disclosure of finance costs. As such it is anticipated that the amendment to the Standard will not have an impact on financial results of the municipality.

| | | |
|---|--|----------------|
| * Amendment to IAS 19 – Employee Benefits | The amendment affects the following: Curtailements and negative past service cost Plan administration costs Replacement of terms "fall due" Guidance on contingent liabilities | 1 January 2009 |
|---|--|----------------|

These changes are not expected to have a significant impact on the financial results of the municipality.

Metsimaholo Local Municipality

for the year ended June 30, 2009

Accounting Policies

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

| Standard | Details of amendment and anticipated impact thereof | Annual periods beginning on or after |
|----------|---|--------------------------------------|
|----------|---|--------------------------------------|

| | | |
|---|--|----------------|
| Amendment to IAS 32 – Financial Instruments: Presentation | Certain financial instruments will be classified as equity whereas, prior to these amendments, they would have been classified as financial liabilities. | 1 January 2009 |
|---|--|----------------|

The entity does not hold any instruments that are subject to the revised classification provisions of the Standard. As such it is anticipated that the amendment to the Standard will not have an impact on financial results of the municipality.

| | | |
|---|---|----------------|
| * Amendment to IAS 36 – Impairment of Assets | Disclosure of estimates used to determine recoverable amount. | 1 January 2009 |
|---|---|----------------|

The amendment to the Standard enhances disclosure of estimates applied in determining the recoverable amount. As such it is anticipated that the amendment to the Standard will not have an impact on financial results of the municipality.

| | | |
|---|--|----------------|
| * Amendment to IAS 36 – Impairment of Assets | Unit of accounting for goodwill impairment test. | 1 January 2010 |
|---|--|----------------|

The municipality has not entered into any transactions that give rise to goodwill. As such it is anticipated that the amendment to the Standard will not have an impact on financial results of the municipality.

| | | |
|---|---|----------------|
| * Amendment to IAS 39 – Financial Instruments: Recognition and Measurement | Reclassification of derivatives into or out of the classification of at fair value through profit or loss. Designating and documenting hedges at the segment level. Applicable effective interest rate on cessation of fair value hedge accounting. | 1 January 2009 |
|---|---|----------------|

The municipality does not have any derivative financial instruments or hedge instruments and does not apply hedge accounting. As such it is anticipated that the amendment to the Standard will not have an impact on financial results of the municipality.

| | | |
|---|---|-------------|
| * Amendment to IAS 39 – Financial Instruments: Recognition and Measurement | Clarifies two hedge accounting issues: Inflation in a financial hedged item. A one-sided risk in a hedged item. | 1 July 2009 |
|---|---|-------------|

The municipality does not apply hedge accounting. As such it is anticipated that the amendment to the Standard will not have an impact on financial results of the municipality.

| | | |
|---|--|----------------|
| * Amendment to IAS 39 – Financial Instruments: Recognition and Measurement | Treating loan prepayment penalties as closely related embedded derivatives Scope exemption for business combination contracts Cash flow hedge accounting | 1 January 2010 |
|---|--|----------------|

The municipality is not subject to any loan repayment penalties and it does not apply hedge accounting, as it does not have any hed instruments. As such it is anticipated that the amendment to the Standard will not have an impact on financial results of the municipality.

Metsimaholo Local Municipality

for the year ended June 30, 2009

Accounting Policies

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

| Standard | Details of amendment and anticipated impact thereof | Annual periods beginning on or after |
|---|---|--------------------------------------|
| Interpretation** Annual periods beginning on or after | | |
| * IFRIC 9 – Reassessment of Embedded Derivatives | | 1 July 2009 |
| IFRIC 12 – Service Concession Arrangements | | 1 January 2008 |
| IFRIC 13 – Customer Loyalty Programmes | | 1 July 2008 |
| IFRIC 14 – IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction | | 1 January 2008 |
| IFRIC 15 – Agreements for the Construction of Real Estate | | 1 January 2009 |
| IFRIC 16 – Hedges of a Net Investment in a Foreign Operation | | 1 October 2008 |
| * IFRIC 16 – Hedges of a Net Investment in a Foreign Operation | | 1 July 2009 |
| IFRIC 17 – Distribution of Non-cash Assets to Owners | | 1 July 2009 |

Metsimaholo Local Municipality

for the year ended June 30, 2009

Accounting Policies

1.1 Significant judgements

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts presented in the financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Loans and receivables

The Municipality assesses its loans and receivables for impairment at each balance sheet date. In determining whether an impairment loss should be recorded in the income statement, the company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance is made for slow-moving, damaged and obsolete inventory to write the inventory down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down, if any, is included in the Statement of Financial Performance.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the company is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment (i.e. carrying amount is less than recoverable amount) may have occurred, estimates are prepared of expected future cash flows for each group of assets. The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values.

Metsimaholo Local Municipality

for the year ended June 30, 2009

Accounting Policies

1.1 Significant judgements (continued)

Post employment benefits

The present value of the post employment obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post employment obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 32.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Provisions

Provisions were raised and management determined an estimate based on the information available.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Useful lives and residual values

The municipality re-assess the useful lives and residual values of property, plant and equipment on an annual basis. In re-assessing the useful lives and residual values of property, plant and equipment management considers the condition and use of the individual assets, to determine the remaining period over which the asset can and will be used.

Presentation currency

The financial statements are presented in South African Rand, which is the functional currency of the municipality, and are rounded off to the nearest Rand.

Going concern

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

Comparative concern

Budget information in accordance with GRAP 1 and based on IPSAS 24, has been provided in an annexure to these financial statements and does not form part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.2 Property, plant and equipment

Property, plant and equipment is carried at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Metsimaholo Local Municipality

for the year ended June 30, 2009

Accounting Policies

1.2 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the municipality; and the cost of the item can be measured reliably.

Costs include costs (cash or cash price equivalent) incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. The cost of replacing or servicing an asset will only be included if the expenditure improves the condition of the asset beyond the most reasonably assessed standard of performance. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

An item of property, plant and equipment is eliminated from the statement of financial position on disposal or when the asset is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. Any gains or losses arising from the de-recognition thereof are recognised in surplus / deficit, in the period that it arises.

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. The residual value and the useful life of each asset are reviewed annually. Where these estimates differ from those previously assessed the change is recognised as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately over its estimated useful life. Those items of property, plant and equipment which are of such a nature that they are replaced as a whole and not in terms of component parts, are not broken down into significant components as the useful lives of the components are expected to approximate the useful lives of the items taken as a whole.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset. Depreciation is provided, using the straight line method, on all property, plant and equipment to write down their cost over their estimated useful lives to their estimated residual values. Where the residual value of an asset item is considered to be insignificant it is also considered to be immaterial in the calculation of the depreciable amount of those assets.

Depreciation is provided as follows:

| Item | Average useful life |
|------------------------------------|----------------------------|
| Roads | 10 - 30 years |
| Electricity | 20 - 30 years |
| Water | 15 - 20 years |
| Sewerage | 15 - 20 years |
| Housing | 30 years |
| Buildings | 30 years |
| Recreational facilities | 20 - 30 years |
| Specialist vehicles | 10 years |
| Other vehicles | 3 - 20 years |
| Office equipment | 3 - 5 years |
| Furniture and fittings | 3 - 7 years |
| Bins and containers | 5 - 10 years |
| Specialised plant and equipment | 5 - 15 years |
| Other items of plant and equipment | 2 - 5 years |

The surpluses or deficits arising from de-recognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised.

Donated assets and assets obtained at less than fair value are accounted for at fair value. Donated assets are recognised when either available for use or when the risks and rewards of ownership have transferred. The difference between the fair value and the cash consideration is accounted for using the accounting policy relating to the accounting of non-exchange revenue.

Land is not depreciated.

Depreciation commences when the assets are ready for their intended use.

Metsimaholo Local Municipality

for the year ended June 30, 2009

Accounting Policies

1.2 Property, plant and equipment (continued)

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Non-current assets (or disposal group) held for sale

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

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

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

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

Impairment testing

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

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

- tests 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

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

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

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

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

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

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.

Metsimaholo Local Municipality

for the year ended June 30, 2009

Accounting Policies

1.3 Financial instruments

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

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.

Fair value determination

Fair value information for trade and other receivables and payables are determined as the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Loans to employees

These financial assets are classified as loans and receivables and are measured at fair value plus direct transaction costs upon initial recognition.

After initial recognition these loans are measured at amortised cost, using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

An impairment loss is recognised in surplus or deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the loan's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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

Trade and other receivables

Trade receivables classified as loans and receivables and are measured at initial recognition at fair value plus direct transaction costs. After initial recognition these receivables are measured at amortised cost, using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the receivable is impaired. Significant financial difficulties of the receivable, probability that the receivable 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. The allowance recognised is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the receivable is reduced through the use of an allowance account, and the amount of the deficit is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other income in the Statement of Financial Performance.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Trade and other payables are classified as financial liabilities carried at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and are subject to an insignificant risk of changes in value. These are initially recorded at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Metsimaholo Local Municipality

for the year ended June 30, 2009

Accounting Policies

1.3 Financial instruments (continued)

Cash and cash equivalents are classified as loans and receivables.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Other financial liabilities are measured initially at fair value and subsequently at amortised cost, using the effective interest rate method.

Bank overdraft and borrowings are classified as financial liabilities carried at amortised cost.

Other loans and receivables

Other financial assets classified as loans and receivables are initially recognised at fair value plus transaction costs, and are subsequently carried at amortised cost less any accumulated impairment.

These financial assets are not quoted in an active market and have fixed or determinable payments.

Designated through profit and loss

These financial assets are measured at fair value.

Impairment

At reporting date, the Municipality determines whether there is any objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the deficit is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit deficits that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced either directly or through use of an allowance account.

The amount of the deficit is recognised in surplus or deficit.

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and is settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset to the financial asset that is impaired. Such impairment losses are not reversed.

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

The amount of the cumulative deficit that is removed from equity and recognised in surplus or deficit are the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit.

1.4 Inventories

Initial recognition:

Inventories are measured at the lower of cost and net realisable value, except where the paragraph mentioned below applies.

Where inventories are held for:

- distribution at no charge or for a nominal charge, or

Metsimaholo Local Municipality

for the year ended June 30, 2009

Accounting Policies

1.4 Inventories (continued)

- consumption in the production process of goods to be distributed at no charge or for a nominal charge, these inventories are measured at the lower of cost and current replacement cost

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The following cost formulas are applied for every inventory class:

| Inventory class: | Measurement basis: |
|-------------------------|---------------------------|
| Consumable stores | First-in-first out |
| Water | Weighted average method |
| Unsold houses | First-in-first out |

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all deficits of inventories are recognised as an expense in the period the write-down or deficit occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average method.

1.5 Leases

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

Finance leases - lessor

The municipality recognises finance lease receivables on the Statement of Financial Position at the commencement of the lease term. The finance lease receivable is measured at an amount equal to the net investment in the lease upon initial recognition.

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

Municipality as lessee

The following situations would normally individually or in combination lead to a lease being classified as a finance lease and have been considered by the municipality:

- lease transfers ownership of the asset to the lessee by the end to the lease term;
- the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
- the lease term is for the major part of the economic life of the asset even if title is not transferred;
- at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the asset;
- the leased asset is of such a specialised nature that only the lessee can use them without major modifications;
- if the lessee can cancel the lease, the lessor's deficits associated with the cancellation are born by the lessee;
- gains or deficits from the fluctuation in the fair value of the residual accrue to the lessee; and

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for the year ended June 30, 2009

Accounting Policies

1.5 Leases (continued)

•the lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent. Finance leases are recognised as assets and liabilities in the Statement of Financial Position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, at the commencement of the lease term. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

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

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. The classification of the lease is determined using GRAP 13 Leases.

Operating leases - lessor

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

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

Income for leases is disclosed as a separate line item in the Statement of Financial Performance. Contingent rentals received / receivable are recognised in income in the period when they become due and are not included in the straight-line lease income.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred and are not included in the straight-line lease expense.

Metsimaholo Local Municipality

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Accounting Policies

1.6 Intangible assets

Initial recognition:

Metsimaholo Local Municipality classifies assets that are non-monetary without physical substance as intangible assets. When software is not an integral part of the related hardware, computer software is treated as an intangible asset; otherwise it is treated as property, plant and equipment.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the municipality; and
- the cost of the asset can be measured reliably.

Intangible assets are measured at cost upon initial recognition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred. An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. Amortisation commences when the asset is available for use and ceases at the earlier of the disposal of the asset or when the residual value of the asset is equal to or exceeds the carrying value of the asset.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. Reassessing the useful life of an intangible asset with a definite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

An item of intangible assets shall be eliminated from the statement of financial position on disposal or when the asset is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. Gains or losses arising from the disposal are recognised in surplus / (deficit) for the period during which the asset is disposed.

The residual value and the useful life of each asset are reviewed annually.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

| Item | Useful life |
|-------------------|--------------------|
| Computer software | 3 years |

1.7 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

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

Metsimaholo Local Municipality

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Accounting Policies

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

1.7 Employee benefits (continued)

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method. Actuarial valuations are conducted on a regular basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to reporting date where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or deficit exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in the Statement of Financial Performance over the expected average remaining service lives of participating employees. Actuarial gains or deficits within the corridor are not recognised.

Gains or deficits on the curtailment or settlement of a defined benefit plan are recognised when the municipality is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset.

The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In the Statement of Financial Performance, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the Statement of Financial Position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and deficits and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to un-recognised actuarial deficits, plus the present value of available refunds and reduction in future contributions to the plan. For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method. Actuarial valuations are conducted on a regular basis by independent actuaries separately for each plan. Consideration is given to any event that could impact the funds up to reporting date where the interim valuation is performed at an earlier date.

Multi-employer plans

A multi-employer plan is classified as either a defined benefit plan or a defined contribution plan. If the plan is a defined benefit plan, an actuarial valuation should be obtained. Normal defined benefit accounting would be applied to the proportionate share of the obligation and assets relating to the municipality. If actuaries are unable to provide the municipality with an actuarial valuation, the municipality accounts for the plan as if it were a defined contribution plan.

1.8 Government grants

Government grants are recognised when there is reasonable assurance that:

- the entity will comply with the conditions attaching to them; and
- the grants will be received.

1.9 Investments Held to Maturity

Metsimaholo Local Municipality

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Accounting Policies

All Sanlam investments are classified as held to maturity investments as all are non derivative financial assets with fixed or determinable payments and fixed maturity.

The municipality has the positive intention and ability to hold these policies to maturity.

1.10 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:

- tests 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.

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.

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Accounting Policies

1.11 Provisions and contingencies

Provisions are recognised when:

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

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

The Municipality uses a pre-tax rate that reflects current market assessments of the time value of money and the risks for which future cash flow estimates have been adjusted.

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

Provisions are not recognised for future operating deficits.

If a municipality has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when the municipality:

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

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

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

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Accounting Policies

1.12 Revenue

Revenue from exchange transactions:

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

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

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

Interest revenue is recognised on a time proportion basis.

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

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

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of agency fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue from non - exchange transactions:

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

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

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

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Accounting Policies

Grants, transfers and donations:

1.12 Revenue (continued)

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.13 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, unless the borrowing cost was incurred in relation to a qualifying asset in which case the borrowing cost is capitalized in the cost of such an asset.

1.14 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.

1.15 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.

1.16 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.

1.17 Investment in joint ventures

An investment in a joint venture is carried at fair value and classified as fair value through profit or loss.

Profits and losses resulting from contributions or sale of assets to joint ventures are only recognised to the extent of other venturers' interests in the joint venture.

The group's share of profits or losses, resulting from purchase of assets from joint ventures are recognised only when the assets are resold to an independent party.

In respect of its interests in jointly controlled operations, the municipality recognises in its :

- the assets that it controls and the liabilities that it incurs; and
- the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the joint venture.

In respect of its interest in jointly controlled assets, the municipality recognises in its :

- its share of the jointly controlled assets, classified according to the nature of the assets;
- any liabilities that it has incurred;

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Accounting Policies

- its share of any liabilities incurred jointly with the other venturers in relation to the joint venture;
- any income from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture; and
- any expenses that it has incurred in respect of its interest in the joint venture.

1.22 Going concern

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.23 Related parties

The municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. All national departments of government and state-controlled entities are regarded as related parties in accordance with Circular 4 of 2005: Guidance on the term "state controlled entities" in context of IAS 24 (AC 126) - Related Parties, issued by the South African Institute of Chartered Accountants. Other related party transactions are also disclosed in terms of the requirements of the accounting standard

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for the year ended June 30, 2009

Notes to the Annual Financial Statements

| Figures in Rand | 2009 | 2008 |
|-----------------------|------------------|------------------|
| 2. Inventories | | |
| Consumable stores | 2,028,785 | 1,766,249 |
| Unsold properties | 51,657 | 66,122 |
| Water reservoir | 164,017 | 153,110 |
| | 2,244,459 | 1,985,481 |

The Municipality has recognised purchased water stock on hand on 30 June 2009. This amount has been estimated using water in reservoirs and water networks and the different purchase prices of water.

