



**FINAL DRAFT**

# *Annual Report*

**2009/10**

# Table of contents

|   |           |
|---|-----------|
| <b>Chapter 1</b>  |           |
| <b>Introduction and Overview</b>                        | <b>4</b>  |
| Foreword by the Executive Mayor                         | 5         |
| Executive Review by the Municipal Manager               | 6         |
| Overview of the Council                                 | 7         |
| Spatial and Demographic Overview                        | 9         |
| <br>  |           |
| <b>Chapter 2</b>  |           |
| <b>Performance Highlights</b>                           | <b>21</b> |
| Departmental overview and highlights                    | 22        |
| Office of the Municipal Manager                         | 22        |
| Budget and Treasury Office                              | 23        |
| Corporate Services                                      | 25        |
| Community and Emergency Services                        | 34        |
| Technical Services                                      | 39        |
| Free basic services                                     | 44        |
| Municipal services rendered                             | 45        |
| Service delivery backlogs                               | 47        |
| Building plans and zoning applications                  | 50        |
| <br>  |           |
| <b>Chapter 3</b>  |           |
| <b>Human Resources and Other Organisational Matters</b> | <b>51</b> |
| Organisational structure                                | 52        |
| Staffing information                                    | 53        |
| Employment equity                                       | 54        |
| Skills development                                      | 56        |
| Personnel expenditure trends                            | 57        |
| Pension and provident funds                             | 58        |
| Medical aid funds                                       | 58        |
| Salary disclosures                                      | 59        |
| Qualifications profile of staff                         | 60        |
| Occupational health and safety                          | 60        |
| Labour relations  | 61        |

|   |            |
|---|------------|
| <b>Chapter 4</b>  |            |
| <b>Audited statements and related financial information</b> | <b>62</b>  |
| Report of the Chief Financial Officer                       | 63         |
| Report of the Auditor-General                               | 65         |
| Action plan on audit issues raised by the Auditor-General   | 79         |
| Report of the Audit Committee                               | 84         |
| Audited Financial Statements                                | 87         |
| Index   | 88         |
| General Information   | 89         |
| Statement of Financial Position                             | 91         |
| Statement of Financial Performance                          | 92         |
| Statement of Changes in Net Assets                          | 93         |
| Cash Flow Statement   | 94         |
| Accounting Policies   | 95         |
| Notes to Financial Statements                               | 113        |
| Unaudited Supplementary Schedules                           | 149        |
| <b>Chapter 5</b>  |            |
| <b>Performance and service delivery report</b>              | <b>155</b> |
| Introduction  | 156        |
| Vision and Mission statement                                | 157        |
| IDP priorities  | 158        |
| 2009/10 Performance information                             |            |
| Office of the Municipal Manager                             | 160        |
| Budget and Treasury Office                                  | 161        |
| Corporate Services  | 162        |
| Community and Emergency Services                            | 164        |
| Technical Services  | 166        |
| 2010/11 Service Delivery Targets                            | 167        |

# CHAPTER 1

## INTRODUCTION AND OVERVIEW

**This chapter includes the following sections:**

- **Foreword by the Executive Mayor**
- **Executive Review by the Municipal Manager**
- **Overview of the Council**
- **Spatial and Demographic Overview**

## **Foreword by the Executive Mayor**

It is a great honour and pleasure for me to table this Annual Report for the 2009/2010 financial year. The intention of the annual report is to provide an easily readable and summarised statement of our municipality's progress towards realising and achieving the targets set in its Integrated Development Plan.

This Annual Report also seeks to portray a picture of the efforts that our municipality have made to address the needs of our 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. Moqhaka will continue to focus sharply on our core business of basic service delivery and infrastructure investment, sound financial management and viability, effective 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 working with you all to achieve a better life for all.

**CLR MANTEBU MOKGOSI**

**EXECUTIVE MAYOR**

## **Executive Review by the Municipal Manager**

The 2009/10 financial year was a period during which important progress have been made in various areas such as administration and management, the provision of basic municipal services and the continuous improvement in our service delivery processes.

The review process of the organisational structure and institutional strategy of the municipality has started and upon completion it should further enhance effective service delivery and effective administration. This organisational structure will enable the municipality of Moqhaka 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 capital projects, as indicated in chapter 2 of the Annual Report, were implemented to improve the capacity of the municipality in order to improve service delivery. The municipal budget is a product and also an expression of the political will of the ruling party and the people of Moqhaka. The Municipality continues to improve its financial health through prudent fiscal management, financial management reforms and service delivery enhancement programmes. It is also important to note that we are still committed to achieve a clean audit by 2014 as part of the Operation Clean Audit programme of the National and Provincial governments.

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.

For more detailed accounts of activities over the past year, I invite our stakeholders to read the chapters that follow and welcome the input of each of our stakeholders to ensure that we meet the challenges and service delivery requirements for the coming financial year.

**M S MQWATHI**

**MUNICIPAL MANAGER**

# Overview of the Municipality

## Overview of Council

### Council Functioning

There are 25 ward and 25 proportionally elected Councillors in the Moqhaka Municipality. 25 Ward Committees are giving inputs on issues of concern via the Ward Councillor. Ward Councillors are chairpersons of Ward Committees. The Mayoral Committee meets approximately 12 times per annum and Council approximately 4 times per annum. Special Mayoral Committee and Council meetings are taking place as the need may arise. The management meetings coincide with the Mayoral Committee meetings to cover council agenda items.

The political groupings in the Council are mainly as follows:

| Party Name                         | Valid Votes   | % Votes       | Ward Seats | PR List Seats | Total Seats |
|------------------------------------|---------------|---------------|------------|---------------|-------------|
| African National Congress          | 53,862        | 75,89%        | 21         | 17            | 38          |
| Democratic Alliance                | 9,568         | 13,48%        | 4          | 3             | 7           |
| Freedom Front Plus                 | 2,526         | 3,56%         | 0          | 2             | 2           |
| African Peoples Convention         | 2,127         | 3,00%         | 0          | 2             | 2           |
| African Christian Democratic Party | 1,223         | 1,72%         | 0          | 1             | 1           |
| Independent Democrats              | 697           | 0,98%         | 0          | 0             | 0           |
| Azanian People's Organization      | 609           | 0,86%         | 0          | 0             | 0           |
| The Socialist Party of Azania      | 363           | 0,51%         | 0          | 0             | 0           |
| <b>TOTAL</b>                       | <b>70,975</b> | <b>100,0%</b> | <b>25</b>  | <b>25</b>     | <b>50</b>   |

## Section 80 Committees

Councillors serving on Section 80 Committees are from political parties represented in the Council. Each Section 80 Committee is chaired by a Member of the Mayoral Committee (MMC). Below is a list of Portfolio Committees for the year under review.

|   | <b>Committee</b>   | <b>Chairperson</b>  | <b>Number</b> | <b>Mandate</b>  |
|---|--|---------------------|---------------|---|
| 1 | Finance and Audit  | Clr. E R Moletsane  | 8             | Budget Planning and Finance, Investment, internal audit related matters etc.                                  |
| 2 | IDP and LED  | Clr. M L Pietersen  | 7             | IDP, LED, Town Planning, Tourism, Street Trading , Liquor Control, Markets, Abattoirs etc.                    |
| 3 | Public Safety  | Clr D A Matshedisho | 7             | Traffic, Safety, Policing, Disaster Management  |
| 4 | Infrastructure and Technical Services                              | Clr. P Thipane      | 6             | Roads, Transport, Water provision, Waste and Refuse removal, Electricity provision, generation & distribution |
| 5 | Sports, Arts, Culture, Education, Youth Development and Recreation | Clr ACWD Nakedi     | 7             | Sport facilities, Arts and Culture and Libraries  |
| 7 | Personnel and Administration                                       | Clr S J Matli       | 6             | All Human Resource and Administration related Matters   |
| 8 | Housing and Community Development                                  | Clr. S Mokoena      | 6             | Housing, Social Development, Cemeteries and Child Care  |

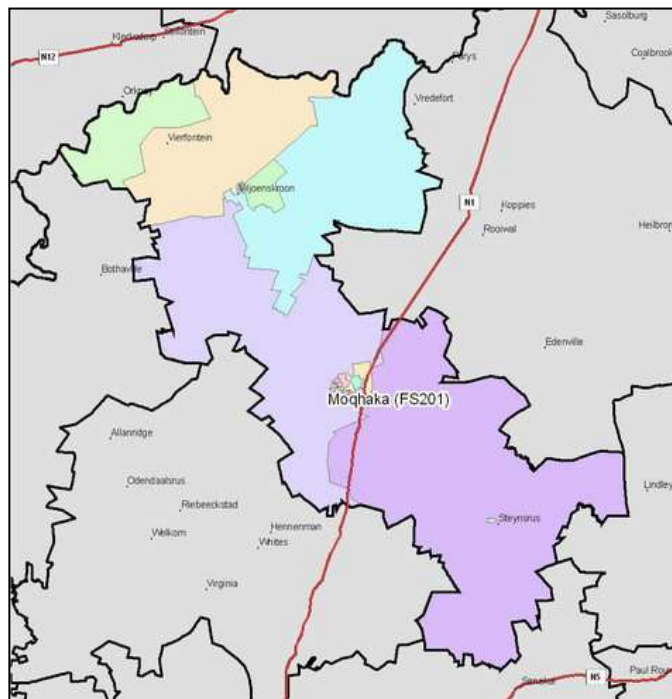


## Spatial and Demographic Overview

*(Source: Moqhaka Local Municipality, Spatial Development Framework, 2009)*

The area of jurisdiction of the Moqhaka Local Municipality is situated in the southern part of the Fezile Dabi District Municipality. The former Kroonstad, Steynsrus and Viljoenskroon Transitional Local Councils and sections of the Riemland, Kroonkop and Koepel Transitional Rural Councils are included in the Moqhaka Local Municipality. The total estimated residents in Moqhaka, according to Council preferred data, is 170 844.

The general tendency of migration from rural to urban areas is also occurring in the area, as is the case in the rest of the Free State Province. The majority of the rural population is active within the agricultural sector. Regarding the population distribution (see Table 1), the area is largely urbanized (78% urban and 22% rural). In comparison to the other municipalities within the Fezile Dabi District, it appears as if Moqhaka is significantly less urbanised. However, the large rural population of the concerned region is attributed to the fact that the population of the Vierfontein and Renovaal villages as well as the Vaal Reefs hostel complex and informal settlement (see Table 6) is included in the rural population of Moqhaka.



The Greater Kroonstad is the centre of a large agriculture community that plays an important role in the economy of the district. Industrial activities subsequently contribute significantly to the district's economy. The Department of Correctional Services and the School of Engineer's Military bases are situated in the town. Kroonstad has of late become a distinguished holiday destination due to the ultra modern and popular holiday resort of Kroonpark, adjacent to the Vals River. The urban area is situated adjacent the N1 National Road and located adjacent one of the largest and most important four-way railway junctions in South Africa.

The Viljoenskroon/Rammulotsi urban area is located within an area of extreme agricultural significance. The urban area plays a significant role in providing residential opportunities to the adjacent Goldfields and mining activities in the North West Province. The provincial

roads P15/1 and P15/2 from Kroonstad to Klerksdorp in the North West Province extend through the area from north to south.

The Steynsrus/Matlwangtlwang urban area is situated approximately 45km east of Kroonstad, 92km west of Bethlehem. The major link road between Bethlehem and Kroonstad stretches adjacent to the urban area. The area is located in an area of agricultural significance and mainly provides services in this regard to the surrounding rural areas. More specialised services are rendered by Kroonstad as a large service centre in close proximity. The accessibility of the town, due to the main road and railway line, further influences growth in the area.

In addition to the existing formal urban areas, several residential areas and proclaimed town areas are situated in Moqhaka with reference to Renovaal, Vierfontein and the Vaal Reefs hostel complex and settlement. Renovaal was established during 1974 adjacent the Vaal River with the intention to provide residence in the proximity of the gold mining activities in the North West Province. The town was also later marketed as a leisure residential area with recreation potential adjacent the Renoster and Vaal Rivers. Development of the town is, however, extremely latent and only the proposed first phase of the town was established. According to Proclamation No. 167 of 1975, the concerned area represented by General Plan SG No. 459/1974, was proclaimed a township under the name Renovaal.

Vierfontein (referred to as “Vierfontein South”) is also a proclaimed town. The area was initially developed to provide residence for workers at the adjacent mine and electricity power station and was owned by Eskom. After mining activities ceased and the power station discontinued, a township establishment was done to formalize the existing town area during 1993. According to Proclamation No. 35 of 1995 (Provincial Gazette of 24 February 1995), the concerned area represented by General Plan SG No. 786/1993, was proclaimed a township under the name Vierfontein. The individual properties were sold and the majority of the inhabitants of Vierfontein are retired residents with a limited number of inhabitants that are employed in Viljoenskroon.

To the north of the town Vierfontein, a sectional title scheme was established that is referred to as “Vierfontein North”. As in the case of Vierfontein, this sectional title scheme also developed to provide residence for workers at the Vierfontein mine and power station, but most of the current inhabitants are also retired. The area was developed by the Dutch Reformed Church who was the initial property owner of the concerned farms. The concerned farms are currently the property of Vierfontein Developers Group Scheme who is also the current home owners association.

The Vaal Reefs hostel complex subsequently exists adjacent the Vaal River and in close proximity of Viljoenskroon. The hostels were developed by AngloGold who is the property

owner of the concerned farms and provide residence to mine workers of the company. Although mining activities ceased on the Free State side of the Vaal River, the complex still exists and provides housing to approximately 9 000 residents. An informal settlement subsequently developed adjacent the Vaal Reefs hostels, consisting of approximately 720 residents.

Apart from the dominant role agriculture plays in the region, no other significant economic activity exists. The Moqhaka area, like the rest of the Fezile Dabi District, is not considered as a primary tourist destination, although the area is increasingly becoming a favourite weekend destination. The hunting and guesthouse industries displayed an exceedingly rapid growth the past few years. Recreation areas and facilities are predominantly confined to the urban areas. The Kroonpark recreation and holiday resort in Kroonstad attracts interest throughout the region.

The Vaal River borders Moqhaka to the west. The Vals and Renoster Rivers drain through the area towards the Vaal River. These rivers play a significant role in providing the raw water supply to Kroonstad, Steynsrus and Viljoenskroon respectively. The topography of the area is particularly homogeneous with no prominent features and the area is characterised by extremely moderate slopes. The western areas, in the vicinity of Viljoenskroon, are known for various shallow and non-perennial pans.

## **Demographic Realities**

Table 1 provides a summary of the current urban population of the Moqhaka Municipality per town area and subsequently indicates the total rural population for the region. Note that council preferred data is used, that is based on the latest Water Service Development Plan population data, in view of certain anomalies with the data provided by the Demarcation Board. According to the Demarcation Board and the estimated and preferred population figures of the concerned Local Municipalities, the total urban and rural population of the Fezile Dabi District is 497 667.

**Table 1**  
**Population : Moqhaka Municipality**  
*(Source: Council Preferred Data, 2009)*

| <b>Residential Area</b>  | <b>Population<br/>(Council Preferred<br/>Data)</b> |
|--|--|
| Maokeng / Brentpark  | 73 580   |
| Kroonstad  | 24 743   |
| <b>Sub total</b>   | <b>98 323</b>                                      |
| Viljoenskroon  | 2 591  |
| Rammulotsi   | 24 873   |
| <b>Sub total</b>   | <b>27 464</b>                                      |
| Steynsrus  | 1 229  |
| Matlwangtlwang   | 6 644  |
| <b>Sub total</b>   | <b>7 873</b>                                       |
| Rural Population (incl. Vierfontein,<br>Renovaal and Vaal Reefs) | 37 184   |
| <b>TOTAL</b>   | <b>170 844</b>                                     |

Accordingly, the Moqhaka Municipality, with a total population of 170 844, is the most populated region within the Fezile Dabi District, followed by the Metsimaholo and Ngwathe Municipalities with the Mafube Municipality as the least populated. The rural population of Moqhaka (37 184) is significantly larger in comparison to the rural population of the other regions within the Fezile Dabi District.

### Monthly Household Income

**Table 2**  
**Monthly Household Income : Moqhaka Municipality**  
*(Source: Demarcation Board 2009)*

| <b>Settlement<br/>Type</b> | <b>Monthly Household Income</b> |                 |                   |                        |                         |                   | <b>Total<br/>Households<br/>March 2005</b> |
|----------------------------|---------------------------------|-----------------|-------------------|------------------------|-------------------------|-------------------|--|
|                            | <b>None</b>                     | <b>R1 - 400</b> | <b>R401 - 800</b> | <b>R801 -<br/>1600</b> | <b>R1601 -<br/>3200</b> | <b>&gt; R3200</b> |  |
| Urban                      | 6191                            | 4723            | 9103              | 8274                   | 6012                    | 6546              | 40850                                      |
| Farmland                   | 1579                            | 1205            | 2321              | 2110                   | 1533                    | 1670              | 10418                                      |
| <b>TOTAL</b>               | <b>7770</b>                     | <b>5928</b>     | <b>11424</b>      | <b>10384</b>           | <b>7545</b>             | <b>8216</b>       | <b>51268</b>                               |
| <b>%</b>                   | <b>15.2</b>                     | <b>11.6</b>     | <b>22.3</b>       | <b>20.3</b>            | <b>14.7</b>             | <b>16.0</b>       | <b>100.0</b>                               |

The following general tendencies could be derived from the contents of the above table relating to the communities' financial realities:

- Table 2 clearly indicates that a significant portion of the total households in the Moqhaka Region (33.9%) receives a monthly household income of R 800-00 and below.
- It is subsequently of concern that a high percentage of households (15.2%) do not receive any income. The latter figure is, however, the lowest in comparison to the other regions within the Fezile Dabi Region.
- An exceedingly small percentage (16%) of households receive a monthly household income of more than R 3 200-00.
- Households receiving a monthly income of more than R800-00, represent 51%.
- Comparing the different local municipalities in the Fezile Dabi Region, it appears as if the percentage of households receiving a monthly income of more than R800-00 is the lowest for the Mafube Region (35.2%), similar to the Ngwathe Region (36.9%) and highest for the Metsimaholo Region (55.9%) followed by the Moqhaka Region (51%).

## **Gender and Age Distribution**

In order to establish a scenario of the age structure in the municipality, the percentages of different age categories were studied and summarised in Table 3.

A large portion of the population (40%) is composed of the age category between 0-19 years of age. This implicates a typical “fertility distribution”. The specific age distribution implicates a future average to high population growth under normal conditions.

A fairly low percentage (5%) of the municipality’s population is composed of the age category 65 years and older. This is typical of a low “mortality distribution”. Changes in this sector of the population will thus not have a severe effect on the total population. Both tendencies emphasise that population growth could, under normal conditions, be expected in the region.

A large part of the population is subsequently composed of the age group 20-49 (44%). It implicates the stronger economic base of the region in comparison to the rest of the Free State and it can be determined that a larger part of the economic independent sector of the provincial population resides in the region.

**Table 3**  
**Gender and Age Breakdown**  
*(Source: Demarcation Board 2001)*

| Gender        | Mafube | Metsimaholo | Ngwathe | Moqhaka | Total          | %    |
|---------------|--------|-------------|---------|---------|----------------|------|
| Male          | 25 473 | 55 573      | 56 957  | 87 421  | 225 424        | 50   |
| Female        | 27 899 | 51 348      | 63 052  | 82 015  | 224 314        | 50   |
| <b>Total</b>  |        |             |         |         | <b>449 738</b> |      |
| Age Breakdown | Mafube | Metsimaholo | Ngwathe | Moqhaka | Total          | %    |
| 0-4           | 5 421  | 9 516       | 11 038  | 14 174  | 40 149         | 8.9  |
| 4-19          | 20 340 | 30 962      | 41 149  | 50 841  | 143 292        | 31.8 |
| 20-29         | 8 863  | 22 451      | 20 100  | 29 920  | 81 334         | 18.1 |
| 30-49         | 10 994 | 30 445      | 26 757  | 48 384  | 116 580        | 25.9 |
| 50-64         | 4 562  | 8 674       | 11 624  | 15 805  | 40 665         | 9.0  |
| Over 65       | 3 000  | 3 666       | 8 214   | 8 314   | 23 194         | 5.2  |
| Age Unknown   | 304    | 1 263       | 1 211   | 2 036   | 4 814          | 1.1  |

Gender distribution in the region is well-balanced and 50% of the population is male and 50% female. The tendency subsequently relates to the fairly well balanced gender distribution in the rest of the Free State (male 49.3% and female 51.7%) and the rest of South Africa (male 49.1% and female 51.9%).

### **Unemployment and Economic Difficulties**

The unemployment figure in the Free State in 2004 was 34.4%, of which 16.7% of the economically active men are unemployed, compared to the 33.8% unemployed women (Stats SA, 2004). According to the Demarcation Board (2005), 21.6% of the population of the Free State Province is employed. The percentage of the population of the Fezile Dabi District employed, is 23% and thus slightly higher than the average for the province.

The following general tendencies could be derived from the contents of the following table relating to employment in the municipality:

- Unemployment remains a critical concern in the area and unemployment figures could generally be considered as high.
- The most recent unemployment statistics for Moqhaka indicate the average unemployment as 16.8%. The latter is similar to the average unemployment for the Fezile Dabi District of 16.1%.

- The above percentages are, however, of the total population and thus not an accurate indication of the actual unemployment figure. According to the table below, the portion of the eligible work force that is unemployed, is calculated as 27.7%.
- Considering the fact that 24.6% of the population is not economically active, it is evident that only 25.3% of the population of the municipality is employed.
- Comparing the different Local Municipalities in the Fezile Dabi Region, it appears that the percentage of the population employed is the lowest for Mafube (16.6%), similar to the Ngwathe (18.6%) while the Metsimaholo Municipality has the highest employment figure (27.1%) followed by Moqhaka (25.3%).
- The number of dependants in relation to the number of people employed in the municipality, result to a dependency ratio of 1:3. Consequently, three people are dependent on one employed person. Within the Fezile Dabi District, Metsimaholo has the lowest dependency ratio of 1:2.8, similar to Moqhaka (1:3), with the highest dependency ratio applicable to the Mafube (1:5.1) followed by the Ngwathe Municipality (1:4.3).

**Table 4**  
**Employment : Moqhaka Municipality**  
*(Source: Demarcation Board, 2009)*

| Settlement Type | Eligible Work Force (18-65) | Employed      | Unemployed    | Not Economically Active | Total Population | Youth Residents (< 18) | Number of dependants | Dependency Ratio |
|-----------------|-----------------------------|---------------|---------------|-------------------------|------------------|------------------------|----------------------|------------------|
| Urban           | 81 463                      | 33 969        | 22 595        | 33 043                  | 134 380          | 45 318                 | 100 956              | 1 : 3            |
| Farmland        | 22 105                      | 9 218         | 6 132         | 8 967                   | 36 464           | 12 299                 | 27 398               |                  |
| <b>TOTAL</b>    | <b>103 566</b>              | <b>43 186</b> | <b>28 726</b> | <b>42 009</b>           | <b>170 844</b>   | <b>57 614</b>          | <b>128 354</b>       |                  |
| %               | 60.6                        | 25.3          | 16.8          | 24.6                    | 100.0            | 33.7                   | 75.1                 |                  |

## Education

The provision of school buildings in rural areas is primarily facilitated by the Education Act (Act 84 of 1996). The Free State Department of Education prescribes that a rural school should service a radius of not larger than 10km. Schools are not provided on a spatial basis only, but also on a density base. More than 1 school per 10km radius may thus be provided should the density of pupils justify the provision. Farm schools are further unique since they represent public schools on private land. The Education Department will assess private schools and take account of their capacity when new schools are to be provided. The Department naturally monitors school standards of these institutions.

In order to provide reasonable facilities to schools, the Department adopted a policy of so called “Green Patches”. The green patch concept refers to a larger school that is provided with facilities such as telephones, faxes, copiers, etcetera, which will serve smaller surrounding schools. The following is apparent interpreting Table 9:

- Combined primary/secondary schools are limited in the rural area to a total of 2, while 94 primary schools exist in the rural area. The provision of additional secondary schools in the rural area is not envisaged by the Department of Education.
- In comparison to the other municipalities within the Fezile Dabi District, the largest number of rural schools exists in the Moqhaka Local Municipality.
- Farm schools, especially primary schools, are spatially well-distributed in the region. Present data shows that there are a total of 226 schools in the rural area of the Fezile Dabi District with the number of pupils at 5002 presently. The latter figure confirms that these schools are exceedingly small with an average of 22 pupils per school.
- The Department of Education indicated that in the Free State in general, the number of pupils in the rural area has decreased considerably with approximately 43% since 1996. This is primarily attributed to urbanisation to urban centres, the tendency of farm workers to settle in urban areas in order to be in closer proximity of facilities and services, as well as the long-term impact of HIV/AIDS. Considering the above, it can be expected that the number of pupils per teacher could further decrease with the result of an even more acceptable teacher/pupil ratio in the rural areas.

**Table 5**  
**Existing Schools and Pupil Numbers per Local Municipality in the Fezile Dabi District**  
*(Source: Department of Education, 2005)*

| Settlement Type | Category     | Mafube         |                | Metsimaholo |            | Moqhaka   |             | Ngwathe   |             | Municipal area unknown |           |
|-----------------|--------------|----------------|----------------|-------------|------------|-----------|-------------|-----------|-------------|------------------------|-----------|
|                 |              | S <sup>1</sup> | L <sup>2</sup> | S           | L          | S         | L           | S         | L           | S                      | L         |
| Rural           | Combined     | 1              | 103            | 0           | 0          | 2         | 104         | 1         | 195         | 0                      | 0         |
|                 | Primary      | 44             | 712            | 16          | 535        | 94        | 2300        | 64        | 1002        | 4                      | 51        |
|                 | <b>TOTAL</b> | <b>45</b>      | <b>815</b>     | <b>16</b>   | <b>535</b> | <b>96</b> | <b>2404</b> | <b>65</b> | <b>1197</b> | <b>4</b>               | <b>51</b> |
| Urban           | Combined     | 4              | 2213           | 3           | 2953       | 22        | 12897       | 10        | 3708        | 1                      | 0         |
|                 | Primary      | 8              | 7121           | 20          | 16299      | 18        | 13113       | 20        | 15152       | 2                      | 548       |
|                 | Secondary    | 6              | 5418           | 11          | 9806       | 10        | 7146        | 12        | 9816        | 1                      | 779       |

<sup>1</sup> Number of schools

<sup>2</sup> Number of learners (varying on a daily base)



| Settlement Type | Category                | Mafube    |              | Metsimaholo |              | Moqhaka   |              | Ngwathe   |              | Municipal area unknown |             |
|-----------------|-------------------------|-----------|--------------|-------------|--------------|-----------|--------------|-----------|--------------|------------------------|-------------|
|                 |                         |           |              |             |              |           |              |           |              |                        |             |
|                 | Secondary (Agriculture) | 0         | 0            | 0           | 0            | 2         | 1071         | 1         | 473          | 0                      | 0           |
|                 | Specialized             | 0         | 0            | 1           | 345          | 2         | 377          | 0         | 0            | 0                      | 0           |
|                 | <b>TOTAL</b>            | <b>18</b> | <b>14752</b> | <b>35</b>   | <b>29403</b> | <b>54</b> | <b>34604</b> | <b>43</b> | <b>29149</b> | <b>4</b>               | <b>1327</b> |

The following aspects are apparent regarding the provision of schools in the urban areas:

- School sites in urban areas are provided according to set standards (*as prescribed in the Guidelines for Human Settlement Planning & Design, CSIR : 2000*). Adequate school sites were provided in all the involved urban communities. No need is therefore experienced in this regard. The situation differs drastically when school buildings are considered. A number of schools follow the platooning system, indicating an under provision.
- It should, however, be mentioned that several schools were built in the urban areas the past few years which resulted in a much more acceptable teacher/pupil ratio with less schools that follow the platooning system.
- A total of 54 schools exist in the urban areas concerned which are attended by 34 604 pupils.
- Similar to the situation in the rural area, the Department of Education indicated that a dramatic decrease in the number of pupils in the urban areas occurs in the Free State. The number of pupils in the urban schools has declined to such an extent that the current number of pupils in the Free State is just below the total number of pupils in 1992.
- The above is primarily attributed to a large number of pupils that either abandoned school since they are orphaned or abandon school as they have to care for family members that are orphaned due to the effect of HIV/AIDS.
- Tertiary institutions are restricted to the larger urban areas and in the Fezile Dabi District, one tertiary institution exists (Flavius Mareka FET College) with one campus in Sasolburg and two campuses in Kroonstad.

## Health and Environmental Health Services

The general aim of this section is not to provide an overall analysis of the entire health provision system in the area. It is merely portrayed since the involved communities determined health issues as a priority issue. An indication will only be given of facilities.

It is, however important to note that health services should be considered in view of current government policies and guidelines. In this approach, emphasis is placed on a comprehensive District Health System with the focus on primary health care.

- 
- Health services within the rural areas mainly rely on mobile clinics and services provided within urban areas.
- Services in urban areas vary from clinics, community health centres to hospitals and in some instances regional hospitals.

### Hospitals

There is one district hospital, Boitumelo Hospital, provided for the entire Fezile Dabi district that is situated in Kroonstad and provides simultaneously in regional and district hospital services. In the Moqhaka Region, two hospitals are present as well as a home care centre that are situated in Kroonstad.

### Clinics and Community Health Centres (CHCs)

Clinics in the region are generally categorised in terms of the specific services provided at a clinic. Clinics largely focus on primary health care. Community Health Centres differ from clinics since it deem to provide an enhanced health service with full time medical officers. Minor operations, normal deliveries (birth) and emergency care are provided at CHCs. The provision of clinics and CHCs is indicated in the ensuing table.

#### **Primary Health Care**

*In the national Health Plan of SA, the primary health care approach is the underlying philosophy for restructuring the health system. The performance area of personal primary health care service is mainly concerned with addressing the effects and consequences of detrimental stimuli on the personal health of the individual. The focus is thus on a curative level in lower level facilities such as clinics and CHCs. Through this approach only critical cases will thus be admitted to higher level services such as hospitals and district hospitals.*

**Table 6**  
**Provision of Hospitals, Clinics and Community Health Centres : Moqhaka Region**  
*(Department of Health, 2009)*

| Town          | Hospital                     | Type    | Clinic   | Community Health Centre |
|---------------|------------------------------|---------|----------|-------------------------|
| Kroonstad     | Boitumelo Hospital           | Public  | 5        | 1                       |
|               | Kroon Hospital               | Private |          |                         |
|               | “Die Palms” Home Care Centre | Private |          |                         |
| Steynsrus     | -                            |         | 1        | -                       |
| Viljoenskroon | -                            |         | 1        | 1                       |
| <b>TOTAL</b>  | <b>3</b>                     |         | <b>7</b> | <b>2</b>                |

### Mobile Clinics

Rural health provision, similar to the national tendency, is still an issue of concern in the region. Health services are normally provided on a monthly basis in the region. The service needs to be enhanced in the entire region as there are shortcomings in rural health services.

### Environmental Health

Environmental Health is a District Municipality function as from 1 July 2004 co-ordinated from the Sasolburg Head Office. The Fezile Dabi District Municipality has entered into a Service Level Agreement with the Provincial Department of Health to assist with rendering of Municipal Health Services in the entire District. Although Environmental Health is managed and co-ordinated from Sasolburg, environmental health officers are spread out geographically to render service in all the towns in the District. Environmental health deals mainly with ensuring a safe and healthy environment in the whole district (both urban and rural areas).

The environmental health department only focuses on the provision of municipal health services as defined in the National Health Act, 2003 (Act 61 of 2003) which include: water quality monitoring; food control; waste management; health surveillance of premises; surveillance and prevention of communicable diseases, excluding immunizations; vector control; environmental pollution control; disposal of the dead; and chemical safety. Control over the sustainable delivery and maintenance of infrastructure services for all rural developments is also the responsibility of the department. In this regard, high density and other developments adjacent the Vaal River that is becoming more popular, need to adhere to specific health standards set by the Department.

The greatest challenge for the department at present is to make a success of the newly implemented district based environmental health system. Manpower needs are presently the main concern relating to environmental health, but in the strategic planning for the environmental health department of the District, the appointment of adequate environmental health practitioners receives high priority and attention.

# CHAPTER 2

## PERFORMANCE HIGHLIGHTS

**This chapter includes the following sections:**

- **Departmental Overview and Highlights**
- **Free Basic Services**
- **Services Rendered by the Municipality**
- **Service Delivery Backlogs**
- **Approval of building plans and zoning applications**

# Departmental Overview and Highlights

## 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

The strategic objectives of the office of the municipal manager 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 and challenges for 2009/10 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 approved supply chain management policy.

## **BUDGET AND TREASURY OFFICE**

### **Overview**

The role of the Chief Financial Officer is outlined in section 81 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) and includes budgeting, accounting, analysis, financial reporting, financial management and supply chain management.

### **Description of the activity**

The following main functions have been identified:

- Revenue management
- Expenditure management
- Asset management
- Liability management
- Supply chain management
- Budgeting
- Financial reporting

The strategic objectives of the office of the finance department are to –

- To ensure full compliance with MFMA and GRAP with regard to financial management and reporting
- To expand and improve the revenue base of the municipality through the development and implementation of a revenue enhancement strategy
- To implement an effective, efficient and economical system of supply chain management (SCM) system that is 100% compliant with MFMA and Treasury regulations

### **Key achievements during the year under review**

- The appointment of Meter Reading Services helped on monthly basis to identify leaking/broken/tampered/covered water meters, and these were reported to technical Services Department. As a result, quite a number of water meters were replaced on monthly basis in 2009/2010. About 200 corrections were done on service accounts for water per month.

- New prepaid electricity meters were bought to replace broken/tampered meters as a measure to increase revenue.
- Incentives were given to farmers on property rates and adjustments for rebates of 50% were done on agricultural and private town accounts (Section 21 of Municipal Property Rates Act No.6 of 2004 states that a compulsory phasing in of rates for newly rateable properties over 3 years should be done: 75% in the first year, 50% in the second year & 25% in the third year).
- Government debt was kept at very low level. Revenue Section always submitted monthly reports on time for preparation of section 71 report. Indigent customers were subsidised for their services on monthly basis. Collection rate was an average of 80% for 2009/2010 financial year.

**The key issues and challenges for 2009/10 were:**

- State of Consumer Debtors: Payments rate were on average at 80% for the financial year. The debtors book was at R205 692 011.00 at the beginning of 2009/2010 financial year, and was at R207,935,064.00. This translates to an increase of R 2,243,053.00 for the financial year. The average debtors balance for the year was R 206,193,483.00.
- The expenditure section includes salaries and other operating expenses. Salaries continue to make a significant portion of the total expenses, which are over 40% of the total expenses. A combination of a high wage bill and the consultants' fees is a concern as it is reasonably expected that a high wage bill should be as a result of the capacitated officials who can carry out the technical tasks such as financial statements preparation that the municipality spent huge amounts paying consultants.



## **CORPORATE SERVICES**

### **Description of the activity**

The following main functions have been identified:

- Human resource management
- Legal and Administrative support services
- Housing
- Information Communication and Technology
- Local economic development

The strategic objectives of the office of Corporate Services are to –

- To ensure a working environment that enables good staff morale, high performance, sound employment and customer relations and sustainable service delivery
- To provide sustainable human settlements and improved quality of household life through accelerated delivery of housing opportunities and access to basic services
- To facilitate decent employment through inclusive economic growth by stimulating the growth of SMMEs to contribute towards the reduction of unemployment and poverty in the region.
- To provide information and communication technology for enhanced systems applications in the Municipality.

## **Key achievements during the year under review**

### **Administration**

Installation of a new sound/recording system in the Council Chamber, which in the process enhanced Council's ability to keep record of its meetings.

### **Legal**

Property Rates Policy and By-laws were promulgated and Street Trading, Water Services and Electricity By-laws were approved and subjected to public participation.

### **Human Resources**

The development and adoption of HR policy, is a major achievement considering the previous approach of handling HR matters with an inconsistent manner. The element of interpretation and proper application remain a challenge despite clear guidelines.

### **Housing & Properties**

#### **OPERATION HLA SELA AND THE BUILDING OF 200 NEW HOUSES IN MARABASTAD**

The Premier of the Free State, Mr. ES Magashule, accompanied the then President, Mr. Motlante on an official visit to Moqhaka (Kroonstad) during 2008. This provided both the President and the Premier the opportunity to make a firsthand assessment of the services delivery, infrastructure and community needs.

Subsequently Moqhaka Local Municipality (Moqhaka) has been included in the premier's Operation Hlasela Intervention Program for the Free State, thus ensuring that development of the area enjoys a higher provincial status and that an intervention program is established to fast track development and service delivery in the area. In Kroonstad and specific in Marabastad, funds were made available for the construction of 200 housing units with a floor area of 50m<sup>2</sup>. The houses are in an advanced stage of completion and the attorneys' firm Podbielski and Mhlambi Inc. has been appointed to attend to the registration of ownership (Conveyancing).

The structural construction of these houses is different from the traditional RDP houses. The refurbishment on these houses includes, *inter alia*, the following:

- Three bedrooms instead of two bedrooms;
- Tiled roof;
- Carpets in the living room and bedrooms;

- Geysers;
- Electricity connections

### **AFFORDABLE HOUSING BY ABSA**

The municipality has entered into negotiations with ABSA to assist with affordable housing in our area. Two portions of land in Maokeng and Rammulotsi have been identified for this purpose. During a recent meeting with representatives of DevCo (Development leg of ABSA) procurement issues amongst others were discussed; and it was resolved that since there is an existing Memorandum of Understanding (MOU) between Free State Local Government and Housing and ABSA, they be requested to consider the appointment of ABSA as developers for the two identified areas within Moqhaka Local Municipality. This partnership is aimed at promoting affordable housing within the R7500 – R10 500 income earners who do not qualify for government subsidies.

### **CONVERSION OF CERTAIN RIGHTS INTO LEASEHOLD OR OWNERSHIP (ACT 81 OF 1988)**

It is an ongoing exercise where stand owners were assisted to get their title deeds for the houses they have occupied for so long. Officials from the Department of Local Government and Housing assisted the housing section from time to time to continue with this process.

### **ENHANCED EXTENDED DISCOUNT BENEFIT SCHEME (EEDBS)**

This housing programme is ongoing. The Provincial Department of Human Settlements is assisting the municipality to fill in the application forms. The beneficiaries will ultimately receive discount on the purchase prices and ownership of the properties will be transferred into their names.

An additional thirteen (13) properties in the former Kroonstad Municipality area have been identified which are in the process of being transferred to the beneficiaries (tenants).

### **MARABASTAD LAND RESTITUTION CLAIMS**

Marabastad land claims were lodged by the dispossessed persons from the area of their direct descendants, as individuals. A total of 404 individual claims for the properties were lodged with the Regional Land Claims Commission in terms of the Restitution of Land Rights Act, Act no. 22 of 1994 as amended.

From the 404 claimants, the majority opted for financial compensation and were compensated accordingly. The remainder of the claimants being 167 in total opted for restitution.

It is expected from beneficiaries to fill in forms and to provide certified copies of personal documentation such as identity documents, marriage certificates, birth certificates and proof of income. Notices were placed in the media as the whereabouts of some of the claimants are not known.

Vacant residential erven in the former A-location area have been allocated to restitution claimants for construction of their housing units. According to the Human Settlements Department in Bloemfontein they are in an advanced stage of appointing a building contractor for the construction of the houses.

## **Training & Development**

### ***Learnership:***

- Municipal Finance Administration Learnership was successfully completed and all 12 learners enrolled on the learnership were declared competent.

### ***Structured Learning (ABET & Learnership):***

- Six female employees from the municipality were given awards by LGSETA for recognition of woman learning in the workplace.
- The Municipality received funding from LGSETA and Fezile Dabi for implementation of ABET special programme for 101 people.

*The programme covers the following areas:*

- Communication and Numeracy in Braille. (Level 1-4)
- Communication in sign language (Level 1 – 4)
- Standard Abet.

## **Occupational Health and Safety and Employee Wellness**

- Occupational Health and Safety and Wellness has managed to conduct workshops or inductions on Wellness, HIV/AIDS, Health and Safety.
- Again Management supported the Unit by Approving request of centralization of PPE, as the standard procedures were not followed.
- The office has now achieved to accommodate or cover Viljoenskroon with the statistics of accidents.
- We have appointed Supplier (Dipoho Trading) to provide us with PPE, because it was the supplier which agreed to assist us before making any payment.

## **Local Economic Development**

Local Economic Development (LED) is seen as one of the most important ways of decreasing poverty. Its aims are to create jobs by making the local economy grow. This means that more businesses and factories should be started in the municipal area. As part of the IDP, key stakeholders in Moqhaka must come together to reach agreement and take decisions to make the economy grow and create income opportunities for more people, especially the poor.

However, most of the aims were not realized in Moqhaka because there was no dedicated LED department, even those that were present could do a little due to many challenges facing the Municipality.

However the following were achieved;

- Situational Analysis towards a Local Economic Plan.
- LED Strategy and plan

The LED strategy is still a draft and must also go through public participation.

The above achievements were accomplished through the help of FDDM after they appointed a consultant (Lamola inc).

## **Communication**

The community participating in the Council initiatives in great numbers which indicates that there was a form of feedback. Previously there were a lot of negative reporting on the Municipality but now there is a vast reduction of negative reports.

## **Information Communication Technology**

### **ICT Systems in use at Moqhaka**

The main ICT used at Moqhaka is Venus Financial System, which is integrated with Cashdrawer and Payroll Systems.

The municipality upgraded the Venus Server by procuring a new server for the e-venus System. Currently the finance department can be able to use the web-based version of the system. However the challenge is our outdated workstations that need to be replaced.

### **Cashdrawer**

The cashdrawer is the piece of application which is used by cashiers at Moqhaka to collect payments for services rendered to the community.

ICT upgraded the network and ensured that all paypoints are integrated to the main site.

**Plessey system**

Plessey system is the system used to sell the pre-paid electricity to both businesses and households within Moqhaka.

This system gives an opportunity to some members of the community to sell prepaid coupons. The connectivity of devices selling prepaid electricity was managed by a third-party company; however the ICT section is in control of these connectivity lines.

**Traffic Management System**

The Traffic system was also integrated to the same network as all the other servers of Moqhaka. To be noted that the above system is also ready for AARTO as required by law.

**Website**

Since the development of Website is a legislative matter, the municipality has developed the website which can be visited @ [www.moqhaka.gov.za](http://www.moqhaka.gov.za)

## **The key issues and challenges for 2009/10 were:**

### **Human Resources**

#### Employee replacement

The number of exits exceeds entries with close to 100%, this situation is reason that there is a leave problem as per the stipulations of the Main Collective Agreement with regard to all kinds of leave, as employees leave is interrupted thus making it difficult to control.

