

# **THABAZIMBI LOCAL MUNICIPALITY**



## **ANNUAL REPORT 2008/9**

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# **CHAPTER 1: INTRODUCTION AND OVERVIEW**

## **1.1 Foreword by the Mayor**

The key milestones of this institution is the ability to comply and submit all reports on time and provide accurate information to all stakeholders in a manner prescribed by the Municipal Finance Management Act (Act 56 of 2003).

It is pleasing that towards the end of the financial year in question the Municipality has been able to feel all the positions of top management and some of the middle management and lower staff employees. However this does not yet translate into the improvement of performance as such since this personnel is still relatively new.

One of the critical posts filled is that of the Chief Financial Officer, which brings stability in this most important department in the Municipality in ensuring quality and timeous reports to facilitate correct and relevant interventions where needed.

The Municipality still enjoys the support of DBSA (Siyenza Manje) and the assistances from Provincial treasury. The following documents have also been taken into consideration in compiling this report, Service delivery and Budget Implementation Plans, performance contracts of Section 57 managers and powers and functions as resolved by council resolution during the adoption of the budget.

It is a great achievement to have the Municipality operating with full top executive strength however much still requires to be done to have the organization operating optimally.

The convening of "The President meeting with Executive Mayors and Mayors" at Khayelitsha in Cape Town on the 20<sup>th</sup> January 2009 has really highlighted the frustrations and challenges faced by local government in the country to the president. It has been pleasing to see the highest office in the country for the first time taking interest in the welfare of local government. This transpired the following day into a local government indaba that looked intensively into the challenges faced by local government. This indaba later on produced a turnaround strategy precede by operation clean audit 2014.

The turnaround strategy of local government remains the main guides of performance standards towards the realization of the millennium development goals in the creation of access to basic services by all by 2015.

With the effects of the global economic recess practically experienced the year has been a serious challenge in meeting targets of service delivery as cash flow started to be difficult to contain and maintain.

The following priorities have been achieved

- All section 57 posts have been filled
- The MIG has been fully spent
- There is improvement of water supply due to the improved maintenance schedules
- Public participation is in full swing in terms of reporting and feedback engaging all stakeholders
- There is a schedule for the monitoring of the audit query improvement plan.
- A revenue enhancement strategy is in place; that will improve revenue collection.
- Adoption of the performance management system
- Paving of internal roads in Regorogile and Northam
- Completion of the multi-purpose sports centre
- Implementation of the LED strategy

The following challenges still remain and need to be addressed

- Building of new reservoirs for enhancement of water supply capacity
- Formalization of informal settlements
- Revamping of ailing infrastructure
- Full capacity building of the finance department to ensure full compliance
- Provision of sites to low and middle income earners
- Water, sanitation and electricity backlog
- Full integration of IDP and Budget
- Alignment and integration of National and Provincial targets with the IDP

To respond to all the above the Municipality should respond to

- Development of sector plans
- Alignment of the organogram to the priorities of the IDP
- Full alignment of IDP and Budget
- Periodic performance assessment

The Municipality has been recognized as the best in the country on LED performance and also received much publicized recognition nationally on stakeholder engagement.

We can only afford to build on the successes achieved and ensure that service delivery remains business unusual every financial year. We intend to increase on the awards and accolades received for being a responsive and best performing Municipality.

Of the utmost importance in the next financial year will be improvement of financial management and systems, the enhanced implementation of supply chain management policy to also completely eradicate perceptions of corruption, full implementation of anti-corruption strategy.

We believe that with a full complement of the top management we can only afford to improve the compliance with legislation and improved service delivery.

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NL MATLOU  
**MAYOR**



## 1.2 Overview of the Municipality

Thabazimbi Municipality is located on the South – western part of the Limpopo province and has Botswana as its international neighbor and a mere two (2) hour drive from Tswana. Thabazimbi is known as “mountain of iron” which is the Tswana name for this peaceful productive town, referring to the highly lucrative iron ore reef first discovered in the Municipality in 1919. The Municipality has Marakele National Park and Mapungube. The game lodges scattered around the area help to promote the issue of environmental sustainability.

It was mined since the 1930's when iron and steel production started. The town was proclaimed in 1953.

Today Iscor Steelworks in Tshwane still draw much of their raw material from Thabazimbi Kumba Resources (Iron Ore mine). Apart from Iron Ore the Thabazimbi Municipality is surrounded by Platinum producing area such as: Northam Platinum mine, Anglo, i.e. amandelbult and Swaroklip mine. Other minerals produced in the area include Andalusite, which is mined by Rhino Mine and limestone for the production of cement by Pretoria Portland Cement (PPC). Boundaries of Thabazimbi Municipality include areas such as Thabazimbi, Northam, Leeupoort, Rooiberg and Dwaalboom. The Municipality area falls within the Waterberg District Municipal area, very peaceful place to live in and a malaria free Municipality. The size of the Municipal area is 986 264, 85 ha. Thabazimbi Municipality has demonstrated to be one of the sector is depicting tremendous growth and will continue to do so. Given the potential to grasp opportunities within these sectors is therefore paramount. The mining sector has huge potential to absorb lot of skills within the municipality. There is also a need to establish mining opportunities in the small scale mining sector. We believe however, that in partnership with relevant stakeholders, we can leverage our society to tap in to this major sector economy.

Thabazimbi is absolutely one of the country's most sought tourism attraction point wherein tourists can be graced harmonious moment. Agriculture has also proven, in addition to mining, to be the strong economic sector in our municipality. Agricultural commodities produced wheat, beans and maize. We are growing our economy not in isolation; however our goals are seamlessly aligned within those Provincial Growth and Development Strategy in Limpopo. The alignment will ensure that our growth trajectory bears fruits and that we address the objective of poverty eradication through job creation and business opportunity stimulation.

With regard to public participation, Thabazimbi municipality has made a significant progress in terms of the development of the organs of participatory democracy such as Ward Committees and IDP forums. Another positive aspect is the increasing representation of women on various structures e.g. 50% of female councilors.

The year 2008/2009 was a busy one for Thabazimbi Municipality. It was a year after an extensive and intensive public participation process that was led by the Mayor where all communities that form part of the Thabazimbi Municipal Area were consulted and allowed to take part in development plan.

The IDP was adopted within the period prescribed by the legislation.

There were challenges of reaching all the communities of Thabazimbi municipal Area, because of the vastness of our area. But we are improving our communicating strategic. Flowing from this need to improve communication, Thabazimbi Municipality then embarked on a comprehensive redevelopment of our existing website in line with the requirements of the Municipal Systems Act 32, 2000.

The project of the Regorogile Multi Purpose Sports Complex that was delayed due to Budget constrains was also complete. We had the challenges of the Budget, but we have requested the Department of Local Government and housing to make more resources available. We had a high Vacancy rate of Section 57 Manager, which to a larger extent have affected service delivery but, we managed to fill all the vacancies, including the position of the Chief Financial Officer which was vacant for more than a year. The municipality suffered cash flow problem, after an amount of R3, 6 million was stolen from the municipality, primary bank account through the cash focus system. The Special Investigating Unit is busy investigating the fraud case and an amount of more than R400 000 was recovered.

In the financial year 2008/2009 we have managed to pave the internal road for more than six kilometers in Regorogile. On the human Resource Development front, a remarkable improvement on transformation was made. But there is still a long way to go to redress the imbalances of demographics, the challenges that face us is that one of attracting qualified technicians especially from the previously disadvantage groups.

The year 2008/2009 was a memorable one for thabazimbi Municipality won the Vuna award nationally in terms of the local economic Development. In conclusion I want to thank the Mayor, his Executive Committee and Hounarable Councillors for their support to our staff.

To my senior Managers and to the rest of the staff members I take off my hat to you and thank you for your selflessness and dedication to your work. We still have far elements that are lazy and their more of cheque collectors, we will take them out of the system.

We have the total number of 12444 formal houses and the total of 8445 informal houses.

We have a total of 8837 unemployed people within Thabazimbi Municipal Area.  
The way you have stood your ground to all the adversaries facing you and depressing working conditions at time is highly commendable.

T.S.R NKHUMISE  
**MUNICIPAL MANAGER**

## **1.3 Executive Summary**

### **POLITICAL OFFICE BEARERS**

The executive committee of the municipality comprises of the following members

- Cllr. NL Matlou (Mayor)
- Cllr. ME Hlalele (Speaker)
- Mosito PA (Chief Whip)
- Keyser IN (EXCO)
- Mataboge SM (EXCO)
- Ramogale AR (Finance, Economic and Planning)
- Khumalo SA (Finance, Economic and Planning)
- Semaswe SM (Transformation and Administration)
- Du Preez RC (Infrastructure and Planning)
- Scruton PA (Finance, Economic and Planning)
- Ntantiso EN (Infrastructure and Planning)
- Modise G (Infrastructure and Planning)
- Matsietsa SG (Finance, Economic and Planning)
- Mokonyane MR (Community Services and Special Projects)
- Lerumo MA (Community Services and Special Projects)
- Mkansi T (Community Services and Special Projects)
- Pilane MB (Transformation and Administration)
- Musi DM (Community Services and Special Projects)
- Machine VB (Transformation and Administration)
- Manala SI (Infrastructure and Planning)

### **MANAGEMENT TEAM**

The management team of the municipality comprises of the following members;

- TSR Nkhumise (Municipal Manager)
- TB Mothogoane (Chief Financial Officer)
- MD Lottering (Corporate Services)
- CG Booyesen (Technical Services)
- M Mabitsela (Planning and Economic Development)
- PG Rasesepa (Social Services)

## **OVERALL GOALS AND PRIORITIES**

The overall goals of the municipality are in line of with the Millennium Development goals, that is to eradicate extreme poverty and hunger, and we have started assisting the communities through LED projects, example Kromdraai Vegetable garden, the de-bushings project in Raphuti and we have encourage the communities to establish co-operatives.

On achievement of Universal Primary Education, the municipality initiated programmes to assist all the schools within Thabazimbi Municipal area. Regular meetings were held with the school principals to address the issues that are confronting our local schools. Promote gender equality and Empower woman. The office of the Mayor established a Special Programmes with the Budget of R1million that support gender equality and sponsored the activities of SAWINA on reducing child mortality; our Special project officer was working very closely with the Department of Health and Development to give them the support.

## **OUR MISSION**

“To promote, co-ordinate, implement and ensure the financially and environmentally, sustainable growth and Development of Thabazimbi with a diversified and viable economy that provides an environment and services that benefit all.”

## **VISION**

**“TO BE THE LEADING MUNICIPALITY OFFERING QUALITY SERVICES IN THE MOST ECONOMIC, AFFORDABLE, EQUITABLE AND SUSTAINABLE MANNER”**  
**VALUES**

Our values are:-

- Dedication and perseverance
- Accountable leadership and transparency
- Integrity and honesty
- Mutual respect and tolerance
- Customer service

The priorities of Thabazimbi municipality are as follows, Water and sanitation. About 3573, households are affected; the following interventions were identified, upgrading of the Thabazimbi Waste Water Treatment works of which the feasibility study and Technical Report have been completed. In we are going to erect the new Waste Water Treatment Works in Northam, the feasibility study and Technical reports are completed Both projects will be implemented in the 2010/ 2011 financial year.

Priority No 2: ELECTRICITY 1000 should children are affected, and 3400 households Thabazimbi 2660 households are affected in Rooiberg, and 3900 households are

affected in Northam and Regorogile Extension 6&7 & Raphuthi Approximately 6048 residents are without electricity in Regorogile ext 3 informal settlement 301 are without electricity

Priority No 3: Local Economic Development. We have 19 521 houses that are affected and 8837 unemployed people. The municipality has employed 48 people permanently and we have created 307 jobs through extended public works programmes.

Priority No 4: Roads and storm water approximately 67000 people are affected. We have paved more than 8 kilometers of our internal roads.

Priority No 5: Solid Waste and Environment

Approximately 35 000 people are affected and we have expanded the Thabazimbi Landfill site, we have a draft of the integrated Waste Management plan.

Priority No 6: LAND

85 000 people are affected. We have proclaimed 900 stands that will be sold in Regorogile. In Jabulani one farmer donated 7 hectares of the land to the municipality, we are busy formalizing the land.

Priority No 7: Housing & Transport

Low income category, about 4000 households is affected. We have done township establishment at Regorogile Extension 8.

Priority No 8: Community Participation and Communications

Approximately 85 000 people are affected and we have made more budget available in the 2008/2009 financial year, for public participation.

Priority N 9: Disaster Management

About 79 000 people are affected; we have appointed two personnel as fire fighters. Our future plan is to have our disaster Management Centre.

Priority No 10: Health and Social Development

There are approximately 67 000 people affected in the whole Thabazimbi Municipal area. The Department of health and Social Department have built a clinic in Regorogile and a hospital with 52 beds will be erected in the 2010/2011 financial year.

Priority No 11: Safety and Security

Approximately 67 000 people are affected, in the whole Thabazimbi Municipal area. We have intervened by engaging SAPS to revive and strengthen community policy forums. We have also installed effective Security systems, in our buildings.

Our Financial situation was healthy until when an amount of R3, 6 million was stolen through the cash focus system (ABSA). We were also affected by the Economic recession people lost their jobs and they could not pay for their services, we are building the Civic Centre through public Private partnership the transaction advisors were appointed through the assistance of the provincial Treasury. Currently our municipal offices are reacted all over the town, it is important that we resume with construction of the Civic Centre in the 2010/2011 Financial year.

# CHAPTER 2: PERFORMANCE HIGHLIGHTS

Thabazimbi Local municipality experienced the following performance highlights for the 2008/9 financial year;

**DEPARTMENT: OFFICE OF THE MUNICIPAL MANAGER**

**DIVISION: Integrated Development Planning (IDP) and Performance Management System**

The IDP/PMS Manager is the head of the IDP/PMS Unit, and is assisted by a Performance Officer and Development Planner.

The unit is primarily responsible for driving the IDP process, which in essence entails the strategic planning for the municipality's development agenda in accordance with its powers and functions. For the implementation of the IDP, the unit has also facilitated development, monitoring and reporting of a Service Delivery and Budget Implementation Plan (SDBIP).

In order to ensure proper alignment and operationalisation of the IDP, the unit is also starting a process to facilitate the development of Operation Business Plans (OPB) for all the respective business units.

Another important function related to the IDP process is the consultation and communication process with community, sectors and other stakeholders. Each ward is consulted on their needs and which are captured in Ward Development Plans (WDP). These WDPs form the basis for the IDP in general and specifically serves to align the business units with street level needs. A development Planner is responsible for driving this public participation process.

The Performance Management System was realigned to the IDP unit. This function entails the development and upholding of a performance management system in accordance with a policy framework. The unit will be specifically responsible for strategic or organisational level performance management. A performance management officer is in place to drive this process.

It is envisaged that the performance assessments will begin the third quarter of the 2009/10 financial year.



## **DIVISION: Internal Audit**

### **Internal Audit Function and Audit Committee**

The audit system, comprising of an independent Audit Committee and an in-house internal audit unit, is responsible for monitoring and evaluating the quality of internal control systems and performance management practices in the municipality. The Audit Committee reports on a regular basis to Council.

#### *a) Establishment of Audit Committee*

The mandate of the Audit Committee (Audit Committee Charter), as approved by Council, determines that the committee will be responsible for:

- Overseeing internal controls and risk management practices
- Reviewing financial reporting practices
- Reviewing compliance with policy and regulatory matters
- Reviewing the functionality of the performance management system
- Reviewing quarterly reports
- Approving the annual internal audit plan
- Reviewing the policy, processes and procedures to deal with economic crime; and
- Monitoring ethical conduct of Councilors, executive and Senior officials

The members of the Audit Committee are as follows:

|             |  |                           |
|-------------|--|---------------------------|
| Mr Modisha  | Certificate in Accounting and Finance Management Development Programme<br>Corporate Governance Certificate Programme                       | Independent Non Executive |
| Mr Ralebipi | Member of the institute of System Audit Control Association<br>Institute of internal auditors<br>Higher Diploma in Computer Security Audit | Independent Non Executive |

|            |   |                           |
|------------|---|---------------------------|
|            | Bachelor of Commerce in Accountancy   |                           |
| Mr Mahonga | Higher Diploma in tax law<br>IAC Diploma in Business Management<br>Forensic Investigation Certificate<br>Labour Law Certificate | Independent Non Executive |

*b) Meetings and considerations*

During the review period four meetings took place. The meetings were also attended by all senior staff of the municipality appointed then as well as offices from the Department of Local Government.

The Audit Committee presented one report to Council during the period under review.

The composition of the Audit Committee does not fully comply with legislation; especially with regard to the performance audit provisions in the Municipal Systems Act that requires that at least one performance expert should be on the Audit Committee.

The Acting Head of Internal Audit, who reports administratively to the Municipal Manager and functionally on any audit matters to the Audit Committee, manages the In-house Internal Audit Unit. The approved Internal Audit Charter is in line with the Institute of Internal Auditors Professional Standards for the Practice of Internal Auditing.

During the post of Chief Internal Auditor has been vacant but invitations have since been advertised for the vacancy and is awaiting short-listing.

*c) Internal audit reports*

During the review period four audit reports that were completed at the end of the previous financial year have been presented to the Audit Committee. These reports dealt with payroll, fleet management, supply chain management, and recruitment process.

All the above mentioned audit reports were completed uniformly during the year and accepted by the Audit Committee.

## **DEPARTMENT: CORPORATE SERVICES**

### **DIVISION: Administration and council support**

The administrative and council support division continually strives to improve administrative systems and internal procedures in order to fast track the implementation of council resolutions and disposal of correspondence to various stakeholders. During the 2008/9 financial year;

- Several council resolutions were taken and implemented by the department.
- The Information technology section of the division has continued to provide adequate IT support to the end users of the municipality's computer technology. Despite the limited resources allocated to this division, they have continued to maintain the computer network effectively and efficiently. Regular maintenance of the hardware and software is also performed by the Information Technology Officers.

### **DIVISION: Human Resources**

#### ***Micro and Macro Structure and the Appointment of the Section 57 Employees (Managers)***

- The municipality had operated with a number of vacant key positions during 2008/9. The organizational structure has five approved departments and they are as follows;
  - Corporate services which remained vacant for a greater part of the financial year and was filled during the year.
  - Technical services which was filled in the previous financial year
  - Planning and economic development which was filled in the previous financial year
  - Financial services which was vacant for the entire 2008/9 financial year and was filled in November 2009.
  - Social services did not have a manager for the greater part of the financial year as well but the position was filled the same time the CFO's position was filled.
- The municipality was greatly under staffed in terms of the section 57 managers for the greater part of the financial year. The municipal manager had, however as

a control measure to ensure smooth operations in the departments appointed acting managers in those departments affected.

Policies and procedures are in place to ensure effective management of human resources in the municipality.

### ***Facility Management***

A number of community halls, situated in different communities, serve the communities by providing facilities for private and communal functions.

The section manages the letting, cleaning and maintenance of Regorogile community hall, Northam Hall, etc.

### ***Human Resource Development***

Education, training and development are key priority areas within the broader South African context and are supported by legislation, national policies and strategies. Seeking to own this initiative the Thabazimbi Skills Development Section has strived towards working productively and competitively in order to achieve a rising quality life for all through education.

Opportunities presented favoured both the Thabazimbi Municipality employees and to a larger extend unemployed youth. The highlights for the financial year are as follows;

#### ***a) Developing a culture of lifelong learning***

A number of learners were enrolled for an ABET learning programme to at least attain level one of the National Qualification Framework (NQF). Majority of the people enrolled for this programme are unemployed senior citizens within the municipal jurisdiction. An increase in the number of enrolled learners is expected to increase in the 2009/10 financial year.

Furthermore, about 40 young people around Thabazimbi area were enrolled for the tourism learnership programme that is aimed at capacitating the unemployed youth with skills in the tourism and hospitality industry. The programme is funded from the LGSETA grant. The programme is also ongoing in the 2009/10 financial year.

#### ***b) Fostering skills development in the formal economy for productivity and employment growth***

A workplace skills plan for the financial year 2008/9 financial year was approved and signed by the various stakeholders including the labour unions. It was submitted to LGSETA as required by the legislation thus not only securing mandatory and discretionary grants but contributing to the Sector Skills Plan as well. The levy is now

being refunded by LGSETA in the form of grants for the municipality to further invest in training of Thabazimbi Municipality employees.

*c) Assisting new entrants into employment*

The following learnerships were implemented for skilling both employed and unemployed inhabitants within the municipal area;

- Financial Management Internship: two interns were appointed
- Internal Audit Internship: two interns were appointed
- Traffic officers internship: two traffic officers appointed

**DIVISION: Legal Services**

The division is tasked with the responsibility of advising council on legal matters. The section is also responsible for drafting and analyzing of contracts on behalf of the council.

## **DEPARTMENT: SOCIAL SERVICES**

### **DIVISION: Social Development**

The community Development section is responsible for various initiatives focusing on poverty alleviation, skills development and job creation. These initiatives have all been in line with developmental local government, resource optimization through partnerships and participation with local communities and underpinned by developmental principles such as, a pro-poor agenda, partnerships, gender bias, participation, labour intensive job creation and sustainable livelihood projects.

#### ***Segmental Development***

##### ***(a) Gender***

Various capacity building workshops to empower women in terms of the gendered role of women in the society were conducted. These workshops dealt with issues of Human Rights, Women and Child Abuse.

