

**LEKWA TEEMANE
LOCAL MUNICIPALITY
“NW396”**



2007/2008

ANNUAL REPORT

TABLE OF CONTENTS

CHAPTER ONE

	Page
1. Introduction	3
1.1 Foreword by the Mayor: Councilor. M. Modise	3
1.2 Overview of the Municipality Municipal Profile	5
1.4 Demographics	5
1.5 Vision and Mission	8
1.6 Internal and External Challenges facing Municipality	9

CHAPTER 2: PERFORMANCE HIGHLIGHTS 10

2.1 Performance highlights	10
2.2 Performance on Developmental Priorities identified in the IDP	10
2.3 Level and Standard of Service	11
2.4 Relating Backlog to Municipal spending on service delivery infrastructure	12

CHAPTER 3: HUMAN RESOURCES AND OTHER ORGANISATIONAL MANAGEMENT ISSUES 13

3.1 Introduction	15
3.2 Organizational Structure	15
3.3 Disclosures	19
3.4 Employment Equity Plan	20
3.5 Skills Development Plan	22
3.6 Municipal Transformation and Institutional Development	22
3.7 Performance	24

CHAPTER 4: AUDITED FINANCIAL STATEMENTS AND AUDITOR GENERAL'S REPORT

4.1 Report of the Auditor General	25-35
4.2 Audited Financial Statements	36-78

CHAPTER 5: SERVICE DELIVERY

5.1 Functional Service Delivery Reporting	79-89
5.2 Changes/Variations from agreed development objectives	90
5.3 Challenges encountered in the past financial year to implement general Key Performance Indicators	91
5.4 Preliminary Plan for next financial year	91

**LEKWATEEMANE LOCAL MUNICIPALITY
ANNUAL REPORT: 2007/2008**

CHAPTER : 1: INTRODUCTION AND OVERVIEW

1.1 Foreword by the Mayor

The Lekwa-Teemane Local municipality has continued to strive for the realization of its vision which is in line with its constitutional mandate. A number of achievements and challenges during the period under review have been captured in this report with the aim of bettering the lives of our people. What pains me still is the continued downside on the audit opinion of yet another disclaimer in our 2007/2008 financial year of which we hope to improve in 2008/2009 because we have appointed the CFO in February 2008.

The Annual Report also clearly outlines how we have performed in relation to our strategic plan objectives for the financial year 2007/2008 as captured in our Top Layer SDBIP. And this happened within the context of scarce resources like, skilled labor, capital and machinery.

Financial management remains a very big challenge to us and this is confirmed by our previous Audit Reports, however we have put measures in place to address the matter and one of the key steps we have taken under year review was to appoint the Chief Financial Officer as alluded to above and he started on the 01 February 2008. The Municipality has formulated finance strategies more especially the revenue enhancement strategy which is implementable as from 01 July 2008. It's the first time that the municipality approved its budget on time and also in compliance with MFMA Circular no 28.

The second challenge is on the shortage of technical skills and old infrastructure but strategies are continuously being explored to bridge the shortage. The first step was to review the organizational structure to ensure that it is aligned with our IDP. Technical Director was also appointed as from January 2008.

A word of appreciation is extended to the staff and management that have shown outstanding commitment and initiatives in transforming the Municipality to improve service delivery to our people.

This report is presented in compliance with Section 46 of the Local Government: Municipal Systems Act, Act 32 of 2000.

Lekwa-Teemane Local Municipality was established in 2000 as a category B Municipality operating as a plenary executive system combined with a ward participatory system.

The Municipality consists of six (6) wards and have six (6) ward councilors and five(5) proportional representative councilors. This Council was elected on the 01st March 2006 during the general local government elections.

The past financial year of 2006/2007 has been a learning curve to most of our new councilors with challenges such as lack of internal funding for capital projects. Despite the shortcomings,

We managed to improve on the provision of basic services in general and provide free basic water i.e. 6kl to all households and free basic electricity, 50kw/h to all our registered indigents.

.....
Councilor K.L. Modise

1.2 Overview of the Municipality

1.2.1 Municipal Profile

Lekwa-Teemane Local Municipality was established on 6 December 2000 and is made up of two disestablished municipalities of Christiana and Bloemhof. It is a Category B Municipality with a plenary executive system combined with a ward participatory system consisting of six wards. There are eleven councilors in total of which six are ward councilors and five PR councilors. The Lekwa- Teemane Local Municipality is also known as “NW 396” Local Municipality in the North West Province within the Bophirima District. It is neighboring Mamusa, Maquassi Hills, Pokwane and Magareng Municipalities and it covers an area of approximately 3 681km².

1.2.2 Demographics

According to census 2001, the municipality has a total population of ± 42967 of which the youth is 13594. The Bloemhof unit is more populated with 58% of the total population. The population is distributed in the following manner: (*STATSSA 2001*)

Population	Number	%
Black	33085	77%
Colored	3007	7%
White	6445	15%
Indians	90	0.21%
Other	340	0.79
Total	42967	

Population by gender

GENDER	NUMBER	%
Female	22773	53%
Male	20194	47%

Population by age group

Age	Number	%
0-1	1711	4%
2-5	3179	7%
6-14	8361	19%
15-17	2680	6%
18-35	13594	32%
36-65	11226	26%
66+	2216	6%
TOTAL	42967	

Household Size

Type of Unit	Number of Units
Caravan/Tent Private Boats	43
Room/Flat let / Shared Property	59
Informal dwelling not in Back yard	3914
Informal Dwelling / Shack in Back yard	246
House/Flat/Room in Back yard	109
Town/Cluster/ Semi Detached House	117
Flat in Block of Flats	42
Traditional Dwelling	339
House /Brick Structure separate stand/yard	6860
TOTAL	11629

It is estimated that each household has about 4.1 people

Level of Education

Type	Number	%
No Education	12955	30.15
Primary	13621	31.70
Secondary	7777	18.10
Matric	2556	5.95
Tertiary	816	1.90
Below 5 years	4361	10.15
Unspecified	756	1.76
Other Level	125	0.29
TOTAL	42967	100%

Monthly House Hold Income

Monthly Income	Number of House Holds
0-R800	7000
R801- R 3200	3495
R3200 +	1134
TOTAL	11629

Employment Statistics within the Municipality

A lot of employment potential lies with the mining and farming sectors.

Type	Number of people employed	%	Level
Farming	10733	24,98	Primary
Mining	7468	17,38	
Manufacturing	734	1,71	Secondary
Utilities	64	0,15	
Construction	675	1,57	
Trade	1096	2,55	
Transport	477	1,11	Tertiary
Business Services	279	0,65	
Social Services	1370	3,19	
Private Household	1934	4,50	
Exterritorial	4	0,01	
Other	18133	42,2	
TOTAL	42967	100	

Occupation

Occupation	Number	%
Senior Management	250	2,43
Professional	568	5,52
Technical	291	2,83
Clerks	493	4,79
Service Related	659	6,40
Skilled	1013	9,84
Craft and Trade	1309	12,71
Plant Machine	566	5,50
Elementary	4297	41,73
Not Classified	850	8,25
TOTAL	1096	100

1.3 Executive Summary

1.3.1 Vision and Mission

The vision for Lekwa-Teemane Municipality addresses the intention of the municipality to make sure that there is sufficient community participation in the activities of the municipality and to make sure that the municipality is able to continue providing effective services within its means. The vision of Lekwa-Teemane reads as follows:

“To strive for the realization of developmental local government with an effective and affordable service provision which is sustainable in a safe environment through community participation”.

MISSION

Mission

Supporting Developmental Local Government

- Developing Realistic Integrated Development Program
- Creating Policies that enhance good governance
- Creating better coordination between all spheres of government

Providing effective, Affordable and Sustainable Service Delivery

- Building good infrastructure
- Accessing basic services
- Maintaining quality supply
- Enhancing revenue
- Sourcing funding
- Developing skills
- Creating an environment that is conducive to economic growth and development

Creating a Safe Environment

- Enforcing By-Laws
- Implementing the disaster management plan
- Providing a safe and healthy environment

Enhancing Community Participation

- Establishing an effective ward committee system.
- Maintaining consistent communication with communities

1.3.2 External and internal challenges facing the municipality

1.3.2.1 Internal Challenges

There is still a challenge to make sure make sure that the municipal ICT is fully integrated to make administration manageable and have all systems integrated.

Capacity in the office of the mayor to deal with all mayoral programmes as per the municipal IDP is also a challenge.

High staff turnover and vacant positions render the municipality ineffective.

Ineffective debt collection and credit control unit.

Very old infrastructure and machinery plant.

The PMS is implemented at the level of section 57 managers only and the lower levels are not required set targets as per the SDBIPs.

The attitude of the older staff members is that of securing their comfort zones.

1.3.2.2 External Challenges

The biggest challenge is the high level of illiteracy and unemployment, about 60% of the community is indigent. This puts a serious strain on the municipality when it comes to collection of levies.

The Municipality finds it difficult to attract investors in this area due to the fact that our infrastructure is too old and is not sufficient to carry the growing industries. Mining has always been a primary sector for job creation after agriculture but this situation has changed. The problem is that the municipality is left with large pieces of land that need to be rehabilitated due to old mining activities especially in Boitumelong and the areas between Boitumelong and Bloemhof this situation has resulted in the municipality not being able to develop big portions of land available.

CHAPTER 2: PERFORMANCE HIGHLIGHTS

2.1 Performance highlights

The following functions are provided by the municipality to all the residents within its area of jurisdiction: Water, Sanitation, Electricity, Refuse Removal, Roads and Storm water etc (See details in chapter 5 below)

The municipality is however not the water services provider and is only responsible for portable water as the district municipality is the water services authority.

2.2 Performance on Developmental Priorities Identified in the IDP

The municipality has set some strategies to assist in the achievement of the priorities set in its IDP. There have been some challenges in achieving some of the priorities due to lack of funding.

2.2.1 The municipality made sure that communities are involved in identifying the projects through community meetings. Meetings were also held with the IDP representative Forum as well as elected ward committees to discuss strategies for the implementation of the projects. The following projects were identified for implementation in the 2007/2008 IDP:

BACKLOGS

Electricity

The municipality experiences a lot of electricity dips during winter due to old electricity infrastructure. The transformers are also very old and this problem will take some time to resolve due to financial problems faced by the municipality. The following areas have no electricity:

Utlwanang Extension 5: 700 houses

Boitumelong Extension 5: 1200 houses

Geluksoord: 164 houses

Christiana: 100 houses

Water

There is about 1900 households without access to water on stand. These people are still fetching water within 200m from their homes. This matter will however be addressed hopefully by the end of December 2008 with the current bucket eradication project. Apart from the 1900 households which have no access to water on stand, all other households have access to water on stand.

Sanitation

The bucket eradication project as indicated above will be addressing the sanitation backlog in Boitumelong and Utlwanang.

In Christiana there are about 400 households with pat latrine without ventilation. This situation will also not be addressed anytime soon due to lack of funds.

Roads

There is a backlog of 70km of roads that need upgrading, construction and resealing. The situation is such that only 6km of roads will be resealed in the 2007/2008 financial year due to lack of funding. The total roads backlog amount to R 140 000 000,00

Housing

The total housing backlog is 5000 with a budget need of R215 m. An allocation of R38 m has been made for the building of 1000 houses in the 2008/2009 financial year to reduce the backlog.

Waste Management

The municipality does not have licensed and landfill sites. The two that are available are too small and not regulated. Waste is not properly managed at this point and by –laws regulating this have been published but not implemented fully as peace officers have not been appointed yet.

2.3 Level and standard of service

2.3.1 Free Basic Services

The municipality has developed and is fully implementing an indigent policy. At the moment all households are receiving free basic water (6kl) per month, 50%, (about 4700) indigent households are receiving 50kwh free basic electricity. An indigent register has been developed and is updated on an ongoing basis but there is poor communication between ESKOM and the municipality with regards the indigent register as not all indigent households receive free basic electricity.

2.3.2 Revenue Collection

The municipality has established a credit control and debt collection unit. This is not operational in line with the key performance indicators that are set out on the SDBIP. The level of outstanding debtors is however still very high as most of the people in the municipal area of jurisdiction is indigent. The following areas are supplied electricity by Eskom directly, Boitumelong, Utlwanang and Coverdale. There is a challenge in implementing credit control and debt collection in the above areas because you cannot cut off the electricity as measure of debt collection procedures. Water restriction is not fully implemented due to staff shortage in the Technical department to support the finance department. The level of payment for the whole municipality stands at 45.83%. Outstanding debts is growing by 20million rands each year because 65% of the ratepayers of the municipality is indigent. For providing free basic services and subsidized indigents monthly account and purchasing water and electricity maintaining network reticulation is more than the Equitable share received annually. Ageing of both water

and electricity meters is an urgent challenges. Municipality cannot not afford the replacement of both water and electricity meters.

Statics of Payment Level in %

Area	2004/2005	2005/2006	2006/2007	2007/2008
Bloemhof	95	91	72	70
Christiana	92	93	80	75
Utlwanang	40	53	35	15
Boitumelong	47	48		15
Coverdale				10
Salamat				90
AGGREGATE % OF PAYMENT	67.25	71.25	62.33	45.83

2.4 Relating Backlogs to Municipal Spending on Service Delivery Infrastructure

(ii) Strategies

The vision, objectives and strategies of the Municipality have been revised in line with changing circumstances as in the Status Quo Report. The strategies have been informed by a strategic management workshop based on the Provincial Strategic Plan and various other specialist studies instituted during 2006/07, 2007/08 to assess the municipal capacity to deliver on its mandate.

(iii) Projects

The IDP has been amended with the approval and implementation of Prioritisation Models over the three financial years. The amendment includes identification of new projects and prioritisation of projects to inform the Capital Budgets of the 2007/08 ,2008/09, 2009/10 and 2010/11 financial years.

Beside grant funding the Lekwa Teemane Local Municipality still plays an important role to provide counter funding for MIG, etc. projects as well as funding for maintenance and other infrastructure projects per needs identification of the various local municipalities. MIG funds have directly been allocated to the Category B municipalities in our area since the 2006/07 financial year.

Sector Departments' projects, where possible and as information was forthcoming have also been filtered into committed and uncommitted projects. More co-ordination of service providers will be enhanced in the following year's processes in order to inform the multi-year budget.

Corporate Objectives, Key Performance Indicators.

In the first decade of democracy the municipality has made significant progress towards meeting the provincial targets, national targets and millennium goals set for the provision of basic services e.g.:-

1. Water:

The section 78 process that was conducted through Bophirima District Municipality was concluded by assigning the Water Authority function to the District, therefore the District is the Water Services Authority (WSA). The municipality of Lekwa-Teemane has entered into service level agreement with the District to provide water and sanitation to the consumers of Lekwa-Teemane on their behalf.

All consumers of Lekwa-Teemane Local Municipality have access to free basic water and the whole area is reticulated to yard connection with exception of the informal settlement. The informal settlement is currently been reticulated under the bucket eradication programme.

Challenges we faced in terms of bulk and supply of water.

- Ageing of the infrastructure network.
- Old water meters and leaking.
- Tariff for selling water.
- Capacity of water purification plants.

CORPORATE OBJECTIVES

VOTE	CORPORATE OBJECTIVES	KPI	ANNUAL TARGET	ACHIEVEMENT	REASONS FOR UNDERACHIEVEMENT
	Provide Water	Number of households having access to water on stand	2000	2000	

2. Sanitation

The municipality of Lekwa-Teemane is characterized by the bucket system of sanitation. The system calls for people to remove buckets everyday from households to disposal site. This system is only the previously assigned black's area of residence. This arrangement is currently been eradicated into waterborne sewerage system under bucket eradication programme. This kind of development has called for the capacity increase at sewage plant as more households were effluent to be disposed at that site further treatment.

The Town of Bloemhof is properly reticulated with self gravitating sewage whilst Christiana as the second main town of Lekwa-Teemane is characterized with septic tanks which need to be emptied from time to time. This places further burden on the limited resources of the municipality. The current sanitation development programme in the area does not include this eradication of septic tanks at Christiana. The service level agreement contract with Water Service Authority (WSA) is complete for the signature of the two authorities.

CORPORATE OBJECTIVES

VOTE	CORPORATE OBJECTIVES	KPI	ANNUAL TARGET	ACHIEVEMENT	REASONS FOR UNDERACHIEVEMENT
	Provide sanitation	Number of households removed from bucket system	3000	1750	The water network was not provided for in the planning and budget stage.

3. *Electricity*

The provision of electricity in Lekwa-Teemane Local Municipality is through Lekwa-Teemane and Eskom both authority providing on behalf of Department of Minerals and Energy. The area in which Lekwa-Teemane is providing has huge problem of dilapidated infrastructure and meters which need prompt attention as far as rehabilitation is concerned.

The area of Eskom provision do not have such problem as those mentioned above because electrification in those area started recently. The Eskom area supply still commands backlog of plus minus 3000 households which are still to be electrified. This are found mostly in the area of informal settlement whilst formal settlement commands about plus minus 3000 households.

CORPORATE OBJECTIVES

VOTE	CORPORATE OBJECTIVES	KPI	ANNUAL TARGET	ACHIEVEMENT	REASONS FOR UNDERACHIEVEMENT
	Provide Electricity	Number of households provided with electricity.	3000		Eskom and DME delays in terms of Geluksoord and Christiana Town.