3. Trade and other receivables from exchange transactions

| | | |
|--|-------------------|-------------------|
| Trade and other receivables from exchange transactions | 73,216,516 | 58,886,236 |
| Service receivables | | |
| Rates | 47,382,708 | 66,847,661 |
| Electricity | 29,166,806 | 42,903,027 |
| Water | 203,496,807 | 143,911,453 |
| Sewerage | 17,318,309 | 16,037,618 |
| Refuse | 13,630,144 | 31,576,757 |
| Housing rentals | 64,377 | 64,377 |
| Provision for bad debts | (237,842,635) | (240,977,774) |
| | 73,216,516 | 60,363,119 |

Credit quality of service receivables

All of municipality's trade and other receivables have been reviewed for indicators of impairment. The municipality's management considers that all of the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality. The municipality continuously monitors consumers, identified group, based on average past payment history and incorporates this information into its credit risk control. No external credit rating is performed.

Ageing

Trade receivables:

Rates

| | | |
|---------------|-------------------|-------------------|
| Current | 4,459,826 | 10,476,168 |
| 1 - 30 days | 2,603,476 | 3,133,457 |
| 31 - 60 days | 1,514,436 | 1,646,230 |
| 61 - 90 days | 1,200,458 | 1,458,455 |
| 91 - 120 days | 1,168,555 | 1,292,191 |
| 120 + days | 36,463,736 | 48,841,160 |
| | 47,410,487 | 66,847,661 |

Services (Electricity, Water, Sewerage and Refuse)

| | | |
|---------------|--------------------|--------------------|
| Current | 18,332,129 | 87,289,996 |
| 1 - 30 days | 12,599,390 | 23,135,247 |
| 31 - 60 days | 12,736,376 | 10,098,693 |
| 61 - 90 days | 11,816,300 | 16,471,554 |
| 91 - 120 days | 19,275,485 | 5,364,602 |
| 120 + days | 197,814,616 | 92,067,763 |
| | 272,574,296 | 234,427,855 |

Metsimaholo Local Municipality

for the year ended June 30, 2009

| Figures in Rand | 2009 | 2008 | |
|--|--------------------|--------------------------------|---|
| 3. Trade and other receivables from exchange transactions (continued) | | | |
| Housing Rentals | | | |
| + 365 days | 64,377 | 64,377 | |
| Summary of receivables by customer classification 2009 | | | |
| | Consumers | Industrial / Commercial | National and Provincial Government |
| Current | 14,540,027 | 8,112,299 | 142,629 |
| 1 - 30 days | 11,180,302 | 3,882,951 | 139,613 |
| 31 - 60 days | 11,116,038 | 1,747,626 | 1,387,148 |
| 61 - 90 days | 11,286,512 | 1,588,635 | 141,394 |
| 91 - 120 days | 18,854,463 | 1,442,183 | 147,394 |
| 120+ days | 203,634,273 | 27,267,570 | 3,502,480 |
| | 270,611,615 | 44,041,264 | 5,460,658 |
| Summary of receivables by customer classification 2008 | | | |
| | Consumers | Industrial / Commercial | Provincial Government |
| Current | 86,002,157 | 11,536,034 | 164,606 |
| 1 - 30 days | 22,278,493 | 3,817,314 | 172,897 |
| 31 - 60 days | 7,635,664 | 3,995,873 | 113,376 |
| 61 - 90 days | 15,744,221 | 2,104,063 | 81,725 |
| 91 - 120 days | 4,616,523 | 2,017,796 | 22,474 |
| 120+ days | 120,126,624 | 20,566,587 | 344,466 |
| | 256,403,682 | 44,037,667 | 899,544 |
| Reconciliation of provision for impairment of trade and other receivables | | | |
| Opening balance | | 240,977,774 | 108,113,670 |
| Provision for impairment | | 63,742,311 | 139,441,965 |
| Amounts written off as uncollectible | | - | (6,577,861) |
| | | 304,720,085 | 240,977,774 |
| Trade and other receivables past due but not impaired: | | | |
| The ageing of amounts past due but not impaired is as follows: | | | |
| Current | 13,334,541 | 52,358,576 | |
| 1 month past due | 6,011,888 | 4,957,819 | |
| 2 months past due | 7,789,711 | 3,046,724 | |
| 3 months past due | 46,080,376 | - | |
| | 73,216,516 | 60,363,119 | |
| Trade and other receivables impaired | | | |
| The ageing of these receivables are as follows: | | | |
| Current | 9,065,083 | 71,677,292 | |
| 1 month past due | 14,784,755 | 6,787,104 | |
| 2 months past due | 8,254,556 | 10,361,313 | |
| 3 months past due | 272,615,691 | 152,152,065 | |
| | 304,720,085 | 240,977,774 | |

Metsimaholo Local Municipality

for the year ended June 30, 2009

The maximum exposure to credit risk at the reporting date is the fair value of each class of consumers mentioned above.

The municipality does not hold any collateral as security.

| Figures in Rand | 2009 | 2008 |
|---|-------------------|-------------------|
| 3. Trade and other receivables from exchange transactions (continued) | | |
| None of these receivables were pledged as security. | | |
| 4. Other receivables from non-exchange transactions | | |
| Sundry receivables - general | 7,463,158 | 12,018,685 |
| Claims and subsidies | - | 1,291,541 |
| Input VAT / capital receivables | 1,479,795 | 2,987,908 |
| Provincial Administration - Ambulance Claim | 203,670 | - |
| Claimable: Deneysville | 313,995 | - |
| Other deposits | 573,276 | 33,450 |
| Rent Prepaid | 9 | 9 |
| | 10,033,903 | 16,331,593 |
| 5. Long-term receivables | | |
| Staff housing loans | 14,048 | 16,507 |
| The loan was granted to a staff member in 1984 at an interest rate of 5% according to the housing scheme that was applicable then. The loan will be fully redeemed in 2014. | | |
| Car loans | 49,800 | 225,366 |
| Senior staff are entitled to car loans which attract interest at 8.5% p.a. and which are repayable over a maximum period of 6 years. The scheme is the old Bargaining Council's motor scheme. | | |
| Housing selling scheme loans | 238 | 655,871 |
| Housing loans RDP | 274,905 | - |
| Loans are granted for the purchase of the land (stands). | | |
| | 338,991 | 897,744 |
| Non-current assets | | |
| Staff housing loans | 14,048 | 16,507 |
| Car loans | - | 222,923 |
| Housing selling scheme loans | 238 | 472,451 |
| Housing loans RDP houses | 274,905 | - |
| | 289,191 | 711,881 |
| Current assets | | |
| Staff housing loans | - | 183,420 |
| Car loans | 49,800 | 2,443 |
| | 49,800 | 185,863 |
| | 338,991 | 897,744 |

The company has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

There were no gains or losses realised on the disposal of held to maturity financial assets in 2009 and 2008, as all the financial assets were disposed of at their redemption date.

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| Figures in Rand | 2009 | 2008 |
|---|------------------|--------------------|
| 6. Investments Held to Maturity | | |
| 30 day deposits | 8,042,748 | 7,221,019 |
| 7. Cash and cash equivalents | | |
| Cash and cash equivalents consist of: | | |
| Cash on hand | 5,315 | 6,893 |
| Bank balances | 6,319,946 | - |
| Bank overdraft | - | (2,653,986) |
| | 6,325,261 | (2,647,093) |
| Current assets | 6,325,261 | 6,893 |
| Current liabilities | - | (2,653,986) |
| | 6,325,261 | (2,647,093) |
| Guarantee: Eskom as electricity deposit | 539,826 | 990,000 |
| Bank balances/(overdrafts) consist of: | | |
| Current Account (primary bank account) | - | - |
| ABSA [Acc no. 520 000 038] | - | - |
| Cash book balance at the beginning of year | (2,653,987) | (14,274,808) |
| Cash book balance at end of year | 6,121,603 | (2,653,987) |
| Bank balance at beginning of the year | 2,574,534 | (4,088,977) |
| Bank balance at end of year | 8,104,495 | 2,574,534 |
| Transmission Account | - | - |
| ABSA [Acc no. 520 000 062] | - | - |
| Cash book balance at beginning of year | - | (788,288) |
| Cash book balance at end of year | - | - |
| Bank statement balance at beginning of year | - | 800,853 |
| Bank statement balance at end of year | - | - |
| Total cash book balance at beginning of year | (2,653,987) | (15,063,096) |
| Total cash book balance at end of year | 6,121,603 | (2,653,987) |

8. Property, plant and equipment

| | 2009 | | | 2008 | | |
|--------------------|--------------------|--------------------------|--------------------|--------------------|--------------------------|--------------------|
| | Cost / Valuation | Accumulated depreciation | Carrying value | Cost / Valuation | Accumulated depreciation | Carrying value |
| Land and Buildings | 26,166,500 | (6,854,086) | 19,312,414 | 26,166,500 | (5,831,479) | 20,335,021 |
| Infrastructure | 335,171,013 | (111,688,826) | 223,482,187 | 318,202,724 | (95,442,987) | 222,759,737 |
| Community | 13,944,901 | (4,646,800) | 9,298,101 | 13,418,584 | (4,031,123) | 9,387,461 |
| Heritage | 180,420 | 206 | 180,626 | 180,420 | 205 | 180,625 |
| Leasehold property | 21,341,049 | (10,903,294) | 10,437,755 | 21,240,746 | (6,595,174) | 14,645,572 |
| Other | 40,775,309 | (24,682,912) | 16,092,397 | 39,075,299 | (20,901,389) | 18,173,910 |
| Housing | 27,104,302 | (3,233,973) | 23,870,329 | 27,104,302 | (2,824,761) | 24,279,541 |
| Total | 464,683,494 | (162,009,685) | 302,673,809 | 445,388,575 | (135,626,708) | 309,761,867 |

Metsimaholo Local Municipality

for the year ended June 30, 2009

| | | |
|-----------------|------|------|
| Figures in Rand | 2009 | 2008 |
|-----------------|------|------|

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2009

| | Opening Balance | Additions | Depreciation | Total |
|---|--------------------|-------------------|---------------------|--------------------|
| Land and Buildings | 20,335,021 | - | (1,022,607) | 19,312,414 |
| Infrastructure | 222,759,737 | 16,968,289 | (16,245,839) | 223,482,187 |
| Community | 9,387,461 | 526,317 | (615,677) | 9,298,101 |
| Heritage | 180,626 | - | - | 180,626 |
| Housing | 24,279,541 | - | (409,212) | 23,870,329 |
| Assets held under finance lease agreement | 14,645,572 | 100,303 | (4,308,120) | 10,437,755 |
| Other | 18,173,912 | 1,695,451 | (3,776,966) | 16,092,397 |
| | 309,761,870 | 19,290,360 | (26,378,421) | 302,673,809 |

Reconciliation of property, plant and equipment - 2008

| | Opening Balance | Additions | Disposals | Depreciation | Total |
|---------------------------------|--------------------|-------------------|------------------|---------------------|--------------------|
| Land and Buildings | 19,923,321 | 1,500,000 | (121,813) | (966,487) | 20,335,021 |
| Infrastructure | 187,696,785 | 39,871,025 | (196) | (4,807,877) | 222,759,737 |
| Community | 10,427,011 | - | (833,704) | (205,846) | 9,387,461 |
| Heritage | 181,075 | - | (450) | - | 180,625 |
| Housing | 24,683,908 | - | - | (404,367) | 24,279,541 |
| Assets held under finance lease | 18,922,385 | 29,195 | - | (4,306,008) | 14,645,572 |
| Other | 18,379,007 | 2,312,045 | (9,823) | (2,507,317) | 18,173,912 |
| | 280,213,492 | 43,712,265 | (965,986) | (13,197,902) | 309,761,869 |

Also refer to Appendix B for additional analysis of property plant and equipment.

9. Intangible assets

| | 2009 | | | 2008 | | |
|-------------------|---------------------|-----------------------------|----------------|---------------------|-----------------------------|----------------|
| | Cost / Valuation | Accumulated amortisation | Carrying value | Cost / Valuation | Accumulated amortisation | Carrying value |
| Computer software | 1,817,522 | (1,783,085) | 34,437 | 1,817,522 | (1,783,085) | 34,437 |

Reconciliation of intangible assets - 2009

| | Opening Balance | Total |
|-------------------|--------------------|--------|
| Computer software | 34,437 | 34,437 |

Reconciliation of intangible assets - 2008

| | Opening Balance | Amortisation | Total |
|-------------------|--------------------|--------------|--------|
| Computer software | 98,558 | (64,121) | 34,437 |

Metsimaholo Local Municipality

for the year ended June 30, 2009

| Figures in Rand | 2009 | 2008 |
|--|-------------------|-------------------|
| 10. Investments | | |
| Listed Shares | | |
| Sanlam Ltd - Moneymarket (2009: 548 898,76 units @ 100 cents; 2008: 419098,64 units @ 100 cents) | 548,899 | 419,099 |
| Sanlam Ltd - Term annuity investment | 1,238,516 | 1,379,743 |
| Sanlam Ltd - Investment policies | 4,381,198 | 6,425,905 |
| | 6,168,613 | 8,224,747 |
| Council's valuation of unlisted investments | | |
| Other deposits (Collateral housing deposits) | 31,070 | 30,558 |
| Market value of listed investments | | |
| Sanlam Ltd | 6,168,613 | 8,224,747 |
| Allocation of external investments: | | |
| In terms of legislation, surplus cash is invested until used for specific purposes. Investments are allocated on the following basis: | | |
| Repayment of fixed period external loans | 6,168,613 | 8,224,747 |
| | 6,168,613 | 8,224,747 |
| 11. Consumer deposits | | |
| Electricity and water | 7,394,644 | 7,143,179 |
| | 7,394,644 | 7,143,179 |
| Guarantees in lieu of electricity and water deposits | 45,300 | 45,300 |
| | 45,300 | 45,300 |
| 12. Trade and other payables | | |
| Trade payables | 24,101,354 | 13,201,105 |
| VAT | 24,056,328 | 28,230,821 |
| Other payables | 22,926,750 | 17,604,557 |
| Payments received in advance | 19,081,757 | 22,314,709 |
| Accrued leave pay | 7,024,842 | 6,004,282 |
| Accrued bonus | 2,293,967 | 1,834,740 |
| | 99,484,998 | 89,190,214 |

Metsimaholo Local Municipality

for the year ended June 30, 2009

| Figures in Rand | 2009 | 2008 |
|---|------------------|------------------|
| 13. Unspent conditional grants and receipts | | |
| Conditional grants from other spheres | | |
| Municipal Infrastructure Grant | 2,369,641 | (931,315) |
| Department of Minerals and Energy | 2,773,850 | 481,602 |
| District Municipality - Fezile Dabi | 66,695 | 66,695 |
| Financial Management Grant | - | 171,984 |
| Provincial Government | 632,590 | 632,590 |
| Department of Water Affairs and Forestry | (175,000) | - |
| | 5,667,776 | 421,556 |
| Other Conditional Receipts | | |
| SETA | 1,186 | 1,186 |
| Public Contribution - Sasol Chemical Industries | 43,061 | 43,061 |
| | 44,247 | 44,247 |
| | 5,712,023 | 465,803 |
| <p>Department of Water Affairs and Forestry The amount has been restated.</p> <p>See Note 19 for reconciliation of grants from National/Provincial government.</p> <p>These amounts are invested in a ring-fenced investment until utilised.</p> | | |
| 14. Long-term liabilities | | |
| Annuity loans | 2,564,743 | 6,615,107 |
| <p>The loans have been taken up to finance Infrastructure and the purchase of vehicles. The interest rate vary between 9.1% and 15.6%. The terms of the loans vary and will be redeemed at 30/4/2011.</p> | | |
| Non-current liabilities | | |
| Long term liabilities | 1,217,666 | 2,564,743 |
| Current liabilities | | |
| Current portion long term liabilities | 1,347,077 | 4,050,364 |
| | 2,564,743 | 6,615,107 |

Metsimaholo Local Municipality

for the year ended June 30, 2009

| Figures in Rand | 2009 | 2008 |
|--|-------------------|-------------------|
| 15. Finance lease obligation | | |
| Minimum lease payments due | | |
| - within one year | 7,113,240 | 6,557,173 |
| - in second to fifth year inclusive | 12,249,498 | 19,243,721 |
| | <u>1</u> | |
| | 9,362,738 | 25,800,894 |
| less: future finance charges | (2,944,327) | (5,230,368) |
| Present value of minimum lease payments | 16,418,411 | 20,570,526 |
| Present value of minimum lease payments due | | |
| - within one year | 5,380,057 | 4,255,673 |
| - in second to fifth year inclusive | 11,038,354 | 16,314,583 |
| | <u>1</u> | |
| | 6,418,411 | 20,570,256 |
| Non-current liabilities | 11,038,354 | 16,314,583 |
| Current liabilities | 5,380,057 | 4,255,673 |
| | <u>1</u> | |
| | 6,418,411 | 20,570,256 |

It is company policy to lease certain equipment under finance leases.