##### ***(b) Youth***

The Thabazimbi youth council is established in the previous financial years and has a number of members from different youth structures.

##### ***(c) HIV/AIDS***

HIV/AIDS still remains a challenge in the Thabazimbi area and various awareness campaigns were held to educate the communities about the disease.

#### ***Social Crime Prevention***

Assistance was also provided to various local police forums by assisting them to mobilize communities to effectively deal with crime and substance abuse in the area.

#### ***Regorogile Multi Purpose Centre***

The construction phase of the centre started in 2008 and it is now completed. The centre is awaiting official opening ceremony. Various empowerment and job creation opportunities are linked to the construction of the facility and the surrounding communities will greatly benefit from the one stop government service facility.

## **DIVISION: Library**

### ***Resources in the libraries***

Libraries in Thabazimbi town and Northam are equipped with a lot of material that assist the community with information.

### ***National Library Week***

The national library week was celebrated during March 2009. Programmes such as joining new members and handing out library promotional material and various activities formed part of the celebrations during that week.

## **DIVISION: Protection Services**

### **Fire services**

#### ***a) Challenges***

In the fire section's efforts to create a safer environment for the community of Thabazimbi Municipality, it is also faced with challenges to need to be overcome. These challenges include the following:

- Limited financial resources
- Lack of vehicles and equipment
- Human resources

#### ***b) Future Service Delivery***

Serious deliberations and discussions are ensued in order to establish an equitable Disaster Risk Management service. These processes are informed by section 84 of the Municipal Structures Act (Act 117 of 1998)

The goal of Thabazimbi Fire services continues to be that of an effective and professional service to the community of Thabazimbi.

### **Traffic and Licensing**

The licensing department is a small office and currently it is struggling to keep up with the increasing demand for the service. Hence there is a need for construction of a new traffic section that will cater for the needs of the communities with the municipal jurisdiction.

During the 2008/9 financial year, traffic fines to an amount of R23 650 were issued. The major source of income for this section is from application of drivers' license fees which amounted to R59 390.

### **DIVISION: Housing**

Housing has initiated a number of housing projects during the financial year. These projects offer housing opportunities for low income group. The department has identified land and has facilitated the process of infrastructure development.

#### **Housing Consumer Education**

The municipality will in the 2009/10 financial year embark on a housing consumer education for all the beneficiaries. The programme is aimed at educating beneficiaries on how to look after their houses.

#### **Informal Settlements**

Informal settlements have been affected by a number of disaster incidents during the financial year. Despite the control measures implemented against the expansion of informal settlements, housing has seen a steady increase in informal settlements. As a result, the control of informal settlements still remains one of the challenges and hence the beneficiary list for housing is also increasing.



## **DEPARTMENT: FINANCE**

### **Highlights**

- Improved intergovernmental relations

### **Challenges**

- The position of the Chief Financial Officer remained vacant for the greater part of the financial year
- Improving financial results and data
- Streamlining the department to function as an effective unit
- Filling of key positions in the department
- Training and capacity building
- Building a sustainable and financially viable municipality
- Implementation of MFMA
- Negative audit reports from the Auditor General

## **DIVISION: Budget and Reporting**

### **Challenges**

- To limit audit queries to an absolute minimum by implementing adequate internal control measures
- To eliminate budget deviations and transfers
- Update asset register on a month to month basis
- Report to the National and Provincial Treasuries on time
- To effectively monitor the SDBIP
- To effectively monitor the in-year performance of the municipality

**DIVISION: Supply Chain Management**

- The process flow of three tender committees: specifications, evaluation and adjudication committees were streamlined in accordance with the approved SCM policy
- Supply chain management is not yet centralized, thus creating challenges and confusion of roles
- Internal SCM procedures and processes are in line with the requirements of the MFMA

**DIVISION: Revenue and Debtors Management**

- The municipality's debtor database needs a serious data clean up in order to give a more realistic accounts to the consumers
- Full compliance with section 64 of the MFMA
- Account queries are resolved the same day
- Metering of water and electricity consumption is undertaken on a monthly basis
- Improvement of customer satisfaction

Despite all these achievements above, the section is faced with the following challenges among others;

- Staff shortage
- Training of staff
- Correction of meter reading errors

**DIVISION: Expenditure management**

Despite the cash flow difficulties that the municipality is currently experiencing, we have managed to settle a material number of creditors within the 30 days period as required by section 65(e) of the MFMA. The division has also managed to ensure that majority of BEE companies are within five working days where practicable and also reasonable care is taken to ensure that all third party payments are made within the 7<sup>th</sup> of the following month.

## **DEPARTMENT: PLANNING AND LOCAL ECONOMIC DEVELOPMENT**

### **DIVISION: Local Economic Development**

This section is tasked with the responsibility of creating an environment that is suitable for sustainable local economic development. In the process of doing that, the following highlights are worth mentioning;

- Development of a municipal investment guide
- Development of eight economic development banners
- Development of Municipal Economic Potential flyers
- Development of Municipal Economic Potential CD's
- Participation in Switzerland Marketing EXPO
- Launching of siyaphambili poultry project

The section is also responsible for the management of the municipal game farm which is situated in Leeupoort.

### **DIVISION: Land Use**

- Proclamation of Regorogile Ext. 8
- Proclamation of Leeupoort Ext. 7
- Proclamation of Rooiberg Ext 2
- Proclamation of Regorogile informal settlement ext. 3

### **DIVISION: Building Control and Management**

The department received a total of 161 building plans during the year. Out of the 161 submitted, 145 building plans were approved while the remaining 16 was not approved as they did not comply with the applicable laws and regulations.

## **DEPARTMENT: TECHNICAL SERVICES**

### **DIVISION: Civil Engineering**

This section has managed to achieve various performance highlights during the 2008/9 financial year, which are in line with the major challenges regarding basic service delivery as well as development pressures on services.

#### **Environmental Management**

With the promulgation of legislation, specifically the National Environment Management Protected Areas Act (2003); the National Environmental Management: Biodiversity Act (2004) (NEMA), the Environmental Impact Assessment (EIA) Regulations and National Environment Management: Air Quality Act 2004, increased pressure mounted on the division to comply with all these legislation. The environment right in section 24 of the Constitution 108 of 1996 legally binds all organs of state to promote conservation and prevent ecological degradation. In terms of duties of local government as set out in Section 152 of the Constitution, the local government must give effect to the environmental rights of its community by ensuring the provision of services to communities in a sustainable manner and promote safe and healthy environment.

The civil division is responsible for the environmental management and function of the municipality. At present the whole division is under staffed and this result in, most cases, several laws and regulations not being fully adhered to.

#### **Mechanical Workshop**

Deteriorating and ageing of vehicle fleet remains an immense challenge for the municipality, especially in the light of the limited funds for replacement. Repairs and Maintenance costs of the vehicles older than six years come at a high cost to the municipality. Council has a fleet policy which covers, *inter alia*, the replacement of different categories of fleet and plant items in accordance with standard accepted industry norms using combinations criteria. i.e age/kilometers, mechanical evaluation, maintenance costs, purchase price, replacement costs, etc. Due to the huge backlog, as well as insufficient funding, vehicles are not always replaced to maximize net income for Council.

#### **Building Maintenance**

Although the municipality does not own a number of properties it currently occupies, regular maintenance of buildings to ensure compliance with Occupational Health and Safety Act is required. During the year, the municipality upgraded the building which now has housed the Municipal Manager, Mayor, Chief Whip and the Speaker.

## **Roads and Storm Water**

The municipality spent R641 000 to maintain road infrastructure in the Thabazimbi town. A further R7 million was spent on paving of internal streets in Regorogile township. The municipality envisages investing additional resources to ensure that the road infrastructure is sustainable to community development.

## **Water and Sewerage Services**

The primary function of this division is to provide water that is safe for drinking as well as to maintain the infrastructure in ensuring that the community continues to get clean water that is safe for drinking. Regular water quality checks are conducted to ensure that the water provided adheres to the minimum water quality standards. In the processes, an amount of R13.4 million was spent on provision of potable water.

Deteriorating and ageing water and sewer infrastructure are a major challenge to the municipality. The municipality loses a lot of water because of the ageing water infrastructure. The sewerage plant in Northam has aged and has reached its peak. As a result, no further developments can be accommodated in the area until such time that the sewerage plant is upgraded. In a bid to prevent further the sewerage system, the municipality has spent an amount of R2.4 million on the maintenance of the sewerage plants in the Thabazimbi, Northam areas.

It is envisaged that about R72 million is required to upgrade the waste water treatment works in both Northam and Thabazimbi.

## **DIVISION: Electro Technical**

### ***Safety***

Electricity safety is a critical issue that needs to be addressed on regular intervals. The community is perpetually made aware of the safety measures in relation electricity. The municipality was forced to improve the security to prevent copper cable theft. The theft of copper and other material are increasing all the time. It causes power failures and is also a safety hazard for our personnel as well as the community.

### ***Personnel***

The scarcity of skilled personnel e.g. electricians is a crisis and still getting worse. It definitely has a negative impact on service delivery.

### ***Budget***

As normal the budget allocation was not sufficient. The division did however use all the available funds as efficiently as possible to improve and extend the distribution systems. Grants from the Department of Minerals and Energy were utilised for the Restructuring Development Programme housing developments.

### ***Service Delivery***

All planned projects were completed on time and the budget was spent to the maximum. All applications for the new supply connections were completed. All customer complaints and queries were promptly attended to. Power failures were attended to and kept as short as possible.

Streetlights were upgraded in Northam and new high mast lights were installed in Rooiberg and Regorogile at a total cost of R4.24 million.

### **DIVISION: Waste Management**

The landfill sites in Thabazimbi and Northam are being maintained in accordance with the requirements of the applicable legislation.

Refuse is also removed from the households and business areas on a weekly basis. The municipality is currently servicing about 6 792 households.

## **CHAPTER 3: HUMAN RESOURCE AND ORGANISATIONAL MANAGEMENT**

### **3.1 INTRODUCTION**

Thabazimbi Municipality continually strives to promote a culture of good governance and an environment where the needs of its employees are addressed in a manner that is conducive to the persistent advancement of the interests of our local communities.

For the year 2011 employee wellness and morale will be a key priority of the Human Resources Division as it will lead to better performing workers, which in turn is fundamental to the primary service delivery objective.

### **3.2 ORGANISATIONAL STRUCTURE**

Section 51 of the Municipal Systems Act, Act 32 of 2000 requires municipalities to establish and organize their administration in a manner that would enable them to:

- Address the needs of the local community
- Create a culture amongst staff members that will focus on the objects of local government as set out in Section 152 of the Constitution and its development duties as required by Section 153 of the Constitution.

Considering the context of the organizational structure, it puts an obligation on the Thabazimbi Municipality to be performance oriented and focus on the objectives of local government. A structure that is operational and effective is needed to mandate the new boundaries of the municipality.

A process to have a broad understanding of the organisation in order to review systems, processes as well as skills shortages, organizational culture and the defined strategy's alignment with the IDP should be compiled and served before Council for approval and implementation.

The current structure comprises of the following:

- Office of the Municipal Manager
- Chief Financial Officer
- Department of Corporate Services
- Department of Technical Services
- Department of Community Services
- Department of Planning and Economic Development.
- Office of the Mayor

This structure is not expected to change in the 2010/11 financial year.



The following shows personnel statistics as at the end of the 2008/9 financial year.

| <b>EMPLOYEES PER DEPARTMENT JUNE 2009</b> |                        |                         |                         |
|---|------------------------|-------------------------|-------------------------|
| <b>Department</b>                         | <b>Total positions</b> | <b>Filled Positions</b> | <b>Vacant Positions</b> |
| Office of the MM                          | 17                     | 12                      | 5                       |
| Office of the Mayor                       | 10                     | 8                       | 2                       |
| Chief Financial Officer                   | 41                     | 28                      | 13                      |
| Corporate Services                        | 29                     | 21                      | 8                       |
| Technical Services                        | 232                    | 156                     | 76                      |
| Community Services                        | 95                     | 78                      | 17                      |
| Planning & Economic Development           | 15                     | 6                       | 9                       |
| <b>TOTAL</b>                              | <b>439</b>             | <b>309</b>              | <b>130</b>              |

#### **Overall staff movement at the end of 2007/08**

| Activity     | Designated Groups |        |       |        |       |          | Non-designated groups |              |
|--------------|-------------------|--------|-------|--------|-------|----------|-----------------------|--------------|
|              | Male              | Female | Black | Indian | Asian | Coloured | White                 | <b>TOTAL</b> |
| Appointments | 19                | 11     | 30    | 0      | 0     | 0        | 0                     | 30           |
| Promotions   | 7                 | 1      | 8     | 0      | 0     | 0        | 3                     | 11           |
| Resignations | 3                 | 1      | 3     | 0      | 0     | 0        | 0                     | 4            |
| Retirements  | 3                 | 0      | 3     | 0      | 0     | 0        | 0                     | 3            |
| Deceased     | 5                 | 0      | 5     | 0      | 0     | 0        | 0                     | 5            |
| Dismissed    | 0                 | 0      | 0     | 0      | 0     | 0        | 0                     | 0            |
| Ill Health   | 0                 | 0      | 0     | 0      | 0     | 0        | 0                     | 0            |

#### **Medical Aid Schemes**

The South African Local Bargaining Council has accredited six medical aid schemes within the local government. The employer's contributions towards medical aid schemes are 60% of the contribution rate. Employees are given the opportunity during the window period, which is normally October to November, to move between medical aid schemes to suit their needs.

Unfortunately, medical aid membership is not compulsory within the local government and some employees choose not to join a medical aid scheme, thus forfeiting this benefit. This has

a negative impact and places a burden on the employer as employees on the lower levels visit unreliable practitioners and hence inconveniencing their work.

### **Liabilities**

This will depend on injuries on duty, and for the 2008/9 financial year none occurred or recorded.

| <b>Medical Aid Scheme</b> | <b>Number of Members</b> |
|---------------------------|--------------------------|
| Key Health                | 15                       |
| Bonitas                   | 560                      |
| LA Health                 | 4                        |
| Hosmed                    | -                        |
| Samwumed                  | 63                       |
| Commed (Councilors)       | 3                        |
| <b>Total</b>              | <b>135</b>               |

### **Pension Funds**

The SALGBC has various pension funds and provident schemes, which operates within local government. They all have different benefits linked to them. These funds are either defined contribution funds or defined benefit pension funds. The contributions range from 7.5% to 9% of basic salaries.

There are negative as well as positive aspects regarding these funds. The negative aspects are:

- Inequitable benefits for some employees;
- Differences between benefits of funds;
- Differences in contribution rates.

The positive aspect is that a retirement fund is compulsory to all employees within local government.

The table below indicates membership numbers to the different pension funds.

| <b>Name of fund</b>                 | <b>Number of members</b> |
|-------------------------------------|--------------------------|
| Municipal Employees Pension Fund    | 82                       |
| Municipal Gratuity Fund             | 200                      |
| National Fund for Municipal Workers | 6                        |
| Samwu National Provident Fund       | 0                        |
| Joint Municipal Pension Fund        | 1                        |
| Councilors Pension Fund             | 17                       |
| <b>Total</b>                        | <b>306</b>               |

### **Skills Development Programme**

The Municipal Training budget for the 2009/10 financial year amounted to R663 532.94 which includes the catering and accommodation costs of the municipality. An amount of R123 542.04 was received as part of the grants for the submission of the Workplace Skills Plan and the Training Implementation Report. Discretionary grant i.e.: Abet amounted to R338 000.00.

Furthermore, the municipality has introduced a number of skills and Management Development Programmes. The objective of the skills development is to ensure that middle managers and supervisors are able to work with lower employees as they are mostly trained.

Apart from the development of management skills for employees, councilors were introduced to an Executive Leadership programme to enhance their skills.

The Municipality has started an ABET programme for employees at occupational levels, that is semi – skilled and unskilled. The skills audit revealed that there are a sizeable number of employees with difficulty in reading and writing at lower job levels. It becomes difficult for them to obtain qualification although they have extensive experience so the ABET programme would benefit them greatly – preferably ABET of Department of Education not the Private ABET as they are interested in money not effective service delivery.

Thabazimbi Municipality has catered for the training of unemployed people: One (1) candidate for IT Learnership and 3 unemployed learners for LED Learnership. We have applied for 20 candidates for Learnership in Field Guiding and Nature Conservation.

The table below indicates how the Skills Development Programme was implemented in the Municipality for the period 2008/2009

| PROGRAMMES           | NAME OF LEARNING PROGRAMME       | BENEFICIARIES |   |      |         |  | BUDGET  | STATUS    |
|----------------------|----------------------------------|---------------|---|------|---------|--|---------|-----------|
|                      |                                  | M             | F | EMPL | UNE MPL |  |         |           |
| 1. Skills programme  | Plumbing                         | 10            |   | 10   |         |  | R23 000 | Completed |
| 2. Skills programme  | Masonry                          | 10            |   | 10   |         |  | R26 500 | Completed |
| 3. Skills programme  | Environmental Health and Hygiene | 7             | 6 | 13   |         |  | R27 070 | Completed |
| 4. Skills programme  | Install and lighting maintenance | 9             |   | 9    |         |  | R33 396 | Completed |
| 5. Skills programme  | Environmental Health             | 18            | 8 | 24   |         |  | R21 000 | Completed |
| 6. Skills programme  | Executive Leadership             | 3             | 1 | 4    |         |  | R45 000 | Completed |
| 7. Skills programme  | Chainsaw operating               | 14            |   | 14   |         |  | R18 240 | Completed |
| 8. Skills programme  | Brush cutter                     | 14            |   | 14   |         |  | R17 505 | Completed |
| 9. Skills programme  | Handle and use of guns           | 7             | 1 | 8    |         |  | R 6 800 | Completed |
| 10. Skills programme | Financial Management             |               | 4 | 4    |         |  | R20 000 | Completed |

|                      |                                |     |    |     |  |               |             |
|----------------------|--------------------------------|-----|----|-----|--|---------------|-------------|
| 11. Skills programme | Financial Management           | 1   | 1  | 2   |  | Local govern. | Completed   |
| 12. Skills programme | Computer Literacy              | 2   | 3  | 5   |  | R7 200        | Completed   |
| 13. Skills programme | Minutes Taking                 |     | 12 | 12  |  | R21 100       | Completed   |
| 14. Skills programme | Report writing                 |     | 12 | 12  |  | R29 990       | Completed   |
| 15. Skills programme | Apply personal safety in water | 18  |    | 18  |  | R26 220       | Completed   |
| 16 Skills programme  | Project management             | 2   |    | 2   |  | R10 800       | Completed   |
| 17. Skills           | Abet                           | 130 | 64 | 194 |  | R424 000      | Completed   |
| 18. Learnership      | Municipal Finance              | 14  | 6  | 20  |  | R300 000      | In progress |

### **Employee Assistant Programme**

Thabazimbi Municipality established an EAP unit. The EAP Practitioner was sent for Training at the University of Pretoria to equip her with the necessary skills.

A presentation was held by Careways Group to assist the municipality in the wellbeing of their employees. After Council's approval, Careways Group will start with their program in 2010 with special reference to the following needs:

- (i) HIV/AIDS Programmes
- (ii) Financial advice to employees
- (iii) Trauma Counseling
- (iv) Assistance with work/family related problems

### **Occupational Health and Safety**

Health and Safety committee meetings were held on a monthly basis to address ongoing concerns. The Health and Safety officer visited the different departments and addressed the shortcomings observed by him:

- (i) first aid boxes were issued to all offices

- (ii) training of employees where the need was identified
- (iii) the urgency of using protective clothing was addressed.
- (iv) Medical examinations for occupational diseases are being done on an annual basis as well as follow-up examinations that are handled by the EAP Unit
- (v) Dr Wayne Bester was appointed to conduct the medical examinations.
- (vi) 161 employees were examined by Dr. W. Bester and the diseases affecting our employees are as follows:

Tuberculosis: Employees were referred to the local government clinics for diagnosis and treatment.

Hypertension: Employees were referred to their own private doctor or to the local Government clinic whichever they preferred.

Diabetes: Employees were referred to their own private doctor or to the local Government clinic whichever they preferred.

Asthma: Employees referred to their own private doctor or to the local Government clinic whichever they preferred.

Decrease in hearing ability: Follow up visit with Dr. W Bester.

Decrease in eye sight: Follow up visit with Dr. W Bester

On the appointment of the Careways Group, regular monitoring of employees will be more frequent and more specialized.

Within the Traffic department, the traffic officers were referred for trauma debriefing sessions as this was essential due to the strenuous work that they do.