#### Leave administration

The manual administration remains a challenge due to shortage of clerks responsible for it, filling of vacant positions will completely sort out this problem and will also assist with the eminent intervention of introducing electronic leave administration.

#### Employee file storage

The situation in this regard was begin to be sorted out when a clerk was assigned mainly for this purpose until his departure to another division and non replacement thereof.

### **Administration**

- Introduction of an electronic records management system, in the process enhancing Council's archiving ability.
- Introduction of an integrated and upgraded telephone communication system, enhancing Council's communication and also reducing the Council's expenditure in respect of telephone communication.
- Obtaining vehicles to police the adherence of the Town Planning Scheme, Advertising Policy and Business Act.

### **Legal**

A challenge is the shortage of personnel especially a Clerk who can do day to day administrative work, thus allowing the Deputy Manager the opportunity to attend to policies, by-laws etc.

### **Housing**

- Strive to replace all temporary structures with permanent dwellings.
- To obtain funding for the installation of infrastructure such as water, sewer, roads and electricity for the following un-services residential erven:  
2278 erven (Greenfield) adjacent to the Boitumelo Hospital in Maokeng,

47 erven adjacent to Motswela School in Maokeng,  
20 erven in Phomolong,  
16 erven in Seeisoville,  
89 erven (Greenfield) next to Reitz Street in Tuinhof, Kroonstad,  
73 erven (Greenfield) in extension Heuwelsig, Kroonstad,  
109 erven (Greenfield) in Viljoenskroon,  
37 erven (former hostel area) in Rammulotsi,  
1972 erven (Greenfield) Northleigh & Phase II in Rammulotsi

- To obtain IT infrastructure (hardware and software for the Housing Department)
- To fill critical vacancies at the Housing Department
- To provide and maintain office accommodation

### **Properties**

- The already mentioned critical vacancies experienced makes achieving of performance goals and satisfying all areas of the service delivery and administrative deadlines a very difficult task.
- The insufficient budget approved by the Finance department and cash flow limitations faced by the Municipality hampers the completion of budgeted purchases and repair projects.

### **Training and Development**

- Implementation of WSP due to financial constraints.
- Implementation and monitoring of employment equity.
- Utilization of mandatory grants from LGSETA (grant not reinserted).
- Response from LGSETA with regard to applications for discretionary grants.

### **Occupational Health & Safety and Employee Wellness**

- Lack of equipment and working space.
- Lack of induction to new employees.
- Compliance – Some of the Sectional Heads and supervisors still do not comply with the act and Occupational Health and Safety Division have to introduce new strategies on how to conduct Health and Safety at the workplace.
- Accidents – Implement new strategies on how to prevent or reduce more incidents.
- Relationship – Should form a committee which should create relationship between the employees, Councillors and the community at large so that service delivery could be more effective.
- Abuse of drugs and alcohol.
- Poor maintenance of machinery.
- Pre-medical examination – especially on newly appointed employees.



### **Local Economic Development**

- Lack of dedicated budget
- Lack of labour/personnel

### **Communication**

- Resources
- Shortage of staff
- Need for IT equipment, fax machine, photo copying machine

### **Information Communication Technology**

Most of these modules were never used. The ICT and HR Section are busy activating modules on Payday to enable the section to fully utilize the system.

The main challenge of the website is the content management. The content of the municipal website takes time before it is updated and some information is not updated to the website.

# COMMUNITY AND EMERGENCY SERVICES

## Overview

The responsibility of the Department is vast but interrelated in achieving the developmental mandate of local government. The main impediments are with insufficient funding which affects effective service delivery, which also contributes to the low morale of employees. The proposed structure of the department if approved will facilitate the completion of key transformational aspects of local government.

Managers need to be exposed to management principles to understand their role and to contribute positively to the departmental goals.

## Description of the activity

The following main functions have been identified:

- Sport and recreation
- Cemeteries
- Parks and Open spaces
- Community Facilities
- Solid Waste management (Cleansing)
- Disaster management
- Fire Fighting and Call Centre
- Traffic Law Enforcement
- Theatre complex (Arts and Culture)
- Kroonpark Resort (Tourism)
- Libraries

## The strategic objectives of the Department Community and Emergency Services are –

- To ensure that proper sport, arts and recreational facilities are available to all communities
- To provide sufficient cemeteries in all areas to ensure adequate burial space
- To develop and maintain parks and open spaces according to plan
- To upgrade and manage community facilities and other public facilities to be user friendly and fully equipped
- To ensure that effective waste management in all areas are in accordance with national standard
- To utilise disaster management centre according to the Disaster Management Act
- To reduce incidents on the roads, ensure an effective functioning of road signals and enhance economic efficiency through traffic mobility

- To support the expansion of the tourism potential of the area that will contribute to continue economic growth
- To improve the level of numeracy and literacy skills of the community

## **Key achievements during the year under review**

### **Cemeteries**

- Fencing of six (6) cemeteries through labour intensive projects approved by MIG.
- Cleaning of cemeteries through labour intensive methods.

### **Parks and Open spaces**

- A major highlight in this section was the planting of trees in support of greening the country.

### **Solid Waste Management**

- The acquisition of four (4) new refuse compactor trucks and two (2) LDV for supervisors bakkies made supervision easier and effective.
- The acquisition of a Front-end loader to deal with illegal dumping.
- Cleaning campaign with partners Buyisa-e-Bag was another highlight initiated by the Office of the Executive Mayor.
- Moqhaka municipality won the Greenest Municipal Competition in the Fezile Dabi District and came third in the Provincial assessment.

### **Kroonpark Resort**

Support from the District assisted in the acquisition of valuable inventory and equipment:

- Funds from the District stocked the entertainment centre with electronic games with TV's and other entertainment equipment.
- The standard of chalets was improved by the replacement of carpets with ceramic tiles.
- One of the attractions of the Resort the Pleasure Boat found a new engine and attracted some attention back.
- The resort also showed an increase in interest from caravan campers compared the previous years.

## **The key issues and challenges for 2009/10 were:**

### **Sports and Recreation**

- Upgrading of informal soccer fields a serious challenge
- Vandalism of sports facilities
- Lack of funding to repair and acquire needed resources (specialised equipment)
- Scarcity of water resources to maintain facilities

### **Cemeteries**

- Lack of funding to provide standard resources at all cemeteries e.g. ablution facilities and office block
- Vandalism of fences and tombstones
- Lack of a computerised cemetery record system
- Shortage of equipment and staff

### **Parks and Open spaces**

- Lack of support and funding to develop and implement urban greening plan
- No proper complaints handling procedures
- Lack of co-ordination with the water section to repair pavements
- Lack of water impedes maintenance and development of park and open spaces
- Shortage of personnel and equipment
- Lack of funding
- Demand of use of equipment in rough areas shorten the life span of equipment

### **Community Facilities**

- Vandalism of halls
- The fee structure not favouring costs for maintenance
- Shortage of needed resources (chairs, tables etc)
- Absence of a maintenance plan

### **Solid Waste Management**

- Shortage of staff, fleet and equipment
- System of receptacles use not favourable and time consuming
- Removal of sanitary buckets has to be eradicated completely
- Insufficient refuse containers in the CBD area
- Insufficient budget to maintain public toilets

### **Disaster management**

- Staff of shortage only one official in the section
- Roles and responsibilities be clarified between District and local municipalities
- The definition of disaster to be understood by all stakeholders
- Lack of disaster resources e.g. mattresses, blankets etc

### **Fire Fighting**

- Shortage of staff, fleet and equipment
- Lack of fire fighting services in Steynsrus and Viljoenskroon
- Installation and upgrading of fire hydrants in all towns
- Lack of relevant training for fire staff

### **Traffic Law Enforcement**

- Shortage of staff, fleet and equipment to also cater for other towns
- Lack of funding to do intensive community education programmes in road safety awareness
- Maintenance of road signs and road marking not frequent
- Implementation of one way system will help to reduce traffic flow in the main street
- Lack of funds impedes the implementation of Heavy Motor Vehicle Plan

### **Theatre (Arts and Culture)**

- Decrease in users due to conditions of the complex
- Insufficient budget
- Shortage of staff, furnisher and equipment
- Functioning of the theatre to be marketed robustly

### **Kroonpark Resort**

- Equipment, furnisher, bedding and linen worn-out and damaged
- Complete renovation of the resort required
- Control measures to be intensified in the handling of cash
- Insufficient budget for marketing
- Low morale of staff causes serious problems
- Lack of training in hospitality and tourism

### **Library services**

- Shortage of staff

# TECHNICAL SERVICES

## Overview

The Constitution of the Republic provides for establishment of Municipalities under Section 55 and set out Objects of Local Government under Section 152. And further Section 151 (2). The executive and legislative authority of a municipality is vested in the Municipal Council. The Moqhaka Local Municipality has been established in terms of Section 12 of the Local Government Municipal Structures Act 117 of 1998. The Moqhaka Municipality is a category “A” Municipality (Municipality that has exclusive municipal executive and legislative authority in its area).

In terms of National Water Act the municipality is both a water service provider and water service authority. Further the Municipality as a licensed electricity distribution authority has the responsibility of providing quality of service to its consumers in accordance with the applicable Regulations and prescribed standards. However it should be noted that some areas within the municipality are for sole distribution by Eskom as they have the distribution rights in that particular areas.

The Municipality as a Service Authority within its area of jurisdiction has a legislative mandate to provide services in a safe and healthy environment. The Department is therefore responsible for operation and maintenance of infrastructure which include electricity, water services, roads and storm water, building control and inspectorate and fleet workshop.

## Description of the activity

The following main functions have been identified:

- Electricity
- Water and sanitation
- Roads and storm water
- Building Survey and Inspectorate
- Mechanical Workshop

The strategic objectives of the office of Technical Services are to –

- Providing quality and uninterrupted supply of electricity to all domestic, business, industrial and rural consumers within its area of distribution.

- Maintaining the electricity distribution network in order to adhere to the prescribed standards.
- Upgrading of the electricity distribution network in order to accommodate population growth as well as business and industrial development.
- Monitoring electricity consumption of consumers by means of effective metering and visual inspections in order to minimize electricity losses.
- Providing accurate feedback to the monitoring authority NERSA pertaining to quality of service and quality of supply in order to adhere to license conditions.
- Supplying of potable water in accordance with SANS 0421 standards
- Collecting and treating raw sewerage in accordance with SANS 0421 standards
- Maintenance, repair and upgrade of existing networks in accordance with demand and new development
- Maintenance and repair as well as new extensions of roads in Moqhaka Municipal jurisdiction
- Maintenance and repair as well as new extensions of storm water catchments and other related infrastructure in Moqhaka Municipal jurisdiction area
- Railway siding maintenance
- To ensure that all completed building plan applications are approved within 30 days of receipt

**The key issues and challenges for 2009/10 were:**

- Shortage of vehicles, machinery and equipment
- Mechanical problems with vehicles and standing time involved due to turn around on spares
- Availability of funds and processing time of requisitions, vouchers and payments
- Theft and attempted theft of cable and transformers etc(copper or steel content)



- Shortage of fuel for vehicles
- Ageing and outdated infrastructure and equipment
- Shortage and retention of competent and skilled staff
- Shortage of meters and backlog of installations hence loss of revenue
- Costly repairs to networks such as the 66kV cable ring(major installations)
- Lack of internal/own funding for capital projects and maintenance
- Shortage of consumables such as equipment accessories and water cleansing chemicals etc.

## Key projects undertaken during 2009/10

### Electricity section

The unit is responsible for provision, maintenance and refurbishment of electrical services and public lighting to all consumers as well as extensions of current networks (electrification).

| No           | Project Description                                       | Outcome/Output  | Budget        | Remarks   |
|--------------|---|---|---------------|---|
| 1            | Construction of high mast lights phase 5                  | 7 high mast lights installed/ Improved public lighting and security | R1,75m        | 15 temporary jobs created                         |
| 2            | Electrification of Marabastad (Operation Hlasela)         | Township revitalization, improving quality of live                  | R7,8m         | DoE allocated R4m, Counter funding required       |
| 3            | Refurbishment of Kroonstad Central Switching Station      | Quality and security of supply                                      | R6,4m         | Project carried over from previous financial year |
| 4            | Upgrade of LV and MV network in Seeisoville and Phomolong | Quality of supply   | R1,8m         | No funding available. Consultant appointed        |
| <b>TOTAL</b> |   |   | <b>R17,7m</b> |   |

### Water services

The unit is responsible for the provision, maintenance and refurbishment of water services infrastructure as well as extensions to the current network (new connections).

| No | Project Description  | Outcome/Output   | Budget      | Remarks   |
|----|--|--|-------------|---|
| 1  | Rebuild Steynsrus off channel storage dam ( Morgenzon Dam)           | Provide space to store raw water next rain season      | R 600 000   | River stopped flowing, before completion (only 40% of total capacity transferred for current season, thus water shortage) |
| 2  | Refurbishment of Kroonstad and Viljoenskroon Sewage treatment plants | Replace outdated equipment to improve effluent quality | R 8 776 000 | DWA funding   |
| 3  | Refurbishment of Steynsrus Sewage treatment plant                    | Provision of inlet structures at existing pond system  | R 1 224 000 | DWA funding   |
| 4  | Replace collapsed 600mm  | Reduced spillage by                                    | R 2 019 701 | Own Funding   |

|              |   |                                   |                     |                                      |
|--------------|---|-----------------------------------|---------------------|--------------------------------------|
|              | Ø sewer pipeline under railway lines            | replacing the collapsed pipe      |                     |                                      |
| 5            | Alteration to sewers at Constantia pump station | Reduce spillages                  | R 600 000           | Own Funding                          |
| 6            | Rehabilitation of several main collector sewers | Reduce spillages – Nyakalong line | R 1 894 200         | MIG Funding – first phase of project |
| <b>TOTAL</b> |   |                                   | <b>R 15 113 901</b> |                                      |

### Works section

The unit is responsible for the provision, maintenance and refurbishment of roads, street and storm water catchment infrastructure. Other services entailed are maintenance of railway sidings and operation of the landfill sites.

| No           | Project Description  | Outcome/Output                                  | Budget        | Remarks                          |
|--------------|--|---|---------------|----------------------------------|
| 1            | Rammulotsi - Upgrading of connector road and providing of proper storm water       | Better road conditions and assess for community | R 3,5m        | MIG funds counter funding needed |
| 2            | Phomolong – Upgrading of gravel road – Phase 2                                     | Better road conditions and access for community | R 2,0m        | MIG funds insufficient funds     |
| 3            | Phomolong: providing of proper storm water drainage                                | Improve storm water problems                    | R 3,1m        | MIG funds                        |
| 4            | Koekoe Village: Upgrading of connector road and installation of proper storm water | Better road conditions and access for community | R 3,2m        | MIG funds complete               |
| <b>TOTAL</b> |  |   | <b>R11,8m</b> |                                  |

## FREE BASIC SERVICES

|   | 2008/09   | 2009/10   |
|---|-----------|-----------|
| <b>Free water:</b>                                |           |           |
| - residents                                       | 19 962    | 17 859    |
| - indigent residents                              | 8 511     | 11 572    |
| Basic water - all residents                       | 28 473    | 29 431    |
|   |           |           |
| <b>Free Electricity:</b>                          |           |           |
| - all resident                                    | 8 511     | 11 572    |
| - non Municipal supply                            | -         | 2 248     |
| Basic Electricity                                 | 8 511     | 11 572    |
|   |           |           |
| <b>Sewerage Basic</b>                             | 8 511     | 11 572    |
|   |           |           |
| <b>Free Refuse removal - indigents</b>            | 8 511     | 11 572    |
|   |           |           |
| <b>Indigent subsidy (property rates)</b>          | -         | -         |
|   |           |           |
| <b>Income level for registration of indigents</b> | R 1500.00 | R 1500.00 |
|   |           |           |
| <b>Number of registered indigents</b>             | 8 511     | 11 572    |

## Municipal Services Rendered

| Service               | Area                | Standard & Frequency   | Challenges experienced  |
|-----------------------|---------------------|--|---|
| Water                 | Kroonstad           | Metered house connection with standpipe  | Some areas in Maokeng - no housing meters   |
|                       | Viljoenskroon       |  | All stands covered by meters  |
|                       | Steynsrus           |  | Steynsrus is now metered.   |
|                       | Vierfontein         |  | Water is not recommended for public consumption.  |
|                       | Renoval             |  |   |
|                       | Rural               | Mainly borehole supplied/Elevator Tanks  | Need determination in conjunction with Fezile Dabi District Municipality                    |
| Electricity           | Kroonstad           | Metered Supply   | Maintenance of infrastructure, upgrading of ringfeed in Maokeng/Brentpark                   |
|                       | Viljoenskroon       |  | Bulk infrastructure, Vending Machines, Power cuts, Eskom not Planning                       |
|                       | Steynsrus           |  | Upgrading and Maintenance of infrastructure, Vending Machines(There is need for Technician) |
|                       | Vierfontein         |  |   |
|                       | Renoval             |  |   |
|                       | Rural               | Solar as well as conventional supply   | Funds allocated for provision for rural areas   |
| Sewerage              | Kroonstad           | Waterborne system  |   |
|                       | Viljoenskroon       | Rammulotsi bucket system   | Phasing out bucket system according to bucket eradication strategy                          |
|                       | Steynsrus           | Waterborne   | Matlwangtlwang, waterborne sewerage partly connected,VIPs and conservancy tank.             |
|                       | Vierfontein         |  | Service not rendered  |
|                       | Renoval             |  | Service not rendered  |
|                       | Rural               | VIP system   | Need to be determined –   |
| Refuse Removal        | Kroonstad           | Full removal service   | Inadequate personnel and equipment  |
|                       | Viljoenskroon       | Full removal service   | Lack of adequate personnel and equipment  |
|                       | Steynsrus           | Full removal service   | Fleet dilapidated, Lack of Supervision  |
|                       | Vierfontein         | Service not rendered   | Service not rendered  |
|                       | Renoval             | Service not rendered   | Service not rendered  |
|                       | Rural               | N/A  | Not delivered (service not rendered at Small Holdings)                                      |
|                       | Renoval Vierfontein | No service rendered  | Not delivered   |
| Roads and Storm water | Kroonstad           | Tarred main collection routes, internal graveled   | Roads in Moqhaka need repair and maintenance including storm water network                  |
|                       | Viljoenskroon       |  | No maintenance plan in place  |
|                       | Steynsrus           |  |   |
|                       | Vierfontein         |  | Service not rendered  |
|                       | Renoval             |  | Service not rendered  |
|                       | Rural               | Graveled – Provincial competency   |   |
| Clinics               | Kroonstad           | Free primary health care services to all (Provincial Competency) Integrated approach with Province | Mainly office hours from 07h30 to 16h30   |
|                       | Viljoenskroon       |  |   |
|                       | Steynsrus           |  |   |
|                       | Rural               |  |   |

| Service       | Area          | Standard & Frequency                                    | Challenges experienced   |
|---------------|---------------|---|--|
| Library       | Kroonstad     | Free service to all - accessibility for rural Residents | Integrated approach with Province                                  |
|               | Viljoenskroon |   | Shortage of Staff  |
|               | Steynsrus     |   |  |
|               | Rural         |   |  |
| Fire Fighting | Kroonstad     | Reasonable standard                                     | Lack of personnel and equipment                                    |
|               | Viljoenskroon | Lack of adequate personnel and equipment                | The 4x4 fire fighter has been purchased by FDDM for Viljoenskroon. |
|               | Steynsrus     | Limited – Distance                                      | Decentralisation of services options should be considered.         |
|               | Rural         | Fire Protection   | Lack of adequate personnel and equipment                           |
| Cemeteries    | Kroonstad     | Full service  | Lack of adequate personnel and equipment                           |
|               | Viljoenskroon | Full service  | Fencing and Ablution Facilities                                    |
|               | Steynsrus     | Full service  | Maintenance  |
|               | Rural         |   | Only as part of urban areas  |
| Waste dumping | Kroonstad     |   | Health Risk has to be fenced                                       |
|               | Viljoenskroon |   | Vandalism, Informal Recyclers to be fenced.                        |
|               | Steynsrus     | Sufficient  | New cells needed, fence must be replaced, no equipment             |
|               | Rural         |   | Not available  |

NB: The Municipality in collaboration with Fezile Dabi District Municipality and North West Government are having discussions for rendering services in Vaal Reef 8, 9, & 11.

## SERVICE DELIVERY BACKLOGS

| <b>Water</b>  | <b>2008/09</b> | <b>2009/10</b> |
|---|----------------|----------------|
| Number of households  | 28 473         | 29 431         |
| Minimum standard of service ( <i>eg 6kl</i> )   | 28 473         | 29 431         |
| Number of households not receiving the minimum standard of service at the beginning of the financial year | -              | -              |
| Number of households provided with minimum standard of service during the financial year                  | 28 473         | 29 431         |
| Number of households not receiving the minimum standard of service at end of the financial year           | -              | -              |

\*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

| <b>Electricity</b>  | <b>2008/09</b> | <b>2009/10</b> |
|---|----------------|----------------|
| Number of households  | 28 473         | 29 431         |
| Minimum standard of service ( <i>eg 50kwh</i> )   | 18 933         | 19 891         |
| Number of households not receiving the minimum standard of service at the beginning of the financial year | 9 540          | 9 540          |
| Number of households provided with minimum standard of service during the financial year                  | 18 933         | 19 891         |
| Number of households not receiving the minimum standard of service at end of the financial year           | 9 540          | 9 540          |

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

| <b>Sanitation</b>   | <b>2008/09</b> | <b>2009/10</b> |
|---|----------------|----------------|
| Number of households  | 28 473         | 29 431         |
| Minimum standard of service   | 28 473         | 29 431         |
| Number of households not receiving the minimum standard of service at the beginning of the financial year | 710 buckets    | 710 buckets    |
| Number of households provided with minimum standard of service during the financial year                  | 28 473         | 29 431         |
| Number of households not receiving the minimum standard of service at end of the financial year           | -              | -              |

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

| <b>Refuse removal</b>   | <b>2008/09</b>      | <b>2009/10</b>      |
|---|---------------------|---------------------|
| Number of households  | 26 362              | 31 141              |
| Minimum standard of service ( <i>eg removed once a week</i> )   | Removal once a week | Removal once a week |
| Number of households not receiving the minimum standard of service at the beginning of the financial year | 0                   | 0                   |
| Number of households provided with minimum standard of service during the financial year                  | 26 362              | 31 141              |
| Number of households not receiving the minimum standard of service at end of the financial year           | 0                   | 0                   |

\*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.



| <b>Housing</b>  | <b>2008/09</b> | <b>2009/10</b> |
|---|----------------|----------------|
| Number of households  | 28473          | 28473          |
| Minimum standard of service*  | 18933          | 18933          |
| Number of households not receiving the minimum standard of service at the beginning of the financial year | 9540           | 8680           |
| Number of households provided with minimum standard of service during the financial year                  | 18933          | 18933          |
| Number of households not receiving the minimum standard of service at end of the financial year           | 9540           | 8680           |

\*The minimum standard of service for housing is a RDP house of 40m<sup>2</sup>.

1. Total of residential erven occupied.
2. Total e.g 28473 less temporary structures 9540 = 18933.
3. Number of shacks / temporary structures.
4. Same as no 2.
5. Same as no 3.

## APPROVAL OF ZONING AND BUILDING PLAN APPLICATIONS

| <b>Applications outstanding on 1 July 2009</b> | <b>Category</b>   | <b>Number of new applications received during 2009/10</b> | <b>Total value of new applications received</b><br>R | <b>Number of applications outstanding on 30 June 2010</b> |
|--|---|---|--|---|
| 0  | Residential new   | 77  | 20 489   | 22  |
| 0  | Residential additions   | 111   | 21 502   | 36  |
| 0  | Commercial  | 24  | 3 072  | 16  |
| 0  | Industrial  | 9   | 8 478  | 3   |
| 0  | Other (specify)<br><b>(Swimming pools, Mast &amp; Advertising boards)</b> | 62  | 10 730   | 16  |

# CHAPTER 3

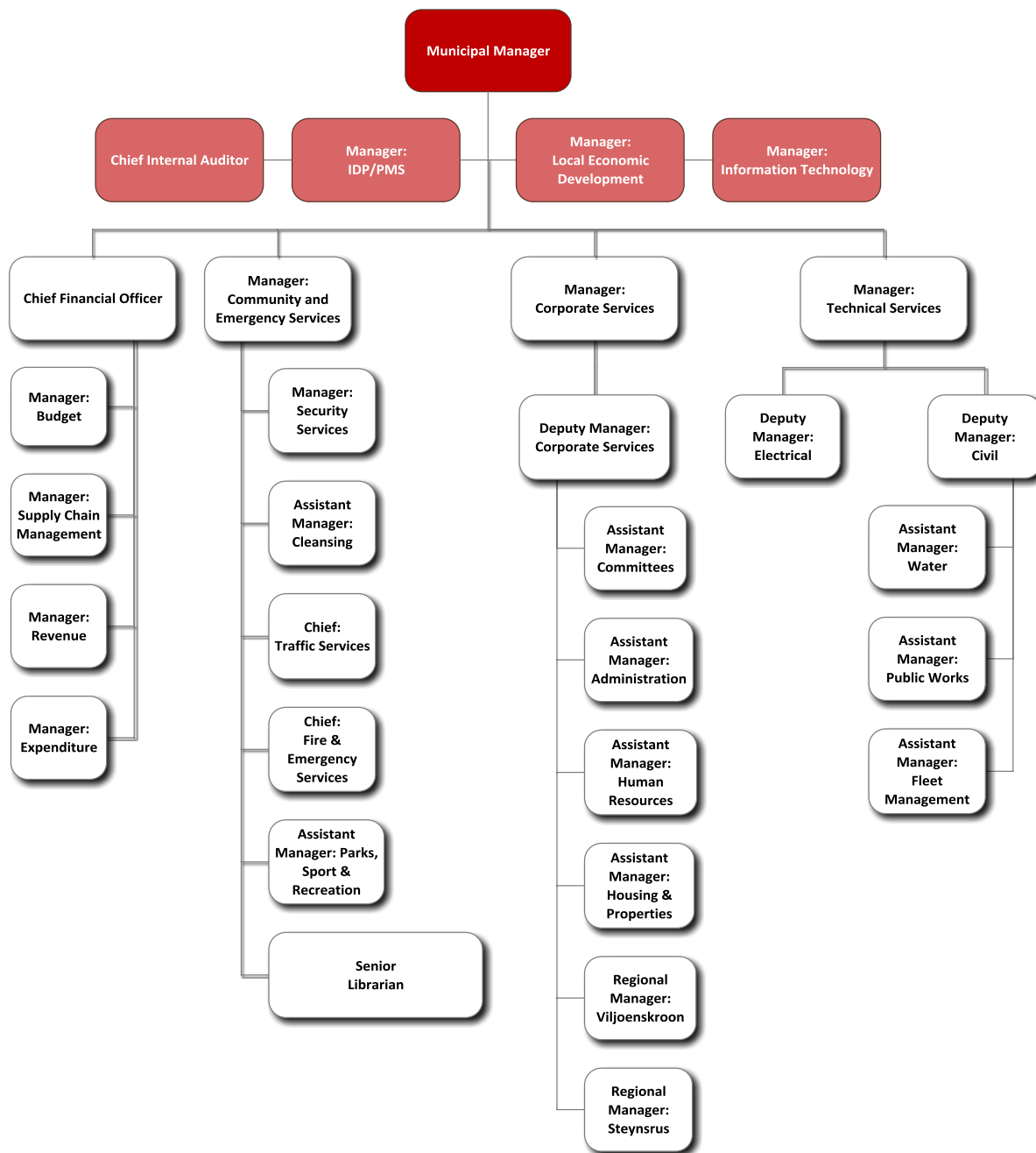
## HUMAN RESOURCES AND ORGANISATIONAL MANAGEMENT

This chapter includes the following sections:

- **Organisation structure**
- **Staffing information**
- **Employment equity**
- **Skills development**
- **Pension and provident funds**
- **Medical aid funds**
- **Personnel expenditure trends**
- **Salary disclosures**

## Organisational Structure

- The latest and revised management structure is almost at its finalisation stage and will be submitted to the Local Labour Forum (LLF) before the end of January 2011.
- Once the consultative process with LLF is completed, the structure will be submitted to Council for approval, possibly in February 2011.
- The organisational structure shown below was applicable during the 2009/10 financial year



## Staffing information

### Staff establishment as at 30 June 2010

| Function                        | Total no. of approved posts | No. of filled posts | No. of vacancies |
|---------------------------------|-----------------------------|---------------------|------------------|
| Office of the Mayor             | 7                           | 7                   | 0                |
| Office of the Speaker           | 7                           | 7                   | 0                |
| Office of the Council Whip      | 4                           | 3                   | 1                |
| Office of the Municipal Manager | 11                          | 4                   | 7                |
| Corporate Services              | 175                         | 122                 | 53               |
| Financial Services              | 141                         | 74                  | 67               |
| Technical Services              | 443                         | 271                 | 172              |
| Community & Emergency Services  | 459                         | 346                 | 113              |
| <b>Total</b>                    | <b>1 247</b>                | <b>834</b>          | <b>413</b>       |

Note: The number of filled posts excludes 50 Councillors and any new appointments made after 30 June 2010. It should also be noted that approved posts can only be filled if it is funded or budgeted.

### Staff turnover

The following table indicates the number of terminations that the Municipality has experienced during 2009/10. Most of these terminations are of General Workers who have unfortunately not yet been replaced. Terminations lead to service delivery challenges and sometimes to acting and overtime which impact on the budget.

| Kroonstad | Steynsrus | Viljoenskroon | Total |
|-----------|-----------|---------------|-------|
| 27        | 3         | 19            | 49    |

## Employment Equity

### Workforce profile (2009)

| Occupational Levels  | Male       |           |   |           | Female     |          |   |           | Foreign Nationals |        | Total      |
|--|------------|-----------|---|-----------|------------|----------|---|-----------|-------------------|--------|------------|
|  | A          | C         | I | W         | A          | C        | I | W         | Male              | Female |            |
| Top management   | 6          |           |   | 1         | 1          |          |   |           |                   |        | 8          |
| Senior management  | 8          | 2         |   | 10        | 4          |          |   |           |                   |        | 24         |
| Professionally qualified and experienced specialists and mid-management  | 3          |           |   | 1         | 4          |          |   | 3         |                   |        | 11         |
| Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents | 77         | 2         |   | 37        | 14         |          |   | 6         |                   |        | 136        |
| Semi-skilled and discretionary decision making   | 119        | 5         |   | 9         | 70         | 2        |   | 33        |                   |        | 238        |
| Unskilled and defined decision making  | 353        | 15        |   |           | 123        | 3        |   |           |                   |        | 494        |
| TOTAL PERMANENT  | 566        | 24        |   | 58        | 216        | 5        |   | 42        |                   |        | 911        |
| Temporary employees  |            |           |   |           |            |          |   |           |                   |        |            |
| <b>GRAND TOTAL</b>   | <b>566</b> | <b>24</b> |   | <b>58</b> | <b>216</b> | <b>5</b> |   | <b>42</b> |                   |        | <b>911</b> |

Total number of **employees** (including employees with disabilities) in each of the following **occupational levels**: Note: A=Africans, C=Coloureds, I=Indians and W=Whites

In terms of the gender profile of the municipal workforce in 2009, the above table reflect that 71,1% of the workforce was male and 28,9% was female. Africans constituted 85,8%, Coloureds 3,2% and Whites 11% of the workforce respectively.

## Workforce profile (2010)

| Occupational Levels  | Male       |           |   |           | Female     |          |   |           | Foreign Nationals |        | Total      |
|--|------------|-----------|---|-----------|------------|----------|---|-----------|-------------------|--------|------------|
|  | A          | C         | I | W         | A          | C        | I | W         | Male              | Female |            |
| Top management   | 5          |           |   | 1         | 1          |          |   |           |                   |        | 7          |
| Senior management  | 8          | 2         |   | 9         | 5          |          |   |           |                   |        | 24         |
| Professionally qualified and experienced specialists and mid-management  | 2          |           |   | 1         | 4          |          |   | 1         |                   |        | 8          |
| Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents | 71         | 4         |   | 32        | 14         |          |   | 6         |                   |        | 127        |
| Semi-skilled and discretionary decision making   | 110        | 5         |   | 9         | 55         | 3        |   | 33        |                   |        | 215        |
| Unskilled and defined decision making  | 334        | 15        |   |           | 118        | 4        |   |           |                   |        | 471        |
| TOTAL PERMANENT  | 530        | 26        |   | 52        | 197        | 7        |   | 40        |                   |        | 852        |
| Temporary employees  |            |           |   |           |            |          |   |           |                   |        |            |
| <b>GRAND TOTAL</b>   | <b>530</b> | <b>26</b> |   | <b>52</b> | <b>197</b> | <b>7</b> |   | <b>40</b> |                   |        | <b>852</b> |

Total number of **employees** (including employees with disabilities) in each of the following **occupational levels**: Note: A=Africans, C=Coloureds, I=Indians and W=Whites

In 2010 males made up 71,4% and females 28,6% of the municipal workforce respectively. In terms of the race profile of the municipal workforce in 2010, the above table reflect that Africans constitute the majority at 85,3% followed by Whites at 10,8% and Coloureds at 3,9%.

## Skills Development Programmes

2009/10 financial year

| Training and skills development interventions | No. of staff trained | Cost in rand R       |
|---|----------------------|----------------------|
| Client service                                | -                    | -                    |
| Telephone etiquette                           | 17                   | R 48 450,00          |
| Information technology                        | -                    | -                    |
| Administration                                | 10                   | R0,00                |
| Financial                                     | -                    | -                    |
| Teambuilding                                  | -                    | -                    |
| Management/leadership                         | -                    | -                    |
| Health and safety                             | 1                    | R 10 540, 00         |
| Specialist technical                          | -                    | -                    |
| Corporate, legal and support                  | 28                   | R 78 400, 00         |
| Training skills                               | 21                   | R 59 444, 00         |
| Policy development                            | -                    | -                    |
| Stress and conflict management                | -                    | -                    |
| Project management and planning               | -                    | -                    |
| <b>TOTAL</b>                                  | <b>77</b>            | <b>R 196 834, 00</b> |

### **Learnership:**

- Municipal Finance Administration Learnership was successfully completed and all 12 learners enrolled on the learnership were declared competent.

### **Structured Learning (ABET & Learnership):**

- Six female employees from the municipality were given awards by LGSETA for recognition of woman learning in the workplace.
- The Municipality received funding from LGSETA and Fezile Dabi for implementation of ABET special programme for 101 people.

*The programme covers the following areas:*

- Communication and Numeracy in Braille. (Level 1-4)
- Communication in sign language (Level 1 – 4)
- Standard Abet.



## Personnel Expenditure Trends

| <b>Financial year</b> | <b>R'000<br/>(Audited actual)</b> | <b>% of total expenditure</b> |
|-----------------------|-----------------------------------|-------------------------------|
| 2006                  | 86 432                            | 44%                           |
| 2007                  | 99 376                            | 42%                           |
| 2008                  | 110 353                           | 45%                           |
| 2009                  | 111 288                           | 31.9%                         |
| 2010                  | 119 246                           | 32.8%                         |

## Pension and Medical Aid Funds

### Pension and provident funds

| Name of fund                  | No. of members |              |
|-------------------------------|----------------|--------------|
|                               | 30 June 2009   | 30 June 2010 |
| Vrystaat Pensioen Fonds       | 108            | 106          |
| Free State Provident Fund     | 70             | 79           |
| SALA Pension fund             | 463            | 444          |
| SAMWU Provident fund          | 239            | 221          |
| Pension Funds For Councillors | 49             | 49           |
| Sala Provident fund           | 23             | 18           |
| Local Government Pension fund | 1              | 1            |
| <b>TOTAL</b>                  | <b>953</b>     | <b>918</b>   |

The municipality's actual expenditure for the 2009/10 financial year in respect of employer's contributions amounted to R 13 690 759.00

### Medical aid funds

| Name of fund      | No. of members |              |
|-------------------|----------------|--------------|
|                   | 30 June 2009   | 30 June 2010 |
| MUNIMED           | 100            | 92           |
| BONITAS           | 166            | 160          |
| L A HEALTH        | 1              | 31           |
| SAMWUMED          | 405            | 288          |
| HOSMED            | 12             | 31           |
| RESOLUTION HEALTH | 1              | 1            |
| <b>TOTAL</b>      | <b>685</b>     | <b>605</b>   |

The municipality's actual expenditure for the 2009/10 financial year in respect of employer's contributions amounted to R 10 545 263.00

## Salary Disclosures

### Councillors Actual (Remuneration of Public Office Bearers Act)

| <b>Note 24 to the Annual Financial Statements</b> | <b>2009</b>       | <b>2010</b>       |
|---|-------------------|-------------------|
|   | <b>R</b>          | <b>R</b>          |
| Executive Mayor                                   | 336 219           | 360 805           |
| Speaker   | 265 970           | 285 639           |
| Mayoral Committee Members (including Chief Whip)  | 1 882 671         | 2 061 019         |
| Councillors                                       | 6 941 130         | 7 432 918         |
| Councillors' medical and pension contributions    | 1 791 915         | 1 868 815         |
|   | <b>11 217 905</b> | <b>12 009 197</b> |

### Senior Management (Section 57 employees)

| <b>Designation<br/>(Note 23 to the Annual Financial Statements)</b> | <b>Remuneration<br/>package per<br/>annum<br/>2009<br/>R</b> | <b>Remuneration<br/>package per<br/>annum<br/>2010<br/>R</b> |
|---|--|--|
| Municipal Manager   | 764 926  | 952 363  |
| Chief Financial Officer   | 584 773  | 542 794  |
| Manager: Corporate Services   | 766 909  | 891 005  |
| Manager: Community and Emergency Services                           | 769 550  | 874 304  |
| Manager: Technical Services   | 720 968  | 338 380  |

**Note:**

The 2010 remuneration package of the Manager: Technical Services is for 4 months only. The post has been vacant since November 2009.

## **Other Human Resources information**

### **Qualifications profile of staff**

The process of detailing staff qualifications is being undertaken by the Skills Development Unit and will be finalised by end of February 2011.

### **Occupational health and safety**

- Occupational Health and Safety and Wellness have managed to conduct workshops or inductions on Wellness, HIV/AIDS, Health and Safety.
- The office had managed to accommodate or cover Viljoenskroon with the statistics of accidents.
- Dipoho Trading has been appointed to provide the municipality with PPE.

Some of the major challenges experienced in relation to occupational health and safety were:

- Lack of equipment and working space
- Lack of induction of new employees
- Compliance – Some of the Sectional Heads and Supervisors still do not comply with the Act and the Occupational Health and Safety Division has to introduce new strategies on how to conduct Health and Safety at the workplace
- Accidents – Implement new strategies on how to prevent or reduce more incidents
- Relationship – Should form a committee which should create a relationship between the employees, Councillors and the community at large so that service delivery could be more effective.
- Abuse of drugs and alcohol
- Poor maintenance of machinery
- Pre-medical examination – especially on newly appointed employees

## Labour relations

The Municipality's endeavoured to maintain a constructive engagement approach with labour through the interactions and discussion at the Local Labour Forum (LLF).

The table below reflects the various charges and disciplinary actions taken during the year under review

| Charges  | Disciplinary | Arbitration | Appeal   | Conciliation | Counselling | Total     | Ruling in favour of Council | Ruling against Council |
|--|--------------|-------------|----------|--------------|-------------|-----------|-----------------------------|------------------------|
| <b>Abscondment</b>                                       | 2            |             |          |              | 1           | 3         |                             |                        |
| <b>Application of collective agreement</b>               | 0            |             |          |              |             | 0         |                             |                        |
| <b>Fraud/ Dishonesty / Corruption</b>                    | 4            | 2           |          |              |             | 6         | 2                           |                        |
| <b>Dispute unfair labour practice Bargaining Council</b> | 0            | 6           |          |              |             | 6         | 3                           | 3                      |
| <b>Unfair dismissal</b>                                  | 1            | 5           | 1        |              |             | 6         | 2                           |                        |
| <b>Insubordination</b>                                   | 4            |             |          |              |             | 4         |                             |                        |
| <b>Gross negligence</b>                                  | 2            |             |          |              |             | 2         |                             |                        |
| <b>Reckless Driving</b>                                  | 0            |             |          |              |             | 0         |                             |                        |
| <b>Under the influence</b>                               | 1            |             |          |              |             | 1         |                             |                        |
| <b>TOTAL</b>   | <b>14</b>    | <b>13</b>   | <b>1</b> |              | <b>1</b>    | <b>28</b> | <b>7</b>                    | <b>3</b>               |

# CHAPTER 4

## AUDITED STATEMENTS AND RELATED FINANCIAL INFORMATION

**This chapter includes the following sections:**

- **Report of the Chief Financial Officer**
- **Report of the Auditor-General**
- **Action plan to address audit issues**
- **Report of the Audit Committee**
- **Audited Financial Statements**

# Report of the Chief Financial Officer

## Overview

The year ended 30 June 2010 was in a number of ways challenging for Moqhaka Local Municipality. The global economic crisis and a slow labour market recovery continued to hit the municipality's ability to generate operating cash flows negatively as residents were unable to pay for the services rendered by the municipality. This as a result saw an increase in the debtors' book which is more likely irrecoverable.

The declining infrastructure may also have impacted negatively on the property values within Moqhaka which ultimately affects the property rates income.

The municipality received a disclaimer of audit opinion which is an adverse audit report in the 2008/09 financial year. At 30 June 2010, the strategic position such as that of the Chief Financial Officer was vacant. The disclaimer of audit opinion is mainly due to information not provided to auditors particularly on the valuation of infrastructure assets.

## Risk Management

- Liquidity risk

The municipality's risk to liquidity arises mainly due to funding liquidity risk, i.e the risk that the municipality will not be able to meet obligations due to insufficient funds being available.

The municipality's Budget and Treasury department manages both the short-term and long-term requirements. The municipality enjoys short term borrowing facility of R6 million with ABSA during the year which was repaid at the end of the financial year.

- Credit risk

This is the risk that the counterparty to whom we provide services on credit will be unable to honour the obligation.

The municipality manages credit risk through credit checks on the Windeed system of each new client being afforded to open a new account.

The municipality does not undertake hedging activities and is not exposed to excessive interest rate risk due less exposure to long term loans.