The average lease term is 2-5 years and the average effective borrowing rate is 11.91%. Interest rates are fixed at the contract date. Some leases have fixed repayment terms and other escalate between 10%-15% per annum. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

The company's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 8.

16. Housing development fund

Housing development fund

| | | |
|------------------------|------------|------------|
| Unappropriated surplus | 16,972,066 | 12,706,410 |
|------------------------|------------|------------|

The housing development fund is represented by the following:

| | | |
|-------------|------------|------------|
| Investments | 16,972,066 | 12,706,410 |
|-------------|------------|------------|

17. Government grants and subsidies

| | | |
|--|-------------------|-------------------|
| Equitable share | 50,649,530 | 38,890,859 |
| Financial Management Grant | 671,984 | 368,649 |
| Provincial Government | - | 537,500 |
| District Municipality: Fezile Dabi | 66,695 | 117,889 |
| Department Minerals & Energy | 2,773,851 | 1,209,528 |
| Department of Water Affairs and Forestry | - | 535,895 |
| Sasol Chemical Industries | - | 186,694 |
| Provincial Government | - | 507,516 |
| Provincial Government Municipal Infrastructure Grant | 15,583,045 | 7,472,756 |
| Financial Management Grant | - | 164,546 |
| Municipal Systems Improvement Grant | 746,239 | 734,000 |
| | 70,491,344 | 50,725,832 |

Metsimaholo Local Municipality

for the year ended June 30, 2009

| Figures in Rand | 2009 | 2008 |
|-----------------|------|------|
|-----------------|------|------|

17. Government grants and subsidies (continued)

Equitable share

In terms of section 214(1) of the Constitution (Act No. 108 of 1996), the grant is used to subsidise the provision of free basic services to all households (6kl water, 50 kWh electricity and basic sewer) and approved indigents, that receive R60,00 per month plus 4kl water, additional sewer and refuse.

Refer to note 13 for unspent conditional grants.

Financial Management Grant

| | | |
|--|-----------|-----------|
| Balance unspent at beginning of the year | 171,984 | 40,631 |
| Current year receipts | 500,000 | 500,000 |
| Conditions met - transferred to revenue | (671,984) | (368,649) |
| | - | 171,982 |

The Municipality received the Financial Management Grant from National Treasury. It is used for capacity building and assistance to financial services to improve service delivery.

Provincial Government

| | | |
|---|---|-----------|
| Current year receipts | - | 537,500 |
| Conditions met - transferred to revenue | - | (537,500) |
| | - | - |

Funds received from Provincial Government to assist with spatial framework.

District Municipality: Fezile Dabi

| | | |
|--|----------|-------------|
| Balance unspent at the beginning of the year | 66,695 | 66,695 |
| Current year receipts | 88,525 | 4,225,502 |
| Conditions met - transferred to revenue | (88,525) | (4,225,502) |
| | 66,695 | 66,695 |

Capital projects (infrastructure) financed by the District Municipality:Fezile Dabi.

Department of Minerals & Energy

| | | |
|--|-------------|--------------|
| Balance unspent at beginning of the year | 481,603 | 2,692,048 |
| Current year receipts | 4,000,000 | 12,000,000 |
| Conditions met - transferred to revenue | (1,707,752) | (14,210,445) |
| | 2,773,851 | 481,603 |

Installation of electricity in the Municipality's area, financed by the Department of Mineral & Energy.

Department of Water Affairs and Forestry

| | | |
|---|-----------|---|
| Current year receipts | 976,955 | - |
| Conditions met - transferred to revenue | (976,955) | - |
| | - | - |

Funds for waterworks at Deneysville restated.

Provincial Government

| | | |
|--|---------|---------|
| Balance unspent at beginning of the year | 632,590 | 632,590 |
| | 632,590 | 632,590 |

Metsimaholo Local Municipality

for the year ended June 30, 2009

| Figures in Rand | 2009 | 2008 |
|--|------------------|------------------|
| 17. Government grants and subsidies (continued) | | |
| Funds for waterworks at laboratory. | | |
| Sasol Chemical Industries | | |
| Balance unspent at beginning of the year | 43,061 | 43,061 |
| Current year receipts | - | 1,229,760 |
| Conditions met - transferred to revenue | - | (1,229,760) |
| | 43,061 | 43,061 |
| Equipment for library Zamdela (06/07) and Chairs Theatre (07/08). | | |
| Provincial Government Municipality Infrastructure Grant | | |
| Balance unspent at beginning of the year | (931,314) | 1,572,585 |
| Current year receipts | 18,884,000 | 18,931,181 |
| Conditions met - transferred to revenue | (15,583,045) | (21,435,080) |
| | 2,369,641 | (931,314) |
| Funds received for installation of infrastructure. | | |
| Sector Education Training Authority Grant | | |
| Balance unspent at beginning of the year | 1,186 | 1,186 |
| | 1,186 | 1,186 |
| The Municipality received funds from Sector Education Training Authority for excellence performance by human resources division. | | |
| Municipal Systems Improvement Grant | | |
| Current year receipts | 746,239 | 734,000 |
| Conditions met - transferred to revenue | (746,239) | (734,000) |
| | - | - |
| To assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems. | | |
| Changes of levels in Government Grants | | |
| Based on the allocations set out in Division of Revenue Act (Act no 53 of 2000) no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years. | | |
| 18. Property rates | | |
| Actual | | |
| Residential | 49,861,607 | 33,907,775 |
| Commercial | 5,004,020 | 5,745,693 |
| Light industries | 371,040 | 1,974,827 |
| Heavy Industries | 9,793,158 | 13,641,016 |
| State | 169,928 | 1,647,987 |

Metsimaholo Local Municipality

for the year ended June 30, 2009

| | 65,199,753 | 56,917,298 |
|---------------------------------------|-------------------|----------------|
| Figures in Rand | 2009 | 2008 |
| 18. Property rates (continued) | | |
| Valuations | | |
| Residential | 7,286,212 | 347,894 |
| Commercial | 819,692 | 68,678 |
| Light industries | 440,344 | 9,479 |
| Heavy industries | 32,924 | 29,232 |
| State | 409,851 | 17,301 |
| Municipality | 188,619 | 77,994 |
| Agriculture | 493,195 | - |
| Churches | 94,722 | - |
| Council Stand | 144,020 | - |
| Unregistered Erven | 18,206 | - |
| Unknown | 729,037 | - |
| | 10,656,822 | 550,578 |

The option to tax private development and agricultural land are in place and enter the second year and will be taxed at 50%. A phasing in period of 3 years remain to get some properties (zoning) on equal tariffs as per regulations issued in December 2007 by DPLG..

Sasolburg / Zamdela

| | |
|------------------|----------------------|
| Residential: | |
| - Sasolburg | 0.005 cents per Rand |
| - Zamdela | 0.005 cents per Rand |
| Commercial | 0.001 cents per Rand |
| Light Industries | 0.025 cents per Rand |
| Heavy Industries | 0.025 cents per Rand |
| State | 0.01 cents per Rand |

Deneysville / Refengkgotso / Phomolong

| | |
|--------------|----------------------|
| Residential: | |
| Deneysville | 0.005 cents per Rand |
| Businesses | 0.01 cents per Rand |
| State | 0.01 cents per Rand |
| Refengkgotso | 0.005 cents per Rand |

Oranjeville / Metsimaholo

| | |
|----------------|----------------------|
| Residential: | |
| -Oranjeville | 0.005 cents per Rand |
| Businesses | 0.015 cents per Rand |
| Metsimaholo : | |
| Residential | 0.005 cents per Rand |
| Businesses | 0.01 cents per Rand |
| State Property | 0.01 cents per Rand |

Farmland

| | | |
|-------------|---------|----------------|
| Residential | 0.00063 | cents per Rand |
| Businesses | 0.00125 | cents per Rand |
| Industries | 0.00313 | cents per Rand |

| | |
|---|------------------------|
| Private owned towns, Body Corporate, Sectional Titles | 0.00063 cents per Rand |
| Mining | 0.00313 cents per Rand |

Metsimaholo Local Municipality

for the year ended June 30, 2009

Agricultural 0.00031 cents per Rand

| Figures in Rand | 2009 | 2008 |
|--|--------------------|--------------------|
| 19. Service charges | | |
| Sale of water | 85,568,299 | 117,021,478 |
| Sale of electricity | 93,892,339 | 73,402,144 |
| Refuse removal | 14,223,153 | 12,324,137 |
| Sewerage and sanitation charges | 12,336,325 | 12,544,800 |
| | 206,020,116 | 215,292,559 |
| 20. Other income | | |
| Consists of the following material items: | | |
| Connection fees | 1,778,228 | 2,876,155 |
| Income - Legal costs | 1,062,962 | 715,755 |
| Other income | 10,132,437 | 7,853,139 |
| | 12,973,627 | 11,445,049 |

Metsimaholo Local Municipality

for the year ended June 30, 2009

| Figures in Rand | 2009 | 2008 |
|--|--------------------|-------------------|
| 21. Employee related costs | | |
| The following emoluments were paid to the directors during the year. | | |
| Total employee costs: | | |
| Salaries and wages | 67,637,612 | 60,375,796 |
| Council contributions - UIF, pension, medical, group Ins. | 16,988,683 | 15,063,079 |
| Travel, motor car, accommodation and subsistence allowance | 5,584,896 | 5,749,430 |
| Housing benefits and allowance | 949,804 | 660,644 |
| Overtime payments | 8,723,850 | 7,657,095 |
| Bonus | 5,171,636 | 4,440,979 |
| | 105,056,481 | 93,947,023 |
| Remuneration of Municipal Manager | | |
| Annual remuneration | 598,011 | 574,018 |
| Performance and other bonuses | 47,450 | - |
| Car allowance | 194,905 | 150,617 |
| Contributions - UIF,pension, medical, group insurance. | 18,134 | 26,687 |
| Travel, motor car, accommodation and subsistence allowance | 60,982 | 15,167 |
| Other remuneration | 27,439 | - |
| | 946,921 | 766,489 |
| Remuneration of Chief Financial Officer | | |
| Annual remuneration | 476,168 | 653,535 |
| Car allowance | 230,116 | 157,300 |
| Contributions - UIF,pension, medical, group insurance. | 112 | 49,578 |
| Travel, motor car, accommodation and subsistence allowance | 31,828 | 16,053 |
| | 738,224 | 876,466 |

Included in the 2008 figures of the Chief Financial Officer is an amount of R 352 652 for early termination of contract with regard to previous Chief Financial Officer.

Remuneration of Directors

| 2009 | Technical services | Corporate Services | Social Services | Economic Development |
|--|--------------------|--------------------|-----------------|----------------------|
| Annual remuneration | 266,293 | 462,006 | 359,224 | 516,907 |
| Performance and other bonuses | 22,191 | - | - | - |
| Travel, motor car, accommodation and subsistence allowance | 33,622 | 53,716 | 124,192 | 54,481 |
| Car allowance | 134,937 | 223,075 | 143,962 | 236,708 |
| Contributions - UIF, pension, medical, group insurance | 73,351 | 112 | 64,650 | 333 |
| Other | 190,613 | - | 3,477 | - |
| | 721,007 | 738,909 | 695,505 | 808,429 |
| 2008 | Technical services | Corporate Services | Social Services | Economic Development |
| Annual remuneration | 264,249 | 407,735 | 361,557 | 172,846 |
| Car allowance | 95,583 | 173,487 | 193,483 | 78,518 |
| Contributions - UIF, pension, medical, group insurance. | 40,115 | 75,931 | 59,540 | 28,991 |
| Travel, motor car, accommodation and subsistence allowance | 9,632 | 1,768 | 19,263 | 28,139 |
| | 409,579 | 658,921 | 633,843 | 308,494 |

Metsimaholo Local Municipality

for the year ended June 30, 2009

| Figures in Rand | 2009 | 2008 |
|---------------------------------------|------------------|------------------|
| 22 Remuneration of Councillors | | |
| Executive Mayor | 312,700 | 304,786 |
| Speaker | 290,337 | 229,724 |
| Mayoral Committee Members | 1,899,603 | 1,533,688 |
| Councillors | 3,101,588 | 2,454,610 |
| Councillors' pension contribution | 326,700 | 642,004 |
| Councillors' medical contribution | 50,090 | 117,573 |
| Telephone allowance | 421,503 | 380,359 |
| Travelling allowance | 2,021,820 | 1,965,230 |
| | 8,424,341 | 7,627,974 |

In-kind benefits

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

The Executive Mayor has use of a council owned vehicle for official duties and a bodyguard.

23. Finance costs

| | | |
|------------------------|------------------|------------------|
| Non-current borrowings | 4,999,278 | 3,712,950 |
| Bank | - | 875,885 |
| Eskom | 277 | 87,337 |
| Rand Water | - | 242,588 |
| | 4,999,555 | 4,918,760 |

24. Bulk purchases

| | | |
|-------------|--------------------|-------------------|
| Electricity | 56,820,321 | 42,306,893 |
| Water | 53,068,574 | 50,790,874 |
| | 109,888,895 | 93,097,767 |

25. Grants and subsidies paid

| | | |
|--------------------------|------------------|------------------|
| Grant to community chess | - | 20,000 |
| Equitable share | 4,224,152 | 3,523,782 |
| | 4,224,152 | 3,543,782 |

Council contributes annually to the community chest. One of the Mayoral Committee members sits on the Governing body of the community chest.

Equitable share is used to subsidise registered indigents.

Metsimaholo Local Municipality

for the year ended June 30, 2009

| Figures in Rand | 2009 | 2008 |
|--|-------------------|--------------------|
| 26. General expenditure | | |
| Advertising | 258,491 | 213,713 |
| Audit fees | 2,603,511 | 1,699,270 |
| Bank charges | 1,281,785 | 1,150,595 |
| Bursaries | 177,647 | 67,140 |
| Conference and delegations | 712,374 | 350,158 |
| Connection charges | 1,149,952 | 1,535,850 |
| Consulting and professional fees | 3,566,221 | 5,059,993 |
| Departemental consumption | 32,013,084 | 6,369,925 |
| Entertainment | 233,551 | 120,801 |
| Legal fees | 1,898,141 | 1,881,346 |
| License fees vehicles | 199,676 | 141,717 |
| Financial management grant | - | 190,744 |
| Fuel and oil | 3,905,171 | 3,571,064 |
| Insurance aggregate | - | 65,121 |
| Insurance premium | 1,225,758 | 1,731,726 |
| Rental: External equipment | 71,664 | 2,251,138 |
| Membership fees | 610,809 | 307,021 |
| Postage | 1,063,320 | 938,836 |
| Printing and stationery | 973,010 | 895,224 |
| Sewerage treatment charges | 9,198,620 | 6,171,538 |
| Telephone expense | 2,713,800 | 2,190,292 |
| Training | 631,629 | 580,338 |
| Transport claims | 355,834 | 154,815 |
| Skills development levy | 867,900 | 778,879 |
| Stock and materials | 1,386,248 | 1,315,996 |
| Valuation costs | 651,871 | 2,153,555 |
| Uniforms | 231,639 | 340,299 |
| Other general expense | 11,443,236 | 3,194,099 |
| | 79,424,942 | 45,421,193 |
| 27. Cash generated from operations | | |
| Loss before taxation | (9,246,580) | (14,586,114) |
| Adjustments for: | | |
| Depreciation and amortisation | 36,240,482 | 13,262,023 |
| Interest received | (21,673,141) | (16,412,281) |
| Finance costs | 4,999,555 | 4,918,760 |
| Loss on disposal of fixed assets | - | 1,276,272 |
| Gain on disposal of fixed assets | - | (8,805,166) |
| Changes in working capital: | | |
| Inventories | (258,978) | 257,331 |
| Trade and other receivables from exchange transactions | (14,330,280) | 53,431,122 |
| Investments Held to Maturity | (821,729) | (1,715,865) |
| Trade and other payables | 10,294,784 | 24,667,710 |
| | 5,204,113 | 56,293,792 |
| 28. Cash and cash equivalents | | |
| Cash and cash equivalents included in the Cash Flow Statement comprise the following: | | |
| Bank balance / cash | 6,325,261 | 6,893 |
| Bank overdraft | - | (2,653,986) |
| | 6,325,261 | (2,647,093) |

Metsimaholo Local Municipality

for the year ended June 30, 2009

| Figures in Rand | 2009 | 2008 |
|--|------------------|---------------|
| 29. Utilisation of Long-term liabilities reconciliation | | |
| Long-term liabilities | - | 6,615,108 |
| Used to finance property, plant and equipment | - | (6,615,108) |
| | - | - |
| Cash set aside for repayment of long-term liabilities | - | 4,050,364 |
| 30. Additional disclosure in terms of Municipal Finance Management Act. | | |
| Contributions to SALGA | | |
| Council subscriptions | 600,629 | 301,140 |
| Amount paid - current year | (600,629) | (301,140) |
| | - | - |
| VAT | | |
| VAT payable is shown in note 12. | | |
| All VAT returns have been submitted by the due date throughout the year. | | |
| Audit fees | | |
| Opening balance | 28,230 | - |
| Current year audit fee | 2,603,511 | 1,699,270 |
| Amount paid - current year | (1,270,769) | (1,671,040) |
| | 1,360,972 | 28,230 |
| PAYE and UIF | | |
| Current year payroll deductions | 11,757,081 | 11,097,434 |
| Amount paid - current year | (11,757,081) | (11,097,434) |
| | - | - |
| Pension and Medical Aid Deductions | | |
| Current year payroll deductions | 27,454,402 | 23,981,915 |
| Amount paid - current year | (27,454,402) | (23,981,915) |
| | - | - |
| Councillor's arrear accounts | | |
| T du Toit (Acc no. 525381) | 2,356 | - |
| DN Motloang (Acc no. 510127) | 14,019 | - |
| | 16,375 | - |

These councillor's accounts were in arrear for more than 90 days at the reporting date or during the year.