## Employment Equity Status

### WORKFORCE PROFILE

Total number of **employees** (including employees with disabilities) in each of the following occupational levels:

| Occupational Levels  | Male |   |   |   | Female |   |   |    | Foreign Nationals |        | Total |
|--|------|---|---|---|--------|---|---|----|-------------------|--------|-------|
|  | A    | C | I | W | A      | C | I | W  | Male              | Female |       |
| Top management   | 2    | 1 | 0 | 0 | 1      | 0 | 0 | 0  | 0                 | 0      | 4     |
| Senior management  | 7    | 0 | 0 | 0 | 2      | 0 | 0 | 2  | 0                 | 0      | 11    |
| Professionally qualified and experienced specialists and mid-management  | 17   | 0 | 0 | 4 | 5      | 0 | 0 | 5  | 0                 | 0      | 31    |
| Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents | 47   | 0 | 0 | 1 | 33     | 0 | 0 | 4  | 0                 | 0      | 85    |
| Semi-skilled and discretionary decision making   | 27   | 0 | 0 | 0 | 1      | 0 | 0 | 0  | 0                 | 0      | 28    |
| Unskilled and defined decision making  | 120  | 0 | 0 | 0 | 16     | 0 | 0 | 0  | 0                 | 0      | 136   |
| <b>TOTAL PERMANENT</b>   | 220  | 1 | 0 | 5 | 58     | 0 | 0 | 11 | 0                 | 0      | 295   |
| Temporary employees  | 0    | 0 | 0 | 0 | 0      | 0 | 0 | 0  | 0                 | 0      | 0     |
| <b>GRAND TOTAL</b>   | 220  | 1 | 0 | 5 | 58     | 0 | 0 | 11 | 0                 | 0      | 295   |

**Key:** A=Africans, C=Coloureds, I=Indians and W=Whites

### Numerical goals

The numerical goals (i.e. the workforce profile) we project to achieve for the total number of employees, including people with disabilities, at the end of our current employment equity plan in terms of occupational levels. Note: A=Africans, C=Coloureds, I=Indians and W=Whites:

This information is shown in the table below:

| Occupational Levels  | Male |   |   |    | Female |   |   |    | Foreign Nationals |        | Total |
|--|------|---|---|----|--------|---|---|----|-------------------|--------|-------|
|  | A    | C | I | W  | A      | C | I | W  | Male              | Female |       |
| Top management   | 1    | 1 | 0 | 1  | 1      | 0 | 0 | 0  | 0                 | 0      | 4     |
| Senior management  | 6    | 0 | 0 | 1  | 2      | 0 | 0 | 2  | 0                 | 0      | 11    |
| Professionally qualified and experienced specialists and mid-management  | 15   | 0 | 0 | 6  | 5      | 0 | 0 | 5  | 0                 | 0      | 31    |
| Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents | 49   | 0 | 0 | 5  | 21     | 1 | 1 | 8  | 0                 | 0      | 85    |
| Semi-skilled and discretionary decision making   | 16   | 0 | 0 | 4  | 3      | 0 | 0 | 5  | 0                 | 0      | 28    |
| Unskilled and defined decision making  | 88   | 0 | 0 | 2  | 43     | 0 | 0 | 3  | 0                 | 0      | 136   |
| <b>TOTAL PERMANENT</b>   | 175  | 0 | 0 | 20 | 75     | 1 | 1 | 23 | 0                 | 0      | 295   |
| Temporary employees  | 0    | 0 | 0 | 0  | 0      | 0 | 0 | 0  | 0                 | 0      | 0     |
| <b>GRAND TOTAL</b>   | 175  | 0 | 0 | 20 | 75     | 1 | 1 | 23 | 0                 | 0      | 295   |

The numerical goals (i.e. the workforce profile) are projected to be achieved for the total number of employees with disabilities only at the end of our current employment equity plan in terms of occupational levels.



The projections are indicated in the table below.

| Occupational Levels  | Male |   |   |   | Female |   |   |   | Foreign Nationals |        | Total |
|--|------|---|---|---|--------|---|---|---|-------------------|--------|-------|
|  | A    | C | I | W | A      | C | I | W | Male              | Female |       |
| Top management   | 0    | 0 | 0 | 0 | 0      | 0 | 0 | 0 | 0                 | 0      | 0     |
| Senior management  | 1    | 0 | 0 | 0 | 0      | 0 | 0 | 0 | 0                 | 0      | 1     |
| Professionally qualified and experienced specialists and mid-management  | 0    | 0 | 0 | 0 | 0      | 0 | 0 | 0 | 0                 | 0      | 0     |
| Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents | 0    | 0 | 0 | 0 | 0      | 0 | 0 | 0 | 0                 | 0      | 0     |
| Semi-skilled and discretionary decision making   | 0    | 0 | 0 | 0 | 0      | 0 | 0 | 0 | 0                 | 0      | 0     |
| Unskilled and defined decision making  | 0    | 0 | 0 | 0 | 1      | 0 | 0 | 0 | 0                 | 0      | 1     |
| <b>TOTAL PERMANENT</b>   | 1    | 0 | 0 | 0 | 1      | 0 | 0 | 0 | 0                 | 0      | 2     |
| Temporary employees  | 0    | 0 | 0 | 0 | 0      | 0 | 0 | 0 | 0                 | 0      | 0     |
| <b>GRAND TOTAL</b>   | 1    | 0 | 0 | 0 | 1      | 0 | 0 | 0 | 0                 | 0      | 2     |

## **FLEET MANAGEMENT**

The following information reflects on the motor vehicle fleet of this municipality.

| <b>TYPE OF VEHICLE</b> | <b>NUMBER OF VEHICLES</b> |
|------------------------|---------------------------|
| TRUCKS                 | 12                        |
| LDV                    | 25                        |
| TRACTORS               | 10                        |
| TRAILERS               | 16                        |
| MACHINES               | 4                         |
| SEDANS                 | 10                        |
| <b>TOTAL</b>           | <b>77</b>                 |

The total number of the Municipal fleet is 77 and of this number six are regarded as redundant and Council resolution will be sought to dispose of them.

### **Fleet Management Policy**

Council has approved the Fleet Management Policy that will assist in controlling the municipal fleet.

### **Improvements**

Since the establishment of the Fleet Management Unit by Council, the miss-use of municipal vehicles has decreased.

## **ADMIN AND COUNCIL SUPPORT SERVICES**

The responsibility of this division is to arrange meetings as well as the compilation of Agendas and Minutes.

Shown below is a list of the meetings that were held during the 2008/2009 financial year

| <b><i>MEETINGS ATTENDED</i></b>     | <b><i>NUMBER OF MEETINGS</i></b> |
|-------------------------------------|----------------------------------|
| <b>EXECUTIVE COMMITTEE MEETINGS</b> | <b>9</b>                         |
| <b>SPECIAL COUNCIL MEETINGS</b>     | <b>3</b>                         |
| <b>COUNCIL MEETINGS</b>             | <b>4</b>                         |
| <b>MANAGEMENT MEETINGS</b>          | <b>8</b>                         |

### **Limitations**

Training in respect of Report writing and Minutes taking to improve skills within the Department has been a challenge due to the availability of accredited Service Providers, but has now been finalized.

## IT REPORT ON PROJECTS

Shown below is a list of projects that have been implemented by the IT division and status to date.

| ACTIVITY   | STATUS      | DATE COMPLETED | BUDGET   | ACTUAL AMOUNT |
|--|-------------|----------------|----------|---------------|
| Cabling & Wireless connection of Corporate Services  | Completed   | July 2008      | R250 000 | R244 656.00   |
| Purchase of Servers                                  | Completed   | October 2009   | R200 000 | R190 330.02   |
| Network Cabling & Connection of 9 other site offices | Completed   | December 2009  | R500 000 | R495 767.98   |
| Purchase of Desktops & Laptops                       | Completed   | January 2009   | R200 000 | R152 965.20   |
| Server Room upgrade                                  | In progress | In progress    | R200 000 | In progress   |
| Website update                                       | Ongoing     | Ongoing        | R80 000  | R64 583.83    |
| Software & Hardware Maintenance                      | Ongoing     | Ongoing        | R622 000 | R622 000      |

## **CHAPTER 4: AUDITED ANNUAL FINANCIAL STATEMENTS AND RELATED INFORMATION**

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

**REPORT ON THE FINANCIAL STATEMENTS**

**Introduction**

1. I was engaged to audit the accompanying financial statements of the Thabazimbi Local Municipality which comprise the balance sheet as at 30 June 2009, and the income statement and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages xx to xx.

**Responsibility of the accounting officer for the financial statements**

2. The accounting officer is responsible for the preparation of these financial statements in accordance with the entity-specific basis of accounting, as set out in accounting policy note 1 and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**The Auditor-General's responsibility**

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Because of the matters discussed 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**

**Corresponding figures**

4. In my previous audit report dated 30 November 2008, I was unable to express an audit opinion on the annual financial statements of the municipality for the year ended 30 June 2008. The qualification matters have not been resolved while no alternative procedures were possible and my audit report is disclaimed regarding the opening balances as discussed hereunder:
  - Accumulated surplus amounting to R18 758 892
  - Prior year adjustment amounting to R4 421 823
  - Fixed assets amounting to R13 987 278
  - Debtors amounting to R26 801 574
  - Cash and cash equivalents overdraft amounting to R11 865 352
  - Creditors amounting to R15 198 329
  - Provisions amounting to R5 055 900
  - Suspense account amounting to R3 523 365
  - Inventory amounting to R1 539 530
  - Revenue amounting to R96 774 724
  - Expenditure amounting to R85 593 828

**Fixed assets**

5. My audit of assets revealed the following material errors and inconsistencies between the accounting records and financial statements:

- An unreconciled difference of R91 168 455 between the fixed asset register and the total fixed assets as disclosed in the financial statements.
  - Assets to the amount of R5 014 487 could not be physically verified.
  - A total of 45 assets could not be traced to the fixed asset register.
  - The net fixed assets disclosed in note 5 to the amount of R8 408 276 do not agree to the finance sources of R16 556 129, resulting in a difference amounting to R8 147 853.
  - A list of the properties belonging to the municipality was not available for audit purposes.
6. The municipality's records did not permit the application of alternative procedures regarding assets. As a result of the above, I was not able to determine whether any adjustments might be necessary to the amounts shown in the financial statements for fixed assets amounting to R8 408 276, the surplus for the year amounting to R10 338 174, and the accumulated surplus amounting to R37 232 498.

#### **Statutory funds and reserves**

7. I have reviewed the transactions recorded in Appendix A and identified the following errors:
- Expenses to the amount of R3 639 689 were incorrectly classified as contributions.
  - Revenue to the amount of R3 046 036 was incorrectly classified as contributions.
8. As a result of the above matters, the movement disclosed in Appendix A is materially misstated.

#### **Cash and cash equivalents**

9. My audit of cash revealed the following material errors and inconsistencies between the accounting records and financial statements:
- The municipality has not cleared the reconciling items as listed in the bank reconciliation, resulting in transactions amounting to R5 351 292 not correctly accounted for.
  - A correction of R11 688 104 was made against the bank opening balance. The correction was processed against the appropriation account, without reconciling and correcting the relevant comparative balances of the financial statements.
  - Supporting documentation for transactions to the amount of R5 177 740 was not provided.
10. The municipality's records did not permit the application of alternative procedures regarding cash and cash equivalents. As a result of the above, I was not able to determine whether any adjustments might be necessary to the amounts shown in the financial statements for cash and cash equivalents amounting to R4 109 379, the surplus for the year amounting to R10 338 174, and the accumulated surplus amounting to R37 232 498.

#### **Provisions**

11. My audit of provisions revealed the following material errors and inconsistencies between the accounting records and the financial statements:
- An unreconciled difference between the annual financial statements and the leave provision list amounting to R1 622 429.
  - Differences between the leave registers and the payday system. Based on my calculations, the leave provision is misstated by R1 841 706.
12. Consequently, the leave provision is overstated and expenditure understated by R3 464 135.

#### **Creditors and provisions**

13. My audit of creditors revealed the following material errors and inconsistencies between the accounting records and the financial statements:

- Unreconciled difference between the annual financial statements and the creditor lists amounting to R735 389.
  - Transactions to the amount of R891 469 have not formed part of the creditors at year-end.
  - No provision was made for license fees not paid at year-end to the amount of R957 570.
  - Creditors to the amount of R237 903 were incorrectly classified as debtors.
  - No provision for bonuses has been made in the financial statements.
  - The municipality is registered on the cash basis for VAT, but has not made provision for the potential VAT liability for debtors that have not yet settled their accounts. As a result, the VAT balance is understated by R7 645 971.
14. In addition, the supporting documentation and schedules amounting to R4 830 564 were not submitted for audit purposes. The municipality's records did not permit the application of alternative procedures regarding creditors. As a result of the above, I was not able to determine whether any adjustments might be necessary to the amounts shown in the financial statements for creditors amounting to R7 286 328, the surplus for the year amounting to R10 338 174, and the accumulated surplus amounting to R37 232 498.

### **Inventory**

15. During the stock take, I have identified differences between the number of items counted and the number of items according to the inventory list, resulting in a projected error of R2 908 951.
16. Consequently, inventory is understated by R2 908 951.

### **Debtors**

17. My audit of debtors revealed the following material errors and inconsistencies between the accounting records and financial statements:
- I have identified corrections made to debtor balances after year-end amounting to R4 686 446 that relate to transactions incurred before year-end.
  - I have identified incorrect meter readings with a projected error of R591 489.
  - Debtors amounting to R1 235 427 were not aware of the amounts due to the municipality.
  - Subsequent to year-end the municipality adjusted its tariffs charged for rates and taxes and adjusted the debtor accounts accordingly, but have not updated the financial statements with the adjustments made. Based on my estimations, adjustments amounting to R1 307 275 were not made.
  - Monies due to the municipality in respect of the opening balance for motor vehicle licensing fees amounting to R2 752 210 were not received. The amount is therefore considered to be irrecoverable.
  - Management was unable to provide me with the calculation for the provision for bad debts. However, the provision for doubtful debts included in the financial statements of R15 432 652 appears to be understated when compared to the balance of R46 835 439 included in the 120 days outstanding accounts receivable.
  - Debtors with credit balances amounting to R4 187 769 were not classified as creditors.
  - Expenses to the amount of R1 307 652 were incorrectly classified as debtors.
  - The aging of debtors was not disclosed according to the major revenue sources as required by the Institute of Municipal Financial Officers guideline.
18. In addition, the following supporting documentation was not submitted for audit purposes.
- Supporting documentation for reconciling items included in the debtor control account reconciliation to the amount of R26 036 560.
  - Documentation for sundry debtors' suspense account to the amount of R1 770 893.
  - Source documentation for journals to the amount of R177 186 523.



19. The municipality's records did not permit the application of alternative procedures regarding debtors. As a result of the above, I was not able to determine whether any adjustments might be necessary to the amounts shown in the financial statements for debtors amounting to R49 686 183, the surplus for the year amounting to R10 338 174, and the accumulated surplus amounting to R37 232 498.

### **Interest bearing borrowings**

20. My audit of receivables revealed the following material errors and inconsistencies between the accounting records and financial statements:
- I have recalculated the short term portion of the long term liability. According to my calculations, interest bearing borrowings is overstated and the short term portion understated by R1 363 885.
  - Interest paid according to the general ledger of R2 598 428 does not agree to the amount disclosed in appendix B of R1 427 320 and the capital charges as per Appendix D of R1 814 381. My audit revealed a difference of R1 171 108 and R1 337 382 respectively.

### **Appropriation account**

21. In my audit of receivables I was unable to obtain a detailed breakdown of the appropriations to the amount of R15 625 551 which constitute a material error and inconsistency between the accounting records and financial statements.
22. The municipality's records did not permit the application of alternative procedures regarding appropriations. As a result of the above, I was not able to determine whether any adjustments might be necessary to the amounts shown in the financial statements for appropriations amounting to R15 625 551, the surplus for the year amounting to R10 338 174, and the accumulated surplus amounting to R37 232 498.

### **Commitments**

23. Capital and other commitments for projects in progress amounting to R10 908 000 have not been disclosed in the notes to the annual financial statements.

### **Revenue**

24. My audit of revenue revealed the following material errors and inconsistencies between the accounting records and financial statements:
- No reconciliations are performed to verify that traffic revenue amounting to R1 904 532 is accurate and that all traffic revenue has been accounted for, I was also not able to perform alternative procedures to satisfy myself that all traffic related amounts were received.
  - No reconciliations are performed to determine if all revenue pre-paid electricity amounting to R2 859 820, were received, I was also not able to perform alternative procedures to satisfy myself that all amounts for pre-paid electricity were received.
  - The total grants recognised in the financial statements do not agree to the DoRA allocation, resulting in a difference of R1 491 730.
  - The municipality has not recovered traffic fines from the Magistrate for the period 1 February 2009 to 30 June 2009.
  - Technical services amounting to R10 271 776 according to appendix E do not agree to the trial balance, resulting in a difference of R3 734 951.
  - I was unable to trace properties selected from the valuation roll with a value of R16 517 200 to the debtor system.
25. The municipality's records did not permit the application of alternative procedures regarding revenue. As a result of the above, I was not able to determine whether any adjustments might be necessary to the amounts shown in the financial statements for revenue amounting to

R131 843 319, the surplus for the year amounting to R10 338 174, and the accumulated surplus amounting to R37 232 498.

### **Expenditure**

26. My audit of expenditure revealed the following material errors and inconsistencies between the accounting records and financial statements:

- Expenditure according to the financial statements does not agree to the trial balance, resulting in a difference of R2 032 162.
- The total income and expenditure for grants as disclosed in note 21 does not agree to the trial balance. My audit revealed a difference of R35 353 751.

27. In addition, I was unable to obtain supporting documentation amounting to R26 322 664. The municipality's records did not permit the application of alternative procedures regarding expenditure. As a result of the above, I was not able to determine whether any adjustments might be necessary to the amounts shown in the financial statements for expenditure amounting to R121 505 145, the surplus for the year amounting to R10 338 174, and the accumulated surplus amounting to R37 232 498.

### **Financial statements presentation**

28. I have reviewed the financial statements presentation and identified the following errors:

- The net surplus for the year does not agree to the surplus according to Appendix D to the financial statements, resulting in a difference of R1 064 711.
- The accumulated surplus according to the income statement for the previous year does not agree to the accumulated surplus opening balance for the current year, resulting in a difference of R7 490 118.
- The accumulated surplus disclosed in the income statement for 2008 does not agree to the amount according to the balance sheet, resulting in a difference of R6 425 408.
- The comparative figures of the cash flow statement do not balance resulting in a difference of R372 809.
- The calculation for the "cash contributions from public and state" amounting to R6 314 775 disclosed in the cash flow statement was requested but not submitted for audit purposes.
- Interest paid amounting to R1 576 197 was incorrectly added to the cash available from operations disclosed in the cash flow statement. Interest paid should have been deducted.
- The movement in the suspense account and the short term portion of the long term liability amounting to R6 200 000 was not taken into account when compiling the cash flow statement.
- Assessment rates disclosed in note 14 do not agree to the assessment rates as disclosed in Appendix D resulting in a difference of R4 402 625.
- The operating profit as disclosed in notes 16 and 17 does not agree to the income statement resulting in a difference of R1 064 711.
- Investment income disclosed in note 17 amounting to R2 801 244 was incorrectly added to the surplus for the year.
- Loans repaid as disclosed in note 19 do not agree to the cash flow statement resulting in a difference of R6 200 000.
- The comparative balance for note 21.4 does not agree to the balance sheet, resulting in a difference of R3 523 362.
- No comparative balances have been disclosed for notes 16, 21, 32.1, 32.2, 32.5, 32.6 and 32.7.
- The municipality has not disclosed "amounts charged out" for the current year as detailed in appendix D.
- According to the operating results for 2008 as disclosed in the report of the accounting officer, the municipality had a closing deficit of R11 268 774, while the municipality realised a surplus of R18 758 892 according to the income statement. This is the result of the amounts disclosed not agreed to the income statement.

### **Disclaimer of opinion**

29. 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 matter**

I draw attention to the following matter on which I do not express a disclaimer of opinion:

### **Basis of accounting**

30. The municipality's policy is to prepare financial statements on the entity-specific basis of accounting, as set out in accounting policy note 1.

### **OTHER MATTERS**

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

### **Non-compliance with applicable legislation**

#### **Municipal Finance and Management Act (MFMA)**

31. I was unable to obtain evidence that the:
- Mayor made public the quarterly performance indicators of the municipality and the performance contracts of the municipal manager and section 57 managers as required by section 53 of the MFMA.
  - Accounting officer tabled in the municipal council a consolidated report of all withdrawals (payments) made in terms of sub-sections 1(b) - (j) during that quarter as required by section 11(4) of the MFMA.
  - Accounting officer assessed the performance of the municipality as required by section 72 of the MFMA.
32. The mayor has not tabled the 2007/8 annual report within 7 months after the end of the previous financial year in the municipal council as required by Section 127(2) of the MFMA.
33. The municipality has not implemented a fraud prevention plan, as required by section 115 of the MFMA.