4. **Roads**

CORPORATE OBJECTIVES

VOTE	CORPORATE OBJECTIVES	KPI	ANNUAL TARGET	ACHIEVEMENT	REASONS FOR UNDERACHIEVEMENT
	Upgrade and maintain roads.	Kilometre of roads upgraded.	6km	3.5km	Insufficient funding(co-funding)

1. FACTORS INFLUENCING SERVICE DELIVERY

- *Planning capability*
- *Skills capacity*
- *Lack of funding*
- *Pricing of tariffs and categorization*
- *High outstanding debtors*

CHAPTER 3: HUMAN RESOURCES AND OTHER ORGANISATIONAL MANAGEMENT ISSUES

3.1 Introduction

This chapter brings into perspective the human resource composition of our organizational structure which is two-fold:

1. The Political Structure
2. The Administrative Structure

This chapter also looks at mechanisms employed to enhance capacity of both employees and councillors.

Furthermore, personnel expenditure and disclosures are expressed in this chapter.

3.2 Organisational Structure

3.2.1 Political Structure

The structure of the municipality is made up of the administrative as well as the political wing. The political structure is made up of three portfolio committees which are each headed by a councilor as chairperson. The political structure of the municipality is made up as follows:

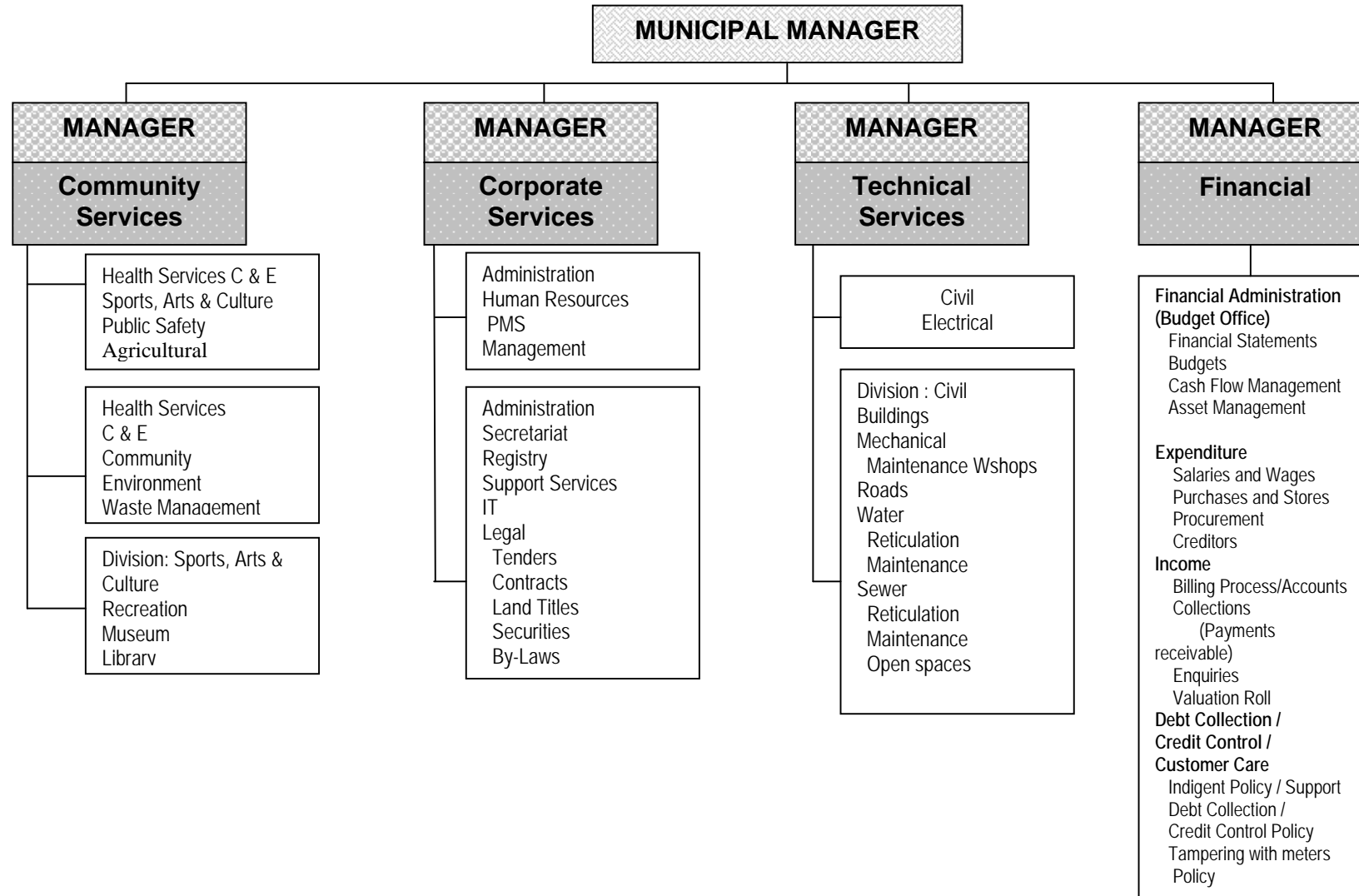
NAME OF COUNCILOR	COMMITTEE	POSITION
1. K.L. Modise		Mayor
2. M.I. Mabala	Health & Social Services	Chairperson
3. M. R. Makodi	LED & Infrastructure	Chairperson
4. K. M. Segalo	Governance and Administration	Chairperson
5. P. Letebele	LED & Infrastructure	Member
6. K.L. Duiker	Health & Social Services	Member
7. G. Pencil	Health & Social Services	Member
8. W.B. Percival	LED & Infrastructure	Member
9. A. Buys	Governance & Administration	Member
10.K.J. Bojong	Governance & Administration	Member
11. D. Muller	Governance & Administration	Member

3.2.2 Administrative Structure

The head of administration is the municipal manager and the municipal administration is made up of four (4) departments. The IDP/PMS and LED is based in the office of the Municipal Manager headed by a manager directly accountable to the Municipal Manager.

The Municipal Organisation Structure was reviewed and linked to the IDP and budget in 2007.

**The Lekwa-Teemane Municipality Organizational Structure is made up as follows:
FUNCTIONAL ORGANOGRAM**



3.2.3 Staff composition

The total staff component for the municipality is 245 with 223 filled positions and 22 vacancies. This does not include 8 contract workers and 2 interns.

The organizational structure was reviewed to make sure that it is aligned to the IDP so that relevant functions can be developed to make it possible for the municipality to implement its IDP with its own work force. As it is highlighted in the structure, departments are allocated functions that are aligned to the national key KPA as well as the municipality's Key Focus Areas.

The problem however exists in the Technical Services Department as there are no professional and skilled personnel as required especially for water, sanitation and electricity. The only qualified official in this department is the director. This therefore means that the municipality has a challenge in making sure that this department which is key, should be properly staffed. In an attempt to address some of these problems, the municipality has requested the Development Bank of Southern Africa (DBSA) and the Department of Developmental Local Government and Housing (DLGH) to deploy engineers. A number of learners are also used to assist in imparting skill. The other challenge facing the municipality is lack of dedicated unit for Local Economic Development. This function is performed in the Directorate of Community Services by the officer responsible for LED.

Trends on Total Personnel Expenditure over the last three to five years including Pension and Medical Funds

Year	Actual	Budget	Medical Funds	Pension Funds
2005/2006	22 866 576	27 637 301	Discovery	Samwu Nat Provident Fund
2006/2007	26 597 512	30 024 885	Munimed	Municipal Gratuity Fund
			SAMWU Med	MEPF
			Bonitas	SALA
2007/2008	29 467 133	30 000 557		

3.3 Disclosure

Councilors/officials	Description									Arrears owed to municipality
	Salaries % wages	pension	Medical aid	UIF	Travel	Accommodation	subsistence	Loans/advances	Other benefits/allo	
Mabala	103475.25	28900.66	13416.00	-	3036.00		29500.00		52356.13	
Bojong	110511.96	29735.83	3426.00	-	-		2385.00		53506.92	
Muller	103475.25	28900.66	-	-	-		-		42680.13	
Pencil	110511.96	29735.83	17334.00	-	2325.42		840.00		53620.92	
Percival	110511.96	-	-	-	4966.16		1470.00		46401.12	
Buys	110511.96	-	-	-	-		-		46335.42	
Makodi	110511.96	29735.83	23334.00	-	2465.00		7900.00		53940.12	
Duiker	110511.96	29735.83	-	-	1965.00		4090.00		53620.92	
Segalo	110511.96	29735.83	13416.00	-	4480.34		3985.00		54534.12	
Letebele	110511.96	29735.83	17334.00	-	18265.73		13350.46		53620.92	
Senior Managers										
IDP	366330.26	-	4459.00	1472.88	25839.69		12058.41		172334.96	
Corporate Services	328902.37	-	12242.00	1472.88	49125.15		21608.78		158470.96	
Technical Services	162929.88	9450.00	5634.00	748.68	18648.69		5009.50		70220.52	
Community Services										
Municipal Manager	502292.60	22185.08	13144.80	1472.88	41543.04		13195.00		129897.88	
Mayor	202239.96	54516.33	-	-	5871.45		6570.00		82350.96	
CFO	121968.52	-	-	499.12	12127.32		2470.00		45118.00	
OOSTHUIZEN	62656.60	17950.68	14654.4	1472.88	28435.80		3335.00		107255.82	
TOTAL	2838366.37	340318.39	138394.20	7139.32	219094.79		127767.15		1276265.80	

3.4 Employment Equity Plan

There is a designated employee, permanently employed to prepare, monitor and submit an employment equity plan for the municipality in order to make sure that there is elimination of unfair discrimination at the workplace.

The Employment Equity Plan which was developed by Simeka in 2004 was reviewed and adopted by council in 2005 to ensure that the Municipality is complying with the developed document.

Council employment ratios that reflect the racial demographics of the community of Lekwa-Teemane is as follows; 77% Africans, 8% Colored, 0.5% Indians and 14,5% Whites. A gender ratio of 50% females and 5% with disabilities has been achieved. The Employment Equity Plan has been developed for the period 1 June 2004 – 1 June 2009.

3.4.1 Consultation mechanism/awareness

Local Labor Forum is fully operational with 10 members representing both the employer and representatives from the labor for consultation purposes. In addition staff meetings are also held and internal news letters placed at various locations in the municipality to make information available to all staff members. Management meetings sit on a monthly basis to discuss achievement in as far as employment equity is concerned. It is the concern of management however that there is little progress in as far as transformation is concerned in the department of finance. The newly appointed CFO has a responsibility to correct this situation.

3.4.2 Policies

All new policies were reviewed to make sure that they do not contain any forms of direct or indirect discrimination.

3.4.3 Affirmative Action Measures

The Affirmative Action Measures have been identified and outlined in various Council policies in order to meet the Employment Equity objectives.

3.4.4 Reporting

Reporting on employment equity is done monthly at management level. Reporting to council is done quarterly through the report of the municipal manager.

3.4.5 Goals and Targets

The following numerical goals have been set for the duration of the plan. These include recruitment and promotion goals. The municipality's goals are structured according to managerial and non-managerial targets.

The targets at managerial and executive levels are as follows:

	2005		2006		2007		2008	
	#	%	#	%	#	%	#	%
African	3	1.2	3	1.2	3	1.2	4	1.2
Colored	0	0	0	0	0	0	0	0
Indian	0	0	0	0	0	0	0	0
White	1	0.4	1	0.4	1	0.4	1	0.4
Total	4	1.6	4	1.6	4	1.6	5	1.6

The target in respect of gender representation at managerial and executive levels is as follows: (level - 3)

	2005		2006		2007		2008	
	#	%	#	%	#	%	#	%
African Females	1	0.4	1	0.4	1	0.4	1	0.4
Colored Females	0	0	0	0	0	0	0	0
Indian Females	0	0	0	0	0	0	0	0
White Females	0	0	0	0	1	0.4	0	0
Total	1	0.4	1	0.4	2	0.8	1	0.4

The target at supervisory level and below are as follows: (level 4-15)

	2005		2006		2007		2008	
	#	%	#	%	#	%	#	%
African	211	82	211	82	222	82	212	82
Colored	19	7	19	7	22	7	22	7
Indian	0	0	0	0	0	0	0	0
White	21	8	21	8	21	8	21	21
Total	251	100	251	100	265	100	255	100

3.5 Skills development

Lekwa-Teemane recognizes the need to continuously develop and improve the skills of both employer and employees. Little progress continues to be made in this regard. Skills programmes are not implemented fully due to lack of funds. Only about 30% performance has been achieved in training and development.

3.6 Municipal Transformation and Institutional Development

In an attempt to make sure that there is transformation within the municipality and to make sure that the municipality operates smoothly, policies to this effect were developed and adopted by Council. The following policies were adopted:

POLICY	STATUS	DATE OF ADOPTION
Organisational Structure	Approved by council	Reviewed on yearly bases
Recruitment Policy	Approved by council	22 February 2007
Supply Chain Management Policy	Adopted by council	30 May 2008
Job Evaluation	Not done	--
Information Management System	Up to date	--
Delegations	Draft Framework Approved not implemented	
PMS	Approved by Council	09 July 2007
Skills Development Plan	Approved by Council	10 June 2008
Employment Equity Plan	Approved by Council	10 June 2008
Employee Assistance Plan	Adopted by council	10 June 2008
Occupational Health and Safety Plan	Not Available	--
Website	Launched	--
Communication Policy	Adopted by council	March 2008
Indigent Policy	Adopted by council and implemented	29 June 2007
HIV/AIDS Policy	Policy Available but not implemented	--
Focus Group Programme (youth, Gender, disability)	Not available (office of the mayor still busy with the programme)	--
Financial Delegation	Implemented	--
Procurement Framework	Adopted by council	10 June 2008
Audit Committee	Shared Audit Services	--
By-Laws	Adopted & gazetted	22 February 2008
Debt Collection, Credit Control Policy	Adopted by council	30 May 2008
Disaster Management Plan	Not Available	--
Spatial Development Framework	Developed but not yet adopted	--
Maintenance Plan	Not Available	--
Policy for the control of use of	Approved by council	28 April 2005

telephone by officials		
Fixed Assets Management Plan	Adopted by council	16 April 2004
Vehicle Management Policy	Adopted by council	16 April 2004
Banking and investment policy	Adopted by council	16 April 2004

Some of the policies adopted by Council have still not been implemented due to among other reasons, lack of capacity which include financial and or human resources capacity.

Policy	KPI	Progress with Implementation	Comparison with previous Financial year	Performance Targets for next financial year
PMS Policy	Full implementation of municipal PMS is achieved	50%	The same	PMS to be cascaded to all other employees. PMS still only implemented on the level of municipal manager and managers directly accountable to him.
Supply Chain Management Policy	Ensure proper and fair allocation of contracts without interference	Bid committees have been formed	60%	Supply chain management unit still have to be established
Placement Policy	Placement of Staff implemented	100%		
Indigent Policy	All indigent households receive free basic services	100% - only about 35% of the total households receive free basic electricity(50kwh per month)	45%	Indigent register will be updated on a quarterly basis to make sure it is still relevant. More effort to be made to ensure that ESKOM implements the free basic electricity policy
Debt Collection & Credit control policy	Debtors pay their accounts in time	46%	50%	Finance department needs to allocate staff sufficiently in all sections
HIV/AIDS Policy	Employee right to privacy respected and every person has access to counseling arranged by the municipality	Not implemented		- To revive the Local AIDS Council which assist affected and infected employees with support and information. Make sure that the mayor's office is involved in LAC programs
Policy for the control of telephone use by employees.	The use of telephone is controlled and monitored	- Each employee including management have a limit allocated for the use of the phone monthly, anything above the limited amount is paid for by the concerned official	100% The municipal telephone account has been reduced considerably.	

Policy	KPI	Progress with Implementation	Comparison with previous Financial year	Performance Targets for next financial year
Training and Development Policy	All municipal staff and councilors receive training	70%	30%	To make sure that all officials receive relevant training(where necessary) in the positions they have been placed and that a skills audit is conducted for all councilors. Ensure coordination of the implementation of skills plan
Fixed Assets Management Policy	All fixed assets are recorded in a properly kept register	Policy fully implemented		- Stock of fixed assets to be taken regularly and proper record be kept
Vehicle Management Policy	Allocation of municipal vehicles is controlled and monitored	A dedicated official has been appointed to manage and control use of municipal vehicles. Municipal vehicles are marked to prevent abuse. Vehicles used by councilors are still not properly managed.		Municipal Manager to develop a plan on the use of councilors and mayoral car.
Banking and Investment Policy	Council is able to account fully to the community with regard to investments	100%		

3.7 Performance

The total salary budget for the municipality stands at 41%. It is a bit difficult to reduce this situation at this point but it has been resolved that all the senior positions should be in terms of the priorities identified in the IDP. The transfer of environmental health officers to the district has helped to reduce the total salary budget. The municipality has not been able to reduce the vacancy level which stands high at about 5%.

Grants received by the municipality 2007/2008

GRANT	AMOUNT
Library	R 1 500 000-00
Library	R 400 000-00
FMG	R 250 000-00
Library and information systems	R 400 000-00
MSIG	R 734 000-00
Equitable Share	R 10 249 063-00
MIG	R 4 029 828.49

CHAPTER 4: AUDITED FINANCIAL STATEMENTS AND REPORT OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL TO THE NORTH WEST PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF LEKWA TEEMANE LOCAL MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2008

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I was engaged to audit the accompanying financial statements of the Lekwa Teemane Local Municipality which comprise the balance sheet as at 30 June 2008 income statement and 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 and fair presentation of these financial statements in accordance the entity-specific basis of accounting, as set out in accounting policy note 1.1 and in the manner required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and Division of Revenue Act, 2007 (Act No. 1 of 2007 (DoRA). This responsibility includes:
 - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - selecting and applying appropriate accounting policies
 - making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on 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 of accounting

4. The Municipality's policy is to prepare financial statements in accordance with the entity-specific basis of accounting, as set out in accounting policy note 1.1.