Metsimaholo Local Municipality

for the year ended June 30, 2009

| Figures in Rand | 2009 | 2008 |
|--|------------|-----------|
| 31. Commitments | | |
| Capital Commitments | | |
| Already contracted for but not provided for | | |
| Infrastructure | 25,339,155 | 4,486,419 |
| This expenditure will be financed from: | | |
| - Government grants | 25,339,155 | 4,486,416 |
| Operating leases – lessee (Abrahamsrust) | | |
| Minimum lease payments due | | |
| - within one year | 1 | 1 |
| - in second to fifth year inclusive | 5 | 5 |
| - later than five years | 2 | 3 |
| | 8 | 9 |

Operating lease payments represent rentals payable by the entity for rental of property situated on Abrahamsrust.

The entity has a 50 year lease option that expires on 31 March 2017.

32. Retirement benefits

Defined contribution plan

The following are defined contribution plans: Municipal Councilors Pension Fund, Free State Municipal Pension Fund, Free State Municipal Provident Fund and SAMWU Provident Fund. Employees can contribute to the Free State Municipal Pension Fund, Free State Municipal Provident Fund and SAMWU Provident Fund. These Funds are classified as defined contribution plans. These contributions have been expensed.

Defined benefit plan

The defined benefit plans are the SALA Pension Fund and the Government Employment Pension Fund. These are not treated as defined benefit plans as defined by IAS19 (AC 116), but as a defined contribution plans. According to the actuaries it is not possible to report separately for each municipality on the fund, thus the reason for treating them as defined contribution plans in terms of IAS 19 (AC1 16) par. 30.

Some employees of various municipalities belongs to the SALA Pension Fund. The latest actuarial valuation of SALA Pension Fund was on 1 July 2007. These valuations indicate that the funds are in a sound financial position. The estimated liability of the fund is R5,580.30 million which adequately financed by assets of R6,138.70 million.

Some employees of various municipalities belong to the Government Employment Pension Fund. The latest actuarial valuation of Government Employment Pension Fund was on 31 March 2006. These valuations indicate that the funds are in a sound financial position. The estimated liability of the fund is R447,474 million which adequately financed by assets of R545,563 million.

33. Post balance sheet events

Key management are not aware of any matter or circumstance arising since the end of the financial year to date of this report, not otherwise dealt with in the financial statements, which significantly affect the financial position of the entity or the results of its operations that would require adjustments to or disclosure in the annual financial statements.

34. 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).

Metsimaholo Local Municipality

for the year ended June 30, 2009

Figures in Rand 2009 2008

35. Related parties

Relationships

Councillor's interest

Zensele Construction
Mamohato Construction
Ramathasele Brothers Trading Enterprise
Sisebenzela Mzansi Consulting and Project Managers
Refengkgotso Help Centre
Tropical Paradise Trading 218
Maitsokolla Trading and Projects
Rannaissance Travel and Tours
MJZ Brickworks
Letsema Civil Works and Cleaning Services
Moepa-Thuse Logistics
Batho Pele Housing Development Foundation
Colhil Services Provider
Grej Civil Mechanical and General Construction
Monet Singel Huiseienaarsvereniging
Vaalpark Eiendomme
Expanje Onthaal Dienste
Izinkokeli Investment Company
Rethabile Beauty and Hair Salon
Zama Casino
Tsetela General Trading
Re-Ya-Bouwa Construction
Uhuru Property Builds
Momsi Construction
Institute of Municipal Finance Officers
Mama's Touch Day Care Centre
Tropical Paradise Trading 128
Mathoma Resource Management
Jeshurun Conctruction and Projects
Asazi Inn
Asazi Funeral Parlour
Metsimaholo Labour Consultants
Corpclo 393
Vetoprop 105
Jerry and Tshidi Business Trading
M and J Self Catering
Zwindamo Trading and Hardware
Zui Trading and Projects
Auburn Avenue Trading 70
Actebis 600
Refer to note 32
Refer to note 22

Post employment benefit plan for employees
Executive Council Members

Related party transactions

Purchases from related parties

| | | |
|--|----------------|------------------|
| Mamohato Construction CC | 818,202 | 1,930,034 |
| Mokhomong and Nebu Mali Building Construction CC | - | 26,787 |
| Letsema Civil Works and Cleansing Services CC | - | 629,883 |
| MKS Management Services CC | - | 194,769 |
| Momsi Construction CC | - | 96,200 |
| | 8 | |
| | 818,202 | 2,877,673 |

36. FRUITLESS AND WASTEFULL EXPENDITURE

Metsimaholo Local Municipality

for the year ended June 30, 2009

| Figures in Rand | 2009 | 2008 |
|---|-------------------|------------------|
| 36. Unauthorised, irregular, fruitless and wasteful expenditure (continued) | | |
| Reconciliation of fruitless and wasteless expenditure | | |
| Opening balance | 6,793,858 | 3,904,377 |
| Fruitless and wasteful expenditure current year | 1,819,315 | 2,641,995 |
| Condoned by Council | 1,007,981 | 247,486 |
| | 9 | |
| | 9,621,154 | 6,793,858 |
| Fruitless and wasteful expenditure during current year | | |
| Incident | | |
| Interest on Rand Water | | |
| Interest on Eskom | | |
| Interest on Bank overdraft | | |
| Payments made to Promptvest 26 (Pty) Ltd for a GAMAP compliant fixed asset register not completed in full | | |
| Suspended Employees - Salaries (refer to note 21) | | |
| Overpayment of traffic expenses | | |
| Actions taken | | |
| Payment was made | - | 242,588 |
| Payment was made | 1,337 | 87,337 |
| Overdraft facility was cancelled | - | 111,569 |
| Contract cancelled | - | (11,107) |
| Disciplinary hearing was held and one of the employees was dismissed | 875,316 | 1,521,565 |
| Investigating the incident. | - | 442,557 |
| | 876,653 | 2,394,509 |
| Unauthorised expenditure | | |
| Incident | | |
| Purchases without an order | | |
| Purchases without an order and not budgeted for Ukwasi Force - Contract price exceeded budget | | |
| Due to certain accounting treatments the following budgets were exceeded: | | |
| Bad Debts | | |
| Provisions | | |
| General expenditure | | |
| Finance cost | | |
| Actions taken | | |
| Condoned by Council | - | 64,715 |
| Condoned by Council | - | 182,771 |
| Condoned by Council | 1,007,981 | - |
| To be condoned by Council | 56,080,683 | - |
| To be condoned by Council | 1,494,531 | - |
| To be condoned by Council | 1,822,436 | - |
| To be condoned by Council | 3,987,835 | - |
| | 64,393,466 | 247,486 |
| IRREGULAR EXPENDITURE | | |
| Reconciliation of irregular expenditure | | |
| Opening balance | 9,291,914 | 5,718,052 |
| Irregular expenditure current year | - | 3,573,862 |
| | 9,291,914 | 9,291,914 |
| Irregular expenditure current year | | |
| Incident | | |
| Inadequate quotation obtained for payments/tender procedures made to Jacobsco. | | |
| Computer service no tender | | |
| Inadequate quotations obtained | | |
| Actions taken | | |
| Supply Chain Officer will take control over procurement procedures | - | 684,439 |
| Service terminated | - | 386,414 |
| Supply Chain Officer will take control over procurement procedures | - | 67,326 |

Metsimaholo Local Municipality

for the year ended June 30, 2009

| Figures in Rand | 2009 | 2008 |
|---|---------------|------------------|
| 36. Unauthorised, irregular, fruitless and wasteful expenditure (continued) | | - |
| Inadequate tax clearance certificates obtained Supply Chain Officer will take control over procurement procedures | | 61 6,442 |
| No reports submitted to National Treasury Supply Chain Officer will take control over procurement procedures | | - 58 1,047 |
| Photocopiers tender procedure not followed Investigation in process | - | 104,225 |
| Photocopiers tender procedure not followed Investigation in process | - | 1,133,969 |
| Fencing and dumping expenses exceeded Unforseen circumstances | 126,316 | - |
| | 1 | |
| | 26,316 | 3,573,862 |

37. Comparative figures

Certain comparative figures have been reclassified for fairer presentation of the information due to prior period errors. Refer to note 38 for prior period errors.

38. Prior period errors

- 1.] An amount of R 708 600 has been paid for VAT during the current year pertaining to amounts that accrued in the 2008 financial year but was not provided for in that statements.
- 2.] An amount of R 415 200 has been received for health claims during the current year pertaining to amounts accrued but not provided for in the 2008 financial year.
- 3.] Deferred income was previously recognised over the useful life of assets purchased with Government Grants. The conditions for these Grants is merely the purchase of the assets. In terms of IPSAS 23 the full amount of the Grant can be recognised when the asset is purchased. Deferred income that should have been recognised for periods prior to 2008 is R 67,854,796 and R 39,704,898 for the 2007/2008 financial year. Accumulated surplus has been restated with the corresponding amount.
- 4.] The municipality re-assessed the useful life of certain assets that has already been fully depreciated by the end of the 2007 and 2008 financial years. Access depreciation recognised in periods before the start of the 2008 financial year amounts to R 27,539,353.80 and R 13,769,677 for the 2007/2008 financial year. Accumulated surplus and accumulated depreciation has been restated with the corresponding amount.
5. Due to debtors of R66,877,450 being long overdue and their collection rate being slow the debtors were impaired in the 2008 financial year.
6. Departmental charges not reversed in the 2008 financial year amounting to R 1,476,883.

The correction of these errors results in adjustments for the 2008 year as set out below:

Statement of financial position

| | | |
|--------------------------|---------------------|---------------------|
| VAT Payable | (1,472,917) | (708,600) |
| Other receivables | 415,200 | 415,200 |
| Deferred income | 39,704,898 | 39,704,898 |
| Accumulated depreciation | 13,769,677 | 13,769,677 |
| Other payables | (558,615) | (484,347) |
| Provisions | 852,492 | 852,492 |
| Accumulated Surplus | (66,877,450) | (66,877,450) |
| Debtors | (1,476,883) | (1,476,883) |
| Debtors | 852,492 | 852,492 |
| | (14,791,106) | (13,952,521) |

Metsimaholo Local Municipality

for the year ended June 30, 2009

Statement of financial performance

| Figures in Rand | 2009 | 2008 |
|---|-------------------|-------------------|
| 38. Prior period errors (continued) | | |
| Other income | (415,200) | (415,200) |
| Revenue | 3,924,404 | 3,923,404 |
| Expenses | (2,446,521) | (2,446,521) |
| Revenue | 1,472,917 | 708,600 |
| Revenue | (1,704,984) | (1,704,984) |
| Realisation of deferred income | (39,704,898) | (39,704,898) |
| Expenses | 558,615 | 484,347 |
| Impairment of trade receivables | 66,877,450 | 66,877,450 |
| Depreciation | (13,769,677) | (13,769,677) |
| | 14,792,106 | 13,952,521 |
| 39. Contingencies | | |
| Housing Loans | | |
| Guarantees for housing loans to employees at financial institutions | 31,070 | 30,558 |

40. Risk management

Capital risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality's manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared monthly and adequate utilised borrowing facilities are monitored. The Council has a R 5 million overdraft facility with ABSA Bank to ensure adequate borrowing facilities are available. The cash flow of the Council is managed on a daily basis and any problems are communicated to the management in time to ensure arrangements with major suppliers can be reached. The cash flow of the Council was placed under pressure due to an unforeseen problem in the form of a sudden abnormal level of unaccounted for water. The situation was managed and Council took drastic action to improve the matter.

The general liquidity of the Council is managed by a bank and investment policy with properly defined duties and responsibilities supported by adequate delegated authority by the Council.

The exposure of Council's risk to liquidity is due to the non payment of receivables. There are insufficient consumer deposits to cover outstanding trade receivables.

The Council has the following financial instruments that can be cashed in on a very short notice to relieve cash flow matters that cannot be addressed in the normal course of business.

- Paid up annuity
- Shares Sanlam Ltd
- Non paid up annuity
- Approved additional credit facility available

The above instruments are available if the current funds are not enough to cover the future commitments and are sufficient to cover any normal liquidity risk of the Council.

The Council is empowered to perform tariff adjustments and budget for any unforeseen operational changes in the nature of the Council's business subject to applicable regulations.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Metsimaholo Local Municipality

for the year ended June 30, 2009

| Figures in Rand | 2009 | 2008 | |
|---------------------------------------|-------------------------|------------------------------|---------------------------|
| 40 Risk management (continued) | | | |
| At June 30, 2009 | Less than 1 year | Between 1 and 5 years | Later than 5 years |
| Annuity loans | - | 2,564,743 | - |
| Finance lease obligations | 7,113,240 | 12,249,498 | - |
| Trade and other payables | 76,365,020 | - | - |
| Consumer deposits | 7,394,644 | - | - |
| At June 30, 2008 | Less than 1 year | Between 1 and 5 years | Later than 5 years |
| Annuity Loans | 4,050,364 | - | - |
| Finance lease obligations | 6,557,173 | 19,243,721 | - |
| Trade and other payables | 60,400,785 | - | - |
| Consumer deposits | 7,143,179 | - | - |

Risk from environmental assets

The Council is not exposed to financial risks arising from changes in any purchased biological bulk services.

The Council operates two water purification plants as well as two sewer purification plants in Oranjeville and Deneysville which is considered an ecologically sensitive and national key resource area. (upper and lower Vaal Dam).

The Council has established a disaster management committee and forum to ensure any disaster can be managed.

The main bulk services for the area is purchased and these resources are negotiated through a national negotiation forum that ensures that bulk service purchase price increases are fair. The sewer purification for the Sasolburg and Zamdela services is purchased from SASOL group. The annual price increase is forwarded to the consumers to ensure that financial risks are managed. No joint or separate responsibility for sewer outfall exists on the Sasolburg and Zamdela plant.

The Council reviews its water and sewer purification prices annually, considering the need for active financial risk management.

The Council operates seven cemeteries. The Council is in process to procure adequate land for these cemeteries to ensure the major financial risk relating to cemeteries is catered for.

The Council operates three demarcated refuse removal sites. The operation of these sites are considered adequate and current studies are underway to ensure that the sustainability, operation and rehabilitation of these sites are adequate. These studies will ensure that adequate financial risks is identified and managed.

The financial risk for storm water is managed through the non acceptance of any risk for down flow storm water in title deeds and the inclusion of operational and financial risk controls in the title deeds of all stands and the town planning scheme.

Adequate (R100 million) public liability insurance is secured annually from the insurers of the Council.

The recoverability of receivables, with a carrying value of R3 062 449 are considered to be irrecoverable and adequately provided for.

The recoverability of long-term debtors, with a carrying value of R548 063, are considered to be irrecoverable and adequately provided for.

Interest rate risk

At reporting date the interest rate profile of the municipality's interest bearing financial instruments was:

Fixed rate instruments

Financial Assets: R 8,073,891(2008: R 7,221,019)

Financial Liabilities: R Nil (2008:R Nil)

Variable rate instruments

Metsimaholo Local Municipality

for the year ended June 30, 2009

Figures in Rand

2009

2008

40. Risk management (continued)

Financial Assets: R 6,218,208 (2008: R Nil)

Financial Liabilities: R 16,513,423 (2008: R 20,570,256)

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. During 2009 and 2008, the municipality's borrowings at variable rate were denominated in the Rand.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade receivables. The Council only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. Only approved major financial institutions are utilised. An extensive investment policy and delegated authority is approved by Council and is adhered to.

Minimal cash on hand is kept in the form of receipts, petty cash and cashier floats. The income is daily collected by a collection service and sufficient categories of safes and strong rooms are utilised to keep cash until collection.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. The collection of arrears is a priority. The credit control and debt collection policy is reviewed annually to ensure the credit risk is managed. The Council budgets for adequate working capital and a bad debt write off policy is being developed.