### **Governance framework**

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

### **Internal control deficiencies**

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

internal control. In some instances deficiencies exist in more than one internal control component.

| Par. no. | Basis for disclaimer of opinion   | CE | RA | CA | IC | M |
|----------|-----------------------------------|----|----|----|----|---|
| 5        | Fixed assets                      | 5  |    | 2  | 1  | 2 |
| 7        | Statutory funds and reserves      | 6  |    | 3  |    | 1 |
| 9        | Cash and cash equivalents         | 6  |    | 5  | 1  | 2 |
| 11       | Provisions                        | 6  |    | 5  | 1  | 2 |
| 13       | Creditors                         | 5  |    | 2  | 1  | 2 |
| 15       | Inventory                         |    |    |    |    | 1 |
| 17       | Debtors                           | 5  |    | 3  |    | 2 |
| 20       | Interest bearing borrowings       |    |    |    |    | 1 |
| 21       | Appropriations                    | 5  |    |    |    | 1 |
| 23       | Commitments                       | 6  |    | 3  |    | 3 |
| 24       | Revenue                           | 6  |    | 3  |    | 2 |
| 26       | Expenditure                       | 5  |    | 3  |    | 1 |
| 28       | Financial statements presentation | 6  |    | 3  | 1  | 2 |

36. Overall reflection on qualifications:

- The position of CFO was vacant for the period under review.
- The accounting officer did not ensure that there is a proper registry system in place where documents are stored and retrieved for audit and other purposes.
- A fixed asset register was compiled and only finalised on 14 October 2009, without reconciling the register to the general ledger and financial statements.
- The acting CFO did not properly review monthly cash and bank reconciliations to ensure that all reconciling items were cleared.
- The financial statements prepared by the consultant were not reviewed by the acting CFO before it was submitted to me for audit.
- No creditor reconciliations are performed.

| Legend  |   |
|---|---|
| <b>CE = Control environment</b>   |   |
| The organisational structure does not address areas of responsibility and lines of reporting to support effective control over financial reporting.       | 1 |
| Management and staff are not assigned appropriate levels of authority and responsibility to facilitate control over financial reporting.                  | 2 |
| Human resource policies do not facilitate effective recruitment and training, disciplining and supervision of personnel.                                  | 3 |
| Integrity and ethical values have not been developed and are not understood to set the standard for financial reporting.                                  | 4 |
| The accounting officer/accounting authority does not exercise oversight responsibility over financial reporting and internal control.                     | 5 |
| Management's philosophy and operating style do not promote effective control over financial reporting.  | 6 |
| The municipality does not have individuals competent in financial reporting and related matters.  | 7 |
| <b>RA = Risk assessment</b>   |   |
| Management has not specified financial reporting objectives to enable the identification of risks to reliable financial reporting.                        | 1 |
| The municipality does not identify risks to the achievement of financial reporting objectives.  | 2 |
| The municipality does not analyse the likelihood and impact of the risks identified.  | 3 |
| The municipality does not determine a risk strategy/action plan to manage identified risks.   | 4 |
| The potential for material misstatement due to fraud is not considered.   | 5 |
| <b>CA = Control activities</b>  |   |
| There is inadequate segregation of duties to prevent fraudulent data and asset misappropriation.  | 1 |
| General information technology controls have not been designed to maintain the integrity of the information system and the security of the data.          | 2 |
| Manual or automated controls are not designed to ensure that the transactions have occurred, are authorised, and are completely and accurately processed. | 3 |

|  |   |
|--|---|
| Actions are not taken to address risks to the achievement of financial reporting objectives.   | 4 |
| Control activities are not selected and developed to mitigate risks over financial reporting.  | 5 |
| Policies and procedures related to financial reporting are not established and communicated.   | 6 |
| Realistic targets are not set for financial performance measures, which are in turn not linked to an effective reward system.                    | 7 |
| <b>IC = Information and communication</b>  |   |
| Pertinent information is not identified and captured in a form and time frame to support financial reporting.                                    | 1 |
| Information required to implement internal control is not available to personnel to enable internal control responsibilities.                    | 2 |
| Communications do not enable and support the understanding and execution of internal control processes and responsibilities by personnel.        | 3 |
| <b>M = Monitoring</b>  |   |
| Ongoing monitoring and supervision are not undertaken to enable an assessment of the effectiveness of internal control over financial reporting. | 1 |
| Neither reviews by internal audit or the audit committee nor self-assessments are evident.   | 2 |
| Internal control deficiencies are not identified and communicated in a timely manner to allow for corrective action to be taken.                 | 3 |

### Key governance responsibilities

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

| No.   | Matter  | Y | N |
|---|---|---|---|
| <b>Clear trail of supporting documentation that is easily available and provided in a timely manner</b>     |   |   |   |
| 1.  | No significant difficulties were experienced during the audit concerning delays or the availability of requested information.           |   | ✓ |
| <b>Quality of financial statements and related management information</b>                                   |   |   |   |
| 2.  | The financial statements were not subject to any material amendments resulting from the audit.  | ✓ |   |
| 3.  | The annual report was submitted for consideration prior to the tabling of the auditor's report.   |   | ✓ |
| <b>Timeliness of financial statements and management information</b>  |   |   |   |
| 4.  | The annual financial statements were submitted for auditing as per the legislated deadlines as set out in section 126 of the MFMA.      | ✓ |   |
| <b>Availability of key officials during audit</b>   |   |   |   |
| 5.  | Key officials were available throughout the audit process.  |   | ✓ |
| <b>Development and compliance with risk management, effective internal control and governance practices</b> |   |   |   |
| 6.  | Audit committee   |   |   |
|   | • The municipality had an audit committee in operation throughout the financial year.   | ✓ |   |
|   | • The audit committee operates in accordance with approved, written terms of reference.   | ✓ |   |
|   | • The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.              | ✓ |   |
| 7.  | Internal audit  |   |   |
|   | • The Municipality had an internal audit function in operation throughout the financial year.   | ✓ |   |
|   | • The internal audit function operates in terms of an approved internal audit plan.   | ✓ |   |
|   | • The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.      | ✓ |   |
| 8.  | There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management. |   | ✓ |

| No.  | Matter   | Y | N |
|--|--|---|---|
| 9.   | There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.  |   | ✓ |
| 10.  | The information systems were appropriate to facilitate the preparation of the financial statements.  |   | ✓ |
| 11.  | A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section 62(1)(c)(i) of the MFMA.   |   | ✓ |
| 12.  | Delegations of responsibility are in place, as set out in section 79 of the MFMA   | ✓ |   |
| <b>Follow-up of audit findings</b>                                 |  |   |   |
| 13.  | The prior year audit findings have been substantially addressed.   |   | ✓ |
| <b>Issues relating to the reporting of performance information</b> |  |   |   |
| 14.  | The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.  |   | ✓ |
| 15.  | Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.  |   | ✓ |
| 16.  | A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the Thabazimbi municipality against its mandate, predetermined objectives, outputs, indicators and targets as set out in section 68 of the MFMA. |   | ✓ |
| 17.  | There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.  |   | ✓ |

38. Significant difficulties were experienced during the audit concerning delays or the availability of requested information. This resulted in material scope limitations as reported in the Basis for Disclaimer of Opinion paragraphs. A satisfactory explanation for the delays has not been forthcoming.

39. Key officials were not available throughout the audit process. This resulted in delays experienced regarding the availability of documentation.

40. The information systems were not appropriate to facilitate the preparation of the financial statements. My audit revealed inconsistencies between the financial statements, general ledger and the supporting schedules as reported in the Basis for Disclaimer of Opinion paragraphs.

41. The accounting officer drafted the Fraud prevention plan during the year under audit as no one previously took ownership of the process to compile the plan. This plan will only be implemented during the 2009/10 financial year once it is approved by Council.

42. The prior year audit findings have not been substantially addressed. As explained in the Basis for Disclaimer of Opinion paragraphs, similar findings were reported for the current period under review as listed in the paragraphs addressing the opening balances qualifications.

43. The accounting officer did not develop a Performance Management System. Consequently, no performance report was submitted for audit purposes.

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

### **Report on performance information**

44. I was engaged to review the performance information.

### **The accounting officer's responsibility for the performance information**

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

### **The Auditor-General's responsibility**

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

### **Audit findings**

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

49. The Thabazimbi Municipality does not have 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 regulations 7 and 8 of the Municipal Planning and Performance Management Regulations, 2001.

#### **No reporting of performance information**

50. No annual performance report was prepared by the municipality in terms of section 46 of the MSA, as required by section 121(3)(c) of the MFMA.

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

51. The Thabazimbi 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**

52. The Thabazimbi 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.

## APPRECIATION

53. The assistance rendered by the staff of the Thabazimbi Municipality during the audit is sincerely appreciated.

Polokwane

30 November 2009



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*



**THABAZIMBI LOCAL MUNICIPALITY**  
**SIGNIFICANT ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**

**1. Basis of Presentation**

- 1.1 These financial statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Finance Officers in its Code of Accounting Practice ( 1997 ) and Report on Published Annual Financial Statements. ( Second Edition January 1996 ).
- 1.2 The financial statements are prepared on the historical cost basis, adjusted for capital expenditure as more fully detailed in note three. The accounting policies are consistent with those applied in the previous year, except if otherwise indicated.
- 1.3 The financial statements are prepared on the accrual basis:
- Income is accrued when measurable and available. Certain direct income is accrued when received, such as traffic fines and certain licenses, and pre-paid.
  - Expenditure is accrued in the year it is incurred.

**2. Consolidation**

The Financial Statements includes the Rate and General services, Housing service, Trading services and the different funds, reserves and provisions. All inter departmental charges are set - off against each other, with the exception of assessment rates, refuse removal, electricity and water, which are treated as income and expenditure in the respective departments.

**3. Fixed Assets**

- 3.1 Fixed Assets are stated:
- at historical cost, or
  - at valuation ( based on the market price at date of acquisition ), where assets have been acquired by grant or donation,
  - while they are in existence and fit for use, except in the case of bulk assets which are written off at the end of their estimated life as determined by the Chief Financial Officer.
- 3.2 Depreciation
- The balance shown against the heading "Loans Redeemed and Other Capital Receipts" in the notes to the balance sheet is tantamount to a provision for depreciation. By way of this "Provision" assets are written down over their estimated useful life. Apart from advances from the various council funds, assets may also be acquired through:
- Appropriations from income, where the full cost of the asset forms an immediate and direct charge against the operating income, and therefore it is unnecessary to make any further provision for depreciation.
  - Grant or donation, where the amount representing the value of such grant or donation is immediately credited to the "Loans Redeemed and Other Capital Receipts" account.
- 3.3 Capital assets are financed from different sources, including external loans, operating income and internal advances. These loans and advances are repaid within the estimated lives of the assets acquired from such loans or advances. Interest is charged to the service concerned at the ruling interest rate applicable at the time that the advance is made.
- 3.4 All net proceeds from the sale of fixed property are credited to the Land Trust Fund. Net proceeds from the sale of all other assets are credited to the source of finance.

**THABAZIMBI LOCAL MUNICIPALITY**  
**SIGNIFICANT ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**

**THABAZIMBI LOCAL MUNICIPALITY  
SIGNIFICANT ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**

**4. Inventory**

Inventory is valued at the lower of cost, determined on the first in first out basis, and net realisable value.

**5. Funds and Reserves**

**5.1 Capital Development Fund**

The Capital Development Fund Ordinance, Ordinance No 9 of 1978, requires a minimum contribution of 1,0 percent of the defined income of a local authority for the immediately preceding financial year. Exemption for contribution of 1% percent to the capital development fund was obtained from the Council.

**5.2 Insurance Fund**

A general insurance fund is maintained to cover uninsured small claims and extra payments on claims that may occur.

**5.3 Land Trust Fund**

With the finalising of township development for all extensions the balances are transferred to the Land Trust Fund. Any other income received on the specific extensions is also transferred to the Land Trust Fund.

**6. Surpluses and Deficits**

Any surpluses or deficits arising from the operation of Electricity are transferred to Rate and General Services

**7. Leased Assets**

Leases are treated as operating leases and the relevant rentals are charged to the operating account in a systematic manner related to the period of use of the assets concerned.

**8. Investments**

Investments are shown at the lower of cost or market value. Investments are made as per Council investment policy as per the Municipal Investment Regulation.

**9. Income recognition**

**9.1 Water and Electricity**

Meters in industrial areas, premises with high tension supplies and residential areas are read and billed monthly. Damaged meters accounted for on three months average meter readings.

**9.2 Assessment Rates**

The Municipality applies a differential rating system.

Assessment rates are levied on a monthly and annual basis and are raised on the land value of property. Rebates are granted to state owned properties.

**9.3 Income from traffic fines**

The municipality recognises income from traffic fines on a cash basis.

**10. Longterm Liabilities**

Longterm Loans are loans granted by (DBSA) and financial Institution (INCA) for the purpose of funding Capital Projects.

**THABAZIMBI LOCAL MUNICIPALITY**  
**BALANCE SHEET AT 30 JUNE 2009**

|   | Notes | 2009<br>R         | 2008<br>R          |
|---|-------|-------------------|--------------------|
| <b>CAPITAL EMPLOYED</b>                     |       |                   |                    |
| <b>Funds and Reserves</b>                   |       | <b>11,017,284</b> | <b>7,705,359</b>   |
| Statutory Funds                             | 1.    | 11,002,746        | 7,690,821          |
| Reserves                                    | 2.    | 14,538            | 14,538             |
| ( Accumulated deficit ) / Retained Surplus  | 16    | 37,232,498        | 12,333,484         |
|   |       | <b>48,249,782</b> | <b>20,038,843</b>  |
| <b>Non current Liabilities</b>              |       | <b>10,553,319</b> | <b>18,833,004</b>  |
| Interest Bearing Borrowings                 | 3     | 8,408,276         | 16,184,471         |
| Consumer Deposits - Services                | 4     | 2,145,043         | 2,648,533          |
|   |       | <b>58,803,101</b> | <b>38,871,847</b>  |
| <b>EMPLOYMENT OF CAPITAL</b>                |       |                   |                    |
| Fixed Assets                                | 5     | 8,408,276         | 13,987,278         |
| Investments                                 | 6     | 18,977,816        | 26,819,197         |
| Long - Term Debtors                         | 7     | -                 | -                  |
|   |       | <b>27,386,092</b> | <b>40,806,475</b>  |
| <b>Net Current (Liabilities ) / Assets</b>  |       | <b>31,417,009</b> | <b>(1,934,628)</b> |
| <b>Current Assets</b>                       |       | <b>56,016,469</b> | <b>32,132,806</b>  |
| Inventory                                   | 8     | 3,620,236         | 1,539,530          |
| Debtors                                     | 9     | 49,686,183        | 26,776,754         |
| Bank  | 10    | -                 | 293,157            |
| Short-term portion of long term debtors     | 3     | 81,414            | -                  |
| Suspense                                    | 11    | 2,628,636         | 3,523,365          |
| <b>Current Liabilities</b>                  |       | <b>24,599,460</b> | <b>34,067,434</b>  |
| Provisions                                  | 12    | 5,055,900         | 5,055,900          |
| Creditors                                   | 13    | 7,286,328         | 15,198,329         |
| Cash and cash equivalents                   | 10    | 4,109,379         | 11,865,352         |
| Short-term portion of Long-term liabilities | 3     | 8,147,853         | 1,947,853          |
|   |       | <b>58,803,101</b> | <b>38,871,847</b>  |

## THABAZIMBI LOCAL MUNICIPALITY

| 2008<br>ACTUAL<br>INCOME | 2008<br>ACTUAL<br>EXPENDITURE | 2008<br>SURPLUS<br>(DEFICIT) |   | 2009<br>ACTUAL<br>INCOME | 2009<br>ACTUAL<br>EXPENDITURE | 2009<br>SURPLUS<br>(DEFICIT) | 2009<br>BUDGET<br>SURPLUS<br>(DEFICIT) |
|--------------------------|-------------------------------|------------------------------|---|--------------------------|-------------------------------|------------------------------|--|
| R                        | R                             | R                            |   | R                        | R                             | R                            | R                                      |
| 70,051,213               | 69,100,747                    | 950,466                      | RATES AND GENERAL SERVICES                        | 93,048,548               | 89,700,531                    | 3,348,017                    | 10,935,365                             |
| 56,693,783               | 51,837,119                    | 4,856,664                    | Community Services                                | 80,340,953               | 70,049,675                    | 10,291,278                   | 9,686,202                              |
| 207,356                  | 7,978,497                     | (7,771,141)                  | Subsidised Services                               | 205,179                  | 6,700,326                     | (6,495,147)                  | 6,805,337                              |
| 13,150,074               | 9,285,131                     | 3,864,943                    | Economic Services                                 | 12,502,417               | 12,950,530                    | (448,114)                    | (5,556,174)                            |
| 28,407,538               | 28,612,082                    | (204,544)                    | TRADING SERVICES                                  | 38,794,771               | 31,804,614                    | 6,990,157                    | (410,258)                              |
| 98,458,751               | 97,712,829                    | 745,922                      | TOTAL   | 131,843,319              | 121,505,146                   | 10,338,174                   | 10,525,106                             |
|                          |                               | (7,171,330)                  | Appropriations, for the year ( Refer to note 16 ) |                          |                               | 15,625,551                   |  |
|                          |                               | (6,425,408)                  | Net surplus / ( deficit ) for the year            |                          |                               | 25,963,725                   |  |
|                          |                               | 18,758,892                   | Accumulated surplus / ( deficit )                 |                          |                               | 11,268,774                   |  |
|                          |                               | 12,333,484                   | Accumulated surplus / ( deficit ) end of the year |                          |                               | 37,232,498                   |  |

(Refer to Appendix D and E for more detail)

**THABAZIMBI LOCAL MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009**

|  | Note | 2009<br>R                 | 2008<br>R                 |
|--|------|---------------------------|---------------------------|
| <b>CASH RETAINED FROM OPERATING ACTIVITIES</b> |      | <b>6,124,279</b>          | <b>(8,708,209)</b>        |
| Cash generated by operations                   | 14   | 41,431,343                | 4,996,846                 |
| Investment income                              | 12   | 2,801,244                 | 5,294,406                 |
| Decrease / (Increase) in working capital       | 15   | (33,369,727)              | 8,023,925                 |
|  |      | 10,862,860                | 18,315,177                |
| Less:  |      |                           |                           |
| External Interest Paid                         | 12   | 1,576,197                 | 2,481,736                 |
| <b>Cash available from operations</b>          |      | <b>12,439,057</b>         | <b>20,796,913</b>         |
| Cash contributions from public and state       |      | (6,314,778)               | (29,505,122)              |
| <b>CASH UTILISED IN INVESTING ACTIVITIES</b>   |      |                           |                           |
| Investments in Fixed Assets                    | 14   | (13,652,282)              | 15,163,739                |
| <b>NET CASH FLOW</b>                           |      | <b><u>(7,528,001)</u></b> | <b><u>6,455,531</u></b>   |
| <b>CASH EFFECTS OF FINANCING ACTIVITIES</b>    |      |                           |                           |
| Increase / ( Decrease ) in long term loans     |      | (7,776,196)               | (806,199)                 |
| Increase / ( Decrease ) in short term loans    |      | -                         | -                         |
| Decrease / (Increase) in cash investments      |      | 7,841,381                 | (2,991,721)               |
| ( Increase ) / Decrease in cash                |      | 7,462,816                 | (3,028,420)               |
| <b>Net cash ( generated ) / utilised</b>       |      | <b><u>7,528,001</u></b>   | <b><u>(6,826,340)</u></b> |

**THABAZIMBI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2009**

|   | 2009<br>R          | 2008<br>R          |
|---|--------------------|--------------------|
| <b>1. STATUTORY FUNDS</b>   |                    |                    |
| Capital Development Fund  | -                  | -                  |
| Loan Redemption Fund  | 8,185,803          | 8,185,803          |
| Insurance Fund  | 181,553            | 56,557             |
| Land Trust Fund   | 3,116,951          | 145,021            |
| Land Development Suspense Account   | (481,560)          | (696,560)          |
|   | <u>11,002,747</u>  | <u>7,690,821</u>   |
| Refer to Annexure A for detailed information.   |                    |                    |
| <b>2. RESERVES</b>  |                    |                    |
| Maintenance Fund  | <u>14,538</u>      | <u>14,538</u>      |
| Refer to Annexure A for detailed information.   |                    |                    |
| <b>3. INTEREST BEARING BORROWINGS</b>   |                    |                    |
| Local Registered Stock (INCA)   | 6,200,000          | 6,200,000          |
| Annuity Loans (DBSA)  | 10,145,206         | 11,561,937         |
| Finance Leases  | 132,307            | 291,772            |
| Loans from Capital Development Fund   | 78,616             | 78,616             |
|   | <u>16,556,129</u>  | <u>18,132,325</u>  |
| Less: Short - Term Portion of Long Term Liabilities (Refer to note )  | 8,147,853          | 1,947,853          |
|   | <u>8,408,276</u>   | <u>16,184,472</u>  |
| <b>DBSA (Annuity Loans)</b>   |                    |                    |
| These loans bear interest at rates between 5% and 17.2% per annum and are redeemable during 2015                        |                    |                    |
| <b>Financial Institutions</b>   |                    |                    |
| <b>2.1 INCA</b>   |                    |                    |
| The loan bears interest between 13.3% and 17% per annum and are repayable before the financial year ended 30 June 2010. |                    |                    |
| <b>4. CONSUMER DEPOSITS</b>   |                    |                    |
| Consumer deposits   | <u>2,145,043</u>   | <u>2,648,533</u>   |
| Accrued Interest  | -                  | -                  |
| <b>5. FIXED ASSETS</b>  |                    |                    |
| Fixed assets at beginning of the year   | 159,609,842        | 144,446,103        |
| Capital expenditure during the year   | 13,652,282         | 15,163,739         |
| Less: Assets written off and transferred during the year  | -                  | -                  |
| Total fixed assets  | <u>173,262,124</u> | <u>159,609,843</u> |
| Less: Loans redeemed and other capital receipts   | 164,853,847        | (145,622,564)      |
| Nett fixed assets   | <u>8,408,276</u>   | <u>13,987,279</u>  |
| (Refer to Appendix C and Section 2 of the Chief Financial Officer's Report for more details on fixed assets)            |                    |                    |
| <b>6. INVESTMENTS</b>   |                    |                    |
| Money Market  | 9,727,301          | 18,776,548         |
| Fund Share  | -                  | 2,299,600          |
| Investment Policies   | 4,867,954          | 3,698,569          |
| Fixed Deposits  | 4,382,561          | 2,044,480          |
| Unlisted  | <u>18,977,816</u>  | <u>26,819,197</u>  |
| <b>7. LONG TERM DEBTORS</b>   |                    |                    |
| Long term debtors   | 81,414             | -                  |
| Short term portion of long term debtors   | 81,414             | -                  |
|   | <u>-</u>           | <u>-</u>           |
| <b>8. INVENTORY</b>   |                    |                    |
| Consumable goods  | <u>3,620,236</u>   | <u>1,539,530</u>   |