## **State of consumer debtors**

- Government debt was kept at very low level. Revenue Section always submitted monthly reports on time for preparation of section 71 report. Indigent customers were subsidised for their services on monthly basis. Collection rate was an average of 80% for 2009/2010 financial year.
- State of Consumer Debtors: Payments rate were on average at 80% for the financial year. The debtors book was at R205 692 011 at the beginning of 2009/2010 financial year, and was at R207,935,064. This translates to an increase of R 2,243,053 for the financial year. The average debtors balance for the year was R 206,193,483.

## **Audited Financial Statements**

The audited financial statements are not ready. The anticipated date of the completion of the annual financial statements preparation is 31 January 2011. The anticipated date of completion of the audited 2009/2010 financial statements is the last week of February 2011.

The delay in the submission of the annual financial statements was caused by significant disagreements between the municipality and the consultants that were responsible for preparation of the municipality's annual financial statements. The consultants were dismissed and all the working files were withheld by the consultants.

**M Mokoena**  
**Chief Financial Officer**



## Report of the Auditor-General

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

#### REPORT ON THE FINANCIAL STATEMENTS

##### Introduction

1. I was engaged to audit the accompanying financial statements of the Moqhaka Local Municipality, which comprise the statement of financial position as at 30 June 2010, and the statement of financial performance, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 91 to 148

##### Accounting Officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2009 (Act No. 12 of 2009) (DoRA). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

##### Auditor-General's responsibility

3. As required by section 188 of the Constitution of South Africa, 1996 (Act No. 108 of 1996), section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (FAA) and section 126(3) 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 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*. 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. Despite after attempting alternative procedures, I was unable to obtain sufficient appropriate audit evidence to confirm the completeness, existence and valuation of and the rights to property, plant and equipment amounting to R1 118 122 256 (2009: R1 085 284 038), as disclosed in note 1 to the financial statements, due to the following:
  - (a) The fixed asset register of the municipality was reconstructed during the previous financial year. Engineering experts were required to determine fair values for the infrastructure assets as an acceptable substitute for historical cost in terms of GRAP Directive 7. This entailed the use of various technical engineering assumptions and judgements. I was unable to obtain sufficient appropriate audit evidence as to the consistent application of the expert's methodology due to a lack of appropriate documentation. This led to significant unresolved uncertainties around the reasonability and reliability of the valuations performed on infrastructure assets.

- (b) Unique identification was not allocated to asset components in the asset register and the required title deeds that could either not be obtained or title deeds not confirming ownership. Furthermore, a number of land and buildings registered in the name of the municipality could not be traced to the fixed asset register and the asset register did not contain adequate descriptions, unique identification and locations to physically confirm the completeness of property, plant and equipment. (R41 345 729 ± R80 298 663 ) (2009: R22 445 307)
5. Paragraph 11 of the Statement of Generally Recognised Accounting Practise, GRAP 17: Property, plant and equipment (GRAP 17), states that an asset should be recognised when it is probable that future economic benefits or service potential associated with an item will flow to the municipality and the cost or fair value of the item can be measured reliably. Contrary to the prescribed accounting treatment, management opted not correct the following errors:
- (a) Property, plant and equipment and accumulated surplus, as disclosed in the statement of financial position, are understated due to an infrastructure asset of the municipality not being included in the asset register. Due to the lack of sufficient appropriate audit evidence, it was impracticable to determine the total extent of this understatement.
  - (b) The management of the municipality did not recognise Municipal Infrastructure Grant (MIG) costs relating to assets under construction as property, plant and equipment in the previous year. These costs were recognised as expenditure in the previous year and the projects were only recognised as property, plant and equipment once the projects had been finalised. The municipality's records did not permit me to determine to what extent the property, plant and equipment of the previous year is understated.

## Revenue

6. I was unable to obtain sufficient appropriate audit evidence as to the completeness, accuracy, occurrence and classification of revenue disclosed as R368 385 977 (2009: R289 370 704) in the statement of financial performance, due to the following matters and the municipality's records not permitting the application of alternative procedures:
- (a) It could not be determined if all money received by the municipality was recognised in the general ledger. This was mainly due to receipts that were not being sequentially numbered and sequence gaps that could not be supported by appropriate audit evidence.
  - (b) A number of water and electricity meters were identified which were not in working condition during the current year and at year-end. Due to the total extent and consequent impact of this not being determinable, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the completeness and accuracy of services revenue.
  - (c) Sufficient appropriate audit evidence could not be obtained for pre-paid electricity transactions amounting to R9 327 415 and a difference amounting to R3 604 776 with which the pre-paid electricity transactions in the accounting records exceeded the amounts received from consumers.
  - (d) I could not confirm that journals that increased revenue, as disclosed in the statement of financial performance, by R5 703 286 during the current year should have been processed or were recorded in the correct accounts and at the correct amounts as they were not supported by appropriate supporting documentation.
  - (e) Sufficient appropriate audit evidence could not be obtained for the prior period errors disclosed in note 43.19 to the financial statements relating to property rates, service charges and other income amounting to R1 417 440 that was not recognised in the previous year.
  - (f) I was unable to obtain audit evidence that all rental income was recognised. This was mainly due to the municipality not performing adequate rental revenue reconciliations, a

complete listing of all municipal rentals that could not be obtained and the lack of a clear audit trail.

- (g) Sufficient appropriate audit evidence could not be obtained to support rental income transactions amounting to R419 076 and for discounts granted on rental income amounting to R599 495. In addition, supporting documentation could not be obtained for a difference amounting to R597 356 with by which a rental income amount banked exceeded the accounting records.
  - (h) Sufficient appropriate audit evidence could not be presented for revenue relating to fines of the previous year, as disclosed in the statement of financial performance amounting to R765 069.
  - (i) Sufficient appropriate audit evidence, including indigent application forms and an indigent register, could not be obtained to confirm indigent subsidies granted, which reduced services revenue.
  - (j) I was unable to obtain audit evidence that all reconnection income was recognised. This was mainly due to the municipality not maintaining a reconnection register that is reconciled with reconnection deposits that were received.
7. Property rates revenue is understated as properties were identified for which rates have not been charged due to these properties being incorrectly classified as municipal properties. Furthermore, properties were identified for which the amount of improvements made exceeded the amount with which the property value was increased in the accounting system. The category of these properties could not be reliably determined and accurate municipal valuations did not exist for certain of these properties. It was therefore impracticable to determine the total extent of this understatement.
8. In accordance with SA Standards of GRAP, GRAP 1 *Presentation of financial statements* (GRAP 1), transactions should be recorded when they occur. Management did not estimate usage of water and electricity meters from the last date that the meters were read up to the end of the financial year. This was mainly due to these calculations not being performed by management at year-end. Revenue and consumer receivables from exchange transactions are understated with an estimated amount of R717 454.
9. Paragraph 125 of the Framework for Preparation and Presentation of Financial Statements states that revenue is recognised when an increase in future economic benefits or service potential related to an increase in an asset or a decrease of a liability has arisen. Revenue from indigent consumers amounting to R3 912 320 were incorrectly recognised as service charges revenue and general expenses in the statement of financial performance. This was mainly due to indigent subsidies not being offset against service revenue but recognised as general expenses. Service charges revenue and general expenses is therefore overstated by R3 912 320.

## **Expenditure**

10. The occurrence, completeness and accuracy of depreciation amounting to R45 000 356 (2009: R44 489 855) as disclosed in the statement of financial performance could not be confirmed due to the limitations experienced regarding the valuation of property, plant and equipment (refer to paragraph 4 of this report). The municipality's records did not permit the application of alternative procedures.

11. Management did not provide sufficient appropriate audit evidence to confirm the accuracy and occurrence of expenditure transactions amounting to R3 244 094, as disclosed in the statement of financial performance. I could also not obtain sufficient appropriate audit evidence in respect of journals amounting to R9 903 157 that were recorded in expenditure. The system of control over the recording and classification of expenditure was not adequate and, as a result, there were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance that all these expense transactions occurred and were accurately recorded and classified in the financial records of the municipality.

### **Consumer receivables from exchange transactions**

12. The existence, completeness and valuation of consumer receivables from exchange transactions amounting to R51 381 008 as disclosed in note 7 to the financial statements could not be confirmed due to the following matters and the municipality's records not permitting the application of alternative procedures:
  - (a) Sufficient appropriate audit evidence could not be obtained to confirm consumer receivables from exchange transactions amounting to R55 678 645. This was as a result of no payments being made on these receivables subsequent to year-end and audit evidence not being obtained to confirm that all money received by the municipality was recognised in the accounting records.
  - (b) I could not confirm that journals that decrease consumer receivables from exchange transactions, as disclosed in the statement of financial position, by R4 330 739 should have been processed or were recorded in the correct accounts and at the correct amounts as they were not supported by appropriate supporting documentation.
13. In terms of the South African Statement of Generally Accepted Accounting Practice, IAS 39 Financial instruments: Recognition and Measurement (IAS 39), if objective evidence of impairment exists for financial assets, and those assets cannot be assessed individually for impairment, the assets should be included in categories of financial assets with similar credit risk characteristics and collectively assessed for impairment. The impairment of receivables amounting to R166 574 918, as disclosed in note 7 to the financial statements, were not based on receivables included in categories with similar credit risk characteristics. Due to the lack of sufficient appropriate audit evidence it was impracticable to determine the total extent of this misstatement.
14. In accordance with GRAP 1, transactions should be recorded when they occur. Other receivables from exchange transactions, as disclosed in the statement of financial position and note 8 to the financial statements, are understated with R1 016 789. This is mainly due to the municipality not identifying these amounts as being receivable on year end. Due to the lack of sufficient appropriate audit evidence it was impracticable to determine the total extent of this misstatement.
15. Suspense accounts were not cleared regularly and before the preparation of the financial statements. Consequently, unallocated amounts of the previous year amounting to R480 308 were disclosed as other receivables from exchange transactions in note 8 to the financial statements. I was unable to confirm the total extent of income, expenditure, assets or liabilities that might be included in these amounts as sufficient appropriate audit evidence could not be presented and alternative procedures could not be performed.
16. Paragraph 11 (a) and (b) of GRAP 17, states that the cost of an item of property, plant and equipment shall be recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment of the previous year amounting to R1 392 389 are incorrectly included in unallocated amounts as presented in note 8 to the financial statements and therefore results in an overstatement of other receivables from exchange transactions of the previous year. These items could not be traced to the fixed asset register as the supporting documentation could not be aligned with

assets in the register. Since the asset register was reconstructed and comparative information restated, I could not determine whether this matter results in an understatement of property, plant and equipment or an overstatement of accumulated surplus.

### **Loans and borrowings**

17. As a result of the audit findings detailed below, I was unable to obtain sufficient appropriate audit evidence to confirm the existence, completeness and valuation of loans and borrowings amounting to R36 229 467 presented in the statement of financial position and disclosed in note 11 to the financial statements.
  - (a) Sufficient appropriate audit evidence including, external confirmations could not be obtained for loans amounting to R15 781 348. Furthermore, sufficient appropriate audit evidence could not be obtained for the prior period error disclosed in note 43.21 to the financial statements relating to the recognition of finance charges amounting to R1 473 851 not previously recognised.
  - (b) I could not confirm that journals that increased loans and borrowings, as disclosed in the statement of financial position, by R6 431 160 should have been processed or were recorded in the correct accounts and at the correct amounts as they were not supported by appropriate supporting documentation.

Alternative procedures could not be performed due to the lack of documented evidence.

### **Investment property**

18. I was unable to obtain sufficient appropriate audit evidence to confirm the valuation investment property amounting to R23 213 775 (2009: R23 355 009), as disclosed in the statement of financial position. I was unable to confirm the assumptions used by the expert regarding the cost, original purchase date of the property and the remaining useful lives of the property.
19. Paragraph 18 of the Statement of Generally Recognised Accounting Practise, GRAP 16: *Investment Property* (GRAP 16), states that investment property shall be recognised as an asset when it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity and the cost or fair value of the investment property can be measured reliably.. Investment property is understated due to municipal properties, which are being leased out, not being included in the investment property register. Due to the lack of sufficient appropriate audit evidence it was not possible to determine the total extend of this understatement.

### **Payables**

20. Sufficient appropriate audit evidence could not be presented for payments received in advance relating to the previous year amounting to R1 289 176 and the accounting system of the municipality did not permit the application of alternative audit procedures. Consequently, I did not obtain all the information and explanations I considered necessary to confirm the existence and valuation of payments received in advance during the previous year amounting to R9 240 873, as disclosed in note 15 to the financial statements.

21. I could not confirm that journals that decreased payables, as disclosed in the statement of financial position, by R8 854 727 should have been processed or were recorded in the correct accounts and at the correct amounts as they were not supported by appropriate supporting documentation. The municipality's records did not permit the application of reasonable alternative procedures. Consequently, the completeness and valuation of payables, as disclosed in the statement of financial position, could not be confirmed.
22. Included in payments received in advance are deposits amounting to R2 006 914 (2009: R827 945) which had not been allocated to debtors accounts at year-end. Consequently, payments received in advance, as disclosed in note 15 to the financial statements, are overstated and consumer receivables from exchange transactions, as disclosed in note 7 to the financial statements, are overstated by this amount.

### **Employee cost**

23. Sufficient appropriate audit evidence could not be obtained for severance payments and housing allowances amounting to R1 541 247, included in employee related cost as disclosed in the statement of financial performance. Furthermore, no employment contracts or appointment letters could be obtained for employee-related costs amounting to R5 978 764 in the previous year. In the absence of sufficient appropriate audit evidence, the municipality's records did not permit the application of alternative procedures and therefore no assurance could be obtained that these costs had actually occurred and were accurately recorded. Consequently, I did not obtain all the information and explanations I considered necessary to confirm the accuracy, completeness and occurrence of employee-related costs.

### **Value added Tax**

24. The existence, valuation and completeness of the VAT receivable amounting to R3 129 980, as disclosed in note 17 to the financial statements, could not be confirmed due to the following:
  - (a) An amount of R4 005 583 was claimed in the financial year ended 30 June 2007 pertaining to input tax not claimed in prior periods. The accuracy and completeness of this amount could not be confirmed.
  - (b) The municipality was unable to reconcile the difference of R3 708 692 between the VAT balance, as disclosed in the financial statements, and the June 2010 VAT return submitted to SARS.
  - (c) Journals that decreased the VAT receivable by R750 931 could not be supported by appropriate supporting documentation.

The lack of a clear audit trail did not permit the application of alternative procedures.

### **Employee benefits**

25. Sufficient appropriate audit evidence could not be presented for the accumulated leave provision amounting to R3 770 895 (2009: R3 452 721). Certain leave records could not be presented and the municipality did not have adequate leave registers and therefore alternative procedures could not be performed. Consequently, I did not obtain all the information and explanations I considered necessary to confirm the existence, completeness and valuation of staff leave payable as disclosed in note 14 to the financial statements.

## **Commitments**

26. The completeness, existence and valuation of commitments amounting to R58 526 685 (2009: R59 874 697), as contained in note 30 to the financial statements, could not be verified because the municipality does not have a contract register in place. Due to the lack of supporting documentation for these capital commitments, no alternative procedures could be performed.
27. Paragraph 83(c) of GRAD 17 states that the financial statements shall disclose for each class of property, plant and equipment recognised in the financial statements the amount of contractual commitments for the acquisition of property, plant and equipment. MIG project values were used to determine capital commitments amounting to R58 526 685 (2009: R59 874 697), as disclosed in note 30 to the financial statements. The project values do not necessarily represent actual contractual commitments and therefore capital commitments may be materially misstated. Due to the lack of a contract register and appropriate supporting records, I was unable to determine the extent the possible misstatement, if any.

## **Unauthorised expenditure**

28. Section 1 of the MFMA defines unauthorised expenditure as any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) of the act, and includes overspending of the total amount appropriated in the municipality's approved budget. Unauthorised expenditure as disclosed in note 42 to the financial statements is understated with an amount of R52 466 957 due to expenditure being incurred in excess of the budget per vote. However, the full extent of the misstatement could not be determined due to the limitations placed on the scope of the work performed relating to expenditure and suspense accounts (refer to paragraph 10 and 15 of this report). Consequently, the completeness and valuation of unauthorised expenditure could not be confirmed.

## **Irregular expenditure**

29. I could not be provided with sufficient, appropriate audit evidence that management has properly identified, investigated and recorded all irregular expenditure transactions during the year under review. Due to the limitations placed on the scope of the work performed relating to expenditure and fixed assets procurement, there were no satisfactory alternative audit procedures that I could perform to confirm the completeness of irregular expenditure amounting to R20 072 972 (2009: R20 072 972) as disclosed in note 40 to the financial statements.
30. Section 1 of the MFMA defines irregular expenditure as expenditure incurred by a municipality that is not in accordance with a requirement of the act and that has not been condoned in terms of section 170. Irregular expenditure amounting to R1 635 717 was identified, which resulted from non-compliance with the municipality's supply chain management policy. This irregular expenditure was not disclosed as required by section 125(2)(d) of the MFMA and therefore irregular expenditure as disclosed in note 40 to the financial statements was understated by R1 635 717.

## **Fruitless and wasteful expenditure**

31. A detailed breakdown of fruitless and wasteful expenditure amounting to R4 112 291, included in note 41 to the financial statements, could not be obtained. According to the financial statements this fruitless and wasteful expenditure was incurred due to the late payments of creditors. Furthermore, in the absence of this breakdown we could not confirm that interest accrued on loan payments in arrears amounting to R1 241 179 and interest

accrued on overdue third party payments amounting to R14 181 was included in the disclosure. Consequently, the completeness, existence and valuation of fruitless and wasteful expenditure could not be confirmed and no alternative procedures could be performed.

32. Fruitless and wasteful expenditure as disclosed in note 41 to the financial statements is understated due a contract that was cancelled by council that led to avoidable fees amounting to R111 547 being incurred. These payments are deemed to be fruitless and wasteful expenditure that were not disclosed in terms of section 125 of the MFMA.

### **Budget disclosures**

33. According to GRAP 1, the municipality is required to provide information on whether its resources were obtained and used in accordance with the legally adopted budget. The comparison between the budget and actual amounts as disclosed in note 45 to the financial statements did not agree to the amounts disclosed in the statement of financial performance and the final approved budget:
- (a) Actual Interest earned on external investments and actual interest paid are overstated with R32 349 respectively.
  - (b) Actual employee cost is overstated with R1 149 673 and general expenditure departments understated with the same amount.
  - (c) It was not possible to determine the difference between the final adjusted budget approved by council and the budget disclosed in the note. This was due to the budget per line item not being updated with the adjustments as per the approved adjusted budget.

A reconciliation was not included in the note to indicate the reason for the variances.

### **Financial instrument disclosures**

34. International Financial Reporting Standard, IFRS 7 Financial Instruments: Disclosures, (IFRS 7) requires detailed disclosure of information about exposure to risks arising from financial instruments. Contrary to the prescribed disclosure requirement, the management of the municipality did not adequately disclose the municipality's exposure to financial risk and how these risks are mitigated.
35. Paragraph 20(d) of IFRS 7 states that an entity shall disclose interest income on impaired financial assets accrued. Interest income on impaired consumer receivables from exchange transactions is not disclosed separately in note 7 to the financial statements. I was unable to quantify this understatement as sufficient appropriate audit evidence could not be presented and alternative procedures could not be performed.

### **Disclaimer of opinion**

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

### **Emphasis of matters**

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



### **Contingent liabilities**

37. With reference to note 32.1 to the financial statements, the municipality is the defendant in several lawsuits. The municipality is opposing the claims based on legal advice obtained. The ultimate outcome of these matters cannot presently be determined. Contingent liabilities amounting to R7 994 021 (2009: R4 576 789) have been disclosed in the financial statements.

### **Restatement of corresponding figures**

38. As disclosed in note 43 to the financial statements, the corresponding figures for 30 June 2009 have been restated as a result of errors discovered during the 2009-10 financial year in the financial statements at, and for the year ended 30 June 2009. These restatements mainly related to revenue and expenditure not recognised in the correct accounting period.

### **Irregular expenditure**

39. As disclosed in note 40 to the financial statements, irregular expenditure to the amount of R20 072 972 (2009: R20 072 972) was incurred mainly due to proper procurement processes not having been followed.

### **Unauthorised expenditure**

40. As disclosed in note 42 to the financial statements, unauthorised expenditure to the amount of R10 285 536 (2009: R75 859 183) was incurred, as a result of proper budget monitoring process not having been followed.

### **Fruitless and wasteful expenditure**

41. As disclosed in note 41 to the financial statement, fruitless and wasteful expenditure to the amounting to R5 656 157 (2009: R4 515 130) was incurred, mainly a result of payments not being made within the agreed payment terms.

### **Financial sustainability**

42. As disclosed in note 37 and note 39 to the financial statements, there was a significant increase in accounts payable and the municipality may not be in the position to settle its current obligations in the normal course of business. The municipality incurred a substantial deficit in the current year, as disclosed in the statement of financial performance, and is experiencing serious difficulties with regard to debt collection. The municipality did not settle its debt within 30 days as required by the MFMA and is significantly dependent on the national and provincial government for its continued sustainability. These conditions, along with other matters, point to the existence of a material uncertainty that may cast significant doubt on the municipality's ability to continue as a going concern. The municipality may therefore be unable to realise its assets and discharge its liabilities in the normal course of business. These are indicators that the municipality may be facing serious financial problems in terms of section 138 of the MFMA.

### **Additional matters**

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

### **Material inconsistencies in other information included in the annual report**

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

### **Unaudited supplementary information**

44. The supplementary information set out in appendices A to F on pages 149 to 154 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

45. As required by the PAA and in terms of *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*, I include below my findings on the report on predetermined objectives, compliance with the MFMA, Local Government: Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA) and DoRA; and financial management (internal control).

### **Non-compliance with regulatory and reporting requirements**

#### **Inadequate content of integrated development plan**

46. The integrated development plan of the municipality did not include the key performance indicators and performance targets determined in terms of its performance management system, as required by sections 26(i) and 41(1)(b) of the MSA and regulation 12 of the Municipal Planning and Performance Management Regulations, 2001.
47. The key performance indicators set by the municipality did not include all the general key performance indicators applicable to the municipality, as required by section 43(1) of the MSA.

#### **Existence and functioning of a performance audit committee**

48. The municipality did not appoint and budget for a performance audit committee, nor was another audit committee utilised as the performance audit committee, as required by regulation 14(2) of the Municipal Planning and Performance Management Regulations, 2001.

#### **Internal auditing of performance measurements**

49. The municipality did not develop and implement mechanisms, systems and processes for auditing the results of performance measurement as part of its internal audit processes, as required in terms of section 45 of the MSA.

#### **Lack of adoption or implementation of a performance management system**

50. The municipality did not implement a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players, as required in terms of sections 36, 38 and 41(2) of the MSA, and regulations 7 and 8 of the Municipal Planning and Performance Management Regulations, 2001.

### **No mid-year budget and performance assessments**

51. The accounting officer of the municipality did not assess the performance of the municipality during the first half of the financial year, taking into account the municipality's service delivery performance during the first half of the financial year and the service delivery targets and performance indicators set in the service delivery and budget implementation plan, as required by section 72 of the MFMA.

### **Content of the annual budget**

52. The annual budget for the financial year ended 30 June 2010 was not based on the development priorities and objectives referred to in section 26(c) of the MSA and measurable performance targets were not set by the municipality as required by regulation 6 of the Municipal Planning and Performance Management Regulations, 2001.

### **Usefulness of information**

The following criteria were used to assess the usefulness of the planned and reported performance:

- **Consistency:** Has the municipality reported on its performance with regard to its objectives, indicators and targets in its approved integrated development plan, i.e. are the objectives, indicators and targets consistent between planning and reporting documents?
- **Relevance:** Is there a clear and logical link between the objectives, outcomes, outputs, indicators and performance targets?
- **Measurability:** Are objectives made measurable by means of indicators and targets? Are indicators well defined and verifiable, and are targets specific, measurable and time bound?

The following audit findings relate to the above criteria:

### **Reported information not consistent with planned objectives, indicators and targets**

53. The municipality has not reported on its performance against predetermined objectives, which are consistent with the approved integrated development plan.

### **Planned and reported performance targets are not time bound**

54. For the selected objectives, 100% of the planned and reported targets were not time bound in specifying the time period or deadline for delivery.

### **Reliability of information**

The following criteria were used to assess the reliability of the planned and reported performance:

- **Validity:** Has the actual reported performance occurred and does it pertain to the entity, i.e. can the reported performance information be traced back to the source data or documentation?
- **Accuracy:** Have amounts, numbers and other data relating to reported actual performance been recorded and reported appropriately?

Completeness: Have all actual results and events that should have been recorded been included in the reported performance information?

The following audit finding relates to the above criteria:

**Reported indicators not reliable as no supporting source information was provided**

55. For the selected objectives, the validity, accuracy and completeness of 55% of the reported indicators could not be established as the relevant source documentation could not be provided for audit purposes.

**Compliance with laws and regulations**

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

56. Section 126(1)(a) was not complied with due to the fact that the accounting officer did not submit the financial statements for auditing within two months after year-end. Furthermore, the mayor did not table a written explanation setting out reasons for the failure to submit the financial statements in the council as required by section 133(1)(a).
57. Contrary to section 65(2)(e), payments were not always made within 30 days from receipt of the invoices.
58. The accounting officer did not comply with his legislative responsibility of managing the financial administration of the municipality in terms of section 62(1)(f)(iv) by not taking reasonable steps to ensure that the municipality implemented a supply chain management policy in accordance with chapter 11.
59. Contrary to regulation 121(1) of the MFMA, the annual report was not tabled to council within nine months after the end of a financial year.
60. Section 53(1)(c) of the MFMA was not complied with due to the fact that the mayor did not ensure that the council approve the municipality's service delivery and budget implementation plan within 28 days after the approval of the annual report.
61. Contrary to regulation 165 of the MFMA, internal audit did not substantially fulfil its responsibilities for the year.
62. Contrary to regulation 166 of the MFMA, the audit committee did not substantially fulfil its responsibilities for the year.
63. Contrary to regulation 16 of the MFMA, the mayor did not table the annual budget at a council meeting at least 90 days before the start of the budget year.
64. Contrary to regulation 54(2) of the MFMA, evidence could not be obtained that the mayor promptly responded to and initiated any remedial or corrective steps proposed by the accounting officer to deal with the municipality's financial problems and alerted the council and the MEC for local government in the province to those problems.
65. Contrary to regulation 17 of the MFMA, the annual budget of the municipality was not divided into a capital and operating budget as no capital budget was provided.
66. Expenditure was not incurred in accordance with the approved budget of the municipality and exceeded the limits of the amounts appropriated for the different votes in the approved budget of the municipality, resulting in unauthorised expenditure as defined in section 1.
67. Expenditure was incurred that was not in accordance with the requirements of the municipality's supply chain management policy, resulting in irregular expenditure as defined

in section 1.

68. Expenditure was incurred that could have been avoided had reasonable care been exercised, resulting in fruitless and wasteful expenditure as defined in section 1.

## **INTERNAL CONTROL**

69. I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives and compliance with the MFMA and DoRA, but not for the purposes of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the deficiencies regarding the basis for disclaimer of opinion paragraphs, the findings on the report on predetermined objectives and the findings on compliance with laws and regulations.

### **Leadership**

70. During the first half of 2009-10 financial year the municipality experienced a change in leadership at the accounting officer and chief financial officer levels in order to address leadership challenges that it had faced during the previous financial years. These challenges included the following issues that contributed to the weaknesses in the financial environment and the ultimate audit outcome:
- The previous accounting officer did not prioritise and take timely appropriate actions with regard to a lack of discipline in the finance and supply chain management directorates, resulting in non-compliance with applicable legislation and inadequate budget control measures. This, in turn, resulted in irregular, fruitless and wasteful as well as unauthorised expenditure.
  - The accounting officer did not prioritise and take timely appropriate actions with regards to rectify prior year audit findings.

### **Financial and performance management**

71. The municipality did not have enough individuals who understand the financial reporting framework, performance and financial management requirements. This resulted in the municipality engaging a consultant to prepare their financial statements. However, the underlying accounting records of the municipality did not facilitate the preparation of the financial statements to comply with the accounting framework which resulted in the ultimate audit outcome.
72. The chief financial officer was on sick leave for a major part of the financial year. Subsequent to his resignation, the post of chief financial officer was vacant for a number of months. Consequently, the municipality did not have mechanisms in place to sufficiently monitor the recording and reconciliation of the financial records.
73. Manual and automated controls were not designed to ensure that the transactions had occurred, were authorised, and were completely and accurately processed. Documentation supporting amounts disclosed in the financial statements was not always available.
74. Management did not document and approve internal policies and procedures to address the process of collection, recording, processing, monitoring and reporting on performance information. Consequently, performance systems, processes and procedures had not been designed and implemented.

## Governance

75. The risk of material misstatement due to fraud was not considered. Sufficient controls and segregation of duties to prevent or detect fraudulent data and asset misappropriation were not implemented and maintained.
76. The municipality did not respond to the assessed risks by determining a risk strategy and action plan to manage identified risks. Consequently, internal controls were not selected and developed to prevent, detect and correct material misstatements in financial reporting and reporting on predetermined objectives.
77. The financial statements were subject to material corrections resulting from the audit, which are attributable to the lack of risk assessment performed, weaknesses in the design and implementation of internal control in respect of financial management, and financial reporting and weaknesses in the information systems.
78. The accounting officer did not prioritise the establishment of a fully functioning performance audit committee and internal audit function and therefore the functions were not established and functional during the financial year. This also resulted in the committees not being able to fulfil all their responsibilities.

## OTHER REPORTS

### Investigations

79. An investigation was conducted by a third party during the current financial year. The scope of the investigation was unknown on the date of this audit report.

Bloemfontein

27 May 2011



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

*Auditing to build public confidence*

## Action plan on audit issues raised by the Auditor-General

In terms of section 131(1) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003), a municipality must address issues raised by the Auditor-General in an audit report. The management comments addressing the issues raised in the Report of the Auditor-General on the Financial Statements for the year ended 30 June 2010 are indicated below.

| Section | Audit Finding  | Recommendation   | Management Response | Action Plan   | Target date    |
|---------|--|--|---------------------|---|----------------|
| 1       | Insufficient appropriate audit evidence to confirm valuation, existence, completeness and rights to <b>property, plant and equipment (and investment property)</b> | <p>Re-evaluate the entire population for property that is not in the name of the municipality; and remove assets from the assets register that are not registered in the municipality's name.</p> <p>Management should submit the supporting documentation regarding the valuation of property, plant and equipment.</p> | Agreed.             | <p>The power station, land &amp; buildings and community assets will be registered in the municipality's name. KPMG are assisting the municipality with the financial statements. The municipal officials and KPMG are working together to perform the municipal assets count.</p> <p>CFO and KPMG have contacted e-Logics and will further contact the Auditor General, Aurecon and Provincial Treasury representative will be part of the team that will address the valuation problem.</p> | 31 August 2011 |

| Section | Audit Finding   | Recommendation  | Management Response  | Action Plan   | Target date    |
|---------|---|---|--|---|----------------|
| 2       | Insufficient audit evidence for confirm completeness, accuracy, occurrence and classification of <b>revenue</b> | <p>Management should implement a system whereby all receipts issued to consumers are documented in number sequence.</p> <p>Contracts of each rented property must be filed and communication between finance and the properties department must be established to ensure that all outstanding debtors are followed up.</p> <p>Management should implement monthly reconciliations between the cashier balance report and the amount included in the general ledger.</p> | <p>Disagreed. The finding was dealt with and the auditors were provided with an explanation. Proper report was submitted to the auditors to the auditors but no further communication.</p> <p>Disagreed with the auditors. Rentals reconciliations are done by the legal department.</p> |   | Monthly        |
| 3       | Could not confirm the occurrence, completeness and accuracy of <b>depreciation</b> .                            | Management should submit the supporting documentation regarding the valuation of property, plant and equipment.   | Agreed.  | CFO has contacted e-Logics and will further contact the Auditor General, Aurecon and Provincial Treasury representative will be part of the team that will address the valuation problem. | 31 August 2011 |
| 4       | Could not confirm the occurrence and accuracy of expenditure transactions and journals processed.               | Management should establish a reliable system over recording and classification of expenditure.   | Agreed   | Management/CFO continues to investigate the journals that were processed by Altimax for which there is no audit trail.  | 31 August 2011 |



| Section | Audit Finding   | Recommendation   | Management Response | Action Plan   | Target date   |
|---------|---|--|---------------------|---|---|
| 5       | Could not confirm existence, completeness and valuation of <b>consumer receivables</b> from exchange transactions.  |  |                     | Provision for doubtful debts will be done as per the category of debtors as suggested by the auditors.<br><br>Suspense account is now being cleared monthly as the CFO and managers engage in correct interpretation of transactions.   | 31 August 2011  |
| 6       | No sufficient audit evidence to confirm existence, completeness, and <b>valuation of loans and borrowings</b> .   | A loan register/ reconciliation should be created on an annual basis detailing opening balances, interest and repayments for each loan throughout the year. The loan register should be signed by an independent reviewer. | Agreed              | A comprehensive audit file was compiled of the loans reconciliation.<br><br>An independent confirmation of outstanding balances by the financial institutions such as DBSA was requested but not received.  | This will be available for auditors at the time of audit. |
| 7       | <b>Payables</b> – no appropriate audit evidence for prior year payment received in advance  | Management should make adjustment to the payment received in advance account by allocating payment received in advance to the correct debtors account.   | Agreed              | At year end, all payments received in advance will be allocated out of payments received in advance to the correct debtors account.   | 30 June 2011  |
| 8       | No appointment letters or employment contracts could be obtained for some of the employees. Employee costs could not be verified for accuracy, completeness and for occurrence.<br><br>Existence, valuation and completeness of staff leave payable (employee benefits) | Management should ensure that documentation and records are properly managed, authorised, maintained and periodically updated.   | Agreed              | The municipality has appointed the human resource manager who will ensure that systems are put in place in order for the Recruitment and appointment policy to be adhered to.<br><br>The HR manager will also ensure that there is proper leave register in place for reliable leave records for calculation of accrued leave (employee benefits) | 30 June 2011  |

| Section | Audit Finding   | Recommendation   | Management Response  | Action Plan   | Target date                                  |
|---------|---|--|--|---|--|
| 9       | Existence, valuation and completeness of <b>VAT receivable</b> could not be confirmed.  | Management should ensure that all input tax that is claimed is claimed in accordance with the VAT Act.   | Agreed   | The municipality will appoint a service provider to perform VAT Recovery on risk. The appointed service provider is expected to transfer skills to officials  | By 31 July 2011                              |
| 10      | Completeness, existence and valuation of <b>commitments</b> could not be verified. The municipality does not have a contract register in place. | Management should compile and regularly update a register for contracts and other commitments and retention fees which indicate the contracted amount, the payments made against each contract as well as the creditors that are outstanding on the accounts.                  | Management accepts that there is no contract register in place however the MIG register is an alternative control and has been provided to the Auditor General.<br><br>Management also noticed errors and commits to provide comparative amounts for commitments (year on year). | Contract register and the MIG register will be maintained.<br><br>Any disagreements between the AG findings and management will be cleared on time.   | 31 August 2011                               |
| 11      | Completeness and valuation of <b>unauthorised expenditure</b> could not be confirmed.   | Management should include the correction of the unauthorised expenditure in the disclosure notes to the financial statements.<br><br>Management must ensure that the full budget report and the variances on the budget versus actual cost are followed up on a monthly basis. | Agreed. The adjustment budget for 2009/10 was not submitted on time due to delay in completion of all the journals relating to 2009/10.  | Management will follow up variances on budget versus actual on a monthly basis to detect any votes exceeding budget. The adjustment budget will be submitted on time to Council.<br><br>Suspense account will not be used.<br><br>Communication will be established with the AG to determine how the 2009/10 adjustment budget will reduce the audit finding going forward. | Monthly<br><br>Monthly<br><br>31 August 2011 |

| Section | Audit Finding  | Recommendation  | Management Response  | Action Plan   | Target date                          |
|---------|--|---|--|---|--------------------------------------|
| 12      | Limitation of scope that management has properly identified investigated and recorded all <b>irregular expenditure</b> transactions for the year under review. | <p>The municipality should put measures in place to detect/to detect reoccurrence of irregular expenditure.</p> <p>Management should put procedures to recover any unauthorised, fruitless &amp; wasteful expenditure and irregular expenditure from persons liable for that expenditure.</p> <p>Management should inform relevant authorities of any unauthorised, irregular or fruitless and wasteful expenditure incurred by</p> | Agreed.  | <p>There has been an improvement in compliance from the time that the supply chain manager was appointed (February 2011). The occurrence of irregular expenditure is being managed.</p> <p>For all recurring audit findings coming from previous years for which no supporting documents cannot be found, management will submit a report to Council to request that these items be condoned.</p> | <p>Monthly</p> <p>31 August 2011</p> |
| 13      | <b>Fruitless and wasteful expenditure</b> could not be confirmed due to breakdown not given to auditors  | Proper record keeping and record management; the documents supporting the expenditure are not properly filed and easily retrievable.  | <p>Agreed that a proper breakdown should always be maintained of fruitless and wasteful expenditure.</p> <p>Management is also concerned the audit file provided to the auditors was not correctly used by the auditors as some of the information was in these files.</p> | For any late payment on major creditors that result in interest being incurred by the municipality, a payment arrangement is made with the relevant supplier. Even though the interest will still be incurred, it will not be classified as fruitless and wasteful provided management is able to produce to the AG a proof of debt repayment arrangement.  | Monthly                              |
| 14      | Disclosures (Budget disclosures and financial instruments disclosures)   | <p>Exposure to financial risk was not properly disclosed in terms of IFRS 7</p> <p>Budget disclosure must be done in terms of GRAP 1.</p>   | Agreed   | Management will disclose the information as required by the Accounting Standards and will adjust comparative figures accordingly.   | 31 August 2011                       |

## Report of the Audit Committee

The Audit Committee is pleased to present the report for the financial year ended 30 June 2010 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 four occasions in terms of section 166 (4) b of the MFMA and the approved Audit Committee charter.