Deposits are levied with new connections. The indigent register is regularly reviewed and updated. A credit collection section is functioning and any arrear accounts duly followed up. Action is taken timeously against defaulters. Proceeds of the sale of property is attached for amounts owed during the transfer of properties by issuing clearance certificates as required.

Cash, fidelity and money handlers insurance are taken out annually to ensure adequate risk cover exist.

41. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2009

| | Financial liabilities at amortised cost | Fair value through profit or loss - held for trading | Fair value through profit or loss - designated | Total |
|-----------------------------|---|--|--|--------------------|
| Long term payables | 2,564,743 | - | - | 2,564,743 |
| Other financial liabilities | 16,418,411 | - | - | 16,418,411 |
| Trade and other payables | 99,484,998 | - | - | 99,484,998 |
| Consumer deposits | 7,394,644 | - | - | 7,394,644 |
| | 125,862,796 | - | - | 125,862,796 |

2008

| | Financial liabilities at amortised cost | Fair value through profit or loss - held for trading | Fair value through profit or loss - designated | Total |
|--------------------------|---|--|--|-------------------|
| Long term payables | 6,615,107 | - | - | 6,615,107 |
| Trade and other payables | 65,552,573 | - | - | 65,552,573 |
| Bank overdraft | - | 2,653,986 | - | 2,653,986 |
| Consumer deposits | 7,143,179 | - | - | 7,143,179 |
| | 79,310,859 | 2,653,986 | - | 81,964,845 |

42. Non-compliance with MFMA

Metsimaholo Local Municipality

for the year ended June 30, 2009

Figures in Rand

2009

2008

42. Non-compliance with MFMA (continued)

The following sections of the Municipal Finance

Management Act were not adhered to during the year under review:

- Section 65(2) (e) of MFMA, 2003(Act no. 56 of 2003)
- Section 11 (4) of MFMA, 2003(Act no. 56 of 2003)
- Section 52 of MFMA, 2003(Act no. 56 of 2003)
- Section 32 of MFMA, 2003(Act no. 56 of 2003)
- Section 83 of MFMA, 2003(Act no. 56 of 2003)
- Section 165 (2) of MFMA, 2003(Act no. 56 of 2003)
- Section 8 of MFMA, 2003(Act no. 56 of 2003)
- Section 71 of MFMA, 2003(Act no. 56 of 2003)
- Section 62 (1) of MFMA, 2003(Act no. 56 of 2003)
- Section 57 of MFMA, 2003(Act no. 56 of 2003)
- Section 129 of MFMA, 2003(Act no. 56 of 2003)
- Section 112 of MFMA, 2003(Act no. 56 of 2003)
- Section 21(1)(b) of MFMA, 2003(Act no. 56 of 2003)
- Section 19(2) of MFMA, 2003(Act no. 56 of 2003)
- Section 82 of MFMA, 2003(Act no. 56 of 2003)
- Section 31 of MFMA, 2003(Act no. 56 of 2003)
- Section 54(2) of MFMA, 2003(Act no. 56 of 2003)
- Section 116 of MFMA, 2003(Act no. 56 of 2003)
- Section 33 of MFMA, 2003(Act no. 56 of 2003)
- Section 70(1) of MFMA, 2003(Act no. 56 of 2003)
- Section 65(2)(i) of MFMA, 2003(Act no. 56 of 2003)
- Section 131 of MFMA, 2003(Act no. 56 of 2003)
- Section 72(1)(a) of MFMA, 2003(Act no. 56 of 2003)
- Section 53(2) of MFMA, 2003(Act no. 56 of 2003)

43. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2009

| | Loans and receivables | Fair value through profit or loss - held for trading | Fair value through profit or loss - designated | Held to maturity investments | Available for sale | Total |
|-----------------------------|--------------------------|---|---|------------------------------------|-----------------------|----------------------|
| Other financial assets | - | - | 6,199,683 | - | - | - 6,199,683 |
| Other receivables | 10,033,803 | - | - | - | - | - 10,033,803 |
| Trade and other receivables | 73,216,516 | - | - | - | - | - 73,216,516 |
| Cash and cash equivalents | - | 14,367,912 | - | - | - | - 14,367,912 |
| | 8 | | | | | |
| | 3 | | | | | |
| | ,250,319 | 14,367,912 | 6,199,683 | - | - | - 103,817,914 |

43. Financial assets by category (continued)

2008

| | Loans and receivables | Fair value through profit or loss - held for trading | Fair value through profit or loss - designated | Held to maturity investments | Available for sale | Total |
|-----------------------------|--------------------------|---|---|------------------------------------|-----------------------|-------------------|
| Other financial assets | - | - | 8,255,305 | - | - | 8,255,305 |
| Trade and other receivables | 58,886,236 | - | - | - | - | 58,886,236 |
| Cash and cash equivalents | - | 7,227,912 | - | - | - | 7,227,912 |
| | 58,886,236 | 7,227,912 | 8,255,305 | - | - | 74,369,453 |

Metsimaholo Local Municipality

for the year ended June 30, 2009

44. Change in estimate

Property, plant and equipment

The useful life of certain property, plant and equipment was re-assessed during the year. The effect of this revision has decreased the depreciation charges for the current and future periods by R 446,983

45. Going concern

The municipality is experiencing cash flow problems as a result of not being able to collect outstanding trade debtors. This results in trade payables not being paid on time.

46. Income foregone The income foregone relates to rebates granted to consumers on services rendered.

CHAPTER 5

PERFORMANCE AND SERVICE DELIVERY REPORT

In terms of Section 46 of the Municipal Systems Act, 2000 (Act No. 32 of 2000), a municipality must prepare for each financial year an annual report consisting of a performance report reflecting—

- *the municipality's, and any service provider's, performance during that financial year, also in comparison with targets of and with performance in the previous financial year;*
- *the development and service delivery priorities and the performance targets set by the municipality for the following financial year; and*
- *measures that were or are to be taken to improve performance.*

This chapter covers the requirements of the above legislative provisions and reports on the municipality's performance against the service delivery targets contained in the approved 2008/09 Service Delivery and Budget Implementation Plan (SDBIP) for each functional area. It further includes the service delivery targets set by the municipality for the 2009/10 financial year and lastly reflect on measures to be taken to improve performance.

OFFICE OF THE MUNICIPAL MANAGER

Overview

The main objective of the Office of the Municipal Manager is to provide institutional leadership and strategic management to the municipal administration and executive support and advice to the Executive Mayor and Council.

Description of the activity

The following main functions have been identified:

- IDP and Strategic Planning
- Financial Governance and Reporting
- Organisational Performance Management
- Internal Audit and Corporate Governance
- Supply chain management
- Security management

The strategic objectives of the finance department are to –

- Enhance a culture of performance and service delivery excellence
- Provide sound strategic planning and strategic management advice and support
- Ensure sound financial governance and management
- Ensure effective and efficient management of intergovernmental relations;
- Effective internal and external communication

The key issues for 2008/09 were:

- Implementing a financial management turnaround strategy to improve the municipality's cash flow position
- Improve corporate governance through the establishment of an internal audit unit and better annual audit compliance;
- Ensuring improvements in compliance in contract management in accordance with the municipality's supply chain management policy.

Metsimaholo Local Municipality

for the year ended June 30, 2009

2008/09 PERFORMANCE INFORMATION

| Performance Indicator | Unit of measurement | 07/08 Actual | 08/09 target | 08/09 Actual | Explanation of variance and actual performance |
|--|--|--------------|--------------|--------------|--|
| Office of the Municipal Manager | | | | | |
| Vote: Executive Council | | | | | |
| Municipal KPA 1: Municipal Transformation and Institutional Capacity | | | | | |
| Municipal KPA 2: Financial Viability and Financial Management | | | | | |
| Municipal KPA 5: Good Governance and Community Participation | | | | | |
| Key issues (IDP, Budget, By-laws, etc.) consulted over with community members prior to decisions | Percentage key issues consulted over in formal public participatory processes | 100% | 100% | 100% | Number of public participation meetings on IDP and Budget |
| Improved internal and external communication with stakeholders | No. of newsletters produced and distributed | 0 | 6 | 0 | No newsletters were produced |
| Compliant Performance agreements signed and monitored | Percentage of 2007/08 performance agreements signed by end of July 2008 with all Directors | 20% | 100% | 100% | All performance agreements were signed |
| | Percentage quarterly performance reviews and annual assessments finalised as per signed agreements | 0% | 100% | 0% | No quarterly reviews were done |
| Reviewed system of delegations | Report submitted to Council by end of October 2008 | 50% | 100% | 0% | Delegations not reviewed |
| Legislatively compliant approved Integrated Development Plan (IDP) | 2009/10 Revised IDP approved by Council in terms of MSA and MFMA provisions by end of March 2009 | 100% | 100% | 90% | IDP approved by Council in June 2009 |
| Compiled Annual Report in terms of MFMA time frames & NT format/content guidelines | 2007/08 Annual Report submitted to Council by end of January 2009 | 0% | 100% | 100% | 2006-2008 Annual Report was submitted to Council in January 2009 |
| Finalise municipal performance scorecard in line with approved IDP | Percentage of 9performance scorecard developed and approved by Council | 0% | 100% | 0% | Municipal scorecard not finalised as part of institutional PMS |
| Procurement budget spent on BEE | Percentage of procurement budget spent on BEE | 0% | 25% | 0% | Procurement targets not finalised |
| Total capital budget spent in terms of approved MTREF | Percentage of capital budget spent to achieve set outcomes | 108% | 95% | 36.0% | Capital projects delayed due to cash flow problems |
| Total operating budget spent in terms of approved MTREF | Percentage of operating budget spent to achieve set outcomes | 94.8% | 95% | 86% | Expenditure curtailed as a result of cash flow problems |

Metsimaholo Local Municipality

for the year ended June 30, 2009

| Performance Indicator | Unit of measurement | 07/08 Actual | 08/09 target | 08/09 Actual | Explanation of variance and actual performance |
|---|--|--------------|--------------|--------------|--|
| Resolved Auditor-General formal queries | Percentage queries responded to within 10 working days | 50% | 100% | 100% | All management comments on queries submitted to AG on time |
| Improved 2007/08 annual audit report from Auditor-General | Reduced number of qualification (material) issues from 12 to not more than 6 issues | 25% | 50% | 25% | Received a disclaimer from the AG |
| Implemented EE Plan | Percentage implementation of approved Corporate EE Plan | 50% | 75% | 60% | New organisational structure was not finalised |
| In-house fully functional internal audit unit established | Percentage of internal audit unit established (no funding to fill critical vacancies in 2008/09) | 30% | 30% | 30% | Funding not available to fund critical vacancies |
| | Percentage audits performed as per annual audit plan | 70% | 100% | 95% | Majority of audits executed |
| Developed risk management plan | Percentage of risk management plan developed and approved by May 2009 | 25% | 100% | 0% | Risk management plan not finalised |

Metsimaholo Local Municipality

for the year ended June 30, 2009

2009/10 PERFORMANCE TARGETS (As per approved SDBIP)

| Municipal KPA | Performance Indicator | Unit of measurement | 08/09 Actual | 09/10 target |
|---|--|--|--------------|--------------|
| Good Governance and Community Participation | Key issues (IDP, Budget, By-laws, etc.) consulted over with community members prior to decision-making | Percentage key issues consulted over in formal public participatory processes | 100% | 100% |
| | Legislatively compliant approved Integrated Development Plan (IDP) | 2010/11 Revised IDP approved by Council In terms of MSA and MFMA provisions by end of March 2010 | 100% | 100% |
| | Compiled Annual Report in terms of MFMA time frames & NT format/content guidelines | 2008/09 Annual Report submitted to Council by end of January 2010 | 100% | 100% |
| | Improved internal and external communication with stakeholders | No. of newsletters produced and distributed | 0 | 4 |
| Municipal Transformation and Institutional Capacity | Compliant Performance agreements signed and monitored | Percentage of 2008/09 performance agreements compiled and signed by end of July 2009 with all Directors | 50% | 100% |
| | | Percentage quarterly performance reviews and annual assessments finalised as per signed agreements | 0% | 100% |
| | Reviewed system of delegations | Report submitted to Council by end of October 2009 | 50% | 100% |
| | Finalise municipal performance scorecard in line with approved IDP | Percentage of institutional performance scorecard developed and approved by Council by end of March 2010 | 0% | 100% |
| | Finalised BBBEE procurement targets | BBBEE targets finalised and approved by Council by end of December 2009 (<i>as part of the review of the SCM policy</i>) | 0% | 100% |
| | Procurement budget spent on BEE | Percentage of procurement budget spent on BEE | 0% | 25% |
| | Implemented EE Plan | Percentage implementation of approved Corporate EE Plan | 60% | 75% |
| Municipal Transformation and Institutional Capacity | Approved ICT policy | ICT policy submitted and approved by Council before end of September 2009 | 60% | 100% |
| | Minimised downtime of critical IT systems | Percentage downtime of critical systems as a percentage of total time | 80% | 90% |
| | Maximum functionality of workstations maintained | Percentage of workstations on line | 70% | 80% |
| | IT service complaints addressed | Percentage of services complaints resolved within 24 hours as a percentage of complaints received | 50% | 95% |
| | In-house fully functional internal audit unit established | Percentage of internal audit unit established (no funding to fill critical vacancies in 2009/10) | 30% | 50% |
| | | Percentage audits performed as per annual audit plan | 95% | 100% |
| | Developed risk management plan | Percentage of risk management plan developed and approved by May 2009 | 0% | 100% |

Metsimaholo Local Municipality

for the year ended June 30, 2009

| Municipal KPA | Performance Indicator | Unit of measurement | 08/09 Actual | 09/10 target |
|---|---|--|-----------------|-----------------|
| Financial Viability and Financial Management | Total capital budget spent in terms of approved MTREF | Percentage of capital budget spent to achieve set outcomes | 27% | 50% |
| | Budgeted operating revenue collected | Percentage of budgeted revenue collected | 77% | 95% |
| | Total operating budget spent in terms of approved MTREF | Percentage of operating budget spent to achieve set outcomes | 70% | 95% |
| | Approved revenue enhancement strategy implemented | Percentage monitoring of implementation of approved revenue enhancement strategy | 0% | 100% |
| | Resolved Auditor-General formal queries | Percentage queries responded to within 10 working days | 50% | 100% |
| | Improved 2007/08 annual audit report from Auditor-General | Percentage reduction of material issues which resulted in a disclaimer opinion | 25% | 50% |

FINANCIAL SERVICES

Overview

The main objective of the finance department is to provide a comprehensive and sound financial management service to the municipality.