**THABAZIMBI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2009**

|   | 2009<br>R                | 2008<br>R                |
|---|--------------------------|--------------------------|
| <b>9 DEBTORS</b>                        |                          |                          |
| Current Debtors (sundry and other)      | 64 987 663               | 42 128 054               |
| Short term portion of long term debtors | 81 413                   | 81 413                   |
| Deposits held with suppliers            | 131 233                  |                          |
|   | <u>65 200 309</u>        | <u>42 209 467</u>        |
| Less Provision for bad debts            | (15 442 635)             | (15 432 713)             |
|   | <u><u>49 757 674</u></u> | <u><u>26 776 754</u></u> |

|                                     |                           |                            |
|-------------------------------------|---------------------------|----------------------------|
| <b>10 CASH AND CASH EQUIVALENTS</b> |                           |                            |
| Primary account                     | (4,414,550)               | (11,865,352)               |
| PHP account                         | 290,296                   | 278,727                    |
| Petty Cash                          | 14,874                    | 14,430                     |
|                                     | <u><u>(4,109,379)</u></u> | <u><u>(11,572,195)</u></u> |

|                                |                         |                         |
|--------------------------------|-------------------------|-------------------------|
| <b>11 MIG SPENT IN ADVANCE</b> |                         |                         |
| MIG spent in advance           | <u><u>2,628,636</u></u> | <u><u>3,523,365</u></u> |

|                      |                         |                         |
|----------------------|-------------------------|-------------------------|
| <b>12 PROVISIONS</b> |                         |                         |
| Leave Pay Provision  | <u><u>5,055,900</u></u> | <u><u>5,055,900</u></u> |
|                      | <u><u>5,055,900</u></u> | <u><u>5,055,900</u></u> |

|                     |                         |                          |
|---------------------|-------------------------|--------------------------|
| <b>13 CREDITORS</b> |                         |                          |
| Sundry creditors    | 477,022                 | -                        |
| Trade creditors     | -                       | 9,615,873                |
| Deposits - Other    | 53,233                  | 43,145                   |
| Retentions          | 5,849,571               | -                        |
| Other creditors     | 906,501                 | 5,539,311                |
|                     | <u><u>7,286,327</u></u> | <u><u>15,198,329</u></u> |

|                            |   |                            |                          |
|----------------------------|---|----------------------------|--------------------------|
| <b>14 ASSESSMENT RATES</b> |   |                            |                          |
|                            | Site<br>valuations<br>as at<br>30/06/2009 | Actual<br>income<br>2008/9 | Actual<br>income 2007/8  |
| Residential                | 268,927,600                               | 13,263,743                 | 10,765,482               |
| Commercial                 | 21,803,500                                | 2,438,812                  | 10,181,418               |
| State                      | 150,000                                   | 627,202                    | 265,951                  |
| Agricultural               | 92,890,414                                | 119,886                    | 307,121                  |
| Municipal Property         | 3,564,500                                 | -                          | 0                        |
| Other                      | 5,000                                     | 6,120                      | 0                        |
|                            | <u><u>387,341,014</u></u>                 | <u><u>16,455,763</u></u>   | <u><u>21,519,972</u></u> |

Valuation on land are performed every 4 years and the last general evaluation came into effect 1 July 2008.

|                                  |                         |                       |
|----------------------------------|-------------------------|-----------------------|
| <b>15 AUDITORS' REMUNERATION</b> |                         |                       |
| Audit fees                       | <u><u>1,710,852</u></u> | <u><u>970,308</u></u> |

|  |                          |                          |
|--|--------------------------|--------------------------|
| <b>16 APPROPRIATIONS</b>                             |                          |                          |
| <b>Appropriation account</b>                         |                          |                          |
| Accumulated surplus at the beginning of the year     | 12,333,484               | 18,758,892               |
| Operating (deficit) / surplus for the year           | 9,273,463                | 745,922                  |
| Appropriation for the year                           | 15,625,551               | (7,171,330)              |
| Pror year transactions written to cash book          | 11,688,104               | -                        |
| Investment income adjustment                         | 395,838                  | -                        |
| Correction of VAT control vote                       | 5,409,281                | -                        |
| Correction of incorrect allocations                  | (1,867,672)              | -                        |
| Accumulated (Deficit)/Surplus at the end of the year | <u><u>37,232,498</u></u> | <u><u>12,333,484</u></u> |



**THABAZIMBI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2009**

|   | 2009<br>R           | 2008<br>R          |
|---|---------------------|--------------------|
| <b>17 CASH GENERATED BY OPERATIONS</b>                              |                     |                    |
| ( Deficit ) / surplus for year                                      | 9,273,463           | 745,922            |
| Adjustments in respect of:  |                     |                    |
| Previous year's operating transactions                              | 15,625,551          | (7,171,330)        |
| <b>Appropriations Charged Against Income</b>                        | 10,340,357          | 3,388,014          |
| Capital Development Fund  | -                   | -                  |
| Loan Redemption Fund  | -                   | 652,759            |
| Accrued leave   | -                   | 1,151,589          |
| Town planning fund  | (215,000)           | (696,560)          |
| Insurance fund  | (124,996)           | (380,507)          |
| Land trust fund   | (2,971,930)         | -                  |
| Fixed Assets  | 13,652,282          | 2,660,733          |
| <b>Capital Charges</b>  | <b>3,390,728</b>    | <b>3,287,935</b>   |
| Interest Paid   | 1,814,531           | 2,481,736          |
| - to internal funds   | -                   | -                  |
| - on external funds   | 1,814,531           | 2,481,736          |
| <b>Redemption</b>   | 1,576,197           | 806,199            |
| - of internal advances  | -                   | -                  |
| - of external funds   | 1,576,197           | 806,199            |
| Deferred charges written off  | -                   | -                  |
| Investment income (Operating account)                               | 2,801,244.35        | 5,294,406          |
| Grants and subsidies (Operating account)                            | -                   | 1,236,000          |
| <b>Non-operative income/expenditure</b>                             | -                   | (1,784,101)        |
| Statutory Funds   | -                   | (889,616)          |
| Provisions  | -                   | -                  |
| Reserves  | -                   | (894,485)          |
|   | <b>41,431,343</b>   | <b>4,996,846</b>   |
| <b>18 ( INCREASE ) / DECREASE IN WORKING CAPITAL</b>                |                     |                    |
| ( Increase ) / decrease in inventory                                | (2,080,706)         | (81,000)           |
| Decrease / (Increase) in debtors                                    | (22,884,609)        | 598,548            |
| Increase / ( decrease ) in long term debtors                        | -                   | 274,298            |
| Increase / ( decrease ) in consumer deposits                        | (503,490)           | 24,550             |
| (Decrease) / Increase in creditors                                  | (7,900,922)         | 7,207,529          |
|   | <b>(33,369,727)</b> | <b>8,023,925</b>   |
| <b>19 INCREASE / ( DECREASE ) IN LONG - TERM LOANS ( EXTERNAL )</b> |                     |                    |
| Loans raised  | -                   | -                  |
| Loans repaid  | (1,576,197)         | (806,199)          |
| Adjustment  | -                   | -                  |
|   | <b>(1,576,197)</b>  | <b>(806,199)</b>   |
| <b>20 ( INCREASE ) / DECREASE IN EXTERNAL CASH INVESTMENT</b>       |                     |                    |
| Investment made   | -                   | (16,024,964)       |
| Investment disposed   | 7,841,382           | 13,033,243         |
|   | <b>7,841,382</b>    | <b>(2,991,721)</b> |
| <b>21 GOVERNMENT SUBSIDIES &amp; GRANTS</b>                         |                     |                    |
| Equitable Share   | 27 332 877          | -                  |
| Finance Management Grant  | 500 000             | -                  |
| Municipal Systems Improvement Grant                                 | 735 000             | -                  |
| Municipal Infrastructure Grant                                      | 21 955 730          | -                  |
| Local Government SDL  | 464 864             | -                  |
| National Electrification Programme                                  | 1 775 000           | -                  |
| <b>Total Government Grants &amp; Subsidies</b>                      | <b>52 763 471</b>   | <b>-</b>           |

**THABAZIMBI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2009**

|   | 2009<br>R          | 2008<br>R          |
|---|--------------------|--------------------|
| <b>21.1 Equitable Share</b>   |                    |                    |
| This grant is an unconditionally grant and is partially utilized for the provision of indigent support through free basic services. Registered indigents receive a maximum monthly subsidy which is funded from this grant. |                    |                    |
| <b>21.2 Finance Management Grant</b>  |                    |                    |
| Balance unspent at beginning of year  | -                  | 0                  |
| Current year receipts   | 500 000            | 500 000            |
| Conditions met – transferred to revenue   | ( 500 000)         | ( 500 000)         |
| Unspent amount transferred to liabilities<br>(see note 7)   | <u>0</u>           | <u>0</u>           |
| This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003. The conditions of the grant were met. No funds have been withheld.                           |                    |                    |
| <b>21.3 Municipal Systems Improvement Grant</b>   |                    |                    |
| Balance unspent at beginning of year  | 0                  | 0                  |
| Current year receipts   | 735 000            | 734,000.0          |
| Conditions met – transferred to revenue   | ( 735 000)         | -734,000.0         |
| Unspent amount transferred to liabilities<br>(see note 7)   | <u>-</u>           | <u>0</u>           |
| The purpose of the grant is for institutional systems.  |                    |                    |
| <b>21.4 Municipal Infrastructure Grant (MIG)</b>  |                    |                    |
| Balance unspent at beginning of year  | 0                  | 0                  |
| Current year receipts   | 19 327 094         | 13 846 000         |
| Conditions met – transferred to revenue   | (21 955 730)       | (13 846 000)       |
| Unspent amount transferred to liabilities<br>(see note 7)   | <u>(2 628 636)</u> | <u>0</u>           |
| This grant was used to construct municipal infrastructure to provide basic services for the benefit of poor households. The conditions of the grant were met and no funds have been withheld.                               |                    |                    |
| <b>21.5 NEP</b>   |                    |                    |
| Balance unspent at beginning of year  | -                  | -                  |
| Current year receipts   | 1 775 000          | 0                  |
| Conditions met – transferred to revenue   | (1 775 000)        | 0                  |
| Unspent amount transferred to liabilities   | <u>0</u>           | <u>-</u>           |
| The grant was utilised to instal electricity infrastructure.  |                    |                    |
| <b>21.6 Local Government SEDA SDL Grant</b>   |                    |                    |
| Balance unspent at beginning of year  |                    |                    |
| Current year receipts   | 464 864            | 0                  |
| Conditions met – transferred to revenue   | ( 464 864)         | 0                  |
| Unspent amount transferred to liabilities   | <u>0</u>           | <u>-</u>           |
| The grant was utilised to assist in capacity building.  |                    |                    |
| <b>22 ( INCREASE ) / DECREASE IN CASH ON HAND</b>   |                    |                    |
| Cash balance at the beginning of the year   | (11,572,195)       | 8,543,775          |
| Less: Cash balance at the end of the year   | (4,109,379)        | (11,572,195)       |
|   | <u>7,462,816</u>   | <u>(3,028,420)</u> |
| <b>23 CAPITAL COMMITMENTS</b>   |                    |                    |
| Commitments in respect of capital expenditure   |                    |                    |
| Approved and contracted for   |                    |                    |
| Infrastructure  | -                  | -                  |
| Community   | -                  | -                  |
| Heritage  | -                  | -                  |
| Other   | -                  | -                  |
| Approved but not yet contracted for   |                    |                    |
| Infrastructure  | -                  | -                  |
| Community   | -                  | -                  |
| Heritage  | -                  | -                  |
| Other   | -                  | -                  |
| Total   | <u>-</u>           | <u>-</u>           |

**THABAZIMBI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2009**

|  | 2009<br>R        | 2008<br>R        |
|--|------------------|------------------|
| Expenditure will be financed from  |                  |                  |
| External loans   | -                | -                |
| Grants & Subsidy   | -                | -                |
| Contribution from revenue  | -                | -                |
|  | <u>-</u>         | <u>-</u>         |
| <b>24 MATERIAL LOSSES, UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE</b>                                       |                  |                  |
| <b>24.1 Unauthorised Expenditure</b>   |                  |                  |
| Opning balance   | 9 172 015        | 9 172 015        |
| Add: Expenditure discovered during the year  | -                | -                |
| Less: Amount approved by council   | -                | -                |
| Amount transferred to receivables for recovery   | -                | -                |
| <b>Amount awaiting council approval</b>  | <u>9 172 015</u> | <u>9 172 015</u> |
| The matter is still under investigation and council shall take a resolution on whether to recover or write off the amount.   |                  |                  |
| <b>24.2 Fruitless and Wasteful Expenditure</b>   |                  |                  |
| Opning balance   | 1 800 755        | 2 269 877        |
| Add: Expenditure discovered during the year  | -                | -                |
| Less: Amount approved by council   | -                | 469 122          |
| Amount transferred to receivables for recovery   | -                | -                |
| <b>Amount awaiting council approval</b>  | <u>1 800 755</u> | <u>1 800 755</u> |
| The matter is still under investigation and council shall take a resolution on whether to recover or write off the amount.   |                  |                  |
| <b>24.3 Irregular Expenditure</b>  |                  |                  |
| Opning balance   | -                | -                |
| Add: Expenditure discovered during the year  | 455,433          | -                |
| Less: Amount approved by council   | 455,433          | -                |
| Amount transferred to receivables for recovery   | -                | -                |
| <b>Amount awaiting council approval</b>  | <u>0</u>         | <u>-</u>         |
| The matter is still under investigation and council shall take a resolution on whether to recover or write off the amount.   |                  |                  |
| <b>24.4 Material Losses</b>  |                  |                  |
| Opning balance   | -                | -                |
| Add: Losses discovered during the year   | 3 621 959        | -                |
| Less: Amount approved/written off by council   | -                | -                |
| Amount recovered   | 455 433          | -                |
| <b>Amount awaiting council approval</b>  | <u>3 166 526</u> | <u>-</u>         |
| <b>25 ADDITIONAL DISCLOSURES IN TERMS OF SECTION 125 OF MUNICIPAL FINANCE MANAGEMENT ACT, 2003</b>                           |                  |                  |
| <b>25.1 Contribution to SALGA</b>  |                  |                  |
| Council membership fees payable  | 10 781           |                  |
| Amount paid current year   | ( 10 781)        |                  |
| <b>Balance unpaid (included in creditors)</b>  | <u>-</u>         | <u>-</u>         |
| <b>25.2 VAT</b>  |                  |                  |
| VAT is payable on the cash basis. VAT input receipts and VAT output receipts are shown in notes 3. All VAT returns have been |                  |                  |
| <b>25.3 Pay as You Earn (PAYE)</b>   |                  |                  |
| Current payroll deductions   | 4 125 844        | 3 533 942        |
| Amount paid current year   | (4 125 844)      | (3 533 942)      |
| <b>Balance unpaid</b>  | <u>-</u>         | <u>-</u>         |
| <b>25.4 Unemployment Insurance Fund (UIF)</b>  |                  |                  |
| Current payroll deductions   | 2 235 021        |                  |
| Amount paid current year   | (2 235 021)      |                  |
| <b>Balance unpaid</b>  | <u>-</u>         | <u>-</u>         |

**THABAZIMBI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2009**

|   | 2009<br>R          | 2008<br>R        |
|---|--------------------|------------------|
| <b>25.5 Medical Aid</b>                       |                    |                  |
| Current payroll deductions                    | 1 504 607          |                  |
| Amount paid current year                      | <u>(1 504 607)</u> |                  |
| Balance unpaid                                | <u>-</u>           | <u>-</u>         |
| <b>25.6 Pension Fund</b>                      |                    |                  |
| Current payroll deductions                    | 4 505 567          |                  |
| Amount paid current year                      | <u>(4 505 567)</u> |                  |
| Balance unpaid                                | <u>-</u>           | <u>-</u>         |
| <b>25.7 Remuneration of Senior Management</b> |                    |                  |
| Municipal Manager                             | 774,229            | 728,040          |
| Chief Financial Officer (4 months)            | 243,100            | 483,928          |
| Manager Corporate Services (4 months)         | 222,952            | 256,843          |
| Manager Social Services (vacant)              |                    |                  |
| Manager Technical Services                    | 699,688            | 605,977          |
| Economic Development and Planning             | 619,484            | 247,314          |
|   | <u>2 559 453</u>   | <u>2 322 102</u> |
| <b>25.8 Remuneration of Councillors</b>       |                    |                  |
| Executive Mayor                               | 534 678            | 484 710          |
| Speaker                                       | 403 121            | 355 650          |
| Councillors                                   | <u>3 711 606</u>   | <u>3 447 494</u> |
|   | <u>4 649 405</u>   | <u>4 287 854</u> |

## STATUTORY FUNDS, RESERVES AND TRUST FUNDS

|                                       | Balance as<br>at 30/06/2008 | Current year<br>contributions | Interest on<br>investments | Other<br>income | Operating<br>expenditure<br>during the year | Capital<br>expenditure<br>during the year | Balance as<br>at<br>30/06/2009 |
|---------------------------------------|-----------------------------|-------------------------------|----------------------------|-----------------|---|---|--------------------------------|
|                                       | R                           | R                             | R                          | R               | R   | R   | R                              |
| <b>STATUTORY FUNDS</b>                |                             |                               |                            |                 |   |   |                                |
| Capital Development Fund              | -                           | -                             | -                          | -               | -   | -   | -                              |
| Loan Redemption Fund                  | 8,185,803                   | -                             | -                          | -               | -   | -   | 8,185,803                      |
| Insurance Fund                        | 56,557                      | 124,996                       | -                          | -               | -   | -   | 181,553                        |
| Land Trust Fund                       | 145,021                     | 2,971,930                     | -                          | -               | -   | -   | 3,116,951                      |
| Township Development Suspense Account | (696,560)                   | 215,000                       | -                          | -               | -   | -   | (481,560)                      |
|                                       | 7,690,821                   | 3,311,925                     | -                          | -               | -   | -   | 11,002,746                     |
| <b>RESERVES</b>                       |                             |                               |                            |                 |   |   |                                |
| Maintenance Fund                      | 14,538                      | -                             | -                          | -               | -   | -   | 14,538                         |
|                                       | 14,538                      | -                             | -                          | -               | -   | -   | 14,538                         |

**APPENDIX B**

**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2009**

| External Loans              | Loan No.  | Redeemable | Balance at 01 July 2008 | Interest charged during the period | Received during the period | Repayments        | Balance at 30 June 2009 |
|-----------------------------|-----------|------------|-------------------------|------------------------------------|----------------------------|-------------------|-------------------------|
|                             |           |            | R                       | R                                  | R                          | R                 | R                       |
| <b>ANNUITY LOAN</b>         |           |            |                         |                                    |                            |                   |                         |
| DBSA Loan @ 13%             | 10719/101 | 2018       | 5,167,753               | 663,944                            | -                          | -916,277          | 4,915,420               |
| DBSA Loan @ 15%             | 10916/103 | 2018       | 504,996                 | 74,883                             | -                          | -99,120           | 480,759                 |
| DBSA Loan @ 15%             | 10916/203 | 2018       | 233,371                 | 34,605                             | -                          | -45,806           | 222,170                 |
| DBSA Loan @ 15%             | 10916/303 | 2018       | 222,025                 | 32,923                             | -                          | -43,579           | 211,369                 |
| DBSA Loan @ 5%              | 101958/1  | 2016       | 2,583,360               | 125,875                            | -                          | -395,852          | 2,313,383               |
| DBSA Loan @ 15.26%          | 12391/101 | 2012       | 155,479                 | 22,776                             | -                          | -49,041           | 129,214                 |
| DBSA Loan @ 15.8%           | 12945/101 | 2015       | 1,273,378               | 197,102                            | -                          | -307,303          | 1,163,177               |
| DBSA Loan @ 13%             | 13523/101 | 2020       | 366,000                 | 46,716                             | -                          | -77,216           | 335,500                 |
| DBSA Loan @ 15.26%          | 12386/101 | 2012       | 960,241                 | 140,663                            | -                          | -302,878          | 798,027                 |
|                             |           |            | <b>11,466,602</b>       | <b>1,339,487</b>                   |                            | <b>-2,237,071</b> | <b>10,569,018</b>       |
| <b>LONG TERM LOAN</b>       |           |            |                         |                                    |                            |                   |                         |
| INCA                        | TBZ109Z   | 2009       | 6,639,167               | 87,833                             | -                          | -527,000          | 6,200,000               |
|                             |           |            | <b>6,639,167</b>        | <b>87,833</b>                      | -                          | <b>-527,000</b>   | <b>6,200,000</b>        |
| <b>ABSA FLEET LEASE</b>     |           |            |                         |                                    |                            |                   |                         |
| Absa                        |           |            |                         |                                    |                            |                   |                         |
| <b>Total External Loans</b> |           |            | <b>18,105,769</b>       | <b>1,427,320</b>                   | -                          | <b>-2,764,071</b> | <b>16,769,018</b>       |