Basis for disclaimer of opinion

Comparative figures

5. I was unable to obtain sufficient appropriate audit evidence to determine the accuracy, completeness, rights and obligations, existence and presentation and disclosure of opening balances of assets of R69 668 398, liabilities of R45 013 994 and accumulated funds and reserves of R36 893 461 due to all matters giving rise to the prior year's qualifications remaining unresolved. I was unable to perform alternative procedures. As a result I was unable to verify the opening balances other than agreeing them to the prior year financial statements.

Going concern

6. The municipality's debtors increased with R18 222 986, the creditors and long term liabilities increased with R4 081 614 and R4 146 766 respectively and the bank overdraft increased with R10 408 793 from the prior to the current financial year. The municipality realised a loss of R2 989 543 and its debtors collection period was 687 days for the period under review. This situation indicates the existence of a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern. The entity may therefore be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements did not disclose this fact.

Revenue

7. I was unable to obtain sufficient appropriate audit evidence for income of R19 577 552 included in the total income of R70 568 494 as per the income statement. Furthermore due to the nature of the income of the municipality and a lack of systems I could not satisfactorily determine the completeness of revenue of R70 568 494. I was unable to perform alternative procedures and I could not practicably quantify the possible misstatement of the disclosures contained in the financial statements. Consequently I was unable to satisfy myself as to the occurrence, accuracy and completeness of revenue included in the income statement.
8. I was unable to obtain sufficient appropriate calculations and reconciliations for rates and general service income of R38 745 946 included in the income statement. I was unable to perform alternative procedures due to the lack of an updated valuation roll. Consequently I could not satisfy myself as to the accuracy and occurrence of rates and general services income included in the income statement.

Expenses

9. I was unable to obtain sufficient appropriate audit evidence to determine the occurrence and accuracy of expenses of R43 633 179 included in total expenses of R44 090 902 as per the income statement. I was unable to perform alternative procedures and I could not practicably quantify the possible misstatement of the disclosures contained in the financial statements.

Employee cost

10. I was unable to obtain sufficient appropriate audit evidence for overtime of R1 229 072 and leave bonuses of R1 380 392 included in employee cost of R29 467 133 as per the income statement. The entity's records did not permit the performance of alternative procedures. Consequently I was unable to determine the completeness, accuracy and occurrence of the overtime and leave payments included in the income statement.

Provisions

11. I was unable to determine the completeness and valuation of the leave pay provision of R576 125 included in the balance sheet, since the municipality does not have a policy for the provision of leave pay and leave days were not completely accrued for. Alternative procedures indicated that the leave pay provision was understated with approximately R2 430 271 and employee cost understated by the same amount, since leave pay accrued was not considered in the calculation of leave pay provision.

Trade and other payables

12. I was unable to obtain sufficient appropriate audit evidence, neither were sufficient systems in place to reliably determine the existence, completeness, valuation and rights and obligations of trade and other payables of R30 988 378 included in balance sheet of R43 866 627. I was unable to perform alternative procedures and I could not practicably quantify the possible misstatement of the disclosures contained in the financial statements.

Trade and other receivables

13. Debtors of R128 823 518 as at 30 June 2008 increased with R22 445 742 compared to the previous year debtors of R106 377 776. Included in the R128 823 518 are debtors outstanding for 90 days and longer of R97 527 835, while the provision for bad debts per note 10 to the financial statements were R38 371 377. This is a clear indication that the provision for bad debts was materially understated and debtors subsequently overstated. I was unable to perform alternative procedures to ascertain the reasonableness of the provision due to the lack of systems and an approved policy for the provision of bad debts. Consequently I was unable to satisfy myself as to the accuracy, completeness, rights and obligations existence, and presentation and disclosure of debtors included in note 10 to the financial statements.

14. I was unable to obtain sufficient appropriate audit evidence for sundry debtors of R16 971 066 included in note 10 to the financial statements. I was unable to perform alternative audit procedures due to the lack of systems and documentation. Consequently I could not reliably determine the accuracy, completeness, existence, rights and obligations and presentation and disclosure of sundry debtors included in note 10 to the financial statements.

Statutory funds, reserves and trust funds

15. A housing operating account of R299 888 was incorrectly classified as a statutory fund in the balance sheet. This account should have been transferred to the Housing Development Fund in terms of section 15(5) of the Housing Act, 1997 (Act No. 107 of 1997). This fund was also not supported by an investment account resulting in the overstatement of statutory funds and understatement of housing development funds.

16. The trust funds included in the balance sheet was overspent with R194 589 and I was unable to obtain sufficient appropriate supporting documentation for trust funds written off of R2 578 718. The majority of the expenses were not authorized by the Municipal Manager and the Chief

Financial Officer. I was unable to perform alternative audit procedures. Consequently I could not satisfy myself as to the accuracy, completeness, existence, rights and obligations and presentation and disclosure of the trust funds included in the balance sheet.

17. Sufficient concomitant assets for funds and reserves of R18 138 315 and trust funds of (R194 589) included in the balance sheet did not exist. Funds and reserves were not supported by cash and investments due to the bank overdraft of R14.5 million and investments of R1 120 188, resulting in funds and reserves not being backed by any assets.

Accumulated surplus

18. I was unable to obtain sufficient appropriate supporting documentation for prior year adjustments of R3 472 494 included in the accumulated funds of R17 838 427 as the balance sheet. The entity's records did not permit the application of alternative procedures. Consequently I could not reliably determine the completeness, accuracy, rights and obligations and presentation and disclosure of accumulated reserves included in the balance sheet.

Bank overdraft

19. I was unable to obtain sufficient appropriate audit evidence for a journal of R8 875 640 recorded in the bank overdraft of R14.5 million and debtors of R128 823 518 as per the balance sheet. I was unable to perform alternative procedures and could not practicably determine the extent of the possible misstatement in debtors and bank overdraft. Consequently I could not satisfy myself as to the completeness, accuracy, rights and obligations and presentation and disclosure of the bank overdraft included in the balance sheet.

Contingent liabilities and contractual obligations

20. I was unable to obtain sufficient appropriate audit evidence and explanations for the leave liability of R2 227 735 included in note 25 to the financial statements. The entity's system did not allow for the performance of alternative procedures. Consequently I was unable to satisfy myself as to the completeness, accuracy, rights and obligations, existence and presentation and disclosure of the leave liability included in the balance sheet.
21. The municipality did not disclose contingent liabilities as per the requirements of the Municipal Finance Officers handbook section B11, paragraph 4. Contingent liabilities for legal cases instituted against the municipality of R750 000 as per legal confirmations was not disclosed as such in note 25 to the financial statements resulting in the incorrect disclosure of contingent liabilities in the notes to the financial statements.

Fixed Assets

22. Rateable valuation reconciliation was not performed. Consequently I could not identify land registered in the name of the municipality from all areas of the municipality and ensure that this land was listed in the asset register and was valued as per the valuation roles. The extent of the misstatement could not be practicably determined and the entity's records did not permit the performance of alternative procedures. Consequently I was unable to satisfy myself as to the completeness, accuracy, existence, rights and obligations and presentation and disclosure of fixed assets of R3 519 647 included note 6 to the financial statements.

23. The municipality did not capitalise finance leases as per the requirements of the Municipal Finance Officers handbook section B12, paragraph 3, resulting in the understatement of fixed assets and long term liabilities and the overstatement of expenditure with R1 957 410.

Inventory

24. I was unable to obtain sufficient appropriate supporting documentation for inventory of R177 137 included in note 9 to the financial statements. The inventory count was performed before year end and I could not attend the counts at Bloemhof and Christiana due to a limitation of scope imposed by the entity. I was unable to perform alternative audit procedures due to lack of systems and reconciliations. Consequently I was unable to reliably determine the existence, completeness, accuracy, rights and obligations and presentation and disclosure of inventory included in the balance sheet.

Long term liabilities

25. I was unable to obtain loan agreements together with the resolution of the municipal council, signed by the mayor approving the finance and proof of communications with the general public and the provincial treasury for long term liabilities of R17 421 709 included in note 4 to the financial statements. I was unable to perform alternative procedures. Consequently I could not reliably determine the rights and obligations and presentation and disclosure of long term liabilities included in the balance sheet.

26. I was unable to obtain sufficient appropriate supporting documentation and explanations to determine if a loan of R2 000 000 from ABSA bank limited was utilised for the resealing of tar roads in the Lekwa-Teemane Local Municipality area, as per council resolution no. 47 of 2007. Alternative procedures indicated that the loan was utilised for other purposes than the original decision. Consequently I could not satisfy myself as to the rights and obligations of long term liabilities of R17 421 709 included in note 4 to the financial statements.

Unauthorised, irregular, fruitless and wasteful expenditure

27. The MFMA section 125(2)(d) requires the municipality to disclose particulars of unauthorised, irregular, fruitless and wasteful expenditure in the notes to the financial statements. Alternative procedures indicated the existence of fruitless and wasteful expenditure due to the late payment of expenditure and liabilities. Contrary to this requirement the municipality did not disclose such information and I was unable to obtain sufficient appropriate audit evidence to reliably quantify the expenditure.

Disclaimer of opinion

28. 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 on the financial statements of the municipality. Accordingly, I do not express an opinion on the financial statements.

OTHER MATTERS

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

Internal controls

29. Section 62(1) (c) (i) of the MFMA states that the accounting officer must ensure that the Municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the inefficiencies 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.

Reporting item	Control environment	Risk assessment	Control activities	Information and communication	Monitoring
Comparative figures	X		X		X
Going concern	X	X	X		X
Revenue	X		X		X
Expenses	X		X		X
Employee cost	X		X		X
Provisions					
Trade and other payables	X		X		X
Trade and other receivables	X		X		X
Statutory funds, reserves and trust funds	X		X		X
Accumulated surplus	X		X		X
Bank overdraft	X		X		X
Contingent liabilities and contractual obligations	X		X		X
Fixed Assets	X		X		X
Inventory	X		X		X
Long term liabilities	X		X		X
Unauthorised, irregular, fruitless and wasteful expenditure	X		X		X

Control environment: establishes the foundation for the internal control system by providing fundamental discipline and structure for financial reporting.

Risk assessment: involves the identification and analysis by management of relevant financial reporting risks to achieve predetermined financial reporting objectives.

Control activities: policies, procedures and practices that ensure that management's financial reporting objectives are achieved and financial reporting risk mitigation strategies are carried out.

Information and communication: supports all other control components by communicating control responsibilities for financial reporting to employees and by providing financial reporting information in a form and time frame that allows people to carry out their financial reporting duties.

Monitoring: covers external oversight of internal controls over financial reporting by management or other parties outside the process; or the application of independent methodologies, like customised procedures or standard checklists, by employees within a process.

Non-compliance with applicable legislation

The municipality did not comply with various requirements prescribed by different legislation. The following being the most important:

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

30. The accounting officer did not submit all required reports to the mayor, MEC for local government and Auditor General relating to unauthorised, irregular, fruitless and wasteful expenditure as required by section 32(4)(a) to (c).
31. Although the municipality faced serious financial problems the mayor did not adhere to the requirements of section 54(2)(a) and (b).
32. The accounting officer did not take all reasonable steps to ensure that the municipality has and maintains a management, accounting and information system which accounts for the assets and liabilities of the municipality, that the municipality's assets and liabilities were valued in accordance with standards of generally recognized accounting practice; and that the municipality had and maintained a system of internal control of assets and liabilities, including an asset and liabilities register as required by section 63(2)(a) to (c).
33. Invoices were not paid within 30 days of receipt as required by section 65(2)(e).
34. The municipality did not disclose particulars of any material losses and any material irregular fruitless and wasteful expenditure including any material unauthorised expenditure that occurred during the financial year, and whether these were recoverable as required by section 125(2)(d)(i) to (iii).
35. The accounting officer did not prepare the annual financial statements within two months after the end of the financial year and submit the financial statements to the Auditor General for auditing as required by section 126(1)(a).
36. The accounting officer did not within six months after the end of the financial year submit the annual report to the municipality, the mayor did not within seven months after the end of the financial year table the annual report or submit a written explanation to council setting out the reason for the delay as required by section 127(1) to (3) and 133(1).
37. The municipality did not address the issues raised by the Auditor-General in the previous audit report and the mayor did not ensure compliance with this section as required by section 131(1) and 133(1).

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

38. Councilors did not declare their independence in respect of interest in contracts as required by sections 5 and 7.

Municipality Property Rates Act, 2004 (Act No. 6 of 2004)

39. The valuation of property was last performed in 2003 and not every four years as required by section 32(1)(b). Supplementary valuations were also not performed at least once a year as required by section 77.

Housing Act, 1997 (Act No 107 of 1997)

40. Detailed statements showing the results of the previous year's transactions and the balance sheet in respect of the separate accounts concerning the national housing programme were not submitted to the accounting officer of the provincial housing fund as required by section 10(4)(f).

DORA

41. The municipality did not have a risk assessment plan as required by section 21 and public declarations of the conditions and information in respect of the allocation to facilitate performance measurement and the use of required outputs and inputs could not be obtained as required by 26(2)(a)(ii).
42. The annual performance management reports could not be obtained, hence it was not possible to determine whether it was prepared as required by section 27(5).

Matters of governance

43. 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 certain key governance responsibilities, which I have assessed as follows:

Matter of governance	Yes	No
Audit committee		
• The Municipality had an audit committee in operation throughout the financial year.	X	
• The audit committee operates in accordance with approved, written terms of reference.	X	
• The audit committee substantially fulfilled its responsibilities for the year, as set out in Section 166(2) of the MFMA.		X
Internal audit		
• The Municipality had an internal audit function in operation throughout the financial year.	X	
• The internal audit function operates in terms of an approved internal audit plan.	X	
• The internal audit function substantially fulfilled its responsibilities for the year, as set out in Section 165(2) of the MFMA.		X
Other matters of governance		
• The annual financial statements were submitted for audit as per the legislated deadlines in section 126 of the MFMA.		X
• The annual report was submitted to the auditor for consideration prior to the date of the auditor's report.		X
• The financial statements submitted for audit were not subject to any material amendments resulting from the audit.	X	
• No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management.		X
• The prior year's external audit recommendations have been substantially implemented.		X
Implementation of Standards of Generally Recognised Accounting Practice		

Matter of governance	Yes	No
(GRAP)		
<ul style="list-style-type: none"> The municipality submitted an implementation plan, detailing progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 30 October 2007. 		X
<ul style="list-style-type: none"> The municipality substantially complied with the implementation plan it submitted to the National Treasury and the relevant provincial treasury before 30 October 2007, detailing its progress towards full compliance with GRAP. 		X
<ul style="list-style-type: none"> The municipality submitted an implementation plan, detailing further progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 31 March 2008. 		X

Unaudited supplementary schedules

44. The supplementary information set out on pages XX to XX and referred to as appendixes to the financial statements does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly do not express an opinion on them.

OTHER REPORTING RESPONSIBILITIES

REPORT ON PERFORMANCE INFORMATION

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

Responsibility of the accounting officer for the performance information

46. 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).

Responsibility of the Auditor-General

47. 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*.

48. 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.

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

Audit findings (performance information)

Non-compliance with regulatory requirements

Functioning of a performance audit committee

50. The performance audit committee did not review the municipality's performance management system and make recommendations in this regard to the council as required by regulation 14(4)(a) of the Municipal Planning and Performance Management Regulations, 2001.
51. The performance audit committee did not review the quarterly performance reports and submit an report to the council of the municipality as required by regulation 14(4)(a) of the Municipal Planning and Performance Management Regulations, 2001.

Internal auditing of performance measurements

52. The internal auditors of the municipality did not audit the performance measurements on a continuous basis and submit quarterly reports on their audits to the municipal manager and the performance audit committee as required by regulation 14(1)(c) of the Municipal Planning and Performance Management Regulations, 2001.
53. The internal audit processes and procedures did not included assessments of the functionality of the municipality's performance management system and whether the system complied with the requirements of the MSA as required by regulation 14(1)(b) of the Municipal Planning and Performance Management Regulations, 2001.

Lack of reporting on all predetermined objectives in annual report

54. I draw attention to the fact that the municipality has not reported on all the predetermined objectives, as required by section 41 of the MSA.

Objectives reported in annual report, but not predetermined as per budget

55. I draw attention to the fact that the following objectives are reported in the annual report of the municipality, although they were not included as predetermined objectives in the budget.

- Implementation of Tourism and marketing strategy.
- Development of Tourism and marketing strategy.
- Upgrading of hostels into family units.
- Upgrading of roads in Christiana.
- Development of disaster management plan.
- Upgrading of electricity network
- Provision and upgrading of street lights
- Electricity reticulation
- Refuse - tips acquired
- Supply of skip-bins
- Training of stakeholders in HIV/AIDS
- Establishment of AIDS working committee
- Rehabilitation of land

- Extension of municipal building
- Construction of speed humps.

APPRECIATION

56. The assistance rendered by the staff of the Lekwa Teemane Local Municipality during the audit is sincerely appreciated.