Description of the activity

The following main functions have been identified:

- Budget and Expenditure management
- Financial Statements and Asset management
- Revenue collection and management

The strategic objectives of the finance department are to –

- Formulate and implement medium and long-term financial policy;
- Formulate and implement policies, by-laws and regulations;
- Formulate and implement asset management and investment policies;
- Plan and budget for implementation of costing systems;
- Budget preparation and implementation.
- Maintain and implement tariff policies and by-laws;
- Maintain and implement credit control, debt collection and indigent policies; and
- General Reporting obligations in terms of the MFMA

The key issues for 2008/09 were:

- Ensuring affordable and competitive tariff structure;
- Upgrading of pay points and pre-paid vending machines;
- Upgrading information and accounting systems;
- Implementation of GRAP ;
- Review of the debt collection and credit control policy; and
- Improved billing through repairs of meters and leaks.
- Compilation of the Asset Register

Metsimaholo Local Municipality

for the year ended June 30, 2009

PERFORMANCE INFORMATION

| Indicator | Unit of measurement | 07/08 Actual | 08/09 target | 08/09 Actual | Explanation of variance and actual performance |
|--|---|--------------|--------------|---------------|---|
| Office of the Chief Financial Officer | | | | | |
| Vote: Finance and Administration | | | | | |
| Municipal KPA 2: Financial Viability and Financial Management | | | | | |
| Municipal KPA 5: Good Governance and Community Participation | | | | | |
| Percentage creditor payments within 30 days after invoice/statement | No. paid/ Total no. received | 50% | 75% | 70% | Cash flow problems |
| Compliant Annual Financial Statements compiled in line with exemptions | Percentage GRAP/IAS compliance | 80% | 100% | 95% | Asset register not compliant |
| Annual Financial Statements submitted on time | 2007/08 AFS submitted to Auditor-General by 31 August 2008 | 100% | 100% | 100% | AFS submitted to AG on time. |
| Percentage debtors revenue collected | Total payments/ Total levies | 89% | 97% | 75.2% | Incorrect billing. Data cleansing exercise to be done. |
| Reduced municipal debt older than 90 days | Percentage reduction of consumer debt older than 90 days | 20% | 70% | 8.2% increase | Revenue enhancement strategy to be implemented |
| Illegal water and electricity connections addressed | Percentage of illegal connections addressed through audits and complaints | 100% | 100% | 100% | All illegal connections attended to. |
| Timely and accurate financial reports compiled and submitted | Monthly and quarterly reports compiled and submitted in terms of MFMA and DORA | 80% | 90% | 95% | Monthly reports submitted to Council and National Treasury |
| Percentage budget completed | 2009/10 MTREF completed in terms of MFMA and GRAP requirements | 90% | 100% | 100% | Certain compliance issues still outstanding |
| Compliant general valuation roll implemented | Percentage of valuation roll implemented by 30 June 2009 | 95% | 100% | 100% | General valuation roll approved by Council |
| Completed action plan to address issues raised by AG reports | Percentage of 2006/07 audit action plan addressed by 31 August 2008 | 60% | 80% | 80% | Legacy issues and compilation fixed assets register still outstanding |
| Resolved Auditor-General formal queries | Percentage queries responded to within 10 working days (2007/08 audit) | 70% | 100% | 100% | Legacy issues and compilation fixed assets register still outstanding |
| Improved 2007/08 audit report | Reduced number of qualification (material) issues from 12 to not more than 6 issues | 0% | 50% | 50% | Legacy issues and compilation fixed assets register still outstanding |

Metsimaholo Local Municipality

for the year ended June 30, 2009

| Indicator | Unit of measurement | 07/08 Actual | 08/09 target | 08/09 Actual | Explanation of variance and actual performance |
|---|--|--------------|--------------|--------------|---|
| General / Generic Indicators | | | | | |
| Procurement budget spent on BEE | Percentage of procurement budget spent on BEE (HDI, women, youth & disabled) | 0% | 25% | 0% | Procurement targets not finalised |
| Implemented EE Plan | Finalised and approved departmental EE plans informed by approved corporate plan | 0% | 100% | 80% | Departmental inputs for corporate EE plan submitted. |
| | Percentage implementation of approved departmental EE Plan | 50% | 75% | 60% | New organisational structure was not finalised |
| Capital budget spent in terms of approved MTREF | Percentage of capital budget spent to achieve set outcomes | 18.5% | 95% | 36.04% | Capital projects delayed due to cash flow problems |
| Operating budget spent in terms of approved MTREF | Percentage of operating budget spent to achieve set outcomes | 89.7% | 95% | 86.14% | Expenditure curtailed as a result of cash flow problems |

Metsimaholo Local Municipality

for the year ended June 30, 2009

2009/10 PERFORMANCE TARGETS (As per approved SDBIP)

| Municipal KPA | Performance indicator | Unit of measurement | 08/09 Actual | 09/10 target |
|---|---|--|--------------|--------------|
| Good Governance and Community Participation Financial Viability and Financial Management | Percentage creditor payments within 30 days after invoice/statement | No. paid/ Total no. received (<i>linked to cash flow management</i>) | 70% | 75% |
| | Compliant Annual Financial Statements compiled in line with exemptions | Percentage GRAP/IAS compliance (<i>finalisation of asset register and discounting of consumer debtors remain critical</i>) | 95% | 100% |
| | Annual Financial Statements (AFS) submitted on time | 2008/09 AFS submitted to Auditor-General by 31 August 2009 | 100% | 100% |
| | Percentage debtors revenue collected | Total payments/ Total levies (<i>linked to data cleansing, automation of meter reading system and revenue enhancement strategy</i>) | 75% | 80% |
| | Reduced municipal debt older than 90 days | Percentage reduction of consumer debt older than 90 days | 8.2% | 20% |
| | Timely and accurate financial reports compiled and submitted | Monthly and quarterly reports compiled and submitted in terms of MFMA and DORA | 100% | 100% |
| | Percentage budget completed | 2010/11 MTREF completed in terms of MFMA and GRAP requirements by end of May 2010 | 100% | 100% |
| | Completed action plan to address issues raised in Auditor-General reports | Percentage of 2007/08 audit action plan addressed by 31 August 2009 (<i>legacy issues still being resolved</i>) | 80% | 80% |
| | Resolved Auditor-General formal queries | Percentage queries responded to within 10 working days (2008/09 audit) | 100% | 100% |
| | Improved 2008/09 audit outcomes | Percentage reduction of material issues which resulted in a disclaimer opinion (<i>issues relate to impairment of debtors, fixed assets, billing fluctuations, unallocated receipts, etc.</i>) | 50% | 50% |
| | Implemented EE Plan | Finalised and approved departmental EE plans informed by approved corporate plan | 80% | 100% |
| | | Percentage implementation of approved departmental EE Plan | 60% | 75% |
| | Capital budget spent in terms of approved MTREF | Percentage of capital budget spent to achieve set outcomes | 21.2% | 50% |
| | Revenue Management: Budgeted operating revenue collected | Percentage of budgeted revenue collected | 131.9% | 95% |
| | Operating budget spent in terms of approved MTREF | Percentage of operating budget spent to achieve set outcomes | 210.0% | 95% |

ORGANISATIONAL DEVELOPMENT AND CORPORATE SERVICES

Overview

The main activities of this Directorate relate to –

- Human resource management
- Organisational development
- Administrative support services
- Information technology

Description of the activity

The strategic objectives of the Directorate are –

Human resource management

- Formulate, maintain and execute the employment equity plan;
- Formulate, maintain and execute the skills development plan;
- Formulate, maintain and execute individual performance management system;
- Manage and handle general human resource administration, including labour relations.

Organisational development

- Manage and maintain the strategic organisational imperatives of the municipality to ensure effective implementation of the IDP and service delivery priorities.
- Develop, implement and maintain effective OD interventions, systems and policies.

Administrative and legal support services

- Ensure efficient running of the municipal administration
- Ensure professional legal support services to council and its structures

Key Performance Areas include:

- Training and development
- Employment equity
- Performance management
- Human resource administration
- Talent management
- Employee wellness

Metsimaholo Local Municipality

for the year ended June 30, 2009

- Provision of legal assistance to departments, council and its structures
- Handling of labour relations aspects (collective bargaining, disciplinary and grievance cases)
- Delivery of council meeting agendas
- Logging and tracking of council resolutions

The key issues for 2008/09 were:

- Ensuring the timely compilation and submission of the municipality's employment equity plan
- Ensuring the timely compilation and submission of the workplace skills plan
- Finalisation of the individual performance management system
- Finalisation of travelling and subsistence allowance policy;
- Investment in the human capital (bursaries and training of workforce)
- Implementation of job evaluation system as per approved plan
- Finalisation of grievance and disciplinary cases within 90 days
- Support service rendered to all directorates in relation to disciplinary and grievance procedures
- Provision of sound legal assistance to the departments
- Expeditious delivery of council meeting agendas
- Implementation of logging and tracking system of council resolutions

Metsimaholo Local Municipality

for the year ended June 30, 2009

PERFORMANCE INFORMATION

| Indicator | Unit of measurement | 07/08 Actual | 08/09 target | 08/09 Actual | Explanation of variance and actual performance |
|--|---|--------------|--------------|--------------|---|
| Director-Organisational Development and Corporate Services Vote: Finance and Administration (HR, IT, Other) Municipal KPA 1: Municipal Transformation and Institutional Capacity Municipal KPA 5: Good Governance and Community Participation | | | | | |
| Finalised By-laws | Number of By-laws finalised | 0 | 12 | 6 | 6 by-laws have already been drafted and have to be adopted by council |
| Meeting agendas delivered on time | Percentage agendas delivered at least 48 hours before all meetings | 100% | 100% | 100% | The agendas are delivered timeously |
| Resolutions management | % resolutions logged and implementation tracked | 100% | 100% | 70% | The tracking system is in place and |
| Approved Customer Care and Relations Management (CRM) Policy | CRM policy approved by Council by end of September 2008 | 0% | 100% | 65% | The policy has been drafted and council still has to adopt it |
| Integrated HR Strategy | Finalised and submitted to Council by end of June 2009 | 0% | 100% | 75% | The Draft policy to be adopted by Council 2009 |
| Workplace Skills Plan (WSP) developed and implemented | 08/09 Annual Training Report & 09/10 WSP submitted by end June 2009 | 100% | 100% | 100% | The WSP has been submitted as per legislation |
| Learners trained on learnerships undertaken | No. of learners trained (30) | 0 | 130 | 50% | 15 Learners are attending electrical learnership |
| Annual ABET training course delivered | Percentage current completion and new intake (intake was 50) | 100% | 100% | 0% | No ABET Classes due to infrastructural challenges |
| Employment Equity Act implemented | 2008/09 EE Plan and 2007/08 Report submitted by end of September 2008 | 100% | 100% | 100% | The report has been submitted as per legislation |
| Implemented EE Plan | Percentage implementation of EE Plan | 50% | 75% | 80% | The Plan has been implemented |
| Approved Performance Management System (PMS) implemented | PMS policy approved by Council March 2009 | 0% | 100% | 50% | The Systems to be cascaded to lower levels |
| Occupational Health and Safety Act (OHSA) compliant | Percentage compliance in terms of key provisions | 90% | 100% | 100% | The legislation is complied with |
| OHSA awareness workshops | No. of OHSA workshops held | 10 | 12 | 30% | 2 workshops have been held |
| Approved Implemented Employee Assistance Program (EAP) policy | EAP policy developed and approved by end of December 2008 | 0% | 100% | 75% | The policy Draft to be adopted by Council by November 2009 |

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for the year ended June 30, 2009

| Indicator | Unit of measurement | 07/08 Actual | 08/09 target | 08/09 Actual | Explanation of variance and actual performance |
|---|---|--------------|--------------|--------------|---|
| Disciplinary cases completed as per timeframes in conditions of service | Percentage of cases completed within 90 days | 100% | 100% | 80% | The cases are handled timeously |
| Approved IT policy | IT policy submitted and approved by Council before end of September 2008 | 0% | 100% | 60% | Draft IT policy finalised not yet submitted to Council for approval |
| Minimised downtime of critical IT systems | Percentage downtime of critical systems as a percentage of total time | 80% | 90% | 80% | Due to lack of personnel and infrastructure |
| Maximum functionality of workstations maintained | Percentage of workstations on line | 70% | 80% | 80% | Due to lack of personnel |
| IT service complaints addressed | Percentage of services complaints resolved within 24 hours as a percentage of complaints received | 50% | 95% | 50% | Lack of personnel |
| General / Generic Indicators | | | | | |
| Procurement budget spent on BEE | Percentage of procurement budget spent on BEE (HDI's, women, youth, disabled) | 0% | 25% | 0% | Procurement targets not finalised |
| Capital budget spent in terms of approved MTREF | Percentage of capital budget spent to achieve set outcomes | 27% | 95% | 233.2% | Over-expenditure on capital budget |
| Operating budget spent in terms of approved MTREF | Percentage of operating budget spent to achieve set outcomes | 141% | 95% | 163.5% | Over-expenditure on operating budget |
| Resolved Auditor-General formal queries | Percentage queries responded to within 7 working days | 50% | 100% | 100% | All queries responded to in time |
| Improved 2007/08 audit report from Auditor-General | Percentage contribution to improved audit report | 50% | 100% | 95% | All departmental issues addressed |

Metsimaholo Local Municipality

for the year ended June 30, 2009

2009/10 PERFORMANCE TARGETS (As per approved SDBIP)

| Municipal KPA | Performance indicator | Unit of measurement | 08/09 actual | 09/10 target |
|---|--|---|--------------|--------------|
| Municipal Transformation and Institutional Capacity / Good Governance and Community Participation | Finalised By-laws | Number of By-laws finalised (<i>street trading, cemeteries & crematoria, taxi ranks, public amenities, funeral undertakers, property rates, credit control & debt collection and advertising By-laws to be finalised</i>) | 5 | 8 |
| | Meeting agendas delivered on time | Percentage agendas delivered at least 48 hours before all meetings | 100% | 100% |
| | Effective resolutions management | % resolutions logged and implementation tracked | 70% | 100% |
| | Approved Customer Relations Management (CRM) Policy | CRM policy approved by Council by end of September 2009 (<i>Draft policy developed</i>) | 65% | 100% |
| | Integrated HR Strategy | Finalised and submitted to Council by end of Sept 2009 (<i>Draft strategy developed</i>) | 75% | 100% |
| | Workplace Skills Plan (WSP) developed and implemented | 2009/10 Annual Training Report & 2010/11 WSP submitted by end June 2010 | 100% | 100% |
| | Learners trained on learnerships undertaken | No. of learners trained (<i>30 Electrical Engineering & Traffic Management completed; 25 General Electrical Distribution intake for 2009/10</i>) | 30 | 25 |
| | Annual ABET training course delivered | Percentage current completion and new intake (<i>Previous intake was 23 of which 11 passed</i>) | 23 | 50 |
| | Employment Equity Act implemented | 2009/10 EE Plan and 2008/09 Report submitted to Dept. of Labour by end of September 2009 | 100% | 100% |
| | Reviewed organisational structure | Revised structure approved by Council before end of December 2009 (<i>Draft structure completed</i>) | 60% | 100% |
| | OD interventions into employee wellness | Completed interventions by June 2009 (<i>Determining factors affecting staff morale</i>) | 0% | 100% |
| | Implemented Corporate EE Plan | Percentage implementation of EE Plan | 75% | 75% |
| | Approved Performance Management System (PMS) implemented | Implementation of PMS to other staffing levels below s57 managers (<i>PMS Policy Framework already approved</i>) | 40% | 40% |
| | Occupational Health and Safety Act (OHSA) compliant | Percentage compliance in terms of key provisions | 100% | 100% |
| | OHSA awareness workshops | No. of OHSA workshops held | 10 | 2 |
| | Approved Implemented Employee Assistance Program (EAP) policy | EAP policy approved by end of September 2009 (<i>Draft policy developed</i>) | 75% | 100% |
| | Disciplinary cases completed as per timeframes in conditions of service | Percentage of cases completed within 90 days | 80% | 100% |
| Approved bereavement/dress code/abscondment policies | Approved by council by March 2010 (<i>Draft policies developed requiring internal consultations</i>) | 50% | 100% | |

Metsimaholo Local Municipality

for the year ended June 30, 2009

| Municipal KPA | Performance indicator | Unit of measurement | 08/09 Actual | 09/10 target |
|--|---|--|-----------------|-----------------|
| Financial Viability and Financial Management | Total capital budget spent in terms of approved MTREF | Percentage of capital budget spent to achieve set outcomes | 9.1% | 50% |
| | Budgeted operating revenue collected | Percentage of budgeted revenue collected | 233% | 95% |
| | Total operating budget spent in terms of approved MTREF | Percentage of operating budget spent to achieve set outcomes | 163.5% | 95% |
| | Resolved Auditor-General formal queries | Percentage queries responded to within 7 working days | 100% | 100% |
| | Improved 2008/09 annual audit report from Auditor-General | Percentage reduction of material issues which resulted in a disclaimer opinion | 95% | 50% |

ECONOMIC DEVELOPMENT AND PLANNING

Overview

The main activities of the department Economic Development and Planning relate to:

- Local Economic Development
- Urban and Regional Planning
- Housing and Property Administration

Description of activity

The strategic objectives of the department are to:

- Manage and control development in such a manner that there is sufficient provision made for industrial, commercial, agricultural and domestic uses; and
- Enhance, promote, maintain and coordinate economic activities in the municipal area to the benefit of all the inhabitants and communities.