Meetings were held on the following dates:

1. 15 September 2009
2. 13 November 2009
3. 15 January 2010
4. 13 April 2010
5. 10 June 2010

#### **Name of the Members**

1. Mr. T Mabunda (Chairperson)
2. Mr. GA Ntsala
3. Mr. O Thenga
4. Mr. A Taylor
5. Ms. W Van der Berg

### **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.

**T MABUNDA**  
**CHAIRPERSON**

## Audited Financial Statements



### **MOQHAKA LOCAL MUNICIPALITY ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

I am responsible for the presentation of these annual financial statements, which are set out on pages 1 to 47, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 24 of these annual financial statements, are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

---

MS Mqwathi  
Municipal Manager

## MOQHAKA LOCAL MUNICIPALITY

### ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

---

#### INDEX

|  | <b>Page</b> |
|--|-------------|
| General information  | 89          |
| Report of the Auditor-General  | x           |
| Statement of Financial Position  | 91          |
| Statement of Financial Performance   | 92          |
| Statement of Changes in Net Assets   | 93          |
| Cash Flow Statement  | 94          |
| Accounting Policies to the Annual Financial Statements   | 95-112      |
| Notes to the Annual Financial Statements   | 113-148     |
| Appendix A: Schedule of External Loans   | 149         |
| Appendix B: Analysis of Property, Plant and Equipment  | 150         |
| Appendix C: Segmental Analysis of Property, Plant and Equipment  | 151         |
| Appendix D: Segmental Statement of Financial Performance   | 152         |
| Appendix E1: Actual versus Budget (Revenue and Expenditure)  | 153         |
| Appendix F: Disclosures of Grants and Subsidies in terms of section<br>123 of the Municipal Finance Management Act, 2003 | 154         |



**MOQHAKA LOCAL MUNICIPALITY**

**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

**GENERAL INFORMATION**

---

|  |  |
|--|--|
| <b>Country of incorporation and domicile</b>         | South Africa   |
| <b>Nature of operations and principal activities</b> | Providing municipal services and maintain the best interests of the local community mainly in the Moqhaka area   |
| <b>Legal form</b>                                    | An organ of state within the local sphere of government exercising legislative and executive authority   |
| <b>Jurisdiction</b>                                  | The entity is a local municipality, as demarcated by the Demarcation Board   |
| <b>Grading of local authority</b>                    | The Moqhaka Municipality is a grade 4 Local Authority in terms of item IV of Government Notice R999 of 2 October 2001, published in terms of the Remuneration of Public Office Bearers Act, 1998   |
| <b>Relevant legislation</b>                          | The Constitution of the Republic of South Africa<br>The Municipal Structures Act 117 of 1998<br>The Municipal Systems Act 32 of 2000<br>The Municipal Finance Management Act 56 of 2003<br>The Municipal Property Rates Act 6 of 2004<br>The Basic Conditions of Employment Act 75 of 1997<br>The Value Added Tax Act 89 of 1991<br>The Skills Development Act 9 of 1999<br>The Water Service Act 108 of 1997<br>The Housing Act of 1997<br>The Promotion of Access to Information Act 2 of 2000<br>The Disaster Management Act 57 of 2000 |
| <b>Business address</b>                              | PO Box 302<br>Kroonstad<br>9500  |
| <b>Registered office</b>                             | Municipal Offices<br>Hill Street Kroonstad<br>9499   |
| <b>Bankers</b>                                       | ABSA Bank Limited: Kroonstad<br>First National Bank: Steynsrus   |
| <b>Auditors</b>                                      | The Auditor General: Free State  |
| <b>Attorneys</b>                                     | Du Randt and Louw  |
| <b>Municipal Manager</b>                             | Mqwathi, MS  |
| <b>Chief Financial Officer</b>                       | Mokoena, MP (since August 2010)  |
| <b>Executive Mayor</b>                               | Mokgosi MA   |

**MOQHAKA LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

**Councillors and their portfolios**

|   |  |
|---|--|
| <b>Speaker</b>                          | Mohapi MJ  |
| <b>Chairperson WHIP</b>                 | Mareka J   |
| <b>Members of The Mayoral Committee</b> | Councillor: Matli SJ<br>Councillor: Matshidisho DA Councillor: Mokoena S Councillor: Moletsane ER<br>Councillor: Nakedi ACWD Councillor: Pietersen ML Councillor: Thipane MP   |
| <b>Members of Council</b>               | Councillor: Brink DJ<br>Councillor: Dire AMS Councillor: George DSL Councillor: Grimbeek SA<br>Councillor: Hatting JM Councillor: Jordaan ECJ Councillor: Kolo MA<br>Councillor: Leokaoka T J Councillor: Letsabo MJ Councillor: Machobane ML<br>Councillor: Makale DM Councillor: Makau TL Councillor: Makwele EM<br>Councillor: Manefeldt ZJC Councillor: Mantso KM Councillor: Masuret A<br>Councillor: Mbono MD Councillor: Mckenzie AE Councillor: Mkhotheni NW<br>Councillor: Mkhwanazi TM Councillor: Moabi ME Councillor: Moamogoa MS<br>Councillor: Mofokeng MJ Councillor: Mohlolo PM Councillor: Mokodutlo NP<br>Councillor: Mokotla ME Councillor: Monoto MA Councillor: Notsi EM<br>Councillor: Pittaway M Councillor: Ramotsie JM Councillor: Raphuting PP<br>Councillor: Seakhela SS Councillor: Seheri MF Councillor: Shahim DM<br>Councillor: Rautenbach Councillor: Taje FM<br>Councillor: Tau SS<br>Councillor: Tladi SB<br>Councillor: Tumisi TJ Councillor: Viljoen AH Councillor: Wille GV |

**MOQHAKA LOCAL MUNICIPALITY**

**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2010**

|   | Note | 2010<br>R            | 2009<br>Restated<br>R |
|---|------|----------------------|-----------------------|
| <b>ASSETS</b>                                   |      |                      |                       |
| <b>Non-current assets</b>                       |      | <b>1 142 428 775</b> | <b>1 110 057 146</b>  |
| Property, plant and equipment                   | 1    | 1 118 122 256        | 1 085 284 038         |
| Intangible Assets                               | 2    | 977 680              | 1 228 303             |
| Investment Property                             | 3    | 23 213 775           | 23 355 009            |
| Investments                                     | 4    | 115 064              | 189 796               |
| <b>Current assets</b>                           |      | <b>68 649 612</b>    | <b>86 557 638</b>     |
| Inventory                                       | 6    | 3 601 578            | 4 522 420             |
| Consumer receivables from exchange transactions | 7    | 51 381 008           | 74 463 356            |
| Other receivables from exchange transactions    | 8    | 1 474 303            | 1 172 238             |
| Receivable from operating lease                 | 9    | 90 524               | 77 015                |
| Cash and cash equivalents                       | 10   | 4 736 834            | 1 008 087             |
| VAT receivable from exchange transactions       | 17   | 7 180 820            | 3 452 782             |
| Investments                                     | 4    | 184 545              | 1 861 740             |
| <b>Total assets</b>                             |      | <b>1 211 078 387</b> | <b>1 196 614 784</b>  |
| <b>NET ASSETS AND LIABILITIES</b>               |      |                      |                       |
| <b>Net assets</b>                               |      | <b>1 046 851 221</b> | <b>1 058 455 015</b>  |
| Accumulated surplus                             |      | 1 046 851 221        | 1 058 455 015         |
| <b>Non-current liabilities</b>                  |      | <b>24 194 021</b>    | <b>26 283 192</b>     |
| Loans and borrowings                            | 11   | 22 254 542           | 23 495 216            |
| Provisions                                      | 12   | 1 939 479            | 2 787 976             |
| <b>Current liabilities</b>                      |      | <b>140 033 145</b>   | <b>111 876 577</b>    |
| Consumer deposits                               | 13   | 7 237 055            | 6 415 264             |
| Employee benefits                               | 14   | 3 954 788            | 4 008 542             |
| Payables from exchange transactions             | 15   | 102 416 615          | 66 738 546            |
| Unspent conditional grants and receipts         | 16   | 2 724 364            | 5 932 950             |
| VAT payable from exchange transactions          | 17   | 4 050 840            | 8 122 125             |
| Bank Overdraft                                  | 10   | 893                  | 9 896 755             |
| Loans and borrowings                            | 11   | 19 648 589           | 10 762 394            |
| <b>Total net assets and liabilities</b>         |      | <b>1 211 078 387</b> | <b>1 196 614 784</b>  |

**MOQHAKA LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010**

|   | Note | 2010<br>R           | 2009<br>Restated<br>R |
|---|------|---------------------|-----------------------|
| <b>REVENUE FROM EXCHANGE TRANSACTIONS</b>           |      |                     |                       |
| Service charges                                     | 19   | 177 144 235         | 138 801 718           |
| Rental income                                       |      | 3 160 310           | 2 690 747             |
| <b>Total revenue from exchange transactions</b>     |      | <b>180 304 545</b>  | <b>141 492 465</b>    |
| <b>REVENUE FROM NON EXCHANGE TRANSACTIONS</b>       |      |                     |                       |
| Property rates                                      | 18   | 34 342 953          | 28 090 868            |
| Fines   |      | 813 557             | 765 069               |
| Government grants and subsidies                     | 21   | 147 890 998         | 107 420 026           |
| <b>Total revenue from non exchange transactions</b> |      | <b>183 047 508</b>  | <b>136 275 963</b>    |
| Other income  | 22   | 5 003 027           | 11 169 637            |
| Gain on disposal of property, plant and equipment   |      | -                   | 428 303               |
| Fair value through surplus and deficit              |      | 30 896              | 4 336                 |
| <b>Total income</b>                                 |      | <b>368 385 977</b>  | <b>289 370 704</b>    |
| <b>EXPENDITURE</b>                                  |      |                     |                       |
| Employee related costs                              | 23   | 119 246 354         | 111 288 397           |
| Remuneration of councillors                         | 24   | 12 009 197          | 11 217 905            |
| Impairment of debtor accounts                       |      | 39 953 076          | 29 129 102            |
| Write off erven sales                               |      | 3 002 698           | -                     |
| Depreciation  |      | 45 000 356          | 44 489 855            |
| Impairment of assets                                |      | -                   | 608 804               |
| Repairs and maintenance                             |      | 17 892 423          | 19 864 078            |
| Loss on disposal of property, plant and equipment   |      | 130 034             | -                     |
| Bulk purchases                                      | 26   | 86 326 205          | 64 454 175            |
| Contracted services                                 |      | 6 481 740           | 6 336 442             |
| General expenses                                    | 27   | 44 291 130          | 51 357 000            |
| <b>Total expenditure</b>                            |      | <b>374 333 213</b>  | <b>338 745 760</b>    |
| <b>NET FINANCE COST</b>                             |      |                     |                       |
| Interest earned - outstanding receivables           |      | 4 154 269           | 5 223 689             |
| Investment income                                   | 20   | 262 580             | 563 157               |
| Finance cost  | 25   | (10 073 406)        | (7 464 865)           |
| <b>Net finance cost</b>                             |      | <b>(5 656 558)</b>  | <b>(1 678 019)</b>    |
| <b>DEFICIT FOR THE YEAR</b>                         |      | <b>(11 603 794)</b> | <b>(51 053 075)</b>   |

(a) Refer to Appendix E1 for the comparison with the approved budget.

**MOQHAKA LOCAL MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2010**

---

|   | Accumulated<br>Surplus/<br>(Deficit)<br>R | Total<br><br>R              |
|---|---|-----------------------------|
| <b>Balance at 30 June 2008 as previously reported</b> | 1 119 144 566                             | 1 119 144 566               |
| Restatement of opening balance                        | (9 636 476)                               | (9 636 476)                 |
| <b>Balance at 30 June 2008 restated</b>               | <u>1 109 508 090</u>                      | <u>1 109 508 090</u>        |
| Deficit as previously reported                        | (40 239 001)                              | (40 239 001)                |
| Restatement of deficit                                | (10 814 073)                              | (10 814 073)                |
| <b>Balance at 30 June 2009</b>                        | <u>1 058 455 015</u>                      | <u>1 058 455 015</u>        |
| Surplus/(deficit) for the year                        | <b>(11 603 794)</b>                       | <b>(11 603 794)</b>         |
| <b>Balance at 30 June 2010</b>                        | <u><b>1 046 851 221</b></u>               | <u><b>1 046 851 221</b></u> |

**MOQHAKA LOCAL MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010**

|   | Note | 2010<br>R           | 2009<br>Restated<br>R |
|---|------|---------------------|-----------------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                    |      |                     |                       |
| Cash receipts from ratepayers, government and other           |      | 350 486 781         | 270 496 782           |
| Cash paid to suppliers and employees                          |      | (262 618 496)       | (270 834 885)         |
| Cash generated from operations                                | 28   | <b>87 868 286</b>   | <b>(338 101)</b>      |
| Interest received   |      | 4 379 035           | 5 771 586             |
| Dividends received  |      | 37 814              | 15 260                |
| Interest paid   |      | (10 073 406)        | (7 464 865)           |
| <b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>                |      | <b>82 211 728</b>   | <b>(2 016 120)</b>    |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                    |      |                     |                       |
| Acquisitions for property, plant and equipment                |      | (78 016 981)        | (3 855 083)           |
| Increase in investments                                       |      | 1 782 823           | (1 031 966)           |
| Proceeds on disposal of property, plant and equipment         |      | 1 518               | 1 474 624             |
| <b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>                |      | <b>(76 232 640)</b> | <b>(3 412 425)</b>    |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                    |      |                     |                       |
| Receipts from / (Repayment of) borrowings                     |      | 7 645 521           | (245 931)             |
| <b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>                |      | <b>7 645 521</b>    | <b>(245 931)</b>      |
| <b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b> |      | <b>13 624 609</b>   | <b>(5 674 476)</b>    |
| Cash and cash equivalents at the beginning of the year        |      | (8 888 669)         | (3 214 192)           |
| Cash and cash equivalents at the end of the year              | 10   | 4 735 941           | (8 888 669)           |

**MOQHAKA LOCAL MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

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

***BASIS OF PREPARATION***

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 financial statements are compiled with reference to the standards included in the GRAP reporting framework, Appendix B, as determined in Directive 5 issued by the Accounting Standards Board.

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, 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.

***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:

| <b>Standard</b>  | <b>Details of amendment and anticipated impact thereof</b>  | <b>Annual periods beginning on or after</b>                        |
|--|---|--|
| 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  | To be determined by the Minister of Finance (issued November 2007) |

**MOQHAKA LOCAL MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

| Standard  | Details of amendment and anticipated impact thereof   | Annual periods beginning on or after                              |
|---|---|---|
|   | assets.   |   |
| GRAP 25 – Employee Benefits   |   |   |
| 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)    |
| GRAP 104 – Financial Instruments  | The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments. The impact on the financial statements for 30 June 2010 has not yet been estimated.  | To be determined by the Minister of Finance (issued October 2009) |
| IGRAP 2 - Changes in Existing Decommissioning, Restoration and Similar Liabilities (Issued February 2010) | This Interpretation of the Standards of GRAP provides guidance on how to account for the effect of changes in the measurement of existing decommissioning, restoration and similar liabilities. The impact on the financial statements for 30 June 2010 has not yet been estimated. | 1 April 2011  |

***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 INFORMATION***

Budget information in accordance with GRAP 1 and based on IPSAS 24, has been provided in Annexure E to these 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 in note 42.

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. The nature and reason for the reclassification is disclosed in note 42.

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.



**MOQHAKA LOCAL MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

***EVENTS AFTER THE BALANCE SHEET DATE***

The Minister of Finance has, in terms of Section 91 of the Public Finance Management Act, 1999 (Act No. 1 of 1999), prescribed the following Standards as set by the Accounting' Standards Board in terms of Section 89:

GRAP 21 Impairment of non-cash generating assets  
GRAP 23 Revenue from non-exchange transactions  
GRAP 24 Presentation of budget information in financial statements  
GRAP 26 Impairment of cash generating assets  
GRAP 103 Heritage assets

All Municipalities and Municipal Entities (unless determined otherwise) shall apply these standards for financial statements covering periods beginning on or after 1 April 2012.

The impact on the municipality has not yet been estimated.

***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 reporting date. In determining whether an impairment loss should be recorded in the Statement of Financial Performance, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

In assessing collective impairment the municipality uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. Refer to the following notes for information on the carrying amount of loans and receivables:

Note 4 *Investments*

Note 7 *Consumer receivables from exchange transactions* and Note 8 *Other receivables from exchange transactions*

***Allowance for slow moving, damaged and obsolete inventory***

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. Refer to Note 6 for information on the carrying amount of inventory. The write down is included in the Statement of Financial Performance in the year in which they arose.

**MOQHAKA LOCAL MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

**Fair value estimation**

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the municipality is the current bid price.

**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 or recoverable service amounts of cash-generating units and individual are determined based on the higher of value-in-use calculations and fair values less cost to sell.

**Effective interest rate and deferred payment terms**

The municipality uses an appropriate interest rate, taking into account guidance provided in the accounting standards, and applying professional judgement to the specific circumstances, to discount future cash flows.

Appropriate adjustments have been made to compensate for the effect of deferred settlement terms that materially impact on the fair value of financial instruments, revenue and expenses at initial recognition. The adjustments require a degree of estimation around the discount rates and periods used.

**Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of the estimates applied in the measurement of provisions is included in note 12 – Non Current Provisions.

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 time value effect is material.

**Useful lives and residual values**

The municipality re-assess the useful lives and residual values of property, plant and equipment and intangible assets 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.

**GRAP 24: Presentation of Budget Information**

The municipality is required to present a comparison of the budget amounts for which it is held publicly accountable and actual. The comparison of budget and actual amounts present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which

the municipality is held publicly accountable and actual amounts.

**MOQHAKA LOCAL MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

***PROPERTY, PLANT AND***

***EQUIPMENT*** Initial recognition

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

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.

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

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

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

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

**Subsequent measurement**

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

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it meets the recognition criteria.

**Depreciation and impairment**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. 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. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. Depreciation commence when the asset is ready for its intended use. The annual depreciation rates are based on the following estimated average asset lives:

| <b>Asset Class</b>                     | <b>Expected depreciation period</b> |
|--|-------------------------------------|
| Electricity                            | 10 – 160 years                      |
| Parks infrastructure assets            | 4 – 160 years                       |
| Potable water networks                 | 8 – 135 years                       |
| Roads, bridges and roadside structures | 4 – 165 years                       |
| Waste water networks                   | 5 – 135 years                       |
| Storm water                            | 45- 160 years                       |
| Solid waste                            | 15 – 40 years                       |
| Community assets                       | 4 – 160 years                       |
| Heritage Assets                        | Not depreciated                     |
| Buildings                              | 30 – 190 years                      |
| Vehicles                               | 2 – 35 years                        |
| Office Equipment                       | 2 – 60 years                        |
| Furniture                              | 2 – 45 years                        |
| IT Equipment                           | 2 – 45 years                        |
| Plant and Equipment                    | 2 – 85 years                        |

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

### **De-recognition**

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

### **INTANGIBLE**

#### **ASSETS Initial**

#### **recognition**

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. Software that is an integral part of the related hardware is classified as Property, Plant and Equipment. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future

economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

**MOQHAKA LOCAL MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- 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 initially recognised at cost.

**Subsequent measurement – Cost model**

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

**Amortisation and impairment**

Amortisation is charged so as to write off the cost of intangible assets over their estimated useful lives using the straight line method. Amortisation commences when the asset is ready for its intended use. The annual amortisation rates are based on the following estimated average asset lives:

| <b>Intangible asset</b>              |                 |
|--------------------------------------|-----------------|
| Computer software – financial system | <u>20 years</u> |
| Computer operating system licences   | <u>5 years</u>  |

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

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

**MOQHAKA LOCAL MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

**De-recognition**

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

**INVESTMENT**

**PROPERTY Initial**

**recognition**

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn long-term rentals yields and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

Investment property is recognised as an asset when it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliably.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

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

**Subsequent measurement**

Investment property is measured at cost less accumulated depreciation and impairment losses.

| <b><u>Asset Class</u></b> | <b><u>Expected depreciation period</u></b> |
|---------------------------|--|
| Investment property       | 30 – 90 years                              |

**De-recognition**

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

**INVENTORIES Initial recognition**

Inventories comprise consumables, water inventory and capital projects inventory. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non refundable taxes, transport costs and any other costs in bringing the inventories to their current location and condition.

Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

**MOQHAKA LOCAL MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

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

**Subsequent measurement**

Inventories are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is 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.

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:

| <b>Inventory classes</b> | <b>Measurement basis</b> |
|--------------------------|--------------------------|
| Consumable stores        | First-in-first-out       |
| Water Inventory          | Average cost             |

The cost of inventories of items that are produced and segregated for specific projects is assigned using specific identification of the individual costs. The same cost formula is used for all inventories having a similar nature and use to the entity.

**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.

**MOQHAKA LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

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 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 Property, Plant and Equipment or Intangible Assets 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 of the unit 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.

## ***FINANCIAL***

### ***INSTRUMENTS***

#### **Initial recognition**

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

Financial assets and financial liabilities are recognised on the municipality's Statement of Financial Position when the municipality becomes party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are accounted for at trade date.

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. 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.



**MOQHAKA LOCAL MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

**Financial Assets**

Investments in fixed deposits and short-term deposits invested in registered commercial banks, are categorised as loans and receivables, and are measured at fair value including transaction costs, upon initial recognition and thereafter carried at amortised cost, using the effective interest rate method.

Investments in listed and unlisted shares are categorised as financial assets at fair value through surplus or deficit (held for trading) and are measured at fair value, and changes therein are recognised in profit or loss.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

**Fair value determination**

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

The fair value of financial assets at fair value through surplus or deficit is determined by reference to their quoted closing bid price at the reporting date.

**Trade and other receivables**

Trade receivables classified as loans and receivables and are measured at initial recognition at fair value plus direct transaction costs.

Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Default or delinquency in payments is considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset 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 payables and Borrowings**

Trade payables and borrowings are initially measured at fair value, including transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

**MOQHAKA LOCAL MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

**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.

Cash and cash equivalents are classified as loans and receivables.

**Financial assets at fair value through surplus or deficit**

Financial assets at fair value through surplus or deficit are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term.

Assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned.

Assets are measured initially and subsequently at fair value. Gains and losses arising from changes in fair value are included in surplus or deficit for the period.

Transaction costs are recognised in surplus or deficit. Dividend income is recognised in the Statement of Financial Performance as part of other income when the entity's right to receive payment is established.

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

**Derecognition**

A financial asset is derecognised when the contractual rights to the cash flow from the asset expires.

A financial liability is derecognised when its contractual obligations are cancelled, discharged

or expires.

**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 - 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
- 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.

If an arrangement contains a lease, then the requirement of GRAP 13 are applied only to the lease element of the arrangement. At the inception of such arrangements, payments required by the arrangement should be split into lease payments and payments related to other elements of the arrangement based on their relative fair values.

## **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 either a pre-paid expense asset or liability depending on whether the payment exceeds the expense or vice versa.

**MOQHAKA LOCAL MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

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

### ***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 it can be measured reliably it can be measured reliably and it is probable that there will be an outflow of economical benefits.

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

The expected cost of surplus 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**

Payments to defined contribution retirement 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 entity's obligation under the schemes is equivalent to those arising in a defined contribution plan.

#### **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.

### ***PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT***

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

**MOQHAKA LOCAL MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

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.

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets are not recognised in financial statements since this may result in the recognition of revenue that may never be realised. However, when the realisation of revenue is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate. Contingencies are disclosed in the notes to the annual financial statements.

## **REVENUE**

### **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. Moqhaka Local Municipality classifies revenue received from taxes and transfers (whether cash or non-cash, including grants, debt forgiveness, fines, bequests, gifts, donations and goods and services in-kind) as non-exchange revenue.

**MOQHAKA LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

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

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised on a cash basis after attempting to make reasonable estimate of the amount that is expected to be 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. Contributed property, plant and equipment qualify for recognition either when the item is available for use or when the risks and rewards of ownership have transferred.

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.

**Revenue from Exchange transactions**

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

Exchange Revenue comprises of rates, service charges for sanitation, water, refusal removal, grants and income for agency services.

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

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the Statement of Financial Position date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

**MOQHAKA LOCAL MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business.

Interest is recognised, in surplus or deficit, on a time proportionate basis using the effective interest rate method, when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and the amount of the revenue can be measured reliably before it is recognised as interest income

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

Dividends are recognised, in surplus or deficit, when the entity's right to receive payment has been established, and it can be measured reliably.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

***UNAUTHORISED, IRREGULAR AND FRUITLESS AND WASTEFUL EXPENDITURE***

Unauthorised expenditure is expenditure that has not been budgeted for; expenditure that is not in terms of the conditions of an allocation received from another sphere of government, Municipality or organ of state; and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act. 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.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act, the Municipal Systems Act and the Public Office Bearers Act or any other applicable legislation, or 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.

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

**MOQHAKA LOCAL MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

***BORROWING COST***

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.

***RELATED PARTIES***

Parties are considered to be related if one party has the ability to control the other party or exercise Significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- entities that are directly or indirectly controlled by the municipality;
- associates;
- key management personnel, and close members of the family of key management personnel;
- entities in which a substantial ownership interest is held, directly or indirectly, by key management personnel or entities over which such a person is able to exercise significant influence.

The municipality's key management personnel includes the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.



MOQHAKA LOCAL MUNICIPALITY  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

1 PROPERTY, PLANT AND  
EQUIPMENT 30 June 2010

Reconciliation of Carrying Value

|  | Infrastructure work in progress* | Land             | Buildings         | Infrastructure       | Community assets - Land | Community assets - Buildings | Heritage                 | Vehicles          | Other                | Total |
|--|----------------------------------|------------------|-------------------|----------------------|-------------------------|------------------------------|--------------------------|-------------------|----------------------|-------|
|  | R                                | R                | R                 | R                    | R                       | R                            | R                        | R                 | R                    | R     |
| <b>Carrying values at 1 July 2009</b>  |                                  | <b>6 349 092</b> | <b>12 469 931</b> | <b>1 000 400 092</b> | <b>920 448</b>          | <b>32 653 709</b>            | <b>17 544 18 209 294</b> | <b>14 263 929</b> | <b>1 085 284 038</b> |       |
| Cost                                   |                                  | 6 349 092        | 21 226 446        | 2 137 285 459        | 920 448                 | 80 442 049                   | 17 544 22 698 604        | 22 718 043        | 2 291 657 685        |       |
| Accumulated depreciation               |                                  | -                | (8 756 516)       | (1 136 885 367)      | -                       | (47 788 340)                 | - (4 489 310)            | (8 454 114)       | (1 206 373 647)      |       |
| Acquisitions                           | 60 801 087                       | -                | -                 | 2 832 762            | -                       | -                            | - 11 891 657             | 2 491 474         | 78 016 981           |       |
| Depreciation                           |                                  | -                | (249 835)         | (39 177 186)         | -                       | (1 888 696)                  | - (671 631)              | (3 059 863)       | (45 047 210)         |       |
| Transfer to completed                  | (18 683 756)                     | -                | -                 | 18 683 756           | -                       | -                            | -                        | -                 | -                    |       |
| Carrying value of disposals            |                                  | -                | -                 | -                    | -                       | -                            | - (129 314)              | (2 238)           | (131 552)            |       |
| Cost / revaluation                     |                                  | -                | -                 | -                    | -                       | -                            | - (130 829)              | (5 675)           | (136 504)            |       |
| Accumulated depreciation               |                                  | -                | -                 | -                    | -                       | -                            | - 1 516                  | 3 437             | 4 953                |       |
| <b>Carrying values at 30 June 2010</b> | <b>42 117 331</b>                | <b>6 349 092</b> | <b>12 220 096</b> | <b>982 739 424</b>   | <b>920 448</b>          | <b>30 765 013</b>            | <b>17 544 29 300 006</b> | <b>13 693 303</b> | <b>1 118 122 256</b> |       |
| Cost                                   | 42 117 331                       | 6 349 092        | 21 226 446        | 2 158 801 977        | 920 448                 | 80 442 049                   | 17 544 34 459 432        | 25 203 842        | 2 369 538 160        |       |
| Accumulated depreciation               |                                  | -                | (9 006 350)       | (1 176 062 553)      | -                       | (49 677 036)                 | - (5 159 425)            | (11 510 540)      | (1 251 415 904)      |       |

\* Infrastructure Work in Progress refers to infrastructure projects which are still in the process of being completed. In prior years these assets were capitalised and included in Infrastructure. Starting in the current financial year these assets are separately shown. However it was impracticable to recalculate the prior year number.

30 June 2009

Reconciliation of Carrying Value

|  | Land             | Buildings         | Infrastructure       | Community assets - Land | Community assets - Buildings | Heritage                 | Vehicles          | Other                | Total |
|--|------------------|-------------------|----------------------|-------------------------|------------------------------|--------------------------|-------------------|----------------------|-------|
|  | R                | R                 | R                    | R                       | R                            | R                        | R                 | R                    | R     |
| <b>Carrying values at 1 July 2008</b>  | <b>6 349 092</b> | <b>12 685 122</b> | <b>1 036 090 065</b> | <b>920 448</b>          | <b>34 542 405</b>            | <b>17 544 19 644 848</b> | <b>16 299 504</b> | <b>1 126 549 027</b> |       |
| Cost                                   | 6 349 092        | 21 192 846        | 2 134 550 582        | 920 448                 | 80 442 049                   | 17 544 25 778 064        | 21 294 050        | 2 290 544 676        |       |
| Accumulated depreciation               | -                | (8 507 724)       | (1 098 460 518)      | -                       | (45 899 645)                 | - (6 133 216)            | (4 994 546)       | (1 163 995 649)      |       |
| Acquisitions                           | -                | 33 600            | 2 734 877            | -                       | -                            | - 80 581                 | 1 423 993         | 4 273 051            |       |
| Depreciation                           | -                | (248 791)         | (38 424 849)         | -                       | (1 888 696)                  | - (469 814)              | (2 850 764)       | (43 882 914)         |       |
| Carrying value of disposals            | -                | -                 | -                    | -                       | -                            | - (1 046 321)            | -                 | (1 046 321)          |       |
| Cost / revaluation                     | -                | -                 | -                    | -                       | -                            | - (3 160 041)            | -                 | (3 160 041)          |       |
| Accumulated depreciation               | -                | -                 | -                    | -                       | -                            | - 2 113 720              | -                 | 2 113 720            |       |
| Impairment losses                      | -                | -                 | -                    | -                       | -                            | -                        | - (608 804)       | -                    |       |
| <b>Carrying values at 30 June 2009</b> | <b>6 349 092</b> | <b>12 469 931</b> | <b>1 000 400 092</b> | <b>920 448</b>          | <b>32 653 709</b>            | <b>17 544 18 209 294</b> | <b>14 263 929</b> | <b>1 085 284 038</b> |       |
| Cost                                   | 6 349 092        | 21 226 446        | 2 137 285 459        | 920 448                 | 80 442 049                   | 17 544 22 698 604        | 22 718 043        | 2 291 657 685        |       |
| Accumulated depreciation               | -                | (8 756 516)       | (1 136 885 367)      | -                       | (47 788 340)                 | - (4 489 310)            | (8 454 114)       | (1 206 373 647)      |       |

There are currently no restrictions on title and property, plant and equipment as a result of them being pledged as securities for liabilities.

The entity currently has the following capital commitments with regards to capital expenditure on Infrastructure assets: (refer to note 30 for detailed disclosures regarding capital commitments)

|                             | 2010<br>R  | 2009<br>R  |
|-----------------------------|------------|------------|
| Approved and contracted for | 58 526 685 | 59 874 697 |
|                             | 58 526 685 | 59 874 697 |

Prior period amounts have been restated. Refer to note 43 for an explanation of the restatements made.

Included in *Other Income* is an amount of R149 933 received from insurers for items of Property, Plant and Equipment that were damaged, lost or stolen.

Included in other assets is leased vehicles and [equipment](#) [Net](#) carrying value of leased assets

|   | 2010<br>R    | 2009<br>R   |
|---|--------------|-------------|
| <i>Motor vehicles</i> Opening balance   | -            | -           |
| New finance leases                      | 11 372 181   | -           |
| Finance lease expired                   | (130 829)    | -           |
| Depreciation                            | (230 760)    | -           |
| Closing balance                         | 11 010 592   | -           |
| <i>Office Equipment</i> Opening balance | 8 848 283    | 10 722 156  |
| New finance leases                      | -            | 179 442     |
| Finance lease expired                   | -            | -           |
| Depreciation                            | (2 116 942)  | (2 053 315) |
| Closing balance                         | 6 731 341    | 8 848 283   |
| Lease liability (refer note 11)         | (8 952 232)  | (22 953)    |
| Motor vehicles                          | (7 120 348)  | (6 529 864) |
| Office Equipment                        | (16 072 580) | (6 552 817) |

MOQHAKA LOCAL MUNICIPALITY  
 NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010  
 2 INTANGIBLE ASSETS

|                               | 2009<br>Restated<br>R |                  |
|-------------------------------|-----------------------|------------------|
| <b>Opening carrying value</b> | <b>1 228 303</b>      | <b>1 694 008</b> |
| Cost                          | 2 610 724             | 2 610 724        |
| Accumulated amortisation      | (1 382 420)           | (916 716)        |
| Acquisitions                  | -                     | -                |
| Amortisation                  | (250 623)             | (465 705)        |
| <b>Closing carrying value</b> | <b>977 680</b>        | <b>1 228 303</b> |
| Cost                          | 2 610 724             | 2 610 724        |
| Accumulated amortisation      | (1 633 044)           | (1 382 420)      |

Intangible assets consists of computer software

**3 INVESTMENT PROPERTY 30 June 2010**  
 Reconciliation of Carrying Value

|  | Land              | Buildings        | Total             |
|--|-------------------|------------------|-------------------|
|  | R                 | R                | R                 |
| <b>Carrying values at 1 July 2009</b>  | <b>16 292 931</b> | <b>7 062 077</b> | <b>23 355 009</b> |
| Cost                                   | 16 292 931        | 13 755 610       | 30 048 541        |
| Accumulated depreciation               | -                 | (6 693 533)      | (6 693 533)       |
| Depreciation                           | -                 | (141 234)        | (141 234)         |
| <b>Carrying values at 30 June 2010</b> | <b>16 292 931</b> | <b>6 920 844</b> | <b>23 213 775</b> |
| Cost                                   | 16 292 931        | 13 755 610       | 30 048 541        |
| Accumulated depreciation               | -                 | (6 834 767)      | (6 834 767)       |

**30 June 2009**

Reconciliation of Carrying Value

|  | Land              | Buildings        | Total             |
|--|-------------------|------------------|-------------------|
| <b>Carrying values at 1 July 2008</b>  | <b>16 292 931</b> | <b>7 203 311</b> | <b>23 496 242</b> |
| Cost                                   | 16 292 931        | 13 755 610       | 30 048 541        |
| Accumulated depreciation               | -                 | (6 552 299)      | (6 552 299)       |
| Depreciation                           | -                 | (141 234)        | (141 234)         |
| <b>Carrying values at 30 June 2009</b> | <b>16 292 931</b> | <b>7 062 077</b> | <b>23 355 009</b> |
| Cost                                   | 16 292 931        | 13 755 610       | 30 048 541        |
| Accumulated depreciation               | -                 | (6 693 533)      | (6 693 533)       |

Prior period amounts have been restated. Refer to note 43 for an explanation of the restatements made.

**MOQHAKA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

|  | 2010           | 2009             |
|--|----------------|------------------|
|  | R              | Restated<br>R    |
| <b>4 INVESTMENTS</b>   |                |                  |
| <b>Unlisted Shares</b>                                       | <b>173 245</b> | <b>142 349</b>   |
| Senwes Ltd Shares  | 89 847         | 66 203           |
| Senwesbel Ltd Shares   | 83 398         | 76 146           |
| <b>Financial instruments</b>                                 | <b>126 364</b> | <b>1 909 187</b> |
| Short-term deposits maturing before 12 months                | 11 300         | 1 861 740        |
| Fixed deposits   | 115 064        | 47 447           |
| <b>Total cash investments</b>                                |                |                  |
| <b>Total investments</b>                                     | <b>299 609</b> | <b>2 051 536</b> |
| <b>Non-current investments</b>                               | <b>115 064</b> | <b>189 796</b>   |
| Unlisted Shares  | -              | 142 349          |
| Fixed Deposits   | 115 064        | 47 447           |
| <b>Current investments</b>                                   | <b>184 545</b> | <b>1 861 740</b> |
| Unlisted Shares  | 173 245        |                  |
| Short-term deposits maturing before 12 months                | 11 300         | 1 861 740        |
| <b>Council's valuation of unlisted shares (Market value)</b> | <b>173 245</b> | <b>142 349</b>   |
| Senwes Ltd Shares  | 89 847         | 66 203           |
| Senwesbel Ltd Shares   | 83 398         | 76 146           |

**Unlisted Shares**

Unlisted shares consist of equity shares in Senwesbel Limited (no. of shares 18 130) and Senwes Limited (no. of shares 11 822). There was no movement in the volume of shares during the financial year.

**Pledged investments**

An investment of R1 1 300 held at First National Bank is pledged as security to Eskom for the electricity connection.

**Fair value of investments**

Fair values are determined annually at the reporting date. The fair value of Fixed Deposits and Short Term Deposits approximate their carrying values. The fair value of Listed Shares are determined by reference to their quoted price.

**5 LONG-TERM RECEIVABLES**

|                                    |          |          |
|------------------------------------|----------|----------|
| Housing selling scheme loans       | -        | 39 142   |
|                                    | -        | (39 142) |
| Less: provision for bad debt       |          |          |
| <b>Total long-term receivables</b> | <b>-</b> | <b>-</b> |

Housing loans are granted to qualifying individuals and public organisations in terms of the housing program. These loans attract interest of 7% per annum and are repayable over 10 years.

**MOQHAKA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

**6 INVENTORY**

|                            | R                | Restated<br>R    |
|----------------------------|------------------|------------------|
| Consumables - at cost      | 3 358 255        | 4 381 719        |
| Water inventory            | 184 529          | 106 208          |
| Capital projects inventory | 58 794           | 34 493           |
| <b>Total inventory</b>     | <b>3 601 578</b> | <b>4 522 420</b> |

**6.1 Inventories at fair value less cost to sell**

None of the inventories held by the municipality were measured at fair value less cost to sell.

Inventory recognised as an expense amounted to R 10 673 834 in the current year (2009: R19 706 694).

**6.2 Write downs of inventories and reversals of inventories**

Inventories held by the municipality were written down by R108 680 during the current year. There were no inventories written down in the prior year.

**7 CONSUMER RECEIVABLES**

|   | Gross Balance      | Provision for Bad Debt | Net Balance       |
|---|--------------------|------------------------|-------------------|
| <b>As at 30 June 2010</b>                                     |                    |                        |                   |
| <b>Service receivables</b>                                    | <b>217 955 926</b> | <b>(166574 918)</b>    | <b>51 381 008</b> |
| Electricity   | 25 261 387         | (17156 872)            | 8 104 516         |
| Refuse  | 21 890 287         | (17565 436)            | 4 324 851         |
| Sewerage  | 22 315 200         | (17339 309)            | 4 975 891         |
| Assessment rates  | 22 631 543         | (9622 128)             | 13 009 415        |
| Water   | 57 986 994         | (47414 754)            | 10 572 240        |
| Sundry Services   | 22 263 281         | (19532 304)            | 2 730 977         |
| Interest on Debtors   | 44 065 358         | (36761 303)            | 7 304 055         |
| Deposits  | 1 541 876          | (1182 812)             | 359 064           |
| <b>As at 30 June 2009 (Restated)</b>                          |                    |                        |                   |
| <b>Service receivables</b>                                    | <b>196 598 804</b> | <b>(122135 448)</b>    | <b>74 463 356</b> |
| Electricity   | 25 703 252         | (12421 871)            | 13 281 381        |
| Refuse  | 20 493 360         | (10280 439)            | 10 212 920        |
| Sewerage  | 19 960 234         | (9875 277)             | 10 084 957        |
| Assessment rates  | 20 030 823         | (16654 096)            | 3 376 727         |
| Water   | 42 304 670         | (21490 256)            | 20 814 414        |
| Sundry Services   | 25 911 946         | (24779 236)            | 1 132 710         |
| Interest on Debtors   | 40 956 400         | (25812 746)            | 15 143 654        |
| Deposits  | 1 238 119          | (821 526)              | 416 593           |
|   | <b>2010</b>        | <b>2009</b>            |                   |
|   | <b>R</b>           | <b>Restated</b>        | <b>R</b>          |
| <b><u>Rates: ageing</u></b>                                   | <b>22 631 543</b>  | <b>20030 823</b>       |                   |
| Current (0 – 30 days)   | 1 996 719          | 2881 687               |                   |
| 31 - 60 Days  | 805 612            | 1734 161               |                   |
| 61 - 90 Days  | 614 516            | 1277 906               |                   |
| 90+ Days  | 19 214 696         | 14137 069              |                   |
| <b><u>Electricity, Water, Refuse and Sewerage: ageing</u></b> | <b>195 324 384</b> | <b>176567 981</b>      |                   |
| Current (0 – 30 days)   | 10 619 741         | 12060 535              |                   |
| 31 - 60 Days  | 4 519 992          | 4453 731               |                   |
| 61 - 90 Days  | 3 722 236          | 3805 717               |                   |
| 90+ Days  | 176 462 415        | 156247 998             |                   |

MOQHAKA LOCAL MUNICIPALITY  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

7 CONSUMER RECEIVABLES FROM EXCHANGE TRANSACTIONS (continue)

| <u>Summary of receivables by customer classification</u> | <u>Consumers</u>  | <u>Industrial/Commercial</u> | <u>National and Provincial Government</u> |
|--|-------------------|------------------------------|---|
|  | R                 | R                            | R   |
| <b>30 June 2010</b>                                      |                   |                              |   |
| <b>Not passed due</b>                                    |                   |                              |   |
| Current (0 – 30 days)                                    | 6 054 223         | 4 274 019                    | 2 288 218                                 |
| <b>Passed due and not impaired</b>                       |                   |                              |   |
| 31 - 60 Days   | 4 664 270         | 473 357                      | 187 977                                   |
| 61 - 90 Days   | 3 971 358         | 246 807                      | 118 587                                   |
| <b>Passed due and impaired</b>                           |                   |                              |   |
| 90+ Days   | 185 482 243       | 9 604 262                    | 590 606                                   |
| <b>Sub-total</b>   | 200 172 094       | 14 598 445                   | 3 185 388                                 |
| Less: Provision for bad debt                             | (157 487 061)     | (8 897 999)                  | (189 858)                                 |
| <b>Total receivables by customer classification</b>      | <b>42 685 033</b> | <b>5 700 446</b>             | <b>2 995 530</b>                          |
| <b>30 June 2009 (Restated)</b>                           |                   |                              |   |
| Current (0 – 30 days)                                    | 7 392 360         | 5367 439                     | 2 182 423                                 |
| 31 - 60 Days   | 4 350 500         | 732 373                      | 1 105 020                                 |
| 61 - 90 Days   | 4 160 911         | 367 749                      | 554 962                                   |
| 90+ Days   | 166 330 962       | 2130 652                     | 1 923 452                                 |
| <b>Sub-total</b>   | 182 234 733       | 8598 213                     | 5 765 857                                 |
| Less: Provision for bad debt                             | (109 568 144)     | (9417 793)                   | (3 149 511)                               |
| <b>Total receivables by customer classification</b>      | <b>72 666 589</b> | <b>(819 580)</b>             | <b>2 616 346</b>                          |

|   | 2010        | 2009          |
|---|-------------|---------------|
|   | R           | Restated<br>R |
| <b>Reconciliation of bad debt provision</b>             |             |               |
| Balance at beginning of year                            | 122 135 448 | 89198 255     |
| Contributions to provision                              | 39 953 076  | 29129 102     |
| Amounts of VAT that have been included in the provision | 4 668 238   | 3809 301      |
| Bad debts written off against provision                 | (181 844)   | (1 210)       |
| Balance at the end of the year                          | 166 574 918 | 122 135 448   |

7.1 Fair value of consumer receivables

The fair value of consumer receivables approximate their carrying values

8 OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

|                                | 2010             | 2009             |
|--------------------------------|------------------|------------------|
|                                | R                | Restated<br>R    |
| Other receivables              | 2 169 810        | 143 856          |
| Unallocated amounts            | -                | 1 028 382        |
| <b>Total other receivables</b> | <b>2 169 810</b> | <b>1 172 238</b> |

Fair value of other receivables

The fair value other receivables approximate their carrying values.

**MOQHAKA LOCAL MUNICIPALITY  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

| 9                                      | 2010          | 2009          |
|--|---------------|---------------|
|  | R             | Restated<br>R |
| <b>RECEIVABLE FROM OPERATING LEASE</b> |               |               |
| Deferred operating lease asset         | 90 524        | 77 015        |
| <b>Total operating lease assets</b>    | <b>90 524</b> | <b>77 015</b> |

The Municipality leases out grazing camps under operating leases. The future minimum lease payments are as follows:

|                       |                |                |
|-----------------------|----------------|----------------|
| Not later than 1 year | 193 685        | 76 709         |
| Between 1 and 5 years | 296 234        | 332 413        |
| Later than 5 years    | -              | 8 873          |
|                       | <b>489 919</b> | <b>417 995</b> |

**Detail of operating leases**

Grazing camps near Steynsrus, Viljoenskroon and Kroonstad and other properties and buildings owned by the municipality are leased to various individuals over a period of 3 - 5 years with an average increase rate of 10% per annum.

**10 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash on hand and bank balances.

|  |                  |                    |
|--|------------------|--------------------|
| Cash and bank balances                       | 2 805 961        | 1 008 087          |
| Short-term deposits maturing before 3 months | 1 930 873        |                    |
| Bank overdraft (See note 36)                 | (893)            | (9 896 755)        |
| <b>Total cash and cash equivalents</b>       | <b>4 735 941</b> | <b>(8 888 669)</b> |

**10.1 Pledged as security**

None of the municipality's bank accounts were pledged as security for the bank overdraft as at year end

**10.2 Fair value of cash and cash equivalents**

The fair value of the cash and cash equivalents approximate their carrying values

**11 LONG-TERM BORROWINGS**

|   |                   |                   |
|---|-------------------|-------------------|
| <b>11.1 Long term loans</b>                                     | <b>36 229 467</b> | <b>34 257 610</b> |
| Annuity loans   | 2 156 886         | 24 946 114        |
| Finance lease liabilities - vehicles (note 11.1.1)              | 8 952 232         | 22 953            |
| Finance lease liabilities - equipment (note 11.1.2)             | 7 120 348         | 9 288 543         |
| <b>Less: current portion transferred to current liabilities</b> | <b>19 648 589</b> | <b>10 762 394</b> |
| Annuity loans   | 13 864 442        | 7 468 710         |
| Finance lease liabilities - vehicles                            | 3 373 478         | 22 953            |
| Finance lease liabilities - equipment                           | 2 410 668         | 3 270 731         |
| <b>Total long-term borrowings</b>                               | <b>16 580 878</b> | <b>23 495 216</b> |

Refer to Appendix A for more detail on long-term borrowings.