# APPENDIX C

## ANALYSIS OF FIXED ASSETS

| Expenditure | Service                          | Budget     | Balance at  | Expenditure  | Written off  | Balance at  |
|-------------|----------------------------------|------------|-------------|--------------|--|-------------|
| 2008        |                                  | 2009       | 30/06/2008  | 2009         | transferred or redeemed or disposed of during year | 30/06/2009  |
| R           |                                  | R          | R           | R            | R  | R           |
| 4,100,945   | <b>RATE AND GENERAL SERVICES</b> | 25,517,000 | 114,453,754 | 11,744,711   | -  | 126,198,465 |
| 1,222,138   | Community services               | 22,231,332 | 83,528,126  | 8,189,743    | -  | 91,717,869  |
| 105,359     | Data processing                  | 2,833,670  | 1,810,819   | 83,866       | -  | 1,894,685   |
| 955,051     | Clinic                           | -          | 33,314      | 336,413      | -  | 369,727     |
| -           | Public Health                    | -          | 41,350      | -            | -  | 41,350      |
| -           | Public Services                  | -          | 14,067      | -            | -  | 14,067      |
| 6,250       | Council General Expenditure      | 3,390,000  | -           | 4,799,662.24 | -  | 4,799,662   |
| -           | Corporate Services               | -          | 852,701     | -            | -  | 852,701     |
| 92,231      | Municipal Manager                | -          | 877,646     | 453,964      | -  | 1,331,610   |
| -           | Development and Planning         | -          | 80,253      | -            | -  | 80,253      |
| -           | Technical Services               | 1,280,000  | 62,838      | -            | -  | 62,838      |
| -           | Building Control                 | 12,187,662 | 25,751,164  | 1,108,599    | -  | 26,859,763  |
| -           | Finance                          | 2,540,000  | 435,792     | 57,900       | -  | 493,692     |
| -           | Protection Services              | -          | 415,603     | -            | -  | 415,603     |
| -           | Mechanical Workshop              | -          | 1,059,907   | -            | -  | 1,059,907   |
| -           | Rooiberg                         | -          | 3,469,712   | -            | -  | 3,469,712   |
| -           | Leeupoort                        | -          | 26,405,207  | 194,000      | -  | 26,599,207  |
| -           | Northam                          | -          | 3,391,767   | -            | -  | 3,391,767   |
| 63,247      | Fire Services                    | -          | 18,731,393  | 1,155,339    | -  | 19,886,732  |
| -           |                                  | -          | 94,593      | -            | -  | 94,593      |
| 13,241      | <b>Subsidised services</b>       | 3,285,668  | 3,684,973   | -            | -  | 3,684,973   |
| 3,524       | Library                          | -          | 37,756      | -            | -  | 37,756      |
| 9,717       | Parks and Recreation             | 3,285,668  | 3,647,217   | -            | -  | 3,647,217   |
| 2,865,566   | <b>Economic services</b>         | -          | 27,240,655  | 3,554,968    | -  | 30,795,623  |
| 2,707,757   | Licensing                        | -          | 99,199      | 526,463      | -  | 625,662     |
| 48,251      | Stores                           | -          | 127,368     | -            | -  | 127,368     |
| -           | Municipal Properties             | -          | 15,679,610  | -            | -  | 15,679,610  |
| -           | Municipal Houses                 | -          | 225,000     | -            | -  | 225,000     |
| -           | Sewerage                         | -          | 10,571,552  | 884,435      | -  | 11,455,987  |
| -           | Refuse                           | -          | 232,265     | -            | -  | 232,265     |
| 109,558     | Cemetery                         | -          | 305,661     | 2,144,071    | -  | 2,449,732   |

[illegible]

|            |                  |             |
|------------|------------------|-------------|
| 2,372,655  | NET FIXED ASSETS |             |
| 28,667,000 | 13,987,278       | (5,579,002) |
|            |                  | 8,408,276   |



# APPENDIX D

## ANALYSIS OF OPERATING INCOME AND EXPENDITURE

FOR THE YEAR ENDED 30 JUNE 2009

| Actual<br>2008<br>R |  | Actual<br>2009<br>R | Budget<br>2009<br>R |
|---------------------|--|---------------------|---------------------|
| <b>INCOME</b>       |  |                     |                     |
| 21,420,331          | Government and Provincial Grants and Subsidies | 52,763,471          | 44,967,345          |
| 21,316,006          | Income from Tariffs, Service Charges, etc      |                     |                     |
| 18,320,701          | - Rates  | 20,858,388          | 27,012,548          |
| 11,466,247          | - Electricity                                  | 22,544,623          | 23,818,023          |
| 25,935,466          | - Water  | 17,388,106          | 19,665,952          |
|                     | - Other  | 15,068,967          | 24,694,751          |
| <u>98,458,750</u>   |  | <u>128,623,555</u>  | <u>140,158,619</u>  |
| <b>EXPENDITURE</b>  |  |                     |                     |
| 37,473,451          | Salaries, Wages and Allowances                 | 41,507,705          | 46,983,727          |
| 57,515,346          | General Expenses                               | 56,392,699          | 68,446,546          |
| 12,246,295          | -Purchase of electricity                       | 15,060,232          | -                   |
| 7,925,563           | -Purchase of water                             | 8,360,067           | -                   |
| 37,343,488          | -Other general expenses                        | 32,972,400          | -                   |
| 8,960,692           | Repairs and Maintenance                        | 5,792,954           | 8,357,400           |
| 3,392,031           | Capital Charges                                | 1,814,531           | 3,019,906           |
| 4,945,752           | Contributions                                  | 9,922               | 3,800,000           |
| 2,660,733           | Contributions To Capital Outlay                | 13,652,282          | 26,915,000          |
| <u>114,948,005</u>  | <b>Gross expenditure</b>                       | <u>119,350,092</u>  | <u>157,522,579</u>  |
| (17,235,176)        | Less: Amounts Charged Out                      | -                   | (18,265,596)        |
| <u>97,712,829</u>   | <b>Net Expenditure</b>                         | <u>119,350,092</u>  | <u>139,256,983</u>  |

# APPENDIX E

## DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

|                                  | 2008<br>Actual<br>income | 2008<br>Actual<br>expenditure | 2008<br>Surplus<br>(Deficit) | 2009<br>Actual<br>income | 2009<br>Actual<br>expenditure | 2009<br>Surplus<br>(Deficit) | 2009<br>Budget<br>(Surplus)<br>Deficit |
|----------------------------------|--------------------------|-------------------------------|------------------------------|--------------------------|-------------------------------|------------------------------|--|
|                                  | R                        | R                             | R                            | R                        | R                             | R                            | R                                      |
| <b>RATE AND GENERAL SERVICES</b> | <b>70,051,213</b>        | <b>69,100,747</b>             | <b>950,466</b>               | <b>93,048,548</b>        | <b>89,700,531</b>             | <b>3,348,017</b>             | <b>(24,610,764)</b>                    |
| Community services               | 56,693,783               | 51,837,119                    | 4,856,664                    | 80,340,953               | 70,049,675                    | 10,291,278                   | (28,907,297)                           |
| Building Control                 | 654,552                  | 76,255                        | 578,297                      | 356,194                  | 25,972                        | 330,222                      | 2,282                                  |
| Data Processing                  | -                        | -                             | -                            | -                        | -                             | -                            | -                                      |
| Assessment Rates                 | 17,035,605               | -                             | 17,035,605                   | 18,404,776               | -                             | 16,404,776                   | (10,607,772)                           |
| Public Health                    | -                        | -                             | -                            | -                        | -                             | -                            | -                                      |
| Technical Services               | 24,756                   | 7,176,300                     | (7,151,544)                  | 10,271,776               | 13,648,677                    | (3,376,901)                  | (13,999,245)                           |
| Council General Expenses         | 21,586,940               | 21,208,767                    | 378,173                      | 27,835,807               | 18,173,955                    | 9,661,852                    | (1,455,683)                            |
| Corporate Services               | -                        | -                             | -                            | -                        | 5,270,502                     | (5,270,502)                  | 572,785                                |
| Municipal Manager                | -                        | -                             | -                            | -                        | 2,296,581                     | (2,296,581)                  | 650,206                                |
| Planning and Development         | -                        | 1,807,368                     | (1,807,368)                  | -                        | 3,713,734                     | (3,713,734)                  | 1,320,410                              |
| Finance                          | 6,937,550                | 2,909,750                     | 4,027,800                    | 8,664,781                | 3,574,544                     | 5,090,237                    | (3,467,461)                            |
| Protection Services              | 40,090                   | 3,058,209                     | (3,018,119)                  | 164,941                  | 4,436,828                     | (4,271,886)                  | 1,319,073                              |
| Mechanical Workshop              | -                        | 1,029,692                     | (1,029,692)                  | -                        | 1,041,348                     | (1,041,348)                  | (4,297,044)                            |
| Community Services               | 39,884                   | 1,851,461                     | (1,811,577)                  | (129,577)                | 2,427,667                     | (2,557,244)                  | (63,098)                               |
| Fire                             | 167,441                  | 189,936                       | (22,495)                     | 188,213                  | 48,539                        | 139,674                      | (158,660)                              |
| Other                            | 10,206,965               | 12,529,381                    | (2,322,416)                  | 16,584,042               | 15,391,330                    | 1,192,712                    | 1,276,909                              |
| <b>Subsidised services</b>       | <b>207,356</b>           | <b>7,978,497</b>              | <b>(7,771,141)</b>           | <b>205,179</b>           | <b>6,700,326</b>              | <b>(6,495,147)</b>           | <b>2,035,264</b>                       |
| Cemetery                         | 143,547                  | 696,970                       | (553,423)                    | 160,636                  | 438,726                       | (278,090)                    | (276,449)                              |
| Library                          | 47,858                   | 205,694                       | (157,836)                    | 29,781                   | 354,627                       | (324,846)                    | 142,193                                |
| Parks and Recreation             | 15,951                   | 7,075,833                     | (7,059,882)                  | 14,762                   | 5,906,974                     | (5,892,212)                  | 2,169,521                              |
| <b>Economic services</b>         | <b>13,150,074</b>        | <b>9,285,131</b>              | <b>3,864,943</b>             | <b>12,502,417</b>        | <b>12,950,530</b>             | <b>(448,114)</b>             | <b>2,261,269</b>                       |
| Licensing                        | 2,735,251                | 2,735,684                     | (433)                        | 1,547,926                | 5,246,955                     | (3,699,030)                  | 2,450,128                              |
| Stores                           | -                        | -                             | -                            | 251,832                  | 660,394                       | (408,562)                    | 536,834                                |
| Municipal Properties             | 645,511                  | 391,479                       | 254,032                      | 589,639                  | 426,853                       | 162,786                      | (1,864,717)                            |
| Sewerage                         | 5,583,957                | 2,270,648                     | 3,313,309                    | 5,461,664                | 3,313,637                     | 2,148,027                    | 919,767                                |
| Refuse                           | 4,185,355                | 3,887,320                     | 298,035                      | 4,651,356                | 3,302,690                     | 1,348,666                    | 219,256                                |
| <b>TRADING SERVICES</b>          | <b>28,407,538</b>        | <b>28,612,082</b>             | <b>(204,544)</b>             | <b>38,794,771</b>        | <b>31,804,614</b>             | <b>6,990,157</b>             | <b>12,192,096</b>                      |
| Electricity                      | 19,350,088               | 17,523,977                    | 1,826,111                    | 23,607,683               | 20,098,207                    | 3,509,476                    | 2,879,559                              |

|  |                   |                   |                    |  |                    |                    |                   |                     |
|--|-------------------|-------------------|--------------------|--|--------------------|--------------------|-------------------|---------------------|
|  | 9,057,450         | 11,088,105        | (2,030,655)        | Water  | 15,187,088         | 11,706,407         | 3,480,681         | 9,312,537           |
|  | <u>98,458,751</u> | <u>97,712,829</u> |                    | <b>TOTAL</b>   | <u>131,843,319</u> | <u>121,505,146</u> | <u>10,338,174</u> | <u>(12,418,668)</u> |
|  |                   |                   | 745,922            | Appropriations for this year<br>(refer to note 15)       |                    |                    | 15,625,551        |                     |
|  |                   |                   | (7,171,330)        |  |                    |                    |                   |                     |
|  |                   |                   | <u>(6,425,408)</u> | <b>Net surplus / ( deficit ) for the year</b>            |                    |                    | <u>25,963,725</u> |                     |
|  |                   |                   | 18,758,892         | Accumulated surplus ( deficit ) beginning<br>of the year |                    |                    | 11,268,774        |                     |
|  |                   |                   | <u>12,333,484</u>  | <b>ACCUMULATED SURPLUS / ( DEFICIT ) END OF THE YEAR</b> |                    |                    | <u>37,232,498</u> |                     |

**THABAZIMBI LOCAL MUNICIPALITY  
REPORT OF THE CHIEF FINANCIAL OFFICER**

**1. OVERVIEW ON THE FINANCIAL INDICATORS**

The accompanied financial statements reflect a full financial period for the Thabazimbi Local Municipality and represents a detailed report of the financial results of the 2008/9 financial year. This statements form the basis on which the Municipality can perform a long term strategic planning to ensure productive and continued rendering of services. A summary of the operating results are provided to assist the Municipal Council and other stakeholders in this primary task.

The operating results are still a concern. Although the Income statement is ending with a large surplus amount, due to charged income exceeding expenditure, the disappointing inflow of cash caused the cashbook balance to decrease even further. The outstanding debtors grew to new highs that proofs that tax payers are reluctant to pay their municipal accounts.

A large burden is still placed on the salary expenses and the Escom and Magalies Water - account for electricity and water purchases. These expenses leaves no room for much needed maintenance and other general expenses per month as well as possible "savings" to balance the negative cashflow.

If this trend is to continue, the "Going Concern" of this Municipality will grow even more doubtfull. Senior management as well as political office bearers, as a collective, have to make it their priority to seek solutions for this negative trend.

No external loans were taken up within this financial year. All capital projects were either funded out of own funds or funds received from other government institutions. All capital projects were identified through the IDP process. The concern is however that only a low percentage of the planned capital projects were commenced with in the 07/08 year, and therefor arte carried over to the new financial year.

To the best of the knowledge, no post balance sheet events occurred, to have a material influence on the financial viability of the Municipality.

**2. OPERATING RESULTS**

Details of the operating results per department are included in appendix E. The applicable statistics are shown in appendix F. The overall operating results for the year ended 30 June 2009 are as follows :

**2.1 Income**

|                               | Actual 2008 | Actual 2009 | Variance | Budget 2009 | Variance Actual vs Budget |
|-------------------------------|-------------|-------------|----------|-------------|---------------------------|
| Opening surplus               | 18,758,892  | 11,268,774  | 39.93%   | -           | -                         |
| Operating income for the year | 98,458,751  | 131,843,319 | -33.91%  | 142,330,189 | 7.368%                    |
| Appropriations                | -7,171,330  | 15,625,551  | 317.89%  | -           | -                         |
| Closing surplus/(deficit)     | 12,333,484  | 37,232,498  | -201.88% | -           | -                         |

**2.2 Expenditure**

|                                    | Actual 2008 | Actual 2009 | Variance | Budget 2009 | Variance Actual vs Budget |
|------------------------------------|-------------|-------------|----------|-------------|---------------------------|
| Opening surplus                    | -           | -           | -        | -           | -                         |
| Operating expenditure for the year | 97,712,829  | 121,505,146 | -24.35%  | 118,719,986 | -2.346%                   |
| Appropriations                     | -           | -           | -        | -           | -                         |
| Closing surplus/(deficit)          | -           | -           | -        | -           | -                         |

**2.3 Rates and General Services**

|   | Actual 2008 | Actual 2009 | Variance | Budget 2009 | Variance Actual vs Budget |
|---|-------------|-------------|----------|-------------|---------------------------|
| Income                                  | 70,051,213  | 93,048,548  | -32.83%  | 69,662,096  | -33.57%                   |
| Expenditure                             | 69,100,747  | 89,700,531  | -29.81%  | 68,446,546  | -31.05%                   |
| Surplus/ (Deficit)                      | 950,466     | 3,348,017   | -252.25% | 1,215,550   | -175.43%                  |
| Surplus/ (Deficit) as % of total income | 1.36%       | 3.60%       | -165.19% | 4690.98%    | 99.92%                    |

**THABAZIMBI LOCAL MUNICIPALITY  
REPORT OF THE CHIEF FINANCIAL OFFICER**

**2.4 Trade Services**

| <b>Electricity</b>                      | <b>Actual 2008</b> | <b>Actual 2009</b> | <b>Variance</b> | <b>Budget 2009</b> | <b>Variance/Actual vs Budget</b> |
|---|--------------------|--------------------|-----------------|--------------------|----------------------------------|
| Income                                  | 19,350,088         | 23,607,683         | -22.00%         | 26,446,789         | 10.74%                           |
| Expenditure                             | 17,523,977         | 20,098,207         | -14.69%         | 21,882,318         | 8.15%                            |
| Surplus/ (Deficit)                      | 1,826,111          | 3,509,476          | -92.18%         | 4,564,471          | 23.11%                           |
| Surplus/ (Deficit) as % of total income | 9.44%              | 14.87%             | -57.52%         | 486.95%            | 96.95%                           |

| <b>Refuse Removal</b>                   | <b>Actual 2008</b> | <b>Actual 2009</b> | <b>Variance</b> | <b>Budget 2009</b> | <b>Variance/Actual vs Budget</b> |
|---|--------------------|--------------------|-----------------|--------------------|----------------------------------|
| Income                                  | 4,185,355          | 4,651,356          | -11.13%         | 3,086,756          | -50.69%                          |
| Expenditure                             | 3,887,320          | 3,302,690          | 15.04%          | 5,482,912          | 39.76%                           |
| Surplus/ (Deficit)                      | 298,035            | 1,348,666          | -352.52%        | -2,396,156         | 156.28%                          |
| Surplus/ (Deficit) as % of total income | 7.12%              | 29.00%             | -307.18%        | 1159.43%           | 97.50%                           |

| <b>Water Services</b>                   | <b>Actual 2008</b> | <b>Actual 2009</b> | <b>Variance</b> | <b>Budget 2009</b> | <b>Variance/Actual vs Budget</b> |
|---|--------------------|--------------------|-----------------|--------------------|----------------------------------|
| Income                                  | 9,057,450          | 15,187,088         | -67.68%         | 12,247,502         | -24.00%                          |
| Expenditure                             | 11,088,105         | 11,706,407         | -5.58%          | 14,119,372         | 17.09%                           |
| Surplus/ (Deficit)                      | -2,030,655         | 3,480,681          | 271.41%         | -1,871,870         | 285.95%                          |
| Surplus/ (Deficit) as % of total income | -22.42%            | 22.92%             | 202.23%         | -782.36%           | 102.93%                          |

| <b>Sewerage Services</b>                | <b>Actual 2008</b> | <b>Actual 2009</b> | <b>Variance</b> | <b>Budget 2009</b> | <b>Variance/Actual vs Budget</b> |
|---|--------------------|--------------------|-----------------|--------------------|----------------------------------|
| Income                                  | 5,583,957          | 5,461,664          | 2.19%           | 7,059,396          | 7,059,396                        |
| Expenditure                             | 2,270,648          | 3,313,637          | -45.93%         | 3,224,051          | 3,224,051                        |
| Surplus/ (Deficit)                      | 3,313,309          | 2,148,027          | 35.17%          | 3,835,345          | 3,835,345                        |
| Surplus/ (Deficit) as % of total income | 59.34%             | 39.33%             | 33.72%          | 14.27%             | 57.69%                           |

**3 CAPITAL EXPENDITURE AND FINANCING**

| <b>TOTAL FIXED ASSETS</b>         | <b>Actual 2009</b> | <b>Budget 2009</b> | <b>Actual 2008</b> |
|-----------------------------------|--------------------|--------------------|--------------------|
| Land and Buildings                | -                  | -                  | 1,497,299          |
| Tools and Equipment               | -                  | -                  | 641,705            |
| Furniture                         | 1,487,873          | -                  | 504,269            |
| Parks and Grounds                 | -                  | -                  | -                  |
| Streets and Distribution Networks | 11,744,711         | -                  | 12,520,466         |
| Vehicles                          | 419,698            | -                  | -                  |
|                                   | <b>13,652,282</b>  |                    | <b>15,163,739</b>  |

| <b>RESOURCES TO FINANCE FIXED ASSETS</b> | <b>Actual 2009</b> | <b>Budget 2009</b> | <b>Actual 2008</b> |
|--|--------------------|--------------------|--------------------|
| External Loans                           | -                  | -                  | -                  |
| Internal Advances                        | -                  | -                  | -                  |
| Loans redeemed and advances paid         | -                  | -                  | -                  |
| Contributions ex operating income        | 1,907,571          | -                  | 2,660,733          |
| Provisions, reserves and subsidies       | 11,744,711         | -                  | 12,503,006         |
| Temporary advances                       | -                  | -                  | -                  |
|  | <b>13,652,282</b>  |                    | <b>15,163,739</b>  |

It is certified that the above allocations that were made to the municipality were utilised in terms of section 214(1) (c) of the constitution in which the needs and interests of the national government were taken into account.