Key issues for 2008/09 were:

- Promotion of broad-based black economic empowerment
- Compilation of the LED strategy
- Development of small scale farming
- Spatial Development Framework review
- Development of the Land use management scheme for Metsimaholo
- Planning of a further 5500 erven

Metsimaholo Local Municipality

for the year ended June 30, 2009

Key Performance Areas of the Directorate are:

- Spatial development
- Building control
- Land-use management
- Local economic development
- Housing construction
- Relocation of informal settlements
- Updating of erf database

Metsimaholo Local Municipality

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PERFORMANCE INFORMATION

| Indicator | Unit of measurement | 07/08 Actual | 08/09 target | 08/09 Actual | Explanation of variance and actual performance |
|--|---|--------------|--------------|--------------|---|
| Director-Economic Development and Planning | | | | | |
| Vote: Housing and Planning | | | | | |
| Municipal KPA 3: Basic Service Delivery and Infrastructure Investment | | | | | |
| RDP houses constructed | No. of houses (no funding available) | 2 600 | 1 800 | 1 700 | 13 030 RDP houses erected since 1994 |
| Assisted subsidy applicants in line with allocations | Percentage of subsidy applicants assisted | 100% | 100% | 100% | 1 800 applications completed |
| Application for housing accreditation | Finalise plan for accreditation to Province by end of December 2008 | 0% | 100% | 0% | Moratorium placed by Province on municipal accreditations |
| Finalised land audit | Confirmed land ownership (private & municipal) by end of December 2008 | 90% | 100% | 95% | 38 747 properties identified Registers to be opened |
| Updated Spatial Development framework | Annually updated and finalised by end of June 2009 | 100% | 100% | 100% | The SDF updated and submitted to Province for approval |
| Planning and surveying of land purchased for urban expansion | Township established and registered (Mooi-draai) | 60% | 100% | 90% | A full application submitted to Province for approval |
| | Percentage completion of Mooiplaats planning and surveying | 0% | 60% | 70% | All planned erven surveyed and the full application submitted to Province for approval. |
| Approval of building plans | Percentage plans approved within 30 days of receipt | 100% | 100% | 100% | Building plans approved within 30 days. |
| Rezoning, sub-divisions consolidations and township establishment applications processed | Applications processed by municipality within 30 days | 90% | 100% | 60% | Other applications processed and resolved within 30 days, however, there were delays from Council to approve township establishment applications. |
| Building inspections conducted | Percentage of approved plans inspected as per prescribed standards | 70% | 90% | 80% | Shortage of vehicles for inspectors to conduct inspections. |
| | Percentage of complaints of violations responded to within 48 hours | 100% | 100% | 100% | All complaints attended to |
| Updated land use management scheme | Percentage completed by end of June 2009 according to new technical layout requirements | 80% | 100% | 90% | The consultant to include comments from Province |
| Land purchased for urban expansion | Funding secured and land purchased (Vaaldam)-Refengkotso by 30 June 2009 | 0% | 100% | 0% | Funds not secured by Land Affairs |

Metsimaholo Local Municipality

for the year ended June 30, 2009

| Indicator | Unit of measurement | 07/08 Actual | 08/09 target | 08/09 Actual | Explanation of variance and actual performance |
|---|---|--------------|--------------|--------------------|---|
| Stands/sites allocated | Number of approved stands allocated (only on completion of Moidraai) | 3200 | 0 | 1 190 | 59% Completed Water to be installed Policy to be adopted |
| Disposal of Immovable properties/assets | Finalise policy by end of June 2009 | 0% | 100% | 100% | Policy was adopted Nov 2008 |
| | Percentage of immovable properties sold | 0% | 100% | 1 800 (RDP houses) | Moratorium on disposal of assets per tender 60 applications for unsolicited bids received 1 800 RDP houses transferred 150 de-registrations identified for 2009/10 |
| | Percentage of sold immovable properties registered within 3 months | 0% | 100% | 100% | All sold properties transferred within 3 months |
| Updated erf database | Percentage of stands captured on erf database | 100% | 100% | 1 906 | 1 906 for Zamdela (Amelia) captured excluding daily changes on deeds office registrations |
| Vote: Local Economic development | | | | | |
| Municipal KPA 4: Local Economic Development | | | | | |
| Finalised Local Economic Development (LED) Strategy | LED strategy completed and approved by end of December 2008 | 60% | 100% | 50% | DBSA and FDDM funded the strategy and the contractor was appointed. A draft copy was submitted. |
| Business information seminars | Number of business information seminars held | 6 | 8 | 2 | The following companies conducted information seminars: Anglo Coal-Zimele, DETEA, FDDM, SARS, EPWP. |
| Municipal-wide monitoring of jobs created | Quarterly reports on number of jobs created through municipality's LED projects | 0 | 4 | 0 | Monitoring framework not yet finalised |
| Finalised BBBEE procurement targets | BBBEE targets finalised and approved by Council by end of December 2008 | 0% | 100% | 0% | Procurement policy is under review upon its review this target will be embodied in the review policy and the support of the supply chain management. |
| Implemented brick and paving manufacturing plant | Finalised business plan & feasibility study and plant established by end of June 2009 | 0% | 100% | 0% | Funding not received and awaiting confirmation from Social and Labour partners. |
| Implemented poultry and pig farm project | Finalised business plan & feasibility study and plant established by end of June 2009 | 0% | 100% | 0% | Funding not received and awaiting confirmation from Social and Labour |

Metsimaholo Local Municipality

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| Indicator | Unit of measurement | 07/08 Actual | 08/09 target | 08/09 Actual | Explanation of variance and actual performance |
|--|--|--------------|--------------|--------------|--|
| | | | | | partners |
| Implemented recycling plant project | Finalised business plan & feasibility study and plant established by end of June 2009 | 0% | 100% | 0% | Funding not received and awaiting confirmation from Social and Labour partners |
| Implemented vegetable farm project | Finalised business plan & feasibility study and production commenced beginning of fourth quarter | 0% | 100% | 0% | Funding not received and awaiting confirmation from Social and Labour partners |
| Facilitated business linkages (support to SMME's) | Number of linkages facilitated | 7 | 12 | 9 | Small businesses were referred to SEDA, Anglo Coal Zimele, DETEA, SARS, EPWP, Eskom & Sasol companies. |
| General / Generic Indicators | | | | | |
| Procurement budget spent on BEE | Percentage of procurement budget spent on BEE (HDI, women, youth & disabled) | 0% | 25% | 0% | Procurement targets not finalised |
| Implemented EE Plan | Finalised and approved departmental EE plans informed by corporate plan | 0% | 100% | 80% | Departmental inputs for corporate EE plan submitted. |
| | Percentage implementation of EE Plan | 50% | 75% | 60% | New organisational structure was not finalised |
| Capital budget spent in terms of approved MTREF | Percentage of capital budget spent to achieve set outcomes | 21% | 95% | 17.3% | Capital projects delayed due to cash flow problems; Provincial funding not received |
| Operating budget spent in terms of approved MTREF | Percentage of operating budget spent to achieve set outcomes | 57% | 95% | 73.7% | Expenditure curtailed as a result of cash flow problems |
| Resolved Auditor-General formal queries | Percentage queries responded to within 7 working days | 50% | 100% | 100% | All queries responded to in time |
| Improved 2007/08 audit report from Auditor-General | Percentage contribution to improved audit report | 50% | 100% | 95% | All departmental issues addressed |

Metsimaholo Local Municipality

for the year ended June 30, 2009

2009/10 PERFORMANCE TARGETS (As per approved SDBIP)

| Municipal KPA | Performance indicator | Unit of measurement | 08/09 Actual | 09/10 target |
|--|--|--|--------------|--------------|
| Basic Service Delivery and Infrastructure Investment | RDP houses constructed | No. of housing units constructed (Zamdela -800 units and Metsimaholo Extension-300 units) | 0 | 1100 |
| | Hostels redeveloped into Community Residential Units (CRUs) | Redevelopment of Hostels 2 and 4 into 570 CRUs | 0 | 100% |
| | Assisted subsidy applicants in line with allocations | Percentage of subsidy applicants assisted | 100% | 100% |
| | Application for housing accreditation | Finalise plan for accreditation to Province by end of March 2010 (pending review of accreditation policy decision by Province) | 0% | 100% |
| | Completed land audit reconciliation process | Completed reconciliation report on outcomes of land audits conducted by Metsimaholo and Dept. of Land Affairs | 60% | 100% |
| | Updated Spatial Development framework | Annually updated and finalised by 30 June 2010 | 100% | 100% |
| | Planning and surveying of land purchased for urban expansion | Mooibraai Township established and registered (Application already submitted to Province) | 80% | 100% |
| | | Percentage completion of Mooiplaats planning and surveying (1 500 sites already surveyed and planning for the balance of 1 000 commenced) | 60% | 100% |
| | Approved building plans | Percentage plans approved within 30 days of receipt | 100% | 100% |
| | Rezoning, sub-divisions and consolidation applications processed | Applications processed by municipality within 30 days | 90% | 100% |
| | Building inspections conducted | Percentage of approved plans inspected as per prescribed standards (Insufficient inspectors and vehicles) | 80% | 90% |
| | | Percentage of complaints of violations responded to within 48 hours | 100% | 100% |
| | Updated land use management scheme | Percentage completed by end of June 2009 according to new technical layout requirements (appointed service provider to finalise GIS information) | 80% | 100% |
| | Land purchased for urban expansion | Funding secured and land purchased (Vaaldam)-Refengkotso by 30 June 2009 (subject to funding from Dept. of Agriculture and Local Government) | 0% | 100% |
| | Stands/sites allocated | Number of approved stands allocated (only on completion of Mooiplats) | 1190 | 1260 |
| | Disposal of Immovable properties/assets | Number of immovable properties sold (total of 4 639 properties) | 61 | 720 |
| | | Percentage of sold immovable properties registered within 3 months | 0% | 100% |
| Updated erf database | Percentage of stands captured on erf database | 100% | 100% | |

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| Municipal KPA | Performance indicator | Unit of measurement | 08/09 Actual | 09/10 target |
|---|--|--|--------------|--------------|
| Local Economic Development | Finalised Local Economic Development (LED) Strategy | LED strategy completed and approved by end of December 2009 (<i>Appointment of new service provider currently in process to finalise draft strategy</i>) | 60% | 100% |
| | Business information seminars | Number of business information seminars held | 0 | 4 |
| | Municipal-wide monitoring of jobs created | Develop appropriate reporting framework by end of November 2009 | 0% | 100% |
| | | Quarterly reports submitted to management and council on the number of jobs created through municipality's LED projects | 0 | 2 |
| | Implemented brick and paving manufacturing plant (<i>part of SLP of Anglo Coal and Sasol Mining</i>) | Finalised business plan & feasibility study and plant established by end of Dec 2009 | 0% | 100% |
| | | Percentage physical establishment of plant (<i>Contractor appointed</i>) | 0% | 20% |
| | Implemented poultry and piggery farm project | Finalised business plan & feasibility study and plant established by end of Dec 2009 | 0% | 100% |
| | | Percentage physical establishment of project (<i>Contractor appointed</i>) | 0% | 20% |
| | Implemented recycling plant project (<i>Funded by Anglo Coal</i>) | Finalised business plan & feasibility study and plant established by end of Dec 2009 | 0% | 100% |
| | | Percentage physical establishment of plant (<i>Contractor appointed</i>) | 0% | 20% |
| | Implemented SMME Incubator | Finalised business plan and feasibility study by end Dec 2009 | 0% | 100% |
| | | Percentage physical establishment of incubator (<i>Contractor appointed</i>) | 0% | 20% |
| | Identified neighbourhood initiatives (business and investment opportunities) | Report on neighbourhood initiatives (<i>action plan on role and participation of municipality</i>) by end of March 2010 | 0% | 100% |
| Facilitated business linkages (support to SMME's) | Number of linkages facilitated | 41 | 100 | |
| Financial Viability and Financial Management | Total capital budget spent in terms of approved MTREF | Percentage of capital budget spent to achieve set outcomes | 27% | 50% |
| | Total operating budget spent in terms of approved MTREF | Percentage of operating budget spent to achieve set outcomes | 70% | 95% |
| | Budgeted operating revenue collected | Percentage of budgeted revenue collected | 77% | 95% |
| | Resolved Auditor-General formal queries | Percentage queries responded to within 7 working days | 50% | 100% |
| | Improved 2008/09 annual audit report from Auditor-General | Percentage reduction of material issues which resulted in a disclaimer opinion | 25% | 50% |

SOCIAL SERVICES

Overview

The main activities of the Directorate relate to:

- Parks and Recreation
 - Community and sports facilities
 - Parks and recreational facilities
 - Cemeteries
 - Cultural activities and facilities
 - Providing a clean environment
- Public Safety
 - Traffic services
 - Fire protection
 - Disaster management.
- Waste management (cleansing services), which includes collection, disposal and recycling of household, commercial and industrial refuse and waste, management of landfill and disposal sites and street cleaning.

Description of the activity

The strategic objectives of the **Parks and Recreation** division are to –

- Ensure sufficient and accessible burial sites and facilities according to the current and future needs;
- Ensure that all current cemeteries are well managed, maintained and secured and provided with public facilities;
- Create a climate whereby diverse cultures can be accommodated and tolerated
- Ensure that all communities have access to libraries and information centres that are well equipped and maintained and
- Implement a greening plan for the area that will enhance the beauty of the natural environment
- Enhancing and maintaining of sports facilities in communities

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The strategic objectives of the **Public Safety** division are to –

- Improve response time to all call-outs
- Provide full service in total municipal area
- Manage and coordinate disaster management with district municipality, local industries and communities
- Improve road safety and reduce accidents

The strategic objectives of the **Waste Management** (Cleansing Services) division include:

- Develop, implement and enforce a comprehensive set of by-laws to regulate the service;
- Develop, implement and maintain an integrated waste management plan; and
- Plan closure and rehabilitation of landfill sites.

The key issues for 2008/09 were:

Parks and Recreation

- Upgrading of the Community Halls.
- Upgrading of Zamdela/Sasolburg swimming pools;
- Identification of new accessible burial sites and installation of fence and water taps at cemeteries, burial sites and crematorium; and
- Availability of facilities and maintenance thereof.

Public Safety

- Improve conversion of fines into actual revenue;
- Improve visibility and extend services;

Waste management (Cleansing services)

- Compilation of Integrated Waste Management Plan;
- Identification of regional landfill site;
- Awareness campaigns on illegal dumping and pollution; and

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Key performance areas of the Directorate include:

Parks and Recreation

- Sufficient and accessible burial sites and facilities
- Promoting cultural diversity and tolerance
- Sufficient and accessible community facilities

Public Safety

- Efficient and timely response to emergencies
- To provide a safe and secure environment for residents
- Disaster management

Waste management (Cleansing services)

- To provide reliable and affordable door-to-door waste removal services to all households
- To provide reliable affordable waste removal service to all businesses and industries
- To provide a clean and healthy environment

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PERFORMANCE INFORMATION

| Vote/Indicator | Unit of measurement | 07/08 Actual | 08/09 target | 08/09 Actual | Explanation of variance and actual performance |
|--|--|--------------|--------------|--------------|--|
| Director-Social Services | | | | | |
| Municipal KPA 3: Basic Service Delivery and Infrastructure Investment | | | | | |
| Municipal KPA 4: Local Economic Development | | | | | |
| Municipal KPA 5: Good Governance and Community Participation | | | | | |
| Vote: Community Services | | | | | |
| New libraries built | Percentage of library built/completed | 100% | 100% | 100% | Ntai Mokoena library opened in Refengkgotso |
| Upgraded libraries | No. of libraries upgraded | 2 | 0 | 1 | Ntai Mokoena library |
| Upgraded cemeteries | No. of cemeteries upgraded | 1 | 0 | 0 | MIG Fund approved for 2009/2010 |
| Library holiday programmes and information events held | No. of programmes and events held | 13 | 15 | 51 | The new library was also included and support from Province |
| Theatre and culture development programmes presented | No. of programmes presented | 25 | 0 | 71 | Theatre Board Support |
| Vote: Health and Refuse removal | | | | | |
| HIV programmes and educational and awareness campaigns conducted | No. of programmes and campaigns conducted | 6 | 6 | 2 | Election campaigns demanded politicians time. |
| Combating of illegal dumping | Number of awareness programmes | 3 | 12 | 38 | Influenced by election campaigns |
| Refuse points serviced | No. of refuse points serviced per day | 4500 | 5000 | 4500 | Lack of Human Resources and equipment |
| Reviewed waste management plan | Percentage reviewed by end of September 2008 | 75% | 100% | 95% | IWMP Drafted to be adopted by council |
| Vote: Sport and Recreation | | | | | |
| Community halls upgraded | No. of halls upgraded | 3 | 0 | 2 | Zamdela completed in 2007/08. Refengkgotso and Metsimaholo Ext. 100% completed |
| Completed multi-purpose sports centre in Zamdela | Percentage of multi-purpose centre completed | 5% | 100% | 25% | Land rezoning application done. |
| Upgraded swimming pools | Percentage upgrading completed | 100% | 100% | 50% | Penny Haynes partly done |
| Developed park in Zamdela (ward 11) | Park completed by end of November 2008 | 0% | 100% | 15% | Awaiting funding |

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| Vote/Indicator | Unit of measurement | 07/08 Actual | 08/09 target | 08/09 Actual | Explanation of variance and actual performance |
|---|--|--------------|--------------|--------------|---|
| Upgraded and maintained day visitors areas | Percentage upgrading completed | 40% | 100% | 35% | Abrahamsrust Resort new furniture purchased |
| Abrahamsrust upgraded | Percentage completed upgrading | 50% | 100% | | |
| Vote: Public Safety Municipal KPA 4: Local Economic Development Municipal KPA 5: Good Governance and Community Participation | | | | | |
| Satellite mobile stations | No. of mobile stations | 4 | 4 | 0 | Not planned for this financial year |
| Improved revenue collected | Amount of traffic fines collected per month | R960k | R1m | R874k | Manager Public Safety Suspended. Magistrate cancelling traffic fines. |
| Roadside management transgressions | Percentage of transgressions handled | 75% | 100% | 85% | Manager suspended |
| By-law transgressions | Finalised enforcement plan by end of November 2008 | 50% | 100% | 0 | Lack of Human Resources |
| Traffic calming measures | No. of speed humps erected | 6 | 0 | 8 | Erected by business community and Sasol Firm |
| Customer complaints handled | Percentage of complaints relating to traffic signs handled with 2 days | 80% | 100% | 90% | Systems in place but lack of Human Resources |
| Tourism and information signs erected | Percentage completed (dependent on finalisation of municipal coat of arms) | 0% | 100% | 0 | Awaited official council logo |
| Municipal KPA 1: Municipal Transformation and Institutional Capacity Municipal KPA 2: Financial Viability and Financial Management | | | | | |
| General / Generic Indicators | | | | | |
| Procurement budget spent on BEE | Percentage of procurement budget spent on BEE (HDIs, Women, Youth, Disabled) | 0% | 25% | 0% | Procurement targets not finalised |
| Implemented EE Plan | Finalised and approved departmental EE plans informed by corporate plan | 0% | 100% | 80% | Departmental inputs for corporate EE plan submitted. |
| | Percentage implementation of approved departmental EE Plan | 50% | 75% | 60% | New organisational structure was not finalised |
| Capital budget spent in terms of approved MTREF | Percentage of capital budget spent to achieve set outcomes | 13.3% | 95% | 24.4% | Capital projects delayed due to cash flow problems; Provincial funding not received |
| Operating budget spent in terms of approved | Percentage of operating budget spent to achieve set | 80.4% | 95% | 83.7% | Expenditure curtailed as a result |