Rustenburg

15 December 2008



A U D I T O R - G E N E R A L

AUDITED FINANCIAL STATEMENTS

TABLE OF CONTENTS

1	GENERAL INFORMATION	1
2	REPORT OF THE MUNICIPAL MANAGER	2
3	FINANCIAL OFFICER'S REPORT	3-5
4	ACCOUNTING POLICY	6-7
5	BALANCE SHEET	8
6	INCOME STATEMENT	9
7	CASH FLOW STATEMENT	10
8	NOTES TO THE FINANCIAL STATEMENTS	11-20
9	APPENDIXES	
	A. ACCUMULATED FUNDS, TRUST FUNDS & RESERVES	21
	B. EXTERNAL LOANS AND INTERNAL ADVANCES	22
	C. ANALYSIS OF FIXED ASSETS	23-24
	D. ANALYSIS OF OPERATIONS INCOME & EXPENDITURE	25
	E. DETAILED INCOME SHEET FOR THE YEAR ENDED 30/6/2007	26-28
	F. STATISTICAL INFORMATION	29-30

GENERAL INFORMATION

<u>GRADING OF LOCAL AUTHORITY</u>	GRADE 5	
<u>AUDITORS</u>		AUDITOR GENERAL
<u>BANKERS</u>		ABSA
<u>REGISTERED OFFICE</u>		CNR DIRKIE UYS AND ROBYN STREETS P.O. BOX 13 CHRISTIANA 2680 TEL 053 441 2206/7/8 FAX 053 441 3735
<u>MUNICIPAL MANAGER</u>	MR M.A. MAKUAPANE	
<u>CHIEF FINANCIAL OFFICER</u>	MR K T MAKHALE	
<u>COUNCILLORS</u>		MAYOR K.L. MODISE (ME) K.J. BOJONG (ME) A. BUYS (ME) K.L. DUIKER (ME) M.P. LETEBELE I.M. MABALA R.M. MAKODI (ME) D.J. MULLER G. PENCIL (ME) W.B. PERCIVAL K.M. SEGALO

APPROVAL OF FINANCIAL STATEMENTS

THE ANNUAL FINANCIAL STATEMENTS SET OUT ON PAGES 1 TO 30 WERE APPROVED BY THE MUNICIPAL MANAGER ON 25 NOVEMBER 2008

.....
MUNICIPAL MANAGER
MR M.A. MAKUAPANE

LEKWA-TEEMANE LOCAL MUNICIPALITY
"NW396"

FINANCIAL STATEMENTS 2006/2007
REPORT BY THE MUNICIPAL MANAGER

The purpose of the financial statements is :

- To provide the users with understandable information
- To comply with the General Acceptable Accounting Practice (GAAP)
- To comply with the provisions of the MFMA
- To be in pace with the changes in the activities of Local Government and to be in line with the practice in the private sector.

Up to today 30 August 2007 4917 applications have been received from accountholders for indigent relief.

This number constitutes approximately 42,3% of the total number of accountholders.

Approximately 98.3% of the equitable share that is received is being used for indigent relief and the provision of basic services.

Unemployment in the community is a serious concern and it is envisaged that the approved indigents will increase and without an increased equitable share, more stress will be placed on service delivery.

The Integrated Development Plan is on track and the community is updated on revisions and progress on a continual basis.

The financial problems experienced by the Municipality are being addressed to a large extent and the day to day cash flow situation has improved during 2006/2007.

Several capital projects have been completed in the 2006/2007 financial year but the upgrading of sewer plants and eradication of the bucket system in certain extensions during 2007/2008 still remain a challenge to be addressed.

I have received the undivided and full support from both Provincial Government, our Councillors and my dedicated staff.

Financial and administrative support goes hand in hand and I want to express my sincere appreciation for the unselfish and undivided support received from all.

We acknowledge that the fate of Lekwa-Teemane and its neighbours are inevitably linked together, and for long term stability and growth, all local governments in this region must have an equable financial structure. It is important to determine priorities in the effect to use our limited resources to the best advantage. The determination of a tariff structure, which is acceptable for all areas and groups was a big challenge but has been attended to.

The Finance Department has worked under severe pressure due to the large number of vacancies in this crucial department but the situation has been addressed with the appointment of officials in the department who are currently being trained.

I am looking forward to the 2007/2008 financial year and I am positive that we shall improve our financial position even further and that we will deliver a much more efficient service in our community.

.....
MUNICIPAL MANAGER
MR M.A. MAKUAPANE

CHIEF FINANCIAL OFFICERS REPORT

1. OPERATING RESULTS

DETAILS OF THE OPERATING RESULTS PER DEPARTMENT, CLASSIFICATION AND OBJECT OF EXPENDITURE ARE INCLUDED IN APPENDIXES D AND E. THE APPLICABLE STATISTICS ARE SHOWN IN APPENDIX F. THE OVERALL OPERATING RESULTS FOR THE YEAR ENDED 30 JUNE 2008 ARE AS FOLLOWS.

INCOME	ACTUAL 2006/07	ACTUAL 2007/2008	VARIANCE 2007/2008 %	BUDGET 2007/2008	VARIANC E ACTUAL BUDGET %
OPENING SURPLUS	18,484,317	17,355,469	-6.11		
OPERATING INCOME FOR THE YEAR	66,612,349	70,568,493	5.94	R 72,522,198	2.77
CLOSING SURPLUS	635,061	3,472,494			
	85,731,727	91,396,456	6.61	R 72,522,198	-20.65
EXPENDITURE					
OPENING SURPLUS					
OPERATING EXPENDITURE FOR					
THE YEAR	68,768,630	73,558,036	6.96	R 72,499,056	-1.44
SUNDRY TRANSFERS					
CLOSING SURPLUS	16,963,097	17,838,420	5.16		
	R 85,731,727	R 91,396,456	6.61	R 72,499,056	-20.68

1. THE INCREASE IN OPERATING INCOME BY 5.94 % CONSISTS OF AN INCREASE IN ASSESSMENT RATES AND OTHER INCOME. THE INCREASE IN EXPENDITURE BY 6.96 % INCLUDES A SUBSTANTIAL INCREASE IN THE PURCHASE OF RAW WATER, ELECTRICITY AND PRICE OF FUEL

RATES AND GENERAL	ACTUAL 2006/07	ACTUAL 2007/2008	VARIANCE 2007/2008 %	BUDGET 2007/2008	VARIANC E ACTUAL BUDGET %
INCOME	R 34,690,218	R 38,745,945	11.69	R 42,857,601	10.61
EXPENDITURE	R 40,934,218	R 40,421,807	-1.25	R 46,808,779	15.80
SURPLUS (DEFICIT)	R - 6,244,000	R - 1,675,862	(73.16)	R - 3,951,178	135.77
SURPLUS (DEFICIT) AS % OF TO INCOME		R 4.32			

2. INCREASE IN INCOME BY 11.69 % CONSISTS OF AN INCREASE OF RATES AND OTHER INCOME
THE DECREASE IN EXPENDITUR CONSISTS OF SAVINGS ON EXPENDITURE DURING THE YEAR

1.2 TRADING SERVICES

ELECTRICITY SERVICE	ACTUAL 2006/2007	ACTUAL 2007/2008	VARIANCE 2007/2008 %	BUDGET 2007/2008	VARIANCE ACTUAL BUDGET %
INCOME	R 18,544,526	R 19,028,292	R 2.61	R 16,916,793	-11.10
EXPENDITURE	R 18,661,007	R 19,175,384	R 2.76	R 15,286,455	-20.28
SURPLUS (DEFICIT)	R - 116,481	R - 147,092	R 26.28	R 1,630,338	-1208.38
SURPLUS (DEFICIT) AS % OF TOTAL INCOME	R 0.63	R 0.77			

3. INCREASE OF INCOME OF 2.61 % CONSISTS OF AN INCREASE OF TARIFFS
 INCREASE OF EXPENDITURE CONSISTS OF TARRIF INCREASE FROM
 ESCOM

WATER SERVICE	ACTUAL 2006/2007	ACTUAL 2007/2008	VARIANCE 2007/2008 %	BUDGET 2007/2008	VARIANCE ACTUAL BUDGET %
INCOME	R 13,357,365	R 12,774,816	R -4.36	R 12,747,804	-0.21
EXPENDITURE	R 9,173,405	R 13,960,845	R 52.19	R 10,375,322	-25.68
SURPLUS (DEFICIT)	R 4,183,960	R - 1,186,029	R -128.35	R 2,372,482	-300.04
SURPLUS / DEFICIT AS % OF	R - 68.68	R 9.28			

4. DECREASE OF INCOME OF 4.36% CONSISTS OF N ON PAYMENT OF ACCOUNTS
 INCREASE OF EXPENDITURE CONSISTS OF INCREASES IN THE TARIFF FOR PURCHASES
 OF RAW WATER.

2. CAPITAL EXPENDITURE AND FINANCING
THE EXPENDITURE ON FIXED ASSETS DURING THE YEAR AMOUNTED AS FOLLOWS

	ACTUAL 2006/2007	BUDGET 2007/2008	ACTUAL 2007/2008
LAND			
BUILDINGS			
INFRASTRUCTURE			
OTHER FIXED ASSETS	R 264,490		R 1,940,482
	R 264,490		R 1,940,482

RESOURCES USED TO FINANCE THE FIXED ASSETS

	ACTUAL 2006/2007	BUDGET 2007/2008	ACTUAL 2007/2008
CAPITAL DEVELOPMENT FUND			
GOVERNMENT LOANS			
CONTRIBUTION FROM	R 65,696		R 81,661
OPERATING ACCOUNT			
RESERVES			
GRANTS AND SUBSIDIES	R 198,794		R 1,858,821
DISTRICT COUNCIL			
LOAN			
	R 264,490		R 1,940,482

EXPENDITURE FOR THE YEAR TOTALING R1940482 ACTUAL EXPENDITURE FROM COUNCIL WAS R165974
A COMPLETE ANALYSIS OF CAPITAL EXPENDITURE
(BUDGETED AND ACTUAL / PER DEPARTMENT, CLASSIFICATION OR SERVICE IS INCLUDED IN APPENDIX C.
MORE DETAILS REGARDING EXTERNAL LOANS AND INTERNAL ADVANCES USED TO FINANCE FIXED ASSETS
ARE SHOWN IN APPENDIX B.THE DIFFERENCE BRTWEEN THE CURRENT AND PREVIOS YEAR EXPENDITURE
WAS GRANTS RECEIVED TO A AMOUNT OF R1,350,686 AND LOANS OF R0.00 FROM INCOME R81661

3. EXTERNAL LOANS, INVESTMENTS AND CASH

EXTERNAL LOANS OUTSTANDING ON 30 JUNE 2008 AMOUNTED TO R 17421709 (IN 2007/2008 AS
SET OUT IN APPENDIX B.

INVESTMENT AT 30 JUNE 2008 AMOUNTED TO R1120188

MORE INFORMATION REGARDING LOANS AND INVESTMENTS ARE DISCLOSED IN THE NOTES (4 AND 7)
AND APPENDIX B TO THE FINANCIAL STATEMENTS.

4. FUNDS AND RESERVES

MORE INFORMATION REGARDING FUNDS AND RESERVES ARE DISCLOSED IN THE NOTES (1 TO 3) AND
APPENDIX A TO THE FINANCIAL STATEMENTS.

5. POST BALANCE SHEET EVENTS

NO EVENTS TOOK PLACE AFTER THE BALANCE SHEET WAS COMPLETED.

I AM GRATEFUL TO THE MAYOR, COUNCILLORS, THE MUNICIPAL MANAGER, DIRECTORS FOR THE SUPPORT THEY HAVE GIVEN ME AND TO THE STAFF OF MY OWN DIRECTORATE AND IN PARTICULAR TO THE LOCAL REPRESENTATIVES OF THE AUDITOR-GENERAL FOR THEIR ASSISTANCE AND SUPPORT DURING THE YEAR.

K.T. MAKHALE

CHIEF FINANCIAL OFFICER

LEKWA-TEEMANE LOCAL MUNICIPALITY

ACCOUNTING POLICIES

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 TREASURERS AND ACCOUNTANTS IN ITS CODE OF ACCOUNTING PRACTICE (1997) AND REPORT ON PUBLISHED ANNUAL FINANCIAL STATEMENTS (2ND EDITION SEPTEMBER 1996)
- 1.2 THE FINANCIAL STATEMENTS ARE PREPARED ON THE HISTORICAL COST BASIS, ADJUSTED FOR FIXED ASSETS AS MORE FULLY DETAILED IN ACCOUNTING POLICY NOTE 3. THE ACCOUNTING POLICIES ARE CONSISTANT WITH THOSE APPLIED IN THE PREVIOUS YEAR.
- 1.3 THE FINANCIAL STATEMENTS ARE PREPARED ON THE ACCRUAL BASIS AS STATED.
 - (A) INCOME IS ACCRUED WHEN MEASURABLE AND AVAILABLE TO FINANCE OPERATIONS - DIRECT INCOME IS ACCRUED WHEN RECEIVED.
 - (B) EXPENDITURE IS ACCRUED IN THE YEAR IT IS INCURRED.

2. CONSOLIDATION

THE FINANCIAL STATEMENTS INCLUDE THE RATE AND GENERAL SERVICES, TRADING SERVICES AND THE DIFFERENT FUNDS AND RESERVES - INTER DEPARTMENTAL CHARGES ARE TREATED AS INCOME AND EXPENDITURE IN THE FOLLOWING DEPARTMENTS, REFUSE REMOVAL, SEWERAGE, ELECTRICITY, IRRIGATION AND WATER.

3. FIXED ASSETS

- 3.1 FIXED ASSETS ARE STATED AT HISTORICAL COST AND ASSETS WHICH HAVE BEEN ACQUIRED BY DONATIONS, AT VALUATION BASED ON THE MARKET PRICE AT DATE OF ACQUISITION.
 - (A) APPROPRIATIONS FROM INCOME FORMS AN IMMEDIATE CHARGE, AT FULL COST, AGAINST THE OPERATING INCOME, AND THEREFORE IT IS UNNECESSARY TO MAKE ANY FURTHER PROVISION FOR DEPRECIATION.
 - (B) DONATIONS - WHERE THE AMOUNT REPRESENTING THE VALUE OF SUCH DONATION IS

IMMEDIATELY CREDITED TO THE "LOANS REDEEMED AND OTHER CAPITAL RECEIPTS" ACCOUNTS.

3.2 FIXED ASSETS ARE FINANCED FROM DIFFERENT SOURCES, INCLUDING EXTERNAL LOANS, OPERATING INCOME, ENDOWMENTS AND INTERNAL ADVANCES. THESE LOANS AND ADVANCES ARE REPAYED WITHIN THE ESTIMATED LIVES OF THE ASSETS ACQUIRED FROM LOANS OR ADVANCES. INTEREST IS CHARGED TO THE SERVICE CONCERNED AT THE RULING INTEREST RATE APPLICABLE AT THE TIME THAT THE ADVANCE IS MADE.

3.3 DEPRECIATION ON ALL DEPRECIABLE ASSETS WERE ON THE STRAITLINE METHOD OF DEPRECIATION OVER THE ASSIGNED USEFUL OPERATING LIFE OF THE ASSET IN QUESTION

4. INVENTORY

INVENTORY IS VALUED AT THE LOWER OF COST, DETERMINED ON FIFO AND NOT REALISABLE VALUE.

5. FUNDS AND RESERVES

5.1 CAPITAL DEVELOPMENT FUND

THE CAPITAL DEVELOPMENT FUND, REQUIRES A MINIMUM CONTRIBUTION OF THE DEFINED INCOME OF A LOCAL AUTHORITY FOR THE IMMEDIATELY PRECEDING FINANCIAL YEAR AS DESCRIBED BY ORDINANCE 9 OF 1978

5.2 LAND TRUST FUND

THE LAND TRUST FUND, RECEIVED CONTRIBUTIONS FOR THE SALE OF ERVEN, AND INTEREST ON ADVANCES FROM THE FUND.

6. RETIREMENT BENEFIT

THE LEKWA-TEEMANE MUNICIPALITY EMPLOYEES CONTRIBUTE TO THE FOLLOWING FUNDS. JOINT MUNICIPAL PENSION FUND, RETIREMENT FUND, SALA, S.N.P.F., IMATU RETIREMENT FUND AND THE MUNICIPAL GRATUITY FUND, COUNCILLORS CONTRIBUTE TO THE COUNCILLORS RETIREMENT FUND, WHICH PROVIDES RETIREMENT BENEFITS TO SUCH EMPLOYEES AND COUNCILLORS.

THE RETIREMENT BENEFIT PLANS IS SUBJECT TO THE PENSION FUNDS, ACT. 1956, CURRENT CONTRIBUTIONS ARE CHARGED AGAINST OPERATING INCOME ON THE BASIS OF CURRENT SERVICE COSTS. FULL ACTUAL VALUATIONS ARE PERFORMED AT LEAST EVERY THREE YEARS.

7. SURPLUS AND DEFICITS

ANY SURPLUSES OR DEFICITS ARISING FROM THE OPERATION OF ELECTRICITY OR WATER SERVICES ARE TRANSFERRED TO RATE AND GENERAL SERVICES.

8. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENCES

THE COST OF INTERNAL SUPPORT SERVICES ARE TRANSFERRED TO THE DIFFERENT SERVICES.

9. LEASED ASSETS

LEASES ARE TREATED AS OPERATING LEASES AND THE RELEVANT RENTALS ARE CHARGED THE OPERATING ACCOUNT IN A SYSTEMATIC MANNER RELATED TO THE PERIOD OF USE OF ASSETS CONCERNED.

10. INVESTMENTS

INVESTMENTS ARE SHOWN AT MARKET VALUE AND ARE INVESTED PER CIRCULAR NO. 26 OF 1991 ISSUED BY THE PROVINCIAL ADMINISTRATOR. COUNCIL POSSESS OF 1088 SANLAM SHARES TO THE VALUE OF R24371 AS AT 30 JUNE 2007

11. DEFERRED CHARGES

NO DEFERRED CHARGES.