**4 EXTERNAL LOANS, INVESTMENTS AND CASH**

As set out in appendix B, external loans outstanding at 30 June 2009 amounted to R16,769,018

The cash book balance as at 30 June 2009 amounted to -R4,414,550 while investments amounted to R18,977,815

**THABAZIMBI LOCAL MUNICIPALITY  
REPORT OF THE CHIEF FINANCIAL OFFICER**

Further information regarding loans and investments are disclosed in notes 4 and 6 and appendix B to the financial statements

**5 FUNDS AND RESERVES**

Further information regarding funds and reserves are disclosed in the notes 1 to 3 and appendix A of the financial statements.

MATLOU KJ  
**ACTING CHIEF FINANCIAL OFFICER**  
31 August 2009



## THABAZIMBI LOCAL MUNICIPALITY

### ACTION PLAN TO ADDRESS 2008/9 AUDIT REPORT ISSUES

| Ref                          | Issues  | Action   | Due Date                | Status       | Responsibility         |
|------------------------------|---|--|-------------------------|--------------|------------------------|
| <b>QUALIFICATION MATTERS</b> |   |  |                         |              |                        |
| 1                            | Creditor's list does not agree to the supporting documents and annual financial statements. | Creditor's reconciliation should be prepared and reviewed.   | January 2010.           | In-progress  | CFO                    |
| 2                            | Leave register does not agree to the payday system  | Supporting schedules should be reconciled to the financial statements to ensure that all accruals are accounted for in the annual financial statements.                | Monthly                 | In-progress  | Accountant expenditure |
| 3                            | No supporting documents for grant expenses and repairs and maintenance.                     | Supporting documents should be obtained and kept on file.  | Monthly                 | In-progress  | Accountant expenditure |
| 4                            | General ledger for repairs and maintenance does not agree to the financial statements.      | An adjustment should be made in the annual financial statements to rectify the error. Care must be taken in future to ensure financial statements agree to the ledger. | January 2010 and beyond | In-progress  | Reporting manager      |
| 5                            | List of appropriations could not be provided.   | List of transactions supporting the total appropriations as disclosed in the financial statements should be obtained together with supporting documents.               | January 2010            | In-progress  | CFO                    |
| 6                            | Supporting documents for Bank and cash  | Supporting documents were obtained and submitted after the cut-off date.   | Done                    | Implemented. | CFO                    |
| 7                            | Reconciling items not regarded as valid.  | Bank reconciliation should be performed and reviewed. Reconciling items should be reviewed timeously.  | January 2010            | In-progress  | CFO                    |
| 8                            | Commitments not disclosed in the annual financial statements.                               | The amount outstanding in respect of projects which were running at year end should be disclosed.  | January 2010            | In-progress  | CFO.                   |
| 9                            | Value of land   | A list of all the land/properties of the municipality should be obtained and   | January 2010            | In-progress  | Asset Manager.         |



| Ref | Issues  | Action   | Due Date     | Status      | Responsibility         |
|-----|---|--|--------------|-------------|------------------------|
|     |   | reconciled to the valuation roll and asset register.   |              |             |                        |
| 10  | Long-term liabilities do not agree to the financial statements. | A journal should be prepared together with supporting documentation for the differences identified and adjustments be made in the annual financial statements. | January 2010 | In-progress | Income Manager         |
| 11  | Financial statements does not agree to Trial balance            | A journal should be prepared together with supporting documentation for the differences identified and adjustments be made in the annual financial statements. | January 2010 | In-progress | Divisional Head Income |
| 12  | Additions not traced to the asset register                      | The asset register will be reviewed for completeness and updated appropriately.  | January 2010 | In-progress | Asset officer          |
| 13  | Assets could not be verified                                    | The asset register will be reconciled to physical assets and vice versa.   |              |             | Asset officer          |
| 14  | Fixed asset register was not provided timeously                 | DONE   | N/A          | Complete    | Asset officer          |
| 15  | Allocation of Motor license fees                                | Reconciliations will be performed of income from license on an accrual basis.  | Monthly      | In-progress | Divisional Head Income |
| 16  | Indigent debtors  | Indigent customers will be monitored to ensure compliance with their indigent conditions and ensuring the municipality collects all the revenue that accrues.  | Monthly      | In-progress | Divisional Head Income |
| 17  | Journals supporting documentation.                              | Adequate supporting documents will be attached to every general journal that will be approved by the CFO before processing.                                    | Monthly      | In-progress | CFO                    |
| 18  | No movement in the short-term portion of loan.                  | Steps will be taken to ensure all amounts owing to the municipality will be collected.   | January 2010 | In-progress | CFO                    |
|     |   | <b>Other Important Matters</b>   |              |             |                        |
| 19  | No ageing of debtors as disclosed in the financial statements.  | Care will taken to ensure all minimum disclosures as required by the MFMA are disclosed in preparing annual financial statements.                              | January 2010 | In-progress | CFO                    |
| 20  | Inventory test count  | Procedures should be implemented to ensure that all items are counted to enable management to identify counting errors.  | January 2010 | In-progress | CFO                    |

| Ref | Issues   | Action  | Due Date     | Status      | Responsibility                          |
|-----|--|---|--------------|-------------|---|
| 21  | Non-compliance with supply chain management.                         | Adequate care will be taken to ensure compliance with supply chain management policy and MFMA guidelines.   | January 2010 | In-progress | Divisional Head Supply Chain Management |
| 22  | Monitoring of budget   | Spending against the budget should be controlled by the internal control system and must be monitored regularly   | Monthly      | In-progress | Divisional Head Budget and Reporting    |
| 23  | Bank reconciliation not performed                                    | DONE but must be monitored  | Monthly      | In-progress | CFO                                     |
|     | No employment contracts in the personnel files of employees.         | DONE  | N/A          | N/A         | Divisional Head Human Resources         |
| 24  | Human resource policies  | The policy must be reviewed and approved  | January 2010 | In-progress | Corporate Services Manager              |
| 25  | No mention of particulars of investments in the budget documentation | The 2010/11 budget must address all issues as prescribed by the MFMA and treasury guidelines  | March 2010   | In-progress | Divisional Head Budget and Reporting    |
| 26  | Non-submission of annual report                                      | The annual report must be submitted timeously as prescribed by the MFMA and treasury guidelines   | January 2010 | In-progress | CFO                                     |
| 27  | Leave payouts and gratuities   | Care will be taken to ensure all leave related expenses are recorded in the leave provision account   | Monthly      | In-progress | Account expenditure                     |
| 28  | Manual salary  | Manual salary reconciliation will be performed just like any other salaries   | Monthly      | In-progress | Accountant expenditure                  |
| 29  | Overtime for employees   | DONE  | N/A          | N/A         | N/A                                     |
| 30  | Rental agreements  | Efforts will be taken to ensure that the outstanding rental agreements are signed   | January 2010 | In-progress | Divisional Head Income                  |
| 31  | Obsolete inventory not written off                                   | Inventory counts will be performed on a regular basis. Obsolete inventory will be identified and written off per assets policy.   | Monthly      | In-progress | Store manager                           |
| 32  | Amount could not be traced to the bank statement.                    | DONE  | N/A          | N/A         | N/A                                     |
| 33  | Irregular expenditure  | Procedures will be set up to identify irregular expenditure and present it council for approval. Appropriate disclosure will also be ensured in the annual financial statements | Monthly      | In-progress | Divisional Head Budget and Reporting    |

| Ref | Issues   | Action   | Due Date | Status      | Responsibility                       |
|-----|--|--|----------|-------------|--------------------------------------|
| 34  | No declaration of interest provided.               | DONE   | N/A      | N/A         | N/A                                  |
| 35  | Late payment of skills development levy.           | Procedures to monitor payments to third parties will be put in place and monitored                               | Monthly  | In-progress | DIVISIONAL Head Expenditure          |
| 36  | Payments not provided as creditors                 | All outstanding invoices will be accrued at every reporting date.  | Monthly  | In-progress | Divisional Head Budget and Reporting |
| 37  | VAT disclosure                                     | Will ensure that vat will be disclosed appropriately as payable or receivable in the annual financial statements | Monthly  | In-progress | Divisional Head Budget and Reporting |
| 38  | Overspent amount of MIG grant disclosed as assets. | DONE   | N/A      | N/A         | N/A                                  |

## **CHAPTER 5: FUNCTIONAL AREA SERVICE DELIVERY**

## **DEPARTMENT: MUNICIPAL MANAGER**

### **Functional Overview**

The staff members in this department are as follows:

| <b>STAFF</b>  | <b>Posts on organogram</b> | <b>Filled posts</b> | <b>Vacancies</b> |
|---------------|----------------------------|---------------------|------------------|
| <b>Number</b> | 17                         | 12                  | 5                |

The budget and expenditure for Municipal Manager for 2008/9 are as follows:

| <b>ITEM</b> | <b>Operational</b> | <b>Capital</b> |
|-------------|--------------------|----------------|
| Budget      | R2 515 527         | 0              |
| Actual      | R2 296 581         | 0              |
| Variance    | R 218 946          | 0              |

### **Section: Integrated Development Planning (IDP) and Performance Management System**

The IDP/PMS Manager is the head of the IDP/PMS Unit, and is assisted by a Performance Officer and Development Planner.

The unit is primarily responsible for driving the IDP process, which in essence entails the strategic planning for the municipality's development agenda in accordance with its powers and functions. For the implementation of the IDP, the unit has also facilitated development, monitoring and reporting of a Service Delivery and Budget Implementation Plan (SDBIP).

In order to ensure proper alignment and operationalisation of the IDP, the unit is also starting a process to facilitate the development of Operation Business Plans (OPB) for all the respective business units.

Another important function related to the IDP process is the consultation and communication process with community, sectors and other stakeholders. Each ward is consulted on their needs and which are captured in Ward Development Plans (WDP). These WDPs form the basis for the IDP in general and specifically serves to align the

business units with street level needs. A development Planner is responsible for driving this public participation process.

The Performance Management System was realigned to the IDP unit. This function entails the development and upholding of a performance management system in accordance with a policy framework. The unit will be specifically responsible for strategic or organisational level performance management. A performance management officer is in place to drive this process.

An Administrative Officer is also available to assist the Unit in general.

It is envisaged that the performance assessments will begin the third quarter of the 2009/10 financial year.

## **DIVISION: Internal Audit**

### **Internal Audit Function and Audit Committee**

The audit system, comprising of an independent Audit Committee and an in-house internal audit unit, is responsible for monitoring and evaluating the quality of internal control systems and performance management practices in the municipality. The Audit Committee reports on a regular basis to Council.

### **Establishment of Audit Committee**

The mandate of the Audit Committee (Audit Committee Charter), as approved by Council, determines that the committee will be responsible for:

- Overseeing internal controls and risk management practices
- Reviewing financial reporting practices
- Reviewing compliance with policy and regulatory matters
- Reviewing the functionality of the performance management system
- Reviewing quarterly reports
- Approving the annual internal audit plan
- Reviewing the policy, processes and procedures to deal with economic crime; and
- Monitoring ethical conduct of Councilors, executive and Senior officials

The members of the Audit Committee are as follows:

|            |                                       |                           |
|------------|---------------------------------------|---------------------------|
| Mr Modisha | Certificate in Accounting and Finance | Independent Non Executive |
|------------|---------------------------------------|---------------------------|

|             |   |                           |
|-------------|---|---------------------------|
|             | Management Development Programme<br>Corporate Governance Certificate Programme  |                           |
| Mr Ralebipi | Member of the institute of System Audit Control Association<br>Institute of internal auditors<br>Higher Diploma in Computer Security Audit<br>Bachelor of Commerce in Accountancy | Independent Non Executive |
| Mr Mahonga  | Higher Diploma in tax law<br>IAC Diploma in Business Management<br>Forensic Investigation Certificate<br>Labour Law Certificate   | Independent Non Executive |

### Meetings and considerations

During the review period four meetings took place. The meeting was also attended by all senior staff of the municipality appointed then as well as offices from the Department of Local Government.

The Audit Committee presented one report to Council during the period under review. The composition of the Audit Committee does not fully comply with legislation; especially with regard to the performance audit provisions in the Municipal Systems Act that requires that at least one performance expert should be on the Audit Committee.

The Internal Auditor, who reports administratively to the Municipal Manager and functionally on any audit matters to the Audit Committee, manages the In-house Internal

Audit Unit. The approved Internal Audit Charter is in line with the Institute of Internal Auditors Professional Standards for the Practice of Internal Auditing.

During the post of Chief has been vacant but invitations have since been advertised for the vacancy and is awaiting short-listing.

### **Internal audit reports**

During the review period four audit reports that were completed at the end of the previous financial year have been presented to the Audit Committee. These reports dealt with payroll, fleet management, supply chain management, and recruitment process.

All the above mentioned audit reports were completed uniformly during the year and accepted by the Audit Committee.

### **DIVISION: Integrated Development and Planning**

- IDP and Budget review process was held successfully.



## **DEPARTMENT: FINANCE**

### **Functional Overview**

The Finance Department is ensuring that the following general financial management functions are executed:

- Resources of the municipality are used effectively, efficiently and economically
- That full and proper records of the financial affairs of the municipality are kept in accordance with the prescribed norms and standards
- That the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.
- That unauthorized , irregular or fruitless and wasteful expenditure and other losses are prevented
- That the municipality has implemented and maintained a
  - Tariff policy
  - Rates policy
  - Credit control and debt collection policy
  - Supply chain management policy
- Account for all bank accounts, including:
  - The opening of municipal bank accounts
  - Designating one of the bank accounts as the primary account and to take reasonable steps to ensure that all money received is deposited into the designated account.
  - Withdrawals from the municipal bank account.
- Reasonable steps are also taken to ensure that asset, liability and revenue management are executed.
- All responsibilities are delegated to the CFO to execute the supply chain management policy of the council.
- Report to Council on all expenditure incurred by the municipality on employee related costs.
- Assist the mayor with the budget preparation and ensure that all necessary procedures are in place to implement the budget.
- Report impending shortfalls, overspending and overdrafts, monthly report on the budget statements, mid year and performance assessment
- Advise the accounting officer on the failure to adopt or implement budget related and other policies
- The above activities can in short be described as monitoring, financial planning and implementation of the municipality's budget.
- Prepare annual financial statements

### **Description of the activity**

*a) The strategic objectives of these functions are to:*

- Implement the budget reform processes, implementation of the MFMA and GRAP, maintenance of the revenue base and effective revenue collection, administer the free basic services policy of the council; intensification of credit control and debt collection strategies to reduce arrears and outstanding debt; in year and end of year reporting to relevant stakeholders.

### **Key performance indicators for 2008/9 are as follows:**

- Implement the Property Rates Act
- Implement the MFMA
- Review the investment policy
- Develop and update financial system upgrade
- Implement revenue enhancement strategy/process
- Validate customer database(data cleansing)
- Review the Tariff Policy
- Implement the Auditor General's recommendations from 2007/8 audit.
- Upgrade after hour vending for water and electricity
- Implementation of Supply Chain Management Policy
- Cash Management
- Stock control management
- Assessment of operating costs used for capital projects

### **ANALYSIS OF THE FUNCTION**

The staff members of this department are as follows:

| <b>STAFF</b> | <b>Number of posts<br/>on organogram</b> | <b>Filled posts</b> | <b>Vacancies</b> |
|--------------|--|---------------------|------------------|
| Number       | 41                                       | 28                  | 13               |

The budget and actual expenditure for financial services for 2008/9 are as follows:

| <b>ITEM</b> | <b>Operational</b> | <b>Capital</b> |
|-------------|--------------------|----------------|
| Budget      | R9 355 504         | R2 540 000     |

|          |            |            |
|----------|------------|------------|
| Actual   | R7 726 843 | -          |
| Variance | R1 628 661 | R2 540 000 |

#### **DIVISION: Office of the CFO**

The municipality has been without a CFO for the past nine months and financial services such as financial statements preparation have been outsourced since then. However a CFO has since been hired in November 2009.

#### **DIVISION: Supply Chain Management**

The MFMA came into effect on 1 July 2004. Chapter 11 of this Act deals with SCM. Municipalities were compelled to adopt a SCM and establish a SCM unit as prescribed by Legislation. The SCM Unit was established in May 2007.

A SCM Policy was adopted and approved by Council in May 2007 and was reviewed and amended in June 2009.

On a weekly basis, opportunities to submit quotations (services, such as building maintenance and construction) are advertised on the notice boards at the main offices to enhance economic opportunities for Historically Disadvantaged Individuals (HDI's).

The Specification, Evaluation and Bid Adjudication Committee were implemented and are operational to streamline the tender processes. A complaints register will be implemented that will allow the community and suppliers to report possible disputes tenders, contracts, and quotations that need to be investigated for alleged corruption, nepotism, and irregular procurement transactions to the Municipal Manager.

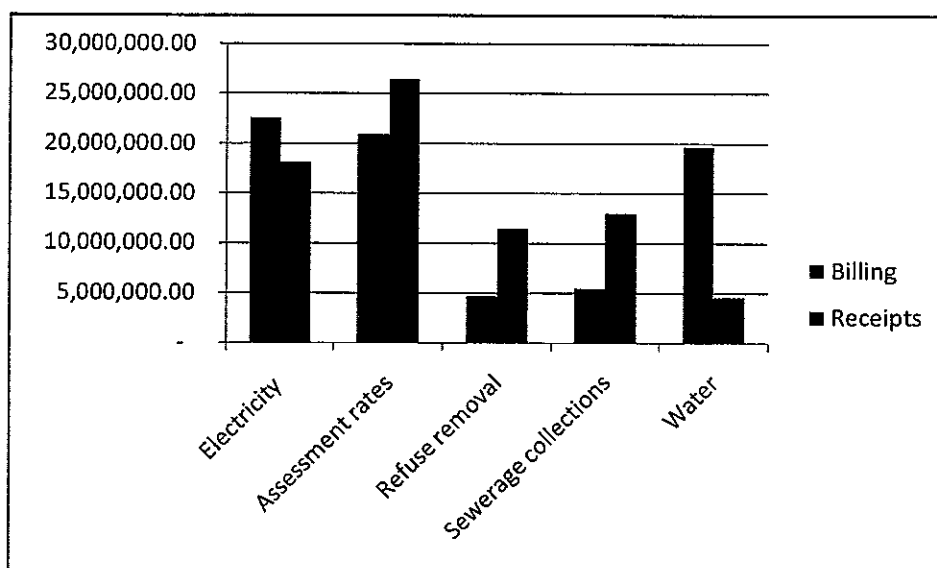
#### **DIVISION: Income**

The bulk of the municipality's income is derived from the sale of electricity and water. Consumers are billed on a monthly basis and statements are sent out via post. However, the municipality still experience challenges regarding high number of consumers that do not pay their accounts. The following are details of annual billings and against receipts by income source:

| Income source    | Amount billed | Amount received |
|------------------|---------------|-----------------|
| Electricity      | R22 544 623   | R18 151 035     |
| Assessment rates | R20 858 388   | R26 477 983     |

|                      |                    |                    |
|----------------------|--------------------|--------------------|
| Refuse removal       | R 4 651 356        | R11 446 543        |
| Sewerage collections | R 5 461 664        | R12 998 418        |
| Water                | R19 665 952        | R 4 514 615        |
| <b>Total</b>         | <b>R73 181 982</b> | <b>R75 866 334</b> |

The graph below illustrates the main sources of income for the municipality; electricity, assessment rates, and water being the major contributor to revenue with a ratio of 30.8%, 29% and 27% respectively.



During the financial year only a total of R15.7million of the billed income was received. The rest of the receipts pertain to prior years billing. This indicates revenue collection is not satisfactory which has already placed the municipality under severe cash flow problems.

### 1. Debtors' period

Debtors are currently aged as follows:

- Current
- 30 days
- 60 days
- 90 days
- 120+ days

### 2. Write off of debts

No debts were written off during the year under review.

### 3. Property valuation and rates

| Property                 | Valuation (R) |
|--------------------------|---------------|
| Residential              |               |
| Commercial               | 21 803 500    |
| Regional Service Council | N/A           |

The valuations are performed on a four year interval and the last one was on 1 July 2008.

### 4. Free basic services

The equitable shares conditional grant makes the provision of free basic services possible in the Municipal area. The municipality's Indigent Policy regulates these free basic services. More than 2500 households received one or all of the following services free or get a subsidy on a monthly basis:

- 6 kilolitres of free water
- 50 kilowatts
- Refuse removal
- Property rates are free

An amount of R3 502 019 was outstanding from indigent consumers for all services.

## **Division: Expenditure**

This division comprises of the following sub-sections:

- Creditors
- Cheque administration
- Salaries, and
- Stores

### **1. Creditors**

This section is responsible for the timeous payment of all creditors within 30 days of creditor invoice, as prescribed in the MFMA, no 56 of 2003.

### **2. Cheque administration**

This section is responsible for the issuing of all cheques and sending all cash focus files for electronic files for electronic payments.

Furthermore, responsibilities include the preparation of all payments that are not included in the creditors in the creditors' system.

### **3. Salaries**

This section is responsible for the administration of payroll for permanent staff, temporary staff, councilors as well as pensioners, with adherence to the legislative framework, including statutory deductions, issuing of IRP5 certificates and reconciliations of salary control votes.