**MOQHAKA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

| 11     | <b>LONG-TERM BORROWINGS (continue)</b>                  | 2010              | 2009          |
|--------|---|-------------------|---------------|
| 11.2   | <b>OBLIGATION UNDER FINANCE LEASE</b>                   |                   | Restated      |
|        |   | R                 | R             |
| 11.2.1 | <b>Finance lease liabilities - vehicles</b>             |                   |               |
|        | Not later than 1 year                                   | 4 082 540         | 23 662        |
|        | Between 1 and 5 years                                   | 6 051 376         | -             |
|        | <b>Minimum lease payments</b>                           | <b>10 133 916</b> | <b>23 662</b> |
|        | Less future finance charges                             | (1 181 684)       | (709)         |
|        | <b>Present value of minimum lease payments</b>          | <b>8 952 232</b>  | <b>22 953</b> |
|        | <b>Included in the financial statements as follows:</b> |                   |               |
|        | Current borrowings                                      | 3 373 478         | 22 953        |
|        | Non-current borrowings                                  | 5 578 754         | -             |
|        |   | <b>8 952 232</b>  |               |

**Detail of vehicle finance leases**

Finance leases are secured by the vehicles leased. The borrowings are a mixture of variable and fixed interest rate debt ABSA. The repayment periods do not exceed 5 years (refer to note 1).

**11.2.2 Finance lease liabilities - Equipment**

|  |   |                  |                   |
|--|---|------------------|-------------------|
|  | Not later than 1 year                                   | 3 590 447        | 3 270 731         |
|  | Between 1 and 5 years                                   | 6 144 949        | 9 735 395         |
|  | <b>Minimum lease payments</b>                           | <b>9 735 395</b> | <b>13 006 126</b> |
|  | Less future finance charges                             | (2 615 047)      | (3 717 583)       |
|  | <b>Present value of minimum lease payments</b>          | <b>7 120 348</b> | <b>9 288 543</b>  |
|  | <b>Included in the financial statements as follows:</b> |                  |                   |
|  | Current borrowings                                      | 2 410 668        | 3 270 731         |
|  | Non-current borrowings                                  | 4 709 680        | 6 017 812         |
|  |   | <b>7 120 348</b> |                   |

**Detail of equipment finance leases**

Finance leases are secured by the equipment leased. The borrowings are a mixture of variable and fixed interest rate debt at Minolta and Nashua. The repayment periods do not exceed 5 years (refer to note 1).

**MOQHAKA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

| 12 | <b>NON-CURRENT PROVISIONS</b>   | <b>2010</b>      | <b>2009</b>      |
|----|---|------------------|------------------|
|    |   | R                | Restated<br>R    |
|    | Provision for the rehabilitation cost of landfill sites                         | 1 325 310        | 1 672 243        |
|    | Provision for the rehabilitation cost of quarries                               | 614 169          | 1 115 733        |
|    | <b>Total non-current provisions</b>   | <b>1 939 479</b> | <b>2 787 976</b> |
|    | <b>The movement in these non-current provisions are reconciled as follows:-</b> |                  |                  |
|    | <b>Landfill sites</b>   | <b>1 325 309</b> | <b>1 672 243</b> |
|    | Balance at beginning of year  | 1 672 243        | 1 256 243        |
|    | Increase in provision   | 346 760          | 559 551          |
|    | Expenditure incurred  | (693 694)        | (143 551)        |
|    | <b>Balance at end of year</b>   |                  |                  |
|    | <b>Quarries</b>   | <b>614 169</b>   | <b>1 115 734</b> |
|    | Balance at beginning of year  | 1 115 734        | 487 480          |
|    | Increase / (decrease) in provisions   | (501 565)        | 628 254          |
|    | Expenditure incurred  | -                | -                |
|    | <b>Balance at end of year</b>   |                  |                  |

In terms of the Mineral and Petroleum Resources Development Act, 2002 (Act No 28 of 2002), it is required from the municipality to execute the environmental management program to restore the landfill sites and quarries at Kroonstad, Viljoenskroon and Steynsrus. Provision has been made for this cost based on actual valuations received. No significant judgments were made, because actual quotations were obtained at the specified dates to determine these costs.

***Detail on rehabilitation provision for landfill sites quarries:***

**Kroonstad landfill site:**

The landfill site at Kroonstad needs to be rehabilitated after 26 years (2034). Rehabilitation costs to be incurred is stipulated by the above mentioned Act that the area needs to be covered by 100mm top soil and be planted with grass.

**Viljoenskroon landfill site:**

The landfill site at Viljoenskroon needs to be rehabilitated after 26 years (2034). Rehabilitation costs to be incurred is stipulated by the above mentioned Act that the area needs to be covered by 100mm top soil and be planted with grass.

**Steynsrus landfill site:**

The landfill site at Steynsrus needs to be rehabilitated after 21 years (2029). Rehabilitation costs to be incurred is stipulated by the above mentioned Act that the area needs to be covered by 100mm top soil and be planted with grass.

**Kroonstad gravel quarry**

The gravel quarry at Kroonstad needs to be rehabilitated after 15 years (2023).

Rehabilitation costs to be incurred is stipulated by the above mentioned Act that the area needs to be covered by 100mm top soil and be planted with grass and the slopes erected.

**Steynsrus gravel quarry**

The gravel quarry at Steynsrus needs to be rehabilitated after 16 years (2024).

Rehabilitation costs to be incurred is stipulated by the above mentioned Act that the area needs to be covered by 100mm top soil and be planted with grass and the slopes erected.

Rehabilitation costs are incurred as these sites are used and not at the end of the useful lives of this sites.



**MOQHAKA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

| 13 CONSUMER DEPOSITS           | 2010             | 2009             |
|--------------------------------|------------------|------------------|
|                                | R                | Restated<br>R    |
| Kroonstad                      | 7 237 055        | 6 415 264        |
| <b>Total consumer deposits</b> | <b>7 237 055</b> | <b>6 415 264</b> |

Consumer deposits are raised when an services account is opened and is refunded to the consumer after the account is closed.

**14 EMPLOYEE BENEFITS**

|                      |                  |                  |
|----------------------|------------------|------------------|
| Leave pay obligation | 3 770 895        | 3 452 721        |
| Funeral assistance   | 183 893          | 555 821          |
|                      | <b>3 954 788</b> | <b>4 008 542</b> |

**15 PAYABLES FROM EXCHANGE TRANSACTIONS**

|                                 |                   |                   |
|---------------------------------|-------------------|-------------------|
| Payments received in advance    | 10 020 863        | 9 240 873         |
| Other payables                  | 8 676 881         | 57 481 564        |
| Consultants                     | 7 639 114         | -                 |
| Trade payables                  | 44 314 573        | -                 |
| Interest                        | 2 435 543         | -                 |
| Government and other parastatal | 5 265 383         | -                 |
| Deposits other                  | 185 550           | 16 109            |
| Retention creditors             | 5 276 640         | -                 |
| <b>Total payables</b>           | <b>83 814 547</b> | <b>66 738 546</b> |

Suppliers have not been paid within the prescribed 30 day period due to cash flow constraints. Other payables, consultants, trade payables, government and other parastatal creditors are all past due.

**16 UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

*Conditional grants from other spheres of government*

|  |                  |                  |
|--|------------------|------------------|
| Grants                                       | 2 724 364        | 5 932 950        |
| <b>Total conditional grants and receipts</b> | <b>2 724 364</b> | <b>5 932 950</b> |

See note 21 for reconciliation of grants from other spheres of government. These amounts are invested until utilised. The amounts will be recognised as revenue when the qualifying expenditure is incurred.

Upon the conclusion of the unspent grant verification process by the Finance Ministry, R 3,619 million was withheld in the current year relating to grants from the 2005/6 to 2008/9 financial years.

**17 TAXES RECEIVABLE AND PAYABLE**

|   |                  |                    |
|---|------------------|--------------------|
| VAT payable                             | (4 050 840)      | (8 122 125)        |
| VAT receivable                          | 7 180 820        | 3 452 782          |
| <b>Total VAT receivable / (payable)</b> | <b>3 129 980</b> | <b>(4 669 343)</b> |

The Municipality is registered on the cash basis for VAT purposes. This means that VAT is only paid once cash is received or actual payments are made.

MOQHAKA LOCAL MUNICIPALITY  
 NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

|   | 2010                 | Restated<br>2009     |
|---|----------------------|----------------------|
|   | R                    | R                    |
| <b>18 PROPERTY RATES</b>  |                      |                      |
| <b>Assessment rates</b>   |                      |                      |
| Residential and commercial  | 27 692 611           | 22 002 037           |
| State   | 6 650 342            | 6 088 831            |
| <b>Total assessment rates</b>   | <b>34 342 953</b>    | <b>28 090 868</b>    |
| <b>Valuations</b>   |                      |                      |
| Residential   | 5 986 207 378        | 5 980 893 344        |
| Commercial  | 962 297 483          | 1 174 248 175        |
| Multi-purpose   | 220 275 000          | -                    |
| State   | 750 700 566          | 752 730 366          |
| Municipal   | 115 421 750          | 111 146 732          |
| Non-ratable   | 166 041 116          | 165 793 104          |
| <b>Total property valuations</b>  | <b>8 200 943 293</b> | <b>8 184 811 721</b> |
| <p>Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2008. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations and subdivision. A average rate of R0.004 (2009: R0.003) is applied to property valuations to determine assessment rates. The first R50 000 of residential property is exempt from taxation. Rebates of 20% are granted to state property owners. Agricultural property rates are phased in over a three year period, of which the discount for 2010 was 50% (2009: 75%). Rates are levied on an monthly basis and interest at prime plus 1% per annum (2009: prime plus 1%) is charged on outstanding rates.</p> |                      |                      |
| <b>19 SERVICE CHARGES</b>   |                      |                      |
| Sale of electricity   | 128 877 908          | 99 948 998           |
| Sale of water   | 31 451 944           | 23 563 340           |
| Refuse removal  | 7 741 360            | 7 074 295            |
| Sewerage and sanitation charges   | 9 073 022            | 8 215 085            |
| <b>Total service charges</b>  | <b>177 144 235</b>   | <b>138 801 718</b>   |
| <b>20 INVESTMENT INCOME</b>   |                      |                      |
| <b>Interest</b>   | <b>224 766</b>       | <b>547 897</b>       |
| Bank deposits   | 224 766              | 547 897              |
| <b>Dividends</b>  | <b>37 814</b>        | <b>15 260</b>        |
| Dividends received  | 37 814               | 15 260               |
| <b>Total investment income</b>  | <b>262 580</b>       | <b>563 157</b>       |
| <b>21 GOVERNMENT GRANTS AND SUBSIDIES</b>   |                      |                      |
| Equitable share   | 21.1 102 369 720     | 82 920 849           |
| Councillors remuneration grant  | 21.2 459 863         | -                    |
| Restructuring grant   | 21.3 -               | 554 000              |
| Institutional grant   | 21.4 167 388         | 735 000              |
| Municipal infrastructure grant  | 21.5 40 616 327      | 20 507 236           |
| LG SETA   | 21.6 191 634         | 710 591              |
| Housing development grant   | 21.7 -               | 1 992 350            |
| Financial management grant  | 21.8 -               | -                    |
| Rehabilitation of sewerage network  | 21.9 4 086 066       | -                    |
| <b>Total government grants &amp; subsidies</b>  | <b>147 890 998</b>   | <b>107 420 026</b>   |

MOQHAKA LOCAL MUNICIPALITY  
 NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

|    |   | R              | R                | Restated |
|----|---|----------------|------------------|----------|
| 21 | <b>GOVERNMENT GRANTS AND SUBSIDIES<br/>(CONTINUED)</b>  |                |                  |          |
|    | <b>21.1 Equitable share</b>   |                |                  |          |
|    | Balance unspent at beginning of year  | -              | -                |          |
|    | Current year receipts   | 102 369 720    | 82 920 849       |          |
|    | Conditions met - transferred to revenue   | (102 369 720)  | (82 920 849)     |          |
|    | Conditions still to be met - transferred to liabilities - note 16   | -              | -                |          |
|    |   | <u>-</u>       | <u>-</u>         |          |
|    | <i>In terms of the Constitution of the Republic of South Africa (No. 108), this grant is used to subsidise the provision of basic and administrative services to indigent community members and to subsidise income.</i>  |                |                  |          |
|    | <b>21.2 Councillor remuneration grant</b>   |                |                  |          |
|    | Balance unspent at beginning of year  | -              | -                |          |
|    | Current year receipts   | 459 863        | -                |          |
|    | Conditions met - transferred to revenue   | (459 863)      | -                |          |
|    | Conditions still to be met - transferred to liabilities - note 16   | -              | -                |          |
|    |   | <u>-</u>       | <u>-</u>         |          |
|    | <i>In terms of the Constitution of the Republic of South Africa (No. 108), this grant is used to subsidise the remuneration of councillors.</i>   |                |                  |          |
|    | <b>21.3 Restructuring grant</b>   |                |                  |          |
|    | Balance unspent at beginning of year  | -              | -                |          |
|    | Current year receipts   | -              | 554 000          |          |
|    | Conditions met - transferred to revenue   | -              | (554 000)        |          |
|    | Conditions still to be met - transferred to liabilities - note 16   | -              | -                |          |
|    |   | <u>-</u>       | <u>-</u>         |          |
|    | <i>The purpose of the grant is to support municipal restructuring initiatives of large municipalities. Funds are made available on the basis of an approved restructuring plan that addresses challenges in a sustainable manner.</i>   |                |                  |          |
|    | <b>21.4 Institutional grant</b>   |                |                  |          |
|    | Balance unspent at beginning of year  | -              | -                |          |
|    | Current year receipts   | 735 000        | 735 000          |          |
|    | Conditions met - transferred to revenue   | (167 388)      | (735 000)        |          |
|    | Conditions still to be met - transferred to liabilities - note 16   | 567 612        | -                |          |
|    |   | <u>567 612</u> | <u>-</u>         |          |
|    | <i>The purpose of the grant is to support municipal restructuring initiatives of large municipalities. Funds are made available on the basis of an approved restructuring plan that addresses challenges in a sustainable manner. The unspent grant has been scheduled to be utilised in 2010/2011.</i> |                |                  |          |
|    | <b>21.5 Municipal infrastructure grant</b>  |                |                  |          |
|    | Balance unspent at beginning of year  | 4 785 327      | 1 977 953        |          |
|    | Current year receipts   | 35 831 000     | 23 422 000       |          |
|    | Conditions met - transferred to revenue   | (40 616 327)   | (20 614 626)     |          |
|    | Conditions still to be met - transferred to liabilities - note 16   | -              | 4 785 327        |          |
|    |   | <u>-</u>       | <u>4 785 327</u> |          |
|    | <i>The grant is used to supplement municipal capital budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services.</i>  |                |                  |          |
|    | <i>In 2009 the grant was not utilised in full, because some of the capital projects take more than a year to be completed.</i>  |                |                  |          |
|    | <b>GOVERNMENT GRANTS AND SUBSIDIES 21 (CONTINUED)</b>   |                |                  |          |

MOQHAKA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

|   | 2010           | 2009          |
|---|----------------|---------------|
|   | R              | Restated<br>R |
| <b>21.6 LG SETA</b>   |                |               |
| Balance unspent at beginning of year                              | -              | -             |
| Current year receipts   | 450 764        | 710 591       |
| Conditions met - transferred to revenue                           | (191 634)      | (710 591)     |
| Conditions still to be met - transferred to liabilities - note 16 | <u>259 130</u> | <u>-</u>      |

*The grant is used for training municipality staff to enhance their in their respective positions. The grant was not utilised in full as some of the training is scheduled for the beginning of 2010/2011.*

**21.7 Housing development grant**

|   |                  |                  |
|---|------------------|------------------|
| Balance unspent at beginning of year                              | 1 147 622        | -                |
| Current year receipts   | -                | 3 139 972        |
| Conditions met - transferred to revenue                           | -                | (1 992 350)      |
| Conditions still to be met - transferred to liabilities - note 16 | <u>1 147 622</u> | <u>1 147 622</u> |

*The grant is used to assist with the development of urban renewal.*

**21.8 Financial Management Grant**

|   |                |          |
|---|----------------|----------|
| Balance unspent at beginning of year                              | -              | -        |
| Current year receipts   | 750 000        | -        |
| Conditions met - transferred to revenue                           | -              | -        |
| Conditions still to be met - transferred to liabilities - note 16 | <u>750 000</u> | <u>-</u> |

*The grant is used to train and appoint intern staff members in the finance department of Moqhaka.*

*The grant is used to assist with the rehabilitation of the sewerage water treatment system of Moqhaka. This grant is funded by the Department of Water Affairs*

**21.9 Rehabilitation of sewerage network**

|   |             |
|---|-------------|
| Balance unspent at beginning of year                              | -           |
| Current year receipts   | 4 086 066   |
| Conditions met - transferred to revenue                           | (4 086 066) |
| Conditions still to be met - transferred to liabilities - note 16 | -           |

MOQHAKA LOCAL MUNICIPALITY  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

|  | 2010               | Restated<br>2009   |
|--|--------------------|--------------------|
|  | R                  | R                  |
| <b>22 OTHER INCOME</b>   |                    |                    |
| Advertisement  | 73 236             | 272 933            |
| Burial income  | 541 485            | 594 787            |
| Connection fees  | 550 054            | 1 101 422          |
| Railway siding industrial  | 475 381            | 468 802            |
| Erven sales  | 622 585            | 1 534 067          |
| Fire Brigade Fees  | 97 645             | 76 036             |
| Sundry income  | 8 635              | 12 828             |
| Special services   | 113 830            | 221 059            |
| Other income   | 1 754 406          | 1 449 669          |
| Admittance Fees  | 322 969            | 383 939            |
| Insurance claims   | 137 959            | 4 343 504          |
| Water valuation adjustments  | 150 036            | -                  |
| Provision for rehabilitation adjustment  | 154 805            | -                  |
| Skills Development claims- SETA  | -                  | 710 591            |
| <b>Total other income</b>  | <b>5 003 027</b>   | <b>11 169 637</b>  |
| <b>23 EMPLOYEE RELATED COSTS</b>   |                    |                    |
| Employee related costs - Salaries and wages  | 85 588 623         | 77 355 487         |
| Employee related costs - Contributions for UIF, pensions and medical aids                                      | 24 718 057         | 23 121 577         |
| Accrued leave  | 1 149 673          | 3 663 173          |
| Housing allowance  | 954 904            | 1 029 532          |
| Overtime payments  | 6 835 097          | 6 118 628          |
| <b>Total employee related costs</b>  | <b>119 246 354</b> | <b>111 288 397</b> |
| <b>Remuneration of the Municipal Manager</b>   | <b>952 363</b>     | <b>764 926</b>     |
| Annual remuneration  | 477 126            | 420 665            |
| Performance bonus  | -                  | -                  |
| Allowances   | 334 220            | 256 300            |
| Travel and subsistence   | 25 807             | -                  |
| Skills development levy  | 7 030              | -                  |
| Contribution to UIF, medical and pension funds   | 108 180            | 87 961             |
| <b>Remuneration of the Chief Financial Officer</b>   | <b>542 794</b>     | <b>584 773</b>     |
| Annual remuneration  | 312 008            | 339 897            |
| Performance bonus  | -                  | -                  |
| Allowances   | 181 733            | 212 378            |
| Travel and subsistence   | 11 999             | -                  |
| Skills development levy  | 10 407             | -                  |
| Contribution to UIF, medical and pension funds   | 26 647             | 32 498             |
| CFO remuneration on contractual basis  | 596 343            | -                  |
| The remuneration for the year ended 2010 includes 3 months payment based on a contract with a higher pay rate. |                    |                    |
| <b>Remuneration of individual Executive Directors:</b>   |                    |                    |
| <b>Executive Director: Technical Services</b>  | <b>338 380</b>     | <b>720 968</b>     |
| Annual remuneration  | 137 150            | 381 650            |
| Performance bonus  | -                  | -                  |
| Allowances   | 182 628            | 337 821            |
| Travel and subsistence   | 15 269             | -                  |
| Skills development levy  | 2 834              | -                  |
| Contribution to UIF, medical and pension funds   | 499                | 1 497              |

The remuneration for year ended 2010 is only for 4 months. This post has been vacant from November 2009.

MOQHAKA LOCAL MUNICIPALITY  
 NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Restated

|  | R                 | R                 |
|--|-------------------|-------------------|
| <b>23 EMPLOYEE RELATED COSTS (CONTINUED)</b>   |                   |                   |
| <i>Executive Director: Corporate Services</i>  | <b>891 005</b>    | <b>766 909</b>    |
| Annual remuneration  | 440 685           | 381 650           |
| Performance bonus  | -                 | -                 |
| Allowances   | 336 252           | 301 903           |
| Travel and subsistence   | 19 745            | -                 |
| Skills development levy  | 6 729             | -                 |
| Contribution to UIF, medical and pension funds   | 87 594            | 83 356            |
| <i>Executive Director: Community Services</i>  | <b>874 304</b>    | <b>769 550</b>    |
| Annual remuneration  | 440 685           | 381 650           |
| Acting Allowance   | -                 | -                 |
| Allowances   | 412 601           | 386 403           |
| Travel and subsistence   | 11 633            | -                 |
| Skills development levy  | 7 888             | -                 |
| Contribution to UIF, medical and pension funds   | 1 497             | 1 497             |
| <b>24 REMUNERATION OF COUNCILLORS</b>  |                   |                   |
| Executive Mayor  | 360 805           | 336 219           |
| Speaker  | 285 639           | 265 970           |
| Mayoral Committee Members  | 2 061 019         | 1 882 671         |
| Councillors  | 7 432 918         | 6 941 130         |
| Councillors' medical and pension contributions   | 1 868 815         | 1 791 915         |
| <b>Total Councillors' Remuneration</b>   | <b>12 009 197</b> | <b>11 217 905</b> |
| <i>In-kind benefits</i>  |                   |                   |
| The Mayor, Speaker and Executive Committee Members are full time. Each is provided with an office and secretarial support at the cost of the council. The Mayor has use of a council owned vehicle for official duties. The Mayor has one full-time bodyguard. |                   |                   |
| <b>25 FINANCE COST</b>   |                   |                   |
| Interest on Annuity loans  | 3 380 738         | 3 285 557         |
| Interest on Finance leases - vehicles  | 715 388           | 30 463            |
| Interest on Finance leases - equipment   | 1 187 672         | 2 758 679         |
| Interest on late payment of pension  | 4 412 055         | 362 716           |
| Other interest   | 100 644           | 129 755           |
| Interest on bank overdraft   | 276 910           | 897 695           |
| <b>Total interest on external borrowings</b>   | <b>10 073 406</b> | <b>7 464 865</b>  |
| <b>26 BULK PURCHASES</b>   |                   |                   |
| Electricity  | 86 326 205        | 64 454 175        |
| <b>Total bulk purchases</b>  | <b>86 326 205</b> | <b>64 454 175</b> |

MOQHAKA LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

|   | 2010              | 2009              |
|---|-------------------|-------------------|
|   | R                 | Restated<br>R     |
| <b>27 GENERAL EXPENSES</b>                            |                   |                   |
| <b>Included in general expenses is the following:</b> |                   |                   |
| Advertisements  | 333 154           | 795 486           |
| Audit fees  | 2 451 287         | 2 407 309         |
| Bank charges  | 1 176 851         | 1 003 253         |
| Bursaries   | 202 446           | 264 363           |
| Chemicals   | 3 323 539         | 3 753 422         |
| Cleaning campaign                                     | 410 114           | 674 807           |
| Conferences and seminars                              | 588 217           | 3 981 494         |
| Consultant fees                                       | 6 942 282         | 8 907 030         |
| Discretionary fund                                    | 148 486           | 290 485           |
| Entertainment cost                                    | 505 134           | 1 423 233         |
| Forex (Profit)/ Loss                                  | 239 440           | (192 554)         |
| Fuel and lubricants                                   | 3 755 739         | 5 097 566         |
| Indigent contributions                                | 3 905 783         | 2 653 733         |
| Insurance   | 2 727 130         | 1 810 460         |
| Legal fees  | 1 177 709         | 1 401 505         |
| Licenses other  | 688 458           | 1 378 883         |
| Postal services                                       | 1 163 245         | 926 507           |
| Printing and stationery                               | 1 387 793         | 1 297 409         |
| Protective clothing                                   | 397 002           | 655 816           |
| Rent - office equipment                               | 3 637 750         | 1 312 844         |
| Skills development levy                               | 945 333           | 853 022           |
| Special programs                                      | 266 508           | 473 389           |
| Stock and material                                    | 135 376           | 189 515           |
| Telephone and fax                                     | 1 315 414         | 755 559           |
| Training staff  | 237 230           | 1 291 918         |
| Valuation roll  | 304 673           | 1 447 368         |
| Workmen's compensation                                | 908 702           | 600 000           |
| Youth officer activities                              | 107 109           | 272 182           |
| Cleaning materials                                    | 183 479           | 190 194           |
| Commission paid                                       | 2 595 780         | 2 162 064         |
| Survey of Erven                                       | -                 | 102 230           |
| Inventory write offs                                  | 108 680           | -                 |
| Licenses vehicles                                     | 251 254           | 268 037           |
| Prepaid meters  | 152 369           | 432 354           |
| Prublicity  | -                 | 161 608           |
| Rente of vehicles                                     | -                 | 162 281           |
| Salga membership fees                                 | 969 415           | 896 056           |
| Town planning costs                                   | -                 | 167 000           |
| Medical examinations                                  | 2 266             | 82 268            |
| Traffic signs   | 72 872            | 81 489            |
| Training councillors                                  | -                 | 120 000           |
| Other expenditure                                     | 573 111           | 805 414           |
| <b>Total</b>  | <b>44 291 130</b> | <b>51 357 000</b> |

**MOQHAKA LOCAL MUNICIPALITY  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

|  | 2010            | 2009              |
|--|-----------------|-------------------|
|  | R               | R                 |
| <b>28 CASH GENERATED BY OPERATIONS</b>                       |                 |                   |
| <b>Net deficit for the year</b>                              | (11603794)      | (51053074)        |
| <i>Adjustment for:</i>                                       |                 |                   |
| Depreciation and amortisation of non-current assets          | 45000356        | 44489855          |
| Surplus on sale or disposal of property, plant and equipment | 130034          | (428303)          |
| Surplus on revaluation of fair value                         | (30896)         | (4336)            |
| Interest received  | (4379035)       | (5223689)         |
| Dividends received   | (37814)         | (563157)          |
| Contributions to provisions                                  | 994868          | 4707428           |
| Contributions to bad debt provision                          | 39953076        | 29129102          |
| Assets impairment and write off                              | -               | 4422071           |
| Increase in operating lease assets                           | (13509)         | (69721)           |
| Non cash items   | 438711          | (218601)          |
| Finance cost recognised in net surplus/deficit               | 10073406        | 7464865           |
| <b>Operating surplus before working capital changes:</b>     | <b>80525403</b> | <b>32652440</b>   |
| <b>Working capital changes</b>                               | <b>7342883</b>  | <b>(32990541)</b> |
| Decrease in inventories                                      | 920842          | 262050            |
| Increase in consumer receivables                             | (16870728)      | (41470473)        |
| (Increase) / Decrease in other receivables                   | (302064)        | 11455408          |
| (Decrease) / Increase in conditional grants & receipts       | (3208586)       | 3847611           |
| Decrease in provisions                                       | (1897119)       | (486718)          |
| Increase / (Decrease) in consumer deposits                   | 821791          | (63428)           |
| Increase / (Decrease) in tax receivable                      | (7799323)       | (20102533)        |
| Increase in payables   | 35678069        | 13567541          |
| <b>Cash generated by operations</b>                          | <b>87868286</b> | <b>(338101)</b>   |



**MOQHAKA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

|  | 2010          | 2009   |  |
|--|---------------|--|--|
|  | R             | Restated<br>R                                |  |
| <b>29 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>          |               |  |  |
| <b>29.1 Audit fees</b>   |               |  |  |
| Opening balance  | 343585        | 37158  |  |
| Current year audit fee   | 2451287       | 2407309                                      |  |
| Amount paid - current year   | (1566654)     | (2063724)                                    |  |
| Amount paid - previous years   | (343585)      | (37158)                                      |  |
| <b>Balance unpaid (included in payables)</b>   | <b>884633</b> | <b>343585</b>                                |  |
| <b>29.2 PAYE AND UIF</b>   |               |  |  |
| Opening balance  | -             | -  |  |
| Current year payroll deductions  | 11603181      | 10034109                                     |  |
| Amount paid - current year   | (11603181)    | (10034109)                                   |  |
| Amount paid - previous years   | -             | -  |  |
| <b>Balance unpaid (included in payables)</b>   | <b>-</b>      | <b>-</b>                                     |  |
| <b>29.3 Pension and medical aid deductions</b>   |               |  |  |
| Opening balance  | -             | -  |  |
| Current year payroll deductions and council contributions                              | 24236022      | 27505103                                     |  |
| Amount paid - current year   | (24236022)    | (27505103)                                   |  |
| Amount paid - previous years   | -             | -  |  |
| <b>Balance unpaid (included in payables)</b>   | <b>-</b>      | <b>-</b>                                     |  |
| <b>29.4 Skills Development Levy</b>  |               |  |  |
| Opening balance  | -             | -  |  |
| Current year payroll deductions and council contributions                              | 945333        | 853022                                       |  |
| Amount paid - current year   | (945333)      | (853022)                                     |  |
| Amount paid - previous years   | -             | -  |  |
| <b>Balance unpaid (included in payables)</b>   | <b>-</b>      | <b>-</b>                                     |  |
| <b>29.5 Councillor's arrear consumer accounts</b>                                      |               |  |  |
| The following councillors had arrear accounts outstanding for more than 90 days as at: |               |  |  |
| <b>30 June 2010</b>  | <b>Total</b>  | <b>Outstanding<br/>less than 90<br/>days</b> | <b>Outstanding<br/>more than 90<br/>days</b> |
| <b>Councillor:</b>   |               |  |  |
| Colbert DPC  | 924           | 924  | -  |
| Dire MP  | 2203          | -  | 2203   |
| Letsabo J  | 1389          | 478  | 911  |
| Makau TL   | 1380          | 458  | 922  |
| Matli I  | 73            | 73   | -  |
| Mckenzie AE  | 10842         | 3289   | 7553   |
| Mkhwanazi TM   | 458           | 320  | 138  |
| Mokotla ME   | 5726          | -  | 5726   |
| Moamogoa A   | 3522          | 360  | 3162   |
| Mokodutlo  | 97            | 97   | -  |
| Raphuthing PP  | 3124          | -  | 3124   |
| Tumisi T   | 4513          | 2339   | 2174   |
| Viljoen WF   | 267           | 267  | -  |
| <b>Total councillor arrear consumer accounts</b>                                       | <b>34518</b>  | <b>8605</b>                                  | <b>25913</b>                                 |
| <b>30 June 2009</b>  | <b>Total</b>  | <b>Outstanding<br/>less than 90<br/>days</b> | <b>Outstanding<br/>more than 90<br/>days</b> |
| <b>Councillor:</b>   |               |  |  |
| Dire AMS   | 2378          | -  | 2378   |
| Mbono MD   | 355           | 180  | 175  |
| Mckenzie AE  | 360           | 94   | 266  |
| Moamogoa MS  | 4982          | 265  | 4717   |
| Mofokeng MJ  | 13402         | 180  | 13222  |
| Mohlolo PM   | 527           | 293  | 234  |
| Mokodutlo NP   | 2943          | -  | 2943   |
| Mokotla ME   | 6927          | -  | 6927   |
| Monoto MA  | 339           | 124  | 215  |
| Nakedi ACWD  | 1278          | 194  | 1084   |
| Raphuthing PP  | 3514          | -  | 3514   |
| Seakhela SS  | 1147          | 431  | 716  |
| Tladi SB   | 6753          | 130  | 6623   |
| <b>Total councillor arrear consumer accounts</b>                                       | <b>44905</b>  | <b>1891</b>                                  | <b>43014</b>                                 |

**MOQHAKA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

| <b>29</b>   | <b>ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)</b>  |                 |                 |  |
|-------------|---|-----------------|-----------------|--|
| <b>29.6</b> | <b>Reticulation losses</b>  |                 |                 |  |
|             | Estimated electricity losses suffered by the municipality for the year under review are as follows:   |                 |                 |  |
|             |   | <b>2010</b>     | <b>2009</b>     |  |
|             | Estimated line losses   | 6594973         | 4985380         |  |
|             | Total losses due to tampering or theft  | 13771580        | 3451626         |  |
|             | Total system losses   | <u>20366553</u> | <u>8437007</u>  |  |
|             | Estimated water losses suffered by the municipality for the year under review are as follows:   |                 |                 |  |
|             | Estimated losses  | <u>10915697</u> | <u>33769648</u> |  |
| <b>30</b>   | <b>CAPITAL COMMITMENTS</b>  |                 |                 |  |
|             | Commitments in respect of capital expenditure:  |                 |                 |  |
|             | <b>Approved and contracted for</b>  |                 |                 |  |
|             | Infrastructure  | 58526685        | 59874697        |  |
|             | <b>Total</b>  | <u>58526685</u> | <u>59874697</u> |  |
|             | Infrastructure commitments approved and contracted for will be funded by grants from government.  |                 |                 |  |
| <b>31</b>   | <b>RETIREMENT BENEFIT INFORMATION</b>   |                 |                 |  |
|             | The municipality provides retirement benefits for its employees and councillors. Benefits are provided via defined contribution plans and defined benefit plans.  |                 |                 |  |
| <b>31.1</b> | <b>Defined contribution plans</b>   |                 |                 |  |
|             | <b>The following are defined contribution plans:</b>  |                 |                 |  |
|             | Free State Municipal Pension Fund   |                 |                 |  |
|             | Free State Municipal Provident Fund   |                 |                 |  |
|             | Maokeng Provident Fund  |                 |                 |  |
|             | SAMWU National Provident Fund   |                 |                 |  |
| <b>31.2</b> | <b>Defined benefit plans</b>  |                 |                 |  |
|             | <b>The following are defined benefit plans:</b>   |                 |                 |  |
|             | Government Employment Pension Fund  |                 |                 |  |
|             | SALA Pension Fund   |                 |                 |  |
|             | These are not treated as a defined benefit plan as defined by IAS 19 (AC 116), but as a defined contribution plan. These funds are multi employer plans and actuarial valuations done by actuaries could not be provided due to a lack of information. According to the actuaries it is not possible to report separately for each municipality on the fund, thus the reason for treating it as a contribution plan. This is in line with the exemption in IAS 19, paragraph 30, which states that where information required for defined benefit plans is not available in respect of multi employer and state plans, these should be accounted for as defined contribution plans. |                 |                 |  |
|             | Some employees belong to the SALA Pension Fund. The latest actuarial valuation of the funds was on 1 July 2007. These valuations indicate that the funds are in sound financial position. The estimated liability of the fund is R5,6 million which is adequately financed by assets of R6,1 million.   |                 |                 |  |
|             | Some employees belong to the Government Employment Pension Fund. The latest actuarial valuation of the fund was on 31 March 2006. These valuations indicate that the fund is in a sound financial position. The estimated liability of the fund is R447,5 million which is adequately financed by assets of R545,6 million.   |                 |                 |  |
|             | An amount of R12.6 million was contributed by council in respect of councillor and employees retirement funding. These contributions have been expensed.  |                 |                 |  |

**MOQHAKA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

**32 CONTINGENT LIABILITY**

The municipality is being sued in the following pending claims against the council. All the claims are being contested based on legal advice.

The timing of the outflow of these liabilities are uncertain. The amounts disclosed are the possibility of the amount of outflow.

|  | 2010<br>R        | 2009<br>R        |
|--|------------------|------------------|
| <b>32.1 Pending claims</b>   | <b>7 994 021</b> | <b>4 576 789</b> |
| Claims by individuals due to damage of vehicles in various incidents | 63 634           | 508 669          |
| Claim for unfair dismissal   | -                | 40 000           |
| Claim from the South African Local Government Association            | 3 080 664        | 2 500 000        |
| Claim from creditor - account dispute                                | 72 228           | 45 000           |
| Claim from supplier- contractual dispute                             | 1 108 199        | 1 258 120        |
| Claim for damages to property due to spread of fire                  | 82 797           | 200 000          |
| Claims by individuals due to injuries in various incidents           | 1 200 427        | -                |
| Claims for damages of telephone cables                               | 2 386 072        | 25 000           |

**32.2 Post retirement medical benefits**

An amount of R2.1 million was contributed by council in respect of councillor and employees post retirement medical benefits to a multi-employer plan. These contributions are being phased out and current retiring employees are not included in the pool of beneficiaries. This plan is a defined benefit plan. Sufficient information is not available to use defined benefit accounting, therefore the municipality account for the plan as if it were a defined contribution plan. It is not possible to report separately for each municipality on the fund, thus the reason for treating it as a contribution plan. This is in line with the exemption in IAS 19, paragraph 30, which states that where information required for defined benefit plans is not available in respect of multi employer and state plans, these should be accounted for as defined contribution plans.

**33 RELATED PARTIES**

No related party transactions were identified during the year under review.

**34 EVENTS AFTER THE REPORTING DATE**

Subsequent to 30 June 2010 one of the municipality's dam walls, the Steynsrus Grypdam wall was damaged by flood water following heavy rain in December 2010. The extent of the damage has not been determined on the finalisation of the financial statements. No provision has been made in the financial statements.

**35 COMPARISON WITH THE BUDGET**

The comparison of the Municipality's actual financial performance with that budgeted is set out in Appendix E.