12. INCOME RECOGNITION

12.1 WATER AN ELECTRICITY BILLINGS

METERS ON ALL PROPERTIES ARE READ AND BILLED MONTHLY

12.2 ASSESSMENT RATES

ASSESSMENT RATES ARE LEVIED ON THE LAND VALUE

13. GUARANTEES

A GUARANTEE ON A LOAN AQUIRED FROM ABSA IN 2000 WAS ISSUED TO ABSA. THE GUARANTEE WAS IN THE FORM OF FIRST MORTGAGE OVER THE MUNICIPAL BUILDINGS ON ERF 1274. ABSA BANK (REGNO 198611004794106) OUTSTANDING LOAN ON THE MORTGAGE AMOUNTS TO R323741 ON 30JUNE 2008

BALANCE SHEET AT 30 JUNE 2008

NOTE 2007/2008 2006/2007

CAPITAL EMPLOYED			
STATUTORY FUNDS RESERVES			R 299,888
(ACCUMULATED DEFICIT) IRETAINED SURPLUS	18	R 17,838,420	R 17,355,476
		R 17,838,420	R 17,655,364
TRUST FUNDS	3		R 2,698,163
HOUSING DEVELOPMENT FUND	1	R 299,888	
LONG-TERM LIABILITIES	4	R 16,878,764	R 12,804,653
CONSUMER DEPOSIT SERVICES	5	R 899,575	R 826,920
		R 35,916,647	R 33,985,100
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	6	R 3,519,647	R 3,665,852
INVESTMENTS	7	R 1,120,188	R 3,035,534
		R 4,639,835	R 6,701,386
NET CURRENT ASSETS / LIABILITIES		R 31,276,812	R 27,283,714
		R 90,831,586	R 72,348,081
INVENTORY	9	R 177,132	R 113,779
DEBTORS	10	R 90,452,141	R 72,229,155
CASH		R 7,724	R 5,147
SHORT-TERM INVESTMENTS	7		
TRUST FUNDS	APPENDIX A	R 194,589	
BANK			
		R 59,554,774	R 45,064,367
CURRENT LIABILITIES			
PROVISIONS	12	R 588,072	R 535,017
CREDITORS	13	R 43,866,627	R 39,543,603
SHORT-TERM PORTION OF LONG-TERM	4	R 542,945	R 837,410
BANK OVERDRAFT	23	R 14,557,130	R 4,148,337
		R 35,916,647	R 33,985,100

MUNICIPAL MANAGER/ACCOUNTING OFFICER

MR. M.A. MAKUAPANE

8

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

2006/2007	2006/2007	2006/2007		2007/2008	2007/2008	2007/2008	2007/2008
ACTUAL	ACTUAL	DEFICIT		ACTUAL	ACTUAL	DEFICIT	BUDGET
INCOME	EXPENDITURE	SURPLUS		INCOME	EXPENDITURE	SURPLUS	(DEFICIT) SURPLUS
			RATES AND GENERAL SERVICES	R 38,745,946	R 40,421,807	-R 1,675,862	R 1,076,753
R 35,164,783	R 40,934,218	-R 5,769,435					
R 25,086,012	R 25,780,075	-R 694,063	Community Services	R 21,912,061	R 21,094,503	R 817,557	R 6,574,248
R 568,416	R 3,378,223	-R 2,809,807	Subsidised Services	R 398,791	R 3,682,754	-R 3,283,963	-R 4,967,998
R 9,510,355	R 11,775,920	-R 2,265,565	Economical Services	R 16,435,094	R 15,644,550	R 790,544	-R 529,497
R 20,240		R 20,240	Housing Services	R 19,440		R 19,440	
R 31,901,891	R 27,834,412	R 4,067,479	Trading Services	R 31,803,108	R 33,136,229	-R 1,333,121	-R 938,736
<u>R 67,086,914</u>	<u>R 68,768,630</u>	<u>-R 1,681,716</u>		<u>R 70,568,494</u>	<u>R 73,558,036</u>	<u>-R 2,989,543</u>	<u>R 138,017</u>
		R 552,875	Appropriations for the year (note no. 18)			R 3,472,494	
		-R 1,128,841	Net Surplus (deficit for the year)			R 482,951	
			Unappropriated surplus (Deficit) at the beginning of the year			R 17,355,469	
		R 18,484,317					
			Unappropriated surplus (Deficit) the end of the year				
		<u>R 17,355,476</u>				<u>R 17,838,420</u>	

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008

	2007/2008	2006/2007
1. STATUTERE FONDSE / STATUTORY FUNDS		
KAPITAAL ONTWIKKELINGSFONDS		
CAPITAL DEVELOPMENT FUNDS		
GRONDTRUSTFONDS		
LANDTRUST FUND		
GRONDONTWIKKELINGSFONDS		
LAND DEVELOPMENT FUND		
BEHUISING ONTWIKKELINGSFONDS		
HOUSING DEVELOPMENT FUND	R 299,888	R 299,888
VERSEKERINGFONDS/ INSURANCE FUND		
HOUSING OPERATING ACCOUNT		
REFER TO APPENDIX A FOR MORE DETAILS	R 299,888	R 299,888
2. RESERWES		
RESERVES		
GEMEENSKAPFASILITEITE	R 0	R 0
COMMUNITY FACILITIES	R 0	R 0
DIVERSE / SUNDRIES	R 0	R 0
VERLIES AAN HUURGELD	R 0	R 0
LOSS OF RENTAL	R 0	R 0
VERKOOP VAN ERWE	R 0	R 0
SALE OF ERVEN	R 0	R 0
PAAIE SUBSIDIE	R 0	R 0
ROAD SUBSIDY	R 0	R 0
HERSTEL EN ONDERHOUD	R 0	R 0
REPAIR AND MAINTENANCE	R 0	R 0
DORPONTWIKKELING BYDRAE	R 0	R 0
TOWNSHIP DEVELOPMENT CONTRIBUTION	R 0	R 0
REFER TO APPENDIX A FOR MORE DETAILS	R 0	R 0
3. TRUSTFUNDS		
TRANSITIONAL FUNDS	R 0	R 0
FINANCE MANAGEMENT GRANT	R 0	R 979,223
FIRE AND EMERGENCY	R 0	R 739,512
MSP 3	R 0	R 34,651
BOITUMELONG EX 4	-R 58,849	R 96,718
UTLWANANG	-R 135,740	R 22,727
MSIG	R 0	R 593,573
MIG	R 0	R 231,759
	-R 194,589	R 2,698,163
(REFER TO APPENDIX A FOR MORE DETAIL)		

4. LONG TERM LIABILITIES		
LOANS FUND FOR LOCAL GOVERNMENT	R 14,956,731	R 12,670,735
ANNUITY LOANS	2,464,978	971,329
	R 17,421,709	R 13,642,064
LESS : CURRENT PORTION TRANSFERRED TO CURRENT LIABILITIES		
LOANS FUND FOR LOCAL GOVERNMENT	R 542,945	R 462,601
ANNUITY LOANS		R 374,810
(REFER TO APPENDIX B FOR MORE DETAIL)	R 16,878,764	R 12,804,653
LOANS FUND FOR LOCAL AUTHORITIES THE LOANS CARRY INTEREST AT RATES VARING BETWEEN 9,5% AND 18,32% PER ANNUM AND ARE PAYABLE OVER PERIODS OF BETWEEN 7 AND 25 YEARS		
ANNUITY LOANS CARRY INTEREST AT A RATES VARING BETWEEN 0% AND 15% PER ANNUM AND ARE PAYEABLE OVER PERIODS OF BETWEEN 3 AND 10 YEARS SUM OF THE LOANS ARE SECURED BY ASSETS OF THE LEKWA-TEEMANE MUNICIPALITY		

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008

	2007/2008	2006/2007
5. CONSUMER DEPOSITS		
ELECTRICITY AND WATER	R 899,575	R 826,920
OTHER		R 500
WATER		
	R 899,575	R 827,420
6. FIXED ASSETS		
FIXED ASSETS AT BEGINNING OF YEAR	R 38,312,179	R 38,815,246
CAPITAL OUTLAY DURING YEAR	R 1,940,482	R 244,492
LESS : ASSETS WRITTEN OFF DURING YEAR	-R 625,016	R 767,557
TOTAL : FIXED ASSETS	R 39,627,646	R 38,312,179
LESS LOANS REDEEMED AND OTHER CAPITAL RECEIPTS	R 36,107,999	R 34,646,327
NET FIXED ASSETS	R 3,519,647	R 3,665,852
LESS : DEFERRED CHARGES : NOTE		
REFER TO APPENDIX C FOR MORE DETAILS	R 3,519,647	R 3,665,852

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008

	2007/2008	2006/2007
7. INVESTMENTS		
UNLISTED		
LONG-TERM DEPOSITS	R 1,102,595	R 1,212,643
TRUST FUNDS		R 1,798,520
OTHER DEPOSITS : SHARES	R 17,593	R 24,371
NET : INVESTMENTS		
LESS SHORT-TERM INVESTMENTS		
	R 1,120,188	R 3,035,534
 PROFIT / (LOSS) ON INVESTMENT TRANSACTIONS		
 AVERAGE RATE OF RETURN ON INVESTMENTS 6.7 %		
NO INVESTMENTS HAVE BEEN WRITTEN OFF DURING THE YEAR		
LIST OF INVESTMENTS		
NO 2061690347	R90250.27	
NO 9064509639	R31073.89	
NO 087792079998	R28218.11	
NO 9075553205	R175212.82	
NO 087792079997	R1308.40	
NO 091452129997	R10030.29	
NO 085865739997	R7661.77	
SHARES	R17593.00	
NO 89708074	R758839.37	
TQTAL	R1120187.92	
CIRCULAR NUMBER 26 OF 1991 ISSUED BY THE PROVINCIAL LEGISLATURE REQUIRES LOCAL AUTHORITIES TO INVEST FUNDS, WHICH ARE NOT IMMEDIATELY REQUIRED, WITH THE PRESCRIBED INSTITUTIONS AND THE PERIOD SHOULD BE SUCH THAT IT WILL NOT BE NECESSARY TO BORROW FUNDS AGAINST THE INVESTMENT AT PLENARY RATE TO MEET COMMITMENTS.		
 8. LONG TERM DEBTORS	 R 0	 R 0
	R 0	R 0
9. INVENTORY		
INVENTORY REPRESENTS CONSUMABLE STORES, RAW MATERIALS, WORK-IN-PROGRESS AND FINISHED GOODS. WHERE NECESSARY SPECIFIC PROVISION IS MADE FOR OBSOLETE INVENTORY.		
	R 177,132	R 113,779

10. DEBTORS		
CURRENT DEBTORS (CONSUMER AND OTHERS)	R 111,906,452	R 95,988,785
SUNDRY DEBTORS	R 16,917,066	R 512,865
SUNDRY LOANS		
SUSPENCE ACCOUNTS		R 9,876,126
	R 128,823,518	R 106,377,776
LESS PROVISION FOR BAD DEBTS	-R 38,371,377	R 34,148,622
	R 90,452,141	R 72,229,154

**NOTES TO THE FINANCIAL STATEMENTS AT
30 JUNE 2008**

DEBTORS HAVE BEEN WRITTEN OFF DURING 2007/2008 R1885000 DAYS OUTSTANDING IN DEBTORS AMOUNT TO 550 DAYS PLUS		
12. PROVISIONS		
AUDIT FEES		
REPAIRS AND MAINTENANCE		
LEAVE RESERVE	R 576,125	R 523,071
CROCKERY TOWN HALL	R 11,947	R 11,947
TRAINING		
	R 588,072	R 535,018

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008

	2007/2008	2006/2007
13. CREDITORS		
TRADE CREDITORS		R 729,889
CREDITORS VAT	-R 971,379	R 387,664
SUNDRY CREDITORS	R 43,547,951	R 30,863,387
		R 5,832,340
MONEY IN ADVANCE	R 1,262,697	R 1,707,123
DEPOSIT OTHER	R 27,358	R 23,201
	R 43,866,627	R 39,543,604

14. ASSESMENT RATES

	VALIATIONS AS AT 2003/2006	ACTUAL INCOME	
RESIDENTIAL	331287	R 0	R 4,395,675
COMMERCIAL			R 343,570
STATE			R 313,256
MUNICIPAL		R 5,374,354	
		R 5,374,354	R 5,052,501

23366756&.23C

VALUATIONS ON LAND ARE PERFORMED EVERY FOUR YEARS. THE LAST GENERAL VALUATION CAME INTO EFFECT ON 1 JULY 2003 . THE BASIC RATE WAS PER RAND (.23 ON LAND ONLY FOR 2006/2007.

15. COUNCILLORS REMUNERATION

MAYOR'S ALLOWANCE	R 189,622	R 176,400
DEPUTY MAYORS ALLOWANCE		
COUNCILLORS ALLOWANCES	R 1,032,646	R 1,035,432
MANAGEMENT COMMITTEE ALLOWANCES		
COUNCILLORS PENSION CONTRIBUTIONS		
COUNCILLOPS MEDICAL AID		
CELLPHONE/TELEPHONE ALLOWANCES	R 174,949	
COUNCILLORS TRAVELLING ALLOWANCES	R 406,019	R 341,593
	R 1,803,236	R 1,553,425

COUNCILLORS OUTSTANDING SERVICES ACCOUNTS

K.L. MODISE (MAYOR)	R 25,422	R 30,000
MULLER D		R 1,216
MABALA I	R 2,576	R 2,399
R.M. MAKODI	R 4,046	R 2,467
K.M. SEGALO	R 20,162	R 19,235
M.P. LETEBELE	R 7,955	R 6,191
K.L. DUIKER	R 14,235	R 15,865
K.J BOJONG	R 15,779	R 15,182
W B PERCIVAL		R 833
A. BUYS	R 950	R 3,637
G. PENCIL	R 6,713	R 4,781
	R 72,416	R 101,806

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008

	2007/2008	2006/2007
16. AUDITORS REMUNERATION		
AUDIT FEES	R 274,518	R 1,003,245
CURRENT YEAR		
16B MUNICIPAL MANAGER AND HEAD OF DEPARTMENTS REMUNERATION		
SALARY MUNICIPAL MANAGER	R 424,290	R 559,260.00
MUNICIPAL MANAGER FIRE ALLOWANCE	R 8,559	
MUNICIPAL MANAGER TELEPHONE ALLOWANCE	R 8,500	
MUNICIPAL MANAGER BONUS	R 56,188	
SALARY DIRECTORS SEC 57		R 1,872,732.00
DIRECTOR CORPORATE SERVICE	R 431,442	
DIRECTOR CORPORATE SERVICE ALLOWANCES	R 19,071	
DIRECTOR CORPORATE SERVICE BONUS	R 36,860	
DIRECTOR TECHNICAL SERVICE	R 216,936	
DIRECTOR TECHNICAL SERVICE TELEPHONE ALLOWANCE	R 8,150	
MANAGER IDP/LED/PMS	R 484,710	
MANAGER IDP/LED/PMS TELEPHONE ALLOWANCE	R 21,079	
MANAGER IDP/LED/PMS BONUS	R 34,884	
DIRECTOR COMMUNITY SERVICE/ACTING MUNICIPAL MANAGER	R 126,674	
DIRECTOR COMMUNITY SERVICE/ACTING MM TELEPHONE ALLOWANCES	R 3,700	
DIRECTOR COMMUNITY SERVICE/ACTING MM FIRE ALLOWANCES	R 4,280	
CHIEF FINANCE OFFICER	R 159,937	
CHIEF FINANCES OFFICER TELEPHONE ALLOWANCES	R 7,150	
CHIEF FINANCE OFFICER/ACTING	R 165,413	
TRANSPORT ALLOWANCE (CFO) ACTING	R 42,194	R 72,600.00
TELEPHONE ALLOWANCE (CFO)ACTING	R 6,523	R 11,183.00
PERSONAL ALLOWANCE (CFO)ACTING	R 1,925	R 3,300.00
HOUSING SUBSIDY (CFO)ACTING	R 3,878	R 6,648.00
STANDBYFIRE ALLOWANCE (CFO)ACTING	R 7,489	R 12,063.00
PENSION: COUNCIL CONTRIBUTION (CFO)ACTING	R 22,846	R 36,798.00

MEDICAL AID ; COUNCIL CONTRIBUTION (CFO)ACTING	R 12,421	R 21,017.00
UIF COUNCIL; CONTRIBUTION (CFO)ACTING	R 724	R 1,399.00
BARGANING COUNCIL (CFO)ACTING	R 21	
BONUS	R 15,687	
OVERTIME (CFO) ACTING	R 1,799	
	<u>R 2,333,330</u>	<u>R 2,597,000.00</u>