Metsimaholo Local Municipality

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| Vote/Indicator | Unit of measurement | 07/08 Actual | 08/09 target | 08/09 Actual | Explanation of variance and actual performance |
|--|---|---------------------|---------------------|---------------------|---|
| MTREF | outcomes | | | | of cash flow problems |
| Resolved Auditor-General formal queries | Percentage queries responded to within 7 working days | 50% | 100% | 100% | All queries responded to in time |
| Improved 2007/08 audit report from Auditor-General | Percentage contribution to improved audit report | 50% | 100% | 95% | All departmental issues addressed |

Metsimaholo Local Municipality

for the year ended June 30, 2009

2009/10 PERFORMANCE TARGETS (As per approved SDBIP)

| Municipal KPA | Performance indicator | Unit of measurement | 08/09 actual | 09/10 target |
|---|--|--|--------------|--------------|
| Vote: Community Services | | | | |
| Good Governance and Community Participation | Upgraded cemeteries | No. of cemeteries upgraded (Deneysville) | 0 | 1 |
| | Maintained community facilities | Percentage facilities maintained as per approved budget | 100% | 100% |
| | Library holiday programmes and information events held | No. of programmes and events held | 23 | 15 |
| | Theatre and culture development programmes presented | No. of programmes presented | 57 | 25 |
| Vote: Health and Refuse removal | | | | |
| Basic Service Delivery and Infrastructure Investment | HIV programmes and educational and awareness campaigns conducted | No. of programmes and campaigns conducted | 6 | 6 |
| | Combating of illegal dumping | Number of awareness programmes | 13 | 12 |
| | Refuse points serviced | No. of refuse points serviced per day (<i>target includes new sites in Mooiplaats</i>) | 4500 | 5000 |
| | Improved billing of consumer for refuse removal services | Percentage notification of finance department of new service points within 5 days | 80% | 100% |
| | Reviewed integrated waste management plan | Percentage reviewed by end of September 2009 (<i>Final draft is ready for Council adoption</i>) | 90% | 100% |
| Vote: Sport and Recreation | | | | |
| Basic Service Delivery and Infrastructure Investment | Completed multi-purpose sports centre in Zamdela | Percentage of multi-purpose centre completed (<i>Costed building and layout plans in place; Phase 1 will include fencing of facility and development of sports fields</i>) | 15% | 50% |
| | Established high performance sports centre | Completed HP Sports Centre at Sasolburg showgrounds (<i>Business plan was approved by Province</i>) | 0% | 100% |
| | Upgraded swimming pools | Percentage upgrading completed (<i>Zamdela</i>) | 100% | 100% |
| | Developed park in Zamdela (ward 11) | Park completed by end of March 2010 | 0% | 100% |
| | Upgraded and maintained day visitors areas | Percentage upgrading completed | 40% | 100% |
| | Abrahamsrust facility upgraded | Percentage completed upgrading | 50% | 100% |
| | Maintained sport and recreation facilities | Percentage facilities maintained as per approved budget | 100% | 100% |

Metsimaholo Local Municipality

for the year ended June 30, 2009

| Municipal KPA | Performance indicator | Unit of measurement | 08/09 actual | 09/10 target |
|---|---|--|--------------|--------------|
| Vote: Public Safety | | | | |
| Good Governance and Community Participation / Local Economic Development | Established traffic & fire sub-stations | Sub-station established in Deneysville/Oranjeville | 0 | 1 |
| | Improved revenue collected | Amount of traffic fines collected per month | R1,7m | R2m |
| | Roadside management transgressions | Percentage of transgressions handled | 75% | 100% |
| | By-law transgressions | Finalised enforcement plan by end of November 2009 (<i>subject to establishment of separate unit & finalisations of by-laws</i>) | 50% | 100% |
| | Traffic calming measures | No. of speed humps erected | 5 | 6 |
| | Customer complaints handled | Percentage of complaints relating to traffic signs and road markings handled within 2 days | 80% | 100% |
| | Tourism and information signs erected | Percentage completed (dependent on finalisation of municipal coat of arms) | 0% | 100% |
| Financial Viability and Financial Management | Total capital budget spent in terms of approved MTREF | Percentage of capital budget spent to achieve set outcomes | 27% | 50% |
| | Budgeted operating revenue collected | Percentage of budgeted revenue collected | 77% | 95% |
| | Total operating budget spent in terms of approved MTREF | Percentage of operating budget spent to achieve set outcomes | 70% | 95% |
| | Resolved Auditor-General formal queries | Percentage queries responded to within 7 working days | 50% | 100% |
| | Improved 2008/09 annual audit report from Auditor-General | Percentage reduction of material issues which resulted in a disclaimer opinion | 25% | 50% |

TECHNICAL AND INFRASTRUCTURAL SERVICES

Overview

This Directorate includes the following functions:

- Waste water management
- Water provision
- Electricity
- Roads and storm water
- Building maintenance

Description of the activities

The strategic objectives of the directorate are to –

Waste water management

- Provide waterborne sanitation services in an accountable and sustainable manner;
- Provide waterborne sewerage systems completed with toilet structures to each and every household; and
- Effectively and efficiently convey, dispose and purify wastewater.

Roads and storm water

- Provide roads in an effective, efficient and sustainable manner;
- Ensure the general maintenance and rehabilitation of existing infrastructure; and
- Improve customer care by effectively dealing with service complaints

Water provision

- Provide water in an accountable and sustainable manner;
- Provide potable and running water to each and every household in the municipal area;
- Establish and maintain of assets and equipment; and
- Manage and reduce technical water losses.

Metsimaholo Local Municipality

for the year ended June 30, 2009

Electricity

- Provide all consumers with an electrical connection at an affordable price;
- Cost effective, efficient, affordable and reliable electricity services;
- Distribution of electricity under licence agreement with the NER;
- Establish and maintain of assets and equipment; and
- Manage and reduce technical electricity losses.

Key Performance Areas

Waste water management

New sewer networks and toilets

Roads and storm water

- Construction of new roads and storm water systems
- Upgrading of storm water systems

Water provision

- Provision of free basic water
- Reduction in unaccounted for water
- Provision of new water network and connections

Electricity

- Provision of free basic electricity
- Electrification of residential stands
- Network strengthening and upgrading

Metsimaholo Local Municipality

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The key issues for 2008/09 were:

Waste water management

- Progressive reduction in sanitation backlogs;
- Maintaining the complete network to ensure that it remains operational; and
- Improved customer care related to sewerage.

Roads and storm water

- Progressive reduction in backlogs;
- Maintaining the complete network to ensure that it remains operational; and
- Improved customer care.

Water provision

- Expansion of water services in terms of minimum levels and standards;
- Addressing the service backlogs whilst keeping the complete network operational; and
- Implementation of strategies to reduce water distribution losses.

Electricity

- Expansion of electricity services in terms of minimum levels and standards;
- Addressing the service backlogs whilst keeping the complete network operational; and
- Implementation of strategies to reduce electricity distribution losses.

Metsimaholo Local Municipality

for the year ended June 30, 2009

PERFORMANCE INFORMATION

| Vote/Indicator | Unit of measurement | 07/08 Actual | 08/09 target | 08/09 Actual | Explanation of variance and actual performance |
|---|--|--------------|--------------|--------------|---|
| Directorate-Technical and Infrastructural Services | | | | | |
| Municipal KPA 3: Basic Service Delivery and Infrastructure Investment | | | | | |
| Vote: Electricity | | | | | |
| Percentage HH receiving free basic electricity | HH receiving FBE/Total no. of HH | 100% | 100% | 100% | All households on network receive the FBE |
| Reduced unaccounted for electricity | KwH billed/KwH purchased | 6.4% | 6% | 6% | Target achieved |
| Electrified residential stands | No. of stands electrified | 3000 | 1000 | 1 760 | Target exceeded |
| Installed pre-paid meters | No. of pre-paid meters installed | 876 | 600 | 1 760 | Target exceeded |
| Maintenance and repairs complaints handled | Percentage of complaints handled within 24 hours (excluding street lights) | 100% | 100% | 100% | All complaints attended within reasonable time |
| Compliance with prescribed safety standard norms for installation, repair and maintenance of services | Percentage compliance with prescribed safety standards and norms | 100% | 100% | 100% | No accidents or incidents reported |
| Vote: Water and sanitation | | | | | |
| Percentage HH receiving free basic water | HH receiving FBW/Total no. of HH | 100% | 100% | 100% | All households on network receive FBW |
| Reduced unaccounted for water | Kl billed/Kl purchased (used) | 38.6% | 20% | 15% | Managed to reduce water loss from 20% to 15% |
| Installed new water connections | No. of new water connections installed | 3200 | 2120 | 2 204 | Over achieved |
| Eradication of bucket system (informal areas) | No. of stands (all buckets in formalised areas eradicated) | 156 | 0 | 0 | Achieved (Only buckets in informal areas remaining) |
| Completed outfall sewer | Kilometres of main outfall sewer line constructed | 8km | 12km | 11km | Scope reduced due to insufficient budget |
| Removed sewer blockages | Percentage of sewer blockages removed within 24 hours | 100% | 100% | 100% | Complaints attended promptly |
| Maintenance and repairs complaints handled | Percentage of complaints handled within 24 hours | 80% | 100% | 100% | All complaints attended promptly |
| Vote: Roads and Stormwater | | | | | |
| Construction of new stormwater culvert | Percentage constructed in Zamdela (completed in 07/08 financial year) | 100% | 0% | 0% | Not budgeted for |
| Upgrading and maintenance of stormwater system | Percentage upgrading and maintenance as and when required | 70% | 80% | 85% | As and when required |
| Maintenance of roads | Kilometres of asphalt roads | 30km | 40km | 4km | Insufficient budget |
| Construction/upgrading of taxi ranks in municipal area | Number of taxi ranks | 0 | 4 | 0 | Not budgeted for |

Metsimaholo Local Municipality

for the year ended June 30, 2009

| Vote/Indicator | Unit of measurement | 07/08 Actual | 08/09 target | 08/09 Actual | Explanation of variance and actual performance |
|---|--|--------------|--------------|--------------|---|
| Customer complaints handled | Percentage of complaints relating to roads handled with 2 days | 60% | 80% | 80% | Complaints attended to promptly |
| | Percentage of complaints relating to traffic signals handled with 2 days | 80% | 100% | | Refer to Public safety |
| Municipal KPA 1: Municipal Transformation and Institutional Capacity Municipal KPA 2: Financial Viability and Financial Management | | | | | |
| General / Generic Indicators | | | | | |
| Local emerging contractors appointed through EPWP | Number of local emerging contractors appointed | 2 | 4 | 9 | Over achieved |
| Jobs created through EPWP | Number of temporary jobs created | 250 | 350 | 300 | Target not achieved |
| Procurement budget spent on BEE | Percentage of procurement budget spent on BEE (HDIs, Women, Youth, Disabled) | 30% | 50% | 0% | Procurement targets not finalised |
| Implemented EE Plan | Finalised and approved departmental EE plans informed by corporate plan | 0% | 100% | 80% | Departmental inputs for corporate EE plan submitted. |
| | Percentage implementation of EE Plan | 50% | 75% | 60% | New organisational structure was not finalised |
| Capital budget spent in terms of approved MTREF | Percentage of capital budget spent to achieve set outcomes | 66.5% | 95% | 43.9% | Capital projects delayed due to cash flow problems; Provincial funding not received |
| Operating budget spent in terms of approved MTREF | Percentage of operating budget spent to achieve set outcomes | 77.8% | 95% | 72.7% | Expenditure curtailed as a result of cash flow problems |
| Resolved Auditor-General formal queries | Percentage queries responded to within 7 working days | 50% | 100% | 100% | All queries responded to in time |
| Improved 2007/08 audit report from Auditor-General | Percentage contribution to improved audit report | 50% | 100% | 95% | All departmental issues addressed |

Metsimaholo Local Municipality

for the year ended June 30, 2009

2009/10 PERFORMANCE TARGETS (As per approved SDBIP)

| Municipal KPA | Performance indicator | Unit of measurement | 08/09 actual | 09/10 target |
|---|---|---|--------------|--------------|
| Vote: Electricity | | | | |
| Basic Service Delivery and Infrastructure Investment | Percentage Households (HHs) receiving Free Basic Electricity (FBE) | HH receiving FBE/Total no. of HHs | 100% | 100% |
| | Reduced unaccounted for electricity | KwH billed/KwH purchased | 6.4% | 6% |
| | Electrified residential stands | No. of stands electrified (<i>Gortin</i>) | 4000 | 1000 |
| | Installed pre-paid meters | No. of pre-paid meters installed | 500 | 700 |
| | Audit of all existing electricity meters | Audit report on all existing meters completed by end of September 2009 | 0% | 100% |
| | Faulty electricity meters repaired | Faulty meters repaired: domestic (10 days) and industrial (60 days) | 50% | 100% |
| | Maintenance and repairs complaints handled | Percentage of complaints handled within 24 hours (<i>excluding street lights</i>) | 80% | 90% |
| | Compliance with prescribed safety standard norms for installation, repair and maintenance of services | Percentage compliance with prescribed safety standards and norms | 80% | 90% |
| Vote: Water and sanitation | | | | |
| Basic Service Delivery and Infrastructure Investment | Percentage HH receiving free basic water | HH receiving FBW/Total no. of HH | 100% | 100% |
| | Reduced unaccounted for water | Kl billed/Kl purchased (used) | 20.0% | 16% |
| | Installed new water connections | No. of new water connections installed (<i>Mooiplaats</i>) | 2200 | 2500 |
| | Audit of all existing water meters | Audit report on all existing meters completed by end of September 2009 | 0% | 100% |
| | Faulty water meters repaired | Faulty meters repaired: domestic (10 days) and industrial (60 days) | 50% | 100% |
| | Stands connected to new sewer network | No. of stands connected (<i>Gortin, Amelia & Metsimaholo X6</i>) | 1400 | 4597 |
| | Removed sewer blockages | Percentage of sewer blockages removed within 24 hours | 80% | 90% |
| | Maintenance and repairs complaints handled | Percentage of complaints handled within 24 hours | 80% | 90% |

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| Municipal KPA | Performance indicator | Unit of measurement | 08/09 actual | 09/10 target |
|---|---|---|--------------|--------------|
| Vote: Roads and Stormwater | | | | |
| Basic Service Delivery and Infrastructure Investment | Upgrading and maintenance of stormwater system | Percentage upgrading and maintenance as and when required | 60% | 60% |
| | Maintenance of roads | Kilometres of asphalt roads | 16 | 30 |
| | Construction/upgrading of taxi ranks in municipal area | Number of taxi ranks (Metsimaholo and Refenkgotso) | 0 | 2 |
| | Customer complaints handled | Percentage of complaints relating to roads handled with 2 days | 60% | 80% |
| | | Percentage of complaints relating to traffic signals handled with 2 days | 80% | 100% |
| General Indicators | | | | |
| Local Economic Development | Local emerging contractors appointed through EPWP | Number of local emerging contractors appointed | 4 | 4 |
| | Jobs created through EPWP | Number of temporary jobs created | 455 | 600 |
| Financial Viability and Financial Management | Total capital budget spent in terms of approved MTREF | Percentage of capital budget spent to achieve set outcomes | 27% | 50% |
| | Budgeted operating revenue collected | Percentage of budgeted revenue collected | 77% | 77% |
| | Total operating budget spent in terms of approved MTREF | Percentage of operating budget spent to achieve set outcomes | 70% | 95% |
| | Improved billing of consumers for municipal services rendered | Water and electricity meters read as per approved meter reading schedule | 80% | 95% |
| | | Percentage notification of finance department of new meters installed within 5 days | 90% | 100% |
| | Efficient fleet management system | Implement efficient and economical fleet management system (<i>improved cost and maintenance</i>) | 0% | 100% |
| | Resolved Auditor-General formal queries | Percentage queries responded to within 7 working days | 50% | 100% |
| | Improved 2008/09 annual audit report from Auditor-General | Percentage reduction of material issues which resulted in a disclaimer opinion | 25% | 50% |