**MOQHAKA LOCAL MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

| 36 | <b>BANK BALANCES AND CASH</b>   | <b>2010</b> | <b>2009</b> |
|----|---|-------------|-------------|
|    |   | R           | R           |
|    | The municipality has the following bank accounts:   |             |             |
|    | <b><u>Current account (primary bank account)</u></b>  |             |             |
|    | ABSA Bank   |             |             |
|    | Account number 40 532 74826   |             |             |
|    | Cashbook balance at the beginning of  | (9856135)   | (3392499)   |
|    | Cashbook balance at the end of the year   | (11797242)  | (9856135)   |
|    | Bank statement balance at the beginning of the year   | (9896755)   | (3958296)   |
|    | Bank statement balance at the end of the year (overdrawn)   | 1993474     | (9896755)   |
|    | <b><u>Current account (Steynsrus)</u></b>   |             |             |
|    | First National Bank   |             |             |
|    | Account Number 62028349349  |             |             |
|    | Cashbook balance at the beginning of  | 323413      | 159197      |
|    | Cashbook balance at the end of the year   | (893)       | 323413      |
|    | Bank statement balance at the beginning   | 304803      | 159197      |
|    | Bank statement balance at the end of  | (893)       | 304803      |
|    | <b>Total cashbook balance at the beginning of the year</b>  | (9532722)   | (3233302)   |
|    | <b>Total cashbook balance at the end of the year</b>  | (11798135)  | (9532722)   |
|    | <b><u>Cash on hand</u></b>  |             |             |
|    | Balance at the beginning of the year  | 18610       | 19110       |
|    | Balance at the end of the year  | 8970        | 18610       |
|    | <b><u>Limited Cession facility:</u></b>   |             |             |
|    | ABSA Fixed Deposit account no. 2058247882 to the amount of R 155 000 for local guarantee, garage card and credit card facilities  |             |             |
|    | <b><u>Local Guarantees</u></b>  |             |             |
|    | ABSA issued local guarantees to Department of Mining and Energy amounting to R 50 000   |             |             |
| 37 | <b>GOING CONCERN</b>  |             |             |
|    | The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. |             |             |
| 38 | <b>RESTATEMENT OF COMPARATIVES</b>  |             |             |
|    | Certain comparatives have been reclassified. Refer to note 43 and note 44.  |             |             |
| 39 | <b>FINANCIAL DIFFICULTY EXPERIENCED BY THE MUNICIPALITY</b>   |             |             |
|    | The municipality is currently experiencing financial difficulties. Indicators of the financial problems are:  |             |             |
|    | (a) The significant increase accounts payable of R 20 995 723 and an increase of R 8 341 027  |             |             |
|    | (b) The municipality incurred a substantial deficit during the year of R 7 665 033  |             |             |
|    | (c) The creditors are not paid within 30 days as required by the MFMA.  |             |             |
|    | (d) Debt collection period has improved during the current year, however it remains at 126 days which is significantly more than the policy norm of 30 days.  |             |             |
|    | The following measures were implemented by the municipality to address these financial difficulties:  |             |             |
|    | (a) More effective and regular cut-off actions.   |             |             |
|    | (b) Cut back all unnecessary expenditure.   |             |             |
|    | (c) Reduce our debtor's book.   |             |             |
|    | (d) Stay within the budgeted amount.  |             |             |

**MOQHAKA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

|  |  | 2010            | 2009            |
|--|--|-----------------|-----------------|
|  |  | R               | R               |
| <b>40 IRREGULAR EXPENDITURE</b>  |  |                 |                 |
| Opening Balance  |  | 20072972        | 6840807         |
| Add: Irregular expenditure current year  |  | -               | 13232165        |
| Less: Amounts condoned   |  | -               | -               |
| Less: Amounts recoverable (not condoned)   |  | -               | -               |
| Less: Amounts not recoverable (not condoned)   |  | -               | -               |
| <b>Irregular expenditure awaiting condonation</b>  |  | <b>20072972</b> | <b>20072972</b> |
| <b>Analysis of irregular expenditure awaiting condonation per age classification</b>   |  |                 |                 |
| Current year   |  | -               | 13232165        |
| Prior years  |  | 20072972        | 6840807         |
| <b>Total</b>   |  | <b>20072972</b> | <b>20072972</b> |
| <b>Details of irregular expenditure for the year</b>   |  |                 |                 |
| <b>Incident</b>  | <b>Disciplinary steps taken/criminal proceedings</b> |                 |                 |
| Appointment of consultant  |  | -               | 4806487         |
| Require quotations for purchases not obtained in terms of Supply Chain Management  |  | -               | 24040           |
| Non adherence to tender regulations  |  | -               | 5744675         |
| Non adherence to Supply Chain Management for payments made   |  | -               | 2442638         |
| Related party transactions   |  | -               | 214325          |
| <b>Total</b>   |  | <b>-</b>        | <b>13232165</b> |
| <b>Appointment of consultant</b>   |  |                 |                 |
| Opening Balance  |  | 7427108         | 2620621         |
| Irregular, fruitless and wasteful current year   |  |                 | 4806487         |
| Condoned or written off by council   |  |                 | -               |
| Irregular, fruitless and wasteful expenditure awaiting condonement   |  |                 | -               |
|  |  | <b>7427108</b>  | <b>7427108</b>  |
| Paragraph 12(1)(d)(i) of Government Gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process. |  |                 |                 |
| Altimax Consultants was appointed during the financial year. The deviation of the SCM Policy was reported to National Treasury and not yet tabled before council.  |  |                 |                 |
| The reason for the appointment of Altimax consultants was that they have a good record and changed some municipal audit reports from a disclaimer to an unqualified audit report.  |  |                 |                 |
| <b>Purchase of air conditioners for housing department at Moakeng</b>  |  |                 |                 |
| Opening Balance  |  | 8633            | 8633            |
| Irregular, fruitless and wasteful current year   |  |                 | -               |
| Condoned or written off by council   |  |                 | -               |
| Irregular, fruitless and wasteful expenditure awaiting condonement   |  | 8633            | 8633            |
| <i>The matter is still under investigation.</i>  |  |                 |                 |
| <b>Missing computers</b>   |  |                 |                 |
| Opening Balance  |  | 38500           | 38500           |
| Irregular, fruitless and wasteful current year   |  |                 | -               |
| Condoned or written off by council   |  |                 | -               |
| Irregular, fruitless and wasteful expenditure awaiting condonement   |  | 38500           | 38500           |
| <i>The matter is still under investigation.</i>  |  |                 |                 |
| <b>Rendering of security services</b>  |  |                 |                 |
| Opening Balance  |  | 39612           | 39612           |
| Irregular, fruitless and wasteful current year   |  |                 | -               |
| Condoned or written off by council   |  |                 | -               |
| Irregular, fruitless and wasteful expenditure awaiting condonement   |  | 39612           | 39612           |
| <i>The matter is still under investigation.</i>  |  |                 |                 |
| <b>Appointment of managers directly accountable to municipal manager</b>   |  |                 |                 |
| Opening Balance  |  | 2145809         | 2145809         |
| Irregular, fruitless and wasteful current year   |  |                 | -               |
| Condoned or written off by council   |  |                 | -               |
| Irregular, fruitless and wasteful expenditure awaiting condonement   |  | 2145809         | 2145809         |
| <i>The matter is still under investigation.</i>  |  |                 |                 |

**MOQHAKA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

|  |  |                 |                 |
|--|--|-----------------|-----------------|
| <b>Refurbishment of traffic offices at Moakeng</b>                                       |  |                 |                 |
| Opening Balance  |  | 33087           | 33087           |
| Irregular, fruitless and wasteful current year   |  |                 | -               |
| Condoned or written off by council   |  |                 | -               |
| Irregular, fruitless and wasteful expenditure awaiting condonement                       |  | 33087           | 33087           |
| <i>The matter is still under investigation.</i>  |  |                 |                 |
| <b>Misuse of Council vehicle</b>   |  |                 |                 |
| Opening Balance  |  | 436             | 436             |
| Irregular, fruitless and wasteful current year   |  |                 | -               |
| Condoned or written off by council   |  |                 | -               |
| Irregular, fruitless and wasteful expenditure awaiting condonement                       |  | 436             | 436             |
| <i>The matter is still under investigation.</i>  |  |                 |                 |
| <b>Performance Bonuses</b>   |  |                 |                 |
| Opening Balance  |  | 141954          | 141954          |
| Irregular, fruitless and wasteful current year   |  |                 | -               |
| Condoned or written off by council   |  |                 | -               |
| Irregular, fruitless and wasteful expenditure awaiting condonement                       |  | 141954          | 141954          |
| <i>The matter is still under investigation.</i>  |  |                 |                 |
| <b>Require quotations for purchases not obtained in terms of Supply Chain Management</b> |  |                 |                 |
| Opening Balance  |  | 24040           | -               |
| Irregular, fruitless and wasteful current year   |  |                 | 24040           |
| Condoned or written off by council   |  |                 | -               |
| Irregular, fruitless and wasteful expenditure awaiting condonement                       |  | 24040           | 24040           |
| <i>The matter is still under investigation.</i>  |  |                 |                 |
| <b>Non adherence to tender regulations - Micro Mega</b>                                  |  |                 |                 |
| Opening Balance  |  | 1726890         | 1190188         |
| Irregular, fruitless and wasteful current year   |  |                 | 536702          |
| Condoned or written off by council   |  |                 | -               |
| Irregular, fruitless and wasteful expenditure awaiting condonement                       |  | 1726890         | 1726890         |
| <i>The matter is still under investigation.</i>  |  |                 |                 |
| <b>Non adherence to tender regulations - MMS</b>   |  |                 |                 |
| Opening Balance  |  | 4085159         | 621966          |
| Irregular, fruitless and wasteful current year   |  |                 | 3463193         |
| Condoned or written off by council   |  |                 | -               |
| Irregular, fruitless and wasteful expenditure awaiting condonement                       |  | 4085159         | 4085159         |
| <i>The matter is still under investigation.</i>  |  |                 |                 |
| <b>Non adherence to tender regulations</b>   |  |                 |                 |
| Opening Balance  |  | 1744780         | -               |
| Irregular, fruitless and wasteful current year   |  |                 | 1744780         |
| Condoned or written off by council   |  |                 | -               |
| Irregular, fruitless and wasteful expenditure awaiting condonement                       |  | 1744780         | 1744780         |
| <i>The matter is still under investigation.</i>  |  |                 |                 |
| <b>Non adherence to Supply Chain Management for payments made</b>                        |  |                 |                 |
| Opening Balance  |  | 2442638         | -               |
| Irregular, fruitless and wasteful current year   |  |                 | 2442638         |
| Condoned or written off by council   |  |                 | -               |
| Irregular, fruitless and wasteful expenditure awaiting condonement                       |  | 2442638         | 2442638         |
| <i>The matter is still under investigation.</i>  |  |                 |                 |
| <b>Related Party Transactions</b>  |  |                 |                 |
| Opening Balance  |  | 214325          | -               |
| Irregular, fruitless and wasteful current year   |  |                 | 214325          |
| Condoned or written off by council   |  |                 | -               |
| Irregular, fruitless and wasteful expenditure awaiting condonement                       |  | 214325          | 214325          |
| <i>The matter is still under investigation.</i>  |  |                 |                 |
| <b>TOTAL OF IRREGULAR EXPENDITURE</b>  |  | <b>20072972</b> | <b>20072972</b> |

**MOQHAKA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

|           |  |  |                 |                 |
|-----------|--|--|-----------------|-----------------|
| <b>41</b> | <b>FRUITLESS AND WASTEFUL EXPENDITURE</b>  |  |                 |                 |
|           | Opening Balance  |  | 13826630        | 9311500         |
|           | Add:Fruitless and wasteful expenditure current year                              |  | 5656157         | 4515130         |
|           | Less: Amounts condoned   |  | -               | -               |
|           | Less: Amounts recoverable (not condoned)   |  | -               | -               |
|           | Less: Amounts not recoverable (not condoned)                                     |  | -               | -               |
|           | <b>Fruitless and wasteful expenditure awaiting condonation</b>                   |  | <b>19482787</b> | <b>13826630</b> |
|           | <b>Analysis of expenditure awaiting condonation per age classification</b>       |  |                 |                 |
|           | Current year   |  | 5656157         | 4515130         |
|           | Prior year   |  | 13826630        | 9311500         |
|           | <b>Total</b>   |  | <b>19482787</b> | <b>13826630</b> |
|           | <b>Details of fruitless and wasteful expenditure for the year</b>                |  |                 |                 |
|           | <b>Incident</b>  | <b>Disciplinary steps taken/criminal proceedings</b> |                 |                 |
|           | Appointment of employees in positions not necessary for service delivery         |  | -               | 1601263         |
|           | Interest on loan amounts as a result of exceeding of payment terms               |  | 1244102         | 2551151         |
|           | Interest on arrear payments to SALA Pension Fund                                 |  | 299764          | 362716          |
|           | Interest on arrear payments to creditors   |  | 4112291         | -               |
|           | <b>Total</b>   |  | <b>5656157</b>  | <b>4515130</b>  |
|           | <b>Fruitless and wasteful expenditure occurred, late VAT payment.</b>            |  |                 |                 |
|           | Opening Balance  |  | 46697           | 46697           |
|           | Fruitless and wasteful current year  |  | -               | -               |
|           | Condoned or written off by council   |  | -               | -               |
|           | Fruitless and wasteful expenditure awaiting                                      |  | 46697           | 46697           |
|           | <i>The matter is still under investigation.</i>                                  |  |                 |                 |
|           | <i>The following matters were identified from a special investigation done:</i>  |  |                 |                 |
|           | <b>Painting roof of municipal offices at Maokeng</b>                             |  |                 |                 |
|           | Opening Balance  |  | 110338          | 110338          |
|           | Fruitless and wasteful current year  |  | -               | -               |
|           | Condoned or written off by council   |  | -               | -               |
|           | Fruitless and wasteful expenditure awaiting                                      |  | 110338          | 110338          |
|           | <i>The matter is still under investigation.</i>                                  |  |                 |                 |
|           | <b>Refurbishment and painting of six chalets and managers house at Kroonpark</b> |  |                 |                 |
|           | Opening Balance  |  | 95437           | 95437           |
|           | Fruitless and wasteful current year  |  | -               | -               |
|           | Condoned or written off by council   |  | -               | -               |
|           | Fruitless and wasteful expenditure awaiting                                      |  | 95437           | 95437           |
|           | <i>The matter is still under investigation.</i>                                  |  |                 |                 |
|           | <b>Painting of chalets at Kroonpark</b>  |  |                 |                 |
|           | Opening Balance  |  | 46590           | 46590           |
|           | Fruitless and wasteful current year  |  | -               | -               |
|           | Condoned or written off by council   |  | -               | -               |
|           | Fruitless and wasteful expenditure awaiting                                      |  | 46590           | 46590           |
|           | <i>The matter is still under investigation.</i>                                  |  |                 |                 |
|           | <b>Painting of offices and the roof at Brentpark</b>                             |  |                 |                 |
|           | Opening Balance  |  | 40053           | 40053           |
|           | Fruitless and wasteful current year  |  | -               | -               |
|           | Condoned or written off by council   |  | -               | -               |
|           | Fruitless and wasteful expenditure awaiting                                      |  | 40053           | 40053           |
|           | <i>The matter is still under investigation.</i>                                  |  |                 |                 |
|           | <b>Painting housing offices at Moakeng</b>                                       |  |                 |                 |
|           | Opening Balance  |  | 44930           | 44930           |
|           | Fruitless and wasteful current year  |  | -               | -               |
|           | Condoned or written off by council   |  | -               | -               |
|           | Fruitless and wasteful expenditure awaiting                                      |  | 44930           | 44930           |
|           | <i>The matter is still under investigation.</i>                                  |  |                 |                 |

**MOQHAKA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

|   |  |          |          |
|---|--|----------|----------|
| <b>Painting councillors offices and board room at Moakeng</b>                   |  |          |          |
| Opening Balance   |  | 39960    | 39960    |
| Fruitless and wasteful current year   |  | -        | -        |
| Condoned or written off by council  |  | -        | -        |
| Fruitless and wasteful expenditure awaiting                                     |  | 39960    | 39960    |
| <i>The matter is still under investigation.</i>                                 |  |          |          |
| <b>Replacement of damaged tiles at the theatre</b>                              |  |          |          |
| Opening Balance   |  | 2596     | 2596     |
| Fruitless and wasteful current year   |  | -        | -        |
| Condoned or written off by council  |  | -        | -        |
| Fruitless and wasteful expenditure awaiting                                     |  | 2596     | 2596     |
| <i>The matter is still under investigation.</i>                                 |  |          |          |
| <b>Fencing of Kroonpark</b>   |  |          |          |
| Opening Balance   |  | 479934   | 479934   |
| Fruitless and wasteful current year   |  | -        | -        |
| Condoned or written off by council  |  | -        | -        |
| Fruitless and wasteful expenditure awaiting                                     |  | 479934   | 479934   |
| <i>The matter is still under investigation.</i>                                 |  |          |          |
| <b>Tourism Extravaganza</b>   |  |          |          |
| Opening Balance   |  | 8767681  | 8767681  |
| Fruitless and wasteful current year   |  | -        | -        |
| Condoned or written off by council  |  | -        | -        |
| Fruitless and wasteful expenditure awaiting                                     |  | 8767681  | 8767681  |
| <i>The matter is still under investigation.</i>                                 |  |          |          |
| <b>Expenses as contained in the Majavu Report</b>                               |  |          |          |
| Opening Balance   |  | 677673   | 677673   |
| Fruitless and wasteful current year   |  | -        | -        |
| Condoned or written off by council  |  | -        | -        |
| Fruitless and wasteful expenditure awaiting                                     |  | 677673   | 677673   |
| <b>Appointment of employees in positions not necessary for service delivery</b> |  |          |          |
| Opening Balance   |  | 1601263  | -        |
| Fruitless and wasteful current year   |  | -        | 1601263  |
| Condoned or written off by council  |  | -        | -        |
| Fruitless and wasteful expenditure awaiting                                     |  | 1601263  | 1601263  |
| <b>Interest on loan amounts as a result of exceeding of payment terms</b>       |  |          |          |
| Opening Balance   |  | 2551151  | -        |
| Fruitless and wasteful current year   |  | 1244102  | 2551151  |
| Condoned or written off by council  |  | -        | -        |
| Fruitless and wasteful expenditure awaiting                                     |  | 3795253  | 2551151  |
| <b>Interest on outstanding payments towards the SALA pension fund</b>           |  |          |          |
| Opening Balance   |  | 362716   | -        |
| Fruitless and wasteful current year   |  | 299764   | 362716   |
| Condoned or written off by council  |  | -        | -        |
| Fruitless and wasteful expenditure awaiting                                     |  | 662480   | 362716   |
| <b>Interest on outstanding payments towards creditors</b>                       |  |          |          |
| Opening Balance   |  | -        | -        |
| Fruitless and wasteful current year   |  | 4112291  | -        |
| Condoned or written off by council  |  | -        | -        |
| Fruitless and wasteful expenditure awaiting                                     |  | 4112291  | -        |
| <b>42 UNAUTHORISED EXPENDITURE</b>  |  |          |          |
| Budget overspending   |  | 10285536 | 75859183 |
| <i>The above overspending is for individual votes</i>                           |  |          |          |



MOQHAKA LOCAL MUNICIPALITY  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

|      |   | R               |
|------|---|-----------------|
| 43   | <b>PRIOR PERIOD ERROS</b>   |                 |
|      | <b>Summary</b>  |                 |
|      | <b>Effect on Net Assets as reported at 30 June 2008</b>   |                 |
|      | Net assets as previously stated   | 1119144566      |
|      | Adjustment against opening accumulated  | 9636476         |
|      | Net assets after adjustments  | 1128781042      |
|      | <b>Effect on Surplus / deficit for the year 30 June 2009</b>  |                 |
|      | Deficit as previously reported  | (40239001)      |
|      | Net effect on deficit for the year 30 June 2009   | 10814074        |
|      | Deficit as adjusted   | (29424928)      |
|      | <b>Net effect on assets and liabilities for the year 30 June 2009</b>   | (20450550)      |
| 43.1 | <b>Intangible assets</b>  |                 |
|      | Adjustment to the cost price and accumulated amortisation of the Microsoft licence Intangible asset and liability. Differences arose due to the applicable exchange rates used and adjusting for the time value of money. |                 |
|      | <b>Adjustment against opening accumulated surplus 30 June 2008</b>  | <b>31303</b>    |
|      | <b>Net effect on deficit for the year 30 June 2009</b>  | <b>226901</b>   |
|      | Amortisation  | 53003           |
|      | Interest unwind 2009  | (129755)        |
|      | Foreing currency loss 2009 correction   | 303653          |
|      | <b>Net effect on assets and liabilities for the year 30 June 2009</b>   | <b>258204</b>   |
|      | Intangibles   | (159011)        |
|      | Accumulated impairment  | 88236           |
|      | Creditors Sundry  | 328979          |
| 43.2 | <b>Grants</b>   |                 |
|      | Grant income which were not received in the prior year were written back to the Unspent Grants liability  |                 |
|      | <b>Net effect on deficit for the year 30 June 2009</b>  | <b>(107390)</b> |
|      | Grant income  | (107390)        |
|      | <b>Net effect on assets and liabilities for the year 30 June 2009</b>   | <b>(107390)</b> |
|      | Amounts not received written back to grants   | (107390)        |

**MOQHAKA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

|      |   |  |                |
|------|---|--|----------------|
| 43.3 | <b>Employee costs - medical aid</b>   |  |                |
|      | Adjustment for Medical aid contributions to employees which were not recognised as an expense in the prior year   |  |                |
|      | <b>Net effect on deficit for the year 30 June 2009</b>  |  | <b>(15413)</b> |
|      | Medical aid contribution in 2009  |  | (15413)        |
|      | <b>Net effect on assets and liabilities for the year 30 June 2009</b>   |  | <b>(15413)</b> |
|      | <b>Other receivables from exchange transactions</b>   |  |                |
|      | Payment to pensioners cleared from a suspense account   |  | (15413)        |
| 43.4 | <b>Intangible assets</b>  |  |                |
|      | Adjustment of Kroonpark stock when balances were taken on in accounting system  |  |                |
|      | <b>Adjustment against opening accumulated surplus 30 June 2008</b>  |  | <b>6880</b>    |
|      | <b>Net effect on assets and liabilities for the year 30 June 2009</b>   |  | <b>6880</b>    |
|      | <b>Consumable Stores</b>  |  |                |
|      | Adjustment to stock for take on balance in accounting system  |  | 6880           |
| 43.5 | <b>Other income - densification fees</b>  |  |                |
|      | Densification fees received not recorded as income in prior period (2009). The densification fees were received into the Municipalities short term investment accounts. |  |                |
|      | <b>Net effect on deficit for the year 30 June 2009</b>  |  | <b>45000</b>   |
|      | Densification fees  |  | 45000          |
|      | <b>Net effect on assets and liabilities for the year 30 June 2009</b>   |  | <b>45000</b>   |
|      | <b>Investments</b>  |  |                |
|      | Investments not recorded in prior period  |  | 45000          |

**MOQHAKA LOCAL MUNICIPALITY  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

|      |   |  |                |
|------|---|--|----------------|
| 43.6 | <b>Long term loans</b>  |  |                |
|      | Correction of the misallocation of amounts between interest and capital on long term loans  |  |                |
|      | <b>Adjustment against opening accumulated surplus 30 June 2008</b>  |  | <b>83780</b>   |
|      | <b>Net effect on deficit for the year 30 June 2009</b>  |  | <b>(46852)</b> |
|      | Correction of interest on loans   |  | (46852)        |
|      | <b>Net effect on assets and liabilities for the year 30 June 2009</b>   |  | <b>36928</b>   |
|      | <b>Long term borrowings</b>   |  |                |
|      | Correction of interest on loans   |  | 36928          |
| 43.7 | <b>Repairs and maintenance</b>  |  |                |
|      | Amounts included as repairs and maintenance in a suspense account cleared from the suspense account   |  |                |
|      | <b>Net effect on deficit for the year 30 June 2009</b>  |  | <b>77290</b>   |
|      | Decrease in repairs and maintenance expense   |  | 69859          |
|      | Fuel and lubricants   |  | 406            |
|      | Repairs and maintenance buildings   |  | 7026           |
|      | <b>Net effect on assets and liabilities for the year 30 June 2009</b>   |  | <b>77290</b>   |
|      | <b>Other receivables from exchange transactions</b>   |  |                |
|      | Increase in debtor due to clearing of suspense account  |  | 77290          |
| 43.8 | <b>Consumer receivables</b>   |  |                |
|      | Adjusting of the debtors balance in the GL following a comparison between the subledgers and the debtors account in the GL to ensure that the debtors in the GL agrees to the detail in the subledger |  |                |
|      | <b>Adjustment against opening accumulated surplus 30 June 2008</b>  |  | <b>-</b>       |
|      | <b>Net effect on deficit for the year 30 June 2009</b>  |  | <b>6909</b>    |
|      | Other income  |  | 6909           |
|      | <b>Net effect on assets and liabilities for the year 30 June 2009</b>   |  | <b>6909</b>    |
|      | <b>Consumer receivables from exchange transactions</b>  |  |                |
|      | Restatement of debtors balance with accounting records  |  | 6909           |

**MOQHAKA LOCAL MUNICIPALITY  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

|       |   |  |                  |
|-------|---|--|------------------|
| 43.9  | <b>Property, plant and equipment</b>  |  |                  |
|       | Through a comparison between the Fixed Asset Register and PPE in the GL differences were identified, which are corrected in profit or loss (depreciation charge)  |  |                  |
|       | <b>Adjustment against opening accumulated surplus 30 June 2008</b>  |  | <b>(14372)</b>   |
|       | <b>Net effect on deficit for the year 30 June 2009</b>  |  | <b>131043</b>    |
|       | Depreciation  |  | 131043           |
|       | <b>Net effect on assets and liabilities for the year 30 June 2009</b>   |  | <b>116671</b>    |
|       | <b>Property, plant &amp; equipment</b>  |  |                  |
|       | Acc depr - Community assets   |  | 9620             |
|       | Acc depr - Buildings  |  | (279)            |
|       | Acc depr - Investment Properties  |  | 141              |
|       | Acc depr - Office equipment   |  | (129)            |
|       | Acc depr - Infrastructure   |  | 97701            |
|       | Acc depr - Investment Properties  |  | 9758             |
|       | Acc depr - Plant & equipment  |  | (143)            |
| 43.10 | <b>Employee benefits</b>  |  |                  |
|       | The funeral provision was determined to be overstated in the years prior to the comparative numbers and are corrected against retained earnings.  |  |                  |
|       | <b>Adjustment against opening accumulated surplus 30 June 2008</b>  |  | <b>369821</b>    |
|       | <b>Net effect on deficit for the year 30 June 2009</b>  |  | <b>-</b>         |
|       | <b>Net effect on assets and liabilities for the year 30 June 2009</b>   |  | <b>369821</b>    |
|       | <b>Payables from exchange transactions</b>  |  |                  |
|       | Staff Funeral Assistance  |  | 369821           |
| 43.11 | <b>Repairs and maintenance</b>  |  |                  |
|       | Reallocation of repair and maintenance expense which relates to the 07/08 financial year wrongfully allocated to the 08/09 financial year. Correction of overstatement of repair and maintenance expense account in the income statement for 08/09, and the ope |  |                  |
|       | <b>Adjustment against opening accumulated surplus 30 June 2008</b>  |  | <b>(8427919)</b> |
|       | <b>Net effect on deficit for the year 30 June 2009</b>  |  | <b>7531425</b>   |
|       | Repairs and maintenance   |  | 7531425          |
|       | <b>Net effect on assets and liabilities for the year 30 June 2009</b>   |  | <b>(896494)</b>  |
|       | Computers written off   |  | (896494)         |

**MOQHAKA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

|       |   |  |                 |
|-------|---|--|-----------------|
| 43.12 | <b>Capital projects inventory</b>   |  |                 |
|       | Prior period error per note 29.20 of the financial statements of 30/06/2009, provided in 2008/2009, and reversed as the amount of capital projects inventory can not be confirmed/ verified or substantiated. |  |                 |
|       | <b>Adjustment against opening accumulated surplus 30 June 2008</b>  |  | <b>(106208)</b> |
|       | <b>Net effect on deficit for the year 30 June 2009</b>  |  | <b>-</b>        |
|       | <b>Net effect on assets and liabilities for the year 30 June 2009</b>   |  | <b>(106208)</b> |
|       | <b>Inventory</b>  |  |                 |
|       | Capital Projects Inventory  |  | (106208)        |
| 43.13 | <b>Capital projects inventory</b>   |  |                 |
|       | Future finance charges were incorrectly recorded as part of Other Debtors (deferred charges) and are being corrected through retained earnings.   |  |                 |
|       | <b>Adjustment against opening accumulated surplus 30 June 2008</b>  |  | <b>(81950)</b>  |
|       | <b>Net effect on deficit for the year 30 June 2009</b>  |  | <b>-</b>        |
|       | <b>Net effect on assets and liabilities for the year 30 June 2009</b>   |  | <b>(81950)</b>  |
|       | <b>Other receivables from exchange transactions</b>   |  |                 |
|       | Finance charges in advance  |  | (81950)         |
| 43.14 | <b>Intangible assets</b>  |  |                 |
|       | Recognition of amortisation on intangible assets which have not previously been amortised.  |  |                 |
|       | <b>Adjustment against opening accumulated surplus 30 June 2008</b>  |  | <b>(785277)</b> |
|       | <b>Net effect on deficit for the year 30 June 2009</b>  |  | <b>(71389)</b>  |
|       | Amortisation on intangible assets   |  | (71389)         |
|       | <b>Net effect on assets and liabilities for the year 30 June 2009</b>   |  | <b>(856666)</b> |
|       | <b>Accumulated amortisation on intangible assets</b>  |  |                 |
|       | Catch up of amortisation on intangible assets   |  | (856666)        |

**MOQHAKA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

|       |  |  |                  |
|-------|--|--|------------------|
| 43.15 | <b>Deposits paid</b>   |  |                  |
|       | It was discovered that the Municipality has not recorded the correct deposits paid over to Eskom on their accounts. This deposit account has been corrected according to Eskom statements. |  |                  |
|       | <b>Adjustment against opening accumulated surplus 30 June 2008</b>   |  | -                |
|       | <b>Net effect on deficit for the year 30 June 2009</b>   |  | <b>64627</b>     |
|       | Deposits expensed in previous year   |  | 64627            |
|       | <b>Net effect on assets and liabilities for the year 30 June 2009</b>  |  | <b>64627</b>     |
|       | <b>Payables from exchange transactions</b>   |  |                  |
|       | Eskom debtor for deposits paid   |  | 64627            |
| 43.16 | <b>Sundry debtors and creditors</b>  |  |                  |
|       | Write off accounts which relates to legacy issues or are long/old outstanding balances.  |  |                  |
|       | <b>Adjustment against opening accumulated surplus 30 June 2008</b>   |  | -                |
|       | <b>Net effect on deficit for the year 30 June 2009</b>   |  | <b>191505</b>    |
|       | Adjustments to debtors accounts (debts written off)  |  | (720249)         |
|       | Writing off debts owed to creditors (income)   |  | 911754           |
|       |  |  | -                |
|       | <b>Net effect on assets and liabilities for the year 30 June 2009</b>  |  | <b>191505</b>    |
|       | <b>Payables</b>  |  | -                |
|       | Clearing old debtor account  |  | 696140           |
|       | <b>Investments</b>   |  | -                |
|       | Clearing old creditor account  |  | 96011            |
|       | <b>Other receivables from exchange</b>   |  | -                |
|       | Clearing old creditor account  |  | (370215)         |
|       | <b>Other receivables from non exchange</b>   |  | -                |
|       | Clearing old debtor account  |  | (26443)          |
|       | <b>VAT receivable</b>  |  | -                |
|       | Clearing old debtor account  |  | (203988)         |
| 43.17 | <b>SALA Pension Fund</b>   |  |                  |
|       | Recognition of interest on arrear SALA pension fund contributions, which have not been recognised in the comparative and prior periods.  |  |                  |
|       | <b>Adjustment against opening accumulated surplus 30 June 2008</b>   |  | <b>(712533)</b>  |
|       | <b>Net effect on deficit for the year 30 June 2009</b>   |  | <b>(362716)</b>  |
|       | Interest on late payment of Pension  |  | (362716)         |
|       | <b>Net effect on assets and liabilities for the year 30 June 2009</b>  |  | <b>(1075249)</b> |
|       | <b>Payables from Exchange Transactions</b>   |  |                  |
|       | Interest on arrear pension fund  |  | (1075249)        |

**MOQHAKA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

|       |  |  |                   |
|-------|--|--|-------------------|
| 43.18 | <b>Cash float</b>  |  |                   |
|       | Cash float recognised in the accounting records could not be verified, therefore the cash float balance has been reduced to agree to the actual cash counts at year end.   |  |                   |
|       | <b>Net effect on deficit for the year 30 June 2009</b>   |  | <b>(10640)</b>    |
|       | Other expenses   |  | (10640)           |
|       | <b>Net effect on assets and liabilities for the year 30 June 2009</b>  |  | <b>(10640)</b>    |
|       | <b>Cash and cash equivalents</b>   |  |                   |
|       | Write off cash floats not verifiable   |  | (10640)           |
| 43.19 | <b>Rates adjustment</b>  |  |                   |
|       | Adjustment to the amount of rates charged in the comparative period.   |  |                   |
|       | <b>Adjustment against opening accumulated surplus 30 June 2008</b>   |  | -                 |
|       | <b>Net effect on deficit for the year 30 June 2009</b>   |  | <b>(11856449)</b> |
|       | Property Rates adjustments - Agricultural  |  | (2344355)         |
|       | Property Rates adjustments - Private   |  | (358499)          |
|       | Rates  |  | (3330286)         |
|       | Water  |  | (1257279)         |
|       | Electricity  |  | (41335)           |
|       | Property Rates adjustments - Business  |  | (4524695)         |
|       | <b>Net effect on assets and liabilities for the year 30 June 2009</b>  |  | <b>(11856449)</b> |
|       | Consumer receivables from exchange transactions  |  | (11856449)        |
| 43.20 | <b>Property plant and equipment</b>  |  |                   |
|       | Reallocation of amounts between repairs and maintenance and items of property, plant and equipment. Certain items which has been recognised as repairs and maintenance are now capitalised, while office equipment worth R 608 805 are written of (impaired) because its existence cannot be verified. |  |                   |
|       | <b>Net effect on deficit for the year 30 June 2009</b>   |  | <b>(229393)</b>   |
|       | Buildings R&M  |  | 33600             |
|       | Heavy machinery & equipment R&M  |  | 48535             |
|       | Furniture & equipment (finance)  |  | (608805)          |
|       | Repair and maintenance - Electrical Network  |  | 297277            |
|       | <b>Net effect on assets and liabilities for the year 30 June 2009</b>  |  | <b>(229393)</b>   |
|       | <b>Property, plant &amp; equipment</b>   |  |                   |
|       | Buildings - cost   |  | 33600             |
|       | Infrastructure - cost  |  | 48535             |
|       | Office equipment - cost  |  | (608805)          |
|       | Central Switching Station  |  | 297277            |

**MOQHAKA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

|       |  |  |  |                  |
|-------|--|--|--|------------------|
| 43.21 | <b>Finance lease</b>   |  |  |                  |
|       | Recognition of interest on finance lease liability not recognised previously, as well as correcting future finance charges which were recognised in other debtors. |  |  |                  |
|       | <b>Net effect on deficit for the year 30 June 2009</b>   |  |  | <b>(2740771)</b> |
|       | Finance leases - vehicles  |  |  | 17908            |
|       | Interest on finance leases for 2008/9  |  |  | (2758679)        |
|       | <b>Net effect on assets and liabilities for the year 30 June 2009</b>  |  |  | <b>(2740771)</b> |
|       | <b>Other receivables from exchange transactions</b>  |  |  |                  |
|       | Finance charges in advance   |  |  | 17908            |
|       | <b>Long-term borrowings</b>  |  |  | <b>(2758679)</b> |
| 43.22 | <b>Leave provision</b>   |  |  |                  |
|       | Provide for leave obligation. Leave liability not accounted for accurately in the prior year   |  |  |                  |
|       | <b>Adjustment against opening accumulated surplus 30 June 2008</b>   |  |  | -                |
|       | <b>Net effect on deficit for the year 30 June 2009</b>   |  |  | <b>(3647760)</b> |
|       | Contribution to leave provision  |  |  | (3647760)        |
|       | <b>Net effect on assets and liabilities for the year 30 June 2009</b>  |  |  | <b>(3647760)</b> |
|       | <b>Provision</b>   |  |  |                  |
|       | Leave provision not raised in 2009   |  |  | (3647760)        |



MOQHAKA LOCAL MUNICIPALITY  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

|             |   |                   |                    |                   |
|-------------|---|-------------------|--------------------|-------------------|
| 44          | <b>Restatement summary of 2009 numbers</b>                        |                   |                    |                   |
|             |   |                   |                    |                   |
|             |   | <b>Reported</b>   | <b>Adjustments</b> | <b>Restated</b>   |
| <b>44.1</b> | <b>Prior period adjustments - Statement of Financial Position</b> | <b>2009</b>       | <b>2009</b>        | <b>2009</b>       |
|             |   | <b>R</b>          | <b>R</b>           | <b>R</b>          |
|             |   |                   |                    |                   |
|             | <b>ASSETS</b>   |                   |                    |                   |
|             | <b>Non-current assets</b>   | <b>1111058752</b> | <b>(1001606)</b>   | <b>1110057146</b> |
|             | Property, plant and equipment                                     | 1085368102        | (84064)            | 1085284038        |
|             | Intangible Assets   | 2155744           | (927441)           | 1228303           |
|             | Investment Property   | 23345110          | 9899               | 23355009          |
|             | Investments   | 189796            | -                  | 189796            |
|             | Long-term receivables   | -                 | -                  | -                 |
|             |   |                   |                    |                   |
|             | <b>Current assets</b>   | <b>106409591</b>  | <b>(5169607)</b>   | <b>101239984</b>  |
|             | Inventory   | 4621748           | (99328)            | 4522420           |
|             | Consumer receivables from exchange transactions                   | 86312896          | (11849540)         | 74463356          |
|             | Other receivables from exchange transactions                      | 2415043           | (1242805)          | 1172238           |
|             | Other receivables from non- exchange transactions                 | 26443             | (26443)            | 0                 |
|             | Deferred operating lease assets                                   | 77015             | -                  | 77015             |
|             | Cash and cash equivalents   | 1018726           | (10640)            | 1008087           |
|             | VAT receivable  | 10216991          | 7918137            | 18135128          |
|             | Investments   | 1720729           | 141011             | 1861740           |
|             |   |                   |                    |                   |
|             | <b>Total assets</b>   | <b>1217468343</b> | <b>(6171213)</b>   | <b>1211297130</b> |
|             |   |                   |                    |                   |
|             | <b>NET ASSETS AND LIABILITIES</b>                                 |                   |                    |                   |
|             | <b>Net assets</b>   | <b>1078905565</b> | <b>(20450550)</b>  | <b>1058455016</b> |
|             | Opening accumulated surplus                                       | 1119144566        | (9636476)          | 1109508090        |
|             | Deficit for the year  | (40239001)        | (10814074)         | (51053074)        |
|             |   |                   |                    |                   |
|             | <b>Non-current liabilities</b>                                    | <b>25035292</b>   | <b>1247900</b>     | <b>26283192</b>   |
|             | Long-term borrow ings   | 22247316          | 1247900            | 23495216          |
|             | Non-current provisions  | 2787976           | -                  | 2787976           |
|             |   |                   |                    |                   |
|             | <b>Current liabilities</b>  | <b>113527486</b>  | <b>13031436</b>    | <b>126558922</b>  |
|             | Consumer deposits   | 6415264           | -                  | 6415264           |
|             | Provisions  | -                 | 3277939            | 3277939           |
|             | Payables from exchange transactions                               | 82101364          | 50130              | 82151494          |
|             | Unspent conditional grants and receipts                           | 5825560           | 107390             | 5932950           |
|             | VAT payable   | -                 | 8122125            | 8122125           |
|             | Bank Overdraft  | 9896755           | -                  | 9896755           |
|             | Current portion of borrow ings                                    | 9288543           | 1473851            | 10762394          |
|             |   |                   |                    |                   |
|             | <b>Total net assets and liabilities</b>                           | <b>1217468343</b> | <b>(6171214)</b>   | <b>1211297130</b> |

MOQHAKA LOCAL MUNICIPALITY  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

| <b>44.2 Prior period adjustments - Statement of Financial Performance</b> |  |                   |                    |                   |
|---|--|-------------------|--------------------|-------------------|
|   |  | <b>Reported</b>   | <b>Adjustments</b> | <b>Restated</b>   |
|   |  | <b>2009</b>       | <b>2009</b>        | <b>2009</b>       |
|   |  | <b>R</b>          | <b>R</b>           | <b>R</b>          |
| <b>REVENUE</b>  |  |                   |                    |                   |
| Property rates  |  | 38687846          | (10596978)         | 28090868          |
| Service charges   |  | 140055331         | (1253613)          | 138801718         |
| Rental of facilities and equipment  |  | 2690747           | -                  | 2690747           |
| Investment income   |  | 563157            | -                  | 563157            |
| Interest earned - outstanding receivables                                 |  | 5223689           | -                  | 5223689           |
| Fines   |  | 765069            | -                  | 765069            |
| Government grants and subsidies   |  | 107527416         | (107390)           | 107420026         |
| Other income  |  | 11162728          | 6909               | 11169637          |
| Gain on disposal of property, plant and equipment                         |  | 428303            | -                  | 428303            |
| Fair value through surplus and deficit                                    |  | 4336              | -                  | 4336              |
| <b>Total revenue</b>  |  | <b>307108622</b>  | <b>(11951072)</b>  | <b>295157550</b>  |
| <b>EXPENDITURE</b>  |  |                   |                    |                   |
| Employee related costs  |  | 107625224         | 3663173            | 111288397         |
| Remuneration of councillors   |  | 11217905          | -                  | 11217905          |
| Bad debts   |  | 29359749          | (230647)           | 29129102          |
| Depreciation and amortisation   |  | 44602512          | (112657)           | 44489855          |
| Impairment  |  | -                 | 608804             | 608804            |
| Repairs and maintenance   |  | 27890763          | (8026685)          | 19864078          |
| Interest paid   |  | 4184771           | 3280094            | 7464865           |
| Bulk purchases  |  | 64454175          | -                  | 64454175          |
| Contracted services   |  | 6336442           | -                  | 6336442           |
| General expenses  |  | 51676082          | (319082)           | 51357000          |
|   |  |                   | -                  | -                 |
| <b>Total expenditure</b>  |  | <b>347347623</b>  | <b>(1136999)</b>   | <b>346210625</b>  |
|   |  |                   |                    |                   |
| <b>SURPLUS/(DEFICIT) FOR THE YEAR</b>                                     |  | <b>(40239001)</b> | <b>(10814073)</b>  | <b>(51053075)</b> |

MOQHAKA LOCAL MUNICIPALITY  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

| 44.3 Prior period adjustments - Cash Flow Statement   |  |                  |                  |                  |
|---|--|------------------|------------------|------------------|
|   |  | Reported         | Adjustments      | Restated         |
|   |  | 2009             | 2009             | 2009             |
|   |  | R                | R                | R                |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>  |  |                  |                  |                  |
| Cash receipts from ratepayers, government and other   |  | 274743923        | (4247141)        | 270496782        |
| Cash paid to suppliers and employees  |  | (275545948)      | 4711063          | 270834885        |
| Cash generated from operations  |  | <b>(802025)</b>  | <b>463923</b>    | <b>(338102)</b>  |
| Interest received   |  | 5223689          | -                | 5223689          |
| Dividends received  |  | 563157           | -                | 563157           |
| Interest paid   |  | (4184771)        | (3280094)        | (7464865)        |
| <b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>  |  | <b>800050</b>    | <b>(2816171)</b> | <b>(2016121)</b> |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>  |  |                  |                  |                  |
| Acquisitions for property, plant and equipment  |  | (3855083)        | -                | (3855083)        |
| Acquisitions of property, plant and equipment as a result of the Fixed Asset Reconstruction |  | -                | -                | -                |
| (Increase)/decrease in current investments  |  | (1031966)        | -                | (1031966)        |
| Proceeds on disposal of property, plant and equipment                                       |  | 1474624          | -                | 1474624          |
| Increase in non-current receivables   |  | -                | -                | -                |
| <b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>  |  | <b>(3412425)</b> | <b>-</b>         | <b>(3412425)</b> |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>  |  |                  |                  |                  |
| Repayment of borrowings   |  | (3051462)        | 2805531          | (245931)         |
| <b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>  |  | <b>(3051462)</b> | <b>2805531</b>   | <b>(245931)</b>  |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>  |  | <b>(5663837)</b> | <b>(10639)</b>   | <b>(5674477)</b> |
| Cash and cash equivalents at the beginning of the year                                      |  | (3214192)        | -                | (3214192)        |
| Cash and cash equivalents at the end of the year  |  | (8878029)        | (10640)          | (8888669)        |