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008

2007/2008

2006/2007

17. FINANCE TRANSACTIONS

TOTAL EXTERNAL INTEREST

EARNED OR PAID

INTEREST EARNED

R 247,892

R 421,565

INTEREST PAID

R 67,713

CAPITAL CHARGES DEBITED TO
OPERATING ACCOUNT

INTEREST

EXTERNAL

R 368,345

R 2,047,098

INTERNAL

R 0

REDEMPTION

EXTERNAL

R 529,273

R 346,589

INTERNAL

R 0

R 897,618

R 2,393,687

18. APPROPRIATIONS

APPROPRIATION ACCOUNT

ACCUMULATED SURPLUS AT THE

BEGINNING OF THE YEAR

R 17,355,469

R 18,484,317

OPERATING (DEFICIT) SURPLUS

-R 2,989,543

-R 1,681,716

FOR THE YEAR

APPROPRIATION FOR THE YEAR

CONTRIBUTION TO CAPITAL

DEVELOPMENT FUND

PRIOR YEAR ADJUSTMENTS

ABNORMAL ITEMS

R 3,472,494

R 552,875

ACCUMULATED (DEFICIT) / SURPLUS

AT THE END OF THE YEAR

R 17,838,420

R 17,355,476

CONTRIBUTION TO APPROVED FUNDS

OPERATING ACCOUNT

CAPITAL EXPENDITURE

R 81,661

R 79,002

CONTRIBUTIONS TO

BAD DEBTS PROVISION

R 6,107,756

R 4,107,756

MAINTENANCE RESERVE

CONTRIBUTION TO LEAVE RESERVES

R 149,185

R 61,500

COMMUNITY FUNDS

CAPITAL RESERVES

CAPITAL DEVELOPMENT FUND

R 0

R 6,338,602

R 4,248,258

**NOTES TO THE FINANCIAL STATEMENTS AT
30 JUNE 2008**

	2007/2008	2006/2007
19. CASH GENERATED BY OPERATIONS		
(DEFICIT) / SURPLUS FOR THE YEAR	R -	
ADJUSTMENTS IN RESPECT OF :	2,989,543.00	-R 1,681,716
PREVIOUS YEARS OPERATING TRANSACTIONS	R 700,901.00	R 552,875
APPROPRIATIONS CHARGED AGAINST INCOME	R 81,661.00	R 4,433,746
CONTRIBUTIONS TO :		
CAPITAL DEVELOPMENT FUND		-
PROVISION AND RESERVES		R 4,169,256
FIXED ASSETS	R 81,661.00	R 264,490
CAPITAL CHARGES	R 730,352.00	R 2,393,687
INTEREST PAID :		
TO INTERNAL FUNDS		
ON EXTERNAL FUNDS	R 368,345.00	R 2,047,098
REDEMPTION		
OF INTERNAL ADVANCES		
OF EXTERNAL LOANS	R 362,007.00	R 346,589
CASH RECEIVED IN INVESTING ACTIVITIES	-R 247,892.00	
INTEREST PAID BANK OVERDRAFT		
EXPENDITURE CHARGED AGAINST PROVISIONS AND RESERVES	-R 96,130.00	
NON -OPWRATING INCOME	-R 149,185.00	
NON -OPWRATING EXPENDITURE	-R 314,034.00	
NON CAS FLOW ADJUSTMENT	R 4,222,755.00	
	<u>R 1,938,885.00</u>	<u>R 5,698,592</u>
20. (INCREASE) / DECREASE IN WORKING CAPITAL		
(INCREASE) / DECREASE IN INVENTORY	-R 63,353.00	R 174,867
	-R	-R
(INCREASE) / DECREASE IN DEBTORS	22,445,743.00	14,091,742
		R
INCREASE / (DECREASE) IN CREDITORS,	R 4,323,022.00	14,017,204
INCREASE / (DECREASE) IN CONSUMER DEPOSITS	R 72,655.00	R 49,974
	-R	
	<u>18,113,419.00</u>	<u>R 150,303</u>
21. INCREASE / (DECREASE) IN LONG TERM LOANS		
INTEREST CAPITALISED PLUS NEW LOANS	R 4,285,997.00	R 1,898,365
LOANS REPAYED	-R 529,278.00	-R 346,589
	<u>R 3,756,719.00</u>	<u>R 1,551,776</u>
22. (INCREASE) / DECREASE IN CASH INVESTMENTS		

INVESTMENTS MADE	-R 5,970,631.00	-R 421,565
INVESTMENTS REALISED	R 7,885,979.00	
	R 1,915,348.00	-R 421,565

**NOTES TO THE FINANCIAL STATEMENTS AT
30 JUNE 2008**

	2007/2008	2006/2007
23. (INCREASE)/ DECREASE IN CASH		
CASH BALANCE : BEGINNING OF YEAR	-R 5,093,112	4,542,843
LESS : CASH BALANCE : END OF YEAR	14,362,541	5,093,112
	-R 9,269,429	-R 550,269
TRUST FUNDS		
CASH BALANCE : BEGINNING OF YEAR	R 944,776	R 922,244
LESS : CASH BALANCE : END OF YEAR	-R 194,589	R 944,776
	-R 1,139,365	R 22,532
	<u>-R</u>	
	<u>10,408,794</u>	<u>-R 527,737</u>

BANK DETAILS

ACCOUNT NO 1810000844	
BALANCE BEGINNING OF YEAR	R444769.41
BALANCE END OT YEAR	R 673018.55-
ACCOUNT NO181046415	
BALANCE BEGINNING OF YESR	R 22726.62
BALANCE END OT YEAR	R 40219.92
ACCOUNT NO 1810147748	
BALANCE BEGINNING OF YEAR	R2415.64
BALANCE END OF YEAR	R2459.72

24. RETIREMENT BENEFITS	R 0	R 0
THE LAST ACTUAL VALUATION OF THE MUNICIPAL PENSION FUNDS AND THE COUNCILLORS PENSION WAS DONE AT 30 JUNE 1999.		

25. CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS

THERE WERE CONTINGENT LIABILITIES AGAINST THE COUNCIL NAAMLY J F DEJONG AND THERE WERE NO GUARANTEES AT A COMMERCIAL BANK FOR HOUSING LOANS FOR OFFICIALS	R 750,000	R 750,000
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LEAVE PAY OUTSTANDING AS AT 30 JUNE 2007
AMOUNTS R2227735

26. CAPITAL COMMITMENTS

COMMITMENTS IN RESPECT OF CAPITAL
EXPENDITURE
APPROVED AND CONTRACTED FOR
APPROVED BUT NOT YET CONTRACTED FOR

THIS EXPENDITURE WILL BE FINANCED FROM
INTERNAL SOURCES
EXTERNAL SOURCES
OTHER SOURCES
PROVINCIAL GOVERNMENT
METROPOLITAN COUNCIL

R 0	R 0
R 0	R 0
R 0	R 0

27. CAPITAL DEVELOPMENT FUND

OUTSTANDING ADVANCES TO BORROWING SERVICES	R 0	R 0
ACCUMULATED FUND	R 0	R 0
LESS : INTERNAL LOANS	<u>R 0</u>	<u>R 0</u>
SEE APPENDIXES A AND B FOR MORE DETAIL	<u>R 0</u>	<u>R 0</u>

NOTES TO THE FINANCIAL STATEMENTS AT 30/06/2008

29 HOUSING DEVELOPMENT FUND

OUTSTANDING ADVANCES TO BORROWING SERVICES	R 0.00	R 0.00
ACCUMULATED FUND	R 0.00	R 0.00
LESS INTERNAL LOANS	<u>R 0.00</u>	<u>R 0.00</u>
SEE APPENDIXES A AND B FOR MORE DETAIL	0	0

APPENDIX A : ACCUMULATED FUNDS, TRUST FUNDS, RESERVES AND PROVISIONS

	BALANCE 2007/06/30	CONTRIBUTIONS DURING THE YEAR	INTEREST ON INVESTMENTS	OTHER INCOME	EXPENDITURE DURING THE YEAR	BALANCE 2008/06/30
STATUTORY FUNDS						
CAPITAL DEVELOPMENT FUND	R 0					
LAND TRUST FUND	R 0					
LAND DEVELOPMENT FUND	R 0					
HOUSING DEVELOPMENT ACCOUNT	R 299,888					R 299,888
INSURANCE HOUSING OPERATING ACCOUNT	R 0					
	R 299,888					R 299,888
RESERVES						
COMMUNITY FACILITIES SUNDRIES	R 0					R 0
LOSS OF RENTAL SALE OF ERVEN						
ROADS SUBSIDY	R 0					R 0
REPAIR AND MAINTENANCE	R 0					R 0
TOWNSHIP DEVELOPMENT CONTRIBUTION	R 0					R 0
	R 0					R 0

TRUST FUNDS						
TRANSITIONAL FUND	R 0					
FINANCE MANAGEMENT GRANTS	R 979,223				R 979,223	
FIRE AND EMERGENCY	R 739,512				R 739,512	
MSP 3	R 34,651				R 34,651	
BOITUMELONG EX 4	R 96,718			R 8,738,349	R 8,893,916	R 58,849
UTLWANANG HOUSING	R 22,727			R 5,867,230	R 6,025,697	R 135,740
MSIG	R 593,573				R 593,573	
MIG	R 231,759				R 231,759	
	R			R	R	
	2,698,163			14,605,579	17,498,331	R 194,589

APPENDIX B : EXTERNAL LOANS AND INTERNAL ADVANCES

				BALANCE AT 2007/06/30	RECEIVED DURING THE YEAR	REDEEMED OR WRITTEN OFF DURING THE YEAR	BALANCE AT 2008/06/30
LOANS DBSA							
ISSUED	%	LOAN NO	REDEEMABLE				
1979	15-72	11498	2004	R 355,689	R 64,172		R 419,861
1993	15-80	11503	2013	R 571,447	R 103,098		R 674,545
1991	16-31	11499	2011	R 96,131	R 17,344		R 113,475
1995	13-41	11505	2009	R 805,102	R 145,253		R 950,355
1995	17-47	11507	2010	R 676,506	R 122,052		R 798,558
1981	9-5	7	2004				
1995	17-22	9	2002				
1995	17-21	11506	2010	R 5,640,620	R 1,017,655		R 6,658,275
2000	15	ANNUITY ABSA	2010	R 391,281	R 22,927	R 90,467	R 323,741
1995	18-32	15	2002				
1978	8.75	11315	2007				
1978	8.75	11315	2007				
1985	13.75	11316	2014	R 2,229,928	R 402,312		R 2,632,240
1986	13.75	11317	2015	R 1,125,004	R 202,968		R 1,327,972
1986	17.25	11318	2015	R 1,170,308	R 211,142		R 1,381,450
1995	0	ANNUITY ABSA	2005				
2004	12.862	64991251	2008				
2005	12.352	66623225	2009	R 89,139		R 50,751	R 38,388
2004	12.365	65684212	2008	R 98,929		R 67,587	R 31,342
2005	12.356	66874910	2008	R 199,213		R 107,305	R 91,908
					R 2,000,000	R 167,269	R 1,832,731
LOANS DBSA							
2005	11.78	69293269	2010	R 96,314		R 22,933	R 73,381
2005	17.22	69179571	2010	R 96,453		R 22,966	R 73,487
	7	11314					
REFER TO NOTE 4				R 13,642,064	R 4,308,923	R 529,278	R 17,421,709
INTERNAL ADVANCES							
LAND TRUST FUND				R 0			R 0
RESERVES AND SUNDRIES				R 0			R 0
HOUSING DEVELOPMENT FUND				R 0			R 0
CAPITAL DEVELOPMENT FUND				R 0			R 0
				R 0			R 0

APPENDIX C : ANALYSIS OF FIXED ASSETS

EXPENDITURE 2006/2007	SERVICE	BUDGET 2007/08	BALANSCE AT 2007/06/30	EXPENDITURE DURING THE YEAR	WRITTEN OFF TREASURERD REDEEMED OR DISPOSED OF DURING THE YEAR	BALANCE 2008/06/30
R 7,232,909	RATES AND GENERAL SERVICE	R 61,117	R 27,885,390	R 1,932,883	R 597,436	R 29,220,838
R 388,767	COMMUNITY SERVICE	R 60,000	R 7,678,367	R 831,339	R 525,978	R 7,983,729
R 253,722	COUNCIL GENERAL EXPENCES		R 825,900	R 134,215	R 2,181	R 957,934
	HEALTH SERVICES		R 231,948	R 12,886		R 244,834
	WORKSHOP		R 23,774	R 15,488	R 4,206	R 35,056
	CIVEL DEFENCE		-			R -
	CARAVAN PARK		R 88,228			R 88,228
	PUBLIC WORKS		R 5,247,783	R 16,167	R 370,930	R 4,893,020
	STORES		R 38,452		R 3,199	R 35,253
R 56,103	TOWN SECRETARY		R 117,005	R 455,140	R 16,446	R 555,699
R 58,140	TOWN TREASURER	R 60,000	R 671,103	R 180,251	R 94,232	R 757,122
R 15,836	CEMETARY		R 80,107			R 80,107
	CLINIC		R 22,719		R 1,670	R 21,049
R 4,966	TRAFFIC AND LICENCES		R 331,349	R 17,192	R 33,114	R 315,427

R 6,844,142	SUBIDISED SERVICE	R 1,117	R 14,717,701	R 1,101,544	R 50,610	R 15,768,635
R 74,547	CIVIC BUILDING	R 1,117	R 3,055,966	R 218,404	R 43,014	R 3,231,356
R 6,690,886	FIRE PROTECTION		R 6,737,860			R 6,737,860
R 54,705	LIBRARY		R 268,213	R 19,172	R 7,596	R 279,789
	BOITUMELONG		R 3,349,438	R 204,768		R 3,554,206
	AMBULANCE		-			-
	SALAMAT		R 68,712			R 68,712
	SWIMMING POOL		R 130,290			R 130,290
	COVERDALE		R 410,715			R 410,715
R 24,004	PARKS AND RECREATION		R 193,624			R 193,624
	ESTATES		R 502,883	R 659,200		R 1,162,083
	ECONOMIC SERVICES		R 5,489,322		R 20,848	R 5,468,474
	FARMING		-			-
	CLEANCING		R 442,023		R 20,848	R 421,175
	IRRIATION		R 88,197			R 88,197
	SEWERAGE		R 4,616,800			R 4,616,800
	GELUKSOORD		R 342,302			R 342,302

**APPENDIX C :
ANALYSIS OF
FIXED ASSETS**

EXPENDITURE 2005/2006	SERVICE	BUDGET 2007/2008	BALANSCE AT 2007/06/30	EXPENDITURE DURING THE YEAR	WRITTEN OFF TREASURERD REDEEMED OR DISPOSED OF DURING THE YEAR	
						R -
	HOUSING SERVICE		R 1,519,452.00			R 1,519,452
	ECONOMIC HOUSING		R 1,519,452.00			R 1,519,452
						R -
						R -
			R 8,907,337	R 7,599	R 27,580.00	R 8,887,356
	TRADING SERVICES					
	ELECTRICITY		R 5,995,926	R 7,599	R 22,046.00	R 5,981,479
	WATER		R 2,911,411		R 5,534.00	R 2,905,877
<u>R 7,232,909</u>		<u>R 319,000</u>	<u>R 38,312,179</u>	<u>R 1,940,482</u>	<u>R 625,016</u>	<u>R 39,627,646</u>
	LESS: LOANS REDEEMED AND OTHER CAPITAL RECEIPTS		R 34,646,327	R 2,302,490	R 840,818	R 36,107,999
	LOANS REDEEMED AND ADVANCES REPAYD		R 9,613,037	R 362,007	R 22,927	R 9,952,117

	OPRATING INCOME	R 1,917,502	R 81,661	R 625,016	R 1,374,147
	CONTRIBUTIONS FROM				R -
	OPRATING INCOME	R 100,131			R 100,131
	RESERVES ,GRANTS & SUBSIDIES	R 8,584,995	R 1,240,780		R 9,825,775
	PUBLIC CONTIBUTION	R 2,000			R 2,000
	GENERAL CAPITAL	R 14,428,660	R 508,136	R 192,875	R 14,743,921
	GRANS : INSURANCE		R 109,906		R 109,906
					R -
	NET: FIXED ASSETS	R 3,665,852	R 362,008	R 22,927	R 3,519,647

**ANALYSIS OF OPERATING INCOME AND EXPENDITURE FOR THE YEAR
END 30 JUNE
2008**

APPENDIX D

	ACTUAL 2007-2008	BUDGET 2007-2008	ACTUAL 2006-2007	BUDGET 2006/2007
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INCOME

GRANTS AND SUBSIDIES	15,456,153	R 18,452,050	10891872	R 15,467,387
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CENTRAL GOVERNMENT	14,769,794	R 17,332,050	9891007	R 14,347,387
PROVINCIAL GOVERNMENT	686,359	R 1,120,000	1000865	R 1,120,000
DISTRICT COUNCIL				

OPERATING INCOME	55,112,341	R 57,023,375	56195041	R 57,054,811
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ASSESSMENT RATES	5,374,354	R 5,887,891	5052501	R 5,458,345
SALE OF ELECTRICITY	18,252,726	R 17,532,500	18247831	R 16,641,793
SALE OF WATER	10,598,265	R 10,147,500	13350979	R 12,710,304
OTHER SERVICE CHARGES	20,886,996	R 23,455,484	19543730	R 22,244,369

TOTAL INCOME	70,568,494	R 75,475,425	67086913	R 57,054,811
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EXPENDITURE

SALARIES, WAGES AND ALLOWANCES	29,467,133	R 29,863,593	26597512	R 30,024,885
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GENERAL EXPENSES	42,559,227	R 41,848,546	42736340	R 38,156,942
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PURCHASE OF ELECTRICITY	10,476,760	R 9,600,000	10757903	R 8,395,126
PURCHASE OF WATER	5,622,733	R 3,435,569	5085719	R 5,105,569
OTHER GENERAL EXPENSES	26,459,734	R 28,812,977	26892718	R 24,656,247

REPAIRS AND MAINTENANCE	2,838,281	R 4,022,500	2425563	R 3,379,850
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CAPITAL CHARGES	2,947,285	R 3,758,412	2393688	R 4,947,810
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CONTRIBUTION TO FIXED ASSETS	81,661	R 61,117	79002	R 529,000
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CONTRIBUTION	6,107,756	R 6,761,222	4169256	R 4,757,662
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GROSS EXPENDITURE	84,001,343	R 86,315,390	78401361	R 81,796,149
LESS : AMOUNTS CHARGED OUT	9,491,927	R 9,812,509	9632733	R 8,579,926
LESS: APPROPRIATIONS				R 188,167
NET. EXPENDITURE	74,509,416	R 76,502,881	68768628	R 73,028,056