### **4. Stores**

This section is responsible for acquisition, safe keeping and issuing of stock items and assets of the municipality. It is also responsible for record keeping of redundant items and tabling the annual stock take report to council.

### **5. Other**

- **Credit rating** – the municipality has not currently been rated.
- **External loans** – an amount of R10 569 018 was outstanding in loans from DBSA while R6 200 000 was owing to INCA and payable by end of 2009.

## DEPARTMENT: TECHNICAL SERVICES

The department comprises of the following divisions:

- Electricity
- Water
- Roads, civil, storm water
- mechanical workshop and
- Waste management.

### DIVISION: Electricity

The main functions of the department include street lighting, and electricity distribution.

Street lighting invoices all activities associated with provision of street lighting to the community.

This is administered as follows: - Maintenance and repairs of street lights and high masts.

- Erection of new streets lights and highlights masts.

These services extend to include, but do not take account of which resides within the jurisdiction of government. The municipality has a mandate to:

- to provide public lighting for safety within residential
- provide lighting on main access roads for the safety of main road users.

Key developments during the year under review include:

- The replacement of broken streetlight poles in Northam to the tune of R180 000.
- Installation of 11 high-masts in Regorogile Extension 6,7&9 at a cost of R4.4million

### Analysis of developments

| Item   | Units   | Value      |
|--|---------|------------|
| Streetlights serving population                  | 2 087   | R180 000.0 |
| Bulk kilowatt hours consumed for street lighting | 504 000 | R 51 650.4 |

### Key Performance indicators

| Indicator                      | Achievement                 | Current | Target |
|--------------------------------|-----------------------------|---------|--------|
| Enhancement of public lighting | Streets upgraded in Northam | 148     | 148    |

### DIVISION: Electricity Distribution

The function includes bulk purchasing and distribution of electricity.

The strategic objective of this section is to meet the 2012 Universal Access target in terms of Integrated National Electrification Program.

The above is administered as follows:

| Licensed areas of supply   | Units          | Value       |
|--|----------------|-------------|
| Greater Thabazimbi,<br>Regorogile 2,5,6,7,9;<br>Ipelegeng; Rooiberg; Raphuti | 52 777 488 kWh | R10 915 188 |

These services extend to include, but not take account of area which resides within the jurisdiction of national or provincial government. The municipality has a mandate to supply electricity within its area of jurisdiction and to provide Free Basic Electricity to Indigents.

Key achievements during the year 2008/9 are as tabled below:

| ITEM                                    | UNITS | VALUE      |
|---|-------|------------|
| Electrification of informal settlements | 539   | R1 720 000 |
| Street lighting                         | 2087  | R 180 000  |



## Important statistics

### Staff Compliment

| ITEM                               | QUANTITY |
|------------------------------------|----------|
| Professional engineers/consultants | 0        |
| Field Supervisors/ Foremen         | 2        |
| Office clericals/ administration   | 1        |
| Non-professional blue collars      | 14       |
| Laborers                           | 2        |

### Electricity bulk purchases and sales

| ITEM      | UNITS         | VALUE       |
|-----------|---------------|-------------|
| Sales     | 43 981 240kWh | R13 280 099 |
| Purchases | 52 777 488kWh | R19 874 141 |
| Losses    | 3 092 956kWh  | R 1 173 736 |

### Other statistics

| ITEM                                  | UNITS | VALUE      |
|---------------------------------------|-------|------------|
| Number of new connections             | 18    | R123 762   |
| Expected no. of substations upgrading | 2     | R20million |
| Expected new substations              | 1     | R60million |
| Expected backlog- water connections   | 922   | R30million |
| Expected number of indigents          | 2589  | R947 574   |

**DIVISION: Water**

Comprises mainly purchasing of water and its distribution

The above is administered as follows:

- Provide water that is safe for drinking
- Operate and maintain water distribution infrastructure
- Ensure quality of water every time

Details of key developments included the upgrading of the bulk line from the Thabazimbi pump station to reservoirs as well as construction of new reservoir.

This was done at a cost of R50million.

**Key statistics**

Staff complements

| ITEM                                | QUANTITY |
|-------------------------------------|----------|
| Professional engineers/ consultants | 2        |
| Field Supervisors/foremen           | 1        |
| Office Clerical/administration      | 1        |
| Non-professional staff              | 25       |
| Total                               | 29       |

Water purchases and sales

| ITEM      | UNITS       | VALUE       |
|-----------|-------------|-------------|
| Purchases | 3 756 559KL | R6 235 434  |
| Sales     | 1 337 940KL | R17 272 813 |

The number of households with type of water service

| ITEM  | QUANTITY |
|---|----------|
| Piped water inside dwelling                       | 7 317    |
| Piped water inside yard                           | 7 317    |
| Piped water on community stand<200m from dwelling | 3 660    |
| Piped water on community stand>200m from dwelling | 1 664    |
| Borehole: Rooiberg and Leeuport                   | 800      |
| Borehole: Schipadnest                             | 5500     |

The number of new water connections is 119 at a cost of R89 863 while the number of indigent consumers was 2655.

The total operating costs of water distribution was R11 072 774.

#### **DIVISION: CIVIL ENGINEERING**

The department's functions encompass construction and maintenance of roads within the municipality's jurisdiction.

The key developments during the year include construction of the Regorogile Extension 3 and 5 internal paving streets.

| ITEM                               | QUANTITY |
|------------------------------------|----------|
| Professional engineers/consultants | 2        |
| Field supervisors/ foremen         | 1        |
| Office clerical/administration     | 1        |
| Non profession                     | 21       |

Total maintenance cost associated with existing roads provided was R796 149.

Total operating cost of road construction and maintenance function amounted to R7 022 905.

## **DIVISION: Waste water management**

Includes refuse removal, solid waste disposal and landfill, street cleaning and recycling. The refuse collection functions of the municipality are administered as follows:

- Collection of waste from households and business areas
- Disposal of waste to the landfill site
- Cleaning of streets in all areas

These services extend to include but not do not take account of areas which resides within the jurisdiction of national or provincial government. The municipality has a mandate to:

- Ensure clean streets all the time
- Maintain the land fill sites
- Control air pollution

Key developments during the year under review include:

- Upgrading the Thabazimbi and Northam land fill sites
- Acquisition of waste management assets i.e. trucks
- Increase capacity of work force

### **Important statistics**

#### **Staff compliment**

| <b>CATEGORY</b>                    | <b>NUMBER</b> |
|------------------------------------|---------------|
| Professional engineers/consultants | 2             |
| Field supervisors/foremen          | 1             |
| Office clerical                    | 1             |
| Non Professional Contract          | 17            |
| Contract                           | 11            |
| <b>Total</b>                       | <b>32</b>     |

Total personnel costs to the municipality in respect of the waste water department amounted to R1 121 268 for permanent employees and R807 120 for the contracted employees.

### Other statistics

The total number of households receiving regular refuse removal services is 6972 and this is performed once in a week. The total cost to the municipality of providing this service amounted to R3 817 659

### Refuse collection projection

| Tonnage of refuse collected | Units                       |
|-----------------------------|-----------------------------|
| Domestic/Commercial         | 47 093 m <sup>3</sup>       |
| Garden                      | 16 002 m <sup>3</sup>       |
| <b>Total</b>                | <b>63 095 m<sup>3</sup></b> |

### Free basic service provision

The number of indigent consumers who received free basic services during the year is 2579.

The total operating cost of solid waste management function amounted to R3 078 453.

### DIVISION: Waste water management

Includes the provision of sewerage services and toilet facilities but does not include infrastructure and water purification.

The sewerage function is administered as follows:

- Treatment of waste water from households and businesses
- Maintaining the quality of the water to acceptable standards

These services extend to and include areas within Thabazimbi, but exclude those outside the jurisdiction of the national or provincial government.

The Thabazimbi municipality is mandated to:

- Treat waste water from households and businesses
- Maintain the waste treatment infrastructure
- Discharge effluent that is acceptable to the quality of life

The above form part of the objective of the Waste Water Management function which is:  
***Treatment of waste water to acceptable standards***

Key achievements during the 2008/9 financial year include the following:

- Upgrading of the Thabazimbi Waste Water Treatment Works
- Construction of Northam Waste Water Treatment Works
- Upgrading of Northam Ponds

### **Important Statistics**

#### **Staff complement**

| <b>CATEGORY</b>            | <b>NUMBER</b> |
|----------------------------|---------------|
| Professional engineers     | 2             |
| Field supervisors/ foremen | 3             |
| Office clericals           | 1             |
| Non professional           | 15            |
| <b>Total</b>               | <b>21</b>     |

Total cost to the municipality amounted to R871 619 in respect of personnel costs.

#### **Free basic services**

The total number of indigents that received free basic waste water management services is 2579.

Total operating cost of the sewerage function during the year under review amounted to R2 406 104.

## **DEPARTMENT: PLANNING AND ECONOMIC DEVELOPMENT**

### **Overview**

This department includes all activities related to Local Economic Development, Land Use/ Spatial Development as well as Building Control and Management.

### **Objectives**

Include:

- To ensure short, medium and long term economic growth, through effective co-ordination of all economic development initiatives
- To ensure proper spatial/land use development and management through effective implementation of SDF and LUMS.
- To regulate all building processes through compliance with relevant policies and regulations.
- To create a conducive environment for all LED initiatives
- To ensure a sustainable and integrated development through IDP planning and implementation.

### **Description of the activity**

#### **1. Local Economic Development**

To facilitate the LED programs and projects

To facilitate investment initiatives and projects within the municipal area

#### **2. Land use/Spatial Development**

To implement Spatial Development Framework (SDF) and Land Use Management System (LUMS)

To manage and coordinate all Spatial Development Initiatives

#### **3. Building Control and Management**

To regulate and manage all building processes

To comply with all building policies and legislation

## Analysis of the function

### Staff compliment

| CATEGORY            | CONTRACT | PERMANENT | TOTAL     |
|---------------------|----------|-----------|-----------|
| Manager             | -        | 1         | 1         |
| Divisional Heads    | -        | 3         | 3         |
| Officials           | -        | 5         | 5         |
| Permanent           | -        | 5         | 5         |
| Contract            | -        | 2         | 2         |
| Building inspectors | 2        | 2         | 4         |
| <b>Total</b>        | <b>2</b> | <b>16</b> | <b>20</b> |

Total personnel costs of employees other than building inspectors, to the municipality during the year under review amounted to R1 399 253, while that of building inspectors amounted to R439 694.

Key developments during the year include:

a) Urban Development Strategies

- Proclamation of Regorogile Extension 8
- Proclamation of Leeuport Extension 7
- Proclamation of Rooiberg Extension 2
- Proclamation of Regorogile Informal Settlement Extension 3

The estimated costs of each of the above activities are tabled below:

| Activity   | Cost(R'000) |
|--|-------------|
| Proclamation of Regorogile Extension 8                     | 200 000     |
| Proclamation of Leeuport Extension 7                       | 100 000     |
| Proclamation of Rooiberg Extension 2                       | 150 000     |
| Proclamation of Regorogile Informal Settlement Extension 3 | 100 000     |



b) Rural Development Strategies

- Development of the Kromdraai farm obtained through LRAD, for both crop and stock farming.
- Development of Bakgatla Farm obtained through LRAD, for both crop and livestock farming.
- Management of Municipal Game Farm for tourism promotion

Number of people employed through job creation schemes:

| CATEGORY              | NUMBER OF PEOPLE |
|-----------------------|------------------|
| Short term employment | 170              |
| Permanent jobs        | 10               |
| <b>TOTAL</b>          | <b>180</b>       |

Details of building plans approved are tabled below:

| ITEM                    | QUANTITY | VALUE    |
|-------------------------|----------|----------|
| Building plans approved | 145      | R282 500 |

**Grants and subsidies received**

During the year under review the following grants and subsidies were received:

| ITEM                           | AMOUNT          |
|--------------------------------|-----------------|
| EU-Development of LED Strategy | R300 000        |
| LGH-Development of LUMS        | R500 000        |
| <b>TOTAL</b>                   | <b>R800 000</b> |

## **Performance review**

Achievements against targets per function are detailed below:

### **DIVISION: Local Economic Development (LED)**

- LED strategy developed
- Marketing of LED initiative -Developed Municipal Investment Guide
  - Developed 8 Economic Development banners
  - Developed Municipal Economic Potential CD'S
- Participated in Switzerland Tourism Exhibitions
- Manages Municipal Game Farm
- Facilitated the following Community Projects
  - Upgrading the Butterland Bakery
  - Upgrading the Kromdraai vegetable garden, subsistence farming
  - Itireleng Training Centre for HDSA
  - Development of Cultural Village
  - Upgrading the Rethabile Sewing Project
  - Siyaphambili Poultry Project
  - De-bushing project in Raphuti
  - Markets Stalls for informal Traders in Northam and Thabazimbi
  - Upgrading of Aganang Cooperative

### **DIVISION: Land Use**

- Spatial Development Framework completed and approved by Council
- LUMS development completed and approved by Council
- Facilitated 3 DFA applications
- Township Development Projects
  - Proclamation of Regorogile Extension 8
  - Proclamation of Leeuport Extension 7
  - Proclamation of Rooiberg Extension 2
  - Proclamation of Informal Settlement Extension 3

**DIVISION: BUILDING CONTROL**

| <b>BUILDING PLANS</b> | <b>QUANTITY</b> |
|-----------------------|-----------------|
| Received              | 161             |
| Approved              | 145             |
| Rejected              | 16              |
| <b>Backlog</b>        | -               |

## **DEPARTMENT: SOCIAL SERVICES**

Includes all activities associated with the provision of community and social services such as Public safety, Library services, community halls, Licensing and registration of motor vehicles.

The strategic objectives of the Social Services section are listed below:

- Provision of assistance on housing to community
- Licensing and registration of all motorists and motor vehicles in Thabazimbi municipal area.
- Provision of fire fighting services to the community
- Orientation on community about hazards that may cause disaster scenario
- Provide library services

To achieve the above strategic objectives executes the following functions:

- Community Housing
- Licensing Services
- Traffic Services
- Fire Services
- Disaster Management Services
- Library Services
- Municipal Security Services
- Road Marking Services

## Performance Assessment

The following analysis compares the budgeted and actual performance for the Social Services function.

| ITEM                                       | BUDGET INCOME | ACTUAL INCOME |
|--|---------------|---------------|
| Community Hall Rental                      | 440           | -             |
| Issue of permits                           | 65 000        | 7 636         |
| Applications of temporary drivers licenses | 101 000       | 5 925         |
| Applications of Drivers' licenses          | 792 000       | 59 390        |
| Issue of Learners' licenses                | 60 000        | 5 520         |
| Issue of Road Worthiness Certificates      | 55 000        | 4 022         |
| Issue of Learner and drivers' licenses     | 485 000       | 51 696        |
| License fees for new registrations         | 60 000        | 27 133        |
| Duplicate documents                        | 6 000         | 642           |
| Commission                                 | 250 000       | -             |
| Application fees: Trade                    | 1 000         | -             |
| Hawkers' licenses                          | 4 000         | 404           |
| Traffic fines collected                    | 70 000        | 23 650        |
| Fire calls                                 | 70 000        | 23 650        |
| Library fines                              | 35 000        | 38 689        |
| Rental of library hall                     | 1 500         | -             |
| Photocopying                               | 4 500         | 947           |

## **DIVISION: Social Development**

The community Development section is responsible for various initiatives focusing on poverty alleviation, skills development and job creation. These initiatives have all been in line with developmental local government, resource optimization through partnerships and participation with local communities and underpinned by developmental principles such as, a pro-poor agenda, partnerships, gender bias, participation, labour intensive job creation and sustainable livelihood projects.

### ***Segmental Development***

#### ***(a) Gender***

Various capacity building workshops to empower women in terms of the gendered role of women in the society were conducted. These workshops dealt with issues of Human Rights, Women and Child Abuse.

#### ***(b) Youth***

The Thabazimbi youth council is established in the previous financial years and has a number of members from different youth structures.

#### ***(c) HIV/AIDS***

HIV/AIDS still remains a challenge in the Thabazimbi area and various awareness campaigns were held to educate the communities about the disease.

### ***Social Crime Prevention***

Assistance was also provided to various local police forums by assisting them to mobilize communities to effectively deal with crime and substance abuse in the area.

### ***Regorogile Multi Purpose Centre***

The construction phase of the centre started in 2008 and it is now completed. The centre is awaiting official opening ceremony. Various empowerment and job creation opportunities are linked to the construction of the facility and the surrounding communities will greatly benefit from the one stop government service facility.

## **DIVISION: Library**

### ***Resources in the libraries***

Libraries in Thabazimbi town and Northam are equipped with a lot of material that assist the community with information.

### ***National Library Week***

The national library week was celebrated during March 2009. Programmes such as joining new members and handing out library promotional material and various activities formed part of the celebrations during that week.

## **DIVISION: Protection Services**

### **Fire services**

#### ***a) Challenges***

In the fire section's efforts to create a safer environment for the community of Thabazimbi Municipality, it is also faced with challenges to need to be overcome. These challenges include the following:

- Limited financial resources
- Lack of vehicles and equipment
- Human resources

#### ***b) Future Service Delivery***

Serious deliberations and discussions are ensued in order to establish an equitable Disaster Risk Management service. These processes are informed by section 84 of the Municipal Structures Act (Act 117 of 1998)

The goal of Thabazimbi Fire services continues to be that of an effective and professional service to the community of Thabazimbi.

### **Traffic and Licensing**

The licensing department is a small office and currently it is struggling to keep up with the increasing demand for the service. Hence there is a need for construction of a new traffic section that will cater for the needs of the communities with the municipal jurisdiction.

During the 2008/9 financial year, traffic fines to an amount of R23 650 were issued. The major source of income for this section is from application of drivers' license fees which amounted to R59 390.

### **DIVISION: Housing**

Housing has initiated a number of housing projects during the financial year. These projects offer housing opportunities for low income group. The department has identified land and has facilitated the process of infrastructure development.

#### **Housing Consumer Education**

The municipality will in the 2009/10 financial year embark on a housing consumer education for all the beneficiaries. The programme is aimed at educating beneficiaries on how to look after their houses.

#### **Informal Settlements**

Informal settlements have been affected by a number of disaster incidents during the financial year. Despite the control measures implemented against the expansion of informal settlements, housing has seen a steady increase in informal settlements. As a result, the control of informal settlements still remains one of the challenges and hence the beneficiary list for housing is also increasing.



## **DEPARTMENT: CORPORATE SERVICES**

### **FLEET MANAGEMENT**

The following information reflects on the motor vehicle fleet of this municipality.

| <b>TYPE OF VEHICLE</b> | <b>NUMBER OF VEHICLES</b> |
|------------------------|---------------------------|
| TRUCKS                 | 12                        |
| LDV                    | 25                        |
| TRACTORS               | 10                        |
| TRAILERS               | 16                        |
| MACHINES               | 4                         |
| SEDANS                 | 10                        |
| <b>TOTAL</b>           | <b>77</b>                 |

The total number of the Municipal fleet is 77 and of this number six are regarded as redundant and Council resolution will be sought to dispose of them.

#### **Fleet Management Policy**

Council has approved the Fleet Management Policy that will assist in controlling the municipal fleet.

#### **Improvements**

Since the establishment of the Fleet Management Unit by Council, the miss-use of municipal vehicles has decreased.

## **ADMIN AND COUNCIL SUPPORT SERVICES**

The responsibility of this division is to arrange meetings as well as the compilation of Agendas and Minutes.

Shown below is a list of the meetings that were held during the 2008/2009 financial year

| <b>MEETINGS ATTENDED</b>            | <b>NUMBER OF MEETINGS</b> |
|-------------------------------------|---------------------------|
| <b>EXECUTIVE COMMITTEE MEETINGS</b> | <b>9</b>                  |
| <b>SPECIAL COUNCIL MEETINGS</b>     | <b>3</b>                  |
| <b>COUNCIL MEETINGS</b>             | <b>4</b>                  |
| <b>MANAGEMENT MEETINGS</b>          | <b>8</b>                  |

### **Limitations**

Training in respect of Report writing and Minutes taking to improve skills within the Department has been a challenge due to the availability of accredited Service Providers, but has now been finalized.

### **IT REPORT ON PROJECTS**

Shown below is a list of projects that have been implemented by the IT division and status to date.

| <b>ACTIVITY</b>                                     | <b>STATUS</b> | <b>DATE COMPLETED</b> | <b>BUDGET</b> | <b>ACTUAL AMOUNT</b> |
|---|---------------|-----------------------|---------------|----------------------|
| Cabling & Wireless connection of Corporate Services | Completed     | July 2008             | R250 000      | R244 656.00          |
| Purchase of Servers                                 | Completed     | October 2009          | R200 000      | R190 330.02          |
| Network Cabling & Connection of 9 other             |               |                       |               |                      |

|                                 |             |               |          |             |
|---------------------------------|-------------|---------------|----------|-------------|
| site offices                    | Completed   | December 2009 | R500 000 | R495 767.98 |
| Purchase of Desktops & Laptops  | Completed   | January 2009  | R200 000 | R152 965.20 |
| Server Room upgrade             | In progress | In progress   | R200 000 | In progress |
| Website update                  | Ongoing     | Ongoing       | R80 000  | R64 583.83  |
| Software & Hardware Maintenance | Ongoing     | Ongoing       | R622 000 | R622 000    |