**MOQHAKA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

| 45 ACTUAL VERSUS BUDGET (REVENUE & EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2010        |                  |                   |                  |                  |   |
|--|------------------|-------------------|------------------|------------------|---|
|  | Actual<br>2010   | Budget<br>2010    | Variance<br>2010 | Variance<br>2010 | Explanation of significant<br>variances of 10% and greater<br>versus budget |
|  | R                | R                 | R                | %                |   |
| <b>Revenue</b>   |                  |                   |                  |                  |   |
| Property rates   | 34342953         | 34220000          | 122953           | 0                |   |
| Service charges  | 177144235        | 158379600         | 18764635         | 12               |   |
| Rental of facilities and equipment   | 3160310          | 3498400           | (338090)         | (10)             |   |
| Interest earned - external investments   | 230231           | 450000            | (219769)         | (49)             |   |
| Interest earned - outstanding receivables  | 4154269          | 8660000           | (4505731)        | (52)             |   |
| Fines  | 813557           | 715000            | 98557            | 14               |   |
| Government grants and subsidies  | 147890999        | 135402000         | 12488999         | 9                |   |
| Other income   | 5003027          | 4257000           | 746027           | 18               |   |
| Surplus/(deficit) on sale of assets  | (130034)         | -                 | (130034)         | 100              |   |
| Dividends  | -                | 20000             | (20000)          | 100              |   |
| Fair value through surplus/(deficit)   | 30896            | -                 | 30896            | 100              |   |
| <b>Total Revenue</b>   | <b>372640443</b> | <b>345602000</b>  | <b>27038443</b>  | <b>8</b>         |   |
| <b>Expenditure</b>   |                  |                   |                  |                  |   |
| Employee related costs   | 118096681        | 210606576         | (92509895)       | (44)             |   |
| Remuneration of councillors  | 12009197         | 10045670          | 1963527          | 20               |   |
| General expenditure departments  | 45440803         | 55531081          | (10090278)       | (18)             |   |
| General expenditure bulk purchases   | 86326205         | 61200000          | 25126205         | 41               |   |
| General expenditure contracted services  | 6481740          | 5800580           | 681160           | 12               |   |
| Interest paid  | 10041057         | 4210900           | 5830157          | 138              |   |
| Repairs and maintenance  | 17892423         | 14871031          | 3021392          | 20               |   |
| Bad debts  | 39017013         | -                 | 39017013         | 100              |   |
| Inter-departmental charges   | -                | 7754101           | (7754101)        | 100              |   |
| Depreciation   | 45000356         | -                 | 45000356         | 100              |   |
| <b>Total Expenditure</b>   | <b>380305475</b> | <b>370019939</b>  | <b>10285536</b>  | <b>3</b>         |   |
| <b>Reconciling items between IMFO budget and GRAP/GAMAP/GAAP financial statements.</b> |                  |                   |                  |                  |   |
| Contributions to special funds   | -                | (856000)          | 856000           | (100)            |   |
| Provision for working capital  | -                | 3170000           | (3170000)        | (100)            |   |
| Capital Expenditure  | -                | 8000000           | (8000000)        | (100)            |   |
| <b>Net surplus/(deficit) for the year</b>  | <b>(7665032)</b> | <b>(14103939)</b> | <b>6438907</b>   |                  |   |

| MOQHAKA LOCAL MUNICIPALITY                           |             |            |                      |                                    |   |                       |                                     |
|--|-------------|------------|----------------------|------------------------------------|---|-----------------------|-------------------------------------|
| UNAUDITED SCHEDULE OF EXTERNAL LOANS AT 30 JUNE 2010 |             |            |                      |                                    |   |                       |                                     |
|  |             |            |                      |                                    |   |                       | DRAFT                               |
| APPENDIX A   |             |            |                      |                                    |   |                       |                                     |
| External loans                                       | Loan number | Redeemable | Balance at 30/6/2009 | Received/ incurred during the year | Redeemed or written off during the year | Balance at 30/06/2010 | Other costs in accordance with MFFA |
| <u>Annuity loans</u>                                 |             |            |                      |                                    |   |                       |                                     |
| Development Bank of SA @ 13.50%                      | 100769      | 2012       | 18112531             | 2910913                            | -                                       | 21023443              | -                                   |
| Development Bank of SA @ 12.00%                      | 12841       | 2013       | 196663               | -                                  | -                                       | 196663                | -                                   |
| Development Bank of SA @ 13.30%                      | 12842       | 2014       | 42324                | -                                  | -                                       | 42324                 | -                                   |
| Development Bank of SA @ 10.70%                      | 101183      | 2026       | 2496283              | -                                  | -                                       | 2496283               | -                                   |
| <b>Total</b>   |             |            | <b>20847801</b>      | <b>2910913</b>                     | <b>-</b>                                | <b>23758713</b>       | <b>-</b>                            |
| Infrastructure Finance Corporation Ltd @ 17.25%      | 27          | 2011       | 1510506              | 177785                             | 708250                                  | 980042                | -                                   |
| <b>Total</b>   |             |            | <b>1510506</b>       | <b>177785</b>                      | <b>708250</b>                           | <b>980042</b>         | <b>-</b>                            |
| ABSA @ 9.94%   | 2           | 2010       | 397654               | 19413                              | 356407                                  | 60660                 | -                                   |
| <b>Total</b>   |             |            | <b>397654</b>        | <b>19413</b>                       | <b>356407</b>                           | <b>60660</b>          | <b>-</b>                            |
| Standard Bank @ 8.73%                                | 36          | 2010       | 901402               | 64960                              | 328034                                  | 638329                | -                                   |
| <b>Total</b>   |             |            | <b>901402</b>        | <b>64960</b>                       | <b>328034</b>                           | <b>638329</b>         | <b>-</b>                            |
| Sanlam @ 16.50%                                      | 21          | 2010       | 230407               | 166574                             | 205548                                  | 191433                | -                                   |
| Sanlam @ 16.80%                                      | 23          | 2011       | 292904               | -                                  | 64619                                   | 228285                | -                                   |
| Sanlam @ 17.26%                                      | 25          | 2011       | 597984               | -                                  | 100658                                  | 497326                | -                                   |
| <b>Total</b>   |             |            | <b>1121295</b>       | <b>166574</b>                      | <b>370825</b>                           | <b>917045</b>         | <b>-</b>                            |
| Free State Municipal Pension Fund @ 9.5%             | 36042       | 2005       | 7251                 | -                                  | 7251                                    | 0                     | -                                   |
| Free State Municipal Pension Fund @ 9.5%             | 36043       | 2009       | 6767                 | -                                  | 6767                                    | 0                     | -                                   |
| Free State Municipal Pension Fund @ 9.5%             | 36046       | 2007       | 51960                | -                                  | 51960                                   | 0                     | -                                   |
| Free State Municipal Pension Fund @ 10.00%           | 36047       | 2010       | 101478               | 17388                              | 64372                                   | 54495                 | -                                   |
| <b>Total Capital outstanding</b>                     |             |            | <b>167456</b>        | <b>17388</b>                       | <b>130350</b>                           | <b>54495</b>          | <b>-</b>                            |
| <b>Accrued interest- Other</b>                       |             |            | <b>0</b>             | <b>116775</b>                      | <b>0</b>                                | <b>116775</b>         | <b>0</b>                            |
| <b>Total external loans</b>                          |             |            | <b>24946114</b>      | <b>3473808</b>                     | <b>1893864</b>                          | <b>26526058</b>       | <b>-</b>                            |

MOQHAKA LOCAL MUNICIPALITY

APPENDIX B

UNAUDITED ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2010

|  | Cost              |                 |                 |             |                    |                 |                   | Accumulated Depreciation |                   |             |             |                     | Carrying Value    |
|--|-------------------|-----------------|-----------------|-------------|--------------------|-----------------|-------------------|--------------------------|-------------------|-------------|-------------|---------------------|-------------------|
|  | Opening Balance   | Additions       | Transfer In     | Revaluation | Under Construction | Disposals       | Closing Balance   | Opening Balance          | Depreciation      | Transfer In | Disposals   | Closing Balance     |                   |
| <b>Land and Buildings</b>              |                   |                 |                 |             |                    |                 |                   |                          |                   |             |             |                     |                   |
| Land                                   | 6349092           | -               | -               | -           | -                  | -               | 6349092           | -                        | -                 | -           | -           | -                   | 6349092           |
| Buildings                              | 21226446          | -               | -               | -           | -                  | -               | 21226446          | (8756516)                | (249835)          | -           | -           | (9006350)           | 12220096          |
|  | <b>27575538</b>   | -               | -               | -           | -                  | -               | <b>27575538</b>   | <b>(8756516)</b>         | <b>(249835)</b>   | -           | -           | <b>(9006350)</b>    | <b>18569188</b>   |
| <b>Infrastructure</b>                  |                   |                 |                 |             |                    |                 |                   |                          |                   |             |             |                     |                   |
| Electricity                            | 675880126         | 75600           | 1503089         | -           | 1064563            | -               | 678523378         | (337223823)              | (10521283)        | -           | -           | (347745106)         | 330778272         |
| Infrastructure assets at parks         | 77732531          | 147339          | 1968573         | -           | 7045022            | -               | 86893466          | (43122951)               | (1619092)         | -           | -           | (44742043)          | 42151423          |
| Potable water networks                 | 418078264         | 955854          | 2144191         | -           | -                  | -               | 421178309         | (215148473)              | (7203705)         | -           | -           | (222352179)         | 198826130         |
| Roads, bridges and roadside structures | 563251896         | -               | 3307257         | -           | 20944722           | -               | 587503875         | (348134935)              | (12049387)        | -           | -           | (360184321)         | 227319554         |
| Waste water network                    | 32856824          | -               | 9013418         | -           | 9452846            | -               | 347033088         | (156464974)              | (6504017)         | -           | -           | (16286991)          | 184054097         |
| Storm Water                            | 63034765          | -               | 2401197         | -           | 3610178            | -               | 69046140          | (30531342)               | (925513)          | -           | -           | (31456855)          | 37589285          |
| Solid waste                            | 10741053          | -               | -               | -           | -                  | -               | 10741053          | (6258869)                | (354189)          | -           | -           | (6613058)           | 4127995           |
|  | <b>2137285460</b> | <b>1178794</b>  | <b>20337725</b> | -           | <b>42117331</b>    | -               | <b>2200919309</b> | <b>(1136885367)</b>      | <b>(39177186)</b> | -           | -           | <b>(1176062553)</b> | <b>1024856756</b> |
| <b>Community Assets</b>                |                   |                 |                 |             |                    |                 |                   |                          |                   |             |             |                     |                   |
| Parks & Gardens                        | 70789078          | -               | -               | -           | -                  | -               | 70789078          | (43606230)               | (1779284)         | -           | -           | (45385515)          | 25403564          |
| Land                                   | 920448            | -               | -               | -           | -                  | -               | 920448            | -                        | -                 | -           | -           | -                   | 920448            |
| Buildings                              | 9652971           | -               | -               | -           | -                  | -               | 9652971           | (4182110)                | (109411)          | -           | -           | (4291521)           | 5361450           |
|  | <b>81362497</b>   | -               | -               | -           | -                  | -               | <b>81362497</b>   | <b>(47788340)</b>        | <b>(1888696)</b>  | -           | -           | <b>(49677036)</b>   | <b>31885461</b>   |
| <b>Heritage Assets</b>                 |                   |                 |                 |             |                    |                 |                   |                          |                   |             |             |                     |                   |
| Heritage Assets                        | 17544             | -               | -               | -           | -                  | -               | 17544             | -                        | -                 | -           | -           | -                   | 17544             |
|  | <b>17544</b>      | -               | -               | -           | -                  | -               | <b>17544</b>      | -                        | -                 | -           | -           | -                   | <b>17544</b>      |
| <b>Other Assets</b>                    |                   |                 |                 |             |                    |                 |                   |                          |                   |             |             |                     |                   |
| Motor Vehicles                         | 22698604          | 11891657        | -               | -           | -                  | (130829)        | 34459432          | (4489310)                | (671631)          | -           | 1516        | (5159425)           | 29300006          |
| Furniture                              | 2279090           | 359401          | -               | -           | -                  | -               | 2638491           | (658482)                 | (111248)          | -           | -           | (769731)            | 1868761           |
| Office Equipment                       | 13824283          | 470461          | -               | -           | -                  | (4000)          | 14290744          | (3926622)                | (2288063)         | -           | 2862        | (6211823)           | 8078920           |
| Plant and Equipment                    | 2954628           | 226846          | -               | -           | -                  | (1675)          | 3179799           | (1372939)                | (268814)          | -           | 576         | (1641178)           | 1538622           |
| IT Equipment                           | 3660042           | 1434766         | -               | -           | -                  | -               | 5094808           | (2496071)                | (391738)          | -           | -           | (2887808)           | 2207000           |
|  | <b>45416647</b>   | <b>14383132</b> | -               | -           | -                  | <b>(136504)</b> | <b>59663274</b>   | <b>(12943424)</b>        | <b>(3731494)</b>  | -           | <b>4953</b> | <b>(16669965)</b>   | <b>42993309</b>   |
| <b>Total</b>                           | <b>2291657686</b> | <b>15561925</b> | <b>20337725</b> | -           | <b>42117331</b>    | <b>(136504)</b> | <b>2369538163</b> | <b>(1206373647)</b>      | <b>(45047210)</b> | -           | <b>4953</b> | <b>(1251415904)</b> | <b>1118122258</b> |

MOQHAKA LOCAL MUNICIPALITY

APPENDIX C

UNAUDITED SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2010

|  | Cost              |                 |                 |             |                    |                 | Accumulated Depreciation |                     |                   |           |                 |                     | Carrying Value    |
|--|-------------------|-----------------|-----------------|-------------|--------------------|-----------------|--------------------------|---------------------|-------------------|-----------|-----------------|---------------------|-------------------|
|  | Opening Balance   | Additions       | Transfer In     | Revaluation | Under Construction | Disposals       | Opening Balance          | Depreciation        | Transfer In       | Disposals | Closing Balance |                     |                   |
| Assessment Rates                                 | 87157             | -               | -               | -           | -                  | -               | 87157                    | (41239)             | (12029)           | -         | (53268)         | 33889               |                   |
| Brentpark Swimming Bath                          | 4334985           | -               | -               | -           | -                  | -               | 4334985                  | (2950078)           | (91156)           | -         | (3041233)       | 1293752             |                   |
| Budgets  | -                 | -               | -               | -           | -                  | -               | -                        | -                   | -                 | -         | -               | -                   |                   |
| Building Survey                                  | 1807546           | -               | -               | -           | -                  | -               | 1807546                  | (236492)            | (173525)          | -         | (410016)        | 1397530             |                   |
| Buildings  | 36148957          | -               | -               | -           | -                  | -               | 36148957                 | (12308626)          | (359246)          | -         | (13297871)      | 24851086            |                   |
| Cemeteries                                       | 3319820           | -               | 1968573         | -           | 4189322            | -               | 9477716                  | (2084626)           | (103439)          | -         | (2188121)       | 7289595             |                   |
| Civic Centre                                     | 236919            | -               | -               | -           | -                  | -               | 236919                   | (107156)            | (9713)            | -         | (116869)        | 120050              |                   |
| Civil Services                                   | 1286051           | -               | -               | -           | -                  | -               | 1286051                  | (434786)            | (191273)          | -         | (626059)        | 659992              |                   |
| Cleansing  | -                 | 261659          | -               | -           | -                  | -               | 261659                   | -                   | (5633)            | -         | (5633)          | 256026              |                   |
| Communication and Marketing                      | 48333             | -               | -               | -           | -                  | -               | 48333                    | (22023)             | (5894)            | -         | (27916)         | 20417               |                   |
| Community and emergency services                 | -                 | 16641           | -               | -           | -                  | -               | 16641                    | -                   | (1196)            | -         | (1196)          | 15445               |                   |
| Community Halls                                  | 42045             | -               | -               | -           | -                  | -               | 42045                    | (21742)             | (2142)            | -         | (23884)         | 18161               |                   |
| Community Services Administration                | 608728            | -               | -               | -           | -                  | -               | 608728                   | (245609)            | (72003)           | -         | (317612)        | 291116              |                   |
| Corporate Services Administration                | 4853222           | 16563           | -               | -           | -                  | -               | 4869785                  | (1431084)           | (796752)          | -         | (2227836)       | 2641950             |                   |
| Corporate Services                               | -                 | 204278          | -               | -           | -                  | -               | 204278                   | (608804)            | (3104)            | -         | (611908)        | (407830)            |                   |
| Corporate Services                               | -                 | -               | -               | -           | -                  | -               | -                        | -                   | -                 | -         | -               | -                   |                   |
| Caretaker  | -                 | 702             | -               | -           | -                  | -               | 702                      | -                   | (11)              | -         | (11)            | 691                 |                   |
| Corporate Services IT                            | -                 | 414872          | -               | -           | -                  | -               | 414872                   | -                   | (25747)           | -         | (25747)         | 389125              |                   |
| Corporate Services Registry                      | -                 | 8925            | -               | -           | -                  | -               | 8925                     | -                   | (373)             | -         | (373)           | 8552                |                   |
| Council General Expenses                         | 5660              | 351340          | -               | -           | -                  | -               | 357000                   | (3398)              | (8096)            | -         | (11494)         | 345506              |                   |
| Councillors                                      | -                 | 177761          | -               | -           | -                  | -               | 177761                   | -                   | (6552)            | -         | (6552)          | 171209              |                   |
| Drawing Office                                   | 81275             | -               | -               | -           | -                  | -               | 81275                    | (3357)              | (1108)            | -         | (4465)          | 76810               |                   |
| Electricity Distribution                         | 648480207         | 89556           | 1503089         | -           | 1064563            | -               | 651137815                | (315026588)         | (9842057)         | -         | (324868646)     | 326289169           |                   |
| Electricity Generation                           | 1220              | -               | -               | -           | -                  | -               | 1220                     | -                   | -                 | -         | -               | 1220                |                   |
| Electricity Metering Section                     | 719890            | 3299            | -               | -           | -                  | -               | 723189                   | (102518)            | (14246)           | -         | (116764)        | 606425              |                   |
| Electricity Services Administration              | 29982359          | -               | -               | -           | -                  | (1675)          | 29980684                 | (22947027)          | (784829)          | -         | (23731280)      | 6249404             |                   |
| Electricity                                      | -                 | 131524          | -               | -           | -                  | -               | 131524                   | -                   | (2851)            | -         | (2851)          | 128673              |                   |
| Emergency and Disaster Management Administration | 624987            | -               | -               | -           | -                  | -               | 624987                   | (202943)            | (53581)           | -         | (256524)        | 368464              |                   |
| Finance Services Administration                  | 1923298           | 32120           | -               | -           | -                  | (4000)          | 1951418                  | (835598)            | (222588)          | -         | (1055325)       | 896094              |                   |
| Finance  | -                 | 324254          | -               | -           | -                  | -               | 324254                   | -                   | (18493)           | -         | (18493)         | 305761              |                   |
| Fire fighting                                    | 3587775           | 1680            | -               | -           | -                  | -               | 3589455                  | (1102537)           | (224447)          | -         | (1326984)       | 2262471             |                   |
| Fleet Management                                 | 249709            | -               | -               | -           | -                  | -               | 249709                   | (30218)             | (4192)            | -         | (34410)         | 215299              |                   |
| Grants- in- aid                                  | -                 | -               | -               | -           | -                  | -               | -                        | -                   | -                 | -         | -               | -                   |                   |
| Housing  | 27550             | -               | -               | -           | 2855700            | -               | 2883250                  | (13599)             | (3397)            | -         | (16995)         | 2866255             |                   |
| Housing Mookeng                                  | -                 | 130829          | -               | -           | -                  | (130829)        | -                        | (1516)              | -                 | 1516      | 0               |                     |                   |
| Human Resources                                  | 171774            | 2735            | -               | -           | -                  | -               | 174509                   | (64778)             | (20373)           | -         | (85151)         | 89358               |                   |
| Information Technology                           | 876795            | 640581          | -               | -           | -                  | -               | 1517376                  | (361969)            | (81805)           | -         | (443775)        | 1073601             |                   |
| Integrated Development and Planning              | 5750              | -               | -               | -           | -                  | -               | 5750                     | (2769)              | (795)             | -         | (3563)          | 2187                |                   |
| Internal Audit                                   | 197031            | -               | -               | -           | -                  | -               | 197031                   | (59182)             | (33349)           | -         | (92531)         | 104500              |                   |
| Jukseipark                                       | -                 | -               | -               | -           | -                  | -               | -                        | -                   | -                 | -         | -               | -                   |                   |
| Kroonpark  | 58580712          | 282755          | -               | -           | -                  | -               | 58863466                 | (25700499)          | (1501094)         | -         | (27201593)      | 31661873            |                   |
| Landfill Site                                    | 10968932          | -               | -               | -           | -                  | -               | 10968932                 | (6282195)           | (358036)          | -         | (6640231)       | 4328701             |                   |
| Libraries  | 223187            | -               | -               | -           | -                  | -               | 223187                   | (108940)            | (13500)           | -         | (122440)        | 100748              |                   |
| Local Economic Development                       | -                 | -               | -               | -           | -                  | -               | -                        | -                   | -                 | -         | -               | -                   |                   |
| Loubserpark                                      | 13068626          | -               | -               | -           | -                  | -               | 13068626                 | (9391540)           | (292513)          | -         | (9684053)       | 3384573             |                   |
| Manager Corporate Services                       | 76636             | -               | -               | -           | -                  | -               | 76636                    | (32396)             | (7325)            | -         | (39721)         | 36915               |                   |
| Mayor's Office                                   | 365800            | 516916          | -               | -           | -                  | -               | 882715                   | (61212)             | (18250)           | -         | (79462)         | 803253              |                   |
| Metering services                                | -                 | 130829          | -               | -           | -                  | -               | 130829                   | -                   | (2816)            | -         | (2816)          | 128013              |                   |
| Morewag Swimming Bath                            | 7633326           | -               | -               | -           | -                  | -               | 7633326                  | (5174161)           | (183094)          | -         | (5357255)       | 2276071             |                   |
| Mowing Section                                   | 557483            | -               | -               | -           | -                  | -               | 557483                   | (173927)            | (11932)           | -         | (185859)        | 371625              |                   |
| Municipal Manager                                | -                 | 15887           | -               | -           | -                  | -               | 15887                    | -                   | (1204)            | -         | (1204)          | 14682               |                   |
| Municipality Manager Administration              | 2690947           | 182813          | -               | -           | -                  | -               | 2873761                  | (994203)            | (319804)          | -         | (1314007)       | 1559754             |                   |
| Nyakallong Recreation Resort                     | 4971279           | -               | -               | -           | -                  | -               | 4971279                  | (2139987)           | (142778)          | -         | (2282764)       | 2688515             |                   |
| Occupational Health and Safety                   | 125760            | -               | -               | -           | -                  | -               | 125760                   | (26150)             | (3488)            | -         | (29637)         | 96123               |                   |
| Office of the Whip                               | 1030154           | -               | -               | -           | -                  | -               | 1030154                  | (320589)            | (193412)          | -         | (514401)        | 515653              |                   |
| Other Councillors                                | 1177331           | -               | -               | -           | -                  | -               | 1177331                  | (321748)            | (201456)          | -         | (532204)        | 654127              |                   |
| Parks  | -                 | 597082          | -               | -           | -                  | -               | 597082                   | -                   | (13346)           | -         | (13346)         | 583736              |                   |
| Parks Administration                             | 1284040           | -               | -               | -           | -                  | -               | 1284040                  | (479276)            | (152017)          | -         | (631293)        | 652748              |                   |
| Pavements and Open Spaces                        | 242683            | -               | -               | -           | -                  | -               | 242683                   | (26298)             | (2927)            | -         | (29224)         | 213459              |                   |
| Properties Farmlands                             | -                 | -               | -               | -           | -                  | -               | -                        | -                   | -                 | -         | -               | -                   |                   |
| Public Gardens North                             | 200743            | -               | -               | -           | -                  | -               | 200743                   | (31413)             | (2724)            | -         | (34137)         | 166806              |                   |
| Public Gardens South                             | 28770             | -               | -               | -           | -                  | -               | 28770                    | -                   | -                 | -         | -               | 28770               |                   |
| Public Toilets                                   | -                 | -               | -               | -           | -                  | -               | -                        | -                   | -                 | -         | -               | -                   |                   |
| Public Works                                     | 497221            | 4156675         | -               | -           | -                  | -               | 4654397                  | (116969)            | (97015)           | -         | (213984)        | 4440413             |                   |
| Pumps and Purification                           | 154998367         | 955854          | 1951246         | -           | -                  | -               | 157905467                | (113201902)         | (3091266)         | -         | (116293168)     | 41612299            |                   |
| Railway sidings                                  | -                 | -               | -               | -           | -                  | -               | -                        | -                   | -                 | -         | -               | -                   |                   |
| Recreation                                       | 59532549          | 2159            | -               | -           | -                  | -               | 59534708                 | (40280844)          | (1253340)         | -         | (41534184)      | 18000524            |                   |
| Refuse Removal                                   | 3001235           | 4770883         | -               | -           | -                  | -               | 7772118                  | (523052)            | (155767)          | -         | (678819)        | 7093299             |                   |
| Regional Co-ordinator                            | -                 | -               | -               | -           | -                  | -               | -                        | -                   | -                 | -         | -               | -                   |                   |
| Steynsrus  | 137302            | -               | -               | -           | -                  | -               | 137302                   | (48921)             | (7389)            | -         | (56310)         | 80992               |                   |
| Regional Co-ordinator                            | -                 | -               | -               | -           | -                  | -               | -                        | -                   | -                 | -         | -               | -                   |                   |
| Viljoenskroon                                    | 98878             | -               | -               | -           | -                  | -               | 98878                    | (2667)              | (897)             | -         | (3564)          | 95314               |                   |
| Riverside Swimming Bath                          | -                 | -               | -               | -           | -                  | -               | -                        | -                   | -                 | -         | -               | -                   |                   |
| Roads and Streets                                | 569266023         | -               | 3307257         | -           | 21754490           | -               | 594327769                | (349448027)         | (12178055)        | -         | (361626083)     | 23270186            |                   |
| Security   | 145773            | 160546          | -               | -           | -                  | -               | 306320                   | (15551)             | (5915)            | -         | (21466)         | 284853              |                   |
| Sewerage   | -                 | 130829          | -               | -           | -                  | -               | 130829                   | -                   | (2816)            | -         | (2816)          | 128013              |                   |
| Sewerage and Purification                        | 136972722         | 2750            | 8822717         | -           | -                  | -               | 145798189                | (75422148)          | (3260107)         | -         | (78882255)      | 67115934            |                   |
| Sewerage Network                                 | 191067777         | 40274           | -               | -           | 9452846            | -               | 200560897                | (81291553)          | (3268366)         | -         | (84559920)      | 116000777           |                   |
| Speaker's Office                                 | 277972            | -               | -               | -           | -                  | -               | 277972                   | (52911)             | (17172)           | -         | (70083)         | 207889              |                   |
| Storage Dams                                     | 12779330          | -               | -               | -           | -                  | -               | 12779330                 | (5151117)           | (181630)          | -         | (5332747)       | 7446584             |                   |
| Stores and Procurement                           | 2910              | -               | -               | -           | -                  | -               | 2910                     | (1185)              | (108)             | -         | (1284)          | 1616                |                   |
| Street Cleaning Services                         | -                 | -               | -               | -           | -                  | -               | -                        | -                   | -                 | -         | -               | -                   |                   |
| Town Hall  | 52222             | -               | -               | -           | -                  | -               | 52222                    | (24619)             | (1942)            | -         | (26562)         | 25660               |                   |
| Traffic  | -                 | 281884          | -               | -           | -                  | -               | 281884                   | -                   | (5428)            | -         | (5428)          | 276456              |                   |
| Traffic department                               | 797798            | -               | -               | -           | -                  | -               | 797798                   | (77004)             | (13529)           | -         | (90533)         | 707265              |                   |
| Valuations                                       | -                 | -               | -               | -           | -                  | -               | -                        | -                   | -                 | -         | -               | -                   |                   |
| Water Retention                                  | 315213636         | -               | 2784942         | -           | -                  | -               | 317998478                | (127367586)         | (4863347)         | -         | (132230933)     | 185767545           |                   |
| Water Services                                   | 38557             | 392488          | -               | -           | 2800411            | -               | 3231456                  | (155)               | (11019)           | -         | (11174)         | 3220282             |                   |
| Water Services Administration                    | 1841460           | 2750            | -               | -           | -                  | -               | 1844210                  | (204054)            | (30009)           | -         | (234063)        | 1610148             |                   |
| Works  | -                 | 130829          | -               | -           | -                  | -               | 130829                   | -                   | (2816)            | -         | (2816)          | 128013              |                   |
| <b>Total</b>                                     | <b>2291657686</b> | <b>15561925</b> | <b>20337725</b> | <b>-</b>    | <b>42117331</b>    | <b>(136504)</b> | <b>2369538162</b>        | <b>(1206373647)</b> | <b>(45047210)</b> | <b>-</b>  | <b>4953</b>     | <b>(1251415904)</b> | <b>1118122258</b> |

| MOQHAKA MUNICIPALITY  |                                    |                                    |                                 |                               |                                    |                                    |
|---|------------------------------------|------------------------------------|---------------------------------|-------------------------------|------------------------------------|------------------------------------|
| APPENDIX D  |                                    |                                    |                                 |                               |                                    |                                    |
| UNAUDITED DEPARTMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010 |                                    |                                    |                                 |                               |                                    |                                    |
| Actual<br>Income<br>2009<br>R   | Actual<br>Expenditure<br>2009<br>R | Surplus/<br>(Deficit)<br>2009<br>R |                                 | Actual<br>Income<br>2010<br>R | Actual<br>Expenditure<br>2010<br>R | Surplus/<br>(Deficit)<br>2010<br>R |
| 4625566   | 53920551                           | (49294985)                         | Executive & Council             | 459863                        | 24391981                           | (23932118)                         |
| 79757144  | 49270278                           | 30486866                           | Finance & Administration        | 124553684                     | 109569534                          | 14984150                           |
| -   | 3197440                            | (3197440)                          | Planning & Development          | -                             | 4509256                            | (4509256)                          |
| -   | 120053                             | (120053)                           | Health                          | -                             | 40859                              | (40859)                            |
| 790763  | 18984868                           | (18194105)                         | Community & Social Services     | 748462                        | 18885851                           | (18137389)                         |
| 2004745   | 1719443                            | 285302                             | Housing                         | 1035788                       | 1990702                            | (954914)                           |
| 1023020   | 18031856                           | (17008836)                         | Public Safety                   | 1214946                       | 18850922                           | (17635976)                         |
| 2563897   | 10316299                           | (7752402)                          | Sport & Recreation              | 2557585                       | 7122340                            | (4564755)                          |
| 18026048  | 14202911                           | 3823137                            | Waste Management                | 17018911                      | 20970285                           | (3951373)                          |
| 280900  | 24986741                           | (24705841)                         | Road Transport                  | 73296                         | 12092525                           | (12019228)                         |
| 43312042  | 40909715                           | 2402327                            | Water                           | 53641724                      | 42400179                           | 11241544                           |
| 130859492   | 95852971                           | 35006521                           | Electricity                     | 162600055                     | 105945090                          | 56654965                           |
| 23261518  | 18502501                           | 4759017                            | Sewerage                        | 17082749                      | 11917393                           | 5165356                            |
| 603487  | 4852764                            | (4249277)                          | Other                           | 557265                        | 4169053                            | (3611788)                          |
| <b>307108622</b>  | <b>354868391</b>                   | <b>(47759769)</b>                  | <b>Sub-total</b>                | <b>381544328</b>              | <b>382855970</b>                   | <b>(1311641)</b>                   |
| -   | (7520768)                          | 7520768                            | Less Inter-Departmental Charges | -                             | 6353391                            | (6353391)                          |
| <b>307108622</b>  | <b>347347623</b>                   | <b>(40239001)</b>                  | <b>Total</b>                    | <b>381544328</b>              | <b>389209361</b>                   | <b>(7665032)</b>                   |
|   |                                    |                                    |                                 |                               |                                    |                                    |
|   |                                    |                                    | According to TB                 | 372770477                     | 380435509                          | (7665032)                          |
|   |                                    |                                    | <b>Difference</b>               | <b>8773851</b>                | <b>8773852</b>                     | <b>-0</b>                          |



| MOQHAKA LOCAL MUNICIPALITY  |                 |                               |                            |                |                  |                  |   |
|---|-----------------|-------------------------------|----------------------------|----------------|------------------|------------------|---|
| APPENDIX E  |                 |                               |                            |                |                  |                  |   |
| UNAUDITED ACTUAL EXPENDITURE VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2010 |                 |                               |                            |                |                  |                  |   |
|   | 2010<br>Actual  | 2010<br>Under<br>Construction | 2010<br>Total<br>Additions | 2010<br>Budget | 2010<br>Variance | 2010<br>Variance | Explanation of significant variances<br>greater than 5% versus budget   |
|   | R               | R                             | R                          | R              | R                | %                |   |
| Assessment Rates  | -               | -                             | -                          | -              | -                | -                | The municipality do not budget for the acquisition of PPE on a departmental level. A pool of funds are budgeted for, and funds are allocated to a specific department when requested. Subsequently a comparison can not be performed between actual and budgeted PPE acquisitions on a departmental level. The total budget for PPE purchases was R 20 899 861. |
| Brentpark Swimming Bath   | -               | -                             | -                          | -              | -                | -                |   |
| Budgets   | -               | -                             | -                          | -              | -                | -                |   |
| Building Survey   | -               | -                             | -                          | -              | -                | -                |   |
| Buildings   | -               | -                             | -                          | -              | -                | -                |   |
| Cemetaries  | 1968573         | 4189322                       | 6157895                    | -              | 6157895          | -                |   |
| Civic Centre  | -               | -                             | -                          | -              | -                | -                |   |
| Civil Services  | -               | -                             | -                          | -              | -                | -                |   |
| Cleansing   | 261659          | -                             | 261659                     | -              | 261659           | -                |   |
| Communication and Marketing   | -               | -                             | -                          | -              | -                | -                |   |
| Community and emergency services  | 16641           | -                             | 16641                      | -              | 16641            | -                |   |
| Community Halls   | -               | -                             | -                          | -              | -                | -                |   |
| Community Services Administration   | -               | -                             | -                          | -              | -                | -                |   |
| Corporate Services Administration   | 16563           | -                             | 16563                      | -              | 16563            | -                |   |
| Corporate Services  | 204278          | -                             | 204278                     | -              | 204278           | -                |   |
| Corporate Services Caretaker  | 702             | -                             | 702                        | -              | 702              | -                |   |
| Corporate Services IT   | 414872          | -                             | 414872                     | -              | 414872           | -                |   |
| Corporate Services Registry   | 6925            | -                             | 6925                       | -              | 6925             | -                |   |
| Council General Expenses  | 351340          | -                             | 351340                     | -              | 351340           | -                |   |
| Councillors   | 177761          | -                             | 177761                     | -              | 177761           | -                |   |
| Drawing Office  | -               | -                             | -                          | -              | -                | -                |   |
| Electricity Distribution  | 1593045         | 1064563                       | 2657608                    | -              | 2657608          | -                |   |
| Electricity Generation  | -               | -                             | -                          | -              | -                | -                |   |
| Electricity Metering Section  | 3299            | -                             | 3299                       | -              | 3299             | -                |   |
| Electricity Services Administration   | -               | -                             | -                          | -              | -                | -                |   |
| Electricity   | 131524          | -                             | 131524                     | -              | 131524           | -                |   |
| Emergency and Disaster Management Administration  | -               | -                             | -                          | -              | -                | -                |   |
| Finance Services Administration   | 32120           | -                             | 32120                      | -              | 32120            | -                |   |
| Finance   | 324254          | -                             | 324254                     | -              | 324254           | -                |   |
| Fire fighting   | 1680            | -                             | 1680                       | -              | 1680             | -                |   |
| Fleet Management  | -               | -                             | -                          | -              | -                | -                |   |
| Grants- in- aid   | -               | -                             | -                          | -              | -                | -                |   |
| Housing   | -               | 2855700                       | 2855700                    | -              | 2855700          | -                |   |
| Housing Maokeng   | 130829          | -                             | 130829                     | -              | 130829           | -                |   |
| Human Resources   | 2735            | -                             | 2735                       | -              | 2735             | -                |   |
| Information Technology  | 640581          | -                             | 640581                     | -              | 640581           | -                |   |
| Integrated Development and Planning   | -               | -                             | -                          | -              | -                | -                |   |
| Internal Audit  | -               | -                             | -                          | -              | -                | -                |   |
| Jukseipark  | -               | -                             | -                          | -              | -                | -                |   |
| Kroonpark   | 282755          | -                             | 282755                     | -              | 282755           | -                |   |
| Landfill Site   | -               | -                             | -                          | -              | -                | -                |   |
| Libraries   | -               | -                             | -                          | -              | -                | -                |   |
| Local Economic Development  | -               | -                             | -                          | -              | -                | -                |   |
| Loubserpark   | -               | -                             | -                          | -              | -                | -                |   |
| Manager Corporate Services  | -               | -                             | -                          | -              | -                | -                |   |
| Mayor's Office  | 516916          | -                             | 516916                     | -              | 516916           | -                |   |
| Metering services   | 130829          | -                             | 130829                     | -              | 130829           | -                |   |
| Morewag Swimming Bath   | -               | -                             | -                          | -              | -                | -                |   |
| Mowing Section  | -               | -                             | -                          | -              | -                | -                |   |
| Municipal Manager   | 15887           | -                             | 15887                      | -              | 15887            | -                |   |
| Municipality Manager Administration   | 182813          | -                             | 182813                     | -              | 182813           | -                |   |
| Nyakallong Recreation Resort  | -               | -                             | -                          | -              | -                | -                |   |
| Occupational Health and Safety  | -               | -                             | -                          | -              | -                | -                |   |
| Office of the Whip  | -               | -                             | -                          | -              | -                | -                |   |
| Other Councillors   | -               | -                             | -                          | -              | -                | -                |   |
| Parks   | 597082          | -                             | 597082                     | -              | 597082           | -                |   |
| Parks Administration  | -               | -                             | -                          | -              | -                | -                |   |
| Pavements and Open Spaces   | -               | -                             | -                          | -              | -                | -                |   |
| Properties Farmlands  | -               | -                             | -                          | -              | -                | -                |   |
| Public Gardens North  | -               | -                             | -                          | -              | -                | -                |   |
| Public Gardens South  | -               | -                             | -                          | -              | -                | -                |   |
| Public Toilets  | -               | -                             | -                          | -              | -                | -                |   |
| Public Works  | 4156675         | -                             | 4156675                    | -              | 4156675          | -                |   |
| Pumps and Purification  | 2907100         | -                             | 2907100                    | -              | 2907100          | -                |   |
| Railway sidings   | -               | -                             | -                          | -              | -                | -                |   |
| Recreation  | 2159            | -                             | 2159                       | -              | 2159             | -                |   |
| Refuse Removal  | 4770883         | -                             | 4770883                    | -              | 4770883          | -                |   |
| Regional Co-ordinator Steynsrus   | -               | -                             | -                          | -              | -                | -                |   |
| Regional Co-ordinator Viljoenskroon   | -               | -                             | -                          | -              | -                | -                |   |
| Riverside Swimming Bath   | -               | -                             | -                          | -              | -                | -                |   |
| Roads and Streets   | 3307257         | 21754490                      | 25061746                   | -              | 25061746         | -                |   |
| Security  | 160546          | -                             | 160546                     | -              | 160546           | -                |   |
| Sewerage  | 130829          | -                             | 130829                     | -              | 130829           | -                |   |
| Sewerage and Purification   | 8825468         | -                             | 8825468                    | -              | 8825468          | -                |   |
| Sewerage Network  | 40274           | 9452846                       | 9493120                    | -              | 9493120          | -                |   |
| Speaker's Office  | -               | -                             | -                          | -              | -                | -                |   |
| Storage Dams  | -               | -                             | -                          | -              | -                | -                |   |
| Stores and Procurement  | -               | -                             | -                          | -              | -                | -                |   |
| Street Cleaning Services  | -               | -                             | -                          | -              | -                | -                |   |
| Town Hall   | -               | -                             | -                          | -              | -                | -                |   |
| Traffic   | 281884          | -                             | 281884                     | -              | 281884           | -                |   |
| Traffic department  | -               | -                             | -                          | -              | -                | -                |   |
| Valuations  | -               | -                             | -                          | -              | -                | -                |   |
| Water Reticulation  | 2784842         | -                             | 2784842                    | -              | 2784842          | -                |   |
| Water Services  | 392488          | 2800411                       | 3192899                    | -              | 3192899          | -                |   |
| Water Services Administration   | 2750            | -                             | 2750                       | -              | 2750             | -                |   |
| Works   | 130829          | -                             | 130829                     | -              | 130829           | -                |   |
| <b>Total</b>  | <b>35899650</b> | <b>42117331</b>               | <b>78016981</b>            | <b>-</b>       | <b>78016981</b>  | <b>-</b>         |   |

**MOQHAKA LOCAL MUNICIPALITY**

**APPENDIX F**

**UNAUDITED DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 2003 FOR THE YEAR ENDED 30 JUNE 2010**

| Grants and subsidies received      |   |                  |                 |                 |                 |                       |                 |                 |                 |                     |                        |
|------------------------------------|---|------------------|-----------------|-----------------|-----------------|-----------------------|-----------------|-----------------|-----------------|---------------------|------------------------|
| Name of Grants                     | Name of organ of state or municipal entity. | Quarterly Income |                 |                 |                 | Quarterly Expenditure |                 |                 |                 | Delayed or withheld | Comply with conditions |
|                                    |   | Sept 2009        | Dec 2009        | March 2010      | June 2010       | Sept 2009             | Dec 2009        | March 2010      | June 2010       |                     |                        |
| Equitable Share                    | National Government                         | 44353576         | 35482861        | 22533282        | -               | 44353576              | 35482861        | 22533282        | -               | No                  | Yes                    |
| Councillors Grant                  | National Government                         | -                | -               | 459863          | -               | -                     | -               | 459863          | -               | No                  | Yes                    |
| Institutional Grant                | National Government                         | 735000           | -               | -               | -               | -                     | -               | -               | 167388          | No                  | Yes                    |
| Municipal Infrastructure Grant     | National Government                         | 9121000          | 13253000        | 753000          | 12704000        | 15757724              | 9707252         | 273328          | 15829525        | No                  | Yes                    |
| LGSETA                             | National Government                         | -                | 241289          | 93043           | 116432          | -                     | -               | -               | 191634          | No                  | Yes                    |
| Rehabilitation of sewerage network | National Government                         | -                | -               | -               | 4086066         | -                     | -               | -               | 4932531         | No                  | Yes                    |
| Financial Management Grant         | National Government                         | 750000           | -               | -               | -               | -                     | -               | -               | -               | No                  | Yes                    |
|                                    |   | <b>54959576</b>  | <b>48977150</b> | <b>23839188</b> | <b>16906498</b> | <b>60111300</b>       | <b>45190113</b> | <b>23266473</b> | <b>21121077</b> |                     |                        |

# CHAPTER 5

## PERFORMANCE INFORMATION

**This chapter includes the following sections:**

- **Introduction and legislative provision**
- **Vision and Mission**
- **IDP priorities**
- **2009/10 Performance information**
- **2010/11 Service delivery targets**

## Introduction

**In terms of Section 46 of the Municipal Systems Act, 2000 (Act No. 32 of 200), 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.*

**Section 121(3)(c) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003)** further stipulates that 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 Municipal Systems Act.

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 2009/10 Service Delivery and Budget Implementation Plan (SDBIP) for each functional area and reflect on measures to be taken to improve performance.