APPENDIX E

DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

ACTUAL INCOME	ACTUAL EXPENDITURE	(DEFICIT) SURPLUS		ACTUAL INCOME	ACTUAL EXPENDITURE	(DEFICIT) SURPLUS	BUDGET (DEFICIT) SURPLUS
2006/2007	2006/2007	2006/2007		2007/2008	2007/2008	2007/2008	2007/2008
35,164,783	40,934,218	(5,769,435)	RATES AND GENERAL SERVICE	22,310,852	40,421,807	R (1,675,862)	R 1,076,753
R 25,086,012	R 25,780,075	R 694,063	COMMUNITY SERVICE	R 21,912,061	R 21,094,503	R 817,558	R 6,574,248
R 5,052,501	R 0	R 5,052,501	ASSESSMENT RATES	R 5,374,354	R 150	R (43)	R 5,887,891
R 114	R 268,370	R 114	TOWN SECRETARY	R 107	R 353,416	R (267,931)	R 76,375
R 83,404	R 14,093,880	R 184,966	CEMETARY	R 85,485	R 7,465,155	R (2,119,078)	R (237,860)
R 9,646,310	R 486,777	R 4,447,570	COUNCILS GEN. EXPENCES	R 5,346,077	R 614,912	R (614,912)	R 3,683,340
R 1,004,497	R 1,627,179	R 486,777	IDP/PMS/LED	R 692,058	R 1,401,133	R (709,075)	R (988,373)
R 3,548	R 7,323,184	R 622,682	HEALTH SEVICE	R 10,117	R 7,726,788	R (7,716,671)	R (607,886)
R -	R -	R 7,319,636	PUBLIC SERVICE				R (9,214,059)
R -	R -	R -	STORES				
R 5,968,210	R 12,081	R 5,956,129	TOP MANAGEMENT	R 6,400,483	R 1,279,754	R 5,120,729	R 6,138,158
R 3,327,428	R 1,968,604	R 1,358,824	TOWN TREUSURER	R 4,003,380	R 2,253,195	R 1,750,185	R 1,836,662
R -	R -	R -	TRAFFIC AND LICENCES				
			WORKSHOP				
568,416	3,378,223	(2,809,807)	SUBSIDISED SERVICES	398,791	3,682,754	R (3,283,963)	R (4,967,998)

R 147,408	R 881,049	R - 733,641	CIVEL BUILDINGS	R 133,430	R 1,153,983	R (1,020,553)	R (1,681,156)
	R 562,679	R - 562,679	FIRE PROTECETION		R 588,302	R (588,302)	R (958,064)
R 1,412	R 371,954	R - 370,542	LIBRARY	R 1,891	R 382,298	R (380,407)	R (396,081)
R 6,504		R 6,504	PLEASURE RESORT	R 6,504		R 6,504	R 7,000
R 513	R 1,006,777	R - 1,006,264	PARKS AND RECREATION	R 513	R 905,427	R (904,914)	R (1,911,348)
R -	R -	R - -	SWIMMING POOL			R -	R -
	R 415,532	R - 415,532	HOUSING		R 579,339	R (579,339)	R (683,692)
R 412,579	R 140,232	R 272,347	ESTATES	R 256,453	R 73,405	R 183,048	R 655,343

APPENDIX F

STATISTICAL INFORMATION

The statistics provided are intended as a guideline, and may change substantially.

The following minimum information (for at least a three year period), must be disclosed in appendix F

1 POPULATION:	BLOEMHOF	31000
	CHRISTIANA	26000
2 NO OF DEBTORS	BLOEMHOF	6730
	CHRISTIANA	4619
3 NO OF EMPLOYEES	BLOEMHOF	146
	CHRISTIANA	112

ASSESSMENT RATES

RATES	BLOEMHOF	0.23
	CHRISTIANA	0.23
	GELUKSOORD	0.23
	UTLAWANANG/BOITUMELONG	0.23
	COVERDALE/SALAMAT	0.23

APPENDIX F

STATISTICAL INFORMATION

The statistics provided are intended as a guideline, and may change substantially.

The following minimum information (for at least a three year period), must be disclosed in appendix F

1 POPULATION:	BLOEMHOF	31000
	CHRISTIANA	26000
2 NO OF DEBTORS	BLOEMHOF	6730
	CHRISTIANA	4619
3 NO OF EMPLOYEES	BLOEMHOF	146
	CHRISTIANA	112
ASSESSMENT RATES		
RATES	BLOEMHOF	0.23
	CHRISTIANA	0.23
	GELUKSOORD	0.23
	UTLAWANANG/BOITUMELONG	0.23
	COVERDALE/SALAMAT	0.23

CHAPTER 5: FUNCTIONAL AREA SERVICE DELIVERY REPORTING

5.1 Service delivery information

Key performance indicator	Projects per development Objective	Planned performance and measurable targets	Actual performance achieved	Comparison with previous financial year	Improvement plan where applicable	% of budget spent	Performance targets for next financial year
Number of SMMEs trained to develop own businesses	Training of local SMMEs	All SMMEs trained by end 2007/08	180 SMMEs trained by end June 2008	100%		100% budget from different organs of state	Assistance to SMMEs to develop sustainable businesses
Number of jobs created as result of new LED plan	Implementation of LED plan	100 jobs created as a result of the developed LED plan	20 jobs created in the brick making project 10 jobs created in the broiler project	40%	Budget for SMME development	30%	To make sure that all LED projects are implemented to create jobs
Availability of Tourism and Marketing Strategy	Development of Tourism and Marketing Strategy	Strategy developed and implemented for development of tourism	Strategy developed	100%	Apply for funding for the implementation of the Strategy	0	To make sure that funds are acquired in time for the implementation of the tourism strategy or approach the district municipality to assist

Key performance indicator	Projects per development Objective	Planned performance and measurable targets	Actual performance achieved	Comparison with previous financial year	Improvement plan where applicable	% of budget spent	Performance targets for next financial year
Number of emerging farmers supported	Support to emerging farmers (training, land provision, acquisition of cattle etc)	60 of emerging farmers to be assisted to acquire land and be trained	30 emerging farmers were assisted with acquisition of land	100%			To make sure that the departments labor and agriculture are involved to assist with the training of identified emerging farmers
	Acquisition of cattle on the beef beneficiation	25 cattle acquired and allocated to farmers	100%				
Hydroponic project operational	Repair of vandalized tunnels at the project	To have the project fully functional by end June 2008	60%	20%	To make sure that the municipality budget for LED projects instead of depending on the District municipality		To make sure that new market is identified for the vegetable produce from the project
Number of Community meetings held to involve the community in IDP matters	Imbizos	4 Imbizos to be held by end June 2008	100%	100%		100%	
Availability of process plan for review of 06/07 IDP	Development of a process plan for the review of the 06/07 IDP	Process plan developed and adopted by end August 2007	100%	100%		100%	
Top Layer SDBIP developed	Development of SDBIP	Top Layer SDBIP to be developed and adopted by end July 2007	100%	100%			

Key performance indicator	Projects per development Objective	Planned performance and measurable targets	Actual performance achieved	Comparison with previous financial year	Improvement plan where applicable	% of budget spent	Performance targets for next financial year
Enhance community participation	Training of Ward Committee members	60 Ward Committee Members trained	40 Ward Committee members trained		Commitment from other members is lacking		Replacement of members lacking commitment
Copy of 06/07 Annual report available	Development of 06/07 Annual Report	Report developed and adopted by council by end March 2008	100%	100%	Training of all councilor and members of the community regarding annual reports and oversight committee		To make sure that the 07/08 section 46 report is available for audit in August 08 and that the 07/08 annual report is adopted in time as well as oversight report
Availability of departmental skills audit	Development of skills audit for purposes of personnel training	Skills audit developed and submitted to HR by end May 2008	100%	100%			To make sure that the municipal skills plan is fully implemented
% of departmental projects implemented according to IDP priorities	Implementation of departmental project prioritized in the municipal IDP	Implementation of all departmental priorities by end June 2008	50%	45%	Sufficient funds to be allocated in municipal budget for implementation of IDP priorities		To make sure that the municipal budget for 2008/2009 financial year fully addresses priorities identified in the IDP

Key performance indicator	Projects per development Objective	Planned performance and measurable targets	Actual performance achieved	Comparison with previous financial year	Improvement plan where applicable	% of budget spent	Performance targets for next financial year
Maintenance of sports facilities	Maintenance of sports facilities	2 sports facilities upgraded by end 2006 to be maintained regularly	100% maintenance is done, however we experience a problem of theft and vandalism in Boitumelong	100%		100%	Application for funding to be made for the building of combi cot at the Utwanang sports stadium and upgrading of Coverdale and Geluksoord sports facilities
Existing housing project completed	Finalization of the housing project which started in 1997	1007 old houses to be completed	60%	50%	Need to speed up the top up funding from Province	80%	Additional funding application to finanlise new projects
Hostels upgraded into family units	Upgrading of hostels into family units	Construction of new 24 units to start and be completed in June 2008	Top up funding not granted and the project is handed back to province for implementation		The appointed contractor is having price escalation problem		
Availability of residential stands	Establishment of township and allocation of 2000 stands	Allocation of 2000 stands to people in the waiting list and informal settlements	90%	90%	New people moving in the informal settlement		Allocation of stands to expedited to avoid mushrooming of informal settlements
Provide land for business and residential	Audited municipal land	Land belonging to municipality audited	100% developed Maxim report				
Grave yards upgraded	Construction of 1 graveyard and toilets at existing graveyards	Construction of toilets at Boitumelong and Utlwanang	100%	100%		100% of available budget for cleaning and maintenance	To ensure proper management and security at the grave yards

Key performance indicator	Projects per development Objective	Planned performance and measurable targets	Actual performance achieved	Comparison with previous financial year	Improvement plan where applicable	% of budget spent	Performance targets for next financial year
Disasters are managed	Development of disaster management plan	To have a disaster management plan in place by end 2007	30%	20%	Follower up on the district municipality's development of the plan	-	
Traffic in Christiana under control	Apply for the extension of the TMT contract to Christiana	To have the contract extended to Christiana by end 2006 and training of 3 more traffic officers completed	100%	100%	-		
KM of roads resealed in Christiana and upgraded in Utlwanang	Upgrading of Roads in Utlwanang and resealing in Christiana	To have at least 2km of roads upgraded in Utlwanang Christiana by end June 2008	2km of roads resealed in Christiana 1km road and storm water channels constructed	100%			Reasiling of at least 20 km of the road backlog in both Bloemhof and Christiana
Electricity backlogs addressed	Upgrading of electricity network	Upgrade the entire municipal electricity network by end 2007	0% No funding received for upgrading of electricity network	0%			Make sure that ESKOM is informed of municipal plans and programmes for implementation of municipal IDP priorities

Key performance indicator	Projects per development Objective	Planned performance and measurable targets	Actual performance achieved	Comparison with previous financial year	Improvement plan where applicable	% of budget spent	Performance targets for next financial year
Water borne sewer available in all areas including new extensions that are using bucket system	Eradication of bucket system	Buckets eradicated in both Boitumelong and Utlwanang extensions 4	70%	70%	No water provision planned in the Boitumelong, project hence the delay in implementation		The project will be completed in 2008/2009
Water provided	Fixing of raw water channels	Fix channels to provide the Christiana people with irrigation water	Application for funding approved by BDM Irrigation water is provided to Christiana residents.	100%	Make sure that the project is completed on time		Still awaiting the District Municipality to release the funds.
	Upgrading of water cleaning plant at Bloemhof	To replace all the existing water pumps with new ones	4 of the existing 5 pumps are replaced	100%	Ensure timeous submission of funding applications		To make sure that enough funding is received for implementation of this project
	Provision of water to new extensions	Provide stand pipe water to new extensions	Boitumelong ext.5. Utlwanang ext,5 completed	60% 100%	Application for funding to be done on time to ensure funding is secured	50%	

Key performance indicator	Projects per development Objective	Planned performance and measurable targets	Actual performance achieved	Comparison with previous financial year	Improvement plan where applicable	% of budget spent	Performance targets for next financial year
Km of roads to be maintained	Maintenance of roads	10km of roads to be properly maintained by the end of October 2007	Access roads partly done. Roads are regularly maintained except for gravel	40%			The purchase of new equipment to expedited in the 2007/2008 financial year
Carrying capacity of sewer treatment plants in Bloemhof and Christiana upgraded	Upgrading of the Sewer treatment plants	Upgrading of both treatment plants to be completed by end June 2008	95%	5%			Project must be completed by end 2008/09.
Availability of Communication Policy	Development of communication policy	Policy to be developed and adopted by 07/08	100% Policy developed and adopted by council	100%	A strategy is needed to implement the communication policy		Development of communication strategy for implementation of policy
Revised IT Strategy	Revision of the Strategy	09/06	0% No budget for the strategy as a new strategy is needed	0%	Allocation be made in the 08/09 MSIG business plan for the development of new ICT Strategy		To make sure that a new ICT Strategy is developed and implemented by end June 2009
Number of departmental and management meetings held on a monthly basis	Meetings held monthly	12 meetings per annum	100%	100%	All departments must hold monthly meetings to monitor and manage performance		To make sure that attendance registers and minutes of all departmental meetings are recorded

Key performance indicator	Projects per development Objective	Planned performance and measurable targets	Actual performance achieved	Comparison with previous financial year	Improvement plan where applicable	% of budget spent	Performance targets for next financial year
Number of vacancies reduced	Review of municipal organizational structure	30% reduction in vacancy level	100%	Organisational structure reviewed to allocate posts as per placement and reduce the level of vacancy	To reduce all posts that are not necessary and review departments that have been poorly staffed		To make sure that only the key and urgent positions are filled
Number of employees and councilors trained	Implementation of the WSP	07/08	100%		To make sure that training take place in accordance with departmental skills audits		To make sure that chairpersons of portfolio committees receive training in the field relevant to the department in which they are serving
% of EEP implementation	Implementation of municipal EEP	Reports submitted to council on a quarterly basis	0	0	Reports on the implementation of the municipal EEP must be submitted by each director in compliance in different directorates.		
All open spaces supplied with refu-tips	Refu-Tips	Refu-Tips acquired for all spaces in Utlwanang and Botumelong	None	0%		0%	Seek funding from BDM for implementation of this project
Number of Skip-Bins Supplied	Supply of Sip-Bins	Refuse containers supplied at street corners in Utlwanang and Boitumelong	None	0%		0%	Seek funding from BDM for implementation of the project

Key performance indicator	Projects per development Objective	Planned performance and measurable targets	Actual performance achieved	Comparison with previous financial year	Improvement plan where applicable	% of budget spent	Performance targets for next financial year
Number of libraries upgraded	Upgrading of Libraries	Upgrading of Coverdale and Boitumelong libraries by end June 2007	100%	100%		100%	Apply for provision of library at Utlwanang
Functional LED Projects	Basket Making Project	To have the project supported.	Project supported with transport to the Expo in November 2007 in Mafikeng	100%	Engage chairperson of LED portfolio committee and Mayor to make sure there is provision in budget for LED projects		
% of land rehabilitated	Rehabilitation of land	To conduct rehabilitation of land where mining took place in Bloemhof by end 2007	None	0%	Engage the mayor to engage the Minister of Mineral and Energy to assist with rehabilitation of the land in Bloemhof	0%	To make sure that rehabilitation is done to allow for development in identified areas.
Number of offices built to accommodate all staff	Extension of municipal building	To build at least five more offices to accommodate the growing number of municipal personnel by end June 2007	None due to lack of finance	0%	It is important for municipality to make plans to make sure that it is able to implement own capital projects	0%	None

Key performance indicator	Projects per development Objective	Planned performance and measurable targets	Actual performance achieved	Comparison with previous financial year	Improvement plan where applicable	% of budget spent	Performance targets for next financial year
Number of learnerships implemented to train local communities	Training of communities through learnership programmes	To have at least 10 people trained through learnership programmes by end June 2008	100% One (1) learner for electrical engineering, one(1) learner for civil engineering, ten (10) learners for finance and six (6) CDWs.	100%	None		To have at least 10 learners in IDP,PMS and LED
Availability of Land Use Management Plan	Development of Land Use Management Plan	To have an LUM developed by end June 2007	None. This project could not be implemented due to lack of funds	0%	This project be included in the MSIG business plan for 07/08	0%	Development and implementation of LUM by end June 2008.
Number of houses built	Facilitation of building of houses	Building of 1000 houses in for ext 4 and 5 Utlwanang by end 2008	100%	100%	-	-	-
Improve credit rating	Acquire loans with banks	One loan of R 2m to be acquired	100% loan acquired from ABSA	100%	-	-	-
Improve credit status	% of indigent arrears account written off	100% of indigent arrears account written off	100% of registered and reporting indigents debt written off	100%			
Enhance customer service	Develop Customer Satisfaction Survey system	Planned 70% satisfaction with municipal services	Not done due to lack of funding	0%	-	-	To be implemented 2008/2009 by Communications Manager.
Improve communication	Newsletter developed	June 2008 4 publications achieved	100%				

Key performance indicator	Projects per development Objective	Planned performance and measurable targets	Actual performance achieved	Comparison with previous financial year	Improvement plan where applicable	% of budget spent	Performance targets for next financial year
Deliver collaborative solutions	Regulated Council and Management meetings	6 Council and 12 management meetings					
Expand tax base	Increase in the number of tax payers	100%	100%				
Invest in infrastructure	% of capital budget actually spent on capital projects	40%	none				
Deliver competitive services	Plan developed and outsourced	June 2008	100% Investigation done and only debt collection services will be outsourced				

5.2 Changes/Variations from agreed development objectives and corresponding performance targets outlined in the IDP

The municipality identified and agreed on a number of priorities which would be implemented in the 2007/2008 financial year. These priorities were identified and agreed on together with the community through ward committees and the IDP Rep Forum.

For the past five (5) years, Lekwa-Teemane Local Municipality has not been budgeting for the implementation of any of the LED project in its area of jurisdiction. LED in the municipality is taking a back sit and is not successful due to lack of budgeting even for planed projects and programmes.

Lack of qualified personnel in the technical services department is another factor which causes poor and or lack of implementation and management of plan and programmes.

The following projects were identified as priorities in the IDP for implementation in the 2007/2008 financial year but were not implemented due to lack of funds:

Project Per Development Objectives	Planned Performance	Reasons for Variation	Correctives Measures
Implementation of LED plan	100 jobs created as a result of the developed LED plan	No funds available	Engage Mayor and Chairperson of LED committee to make sure that LED is budget for
Development of Tourism and Marketing Strategy	Strategy developed and implemented for development of tourism	No funds	Business plan submitted for funding in 2008/2009
Upgrading of hostels into family units	Build 24 Units	Allocated funds less than needed to build the required structure	Project taken back by the Province for them to implement.
Upgrading of Roads in Christiana	To have at least 2km of roads resealed in Christiana by end 2006	Lack of funds due to non-approval of project by MIG.	Ensure registration and approval of project by MIG.
Development of disaster management plan	To have a disaster management plan in place by end 2007	No funds	Requested Assistance from BDM
Upgrading of electricity network	Upgrade the entire municipal electricity network by end 2008	Lack of funds	Make a comprehensive report and send to DME for funding.
Provision and upgrading of street lights	4 lights provided to areas identified to be of high risk	Lack of funds	Make a follow-up on application to the BDM.
Electricity Reticulation	Electricity reticulation for connection of 40 households	ESKOM did not plan for this project	Make sure that plans are provided to ESKOM on time
Refu-Tips	Refu-Tips acquired for all spaces in Utlwanang and Botumelong	No funds	Make a follow-up on application to the BDM.
Supply of Skip-Bins	Refuse containers supplied at street corners in Utlwanang and Boitumelong	No funds	Make a follow-up on application to the BDM.
Project Per Development Objectives	Planned Performance	Reasons for Deviation	Corrective Measures
Training of Stakeholders	All NGOs in Lekwa-	None commitment from	Capacitate the office of

in HIV/AIDS	Teemane area of jurisdiction trained on HIV/AIDS	councilors	the Mayor with HR.
Establishment of AIDS Working Committee	To have AIDS working committee established and functional by Dec 2007	Lack of commitment from councilors	Capacitate the office of the Mayor with HR.
Rehabilitation of land	To conduct rehabilitation of land where mining took place in Bloemhof by end 2007	Lack of funds and request for help to DME has not been successful	Engage the Mayor to engage the minister for Mineral and Energy to assist with the rehabilitation of land in Bloemhof
Extension of municipal building	To build at least five more offices to accommodate the growing number of municipal personnel by end June 2008	Lack of funds	Municipality should take up loans to implement and finalize these projects
Speed humps	Construction of speed humps at Utlwanang.	No funds to complete Utlwanang as speed humps were constructed only in Boitumelong	Provision to be made in the 2008/2009 budget for the construction of speed humps in Utlwanang

5.3 Challenges/Difficulties encountered in the past year in the implementation of General Key Performance Indicators

- The municipality is implementing free electricity as indicated in the indigent policy and in accordance with the approved indigent policy. Even so there is about 35% of the households in Boitumelong and Utlwanang who do not receive free basic electricity. This is due to lack of communication and incorrect information between the municipality and ESKOM
- Creation of jobs and poverty alleviation remains a big challenge in Lekwa-Teemane due to the fact that the LED office remains inadequately staffed and the municipality does not budget for LED projects and programmes.
- Other challenges are as indicated in 1.3.2.1

5.4 Preliminary plan for the next financial year

The municipality has appointed a CFO and a resolution was taken at the strategic planning for 2007/2008 to appoint a manager LED in an attempt to make sure that Local Economic Development receives the necessary attention.

The municipality is also involved in learnership programmes which helps with extra personnel while members of the community are also learning in the process. An LED Forum and Tourism Association have been formed to assist with plans and programmes for job creation and poverty alleviation.

The mayor and chairperson of the LED Portfolio Committee have been brought on board to make sure that the municipality does budget for LED projects. A resolution was also taken at the strategic

planning to make sure that the municipality budget for capital projects identified in the IDP as lack of budgeting has resulted in the municipality not implementing its priorities and therefore making Key Performance Indicators that are developed unattainable.

The process of Community Based Planning has also been fully implemented to make sure that members of the community are fully involved in municipal affairs and to make sure that most importantly they are part of planning and implementation of priorities that have been identified in different wards. It is hoped that this will help to minimize dissatisfaction with regard to the level of service provided to the community. The following objectives have been identified for the implementation of 2007/2008 IDP:

STRATEGIC OBJECTIVES

- To provide basic service delivery
- Create a Safe and Clean Environment
- Improve on financial viability
- Enhance Community Participation
- Promote Economic Development and Tourism
- Good Governance and Communication

5.5 The following projects will be implemented in the financial year 2007/2008 to achieve the set strategic objectives:

Project	Key Performance Indicator	Target Date	Estimated Budget
Eradication of bucket system	Number of households removed from bucket system	June 2008	R 5 000 000
Street Lights Boitumelong ext 5 and Utlwanang ext 6	Number of street lights installed and repaired	June 2008	R 800 000
Electricity Backlog Maintenance and Upgrading	% of budget used to address electricity backlog	March 2008	R10 000 000
GRAAP Compliance. Upgrading of IT	IT Upgraded	April 2008	R300 000
Appointment of CFO	Availability of CFO	January 2008	R 1 140 000
Development of new Valuation Roll	Availability of new valuation roll	April 2008	R 700 000
Extension of Bloemhof Hospital	Upgraded Hospital	June 2008	R5 500 000
Extension of Boitumelong Clinic	Clinic Extended	June 2008	R 300 000
Dental Clinic at Bloemhof Hospital	Availability of dental clinic	June 2008	R780 000
Budget for HIV/AIDS programmes	% of budget allocated for HIV/AIDS	June 2008	R200 000
Implementation of	Number of ward plans	January 2008	R10 000

CBP	developed		
Budget for LED projects	% of municipal budget allocated for LED	June April 2008	R500 000
Development of Tourism Strategy	Availability of strategy	January 2008	R250 000
Workshop of communities on Municipal Communication Strategy	Number of workshop held	April 2008	R20 000
Implementation of WSP	% of budget used in implementation of work place skills plan	May 2008	R 300 000

ACTION PLAN: ISSUES RAISED BY AUDITOR–GENERAL FOR AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

ACTION PLAN	ACTION	DUE DATE	RESPONSIBLE PERSON
<p>Comparative figures</p> <p>6. I was unable to obtain sufficient appropriate audit evidence to determine the accuracy, completeness, rights and obligations, existence and presentation and disclosure of opening balances of assets of R69 668 398, liabilities of R45 013 994 and accumulated funds and reserves of R36 893 461 due to all matters giving rise to the prior year’s qualifications remaining unresolved. I was unable to perform alternative procedures. As a result I was unable to verify the opening balances other than agreeing them to the prior year financial statements.</p>	<p>Correction of over and under schedule was handed over by Office of Auditor General</p>	<p>30 April 2009</p>	<p>Wietz Winker</p>
<p>Going concern</p> <p>27. The municipality’s debtors increased with R18 222 986, the creditors and long term liabilities increased with R4 081 614 and R4 146 766 respectively and the bank overdraft increased with R10 408 793 from the prior to the</p>	<p>Revenue Enhancement Strategy adopted.</p>	<p>On-going process</p>	<p>CFO</p>

<p>current financial year. The municipality realised a loss of R2 989 543 and its debtors collection period was 687 days for the period under review. This situation indicates the existence of a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern. The entity may therefore be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements did not disclose this fact.</p>	<p>Credit control and Debt Collection Unit taken over by CFO</p>	<p>On-going process</p>	<p>CFO</p>
<p>Revenue</p>	<p>Implementation of the internal control mechanism.</p>	<p>30 April 2009</p>	<p>Johan Pretorius</p>
<p>28. I was unable to obtain sufficient appropriate audit evidence for income of R19 577 552 included in the total income of R70 568 494 as per the income statement. Furthermore due to the nature of the income of the municipality and a lack of systems I could not satisfactorily determine the completeness of revenue of R70 568 494. I was unable to perform alternative procedures and I could not practicably quantify the possible misstatement of the disclosures contained in the financial statements. Consequently I was unable to satisfy myself as to the occurrence, accuracy and completeness of revenue included in the income statement.</p>	<p>Reconciliation monthly and signed off.</p> <p>Safe-keeping of records.</p>	<p>30 April 2009</p>	<p>Johan Pretorius</p>
<p>29. I was unable to obtain sufficient appropriate calculations and reconciliations for rates and general service income of R38 745 946 included in the income statement. I was unable to perform alternative procedures due to the lack of an updated valuation roll. Consequently I could not satisfy myself as to the accuracy and occurrence of rates and general services income included in the income statement.</p>	<p>Implementation of the internal control mechanism .</p> <p>Reconciliation of monthly and signed off.</p> <p>Safe-keeping of records.</p>	<p>30 April 2009</p>	<p>Johan Pretorius</p>
<p>Expenses</p>	<p>Implementation of the internal control mechanism.</p> <p>Reconciliation</p>	<p>30 April 2009</p>	<p>Johan Pretorius</p>
<p>30. I was unable to obtain sufficient appropriate audit evidence to determine the occurrence and accuracy of expenses of R43 633 179 included in total expenses of R44 090 902 as per the income statement. I</p>	<p>Implementation of the internal control mechanism.</p> <p>Reconciliation</p>	<p>30 April 2009</p>	<p>Johan Pretorius</p>

<p>was unable to perform alternative procedures and I could not practicably quantify the possible misstatement of the disclosures contained in the financial statements.</p>	<p>monthly and signed off.</p> <p>Safe-keeping of records.</p>		
<p>Employee cost</p> <p>31. I was unable to obtain sufficient appropriate audit evidence for overtime of R1 229 072 and leave bonuses of R1 380 392 included in employee cost of R29 467 133 as per the income statement. The entity's records did not permit the performance of alternative procedures. Consequently I was unable to determine the completeness, accuracy and occurrence of the overtime and leave payments included in the income statement.</p>	<p>Implementation of the internal control mechanism.</p> <p>Reconciliation monthly and signed off.</p> <p>Safe-keeping of records.</p>	<p>30 April 209</p>	<p>Yanta /Synman</p>
<p>Provisions</p> <p>32. I was unable to determine the completeness and valuation of the leave pay provision of R576 125 included in the balance sheet, since the municipality does not have a policy for the provision of leave pay and leave days were not completely accrued for. Alternative procedures indicated that the leave pay provision was understated with approximately R2 430 271 and employee cost understated by the same amount, since leave pay accrued was not considered in the calculation of leave pay provision.</p>	<p>Reconciliation monthly and signed off.</p>	<p>30 April 2009</p>	<p>Yanta</p>
<p>Trade and other payables</p> <p>33. I was unable to obtain sufficient appropriate audit evidence, neither were sufficient systems in place to reliably determine the existence, completeness, valuation and rights and obligations of trade and other payables of R30 988 378 included in balance sheet of R43 866 627. I was unable to perform alternative procedures and I could not practicably quantify the possible misstatement of the disclosures contained in the financial statements.</p>	<p>Implementation of the internal control mechanism.</p> <p>Reconciliation monthly and signed off.</p> <p>Safe-keeping of records</p>	<p>30 April 2009</p>	<p>Yanta</p>
<p>Trade and other receivables</p>			

<p>34. Debtors of R128 823 518 as at 30 June 2008 increased with R22 445 742 compared to the previous year debtors of R106 377 776. Included in the R128 823 518 are debtors outstanding for 90 days and longer of R97 527 835, while the provision for bad debts per note 10 to the financial statements were R38 371 377. This is a clear indication that the provision for bad debts was materially understated and debtors subsequently overstated. I was unable to perform alternative procedures to ascertain the reasonableness of the provision due to the lack of systems and an approved policy for the provision of bad debts. Consequently I was unable to satisfy myself as to the accuracy, completeness, rights and obligations existence, and presentation and disclosure of debtors included in note 10 to the financial statements.</p>	<p>Revenue Enhancement Strategy adopted.</p>	<p>30 April 2009</p>	<p>Yanta</p>
<p>35. I was unable to obtain sufficient appropriate audit evidence for sundry debtors of R16 971 066 included in note 10 to the financial statements. I was unable to perform alternative audit procedures due to the lack of systems and documentation. Consequently I could not reliably determine the accuracy, completeness, existence, rights and obligations and presentation and disclosure of sundry debtors included in note 10 to the financial statements.</p>	<p>Safe-keeping of records.</p>	<p>30 April 2009</p>	<p>Igna/ Wietz, Johann and Oosthuizen</p>
<p>Statutory funds, reserves and trust funds</p>			
<p>36. A housing operating account of R299 888 was incorrectly classified as a statutory fund in the balance sheet. This account should have been transferred to the Housing Development Fund in terms of section 15(5) of the Housing Act, 1997 (Act No. 107 of 1997). This fund was also not supported by an investment account resulting in the overstatement of statutory funds and understatement of housing development funds.</p>	<p>Journal entry</p>	<p>30 April 2009</p>	<p>CFO</p>
<p>37. The trust funds included in the balance sheet was overspent with R194 589 and I</p>			

<p>was unable to obtain sufficient appropriate supporting documentation for trust funds written off of R2 578 718. The majority of the expenses were not authorized by the Municipal Manager and the Chief Financial Officer. I was unable to perform alternative audit procedures. Consequently I could not satisfy myself as to the accuracy, completeness, existence, rights and obligations and presentation and disclosure of the trust funds included in the balance sheet.</p>	<p>Journal Entry</p>	<p>30 April 2009</p>	<p>CFO</p>
<p>38. Sufficient concomitant assets for funds and reserves of R18 138 315 and trust funds of (R194 589) included in the balance sheet did not exist. Funds and reserves were not supported by cash and investments due to the bank overdraft of R14.5 million and investments of R1 120 188, resulting in funds and reserves not being backed by any assets.</p>	<p>Journal entry</p>	<p>30 April 2009</p>	<p>CFO</p>
<p>Accumulated surplus</p>			
<p>39. I was unable to obtain sufficient appropriate supporting documentation for prior year adjustments of R3 472 494 included in the accumulated funds of R17 838 427 as the balance sheet. The entity's records did not permit the application of alternative procedures. Consequently I could not reliably determine the completeness, accuracy, rights and obligations and presentation and disclosure of accumulated reserves included in the balance sheet.</p>	<p>Safe-keeping records</p>	<p>30 April 2009</p>	<p>CFO</p>
<p>Bank overdraft</p>			
<p>40. I was unable to obtain sufficient appropriate audit evidence for a journal of R8 875 640 recorded in the bank overdraft of R14.5 million and debtors of R128 823 518 as per the balance sheet. I was unable to perform alternative procedures and could not practicably determine the extent of the possible misstatement in debtors and bank overdraft. Consequently I could not satisfy myself as to the completeness, accuracy, rights and obligations and presentation and disclosure of the bank overdraft included in the balance sheet.</p>		<p>30 April 2009</p>	<p>CFO</p>
<p>Contingent liabilities and contractual</p>			

<p>obligations</p> <p>41. I was unable to obtain sufficient appropriate audit evidence and explanations for the leave liability of R2 227 735 included in note 25 to the financial statements. The entity's system did not allow for the performance of alternative procedures. Consequently I was unable to satisfy myself as to the completeness, accuracy, rights and obligations, existence and presentation and disclosure of the leave liability included in the balance sheet.</p> <p>42. The municipality did not disclose contingent liabilities as per the requirements of the Municipal Finance Officers handbook section B11, paragraph 4. Contingent liabilities for legal cases instituted against the municipality of R750 000 as per legal confirmations was not disclosed as such in note 25 to the financial statements resulting in the incorrect disclosure of contingent liabilities in the notes to the financial statements.</p>	<p>CORRECTION WILL IMPLEMENTED</p> <p>New valuation roll will be as from 01 July 2009</p>	<p>30 April 2009</p> <p>30 April 2009</p>	<p>CFO</p> <p>CFO</p>
<p>Fixed Assets</p> <p>43. Rateable valuation reconciliation was not performed. Consequently I could not identify land registered in the name of the municipality from all areas of the municipality and ensure that this land was listed in the asset register and was valued as per the valuation roles. The extent of the misstatement could not be practicably determined and the entity's records did not permit the performance of alternative procedures. Consequently I was unable to satisfy myself as to the completeness, accuracy, existence, rights and obligations and presentation and disclosure of fixed assets of R3 519 647 included note 6 to the financial statements.</p> <p>44. The municipality did not capitalise finance leases as per the requirements of the Municipal Finance Officers handbook section B12, paragraph 3, resulting in the</p>	<p>Development of finance leases register</p> <p>Monthly reconciliation</p>	<p>30 April 2009</p> <p>30 April 2009</p>	<p>CFO</p> <p>CFO</p>

<p>original decision. Consequently I could not satisfy myself as to the rights and obligations of long term liabilities of R17 421 709 included in note 4 to the financial statements.</p>			
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