## **Vision**

**To be a municipality that creates an enabling and safe environment for socio economic growth and sustainable development**

## **Mission Statement**

**To maintain and enhance quality of life by providing effective, efficient quality and affordable services equitably and facilitating sustainable socio economic growth through active community participation.**

## IDP Priorities

| <b>LOCAL MUNICIPALITY CORE, NON CORE AND SECTORAL PRIORITIES</b><br><i>(CORE PRIORITIES: ALL THE OUTPUTS WHICH ARE THE PRIMARY RESPONSIBILITY OF LOCAL MUNICIPALITY)</i><br><i>NON – CORE PRIORITIES: ALL SECONDARY RESPONSIBILITIES OF THE MUNICIPALITY AS A RESULT OF SUCH RESPONSIBILITIES BEING THOSE OF EITHER PROVINCIAL OR NATIONAL GOVERNMENT)</i> |  |
|--|--|
| <b>Institutional</b>   | <ul style="list-style-type: none"> <li>• Monitoring</li> <li>• Governance</li> <li>• Performance Management</li> <li>• ITC (Information Technology &amp; Communication)</li> <li>• Ward Committees</li> <li>• Training &amp; Education</li> <li>• Learnership for Construction</li> <li>• Finance</li> <li>• Local Economic Development</li> <li>• Inter Governmental Relations</li> <li>• Geographic Information System</li> </ul>                    |
| <b>Economic</b>  | <ul style="list-style-type: none"> <li>• Local Economic Development:               <ul style="list-style-type: none"> <li>- Tourism</li> <li>- Agriculture</li> <li>- Mining</li> <li>- Manufacturing</li> <li>- Commercial Transport</li> </ul> </li> <li>• Poverty Alleviation</li> <li>• SMME Development</li> </ul>  |
| <b>Social</b>  | <ul style="list-style-type: none"> <li>• Community Safety and Transport (Safety and Security)</li> <li>• Disaster Management</li> <li>• HIV / AIDS management</li> <li>• Welfare Service Provision</li> <li>• Education</li> <li>• Youth Development</li> <li>• Gender Equity</li> <li>• Improved level of Health Services</li> <li>• Public Information Education Relation</li> <li>• Sport &amp; Recreation</li> <li>• Emergency Services</li> </ul> |
| <b>Infrastructure</b>  | <ul style="list-style-type: none"> <li>• Sanitation Provision</li> <li>• Water Provision</li> <li>• Housing</li> <li>• Streets and Storm Water</li> <li>• Electricity Provision</li> <li>• Environmental Management</li> </ul>   |

|                                  |  |
|----------------------------------|--|
|                                  | <ul style="list-style-type: none"> <li>• Parks/Cemeteries</li> <li>• Solid Waste Management</li> <li>• Telecommunications</li> <li>• Alternative Energy Sources</li> <li>• Public Transport (Air/Rail/Road)</li> </ul> |
| <b>Spatial and Environmental</b> | <ul style="list-style-type: none"> <li>• Future Land Use/Spatial Development Framework</li> <li>• Land Reform</li> <li>• Environment</li> </ul>  |

## 2009/10 Performance Information

### OFFICE OF THE MUNICIPAL MANAGER

| Performance Indicator  | Unit of measurement  | 08/09 actual | 09/10 target | 09/10 actual | Explanation of actual performance and corrective measures                                      |
|--|--|--------------|--------------|--------------|--|
| Performance Management System (PMS) developed                                      | Performance report submitted to Council as required by the MFMA and MSA      | 0%           | 100%         | 0%           | No reports was submitted to Council; To be corrected in 2010/11 financial year                 |
| Performance agreements signed with section 57 managers                             | Number of agreements signed  | 5            | 5            | 5            | Compliant performance agreements developed and will be further improved in next financial year |
| Organisational performance reports compiled  | Type of organisational performance reports compiled                          | 0%           | 100%         | 0%           | Annual Performance Report; Mid-year budget and performance assessment report and Annual Report |
| Public participation meetings held   | Number of meetings held  | 25           | 27           | 25           | Meetings were mainly held on the IDP and Budget  |
| Newsletters produced and distributed   | Number of newsletters  | 1            | 4            | 1            | Only one newsletter was produced   |
| Annual review of the IDP   | Percentage of IDP review completed in terms of the MSA and MFMA requirements | 50%          | 100%         | 50%          | The IDP review process will be improved during the next cycle                                  |
| 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            | 50%          | 100%         | 80%          | Report was submitted late to Council   |
| In-house fully functional internal audit unit established                          | Percentage of internal audit unit established                                | 30%          | 50%          | 30%          | No new appointments have been made; Organisational structure not yet finalised                 |



## BUDGET AND TREASURY OFFICE

| Performance Indicator   | Unit of measurement   | 08/09 actual | 09/10 target | 09/10 actual | Explanation of actual performance and corrective measures  |
|---|---|--------------|--------------|--------------|--|
| Creditors paid within the legislatively required period                   | Percentage of creditors paid within 30 days                                       | 80%          | 100%         | 80%          | Number of invoices were not paid within 30 days  |
| Annual Financial Statements compiled and submitted                        | Percentage progress with implementation of GRAP/GAMAP                             | 50%          | 70%          | 50%          | GRAP compliance still a challenge  |
| Revenue collection rate   | Percentage debtors revenue collected (collection vs levied)                       | 70%          | 90%          | 70%          | Actual payments levels were still lower than anticipated   |
| By-Laws reviewed and implemented  | Percentage of By-Laws reviewed and implemented                                    | -            | 100%         | 0%           | No By-Laws were reviewed during the financial year   |
| Annual Financial Statements (AFS) submitted on time                       | 2008/09 AFS submitted to Auditor-General by 31 August 2009                        | 80%          | 100%         | 80%          | AFS submitted late to the Auditor-General  |
| Timely and accurate financial reports compiled and submitted              | Monthly and quarterly reports compiled and submitted in terms of MFMA and DORA    | 80%          | 100%         | 90%          | All reports submitted on time to senior management, Council and National & Provincial Treasuries |
| Percentage budget completed   | 2010/11 MTREF completed in terms of MFMA and GRAP requirements by end of May 2010 | 90%          | 100%         | 90%          | MTREF was approved by Council  |
| Completed action plan to address issues raised in Auditor-General reports | Percentage of 2007/08 audit action plan addressed by 31 August 2009               | 80%          | 80%          | 75%          | Disclaimer opinion received from Auditor-General for 2008/09 financial year.                     |
| Improved 2008/09 audit outcomes   | Percentage reduction of material issues which resulted in a disclaimer opinion    | 50%          | 50%          | 60%          | Disclaimer opinion received from Auditor-General for 2008/09 financial year.                     |

## CORPORATE SERVICES

| Performance Indicator                                | Unit of measurement  | 08/09 actual | 09/10 target   | 09/10 actual   | Explanation of actual performance and corrective measures  |
|--|--|--------------|----------------|----------------|--|
| <b>SKILLS DEVELOPMENT</b>                            |  |              |                |                |  |
| Workplace Skills Plan developed and implemented      | WSP and Annual Training Report (ATR) submitted to the LGSETA on time | 100%         | 100%           | 100%           | WSP and ATR submitted to LGSETA on time  |
| Implementation and monitoring of ABET 18.1 and 18.2  | Assessment for ABET multi-disabilities conducted                     | -            | 180            | 100            | Funding obtained to implement programme  |
| Implementation and monitoring of learnerships        | Declaration of intent for learnership with LGSETA                    | -            | 60             | 0              |  |
| CPMD Implementation                                  | Senior personnel nominated for the course                            | -            | 21             | 16             | 5 Officials still to complete due to termination on programme for financial reasons  |
| Implementation of Employment Equity Plan             | Number of EE reports submitted to the Department of Labour           | 6            | 6              | 6              |  |
| <b>HUMAN RESOURCES ADMINISTRATION</b>                |  |              |                |                |  |
| Consolidation of employee files and leave management | All employee files centralised in Hill Street and leave up-dated     | 50%          | 100%           | 100%           | Project successfully completed and leave being electronically captured   |
| Development of HR plan                               | Draft HR Plan in place and distributed for inputs / comments         | 25%          | Draft in place | Draft in place | HR plan draft in place and circulated for inputs / comments  |
| Implementation of pay-day modules                    | No. of modules for HR and Salaries to be procured                    | 0            | 7              | 7              | Service provider to provide training when available  |
| Development of organisational structure              | % review of organisational structure                                 | 0%           | 100%           | 50%            | Consultation processes delaying final completion of structure  |
| <b>EMPLOYEE WELLNESS</b>                             |  |              |                |                |  |
| Provision of integrated employee wellness programme  | • 100% Development of policies                                       | -            | • 100%         | • 50%          | Inputs on policies slow and to be submitted to Management meetings<br><br>• Insufficient budget for procurement of Occupational Health practitioner services |
|  | • 100% of HIV/AIDS programme undertaken                              | -            | • 100%         | • 100%         |  |
|  | • Medical examinations   | -            | • 50%          | • None         |  |

| Performance Indicator                           | Unit of measurement  | 08/09 actual | 09/10 target   | 09/10 actual                                  | Explanation of actual performance and corrective measures  |
|---|--|--------------|--|---|--|
|   | <ul style="list-style-type: none"> <li>Procurement of personal protective clothing</li> </ul>  | -            | <ul style="list-style-type: none"> <li>100%</li> </ul> | 100%  | <ul style="list-style-type: none"> <li>All staff supplied with PPP</li> <li>Availability of funds</li> </ul> |
| <b>LEGAL &amp; ADMINISTRATION</b>               |  |              |  |   |  |
| Implementation of one Records Management System | % integration of electronic records management system with GIS   | -            | 100%   | 50%   | FDDM assisting with GIS  |
| Ensure businesses comply with legislation       | % of weekly inspections conducted  | -            | 75%  | 60%   | Lack of vehicle to conduct inspections regularly   |
| Development of by-laws                          | 100% alignment of by-laws from Province with Municipal needs   | -            | 100%   | 70%   | Public participation processes   |
| Delegation of powers                            | 100% development / review of delegation of powers  | -            | 100%   | 65%   | Draft document developed; Appointed committee to finalise document   |
| <b>ICT</b>                                      |  |              |  |   |  |
| Upgrading and managing municipal servers        | Procurement of uninterrupted ups and generator   | -            | 100%   | 0%  |  |
| Procurement of IT equipment                     | Each official using IT to be provided with latest IT equipment   | -            | 25% per quarter  | 10%   | Only 20 computers purchased; Insufficient funds  |
| Software management                             | <ul style="list-style-type: none"> <li>Installation of HSS for Housing</li> <li>Integration of TCS into network</li> <li>Updating leave module on pay day</li> </ul> | -            | Installation and integration update completed          | Installation and integration update completed |  |

## COMMUNITY AND EMERGENCY SERVICES

| Performance Indicator                                  | Unit of measurement  | 08/09 Actual                | 09/10 Target           | 09/10 Actual                      | Explanation of actual performance and corrective measures                                |
|--|--|-----------------------------|------------------------|-----------------------------------|--|
| <b>Cemeteries</b>                                      |  |                             |                        |                                   |  |
| Fencing of cemeteries within the municipal area        | Number of cemeteries fenced  | 0                           | 9                      | 6                                 | Insufficient funding<br>Apply for additional funding                                     |
| Ensure regular maintenance of cemeteries               | Acquisition of resources eg fleet, equipment, funding and appointment of staff | 2 general workers appointed | 0                      | 0                                 | Sufficient resources not acquired due to lack of cash flow; Proper planning of cash flow |
| Encourage and partake in cleaning of cemeteries        | No of cleaning campaigns undertaken  | 2                           | 4                      | 2                                 | Insufficient funds;<br>Encourage communities to clean the next of kin's grave areas      |
| <b>Sport and Recreation</b>                            |  |                             |                        |                                   |  |
| Maintenance of sport facilities                        | Mowing of facilities on a regular basis  | Forth nightly               | Forth nightly          | Forth nightly                     | Achieved   |
| Resuscitate Sports Council                             | A functional sport council established were all towns are represented          | No Sports Council in place  | Sport Council in place | Moqhaka Sport Council established | Achieved   |
| Provision of sporting facilities to all sporting codes | Number of events held  | 207                         | 227                    | 154                               |  |
| <b>Parks and Open spaces</b>                           |  |                             |                        |                                   |  |
| Maintenance of Parks                                   | Percentage of parks maintained   | 50%                         | 100%                   | 70%                               | Lack of resources  |
| Greening of Moqhaka                                    | Number of trees planted  | 112                         | 2000                   | 700                               | Due to communities stealing these trees the project was put on hold until education      |
| Upgrading of Kroonpark Resort                          | 49 chalets upgraded  | 15                          | 34                     | 20                                | Insufficient funds   |
|  | 4 swimming pools upgraded  | 3                           | 4                      | 3                                 | This upgrading not completely concluded<br>Apply for funding                             |
| <b>Cleansing Services (Solid waste management)</b>     |  |                             |                        |                                   |  |
| Review of the Integrated Waste Management Plan         | Plan reviewed  | Draft plan in place         | Review completed       | Not reviewed                      | Drafted plan not send to Council for approval  |
| Workers to be subjected to regular check-up's          | Number of times check-up are undertaken  | 1                           | 1                      | 1                                 | Achieved   |
| Clearing of illegal dumps                              | Frequency of removal   | 100%                        | 60%                    | 60%                               |  |
| Regular removal of refuse                              | All households and businesses  | 100%                        | 100%                   | 100%                              | Still experiencing shortage of resources even when performance is excellent              |

| Performance Indicator   | Unit of measurement                   | 08/09 Actual | 09/10 Target | 09/10 Actual | Explanation of actual performance and corrective measures |
|---|---------------------------------------|--------------|--------------|--------------|---|
| <b>Fire fighting</b>  |                                       |              |              |              |   |
| Prevent outbreak or spread of fires                                     | Fire safety inspections               | 418          | 450          | 371          | Staff shortage<br>Appointment of Fire Safety Officer      |
|   | School visits                         | 560          | 600          | 405          |   |
| Fires extinguished  | Physical fires attended to            | 510          | 450          | 375          |   |
| Rescue of life and property from fire or other dangers                  | Number of rescues done                | 220          | 150          | 106          | Proper rescue equipment to be bought                      |
| <b>Traffic law enforcement</b>  |                                       |              |              |              |   |
| Develop a road traffic safety school programme                          | Schools visited                       | 0            | 8            | 4            | Access to schools to run programme difficult              |
| Promote traffic safety, order and mobility                              | Operations undertaken                 | 12           | 24           | 30           | Co-ordination with other stakeholders produced success    |
| Upgrading and maintenance of traffic signs and road markings            | Frequency of maintenance and markings | monthly      | Per need     | monthly      | Lack of proper equipment                                  |
| <b>Arts and culture</b>   |                                       |              |              |              |   |
| Coordination of arts and culture festivals                              | Number of festivals held              | 0            | 3            | 1            | Initiatives from community is very poor                   |
| Provision of facility for different events                              | Events held                           | 127          | 127          | 95           | The condition of the Civic complex deteriorating          |
| <b>Education</b>  |                                       |              |              |              |   |
| Provide facilities, promote a culture of learning and lifelong learning | Assistance to learners                | 100%         | 100%         | 100%         | Computers good resource for school assignments            |
|   | Membership                            | 40 843       |              | 43 193       |   |
|   | Number of events celebrated           | 4            | 4            | 4            | Financial support needed for these celebrations           |

## TECHNICAL SERVICES

| Performance Indicator   | Unit of measurement  | 08/09 actual | 09/10 target | 09/10 actual | Explanation of actual performance and corrective measures |
|---|--|--------------|--------------|--------------|---|
| <b>Electricity</b>  |  |              |              |              |   |
| Indigent households receiving free basic electricity                                      | Percentage of indigent households receiving free electricity | 100%         | 100%         | 100%         | All registered indigents                                  |
| Reduction in electricity losses   | Percentage: Kw billed / KwH purchased                        | 10%          | 4%           | 12%          | Replacement of faulty meters                              |
| Electrification of residential stands   | No. of stands served   | 500          | 327<br>300   | 124          | Municipal <i>insitu</i> connections<br>Eskom supply area  |
| Installation of prepaid meters  | No. of meters installed                                      | 500          | 400          | 572          |   |
| Installation of streetlights and high mast lights   | No of lights installed                                       | -            | 11           | 7            | MIG allocation  |
| <b>Water</b>  |  |              |              |              |   |
| Indigent households receiving free basic water  | Percentage of indigent households receiving free basic water | 100%         | 100%         | 100%         | To all municipal residential consumers                    |
| Reduction in water (unaccounted for) losses   | Percentage: Kl billed / KwH purchased (used)                 | 15%          | 10%          | TBD          | Valves repaired and replaced, not quantifiable, no meters |
| Expansion in number of connections  | Number of connections provided                               | 500          | 500          | 2200         | Project complete as phase 1                               |
| Installation of water meters  | Number of meters installed                                   | 2000         | 100          | 100          | Municipal <i>insitu</i> connections                       |
| <b>Roads and storm water</b>  |  |              |              |              |   |
| Installation of channels/pipes and or construction of gabions and unblocking and clearing | Length in meters of channels/pipes installed                 | 2km          | 2km          | 8,8km        | Insufficient funding                                      |
| Construction of roads   | Length in kilometers   | -            | 16km         | 10,3km       | Insufficient funding                                      |
| <b>Buildings</b>  |  |              |              |              |   |
| Approval of building plans  | Percentage plans approved within 30 days after receipt       | 90%          | 100%         | 80%          | Not all required information received from clients        |

## 2010/11 Service Delivery Targets (as per approved SDBIP)

| Office of the Executive Mayor, Vote: Mayoral Committee |   |   |   |           |                        |           |           |                    |               |
|--|---|---|---|-----------|------------------------|-----------|-----------|--------------------|---------------|
| Key Performance Area                                   | IDP Objective   | Key Performance Indicator               | Unit of measurement                       | Base-line | Key Performance Target |           |           |                    |               |
|  |   |   |   |           | Quarter 1              | Quarter 2 | Quarter 3 | Quarter 4          | Annual Target |
| Good Governance and Public Participation               | Improve service rendered by committee services to council and its subcommittees | Public participation meetings conducted | No. of meetings                           | 25        | 0                      | 0         | 9         | 10                 | 27            |
|  |   | Newsletters produced and distributed    | No. of newsletters                        | 1         | 1                      | 1         | 1         | 1                  | 4             |
|  |   | Annual review of IDP completed          | In terms of the MSA and MFMA requirements | 50%       |                        |           |           | 1 review completed | 1 (100%)      |

| Office of the Municipal Manager, Vote: Executive Council |   |  |   |           |                        |                               |  |                              |                  |
|--|---|--|---|-----------|------------------------|-------------------------------|--|------------------------------|------------------|
| Key Performance Area                                     | IDP Objective   | Key Performance Indicator                      | Unit of measurement   | Base-line | Key Performance Target |                               |  |                              |                  |
|  |   |  |   |           | Quarter 1              | Quarter 2                     | Quarter 3                              | Quarter 4                    | Annual Target    |
| Good Governance and Public Participation                 | Improve service rendered by committee services to council and its subcommittees | Performance Management Systems (PMS) developed | PMS Report submitted to Council by the as required in terms of the MFMA and MSA | 0         |                        |                               |  | PMS Policy approved          | PMS implemented  |
|  |   | Performance agreements signed                  | No. of agreements signed  | 5         |                        |                               |  | 5                            | 5                |
|  |   | Compile Performance Reports                    | Type of organisational performance reports required                             | 0         |                        | Annual Performance Report     | Mid-year budget and performance report | Annual and oversight reports |                  |
|  |   |  | Individual performance evaluations conducted                                    |           |                        | Mid-year evaluation conducted |  | Annual evaluation conducted  | 100% Evaluations |

## Office of the Finance Manager, Vote: Finance and Admin. (Finance)

| Key Performance Area                         | IDP Objective                  | Key Performance Indicator                               | Unit of measurement   | Base-line | Key Performance Target |                   |                   |                   |  |
|--|--------------------------------|---|---|-----------|------------------------|-------------------|-------------------|-------------------|--|
|  |                                |   |   |           | Quarter 1              | Quarter 2         | Quarter 3         | Quarter 4         | Annual Target                                  |
| Municipal Financial Viability and Management | Effective financial management | Creditors paid within the legislatively required period | Percentage of creditors paid within 30 days                 | 80%       | 100%                   | 100%              | 100%              | 100%              | 100%   |
|  |                                | Annual financial statements compiled and submitted      | Percentage progress with implementation of GRAP / GAMAP     | 50%       | 65%                    | 65%               | 70%               | 70%               | 70% GRAP compliant annual financial statements |
|  |                                | Revenue collection rate                                 | Percentage debtors revenue collected (collection vs levied) | 70%       | 90%                    | 90%               | 90%               | 90%               | 90%  |
|  |                                |   | By-laws reviewed and implemented                            | --        | 100%, as required      | 100%, as required | 100%, as required | 100%, as required | 100%, as required                              |



### Office of the Corporate Services Manager, Vote: Finance and Admin. (Human Resources)

| Key Performance Area  | IDP Objective   | Key Performance Indicator                       | Unit of measurement  | Base-line | Key Performance Target |           |           |           |               |
|---|---|---|--|-----------|------------------------|-----------|-----------|-----------|---------------|
|   |   |   |  |           | Quarter 1              | Quarter 2 | Quarter 3 | Quarter 4 | Annual Target |
| Municipal Institutional Transformation and Organisational Development | Improve service rendered by committee services to council and its subcommittees | Effective support to Council and Exco           | Percentage of Agendas for meetings to be delivered on time         | 10%       | 100%                   | 100%      | 100%      | 100%      | 100%          |
|   |   | Resolutions Management                          | Resolutions  | 90%       | 100%                   | 100%      | 100%      | 100%      | 100%          |
|   | Effective Management of Moqhaka Municipality's Human Resources                  | Workplace Skills Plan developed and implemented | WSP implementation and report submitted by the end of 30 June 2008 | 100%      | 100%                   | 100%      | 100%      | 100%      | 100%          |
|   |   | Annual ABET training course delivered           | Number of learners reached   | 180       |                        |           |           | 80        | 80            |
|   |   | Employment Equity Act implemented               | EEP – No of reports submitted by the end of October 2007           | 6         |                        |           |           | 6         | 6             |
|   |   | Occupational Health and Safety Act compliance   | Percentage compliance  | 80%       | 90%                    | 90%       | 95%       | 100%      | 100%          |
|   |   | Disciplinary cases completed                    | No. of cases completed as per time frames in conditions of service | 100%      | 100%                   | 100%      | 100%      | 100%      | 100%          |

### Vote: Housing

| Key Performance Area          | IDP Objective                               | Key Performance Indicator          | Unit of measurement | Base-line | Key Performance Target |           |           |                  |                    |
|-------------------------------|---|------------------------------------|---------------------|-----------|------------------------|-----------|-----------|------------------|--------------------|
|                               |   |                                    |                     |           | Quarter 1              | Quarter 2 | Quarter 3 | Quarter 4        | Annual Target      |
| Spatial Development Framework | Review of the Spatial Development Framework | Updated Spatial Development        | No. of SDF reviews  | --        |                        |           |           | 1                | 1                  |
| Spatial Development Framework | Review of the Spatial Development Framework | Updated Land Use Management System | Updates finalised   | --        |                        |           |           | In line with SDF | 1 update completed |

## Vote: Housing

| Key Performance Area          | IDP Objective                               | Key Performance Indicator  | Unit of measurement                              | Base-line | Key Performance Target |           |           |           |               |
|-------------------------------|---|--|--|-----------|------------------------|-----------|-----------|-----------|---------------|
|                               |   |  |  |           | Quarter 1              | Quarter 2 | Quarter 3 | Quarter 4 | Annual Target |
|                               |   | (LUMS)   |  |           |                        |           |           | reviews   |               |
| Spatial Development Framework | Review of the Spatial Development Framework | Updated erven database with housing backlogs and community needs | Percentage completed by the end of December 2007 | 85%       | 100%                   | 100%      | 100%      | 100%      | 100%          |

## Vote: Local Economic Development

| Key Performance Area       | IDP Objective   | Key Performance Indicator                             | Unit of measurement                | Base-line | Key Performance Target |           |           |           |               |
|----------------------------|---|---|------------------------------------|-----------|------------------------|-----------|-----------|-----------|---------------|
|                            |   |   |                                    |           | Quarter 1              | Quarter 2 | Quarter 3 | Quarter 4 | Annual Target |
| Local Economic Development | Create an environment conducive for local economic growth and development | Revision of the Moqhaka Economic Development Strategy | No. of reviews conducted           | 0         |                        |           |           | 1         | 1             |
|                            |   | Establishment of local business information center    | Percentage completion (progress)   | 50%       |                        |           |           | 100%      | Completed     |
|                            |   | Informal LED projects implemented                     | Percentage of projects implemented | 70%       | 25%                    | 50%       | 75%       | 100%      | 100%          |

**Office of the Manager Technical Services**  
**Vote: Electricity**

| Key Performance Area           | IDP Objective  | Key Performance Indicator                            | Unit of measurement  | Base-line   | Key Performance Target |           |           |           |               |
|--------------------------------|--|--|--|-------------|------------------------|-----------|-----------|-----------|---------------|
|                                |  |  |  |             | Quarter 1              | Quarter 2 | Quarter 3 | Quarter 4 | Annual Target |
| Basic Service Delivery         | To ensure that electricity is provided to households in the whole area of jurisdiction of the Municipality including urban, peri-urban and rural areas | Indigent households receiving free basic electricity | Percentage of indigent households receiving free electricity | 100%        | 100%                   | 100%      | 100%      | 100%      | 100%          |
|                                |  | Reduction in electricity losses                      | Percentage: Kw billed / Kwh purchased                        | 15%         | 1%                     | 1%        | 1%        | 1%        | 4%            |
|                                |  | Electrification of residential stands                | No. of stands served   | 327 (Mun)   |                        | 75        | 150       | 102       | 327           |
|                                |  |  |  | 300 (Eskom) |                        | 60        | 90        | 150       | 300           |
| Installation of prepaid meters | No. of meters installed  | 900  | 50   | 100         | 100                    | 150       | 400       |           |               |
|                                | To improve public lighting in residential areas and streets  | Installation of Streetlights and high mast lights    | No of lights installed                                       | 20 (HM)     | 0                      | 0         | 11        | 0         | 11            |

**Office of the Manager Technical Services**  
**Vote: Water and Sanitation**

| Key Performance Area   | IDP Objective  | Key Performance Indicator                      | Unit of measurement  | Base-line | Key Performance Target |           |           |           |               |
|------------------------|--|--|--|-----------|------------------------|-----------|-----------|-----------|---------------|
|                        |  |  |  |           | Quarter 1              | Quarter 2 | Quarter 3 | Quarter 4 | Annual Target |
| Basic Service Delivery | Provision of sustainable and adequate access to bulk water resources | Indigent households receiving free basic water | Percentage of indigent households receiving free basic water | 100%      | 100%                   | 100%      | 100%      | 100%      | 100%          |
|                        |  | Reduction in water (unaccounted for) losses    | Percentage: Kl billed / Kwh purchased (used)                 | 15%       | 1%                     | 2%        | 2%        | 1%        | 6%            |
|                        |  | Expansion in number of connections             | Number of connections provided                               | 2900      | 0                      | 100       | 500       | 1600      | 2200          |

## Office of the Manager Technical Services

### Vote: Water and Sanitation

| Key Performance Area | IDP Objective | Key Performance Indicator    | Unit of measurement        | Base-line | Key Performance Target |           |           |           |               |
|----------------------|---------------|------------------------------|----------------------------|-----------|------------------------|-----------|-----------|-----------|---------------|
|                      |               |                              |                            |           | Quarter 1              | Quarter 2 | Quarter 3 | Quarter 4 | Annual Target |
|                      |               | Installation of water meters | Number of meters installed | 4000      | 0                      | 0         | 100       | 0         | 100           |

### Vote: Roads and Storm water

| Key Performance Area   | IDP Objective   | Key Performance Indicator   | Unit of measurement                          | Base-line | Key Performance Target |           |           |           |               |
|------------------------|---|---|--|-----------|------------------------|-----------|-----------|-----------|---------------|
|                        |   |   |  |           | Quarter 1              | Quarter 2 | Quarter 3 | Quarter 4 | Annual Target |
| Basic Service Delivery | To install and maintain proper storm water drainage system according to the master plan | Installation of channels/pipes and or construction of gabions and unblocking and clearing | Length in meters of channels/pipes installed | 20000m    | 3200m                  | 4200m     | 4200m     | 4400m     | 16000m        |
|                        | Construction of roads according to master plan  | Construction of roads   | Length in meters                             | 20000m    | 3200m                  | 4200m     | 4200m     | 4400m     | 16000m        |

### Vote: Buildings

| Key Performance Area   | IDP Objective                       | Key Performance Indicator  | Unit of measurement                                    | Base-line | Key Performance Target |           |           |           |               |
|------------------------|-------------------------------------|----------------------------|--|-----------|------------------------|-----------|-----------|-----------|---------------|
|                        |                                     |                            |  |           | Quarter 1              | Quarter 2 | Quarter 3 | Quarter 4 | Annual Target |
| Basic Service Delivery | Buildings maintenance and upgrading | Approval of building plans | Percentage plans approved within 30 days after receipt | 90%       | 100%                   | 100%      | 100%      | 100%      | 100%          |

**Manager: Community and Emergency Services**

**Vote: Community and Social Services**

**CRISES CALL CENTRE**

| Key Performance Area   | IDP Objective  | Key Performance Indicator   | Unit of measurement  | Base-line | Key Performance Target |           |           |           |               |
|------------------------|--|---|--|-----------|------------------------|-----------|-----------|-----------|---------------|
|                        |  |   |  |           | Quarter 1              | Quarter 2 | Quarter 3 | Quarter 4 | Annual Target |
| Basic Service Delivery | Provide an effective call taking and dispatching service for the community and service providing units | Call taking and dispatching occurs within five (5) minutes, and all queries are referenced for trace-back | To obtain and maintain an effective radio network and voice logging system |           | Ongoing                |           |           |           |               |

**Manager: Community and Emergency Services**

**Vote: Community and Social Services**

| Key Performance Area   | IDP Objective  | Key Performance Indicator                          | Unit of measurement             | Base-line | Key Performance Target |                    |                    |                    |                    |
|------------------------|--|--|---------------------------------|-----------|------------------------|--------------------|--------------------|--------------------|--------------------|
|                        |  |  |                                 |           | Quarter 1              | Quarter 2          | Quarter 3          | Quarter 4          | Annual Target      |
| Basic Service Delivery | To improve access to community facilities and services and render effective emergency services | Upgrading of cemeteries                            | No. of cemeteries upgraded      | 9         | 0                      | 1                  | 2                  | 2                  | 5                  |
|                        |  | Library holiday programmes and information events  | No. of programmes and events    | 400       | 90%                    | 100% (9 libraries) | 100% (9 libraries) | 100% (9 libraries) | 100% (9 libraries) |
|                        |  | Culture development programmes                     | No. of programmes               | 2         |                        | 1                  | 1                  |                    | 2                  |
|                        |  | HIV programmes and educational awareness campaigns | No. of programmes and campaigns | 4         |                        | 2                  | 2                  | 2                  | 6                  |

**Manager: Community and Emergency Services**

**Vote: Refuse Removal**

| Key Performance Area   | IDP Objective | Key Performance Indicator       | Unit of measurement   | Base-line | Key Performance Target |           |           |           |               |
|------------------------|---------------|---------------------------------|-----------------------|-----------|------------------------|-----------|-----------|-----------|---------------|
|                        |               |                                 |                       |           | Quarter 1              | Quarter 2 | Quarter 3 | Quarter 4 | Annual Target |
| Basic Service Delivery |               | Review of waste management plan | Review progress       | 50%       | 50%                    | 90%       |           |           | 90%           |
|                        |               | Upgrading of community halls    | No. of facilities     | 7         |                        | 2         | 2         | 2         | 6             |
|                        |               | Upgrading of swimming pools     | No. of swimming pools | 2         |                        |           | 2         | 1         | 3             |

# TARGETED INITIATIVES FROM THE EXECUTIVE MAYOR'S BUDGET SPEECH

## Education

| Key Performance Indicator | IDP Objective                                   | Key Performance Indicators               | Unit of measurement                                 | Key Performance Targets: 2010/11 |                           |           |           | Annual target | Cost implications | Affected ward | Responsible Manager |
|---------------------------|---|--|---|----------------------------------|---------------------------|-----------|-----------|---------------|-------------------|---------------|---------------------|
|                           |   |  |   | Quarter 1                        | Quarter 2                 | Quarter 3 | Quarter 4 |               |                   |               |                     |
| Basic Service Delivery    | Utilize Further Education and Training Colleges | Provide bursaries to needy students      | No. of students provided with bursaries             |                                  |                           | 50        |           | 50            | 250,000           |               |                     |
| Basic Service Delivery    | Provide education assistance                    | Provide winter classes for matriculants  | Participating schools in the Mqohaka municipal area |                                  | All participating schools |           |           | All schools   | 50,000            |               |                     |
| Basic Service Delivery    | Provide transport for rural learners            | Bicycles provides top rural farm schools | Number of learners benefitting from the initiative  |                                  |                           |           |           | 100           | 10,000            |               |                     |

## Health

|                           |   |   |   | Key Performance Targets: 2010/11 |           |           |           |               |                   |               |                     |
|---------------------------|---|---|---|----------------------------------|-----------|-----------|-----------|---------------|-------------------|---------------|---------------------|
| Key Performance Indicator | IDP Objective                                   | Key Performance Indicators                                | Unit of measurement                                       | Quarter 1                        | Quarter 2 | Quarter 3 | Quarter 4 | Annual target | Cost implications | Effected ward | Responsible Manager |
| Basic Service Delivery    | Align health services in the local municipality | Provision of signage for all health services institutions | Towns to which signage will be made available             |                                  |           |           | All towns | All towns     | 20,000            |               |                     |
| Basic Service Delivery    | Integration of ambulance services               | Provide signage for streets in Townships                  | Towns to which signage will be made available             |                                  |           |           | All towns | All towns     | 300,000           |               |                     |
| Basic Service Delivery    | Create health awareness                         | Health awareness campaigns                                | Towns where health awareness campaigns will be undertaken |                                  |           |           | All towns | All towns     | 20,000            |               |                     |



## Crime and Safety

|                           |  |  |  | Key Performance Targets: 2010/11 |           |           |           |               |                   |                  |                                  |
|---------------------------|--|--|--|----------------------------------|-----------|-----------|-----------|---------------|-------------------|------------------|----------------------------------|
| Key Performance Indicator | IDP Objective                                      | Key Performance Indicators                     | Unit of measurement                        | Quarter 1                        | Quarter 2 | Quarter 3 | Quarter 4 | Annual target | Cost implications | Effectuated ward | Responsible Manager              |
| Basic Service Delivery    | Implement crime prevention strategy for Moqhaka LM | Establish and revive CPF and street committees | Towns where initiatives will be undertaken |                                  |           |           |           | All towns     | 500,000           |                  | Community and Emergency Services |

## Local Economic Development

|                            |                                     |   |  | Key Performance Targets: 2010/11 |           |           |           |               |                   |                  |                     |
|----------------------------|-------------------------------------|---|--|----------------------------------|-----------|-----------|-----------|---------------|-------------------|------------------|---------------------|
| Key Performance Indicator  | IDP Objective                       | Key Performance Indicators                                  | Unit of measurement                                    | Quarter 1                        | Quarter 2 | Quarter 3 | Quarter 4 | Annual target | Cost implications | Effectuated ward | Responsible Manager |
| Local Economic Development | Promotion of industrial development | Land availability and incentives for industrial development | Towns where initiatives will be undertaken             |                                  |           |           |           | All towns     | 500,000           |                  | Corporate Services  |
|                            |                                     |   |  |                                  |           |           |           |               |                   |                  |                     |
|                            | SMME Development                    | Introduction of learner contractors                         | Townships where learner contractors will be introduced |                                  |           |           |           | All townships | 300,000           |                  | Corporate Services  |
|                            |                                     |   |  |                                  |           |           |           |               |                   |                  |                     |
|                            |                                     | Establishment of a tender advice centre                     | Township where the centre will be located              |                                  |           |           |           | Maokeng       | 100,000           |                  | Corporate Services  |

## Rural Development and Land Reform

| Key Performance Indicator  | IDP Objective                  | Key Performance Indicators  | Unit of measurement                                       | Key Performance Targets: 2010/11 |           |           |           |               | Cost implications | Effectuated ward | Responsible Manager |
|----------------------------|--------------------------------|---|---|----------------------------------|-----------|-----------|-----------|---------------|-------------------|------------------|---------------------|
|                            |                                |   |   | Quarter 1                        | Quarter 2 | Quarter 3 | Quarter 4 | Annual target |                   |                  |                     |
| Local Economic Development | Support Land Reform Programmes | Identify land for emerging farmers                                  | Towns where land will be identified                       |                                  |           |           |           | All towns     | 100,000           |                  | Corporate Services  |
|                            |                                | Development of commonages   | Towns where commonages will be developed                  |                                  |           |           |           | All towns     | 100,000           |                  | Corporate Services  |
|                            |                                |   |   |                                  |           |           |           |               |                   |                  |                     |
|                            | To facilitate land tenure      | Provide social and economic services (electricity, water and roads) | Towns where social and economic services will be provided |                                  |           |           |           | All towns     | 1,000,000         |                  | Corporate Services  |
|                            |                                |   |   |                                  |           |           |           |               |                   |                  |                     |
|                            | Food security                  | Develop alleviation programmes                                      | Towns involved  |                                  |           |           |           | All towns     | 200,000           |                  | Corporate Services  |

**Special Programmes in the Executive Mayor's Office**

| Key Performance Area                     | Programme                                       | Key Performance Indicator                     | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 | Annual allocation | Responsible Manager                          | Wards affected |
|--|---|---|-----------|-----------|-----------|-----------|-------------------|--|----------------|
| Good Governance and Public Participation | Women Development and Capacity Building         | Budget available for initiatives and projects | 90,000    | 90,000    | 90,000    | 90,000    | <b>360,000</b>    | Manager in the office of the Executive Mayor |                |
| Good Governance and Public Participation | Moral Regeneration Programmes                   | Budget available for initiatives and projects | 12,500    | 12,500    | 12,500    | 12,500    | <b>50,000</b>     | Manager in the office of the Executive Mayor |                |
| Good Governance and Public Participation | Men's Forum                                     | Budget available for initiatives and projects | 12,500    | 12,500    | 12,500    | 12,500    | <b>50,000</b>     | Manager in the office of the Executive Mayor |                |
| Good Governance and Public Participation | Children's Day Programmes                       | Budget available for initiatives and projects | 15,000    | 15,000    | 15,000    | 15,000    | <b>60,000</b>     | Manager in the office of the Executive Mayor |                |
| Good Governance and Public Participation | People living with Disabilities                 | Budget available for initiatives and projects | 15,000    | 15,000    | 15,000    | 15,000    | <b>60,000</b>     | Manager in the office of the Executive Mayor |                |
| Good Governance and Public Participation | Old Age Activities                              | Budget available for initiatives and projects | 17,500    | 17,500    | 17,500    | 17,500    | <b>70,000</b>     | Manager in the office of the Executive Mayor |                |
| Good Governance and Public Participation | Executive Mayoral Talent and Sports Development | Budget available for initiatives and projects | 17,500    | 17,500    | 17,500    | 17,500    | <b>70,000</b>     | Manager in the office of the Executive Mayor |                |

**HIV / Aids Co-ordinators in the Executive Mayor's Office Budget**

| Key Performance Area                     | Programme   | Key Performance Indicator                                      | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 | Annual allocation | Responsible Manager                          | Wards affected |
|--|---|--|-----------|-----------|-----------|-----------|-------------------|--|----------------|
| Good Governance and Public Participation | Awareness   | Budget available for awareness campaigns                       | 2,500     | 2,500     | 2,500     | 2,500     | 10,000            | Manager in the office of the Executive Mayor |                |
| Good Governance and Public Participation | Care and Support to People Living with HIV/Aids     | Budget available for key support interventions                 | 7,500     | 7,500     | 7,500     | 7,500     | 30,000            | Manager in the office of the Executive Mayor |                |
| Good Governance and Public Participation | Workshops, Accommodation and Transport for 3 towns  | Budget for workshops and transport                             | 5,000     | 5,000     | 5,000     | 5,000     | 20,000            | Manager in the office of the Executive Mayor |                |
| Good Governance and Public Participation | Care and Support to Orphans - Child-headed families | Budget available for care and support to child-headed families | 11,250    | 11,250    | 11,250    | 11,250    | 45,000            | Manager in the office of the Executive Mayor |                |
| Good Governance and Public Participation | Rural Areas Awareness Transport and Meals           | Budget available for transport and meals                       | 10,000    | 10,000    | 10,000    | 10,000    | 40,000            | Manager in the office of the Executive Mayor |                |
| Good Governance and Public Participation | Youth Cultural Awareness Celebrations Rally         | Budget available for cultural awareness celebration rally      |           |           | 60,000    |           | 60,000            | Manager in the office of the Executive Mayor |                |
| Good Governance and Public Participation | Training of Volunteers                              | Budget for the training of volunteers                          | 2,500     | 2,500     | 2,500     | 2,500     | 10,000            | Manager in the office of the Executive Mayor |                |

| Key Performance Area                     | Programme                       | Key Performance Indicator            | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 | Annual allocation | Responsible Manager                          | Wards affected |
|--|---------------------------------|--------------------------------------|-----------|-----------|-----------|-----------|-------------------|--|----------------|
| Good Governance and Public Participation | Mayoral Lunch with PLW HIV/Aids | Budget available for a Mayoral lunch |           |           | 15,000    |           | 15,000            | Manager in the office of the Executive Mayor |                |
| Good Governance and Public Participation | Christmas Party for Orphans     | Budget for a Christmas Party         |           |           | 10,000    |           | 10,000            | Manager in the office of the Executive Mayor |                |

### **Youth Officer Programmes**

| Key Performance Area                     | Programme   | Key Performance Indicator                                    | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 | Annual allocation | Responsible Manager                          | Wards affected |
|--|---|--|-----------|-----------|-----------|-----------|-------------------|--|----------------|
| Good Governance and Public Participation | Capacity Building Programmes                      | Budget available for capacity building interventions         | 37,500    | 37,500    | 37,500    | 37,500    | 150,000           | Manager in the office of the Executive Mayor |                |
| Good Governance and Public Participation | Career Counselling and Career Planning Assistance | Budget available for counselling and planning                | 15,000    | 15,000    | 15,000    | 15,000    | 60,000            | Manager in the office of the Executive Mayor |                |
| Good Governance and Public Participation | Information and Communication Technology          | Budget available for IT and Communication Technology - Youth | 15,000    | 15,000    | 15,000    | 15,000    | 60,000            | Manager in the office of the Executive Mayor |                |
| Good Governance and Public Participation | Entrepreneurial Business and Support              | Budget available for support                                 | 12,500    | 12,500    | 12,500    | 12,500    | 50,000            | Manager in the office of the Executive Mayor |                |

| Key Performance Area                     | Programme  | Key Performance Indicator                               | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 | Annual allocation | Responsible Manager                          | Wards affected |
|--|--|---|-----------|-----------|-----------|-----------|-------------------|--|----------------|
| Good Governance and Public Participation | Sports, Educational and Social Upliftment Programmes | Budget available for Programmes                         | 75,000    | 75,000    | 75,000    | 75,000    | 300,000           | Manager in the office of the Executive Mayor |                |
| Good Governance and Public Participation | Youth Projects: Bursaries                            | Budget available for youth projects                     | 75,000    | 75,000    | 75,000    | 75,000    | 300,000           | Manager in the office of the Executive Mayor |                |
| Good Governance and Public Participation | Youth Projects: Poverty Alleviation                  | Budget available for youth projects                     | 125,000   | 125,000   | 125,000   | 125,000   | 500,000           | Manager in the office of the Executive Mayor |                |
| Good Governance and Public Participation | Establishment of a Youth Development Trust           | Number of towns where a Youth Trust will be established |           |           |           | 3         | 900,000           | Manager in the office of the Executive Mayor |                |